

# Passenger Operations

## International

With the intention of attaining broad recognition as the carrier of choice by a growing number of customers, JAL has been making strong efforts at increasing service over existing routes and linkage with other carriers through code sharing. Regarding sales promotion, favorable results have been obtained from the Riso'cha campaign, in its seventh year, and the ongoing "Travel that is Felt with the Heart" campaign carried out over a two year period, in 2000 and 2001. Efforts at stimulating demand are being made by expansion of the e-ticketing service, and promotion of e-marketing, as ways to provide greater convenience to customers.

### Business Results for the March 2001 Term

Demand has been strong, overall, for international passenger travel, on the Europe, continental America, Southeast Asia and China routes in particular. The number of passengers carried rose 8.8%. Moreover, demand for executive class travel on Europe routes especially has been strong, contributing to a rise in the average fare paid. Consequently, its income increased to ¥676.1billion.

### Current Term's Highlights

Concerning route management, as new routes Tokyo=Ho Chi Minh City was added in November. Tokyo=Zurich, Nagoya=Tianjin and Osaka=Seoul in April, Tokyo=Seoul in January, in addition to which the number of flights of each route were increased. Also, in April flights between Sapporo, Sendai, Niigata and Hiroshima to Honolulu, and Tokyo, Nagoya and Osaka to Guam, were transferred to JALways. Also transferred to JALways, in October, were flights from Fukuoka to Honolulu and the Tokyo and Osaka to Saipan resort route. These changes were made to enhance efficiency in the

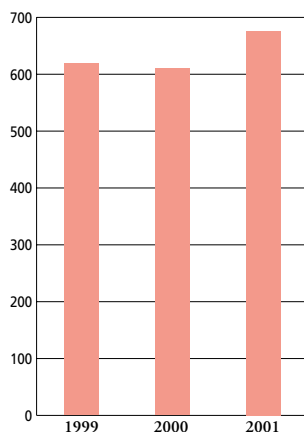
company and improve services for our customers.

Regarding fares, a special rate was introduced for the JAL Goku travel, called Riso'cha Goku 28, and for the first time television commercials were used to advertise Goku fare, as measures to improve the company's discount ticket offerings and further penetrate this part of the market. This activity was done to grow the business by stimulating interest in leisure travel.

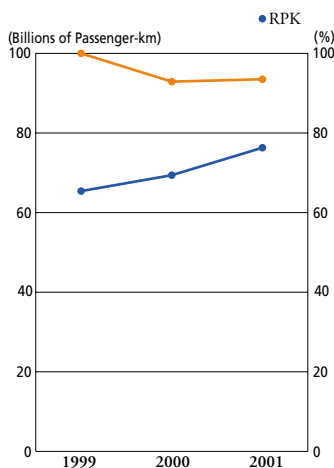
Notable among marketing efforts was the replacement of the Riso'cha that had been introduced in 1994 with the New Riso'cha, in April, and implementing of the Travel that is Felt with the Heart campaign with use of the turn of the century as a focal point. These efforts at increasing tourism demand helped income to increase.

In August, the company carried out four return charter flights from Havana, this being the first time direct service from Japan to that city. Other efforts were made to take advantage of the business opportunities presented by the lifting of restrictions on international charter flight use of Haneda, effective in February.

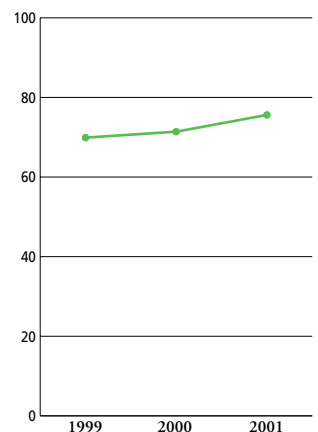
**Consolidated international Passenger Revenues**  
(Billions of Yen)  
Years Ended March 31



**International Revenue Passenger-KM & Yield**  
Years Ended March 31



**Consolidated International Passenger Load Factor**  
(%)  
Years Ended March 31



## Outlook

The JAL Group is making its best efforts at promoting e-business, with the intention of being a leading company in this application of information technology. Starting in May 2000, ticket upgrades and awards given to JAL Mileage Bank members were issued as e-tickets, eliminating the traditional form of ticketing, and from September this was also done for full-fare passengers and discount-ticket buyers such as JAL Goku customers. Because these tickets could also be obtained through the Internet, demand has been extremely high. The e-ticket eliminates such problems as loss or misplacing of a ticket, and has the added advantage of being capable of revision by nothing more than a telephone call. In addition, counter procedures at the airport are completed faster than when a traditional ticket is used. Routes for which this service is available have been expanded from the Honolulu and American continent at the outset, since 2001, to London,

Frankfurt, Guam, Southeast Asian routes, and others. Moreover, regarding the corporate travel market, a system for making and managing hotel reservations, and for business trip regulation management, the BT Planner, was developed for use when planning and making overseas business trips. Starting in the current fiscal year we are promoting use of this system at companies where there is need to improve control over overseas business travel. The use of e-business opportunities such as these is helping to increase corporate earnings.

As to route management, JAL increases or decreases the number of flights according to the profitability of the route in question, and seasonal fluctuation in demand. In order to augment international competitiveness further, the company has promoted the transfer of low-fare flights and particularly flights to nearby Pacific resort destinations, to JALways. This was one of the many measures for improving the effectiveness of management.

### ● Increased Service on the Tokyo–Seoul Route

Service between Tokyo and Seoul, which had been seven flights weekly, was increased in several steps starting in January 2001, to ten a week as of February 5, 2001. The improvement was made in response to increasing demand for passenger service on that route. The company is working to further expand Japan-Korea relations in advance of the joint sponsorship of the World Cup soccer games in 2002.



### ● New Service Between Tokyo and Ho Chi Minh city

Direct flights between Tokyo and Ho Chi Minh City (Vietnam) were inaugurated on November 2, 2000. The company has provided service between Osaka and Ho Chi Minh City since November 1994, and the number of Japanese visiting Vietnam has been increasing every year. This new service between Tokyo and Ho Chi Minh City increases the convenience of travel to Vietnam.



### ● JALways Becomes a Fully Owned Subsidiary

The company had held 80% of the stock in JALways, a low-cost operator specialized in resort route service. Through an exchange of shares, the company was made into a fully-owned subsidiary as of March 9, 2001. This change made in order to consolidate management and improve management of JAL group air operations, will contribute to improved business performance through augmented coordination of JAL Group air service, and through more flexible and efficient international passenger operations.



### ● Expansion of Code Sharing

Code sharing is being used to expand the route network as a means of improving the convenience afforded to customers, it now includes American Airlines, Swissair, Iberia, Air France and Vietnam Airlines. Starting in November 2000 all Japan-Italy flights have been operated on a code-sharing basis with Alitalia.



# Passenger Operations

## Domestic

Competition has been promoted and demand has been stimulated by the substantial increase in flexibility in setting fares, as a consequence of the revision of the Civil Aviation Law (effective February 2000) and the entry of new carriers to the industry. To turn the business opportunities presented by these changes to advantage, JAL has broadened the range of choice offered to customers, by diversifying the fare schedules, and has sought through this to both stimulate demand and improve the company's competitiveness. The company has been aggressive in being the first in Japan to offer Internet fares (e-discount), and a discount of up to a maximum 66% for advance purchase of tickets for Tokyo=Fukuoka and Tokyo=Sapporo flights. Further, the company has implemented a variety of campaigns on behalf of the worldwide total of 8,700,000 members of the JAL Mileage Bank (as of the end of fiscal 2000) in order to support marketing efforts and increase income.

### Operating Results for the March 2001 Term

Demand, despite tourism having been impacted by the eruption of Mt. Usuzan during the first half, and by the Okinawa Summit during the summer, showed an increase of 0.6%, reflecting the influence on personal travel of changes in discounting, including the introduction of e-discounts, starting in April. There thus was essentially no change year to year. Because of an increase in the average ticket purchase amount, an increase of 6.3% was recorded for domestic passenger income.

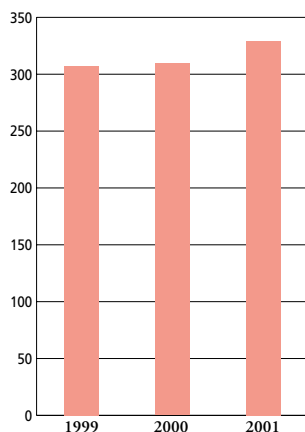
### The Year's Highlights

Starting in March 2000, runway B at Haneda, having a length of 2,500 meters and width of 60 meters, was opened for use; it is 380 meters on the Tokyo Bay side of the airport. A taxiway was built in

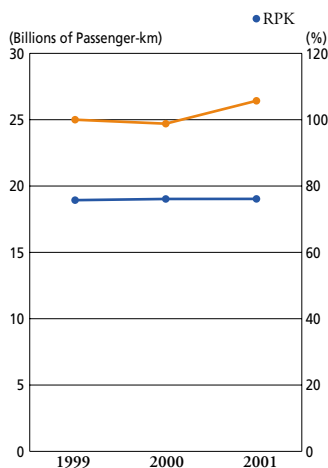
conjunction with the transfer to the new runway. From July 1, in accordance with the increase in slots, JAL increased flights on nine routes by one arrival and one departure flight a day.

As to route management, when the slots at Haneda were increased in July, the number of daily flights between Haneda and Akita, Komatsu, Itami, Kansai, Hiroshima, Matsuyama, Nagasaki, Miyazaki and Kagoshima were increased, providing a stronger foundation for route management. At the same time, on the routes from Haneda to Kansai and to Itami, the three carriers (JAL, ANA, JAS) operating flights between those cities jointly initiated a shuttle service. The cooperating companies share publicity and home page responsibilities as part of the effort to build traffic. This is the first instance of shuttle flights in Japan. Subsequent to revision of the Civil Aviation Law, domestic charter flights for purposes of tourism were autho-

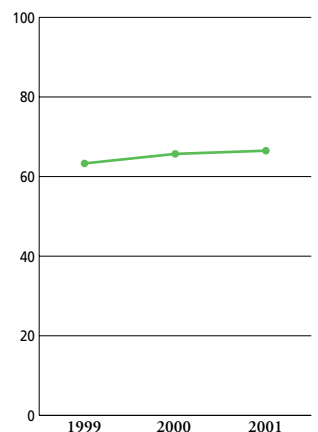
**Consolidated Domestic Passenger Revenues**  
(Billions of Yen)  
Years Ended March 31



**Domestic Revenue Passenger-KM & Yield**  
Years Ended March 31



**Consolidated Domestic Passenger Load Factor**  
(%)  
Years Ended March 31



rized; JAL operated about 70 such flights. Another accomplishment that increased flexibility in use of aircraft to meet changes in market demand have been the transfer of B737s to JAL Express, and the transfer of some Kansai=Okinawa flights to Japan TransOcean Air; these changes have improved efficiency in route management and made a contribution to profitability.

Regarding fares, efforts at stimulating demand and improving profitability were made by introducing Japan's first Internet discount (e-discount), creating a "Mini-Group Advance Sales" discount for families that wish to travel for a summer vacation, and diversification of fares.

In the marketing area, as a means of stimulating tourism demand, in addition to implementing the JAL Okinawa Campaign, JAL Active Hokkaido Campaign and the like, efforts continued at promoting the popular Tokyo Disneyland tour, JAL Magical Fantasy Tour to stimulate demand for travel from regional areas.

### Outlook

The year 2001, corresponding to the fiftieth year since the founding of the company, coincides with the centennial of the birth of Walt Disney; this combination is the basis of the JAL Dream Express 21 campaign which is being offered to stimulate travel from regional

locations in Japan and add to earnings.

Regarding e-business, the JAL home page underwent a thorough renewal and starting in February 2001 domestic customers have been able to make reservations and buy tickets on line, paying for them by means of bank transfers, and to reserve seats. A JMB member's page offers access to one-on-one services including tour planning. It also has been made possible for almost all users of mobile phones whether they are JMB members or not, to make reservations and make payment by means of credit cards. The company has also benefited by the heavy use of a new web site jointly sponsored by domestic carriers.

Corporate customers have been provided with additional services through the JAL Online software support accessible by more than 2,000 contracted corporate customers. JAL added hotel reservation and multi-trip ticket sales functions to the site. Further development of a new model for the Web made it possible for the service to be used by any company at all, from June 2001. Response to this has been good.

JAL is confident that carrying out comprehensive measures such as these is contributing to greater competitiveness in the domestic market.

#### ● JAL Implements Its Dream Express 21 Campaign

JAL's 50th anniversary, and the centennial of Walt Disney's birth, were the occasions for the start of JAL's Dream Express 21 campaign. Six aircraft flown on domestic routes were decorated with paintings of Disney characters and will be placed in use by the end of the year. Elementary schoolchildren were invited to write their own stories for use as the basis of designs for one of the planes; this has elicited a strong response.



#### ● Participation in a Web-Based Company Established by Domestic Carriers

Japan's three major domestic airlines, JAL, ANA and JAS, joined in the formation of Kokunaisen.com in November 2000, with the objective of offering Internet ticketing, which means domestic routes.com in Japanese starting in July 2001. This joint website provides schedules, seat availability and fares for the three companies and their affiliates. Tickets can be bought online by use of credit cards. This service was greeted favorably by our customers.



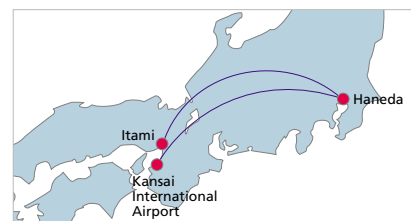
#### ● Flights Increased on Nine Routes at Haneda

Coinciding with the runway expansion at Haneda, JAL added one flight daily on nine domestic routes, serving Akita, Hiroshima, Kagoshima and other cities. The augmented service started in July 2000. This increase in the range of flight times provided additional convenience to travelers and improved competitiveness in the domestic market. The change has proven highly valuable in stimulating demand and contributing to the regional economies and communities served.



#### ● Three Carriers Inaugurate Tokyo=Osaka Shuttle Service

To stimulate air travel demand between Tokyo and Osaka, shuttle service operated jointly by JAL, ANA and JAS, between Haneda and both Itami and Kansai International Airport was begun in July 2000. Three additional round-trip services between these two routes were jointly added to the present service. At the same time, schedules were adjusted so as to increase load factors. The significant improvement in convenience resulted in a big increase in the number of passengers carried.



# Cargo Operations

To satisfy the diversifying requirements of cargo owners and forwarders, who are giving more attention to supply chain management and e-commerce fulfillment, JAL created an in-house cargo company in April 2000. Subsequently, an Information Technology Planning Office was established. The new cargo marketing company, JAL Cargo Sales, began business operations in Japan. IT application has made it possible for the company to offer its range of time-related J-PRODUCTS highly value added cargo services at 31 main airports in the world, as an example of dynamic approach to business that exploits the whole of the Group's strengths.

## Operating Results for the March 2001 Term

International cargo service demand, led by personal computers, semiconductor-related shipments, and fresh foods, remained strong during the first half with regard to both incoming and outgoing cargo. During the second half, the influence of slowing of the American economy led to soft demand for shipments from Southeast Asia and Japan to American destinations, and Japanese shipments to Southeast Asian destinations. As a result, volume carried during the entire year rose 1.0% year on year while income rose 3.0% to ¥155.7 billion.

Domestic cargo service demand was strong during the first half, especially with regard to both parcel delivery service and general cargo, but during the second half there was a drop in fresh food shipments from production areas and for the entire year volume fell 0.7%, while income declined 2.1% year on year to ¥28.2 billion.

## Highlights of the Term

In order to respond to the requirements of global strategy seeking optimal location of production, the JAL Group has offered timely, high-priority transport service and has developed products for the supply of the latest transport-related information. From April 2000 the Cargo Company was made through combining Head Office Planning, Administration and Systems departments, Narita Cargo Branch, and Cargo Sales Company, while the Cargo Sales Company was spun off as JAL Cargo Sales, a subsidiary that would begin business operations from fiscal 2001. Separation of this company serves to improve marketing capability and to facilitate the development of experts in this field.

Concerning route management, capacity was increased by addition of cargo flights on the Tokyo=Shanghai cargo route (in April) and the company's tenth B747-200 freighter on the Tokyo=Los Angeles route (from December). The number of flights on the Tokyo=Los Angeles route was increased. Besides these additions, through code sharing arrangements with Northwest Airlines, transpacific cargo flights were made with code sharing as of September, and cooperation started on Southeast Asian routes. Moreover, code sharing was expanded with Singapore Airlines, Lufthansa Cargo AG and SAS, further adding to the convenience offered to customers.

In the area of transport services, Narita Cargo branch which had

obtained ISO9001 certification for handling export, import and inland cargo, was additionally certified for handling mail in March. In the same month, the company's Kansai International Airport branch also obtained ISO9001 certification for export, import and inland cargo and mail. In keeping with the redevelopment of the cargo area at Narita capacity was increased by 15% in order to accommodate growth of demand.

Following upon fare deregulation in Japan as provided by revision of the Civil Aviation Law, the cargo rate tariffs were modified on the basis of transport distance and made easier for customers to understand.

## Outlook

JAL is augmenting its ability to respond to the requirements of cargo owners who are pursuing zero-inventory and geographic optimization of production policies as part of their global strategy, and is improving its third-party logistics capability on behalf of forwarders. These are part of the company's approach to dealing with increased demand for air cargo. JAL offers a suite of J-PRODUCTS, J-SPEED, that provides high-priority delivery of small parcels, J-FREIGHT, that provides delivery service of large items, and J-SPECIAL, that provides satisfaction-assured delivery of works of art, semiconductor devices or other goods that require very-special handling. J-PRODUCTS are provided with freight information services for which state-of-the-art information technology is used: JTR, and FZE and have been highly acclaimed by the company's customers. The range of J-PRODUCTS will be enlarged to comply with requirements of users for safe, swift, certain transport services, and in future versions the value added will be enhanced, so that increased contributions to earnings are expected.

Regarding domestic freight, the company intends to increase the number of flights, and make use of the cargo space of the passenger plane B777-300s (that are idle at night) as means of coping with the increase in demand.

JAL also plans to use the business model for domestic freight business -- for which a patent application has been filed -- to form a Domestic Air Freight Business Processing Network, that will contribute to the company's maintenance of leadership in the industry.

# Other Operations

Other than its core business of air transportation, JAL possesses as accounting segments air transport related operations, travel services, and hotel and resort operations. The Group is making its best-possible effort at growing these operations, improving their efficiency, and enhancing their profitability. Further improvement is planned for clarification of the locus of responsibility and monitoring in each company of the Group through use of ERP, in addition to carrying out swift and accurate control of forecasts and results, and making improvements in the performance evaluation systems.

## Air Transport Related Operations ("Other" segment in financial section)

In comparison to the end of March 2000, the number of holders of cards issued by JAL Card had increased 16%. This rapid increase is one sign of the rate of growth of demand for air travel. Sales rose 8.6% year on year to ¥421.3 billion while operating profits were higher by 35.0%, at ¥14.0 billion.

## Travel Services

The number of persons using services provided by Jalpak rose 9% and demand for overseas travel remained strong. Declines in unit

price, however, held the year's growth of sales to 4.9%, at ¥367.1 billion. Operating profits declined by ¥0.9 billion to ¥1.5 billion.

## Hotel and Resort Operations

JAL Hotels has recorded favorable growth of income from hotels under its management, especially in Southeast Asia, in keeping with the increase in international travel. Work is advancing in the improvement of the management of individual hotels. As a result of normalization of business risk, and cost reduction, profitability has been improved, and sales increased 4.6% to ¥42.8 billion but operating profits rose 39.2% to ¥2.4 billion.

### ● JAL Trading Changes Name to JALUX

JAL's subsidiary, JAL Trading, changed its name to JALUX, effective, as of March 28, 2001. The timing coincided with the thirty-ninth anniversary of the founding of the company. Lux is Latin for light. The change was part of preparations for a public offering of equity in the company, planned for fiscal 2001.



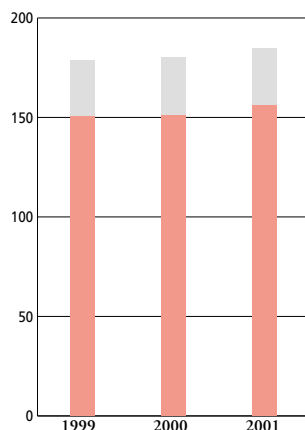
### ● "Furari" Brand Added to JAL Story's Domestic Products

JAL Story that already succeeded in establishing the brand name JAL Story in the domestic tour market introduced a new brand, Furari, in April 2001. The connotation of the brand name, "simply, easily, economical," is the concept for travel products intended for customers from the teenage bracket to families with parents in their 40s. The two brands widened the range of customers for JAL Story products.



## Consolidated Cargo Revenues

(Billions of Yen) ■ International ■ Domestic  
Years Ended March 31



### ● JAL Cargo Sales, a New Subsidiary

The freight marketing division was spun off in January 2001 as a fully owned subsidiary, JAL Cargo Sales. The new company began operations April 1. Separation of this division has the objectives of localizing business responsibility to a greater extent, and of improving competitiveness.



### ● Cooperation with Northwest Airlines for Freight Operations

A cooperative agreement was made with Northwest Airlines for freight service, as of September 1, 2000, whereby cargo flights on the Seoul and Taipei routes are operated on a cooperative basis, and cargo aircraft code sharing was begun on transpacific flights. These changes have in effect added cargo space to the company's aircraft and have improved the convenience of service offered to customers through use of part of Northwest cargo space.

