

JAL Group's Strategies and Account Settlement for FY2003

(Analyst Briefing)

May 7, 2004

Japan Airlines System Corporation



Table of contents



Part 1	<i>P1</i>	Part 2	
. Outline of Account Settlement for FY2003	<i>P2</i>	. Forecast of Business Results for FY2004	<i>P15</i>
Outline of the Consolidated Financial Statements	<i>P3</i>	Assumptions of the Forecast for FY2004	<i>P16</i>
. Efforts for Cost Reduction (FY2004)	<i>P4</i>	Forecast of Business Results for FY2004(Consolidated)	<i>P17</i>
Efforts for Cost Reduction	<i>P5</i>	Forecast of Business Results for FY2004(by Segment)	<i>P18</i>
. Efforts for Revenue Increase (FY2004)	<i>P6</i>	Capex & Depreciation	<i>P19</i>
New FFP Strategy	<i>P7</i>	Interest Bearing Debt	<i>P20</i>
Domestic Passenger -1-	<i>P8</i>	. Outline of Account Settlement for FY2003	<i>P21</i>
Domestic Passenger -2-	<i>P9</i>	Outline of the Consolidated Financial Statements	<i>P22</i>
International Passenger -1-	<i>P10</i>	Revenue & Operating Income by Segment	<i>P23</i>
International Passenger -2-	<i>P11</i>	Outline of the results of Air Transportation Segment	<i>P24</i>
International Cargo	<i>P12</i>	Results of International Passenger	<i>P25</i>
. Goal of Operating Income for FY2004	<i>P13</i>	Number of International Passengers by routes (yr/yr)	<i>P26</i>
Forecast of Operating Income for FY2004	<i>P14</i>	Results of Domestic Passenger	<i>P27</i>
		Results of International Cargo	<i>P28</i>
		Outline of the Break down of Operating Costs	<i>P29</i>
		Fuel & FOREX	<i>P30</i>
		Results of main Subsidiaries	<i>P31</i>

<PART 1>

. *Outline of Account Settlement for FY2003*

Outline of the Consolidated Financial Statements



	(Billions of yen)		
	FY02	FY03	Difference
Operating Revenue	2,083.4	1,931.7	-151.7
(International Passenger)	668.4	549.7	-118.7
(Domestic Passenger)	629.3	668.8	39.5
(International Cargo)	157.2	153.0	-4.2
(Others)	628.5	560.2	-68.3
Operating Income	10.5	-67.6	-78.1
Ordinary Income	15.8	-71.9	-87.7
Net Income	11.6	-88.6	-100.2

. Efforts for Cost Reduction (FY2004)

Efforts or Cost Reduction

Cost Reduction through Integration Effects

¥25.0 billion

	FY03	FY04	y.o.y.
Reduction of Rents, etc.	6.5	12.5	6.0
Improvement of personnel efficiency	3.0	22.0	19.0
Improvement of equipment efficiency	6.0	9.5	3.5
Other reductions	2.0	3.0	1.0
Sub-total	17.5	47.0	29.5
Additional Integration-related Cost	-10.0	-14.5	-4.5
Total	7.5	32.5	25.0

(N.B.) excluding Revenue Increase through
Integration Effects

Reduction of Personnel Expenses by introduction of new Retirement Benefit Scheme

¥32.0 billion*

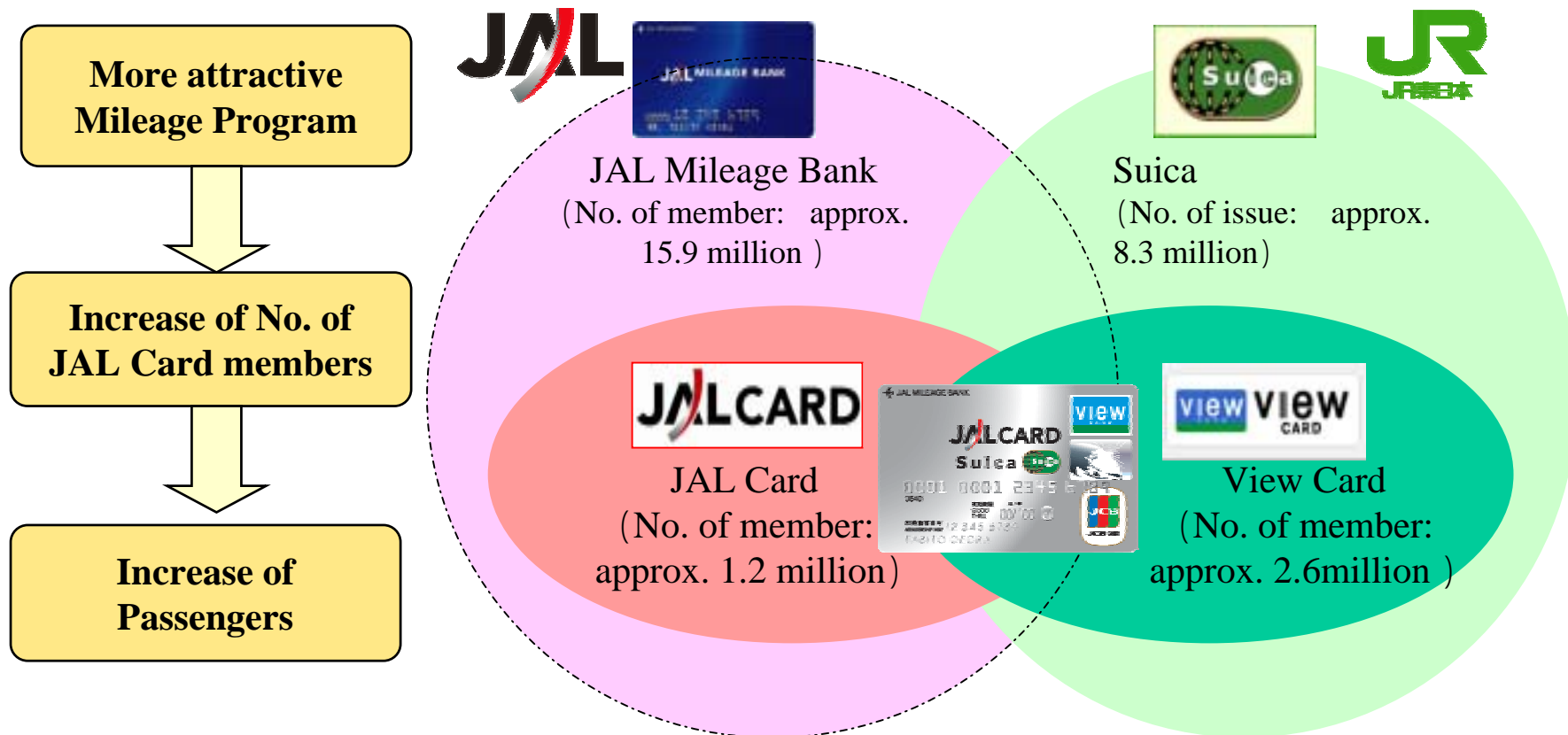
* compared with FY2003

. Efforts for Revenue Increase (FY2004)



New FFP Strategy

~ launch “JAL Card Suica” in this winter ~



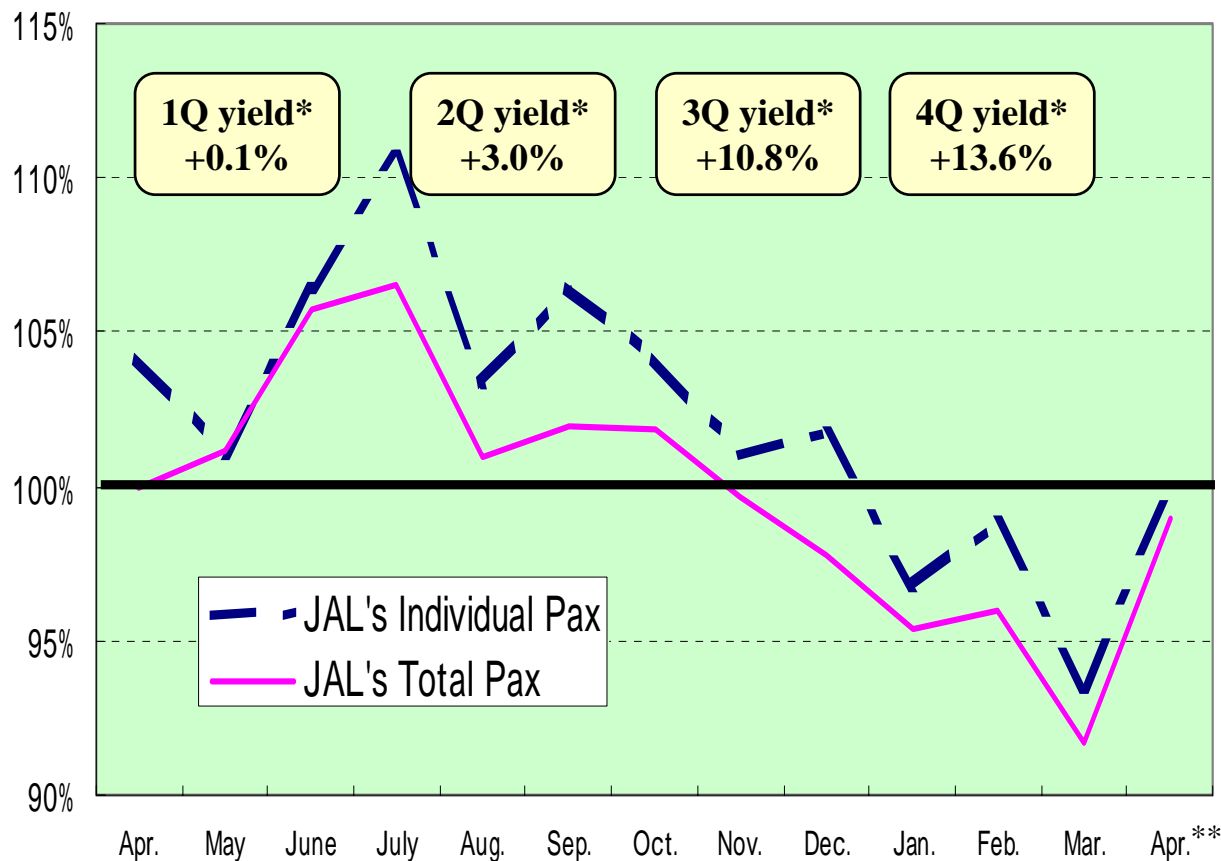
(N.B.) : All figures are as of March 31, 2004

First step of the new alliance between Railways & Airline



Domestic Passenger -1-

JAL Group's No. of Domestic Passengers in FY2003 (y.o.y.)



* yield: based on RPK

** Figure of Apr. 2004: flash report

Expansion of network
through Integration
in April, 2003

+

Sales Strategy focused
on individual pax

Ratio of individual pax
vs. total pax

Attained the target ratio
of 63% in FY2003

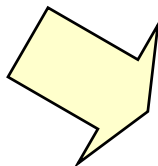
Yield in FY2003

increased +6.7%

Increase in Revenue
¥39.5 billion in FY2003

Domestic Passenger -2-

“Clear-cut”
“User-friendly”
**“Affordable
deluxe seats”**



【FY2004】

**Unification of flights to
“JAL”**

Promotion of E-business

Introduction of Class-J

**Target Revenue
increase in
FY2004**

**+21 billion yen
(vs.FY2003)**

No. of seats

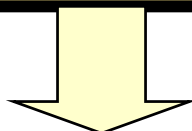
Super seat: approx. 1,000



Class-J : approx. 3,000

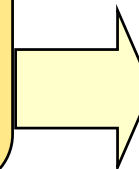


**Class-J : start of services
on June 1, 2004**



**Enhancement of
Individual Pax Ratio**

**Target : FY2004
up 64% y/y**



**Increase of average yield
based on no. of pax**

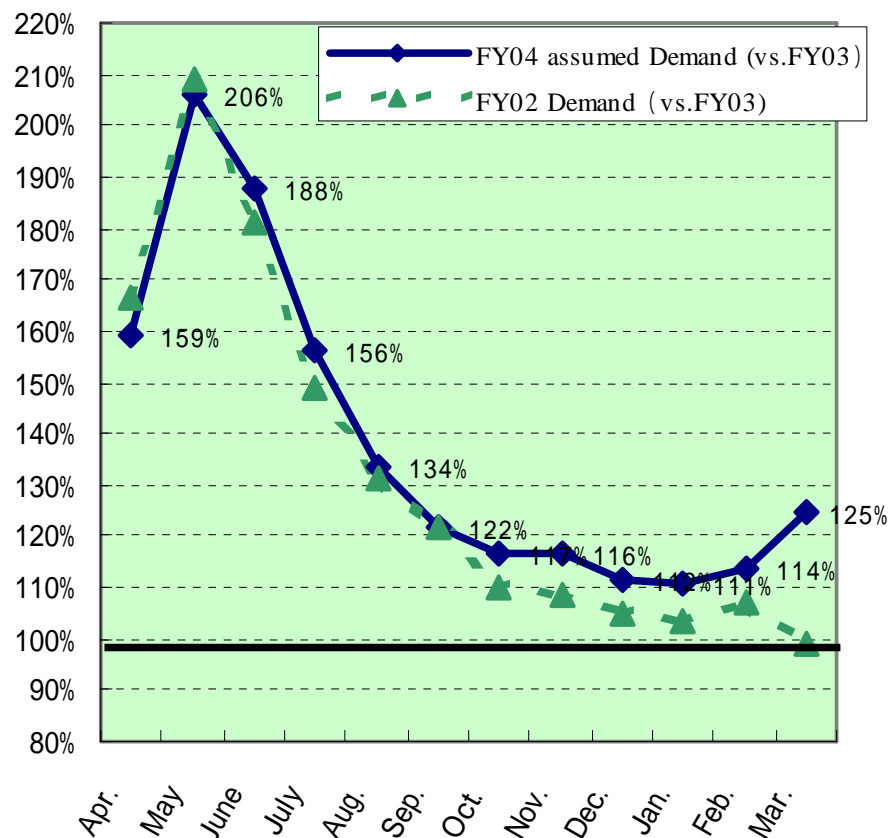
**Target : FY2004
up 3.4% y/y**



International Passenger -1-

Assumed Demand

Assumed JAL Group's No. of International Passengers for FY2004



Target Revenue Increase for FY2004

145 billion yen (vs.FY2003)

27 billion yen (vs.FY2002)

[Assumed Demand for FY2004]

FH: almost same as FY2002

SH: approx. 10% higher than FY2002

[Reasons why demand of SH is assumed stronger than that in FY2002]

China routes: assumed 50% demand increase corresponding to 80% supply increase

Guam routes: assumed 25% demand increase compared with weak demand in FY2002 caused by typhoons

International Passenger -2-

Strategies by route

【Pacific routes】

Maintain proper supply
Maximize profit through high L/F & high yield

【Europe routes】

Expand network in response to active demand

【China routes】

Expand China routes anticipating future growth
Expand the largest network of Japan-China routes

【Southeast Asia routes】

Reinforce optimal route operation matching
with demand

Sales strategy

Business

Beef-up Direct Marketing

**Shell-flat seats: introducing
on 7 trunk routes**



Sight-seeing

前売りWeb悟空 新発売!

JALホームページ限定発売



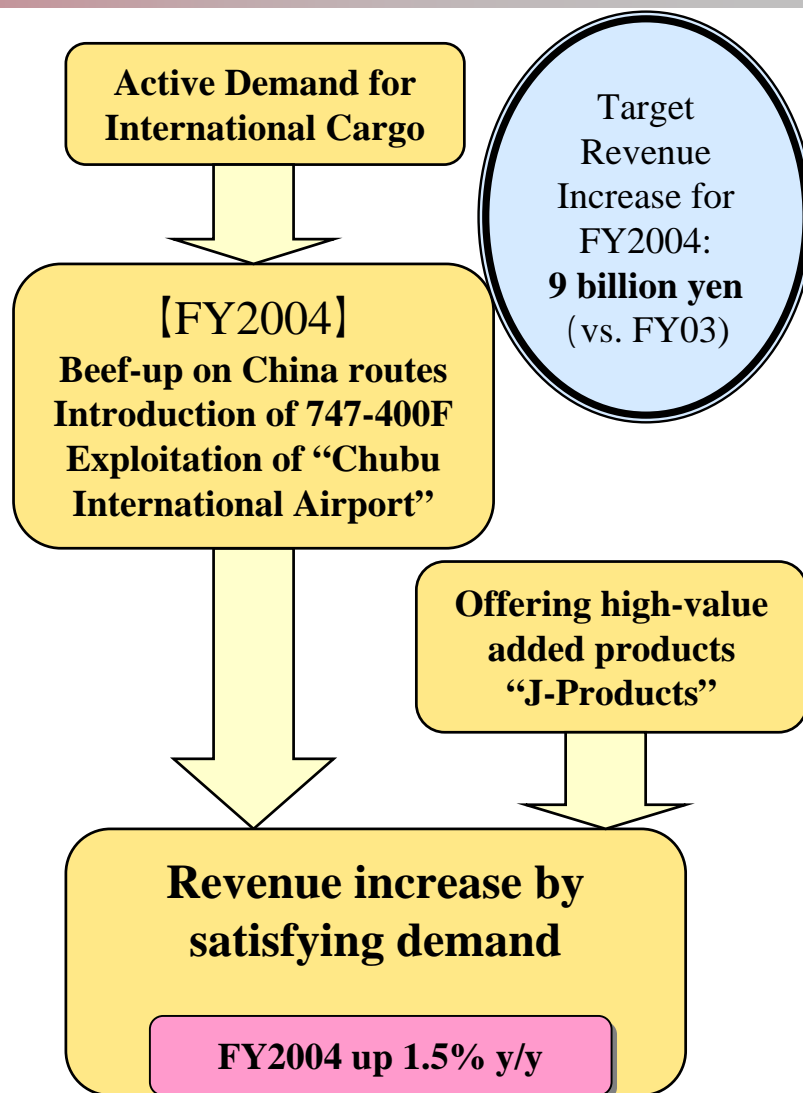
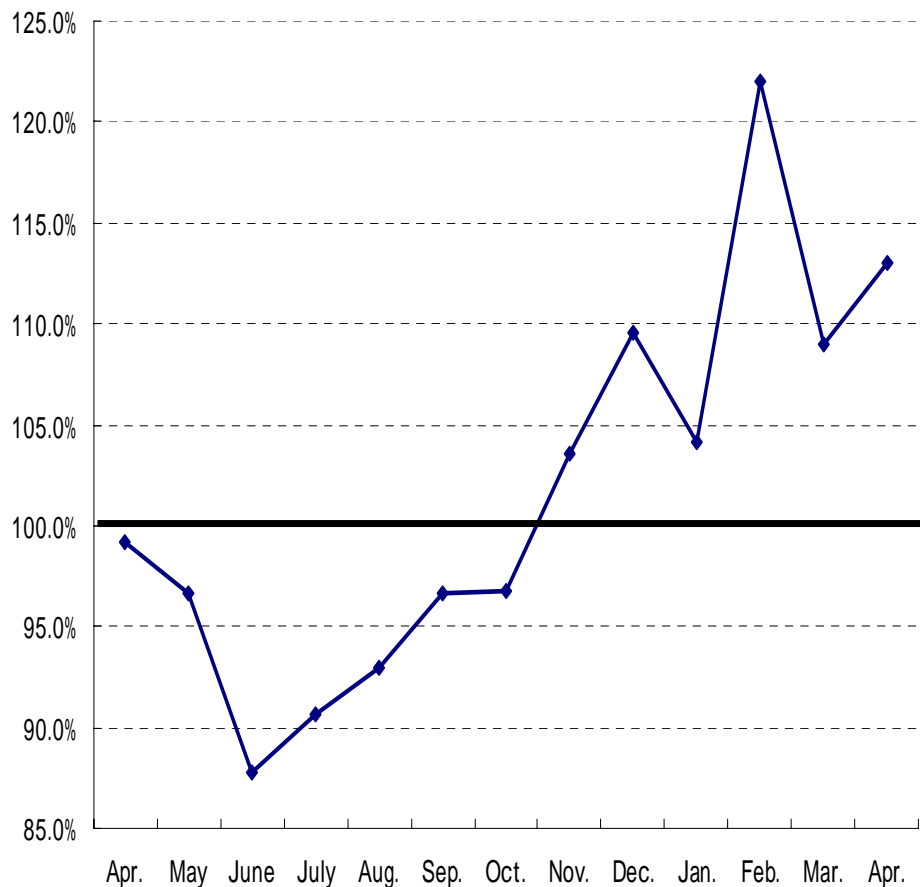
FLY!JAL!Silver-wedding Trip

FLY! JAL!
Asia



International Cargo

Trend of International Cargo Tonnage for FY2003

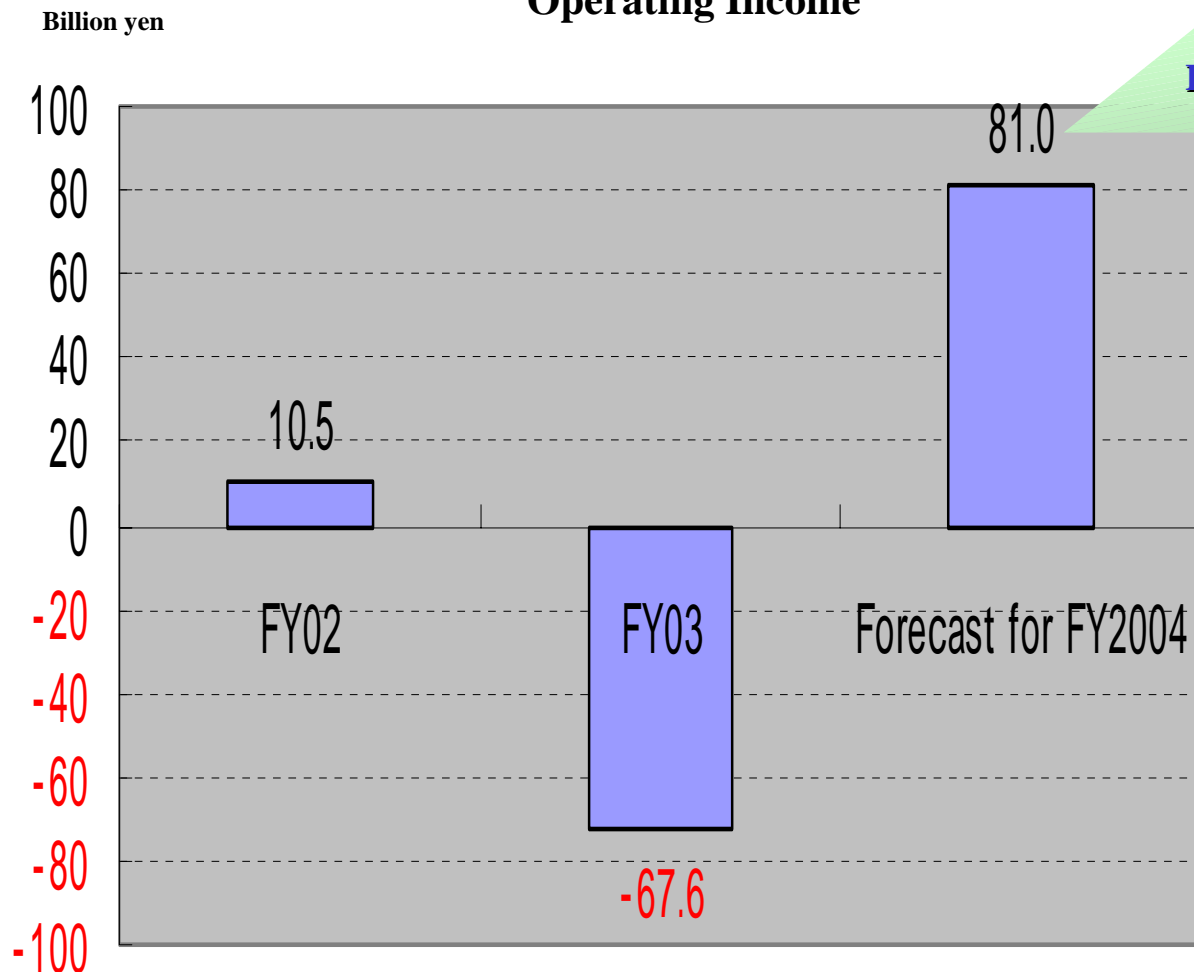


. Goal of Operating Income (FY2004)



Forecast of Business Results for FY2004

Operating Income



Resumption of dividend

Cost Reduction

New Retirement Benefit Scheme
¥32 billion
Integration Effects ¥25 billion

Revenue Increase

Domestic Passenger
¥21billion International
Passenger ¥145 billion

International Cargo ¥ 9 billion

Part 2

. Forecast of Business

Results for FY2004

Assumptions of the Forecast for FY2004



Yr/Yr(%)		FY04
International Passenger	Supply	5.8%
	Demand	31.8%
	Yield	-4.1%
Domestic Passenger	Supply	-3.8%
	Demand	-0.3%
	Yield	3.4%
International Cargo	Supply	2.0% *Cargo Freighter
	Demand	1.5%
	Yield	4.1%

	FY04
Forex	\$1=¥110
Singapore Kerosene	\$34/BBL

Forecast of Business Results for FY2004(Consolidated)



	billions of yen	
	FY03 (A)	FY04 (E)
Operating Revenue	1,931.7	2,190.0
International Passenger	549.7	695.0
Domestic Passenger	668.8	690.0
International Cargo	153.0	162.0
Others	560.2	643.0
Operating Income	-67.6	81.0
Ordinary Income	-71.9	69.0
Net Income	-88.6	36.0
ROE	-	20%
Payback Period* 1	22years	9years

*1: Interst-bearing Debts ÷ Operating Cash Flow

Forecast of Business Results for FY2004 (by Segment)



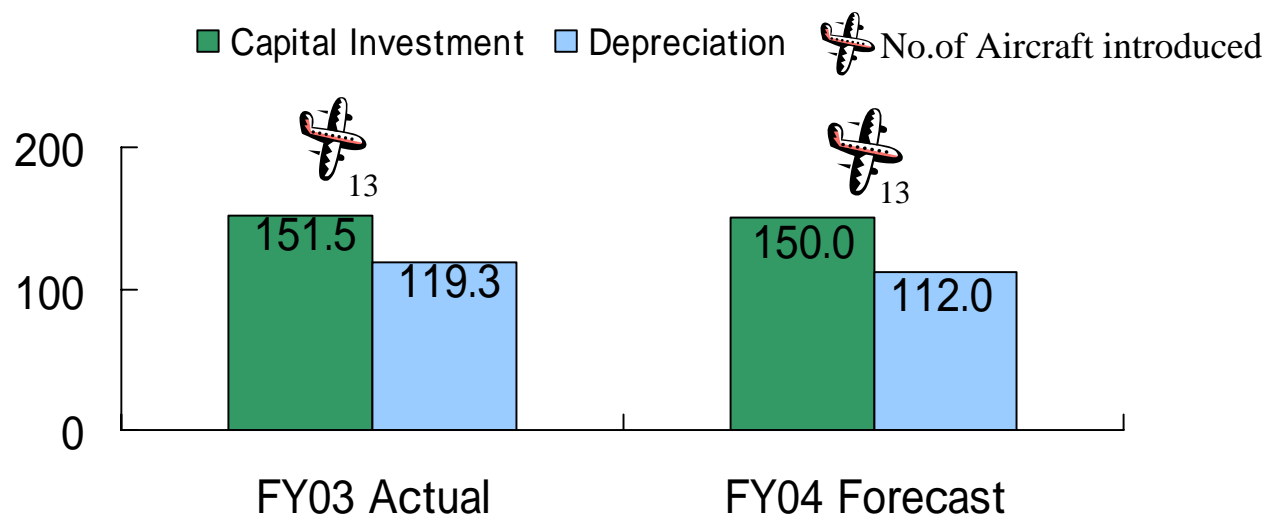
	billions of yen	
	Operating Revenue	Operating Income
Air Transportation	1,728.0 (179.2)	67.0 (139.1)
Airline - related	268.0 (24.2)	3.5 (1.6)
Travel Services	455.0 (73.1)	0.5 (4.4)
Other	274.0 (15.9)	9.5 (3.1)
Consolidated Adjustments	-535.0 (-34.1)	0.5 (0.3)
Total	2,190.0 (258.3)	81.0 (148.6)

() Defference from FY2003

The credit card and leasing business, the retailing and distribution business, previously included "Air Transport-Related Business", are combined together with the hotel and resort operations and are to be presented as part of "Other Business".



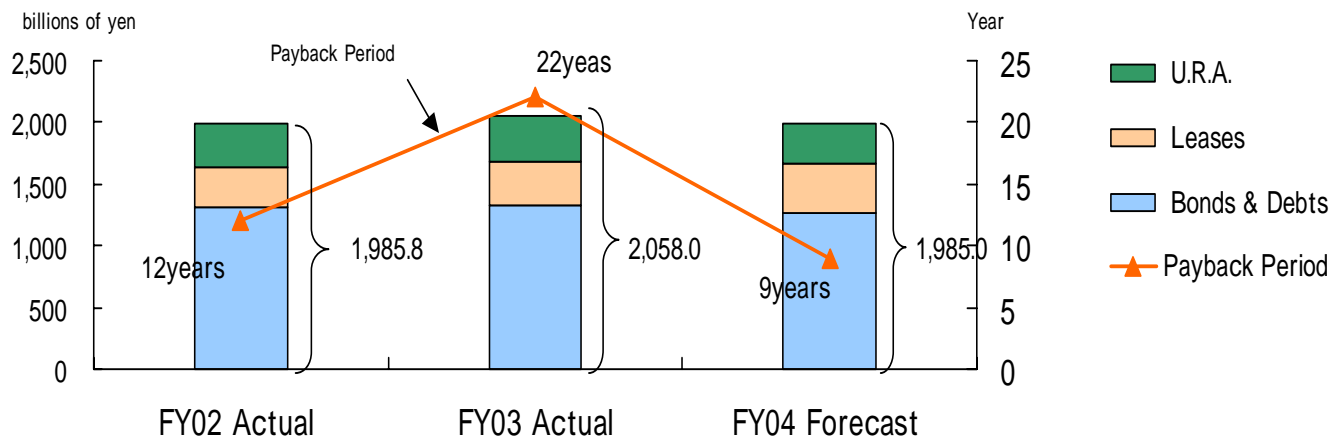
Capital Investment & Depreciation



	billions of yen	
	FY03 (A)	FY04 (E)
Capital Investment	151.5	150.0
(Aircraft)	105.4	85.0
(Ground Assets)	19.1	39.0
(Intangible Fixed Assets)	27.0	26.0
Depreciation	119.3	112.0



Interest-bearing Debts



	billions of yen		
	FY02 (A)	FY03 (A)	FY04 (E)
Bonds and Debts	1,315.5	1,325.6	1,272.0
Leases	321.9	355.0	402.0
Unrecognized Net Loss & Prior Service Cost Total	348.4	377.4	311.0
Total	1,985.8	2,058.0	1,985.0
Payback Period* 1	12Years	22Years	9Years

* 1: Interest-bearing Debts ÷ Operational Cash Flow

Part 2

. Account Settlement for FY2003



Gist of the Consolidated Financial Statements

	billions of yen		
	FY02 (A)	FY03 (B)	yr/yr (B)-(A)
Operating Revenue	2,083.4	1,931.7	-151.7
Operating Income	10.5	-67.6	-78.2
Ordinary Income	15.8	-71.9	-87.7
Net Income	11.6	-88.6	-100.2
R O E	5%	-	-
Payback Period *1	12years	22years	-

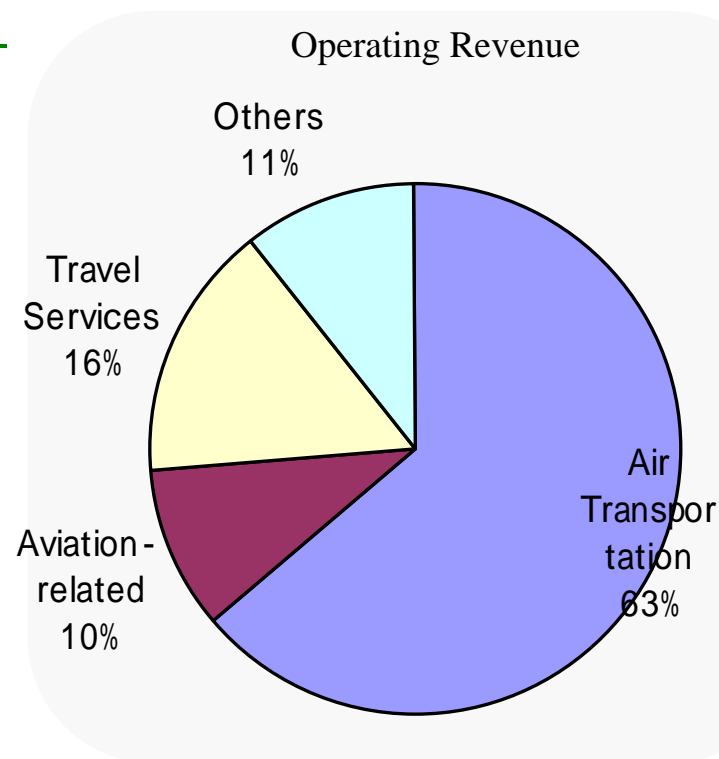
*1: Interest-bearing Debts ÷ Operational Cash Flow

Revenues & Operating Income by Segment

	billions of yen	
	Operating Revenue*2	Operating Income*2
Air Transportation	1,548.8 (-101.6)	-72.1 (-74.9)
Airline-related*1	243.7 (-2.3)	1.8 (-0.5)
Travel Services	381.9 (-53.8)	-3.9 (-3.6)
Others*1	258.1 (-3.8)	6.3 (0.0)

() Difference from FY03

Add-up of JAL/JAS without adjustment for FH of FY02



*1 The credit card and leasing business, the retailing and distribution business, previously included "Air Transport-Related Business", are combined together with the hotel and resort operations and are to be presented as part of "Other Business".

Airline-related Business in FY2002 includes the credit card and leasing business and the retailing and distribution business. JAS's other business in FY2002 is added to Travel Services Business.

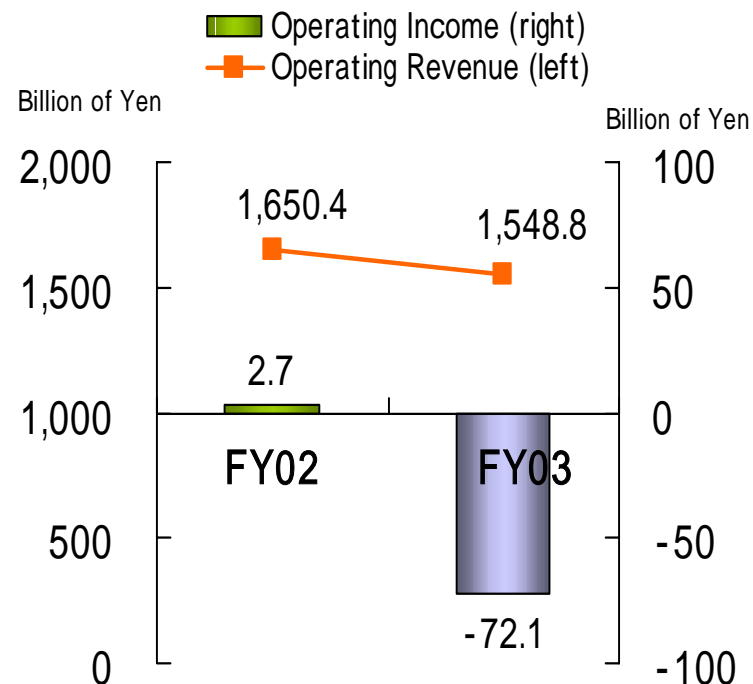
*2 Prior to consolidation adjustments



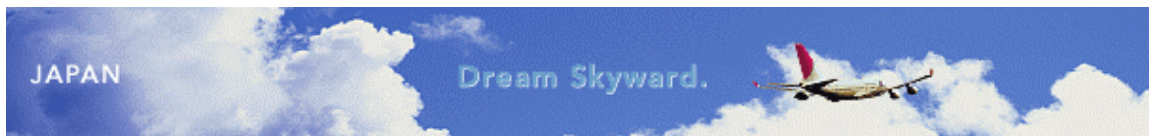
Gist of the results of Air Transportation Segment

< Breakdown of Revenue >		Billions of Yen
		Operating Revenue
International	Passenger	549.7 (- 118.7)
	Cargo	153.0 (- 4.2)
Domestic	Passenger	668.8 (39.5)
	Cargo	30.8 (0.5)
Others		64.8 (- 0.9)
Associated Business		81.7 (- 17.8)

()yr/yr Defference



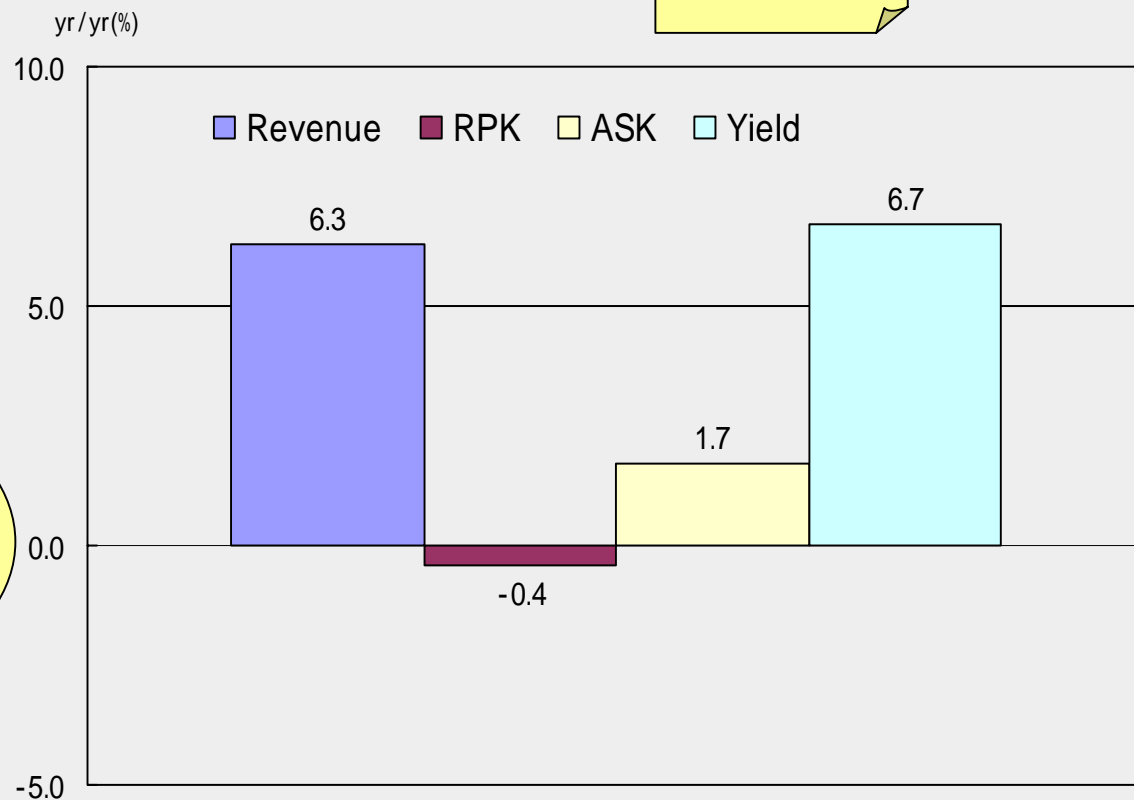
Results of Domestic Passenger



< L/F >

FY03 64.0%

FY02 65.3%



**Domestic
Passenger Revenue
¥668.8bln**
(Yr/Yr difference +39.5bln)

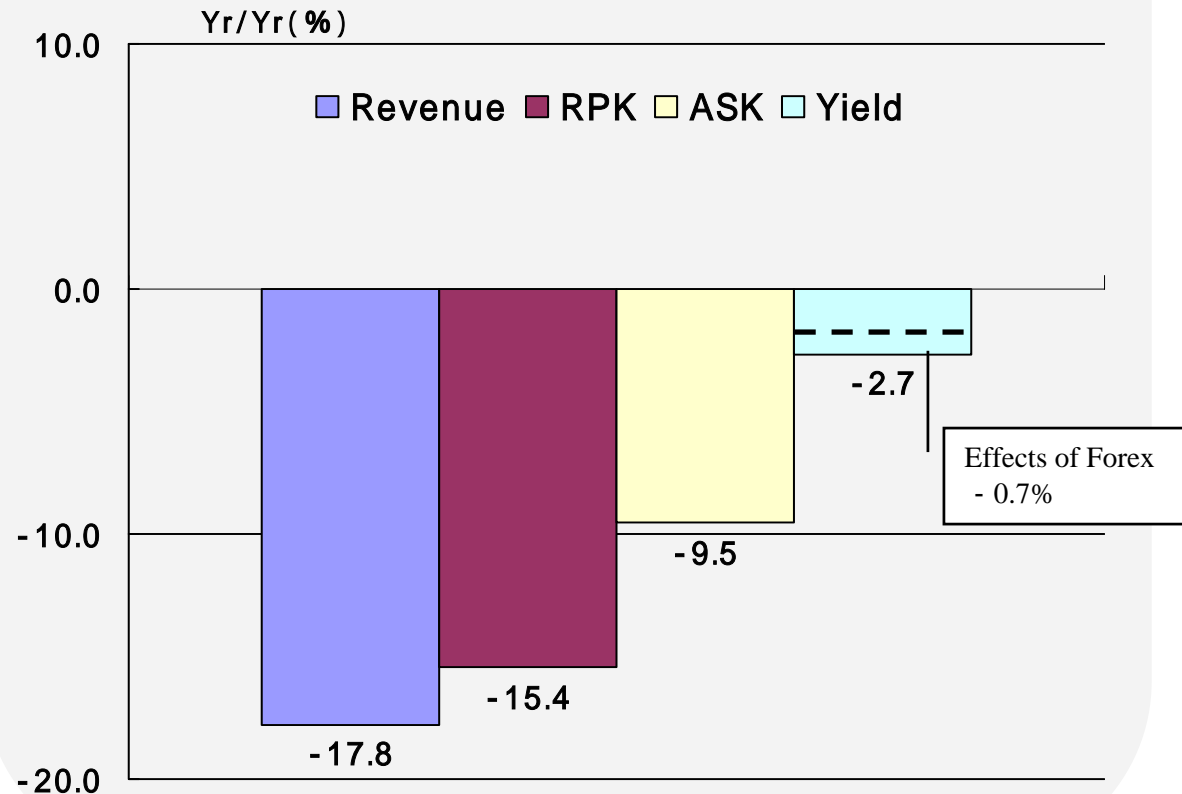


Results of International Passenger

< L/F >

FY03 64.6%

FY02 69.0%

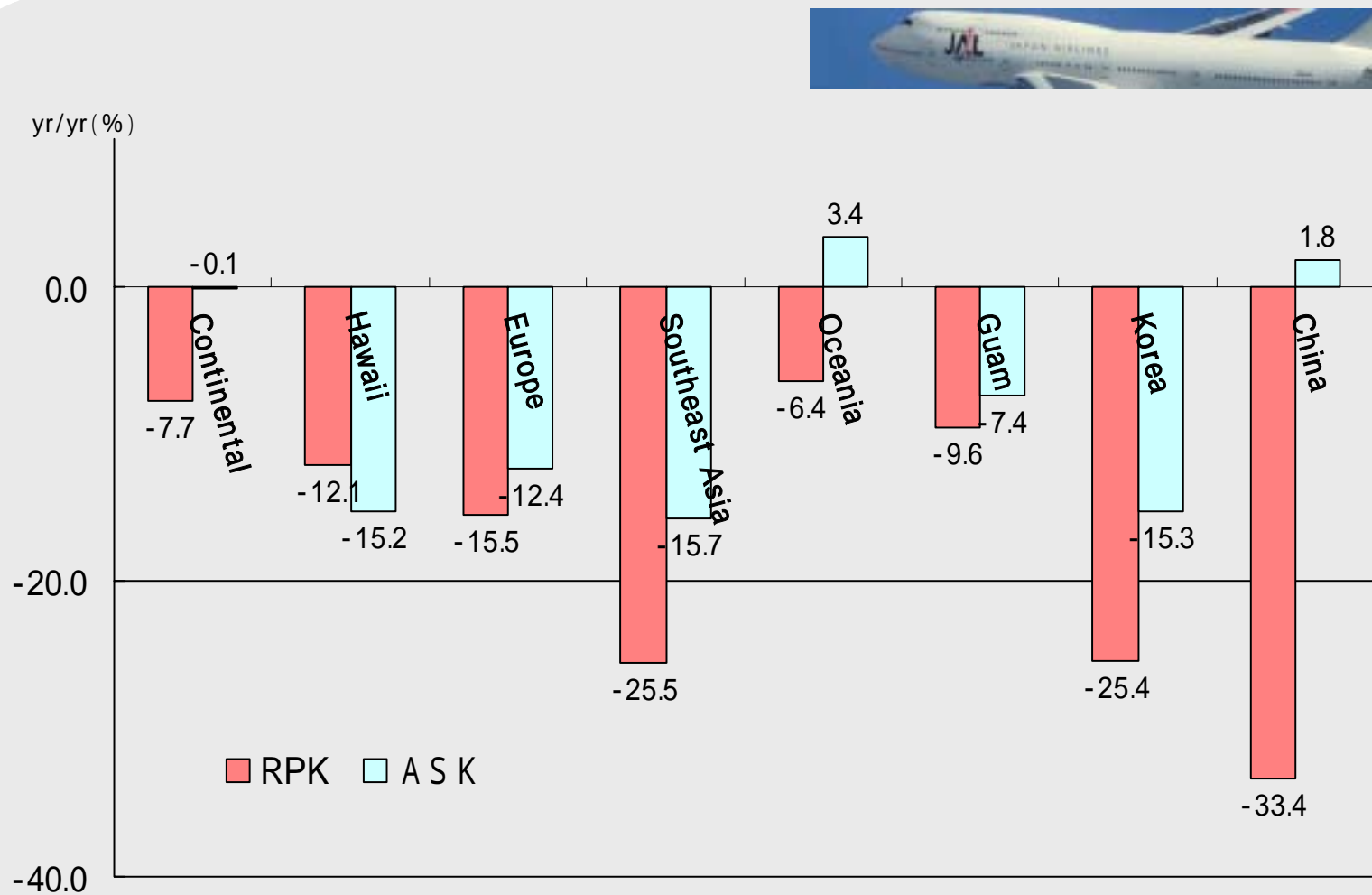


**International
Passenger Revenue**

¥549.7bln

(Yr/Yr difference 118.7bln)

Demand & Supply of International Passengers by route(yr/yr)





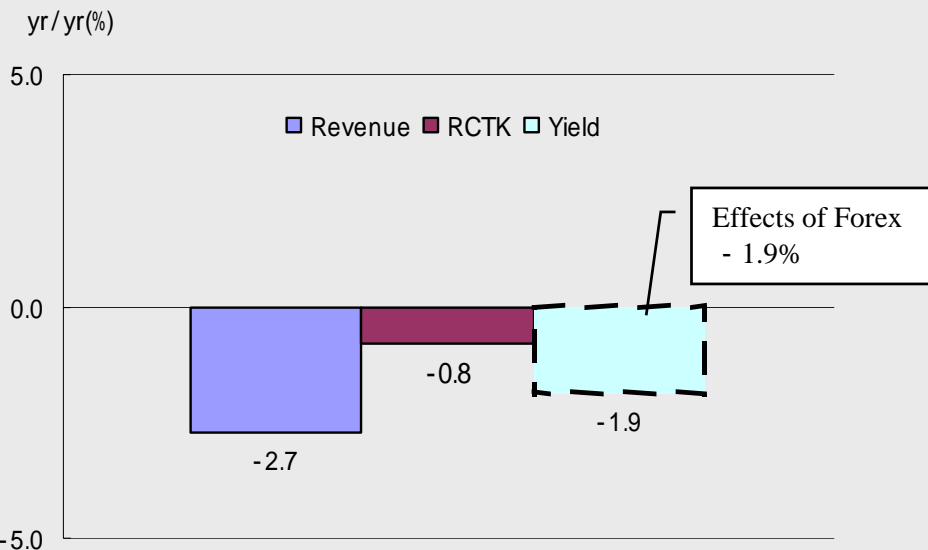
Result of International Cargo

International Cargo Revenue

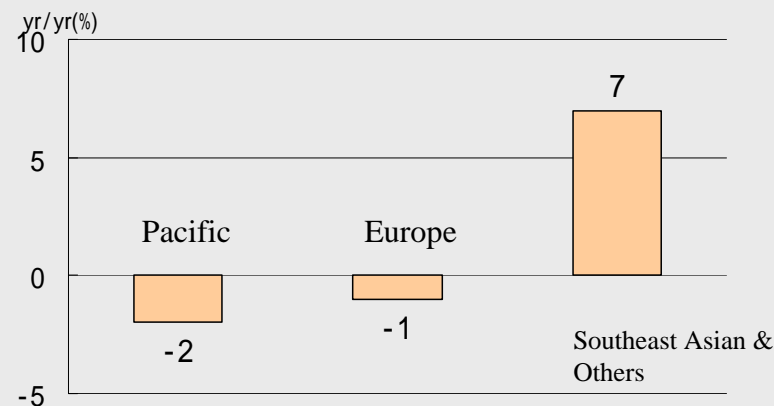
¥153.0bln

(Yr/Yr difference - 4.2bln)

JALCARGO



* International Cargo Tonnage by route (yr/yr %)
(On a Tonnage base)





Gist of the Breakdown of Operating Costs (Air transportation Segments)

	Billions of Yen			
	FY02*1	FY03	Difference	yr/yr(%)
Fuel	246.2	244.8	-1.4	(-1%)
Airport Facilities	132.4	132.7	0.3	(0%)
Maintenance	103.3	106.0	2.7	(3%)
Passenger Services etc	56.2	48.1	-8.1	(-14%)
Commissions	132.1	121.6	-10.5	(-8%)
Aircraft Depreciation	74.0	76.1	2.1	(3%)
Aircraft Leases	100.6	96.8	-3.8	(-4%)
Parsonnel	327.7	332.0	4.3	(1%)
Others & Consolidated Adjustments	475.1	462.9	-12.3	(-3%)
Total	1,647.6	1,621.0	-26.6	(-2%)

*1 Add-up of JAL/JAS without Adjustment

Fuel & FOREX (Air Transportation Segment)

Fuel

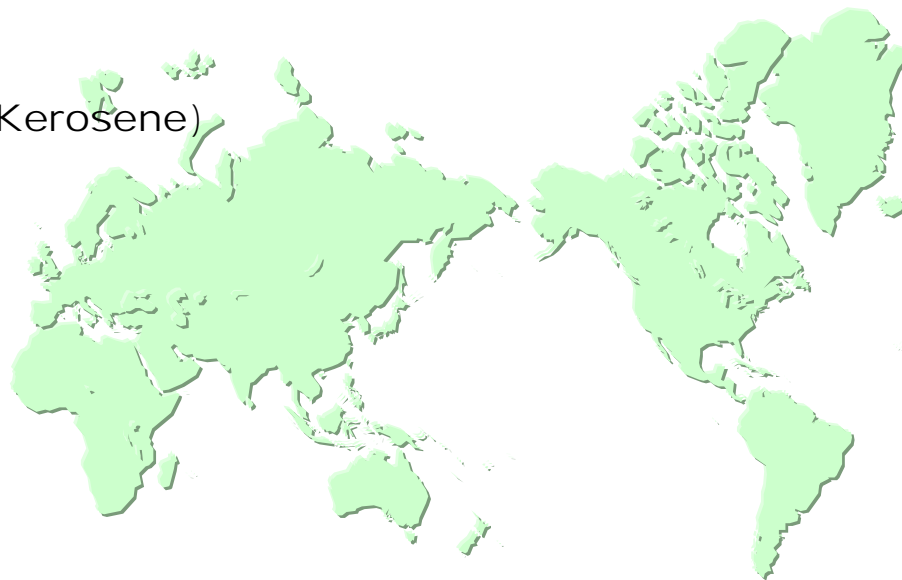
→ Averaged Fuel Price (SIN Kerosene)

FY03 \$33.0/bbl

(FY02 \$30.5/bbl)

→ Hedge Ratio for FY03

about 50%



FOREX

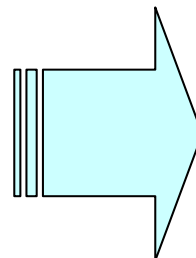
Exchange Rate of Main Foreign Currencies

	FY02	FY03
USD	¥122.9	¥114.0
EUR	¥120.0	¥132.3

N.B Based on the average Company Exchange Rate from Apr-Sep of FY2003

Effects on Income

Billions of Yen



Operating Revenue	-7.9
Operating Costs	-24.7
Operating Income	16.8

Results of Main Subsidiaries

< before consolidation adjustments >		Billions of Yen		
		Operating Revenue	Operating Income	Net Income
Airline-related Business Segment	AGP	9.4 (0.1)	0.4 (0.0)	0.1 (0.0)
	TFK	22.9 (- 2.3)	-0.3 (- 0.4)	0.1 (- 0.2)
Travel Services Segment	JAL Tours	104.7 (4.0)	0.7 (0.5)	0.6 (0.6)
	JALPAK	166.3 (- 47.9)	-4.5 (- 3.0)	-2.3 (- 1.0)
	JAL Sales	45.2 (0.3)	-0.5 (- 1.5)	-1.1 (1.6)
Others Segment	JAL Card	15.4 (2.7)	1.5 (0.5)	1.0 (0.4)
	JAL Hotels	23.7 (- 0.7)	0.8 (0.0)	1.1 (0.2)
	JALUX	78.4 (- 0.1)	1.3 (0.2)	0.9 (0.2)

() yr/yr difference. Add-up of JAL/JAS for FY2002 figures.

大好評の「空弁」！
JALUX



<Contact Address>

Japan Airlines System Corporation, IR Desk

TEL: (03)5769-6097 FAX: (03)5769-6492

Office Hour: Weekday: 9:30-12:00, 13:00-17:00

Address: 2-4-11, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8605

(N.B.)

Please refer to the Financial Information (“Kessan Tanshin”, “Yukashoken Hokokusyo” etc.) 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 FY2003. The copyright of this document belongs Japan Airlines System Corporation.

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