

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

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.



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.