

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.

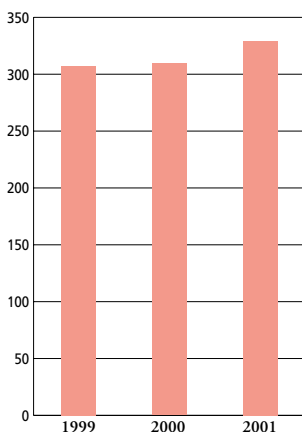
The Year's Highlights

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

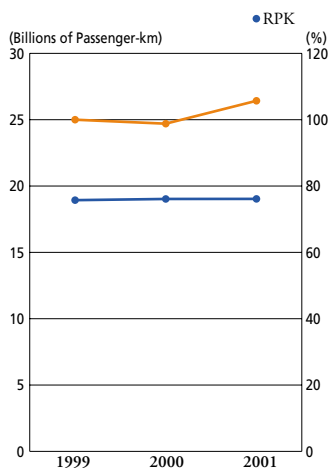
conjunction with the transfer to the new runway. From July 1, in accordance with the increase in slots, JAL increased flights on nine routes by one arrival and one departure flight a day.

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-

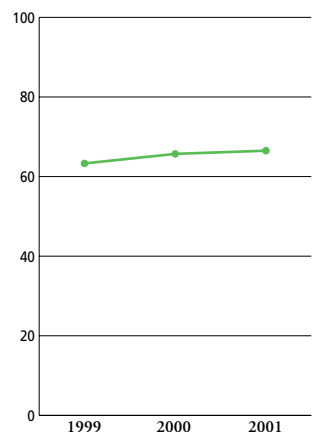
Consolidated Domestic Passenger Revenues
(Billions of Yen)
Years Ended March 31



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.

