

> Strategies and Policies

The Birth of a New Corporate Group

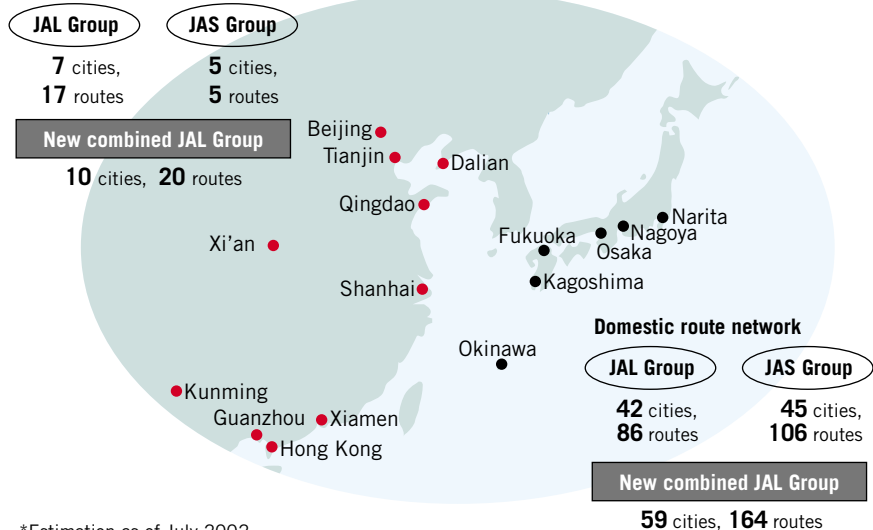
Maximum Realization of Synergy Between JAS and JAL

The further removal of obstacles for the provision of domestic air services in Japan is expected in the near future, including the expansion of Haneda Airport in or around 2010. In international operations, expanded demand is projected as a result of the start of operations of the second runway at Narita in 2002 and of the new Chubu airport in 2005 or thereabouts. By optimally exploiting the synergy that will result from the integration of the two airlines' operations, the new corporate group will realize improved global competitiveness and stable business operations, and will seize every promising business opportunity.

Operations ancillary to the air transport business carried out by group companies will be reexamined and reorganized to avoid redundancy and build a system capable of delivering high-quality service at a low cost. For Group companies whose business links with the parent company's airline operations are more tenuous, we have higher ambitions than merely seeking synergy with the Group: we aim to develop the competitiveness of these firms in the general marketplace with the eventual goal of implementing IPOs.

The largest network between Japan and China Connecting 6 cities in Japan with 10 cities in China 158 flights including 21 joint-flights*

Routes between Japan and China



Operational Strategies

International passenger operations

The JAL Group is focusing its management resources on high-demand routes such as long-haul flights to European and trans-Pacific destinations. On Asian routes, we boast the most extensive network in Southeast Asia, and are building a superior position in the promising Japan-China market. On routes where the weight of demand is on budget-price travel, such as to Asian destinations and holiday resort centers, we intend to make even more use of cost-competitive affiliate companies to improve our earnings. Moreover, by expanding our network of business tie-ups, we hope to simultaneously improve customer convenience and assure ourselves of steady profits.

Domestic passenger operations

The domestic passenger operations network of the JAL Group following the integration with JAS will be of a scale allowing effective competition with Japan's leading domestic passenger transport airline, All Nippon Airways (ANA). The JAL Group will present more effective competition with ANA by providing greater customer convenience in the design of its flight schedule and the setting of airfares. Specifically, we will adjust flight schedules and types of aircraft on major routes to most efficiently serve the needs of each particular route, while also aggressively challenging ANA or other rivals on routes where they have hitherto enjoyed a monopoly, particularly by scheduling a sufficient number of flights per day. We will increase the

Amid a business environment of increasingly fierce competition on a global scale, the integration of the JAL and JAS Groups will enable them to optimally leverage their respective strengths, and raise the efficiency of their operations by eliminating overlapping operations.



number of flights on routes where there are only a few at present, thereby exploiting hitherto untapped demand.

Cargo transport operations

The onward march of information technology and the growing globalization of business activity is forcing companies in every field to offer increasingly value-added services on a worldwide scale. To meet these users' needs in the cargo transport field, we are expanding our network of cargo flights and supporting facilities. We aim to offer not only a fast response to user requests, but also a more varied and finely tailored menu of services.

Customer services

All members of the newly formed JAL Group will make concerted efforts to

provide improved services for maximum customer convenience. Flight schedules will be upgraded to provide more flights, as well as evening out the time gaps between flights and shortening connection times. In addition, we will actively compete with other carriers on routes where they have had a monopoly, deploy a unified brand image in effective marketing of Group services, standardize service quality criteria, and develop new services.

To maximize the benefits of the integration of the business operations of JAL and JAS, we must also establish unified computer systems as quickly as possible, including systems for reserving seats and ticketing, as well as enterprise resource planning (ERP) and earnings analysis systems (EAS). The integration of the two airlines' seat reservation, ticket issuance,

and check-in systems is essential to retaining customer loyalty. Moreover, by adopting state-of-the-art ERP and EAS, we will facilitate fast and precise Group-wide management decisions by the holding company. Computer systems will also be integrated in the flight operations and maintenance fields with the goal of realizing greatly improved customer service and stronger competitiveness.