



Japan Airlines Corporation



FY2007 – 2010

JAL Group Medium Term Revival Plan

February 6, 2007

Notice



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1. FY2007 - 2010 JAL Group Medium Term Revival Plan

2. Financial Target for Medium Term Revival Plan

3. Appendix

Our Determination and Commitment for Revival



- We are committed to implementing the measures of this Medium Term Revival Plan
- We will make every groupwide effort to regain trust and to revive JAL

✧ **FY2010 Stable growth - The airline of customers' first choice -**
— Consolidated operating income target: ¥88bln —

✧ **FY2009 Complete restructuring of our business foundation**

✧ **FY2007 The last chance for self-turnaround**
Solidify our business foundation and be aggressive
— Consolidated operating income target: ¥30bln+ —



Will not achieve FY2006 operating income target of ¥17 bln Forecast: ¥13bln

Background of the Medium Term Revival Plan

- The biggest challenge - Restructure our business foundation to generate stable profits under the slowdown in operating revenues growth
- Measures required to overcome the challenge
 - Drastic fixed cost cut
 - Optimization of fleet size
 - Targeting of high-yield customers
 - Reduction of huge debts
 - Counter-measures to combat highly volatile fuel price

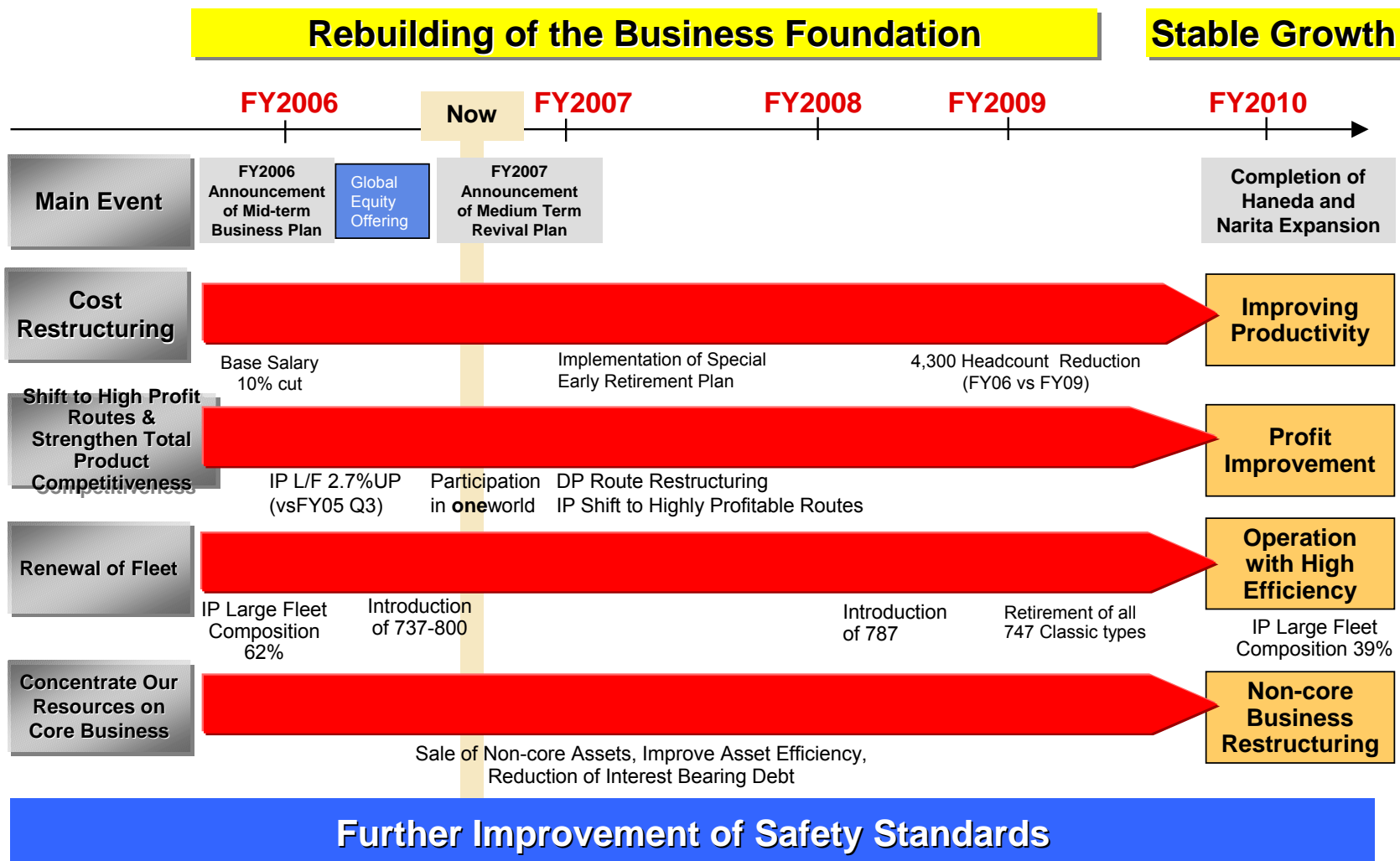


Outline of Medium Term Revival Plan

- Enhance profitability by cost restructuring
- Downsize our fleet and strengthen our competitive edge through fleet renewal
- Shift to highly profitable routes and strengthen total product competitiveness
- Concentrate our resources on air transportation business~ enhance asset efficiency ~

Further Improvement of Safety Standards

Roadmap of the Medium Term Revival Plan



Medium Term Revival Plan Overview



- I. Enhance profitability by cost restructuring**
 - 1. Drastic wage cut**
 - 2. Headcount reduction**
 - 3. Fuel cost measures**
- II. Downsize our fleet and strengthen competitive edge by fleet renewal**
 - 1. Fleet renewal plan**
 - 2. Improvement of L/F by fleet downsizing**
 - 3. Financial improvement effect by fleet downsizing**
- III. Shift to highly profitable routes and strengthen total product competitiveness**
 - 1. Shift to high profit routes and fleet optimization**
 - 2. Strengthen total product competitiveness**
 - 3. Premium customer strategy**
 - 4. New development of cargo business**
- IV. Concentrate our resources on air transportation**
 - 1. Restructuring of non-core businesses**

I. Enhance Profitability by Cost Restructuring

Drastic Wage Cut



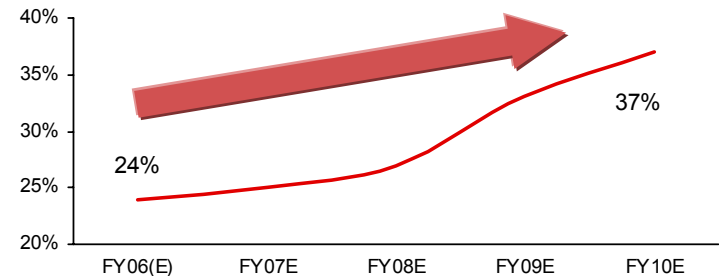
✧ Reduction of ¥50 bln Consolidated Total Wage Cost

Measures for Wage Cost Cut

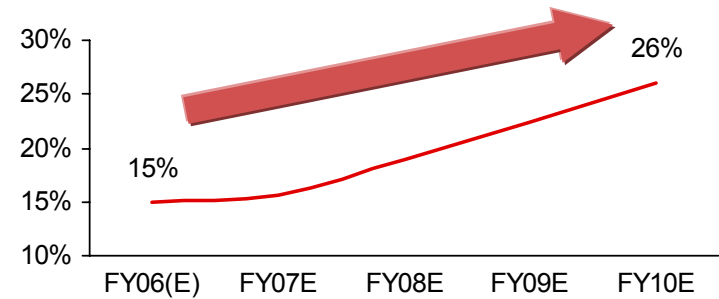
- Groupwide headcount reduction (See next page)
- Implementation of special early retirement plan
- Reduction of retirement benefit expenses by revision of the pension-related system
- Reduction of bonuses
- Continued change of base salary (10% cut)

✧ Promotion of Low Cost Operations

- Percentage of flights operated by JAZ+JEX* in IP



- Percentage of flights operated by JAIR+JEX* in DP



Note: JAZ=JAL Ways, JEX=JAL Express

* Operating costs are approx. 10% lower than JAL

I. Enhance Profitability by Cost Restructuring Headcount Reduction



✧ **Consolidated Headcount Reduction : 4,300 (FY06 FY09)**

Measures for Personnel Reduction

Employee productivity 10% up } ▲4,300 employees
Restructuring of non-core business } (FY06 FY09)

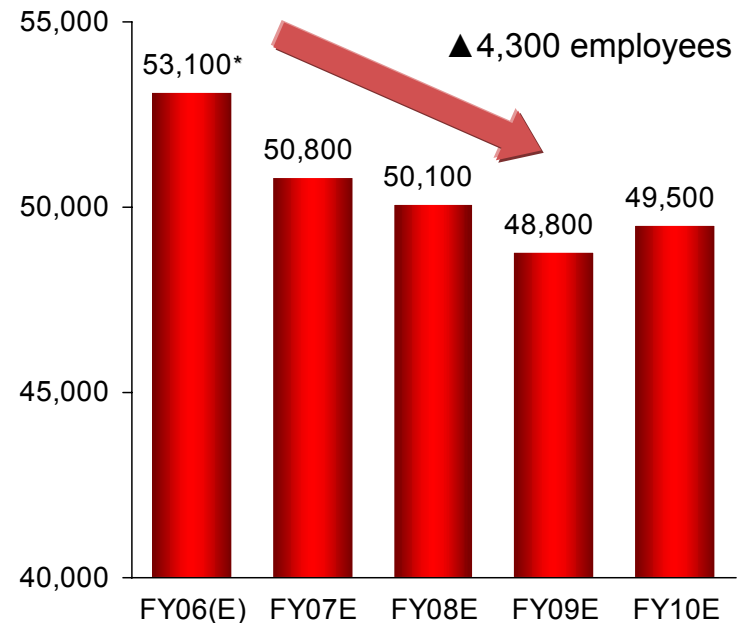
3,500 employees reduction through 10% improvement of employee productivity (including special early retirement plan)

[Flight/Cabin]	10% improvement of crew utilization
[Terminal/Cargo]	Process simplification and Toyota Production System
[Booking/Ticket]	System simplification and Toyota Production System
[Headquarter]	Small headquarter administration staff 10% cut

We will implement these measures without reduction of people working for safety

Consolidated Headcount Reduction Target

(# of employees)



Medium Term Revival Plan

*Sale of Non-core Assets is not deducted

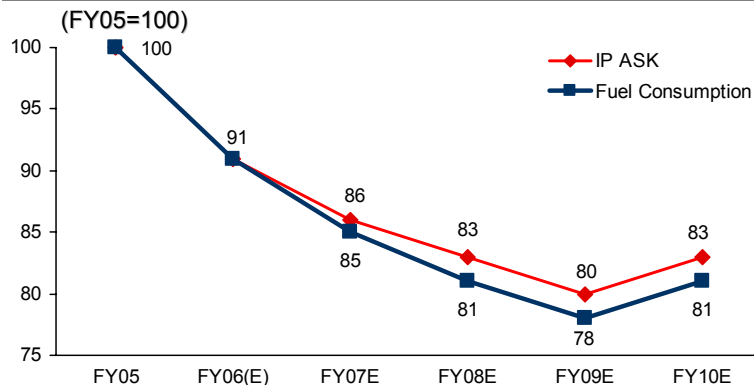
I. Enhance Profitability by Cost Restructuring

Fuel Cost Measures

Measures for Fuel Cost Reduction

- Fuel cost reduction by renewal of fleet
- Flexible and proactive hedging policy responding to fuel market price fluctuation
- Long-term procurement agreements with oil development & refinery company (AOC Holdings) through equity investment

Reduction of Fuel Usage (IP)

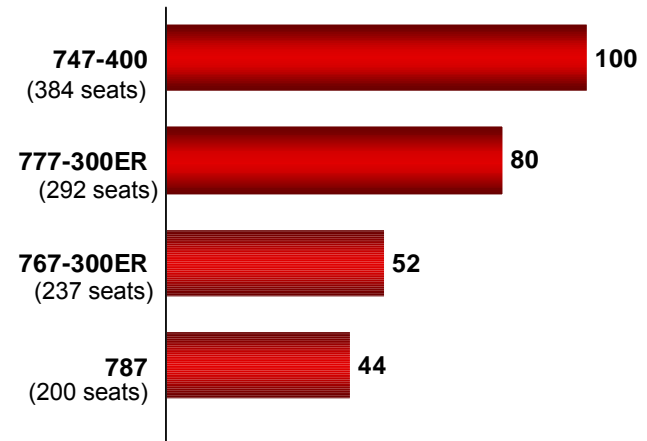


Medium Term Revival Plan

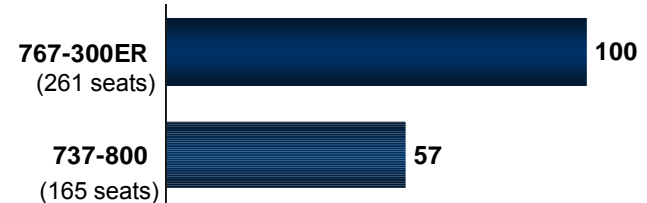
Comparison of Fuel Consumption by Fleet Type

()=standard number of seats

International fleet



Domestic fleet



¹ For international fleet, fuel consumption of 747-400 flying 4,000nm =100.
For domestic fleet, fuel consumption of 767-300ER flying 1,000nm =100.

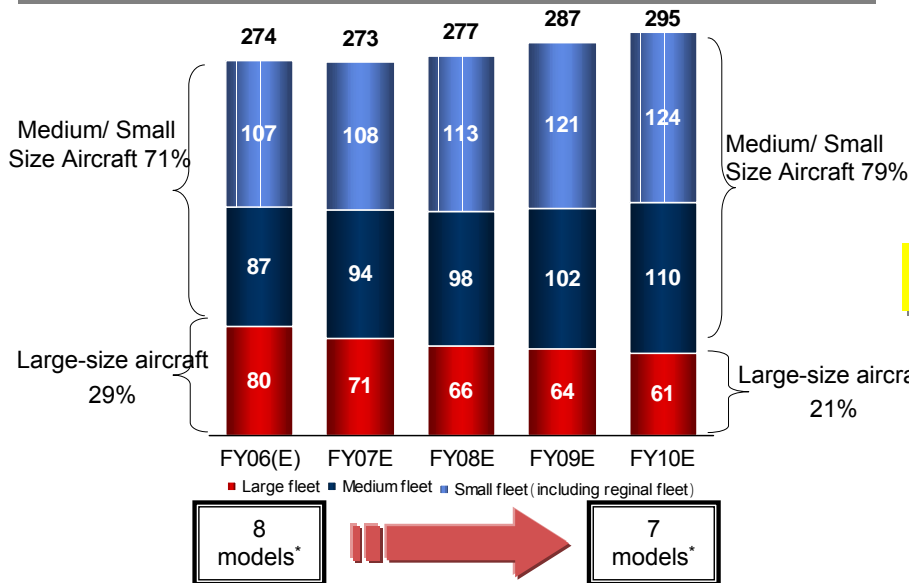
II. Downsize Our Fleet and Strengthen Competitive Edge by Fleet Renewal

Fleet Renewal Plan



✧ Enhance convenience by increasing number of flights and improve fuel efficiency by introducing highly economical fleet

Aggressive Introduction of Medium/Small Size Aircraft and Accelerate Retirement of Older Aircraft



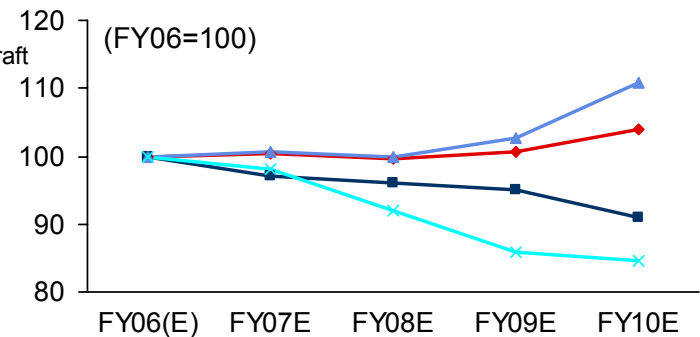
- Start introduction: 787(FY08 ~), New regional jet (FY08 ~)
- Complete retirement: MD87(FY07), 747(FY09), MD81(FY10)
- Start retirement: 767(FY08 ~), 737-400/747-400 (FY10 ~)
- Introduction: 85 aircraft
- Retirement: 64 aircraft

Note: International passenger operations fleet plan, Domestic passenger operations fleet plan, see appendix for large/medium/small fleet breakdown

Improvement of Fuel Efficiency

- 14% improvement of fuel efficiency by introduction of state-of-the-art aircraft to fleet
- Fuel Cost (Air transportation)
FY06 FY09 ¥18 bln
FY06 FY10 ¥8 bln

Seats Per Flight



Medium Term Revival Plan

- ◆ # of DP flights
- ◆ # of IP flights
- Seats per DP flight
- ◆ Seats per IP flight

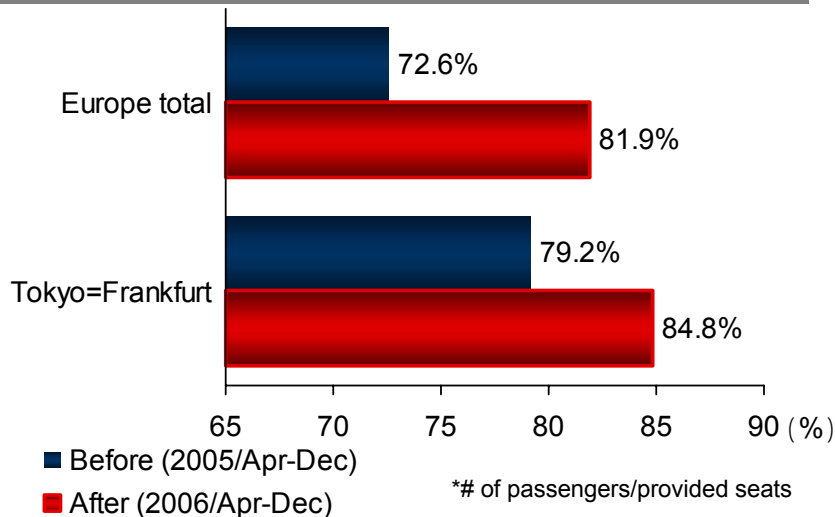
II. Downsize Our Fleet and Strengthen Competitive Edge by Fleet Renewal

Improvement of L/F by Fleet Downsizing

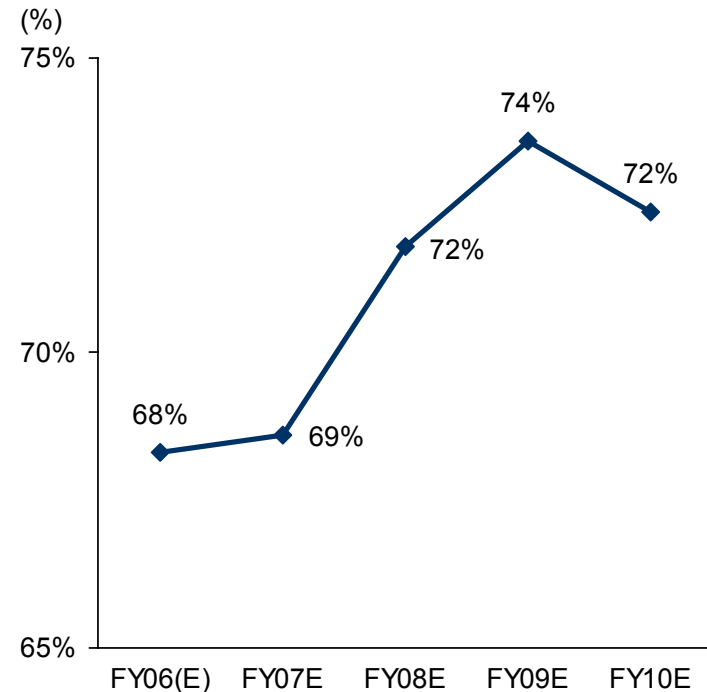


✧ IP Percentage of large fleets FY06 58% FY10 39%

L/F* Improvement Effects



Improvement of L/F



Introducing State-of-the-art 737-800 to High Growth Routes

FY07 Main fleet downsizing routes (767 737-800)

- Osaka=Dalian
- Osaka=Qingdao
- Osaka=Hangzhou
- Osaka=Hanoi
- Osaka=Guangzhou

Medium Term Revival Plan

—◆— IP

II. Downsize Our Fleet and Strengthen Competitive Edge by Fleet Renewal

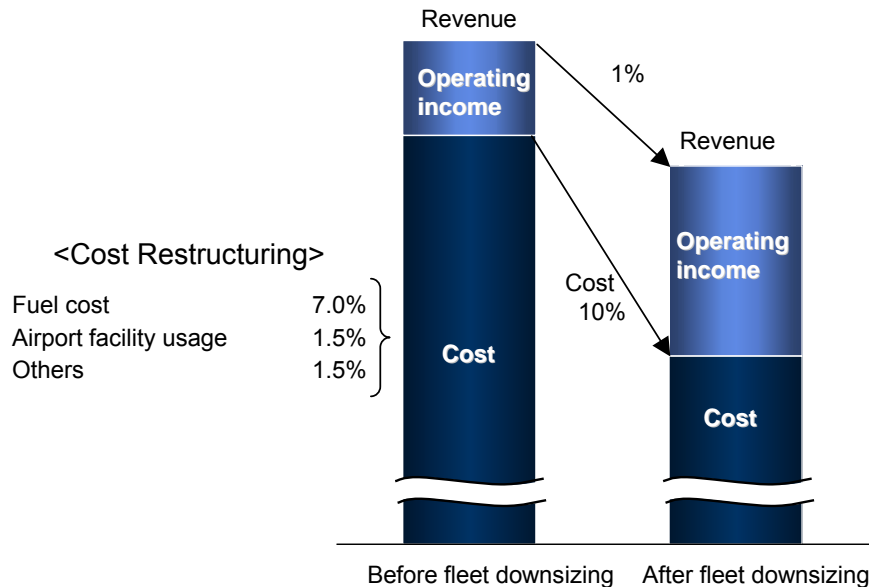
Financial Improvement by Fleet Downsizing



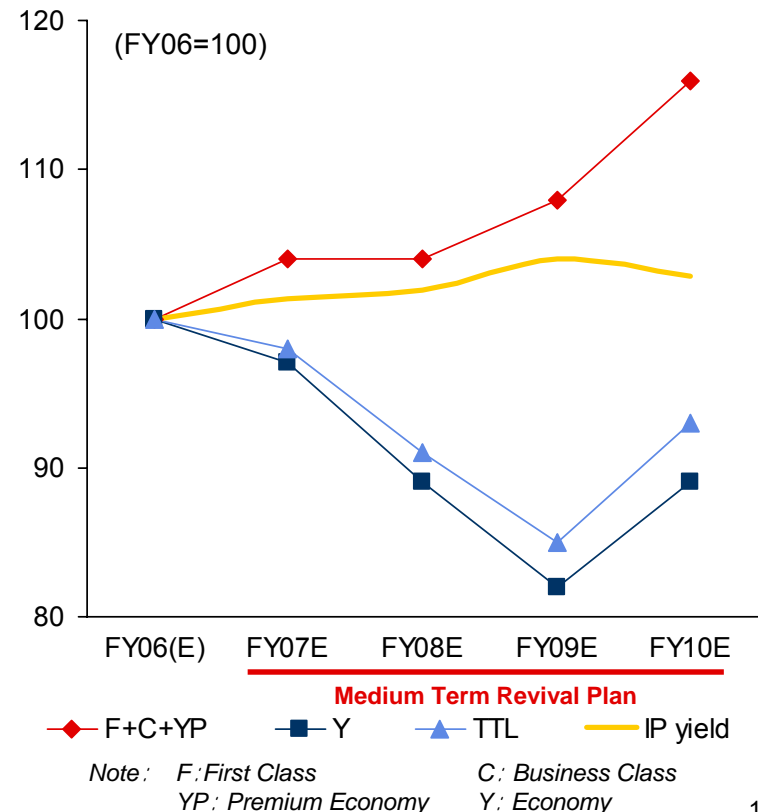
✧ Available seats for business demand will increase and yield will improve, while entire available seats will decrease

Cost Restructuring Effects by Fleet Downsizing

- Model case: Europe route
 - 747-400 (325 seats) 777-300ER (292 seats)
 - Profitability improvement effect of approx. ¥1.5-2.0bln per year/per route



Effective Seat Supply by Changing Class Mix (Available Seat: FY06 as 100)



III. Shift to Highly Profitable Routes and Strengthen Total Product Competitiveness

Shift to High Profit Routes and Fleet Optimization



International Passenger - Shift to High Profitable Routes – ASK FY09/FY05 -20.4%

- Expanding percentage of China routes
 - FY06 27% FY10 33%
- Further expansion of routes: India, Vietnam and Russia

Increased Flights (FY07 announced)

- Tokyo=NY 10 → 13 flights per week
- Tokyo=Paris 10 → 14 flights per week
- Tokyo=Moscow 2 → 3 flights per week
- Tokyo=Delhi 4 → 5 flights per week
- Osaka=Hangzhou/Dalian/Qingdao/Hanoi

Suspended/Reduced Routes/Flights (FY07 announced)

- Tokyo=Zurich 3 per week → suspend
- Tokyo=Hong Kong 21 → 17 per week
- Tokyo=Guangzhou 14 → 11 per week
- Osaka=Brisbane=Sydney 7 per week → suspend

■ Operating income improvement effect: approx. ¥7.0bln

Domestic Passenger - Review Unprofitable Routes Without Exceptions – ASK FY09/FY06 -3.3%

- Optimal fleet allocation by utilization of Airflite
 - Approx. ¥4.0bln operating income improvement
- The largest revision of routes and flights

Reduced Flights (FY07 announced)

- Nagoya (Komaki)=Kochi 3 → 2 per day
- Nagoya (Chubu)=Sapporo 7 → 6 per day
- Nagoya (Chubu)=Fukuoka 6 → 4 per day
- Nagoya (Chubu)=Kagoshima 4 → 3 per day
- Sendai=Fukuoka 3 → 2 per day

Suspended Routes (FY07 announced)

- Nagoya(Komaki)=Kita-Kyushu
- Nagoya(Chubu)=Nagasaki
- Osaka(Itami)=Ishigaki
- Kagoshima=Naha
- Kobe=Sendai
- Kobe=Kumamoto
- Sapporo=Shinshu Matsumoto
- Sapporo=Misawa
- Fukuoka=Aomori
- Fukuoka=Iwate Hanamaki

■ Operating income improvement effect: approx. ¥6.0bln

III. Shift to Highly Profitable Routes and Strengthen Total Product Competitiveness

Strengthen Total Product Competitiveness



✧ Enhance products/services beyond competitors
at all contact points with customers



- Improve convenience of Web site
- Upgrade booking & ticketing systems
- Improve call center response time



- Increase percentage of on-time flights
- Improve IC-check-in services
- Adequate allocation of flight schedules and fleet



- All International flights will have the latest personal In-flight Entertainment system (FY09)
- Introduction of new seats in all classes (FY09)

III. Shift to Highly Profitable Routes and Strengthen Total Product Competitiveness Premium Strategy



✧ Targeting high-yield customers and enhancing high quality products/services

■ Introduction of First Class in DP

- Approx. ¥4.0bln operating income improvement



■ Participation in oneworld (April 07~)

- Enhancing programs for high-yield customers (lounge, priority check-in/boarding/standby etc.)
- Revenue improvement: approx. ¥3.5bln (Expanding product/service, introduction of alliance fare)
- After participation, financial improvement through increased customer convenience & comfort, strengthening of brand/ competitive edge, & increased sales by offering oneworld products & services

■ Introduction of Premium Economy in IP

- Approx. ¥4.0bln operating income improvement



■ Establishment of Corporate Sales center (April 07~)

- Focusing on business users
- Covering both IP and DP

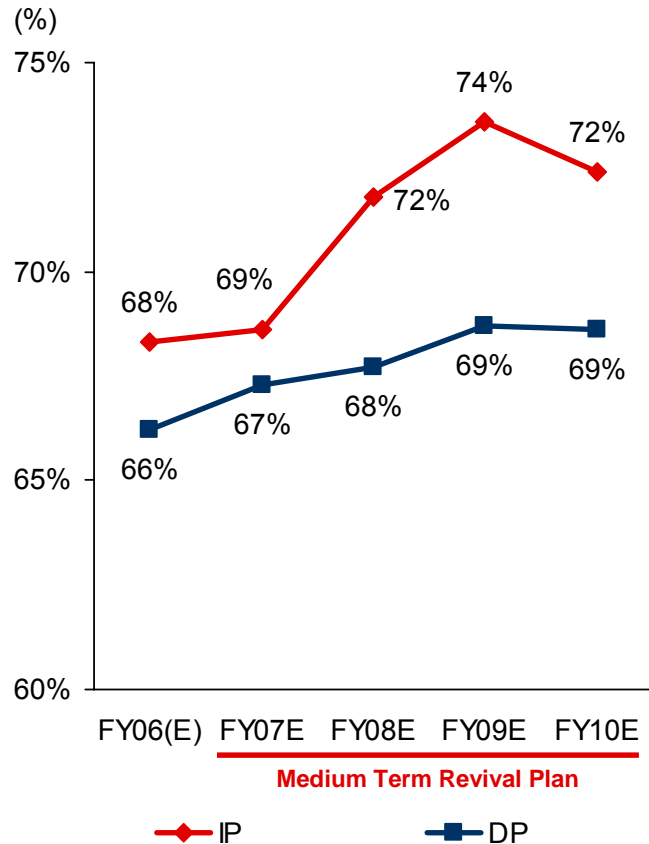
■ Establishment of high yield customer only desk at call center

■ Improvement of Class J and its profitability

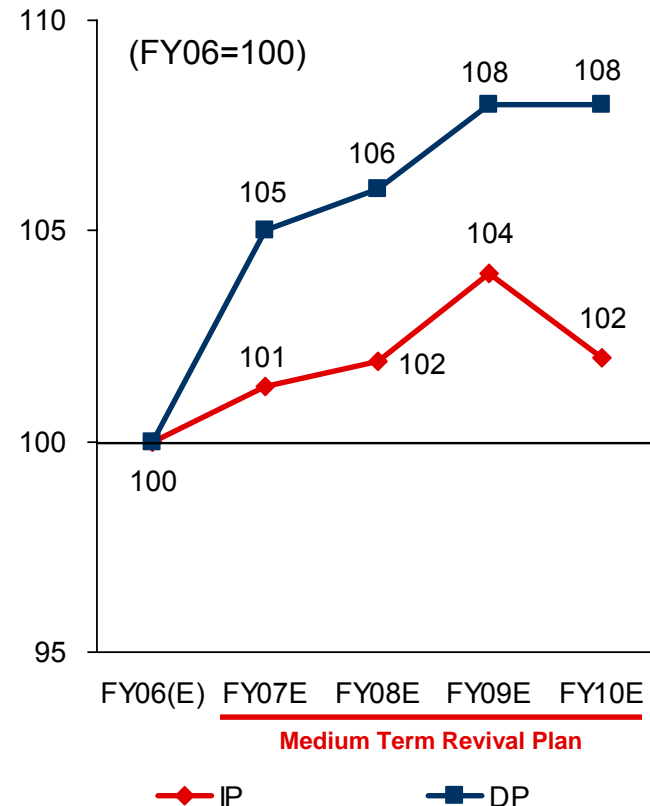
III. Shift to High Profit Routes and Strengthen Total Product Competitiveness IP/DP Target of L/F and Yield



Improvement of L/F



Improvement of Yield (per capita)



III. Shift to High Profit Routes and Strengthen Total Product Competitiveness New Development of Cargo Business

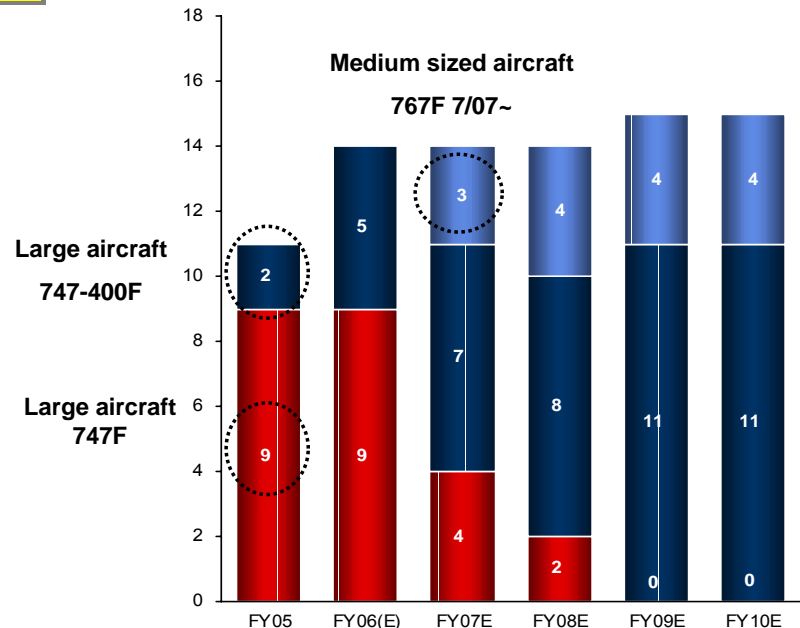


- ✧ Cost restructuring by promoting renewal of large fleets (747F 747-400F)
(variable aircraft operation cost -30%)
- ✧ Expanding high growth China and Southeast Asia routes
(Maximizing profit by a combination of large and medium-size aircraft according to the size of routes)
- ✧ Significant reduction of flight time and cost reduction due to direct route to/from West Coast

Multiple Cargo Centers Scattered Throughout China (Plan)



Fleet Renewal Plan



Medium Term Revival Plan

IV. Concentrate Our Resources on Air Transportation



✧ We will review all operations of JAL Group without exception

【Basic Principle】

- Concentrate our resources on air transportation
- Sale of non-core assets Improvement of asset efficiency/reduction of debt
- Enhancement of competitive edge by capital tie-ups (introducing outside know-how) Improving customer satisfaction

Commerce and distribution

- JALUX capital alliance with Sojitsu (sold 30% of stake) will enhance JAL's competitiveness

Hotel

- Exit from asset holding risk, deepen operation business model
- JAL Hotels expanding franchise, possibility of future IPO in 2008

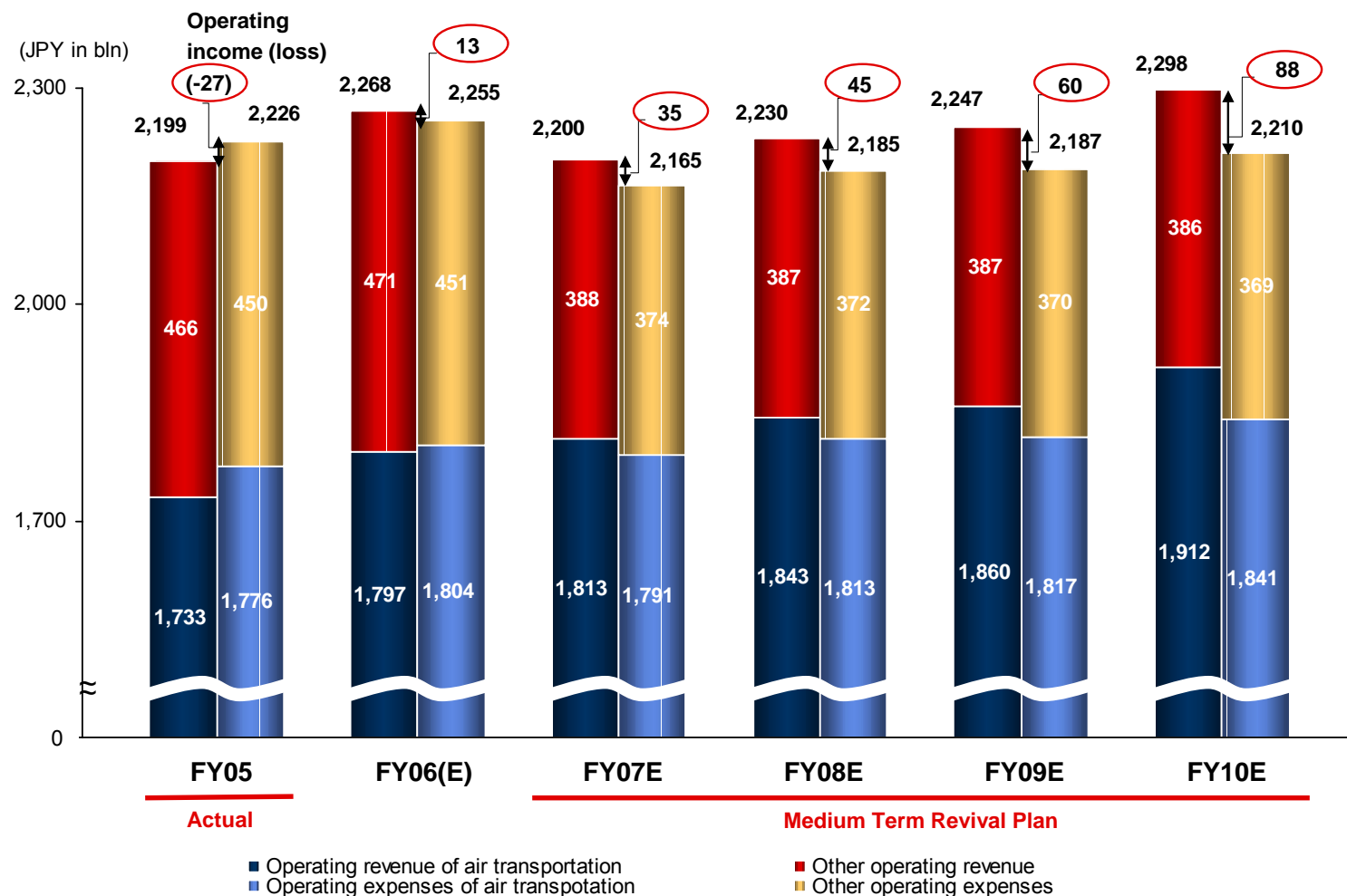
1. FY2007 - 2010 JAL Group Medium Term Revival Plan



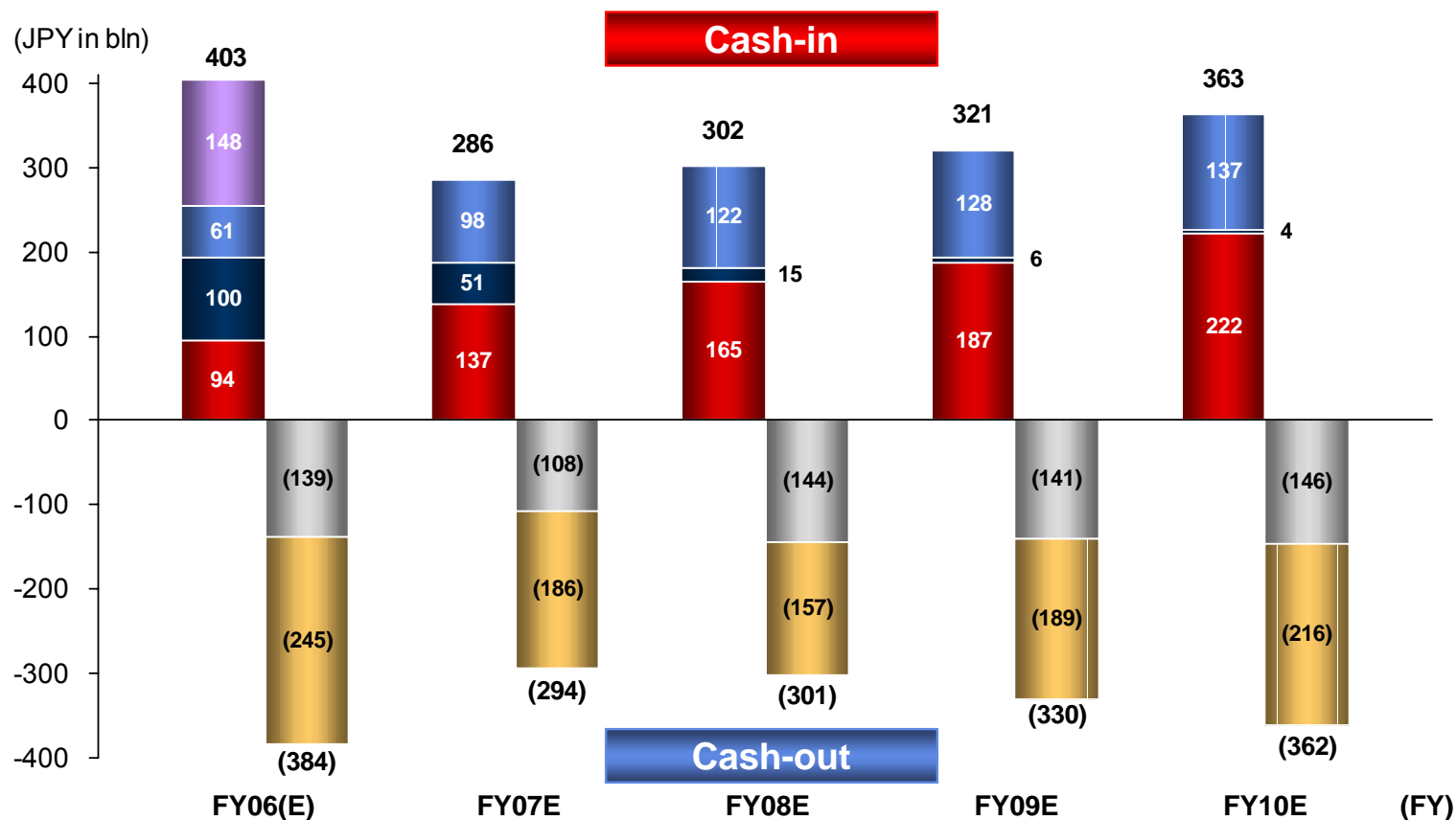
2. Financial Target for Medium Term Revival Plan

3. Appendix

Transformation of Profit Structure (consolidated)



Cash Flow in Medium Term Revival Plan (consolidated)



Medium Term Revival Plan

■ Operating Cash Flow ■ Asset Sales ■ External Financing ■ Equity Offering ■ Capex ■ Loan Debt Repayment

Note: Capex does not include aircraft lease.

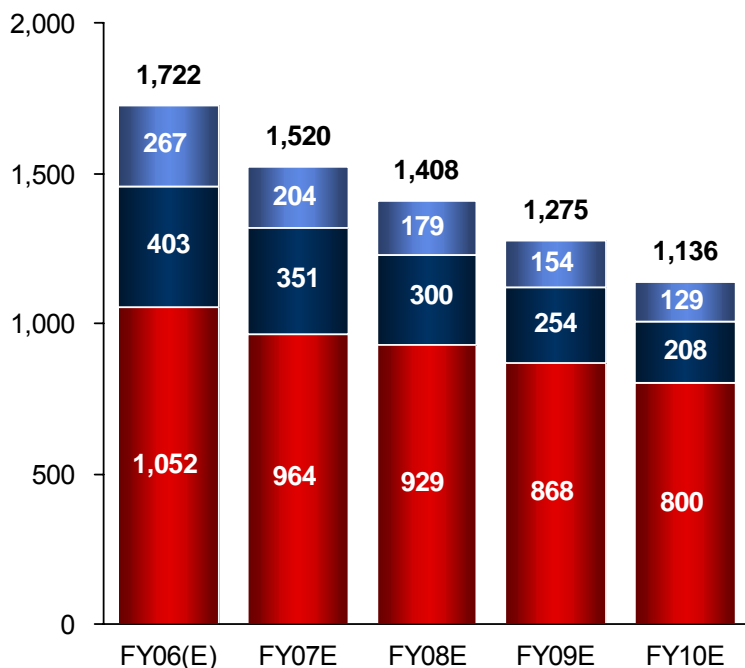
Consolidated Financial Target of Medium Term Revival Plan

Reduction of Debt including Unrecognized Obligation



Total Debt and Obligations

(JPY in bln)



Medium Term Revival Plan

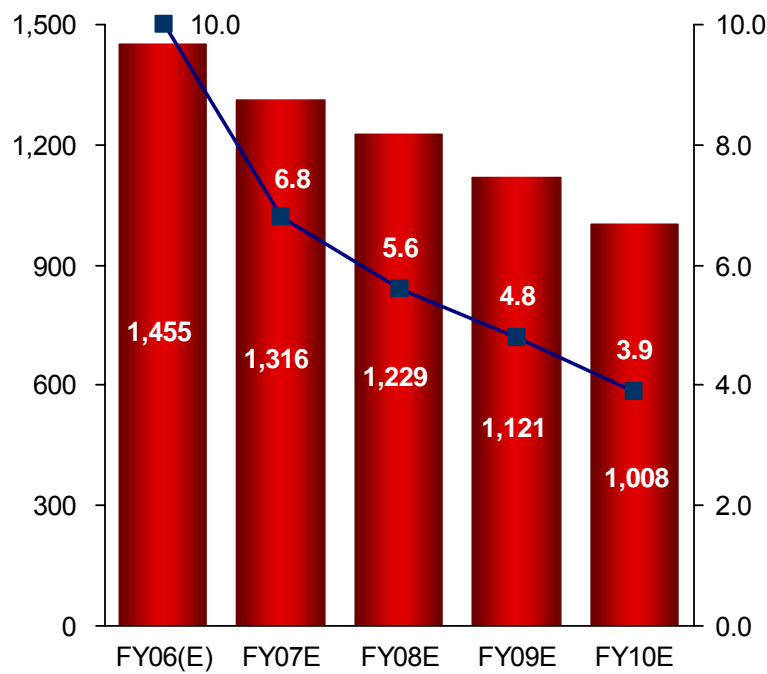
(Ref.) ■ Corporate Loan/Debt ■ Lease Obligation ■ Unrecognized Obligation

	(JPY in bln)				
	FY06(E)	FY07	FY08	FY09	FY10
Operating Leases					
Outstanding (aircraft)	120	177	238	262	275

Total Debt and Obligations/Operating Cash Flow

(JPY in bln)

(Years)



Medium Term Revival Plan

■ Total Debt (excluding unrecognized obligation)
 ■ Debt and Obligation/Operating Cash Flow*
 (Years for Debt repayment)

* Operating Cash Flow = Operating Income + Financial Income / Expense - Tax - Dividend + Lease Amortization + D&A etc.

1. FY2007 - 2010 JAL Group Medium Term Revival Plan

2. Financial Target for Medium Term Revival Plan



3. Appendix

Assumptions of the Plan



		(YoY)				
		FY06	FY07	FY08	FY09	FY10
Int'l Passenger	Supply (ASK)	90.6%	95.3%	95.6%	96.4%	104.7%
	Demand (# of passenger)	93.5%	99.0%	99.7%	98.0%	104.4%
	Yield	113.0%	100.5%	101.0%	102.0%	98.7%
Domestic Passenger	Supply (ASK)	100.9%	97.5%	100.4%	98.9%	101.8%
	Demand (# of passenger)	100.6%	98.4%	100.9%	99.5%	101.2%
	Yield	101.3%	104.8%	101.4%	101.3%	100.4%
Int'l Cargo	Supply (ATK)*	109.4%	94.5%	97.9%	103.1%	107.8%
	Demand (Weight on board)	100.1%	102.4%	103.8%	104.9%	107.5%
	Yield (/weight)	104.6%	99.1%	99.9%	98.7%	98.4%
		*ATK of cargo freighter				
		FY06	FY07	FY08	FY09	FY10
Fuel	Singapore kerosene	\$80/bbl	\$75/bbl	\$75/bbl	\$75/bbl	\$75/bbl
	Hedge ratio (y)	89%	65%	10%	-	-
Forex	US\$1	¥116	¥120	¥120	¥120	¥120
	Hedge ratio (y)	100%	70%	40%	-	-

Financial Target (consolidated)



(JPY in bln)

	FY06	FY07	FY08	FY09	FY10
Operating Revenues	2,268	2,200	2,230	2,247	2,298
(Int'l Passenger)	729	726	731	731	753
(domestic Passenger)	672	693	709	715	726
(Int'l Cargo)	189	192	199	206	218
Others	678	589	591	595	601
Operating Income	13	35	45	60	88
Recurring Profit	0.5	21	16	23	58
Net Income	3	7	6	11	37
Operating Income Margin	0.6%	1.6%	2.0%	2.7%	3.8%
ROE	1.3%	2.3%	1.9%	3.3%	10.5%

Capital Expenditure and Depreciation

(JPY in bln)

	FY06	FY07	FY08	FY09	FY10
Capital Expenditure (Purchase)	139	108	144	141	146
(Aircrafts)	77	72	114	110	116
Others (Grand Facilities)	62	36	30	30	30
Capital Expenditure (Finance Lease)	47	-	-	-	-
Depreciation	115	118	124	130	138
Finance Lease Amortization	47	51	51	47	46
Operating Leases Outstanding (Aircrafts)	120	177	238	262	275

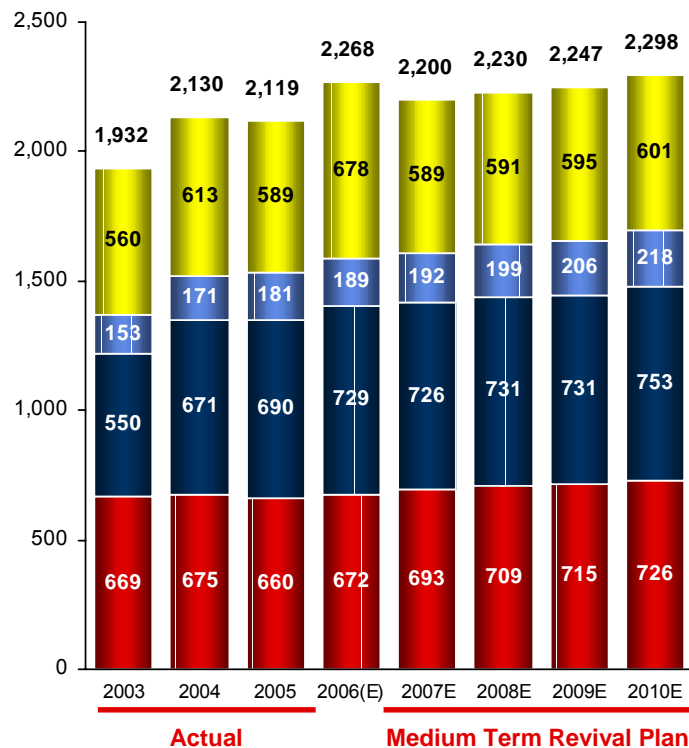
Note: In 06-10 medium term business plan, we accounted for purchase of all in this plan we changed them to lease

Target of Medium Term Revival Plan (consolidated)



Operating Revenues

(JPY in bln)

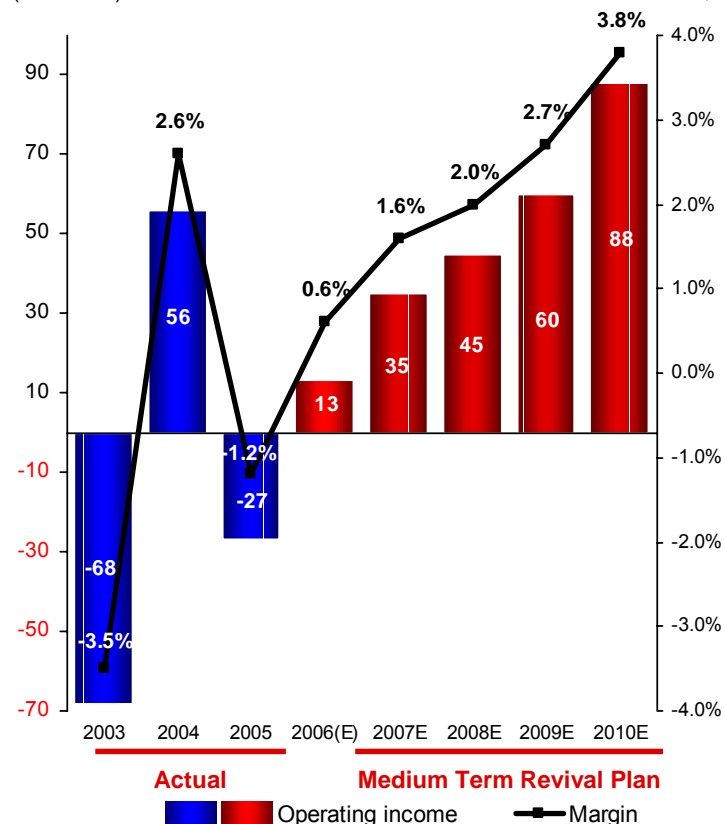


■ Domestic Passenger ■ Int'l Passenger
■ Int'l Cargo ■ Others

Operating Income & Margin (%)

(JPY in bln)

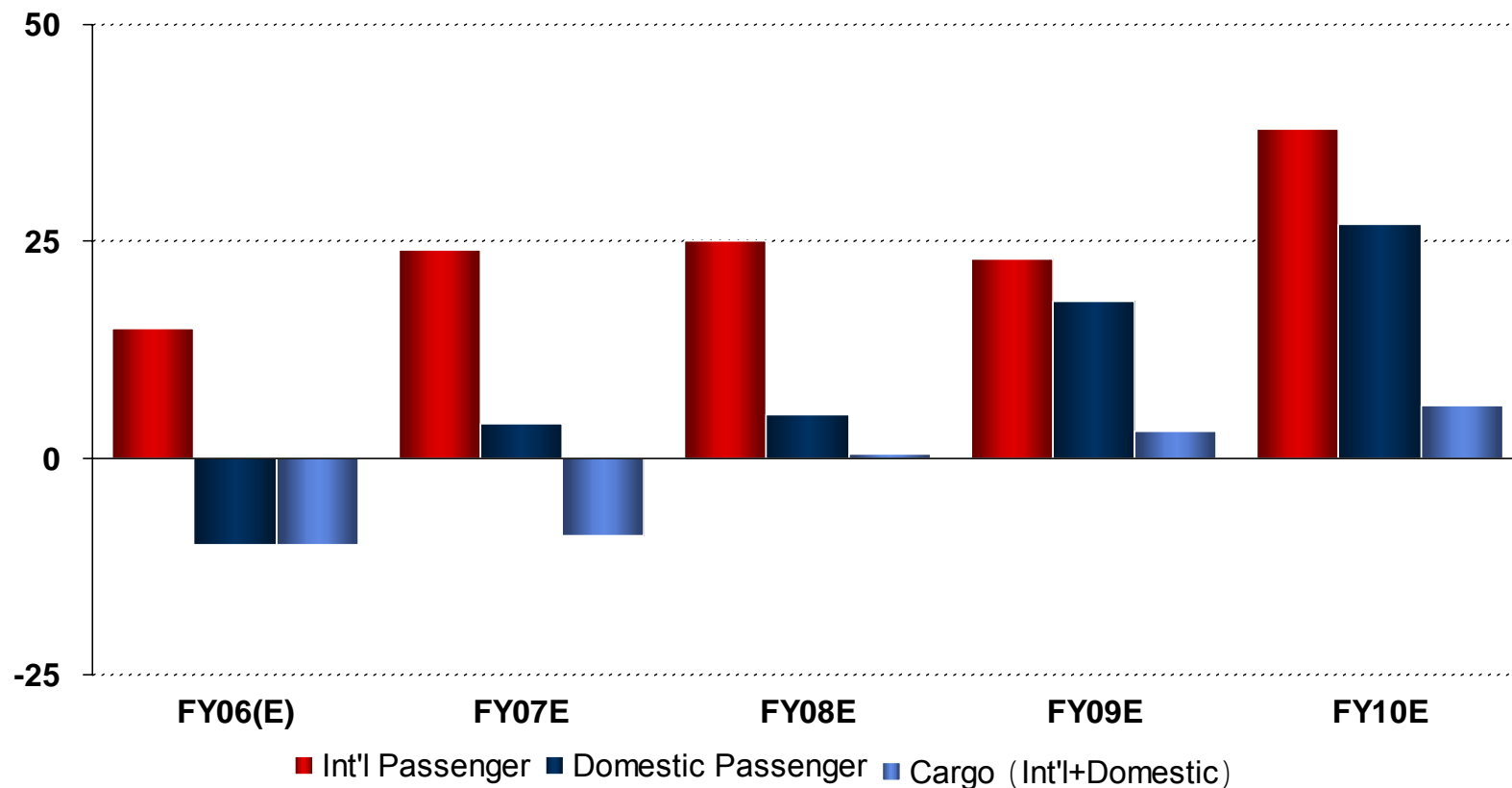
(%)



■ Actual ■ Medium Term Revival Plan
■ Operating income —■— Margin

Operating Income by Segment (Image)

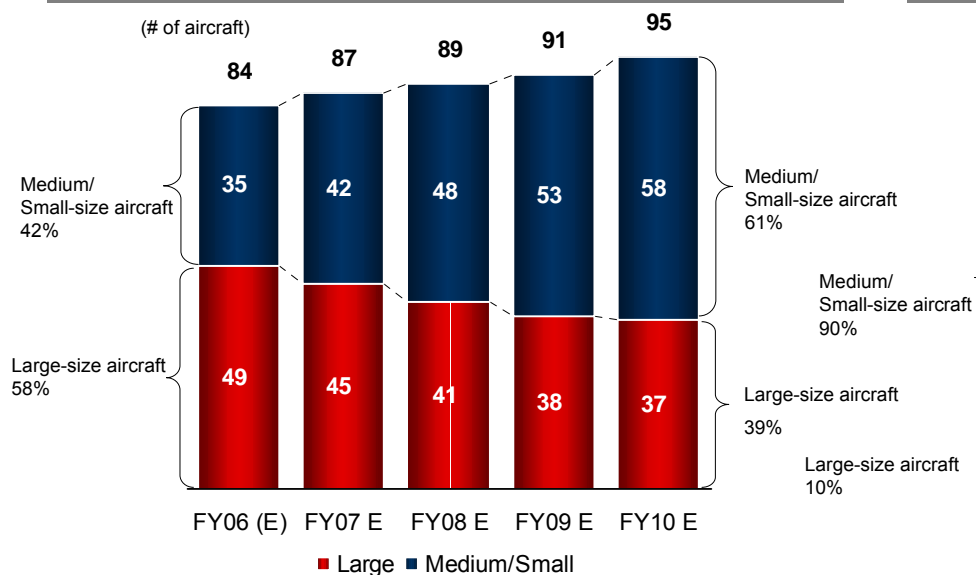
(JPY in bln)



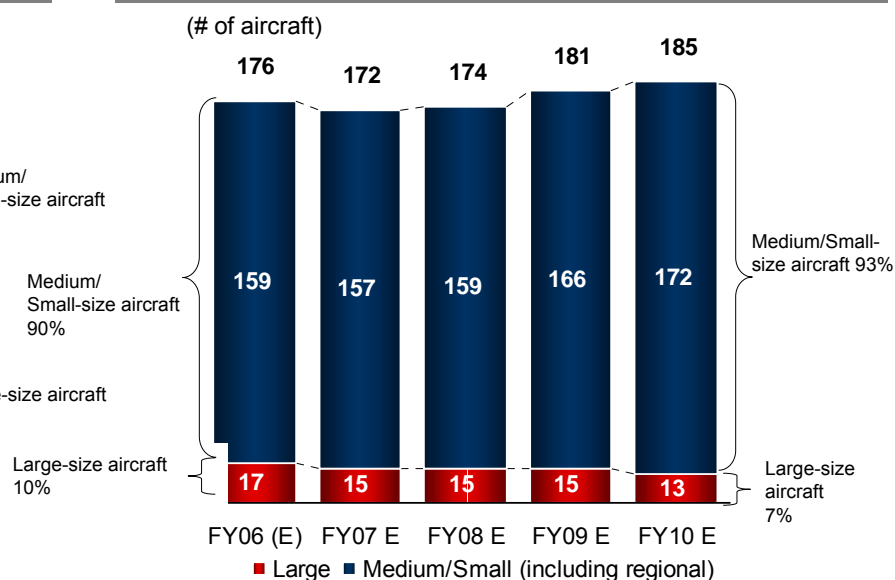
Details of Fleet Renewal Plan



International Passenger



Domestic Passenger



Classification of Aircraft

Large	747-400	Medium	787	Small	MD90
	747-400F		767		MD81
	747		777-200		MD87
	777-300		A300-600		737