

JAL Group's Q3 Account Settlement for FY2003

- Analyst Briefing -



February 9, 2004

*Japan Airlines System
Corporation*

Contents



Contents	<i>P1</i>		
Defects of Engines for MD81/87 Aircraft	<i>P2</i>		
Outline of Q3 Account Settlement for FY2003	<i>P3</i>	Topics	<i>P17</i>
Outline of the Consolidated Financial Statements	<i>P4</i>	Flight Plan for FY2004	<i>P18</i>
Quarterly Operating Income	<i>P5</i>	New Services for Domestic Flights (class J)	<i>P19</i>
Operating Revenue & Income by Segment	<i>P6</i>	Towards the Final Stage of the Integration (1)	<i>P20</i>
Outline of the results of Air Transportation Segment	<i>P7</i>	Towards the Final Stage of the Integration (2)	<i>P21</i>
Trend in Demand in International Passenger Segment	<i>P8</i>	JAL Group's Cash Management System	<i>P22</i>
Results of International Passenger	<i>P9</i>	JAL Group's Home Page	<i>P23</i>
Demand & Supply of International Passenger by Route	<i>P10</i>	Notice	<i>P24</i>
Results of Domestic Passenger(1)	<i>P11</i>		
Results of Domestic Passenger(2)	<i>P12</i>		
Results of International Cargo(1)	<i>P13</i>		
Results of International Cargo(2)	<i>P14</i>		
Outline of the Breakdown of Operating Costs	<i>P15</i>		
Fuel & FOREX (AirTransportationSegment)	<i>P16</i>		

Defects of Engines for MD81/87 Aircraft

Details of the Defect

Engines for MD81 (17 aircraft) & MD87(8 aircraft) manufactured by Pratt&Whitney
Cracks found in a section of the high-pressure compressor in the engines

Situation & Measures

- * Results of Inspection from Jan.19 to Jan. 21
Damage was revealed in engines of 18 aircraft out of 25.
- * 17 out of 25 MD81/87aircraft would be operated from Feb. 7 by change of engines.
- * From Feb. 8, no flights would be cancelled by the damages in engines.

Impact

- * Cancelled flights / Affected passengers
Jan. 568 flights / 38,000 passengers
Feb. 28 flights / 2,000 passengers
In total 596 flights / 40,000 passengers
- * Negative impact on revenue is assumed approx. (500) million yen

We deeply apologize to our customers and investors for any trouble and concern caused by this.

Outline of Q3 Account Settlement for FY2003

Outline of the Consolidated Financial Statements

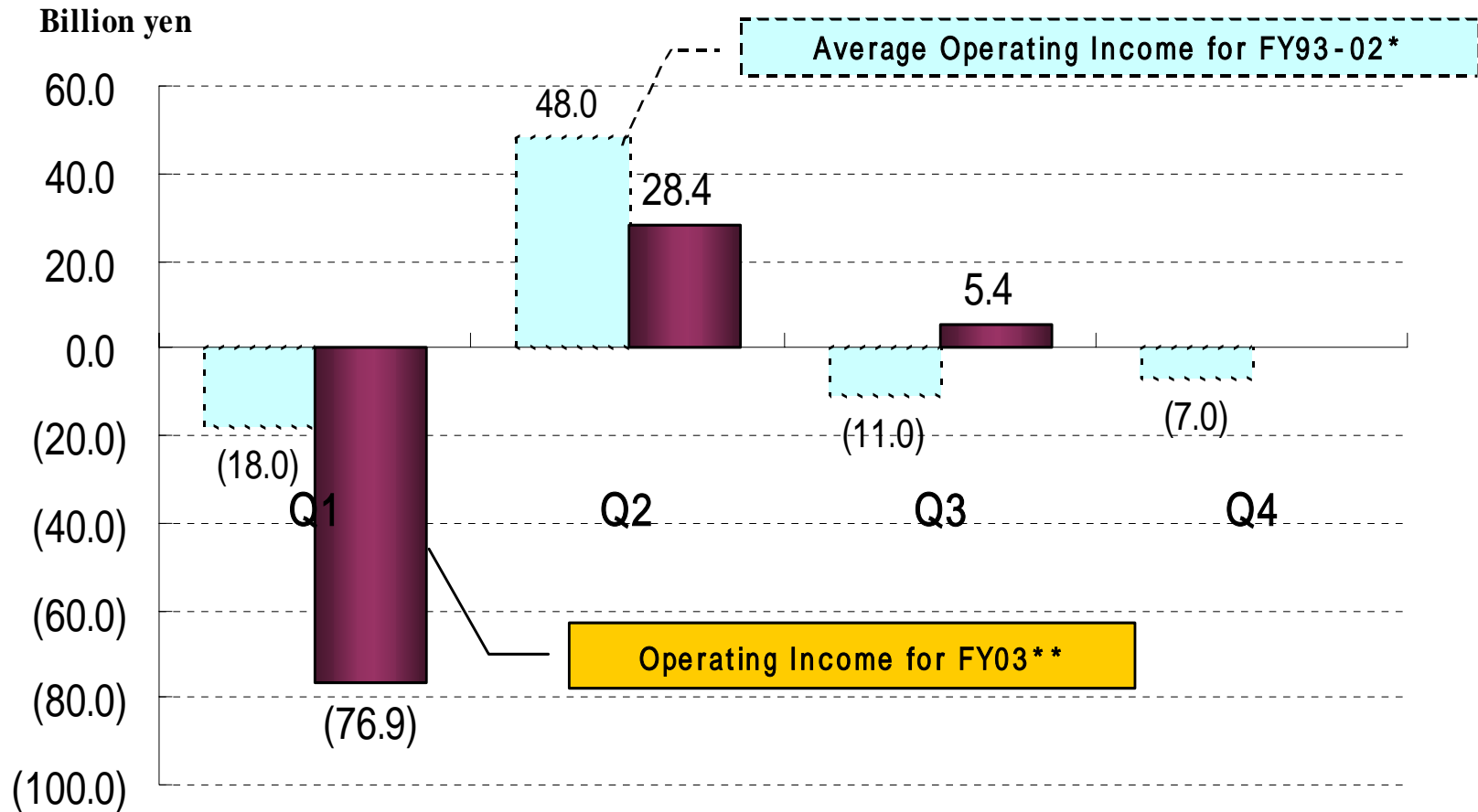


(Billion yen)

	FY03		FY02
	Oct. ~ Dec.	Apr. ~ Dec.	Apr. ~ Mar.
Operating Revenue	525.6	1,470.1	2,083.4
Operating Income	5.4	(43.0)	10.5
Ordinary Income	11.0	(38.7)	15.8
Net Income	3.7	(53.8)	11.6

Comparison between FY03 & average past 10 years

Quarterly Operating Income



* add-up of JAL & JAS without adjustment (provisional)

** JAL Group's Consolidated



Operating Revenue & Income by Segment

(Billion yen)

	Operating Revenue		Operating Income	
	Oct. ~ Dec.	Apr. ~ Dec.	Oct. ~ Dec.	Apr. ~ Dec.
Air Transportation	410.6	1,162.1	0.8	(47.5)
Airline-related	60.5	180.1	1.6	0.9
Travel Services	109.9	293.4	0.7	(1.2)
Others	67.5	188.3	3.2	5.1

All figures are before consolidation adjustments

Outline of the results of Air Transportation Segment

<Breakdown of Revenue>

		(unit : billion yen)			
		Oct. ~ Dec.	y.o.y.	Apr. ~ Dec.	y.o.y.
International	Passenger	154.6	<u>(10.9)</u>	405.4	<u>(112.2)</u>
	Cargo	43.3	<u>(2.0)</u>	114.7	<u>(5.8)</u>
Domestic	Passenger	168.4	<u>16.3</u>	512.3	<u>30.0</u>
	Cargo	8.5	<u>0.1</u>	23.6	<u>0.3</u>
Others		35.6	<u>(3.0)</u>	106.0	<u>(17.3)</u>
Total		410.6	<u>0.4</u>	1,162.1	<u>(104.9)</u>

Underlined figures are differences between FY03 and FY02.

FY02 figures are add-ups of JAL/JAS without adjustment for consolidation.

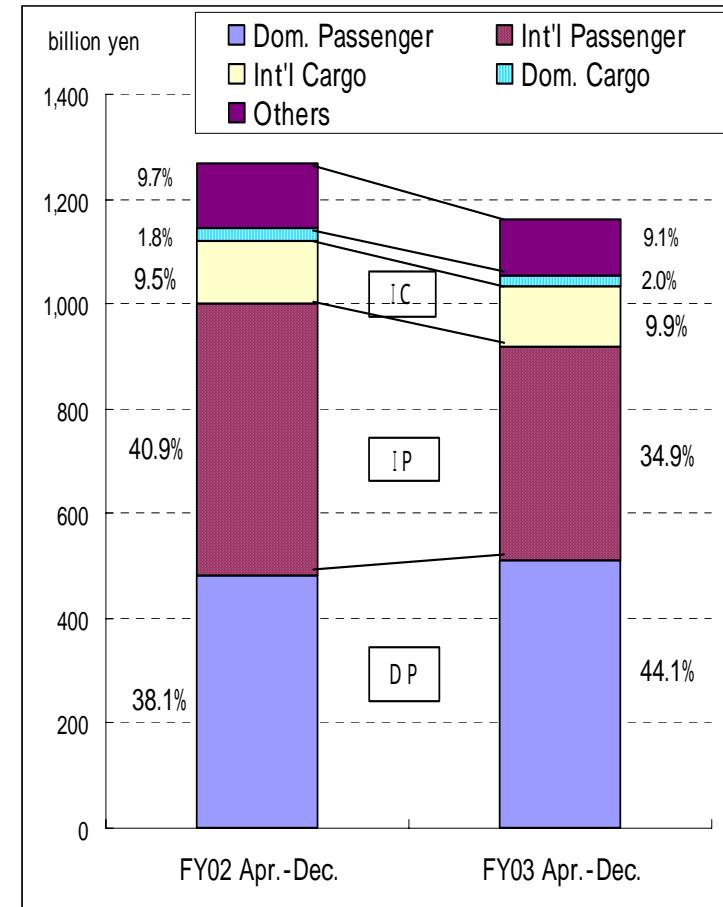
Operating Income

		(unit : billion yen)			
		Oct. ~ Dec.	y.o.y.	Apr. ~ Dec.	y.o.y.
Total		0.8	<u>9.5</u>	(47.5)	<u>(68.1)</u>

Underlined figures are differences between FY03 and FY02.

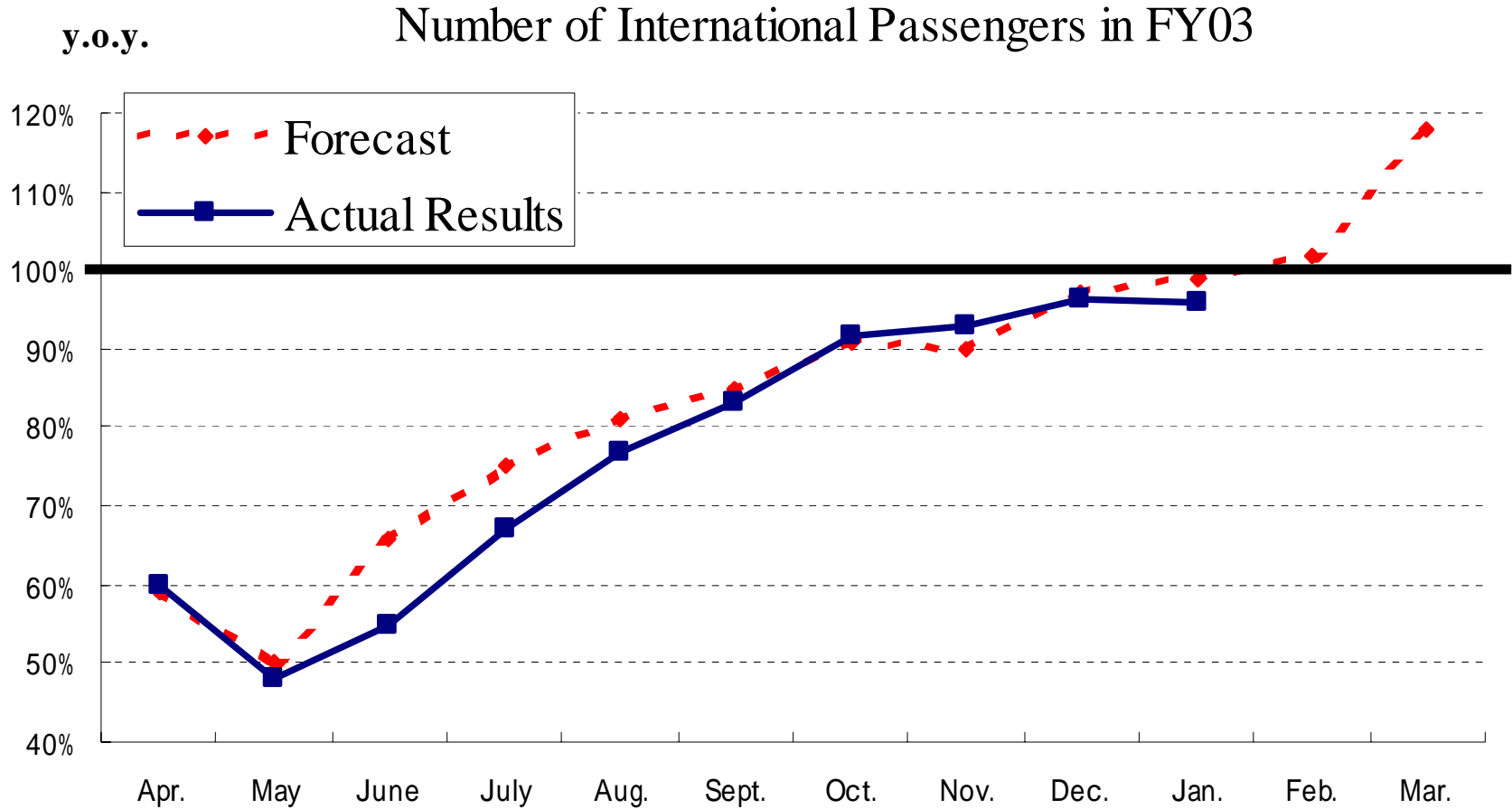
FY02 figures are add-ups of JAL/JAS without adjustment for consolidation.

Breakdown of Revenue (Apr.-Dec.)





Trend in Demand in International Passenger Segment

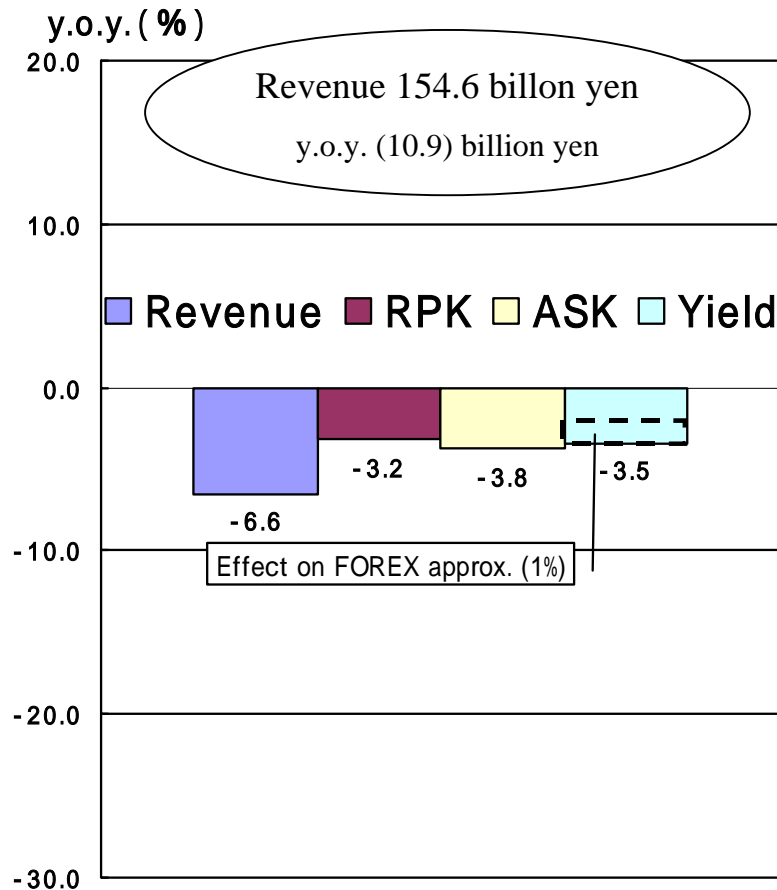


* Jan. : Flash Report

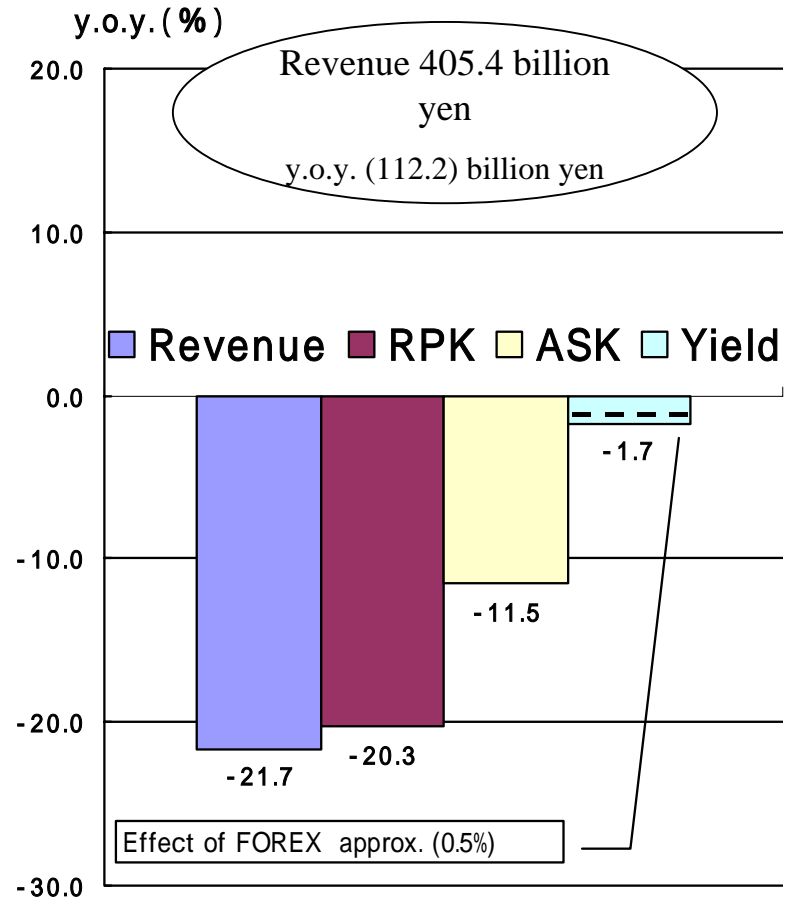


Results of International Passenger

Oct. – Dec.



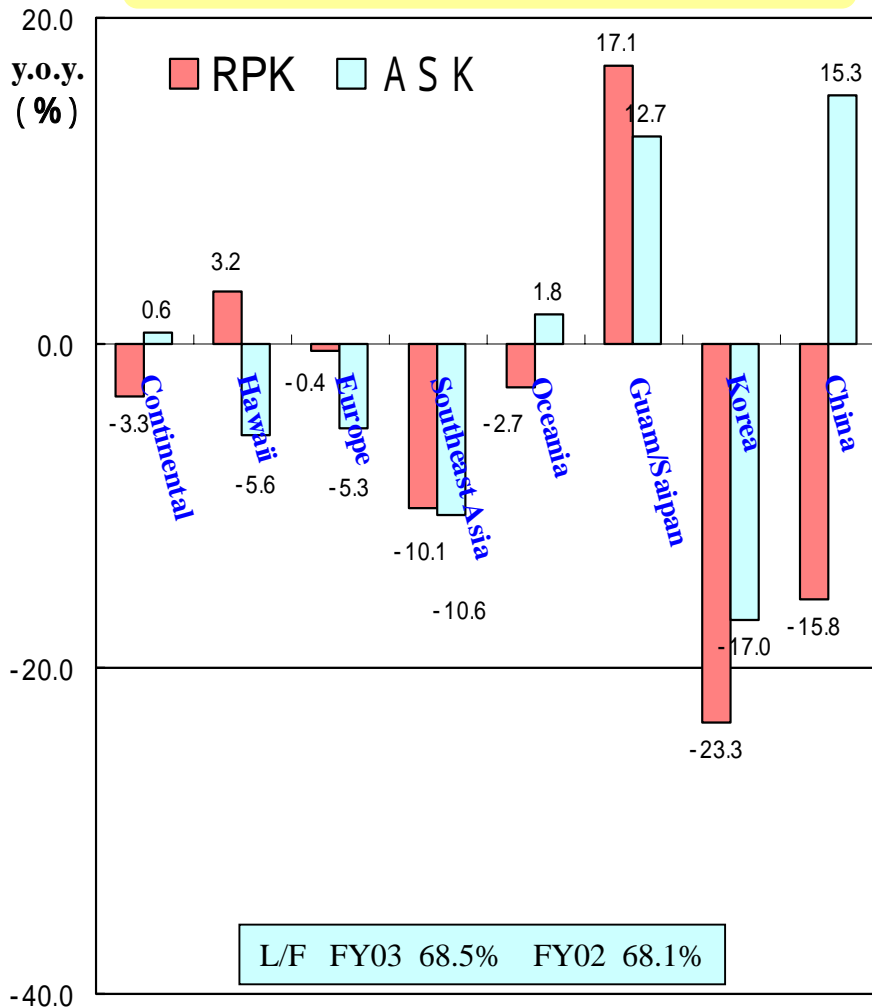
Apr. – Dec.



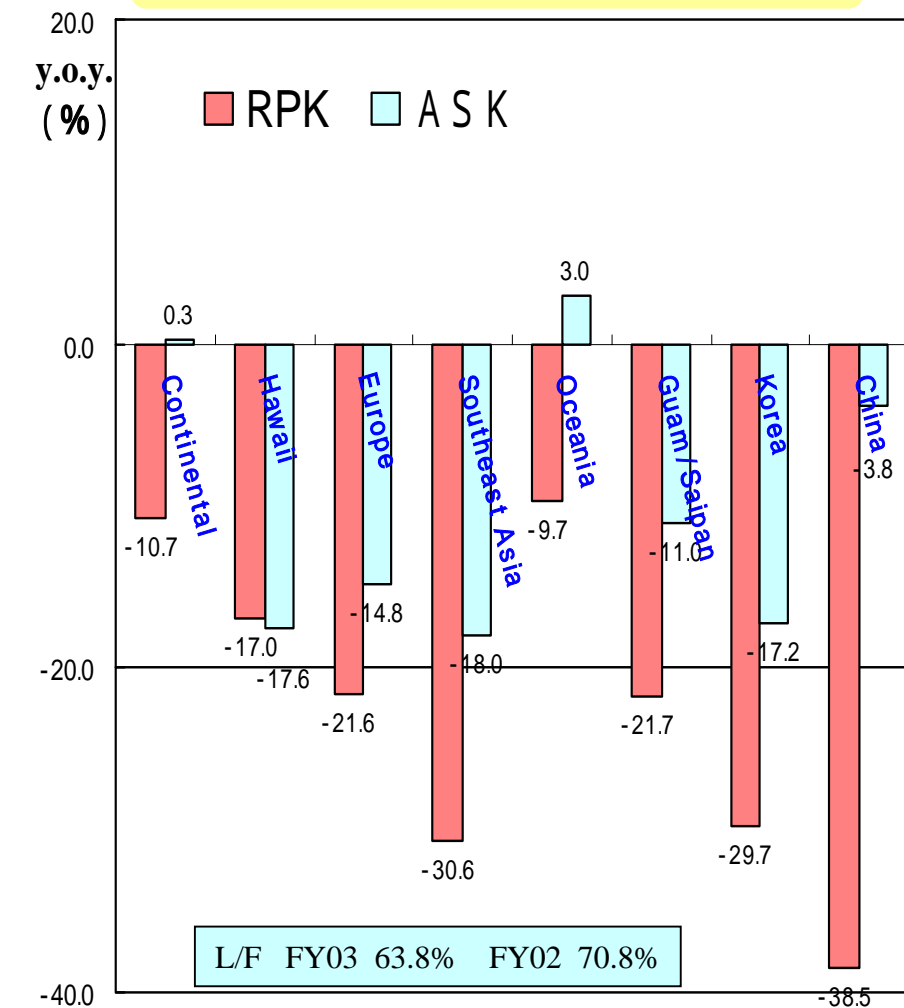


Demand & Supply of International Passengers by route (y.o.y.)

Oct. - Dec.



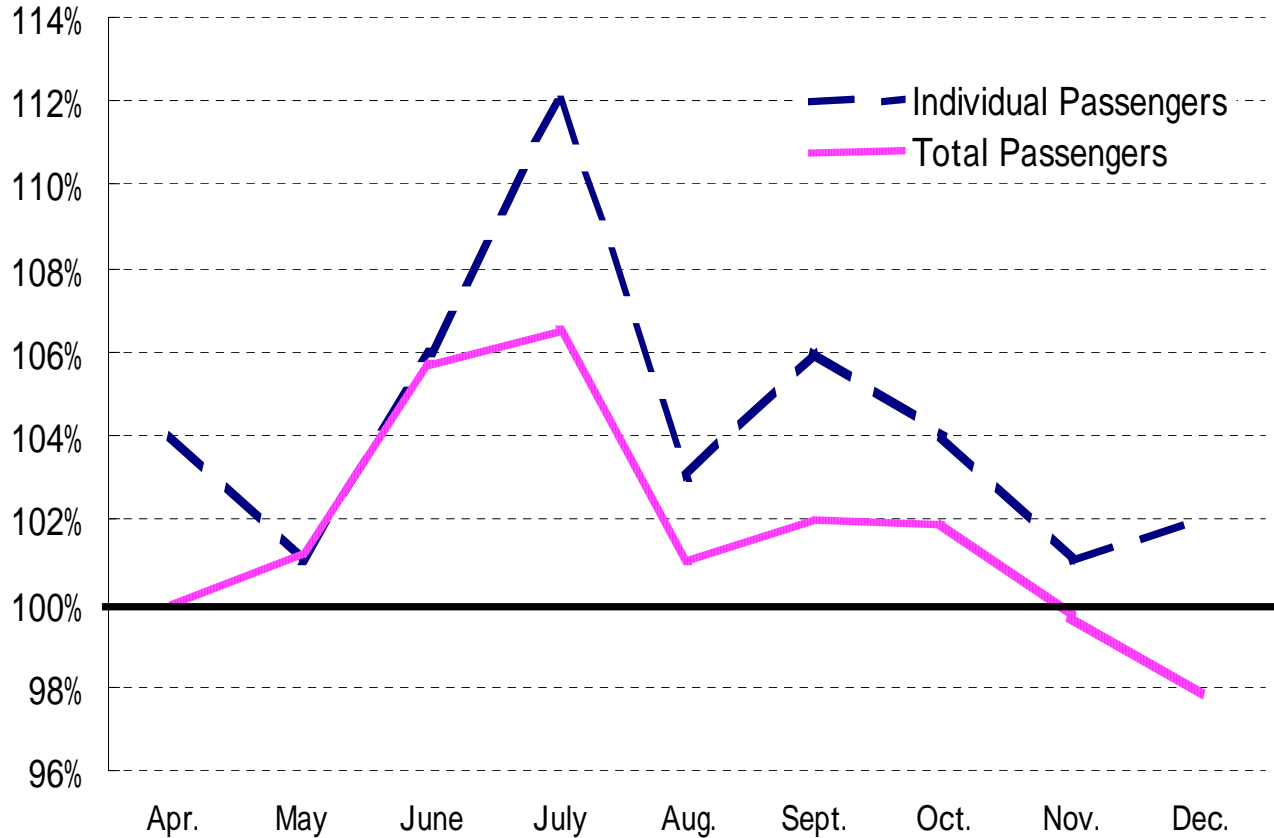
Apr. - Dec.





Results of Domestic Passenger

Growth of Domestic Passengers in FY03 (y.o.y.) * JAL Group total



Growth of Passengers (y.o.y.)
 April ~ December
 Individual Passengers : 104%
 Total Passengers : 102%

Individual Pax. Ratio
 (Target for FY2003:63%)
April ~ December
63.5%

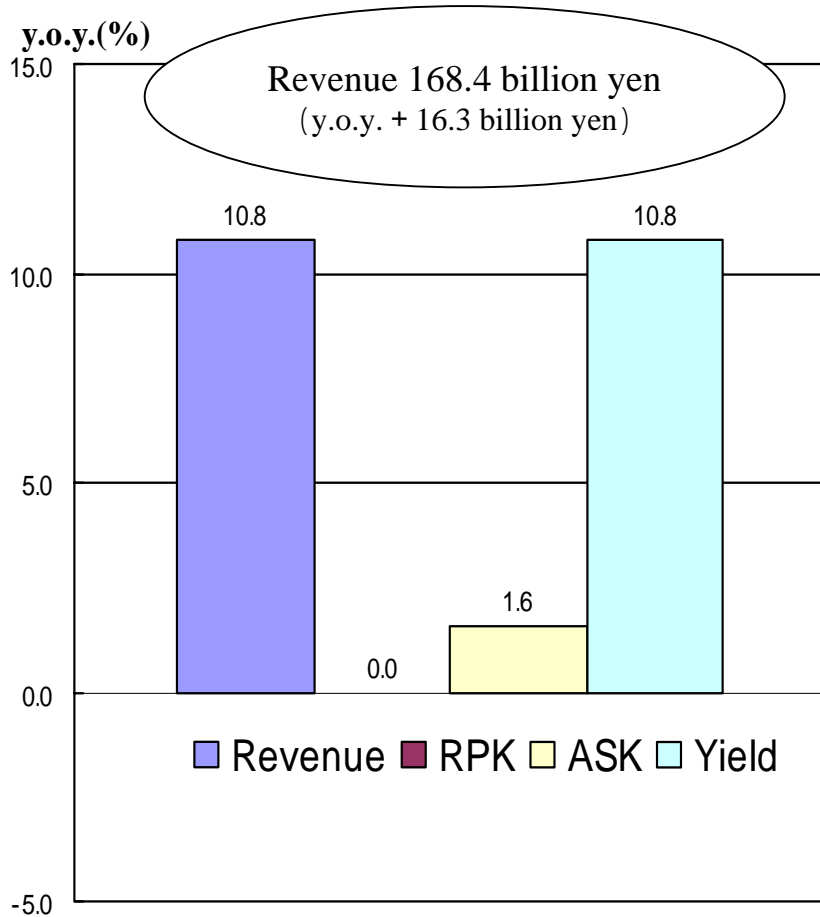
L/F Oct. ~ Dec. FY03 63.2% FY02 64.2%

L/F Apr. ~ Dec. FY03 65.0% FY02 65.4%

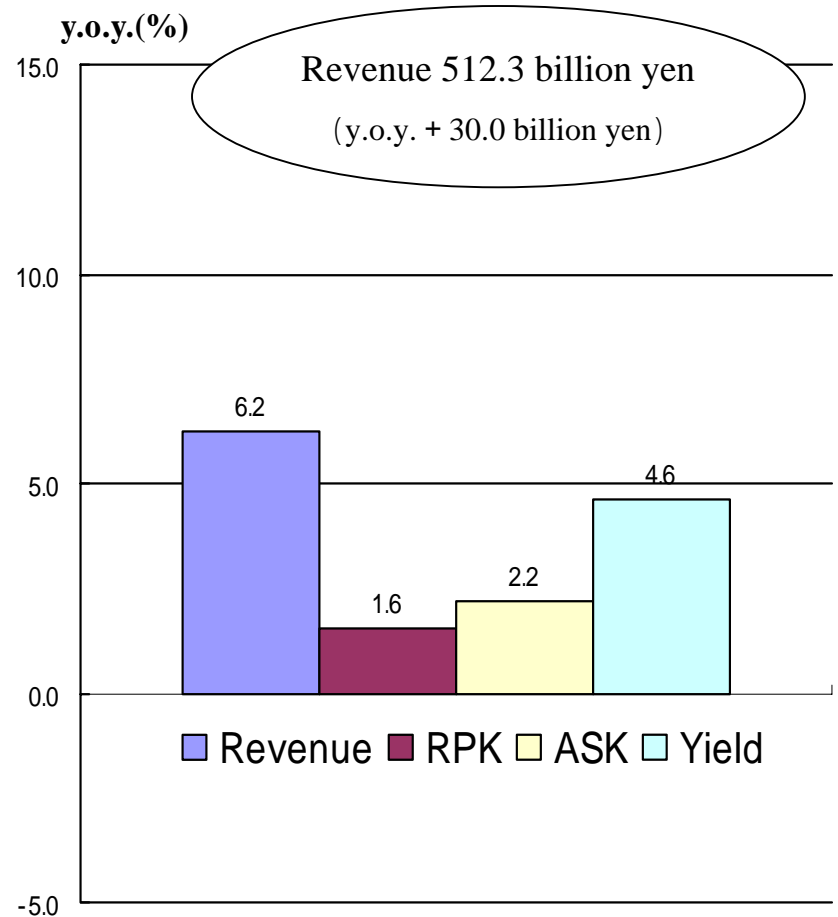


Results of Domestic Passenger

Oct. - Dec.



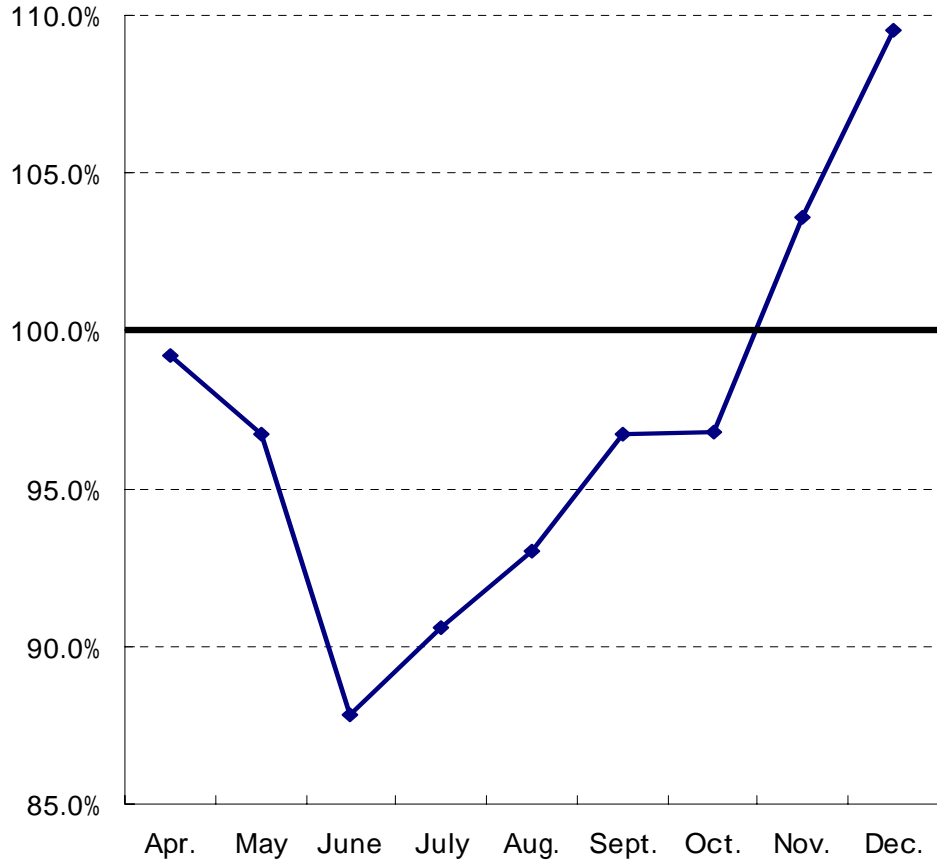
Apr. - Dec.



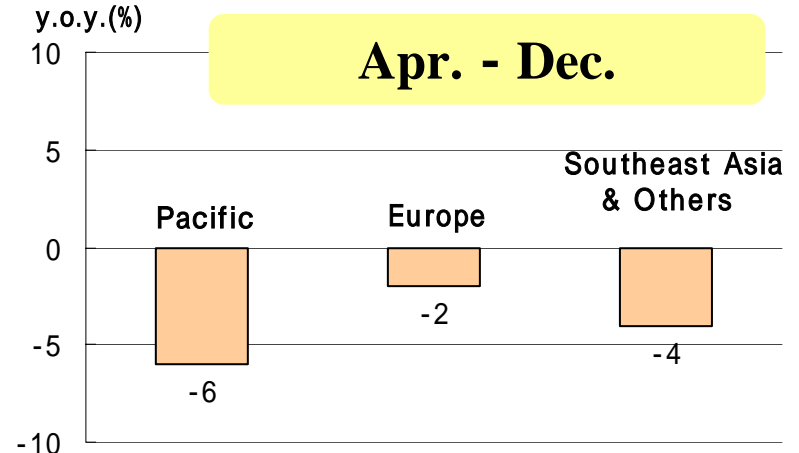
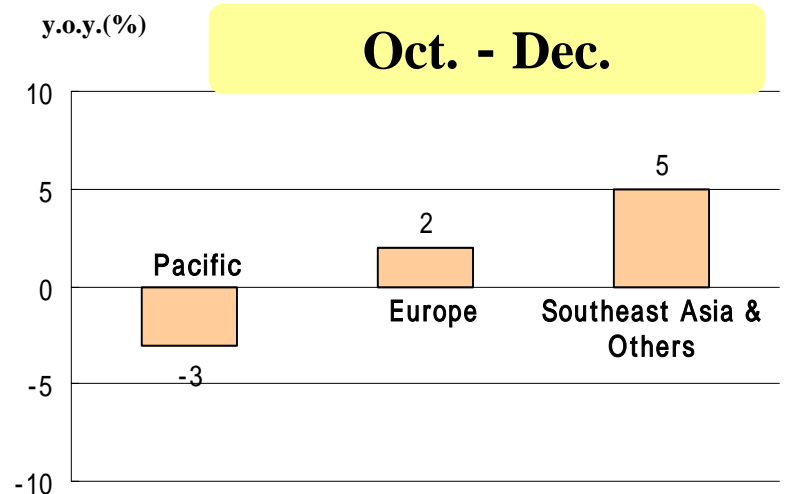


Results of International Cargo

Tonnage Growth in International Cargo



International Cargo Tonnage by route (y.o.y. %)

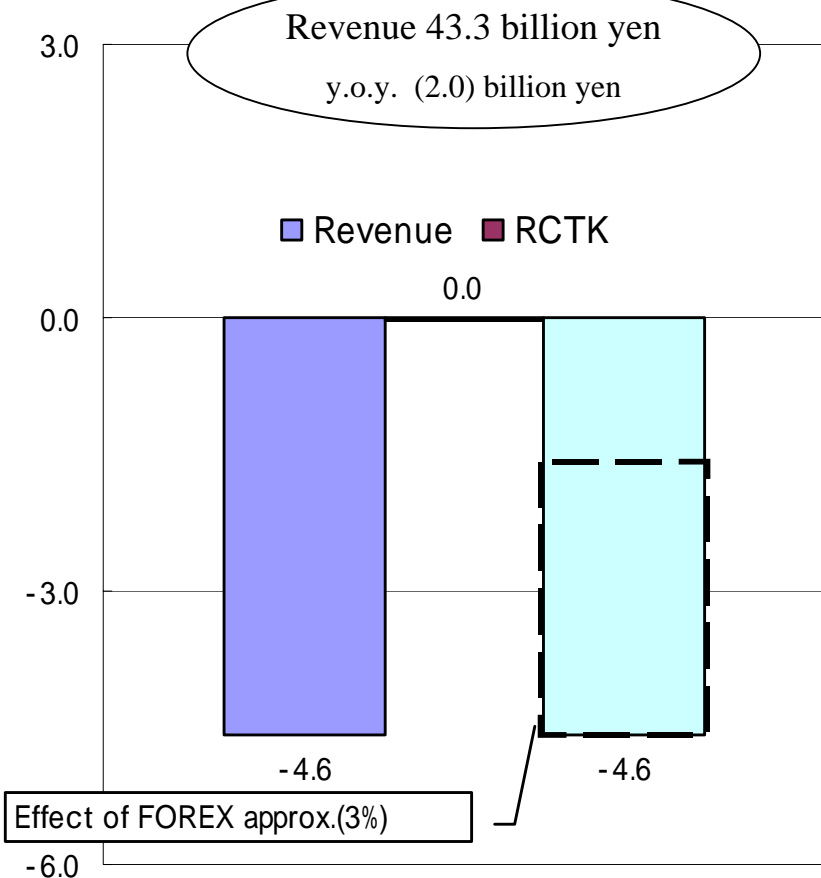




Results of International Cargo

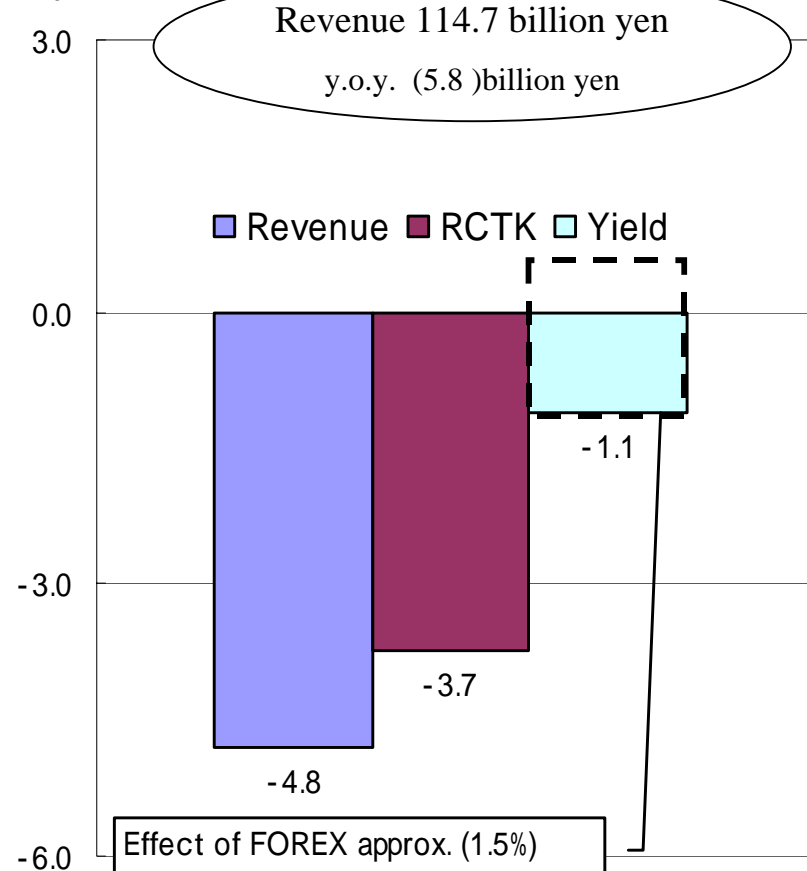
Oct. - Dec.

y.o.y.(%)



Apr. - Dec.

y.o.y.(%)





Outline of the Breakdown of Operating Costs

	Oct. ~ Dec.			Apr. ~ Dec.		
	F Y02	F Y03	Difference	F Y02	F Y03	Difference
Fuel	65.1	62.3	(2.8)	185.3	183.9	(1.5)
Airport Facilities	33.5	34.3	0.8	99.9	99.5	(0.4)
Maintenance	31.4	26.8	(4.7)	85.1	82.4	(2.8)
Passenger Services etc.	14.2	12.6	(1.6)	43.1	35.4	(7.7)
Commissions	33.2	33.3	0.1	101.9	90.8	(11.1)
Aircraft Depreciation	18.6	18.9	0.3	54.9	56.8	1.8
Aircraft Leases	25.4	24.9	(0.5)	76.3	73.3	(3.0)
Personnel	82.1	84.7	2.5	244.2	251.9	7.7
Others	115.4	112.0	(3.2)	355.9	335.7	(19.9)
Total	418.9	409.8	(9.1)	1,246.6	1,209.7	(36.9)

Figures in FY02 are add-ups of JAL/JAS without adjustments of reference.

Fuel & FOREX (Air Transportation Segment)

Fuel (Average from Apr. to Dec.)

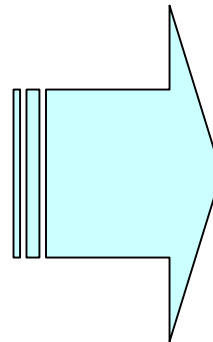
SIN Kerosene	
FY03	\$31.5/bbl
(FY02)	(\$28.9/bbl)

**Hedge Ratio
for FY03**
Approx. 50%

FOREX

Exchange Rate of Main Currencies

	FY02	FY03
USD	¥124.1	¥116.2
EUR	¥118.1	¥131.7
HKD	¥15.9	¥14.9



Operating Revenue	(4.7)	(Billion yen)
Operating Costs	(15.7)	
Operating Income	+ 11.0	

* Apr. - Dec.

Topics

Flight Plan for FY2004



Network Plan

International Passenger

ASK yr/yr +7% (vs.FY02(4%))

The largest network between Japan & China covering 12 cities in Japan, with 26 routes and 216 flights per week

e.g. inauguration of Hanzhou from Tokyo & Osaka

International Cargo

ATK y.o.y. +1%

Increase of Shanghai route

Domestic Passenger

ASK VS.PY(4%)

Improvement of investment efficiency

More efficient operation of aircraft

Network Plan aiming at profit maximization

The greatest aviation network in Japan

Approx. 960 flights per day for JAL Group

Fleet Plan

286 aircraft (Mar. 2003) 275 aircraft(Mar. 2004) 275 aircraft (Mar. 2005)

By retirement of all existing MD11, number of aircraft types decreases from 15 to 14.

retire 12 aircraft				introduce 12 aircraft					
MD11	3	DC10	4	B777-200ER	3	B777-300ER	2	B767-300ER	4
YS11	2	A300	3	Dash-8 Q400	1	B747-400F (Freighter)	2		

New Services in Domestic Flights (*class J*)

Introduction of “*class J*” replacing “Super Seat”

Start of services

June 1, 2004

Charge

Fare + 1,000 yen

Services

- Relaxation Oriented
- Special blanket and headphone

New seat

New reclining system based on ergonomics

Type of aircraft equipped and No. of seats

“class J” seats are installed in Middle & Large-size aircraft with more than 250 seats

While the number of “class J” seats will be about 3 times as many as the present Super Seats, the total number of seats remains same.



Extension of seat pitch by 20%

Towards the Final Stage of the Integration -1-

Improvement in Service and User-friendliness and Enhancement of Brand Strength

Airport

Domestic

Integration of counters

Reorganization of Lounges & ban smoking

Introducing New style check-in machines

New style mileage registration machine

“JAL Pet Club”

International

Increase of automatic check-in machines

Reservation

Unification of toll-free dial

Domestic Flight: 0120-25 -5971

Int'l Flight :0120-25 -5931

Timetable

Improvement of User-friendliness

Uniform

Introduction of new uniforms

Cargo services

Unification of freight mail windows at domestic airports

Towards the Final Stage of the Integration -2-



All domestic flights are unified under new JAL 4-digit flight numbers

To and From Haneda		Flight No.	Depart from	Flight No.
Trunk Routes	~ Sapporo	1000 ~ 1099	Itami/Kansai	2000 ~ 2599
	~ Kansai	1300 ~ 1329	Hokkaido	2700 ~ 2899
	~ Itami	1500 ~ 1599	Tohoku/Hokuriku	2900 ~ 2999
	~ Fukuoka	1700 ~ 1759	Narita	3000 ~ 3099
	~ Okinawa	1900 ~ 1939	Nagoya	3100 ~ 3399
Local Routes	~ Hokkaido	1100 ~ 1199	Chugoku/Shikoku	3400 ~ 3499
	~ Tohoku/Hokuriku	1200 ~ 1299	Kyushu etc.	3500 ~ 3899
	~ Kinki/Shikoku	1330 ~ 1499	Extra & Seasonal Flights	2600 ~ 2699
	~ Chugoku	1600 ~ 1699		3900 ~ 3999
	~ Kyushu	1760 ~ 1899		4000 ~ 4999
	~ Amami/Ishigaki/Miyako/Kume	1940 ~ 1999		

* JTA・RAC flights continue to use 3-digit Flight No. for the time being

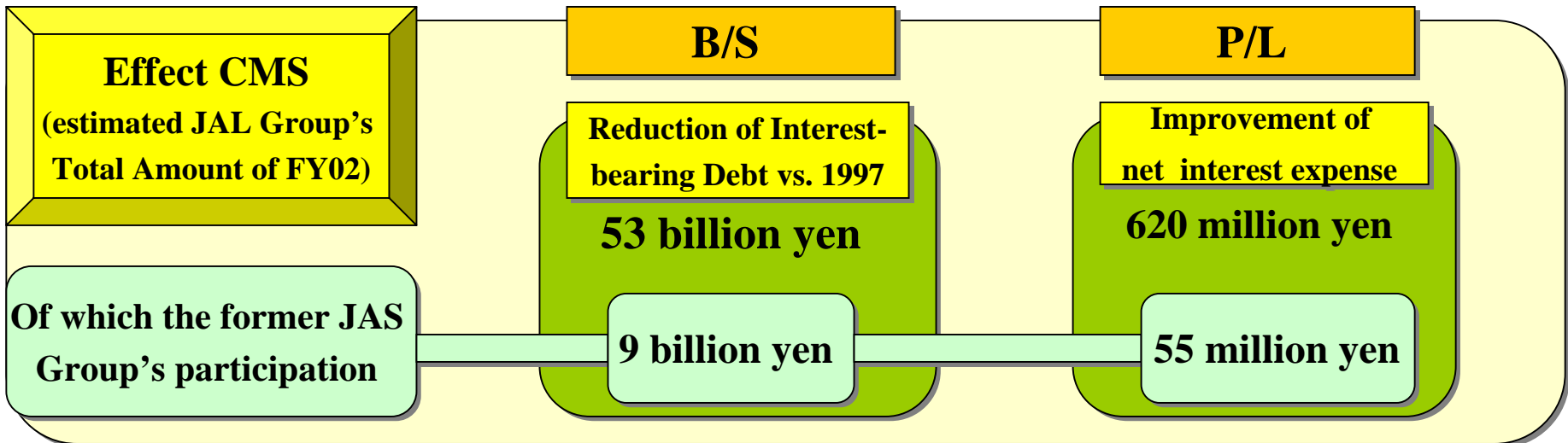


JAL Group's advanced Cash Management System

Operated by JAL Capital (100% subsidiary of JLC / Japan Airlines system)

Progress of JAL Group CMS

- Mar. 2000** Start Operation with Pooling function, Transfer Payment function & Netting function for 11 companies
- Apr. 2002** Salary Deposit
- Oct. 2002** JAS Group joined the CMS
- Feb. 2004** In total 97 companies participate in the CMS.



JAL Group's Homepage – most popular website in Japan-

Aim

**Revenue increase & Cost reduction
by promoting e-marketing**

Advantage

**JMB Member:more than 15 million
Copious contents
Integration of Homepages of JAL/JAS**

Result

**Revenue through e-reservation system
estimated 190 billion yen for FY2003
Access:150 million views**



Appraisal

**No.1 in the Airline ticket site
(Surveyed by Gomez in 2003)**

The 3rd most selling site in Japan

Target

**Enhance domestic passenger reservation to 50% of the total
domestic passengers through internet by the end of FY2005.**

<Notice>



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(N.B.)

Please refer to the Financial Information (“Gyoseki no Gaikyo”) for the precise figures on the account settlement. Any statements in this document, other than those of historical facts, are forward-looking statements about future performance, which are based on management’s assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts. This document is published as supplemental materials for the Briefing on JAL Group’s Financial Statements for Q3 in FY2003. The copyright of this document belongs Japan Airlines System Corporation.

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