



JAL HOLDING COMPANY AND MAIN BUSINESS UNITS TO INTEGRATE

-UNIFICATION AND REFORM KEY ELEMENTS OF NEW MEDIUM RANGE PLAN-

Tokyo, February 4: The JAL Group announced today that the key elements of the group's new medium range plan for the three-year period April 2005 through March 2008 would be the unification at the earliest opportunity of the group's holding company with key business units and a wide-ranging management reform programme. The unification target is by the end of FY2006.

Currently, the main companies in Asia's biggest air transport group are the holding company, Japan Airlines Corporation, two major airlines – JAL International and JAL Domestic – and a group sales company, JAL Sales.

Following the integration of Japan Airlines and Japan Air Systems (JAS), which took from October 2002 to April 2004, the group has concentrated on enhancing collective strength and corporate value. But this has been negatively impacted by a series of adverse global events: terrorism, the war in Iraq, SARS outbreaks and most recently by record-breaking fuel prices.

In addition, market structure is undergoing change due the low birth rate and the aging society in Japan, JAL's traditional market. Accordingly the company feels that its medium range business plan must respond to the development of the steadily growing Asia and China markets and airport expansion at the key airports in the Tokyo metropolitan area, Haneda and Narita.

Under a streamlined administrative structure, the new organisation will be capable of flexibly coping with the continued upheaval in the international business environment.

JAL plans to announce more details in March in the full version of the new medium range plan, including drastic business re-structuring, cost structure reform, and measures for increased financial stability.

Fundamental Features of the Medium Range Plan.

- The JAL Group will aim at providing simplified, easy to understand products and services for customer convenience
- The main sales focus will be on significant growth markets
- There will be expansion of out-sourcing especially to overseas locations
- JAL will rationalize the number of aircraft types and aircraft configurations and develop its fleet of small aircraft.
- The group will expand use of IT to simplify the business process

Management Structure Reforms

- Unification of the holding company and the business units will be pursued as soon as possible with the end of FY2006 as a target, to speed up decision-making and improve communication between head office and service branches.

- From FY2005 Corporate planning and marketing functions, now separated among group companies to some extent, will be unified to eliminate job duplication, in practice creating a single company structure.
- In 2005 the JAL Group will reduce the number of board members and executive officer positions by 30 percent
- From the end of FY2004 the special retirement payments for board members and executive officers will be abolished.
- (NOTE: as a special measure the salaries of board members and executive officers will be cut by 20-35% in FY2005)

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