

JAL Group Business Plans

Expanded Links and Alliances

Formation and use of links and alliances with other carriers is extremely important for accomplishing the objectives of improvement of both competitiveness and earnings. As the company has a long history of links and alliances, as of May 2001 such relations were in operation with 19 major foreign carriers. Since setting up the framework for cooperation with American Airlines in 1994, JAL has reached agreements regarding mileage plans (frequent flyer programs) and computerized reservation systems. Since the start of code sharing on transpacific flights in 1999, JAL has increased the routes between the U.S.A. and Japan that it offers to customers. Code sharing has enabled JAL to build one of the world's largest route systems, with 1,700 flights weekly over 116 routes as of summer, 2001.

As new arrangements made in fiscal 2000 with European counterparts, JAL and Alitalia are now code sharing on all flights between Japan and Milan and Rome starting in November 2000. Code sharing with Swissair was expanded to include flights between Zurich and Vienna, also from last November. In cooperation with Iberia, Routes to Madrid and Barcelona were added to code sharing flights in order to link with the Tokyo=Amsterdam route operated by JAL, from April 2001. Code sharing with Air France was expanded in June 2000 to include service between Paris and both Copenhagen and Stockholm, and again in April 2001 with the addition of Paris to Hamburg and Dusseldorf.

Increased Flights on Existing Routes; Shifting of Routes

JAL increased daily domestic flights by one arriving and one departing flight on each of nine routes, when the number of slots at Haneda was increased in July 2000. Further, one flight daily between Haneda and Fukuoka (from April), and between Haneda and Okinawa (from June) were added in anticipation of growth of demand. Regarding changes within the JAL Group, J-AIR began operating two 50-seat low-noise CRJ200 jets in keeping with its new strategic task of operating the Group's domestic flights. Further, progress will be made in transferring routes; during fiscal 2001, eleven flights on six routes will be transferred to JTA, JEX and J-AIR.

Flexible modifications have been made in the type of aircraft, number of flights, and routes in response to change in customer demand, with the intention of simultaneously improving the convenience afforded to passengers and improving corporate earnings.

Aircraft planning

While adhering to the basic presumption that the foundation of any air carrier is "safe flight," JAL has sought to exploit the business opportunity presented by increases in slots at Narita and Haneda. To meet this capacity increase, JAL has both improved aircraft and shifted resources to routes showing strong demand, and has constructed a

framework for provision of services that has been made flexible by measures including the use of outsourcing of flights. As plans for fiscal 2001, JAL intends to retire one 747 from international passenger service, and acquire a new 747-400. At Group companies, JTA will replace four B737-200 planes with B737-400s, and J-AIR will replace two Jetstream 31 jets with CRJ200s. At the end of fiscal 2001 the JAL Group fleet as a whole will consist of 176 aircraft.

Medium- and long-term plans include the sale of ten three-engine MD11s during the period from fiscal 2002 to 2004, and replace them with eight two-engine B777-200ERs and two B767-300ER planes. These changes in the fleet composition will increase the number of passenger seats available for our customers while the reduction in the number of types of aircraft we operate will make possible reductions in maintenance costs and aircrew training costs. The net savings will result in an improvement of annual cash flow to the order of ¥10 billion.

Moreover, as a launch customer of the Boeing Company, JAL has contracted to acquire eight B777-300s during the period from 2004 to 2008. These are long-haul aircraft that are comparable to the B747-400 long-distance jet in terms of fuel economy, but perform better in terms of noise and exhaust content, two major environmental considerations.

Formation of an "e-JAL" Group

The company is making progress in forming an e-JAL Group through the application of information technology to relations with customers, relations with vendors, optimization of inter-company relations within the JAL Group, and support for management of the Group as a whole. During the spring of 2002, enterprise resource planning (ERP) system will be adopted in major JAL Group companies as a tool for maintaining access to real-time information and assurance of maneuverability when policy requires it. This will increase the speed and improve the quality of management of the Group by architecting a system that makes instant monitoring of current management conditions in companies of the Group.

As specific measures, in addition to improving the home page of Group companies so that they are more responsive to the diverse needs and requirements of customers, and provide greater convenience to site visitors, greater emphasis will be given to links and alliances with other companies.

In the area of procurement, the company is a participant in Aerexchange, the largest marketplace for the air transport industry, Jet-A.com, an online marketplace for jet fuel, and is making maximum use of supply chain management as part of ongoing efforts to improve business operations.

- Overseas travel arrangements via the Web for the Japanese Market: In addition to forming a holding company for investment by domes-

tic and foreign carriers, JAL through a joint venture with the American Internet company Travelocity.com reached an agreement on starting a company that will offer overseas travel services via the Internet to domestic Japanese customers. A website is to open within 2001 and the company is expected to generate ¥60 billion or more in sales in five years' time.

Improvement of service at the JAL website: In August 2000 the entire website was re-designed. Starting in February 2001, members of the JAL Mileage Bank (JMB) have a page dedicated to services for them. The company has also arranged for one-on-one service for selected products such as e-JMB tours, provision of seat charts for use on online seat selection, JAL domestic (Japan) flight reservations, ticket purchases, and e-payment service via the Bank of Tokyo-Mitsubishi, and a JAL Internet Help desk at the website.

Online services for corporate customers: At the end of February 2000 a hotel reservation function was added to the business-trip software, JAL Online, that JAL makes available to the more than 2,000 companies that have contracted for this service, that is offered within Japan. In addition, a model for use on the worldwide web was constructed and from June 2001 was accessible to all corporate customers.

"e-milenet" begins business activities: a website for JMB members, offering information on flights, travel and general subjects related to daily life, has been opened and has the working objective of encouraging customers to accumulate miles and exchange them for a variety of attractive goods.

Expansion of Runway Capacity at Haneda and Narita Airports

Large-scale expansion of capacity of the metropolitan region's airports is indispensable for improvement of the network between the region and other parts of Japan, and for coping with the growth of demand for air travel. This is a matter of importance to users of regional airports and is not confined to being an issue of the Tokyo region. Apart from this, even though pressure on capacity will be relieved when the interim runway at Narita becomes available in 2002, it is certain that capacity will again become insufficient, because of the continued growth of demand. JAL's position is that expansion of Tokyo region airport capacity is an issue of national importance and one for the entire nation. Moreover, JAL believes that the most appropriate method for resolving the problem of insufficient capacity is for expansion of capacity at Haneda and, with the provision that access between the two airports and between them and central Tokyo be improved, that there be a coordinated management of all flights, international and domestic, at Haneda and Narita.



CRJ200



B-747-400



B-737-400