
***JAL Group's Medium-term Business Plan
for FY 2005-07***

(Analyst Briefing)

March 10, 2005

Japan Airlines Corporation

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. Business Environment & Essence of the Plan

Business Environment of the JAL Group

➤ Severer Competition with lots of Business Opportunities

[Business Environment]

[Opportunities at Airports]

- Steady Growth in Demand in Asia China
- Re-expansion in Haneda Airport
- Increase in Seniors

FY2004

- Opening of the 2nd Terminal in Haneda
- Opening in Chubu International Airport

FY2005

- Reallocation of slots at Haneda
- Restrictions of Big-size Aircraft at Itami
- Opening at Kobe Airport

- ◆ Open Skies? (Deregulation in Airline Industry)
- Opening at Kita-Kishu Airport

FY2006

- Opening of the 1st Terminal at Narita

FY2009

- Opening of the 4th Runway at Haneda

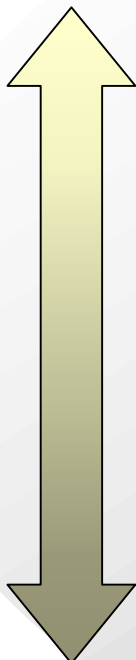
FY20XX

- Expansion of slots at Narita (?)

- Continuation of Fuel Price Hike
- Terrorism, Wars, Natural Disasters, Epidemic Diseases
- Entries of foreign LCC
- Depopulation accompanied with
- Declining Birthrate and Aging Population

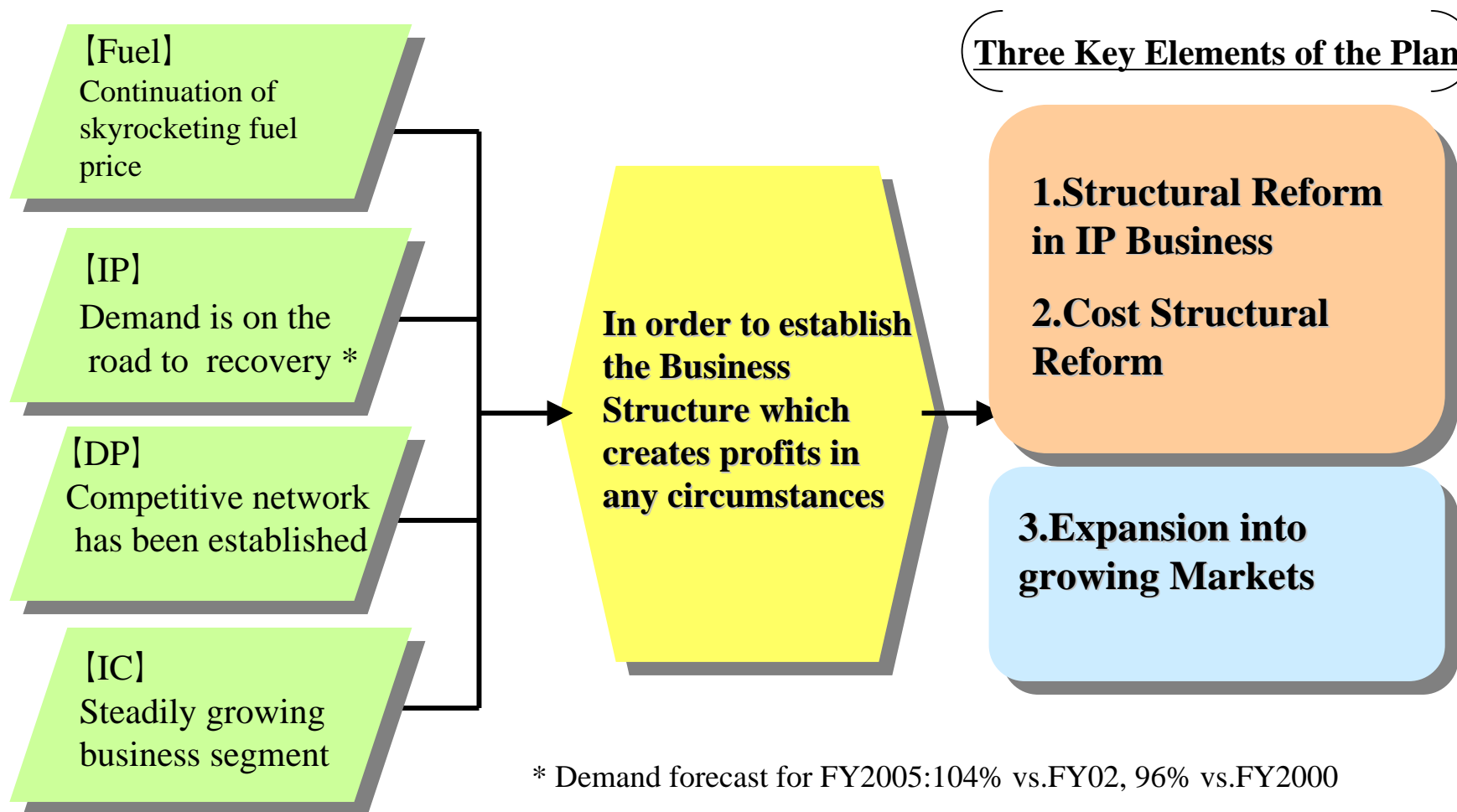
Risks

Opportunities



Three Key Elements of the Plan

➤ In order to overcome severe competition and make good use of our opportunities



Two Structural Reforms

➤ We force through the two Structural Reforms in this medium-term business plan.

**1. Structural Reform
in International
Passenger**

**2. Cost Structural
Reform**

II. Structural Reform in IP Business

Structural Reform in IP Business (1)

➤ Effects of the Reform on profits : ¥3 billion for FY05

Reallocation of resources

1. Discontinuation of low-profit routes
2. Reconstruction of Network focusing profitability
3. Concentration of resources on profitable or growing routes

Acceleration of route-transfer to JAZ

Expansion of JALways*
(JAL Group's LLC in IP Business Segment)

FY04 : 120 flights/week (20%)

FY07 : 180 flights (27%)

Introduce "JALways model"
into Asia routes to increase profitability of high growing routes

*Operation cost : 10% lower compared with JALI

Increase in efficiency of aircraft

1. Curtailment of types and specs of aircraft

[Specs of aircraft]
FY04 : 32 FY07 : 25**

2. Acceleration of Downsizing

[747, 747-400, 777-300]
FY04 : 62% FY07 :

54%

**decrease specs to 13 in the long term

Structural Reform in IP Business(2)

- Virtuous Circle starts on the basis of the Structural Reforms

Structural Reform of Business

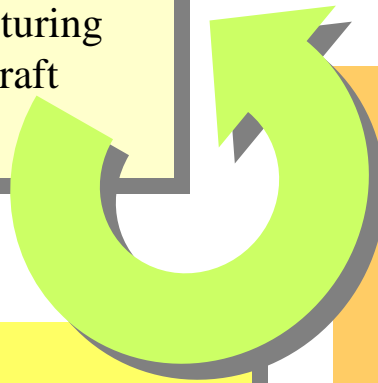
Improve profitability by restructuring network and downsizing aircraft

Collection of funds / Curtailement of assets

Improve financial strength by reducing interest-bearing debt

Acceleration of Aircraft Renewal

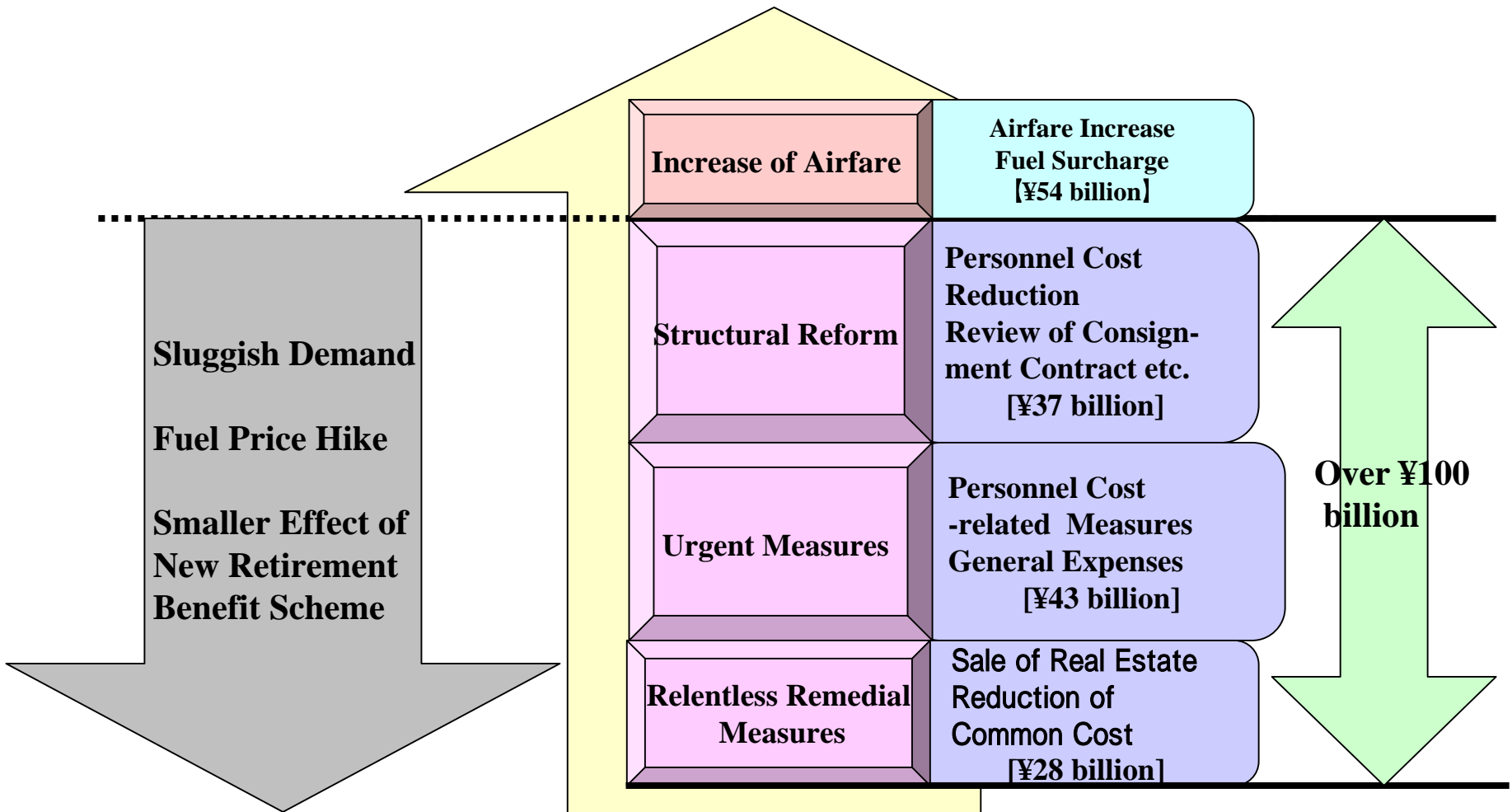
Controlling the increase of interest-bearing debt, we introduce more efficient aircraft



III. Cost Structural Reform

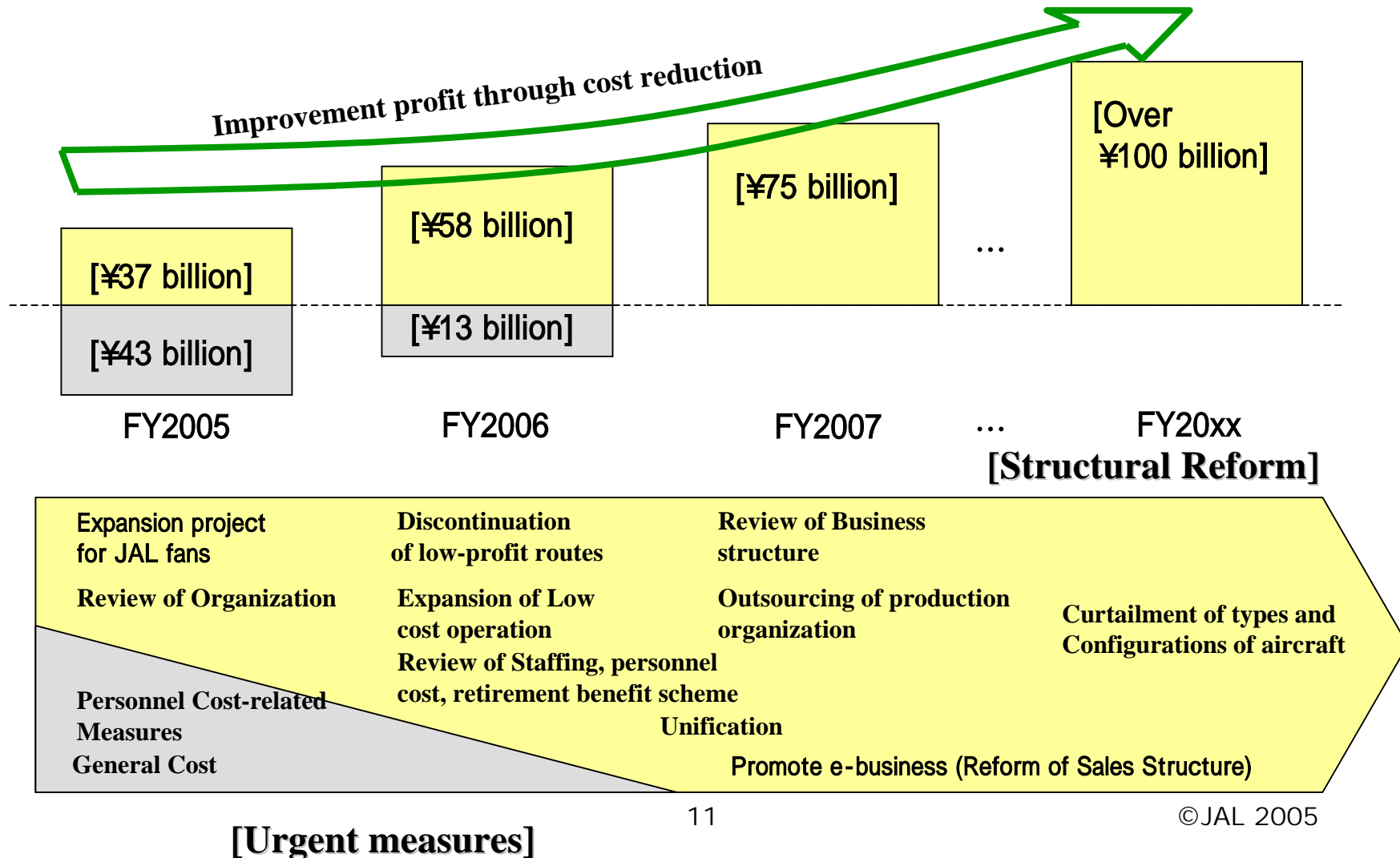
Remedial Measures for FY2005

➤ over 170 measures



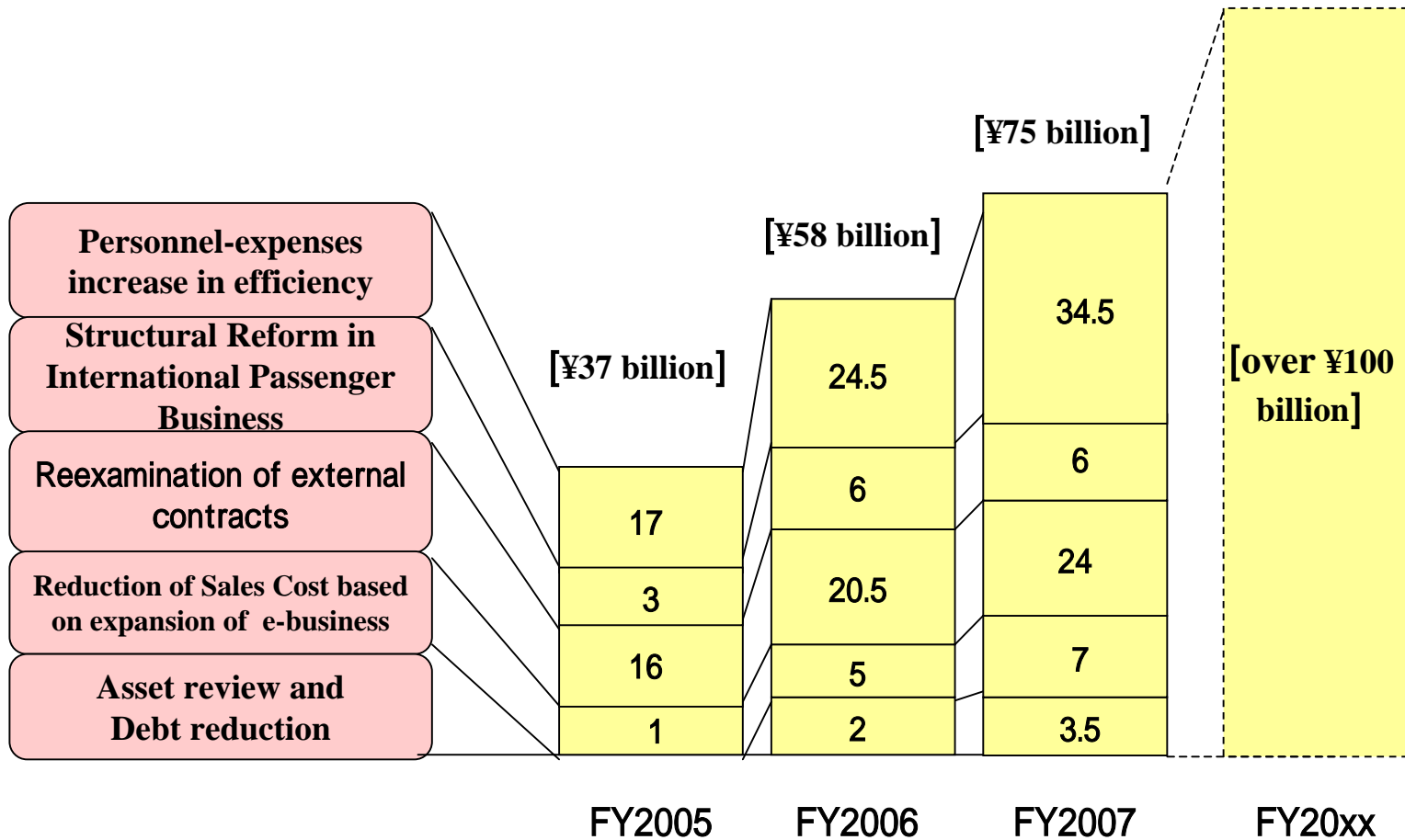
Cost Structural Reform and Urgent Measures

➤ Effects of Cost Structural Reform amount to ¥75 billion in FY2007



Breakdown of Structural Cost Reform

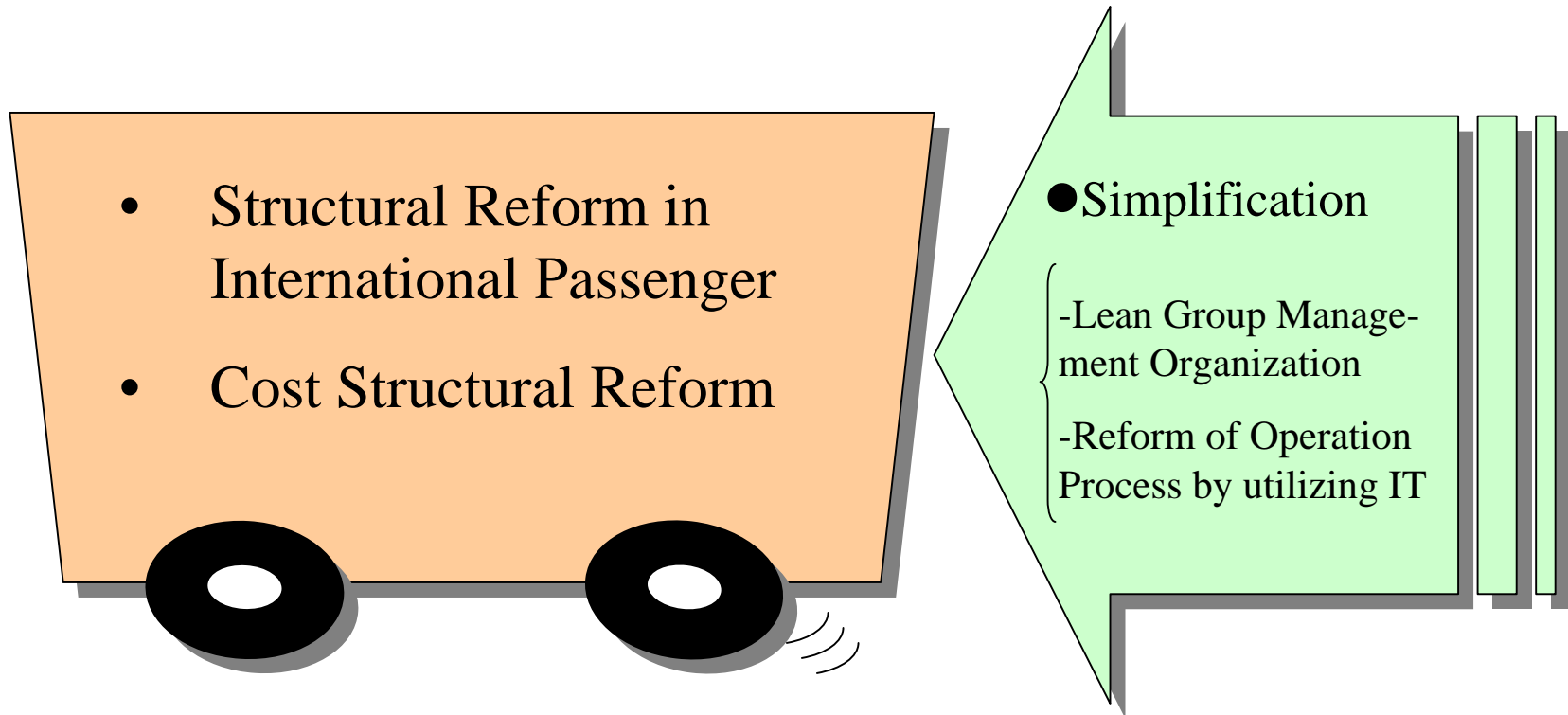
➤ The items of structural expense reform



. Keyword to pursue Reforms

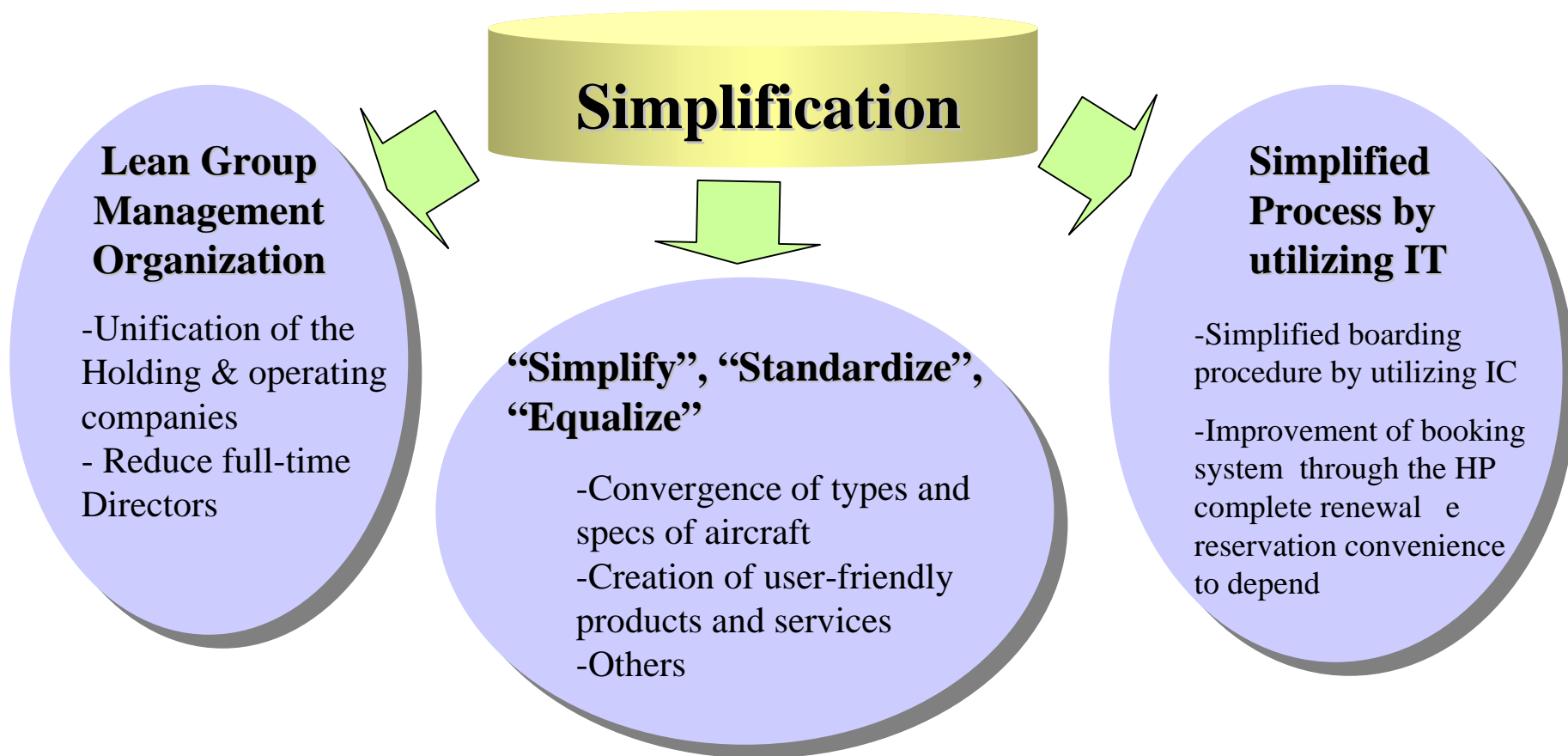
Simplification (1)

➤ Drivers to pursue the reforms



Simplification (2)

➤ Pursue the Reforms through various simplifications



Schedule of the Unification

- Expedite decision-making by eliminating redundancies in the group organization

FY2005

(substantial unification)

Unification Committee

- decide time and target companies

Unify Corporate Planning and Marketing functions

Plan to unify by the end of FY2006

Speed up the Reforms !

. Expansion into the growing Market



Strategies by Business Segment

➤ Together with Structural Reforms, we proactively expand in growing market

International Passenger

- Proactively expand in growing markets such as Asia/China
 - the greatest network between Japan and China (covering 13 cities, 29 routes, 237 flights per week as of Jul. 05)
 - growth rate from FY04 to FY07: China 135%, Asia 121%
- Promote inbound demand
(high economic growth in Asia/China + Visit Japan Campaign)

Domestic Passenger

- Expansion of JEX (FY04:8 aircraft FY07:19aircraft)
- Expansion of “IC check-in” (FY07:15 ~ 20%)

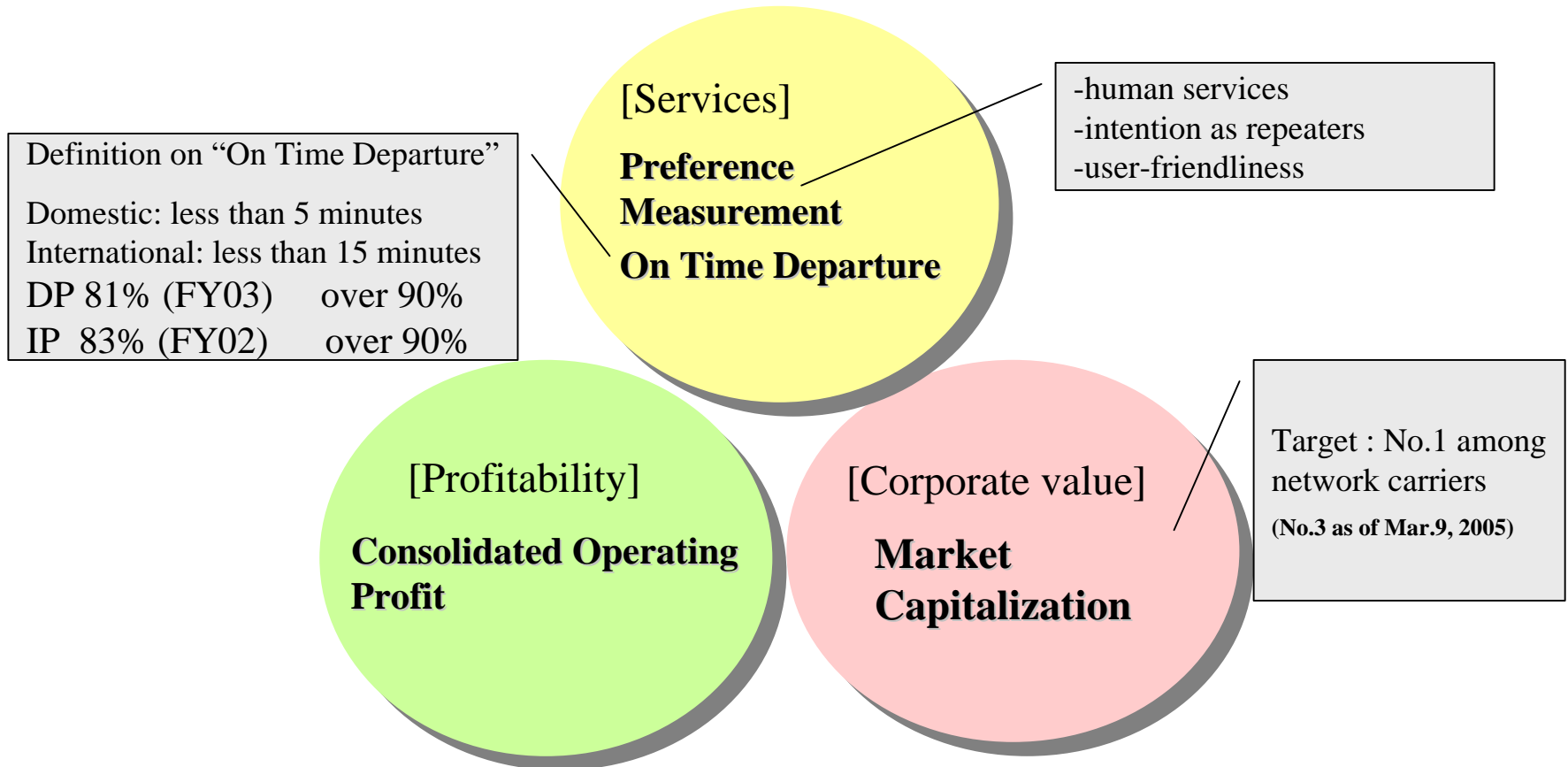
International Cargo

- Expansion of business size (Target Revenue: ¥300 billion)
- Proactively expand in growing markets such as Asia/China and enter the late night domestic cargo market

. What the JAL Group aims at

Our Vision

➤ We aim to be a top airline group in terms of quality and quantity.



... We should rank at the top levels for all these items.



Forecast of Business Results for FY2005-07

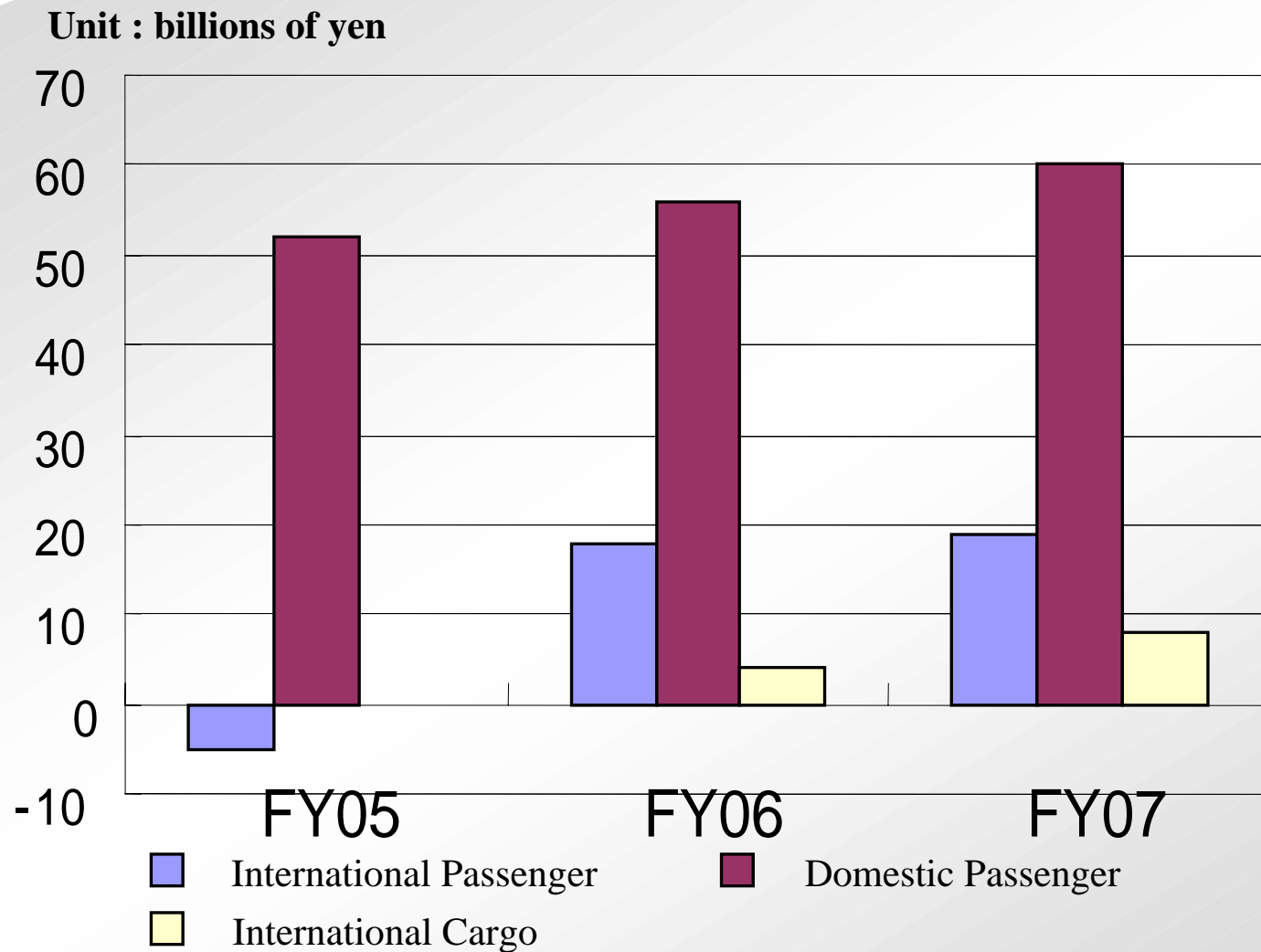
➤ Forecast of Business Results for FY2005 to FY07

(Unit : billions of yen)	FY05	FY06	FY07
Operating Revenue	2,209	2,266	2,283
(International Passenger)	720	749	750
(Domestic Passenger)	685	689	689
(International Cargo)	175	184	191
(Others)	629	644	653
Operating Income	60	92	100
Ordinary Income	29	63	74
Net Income	17	34	29

* Refer to Page 26 for the Assumptions of these figures.

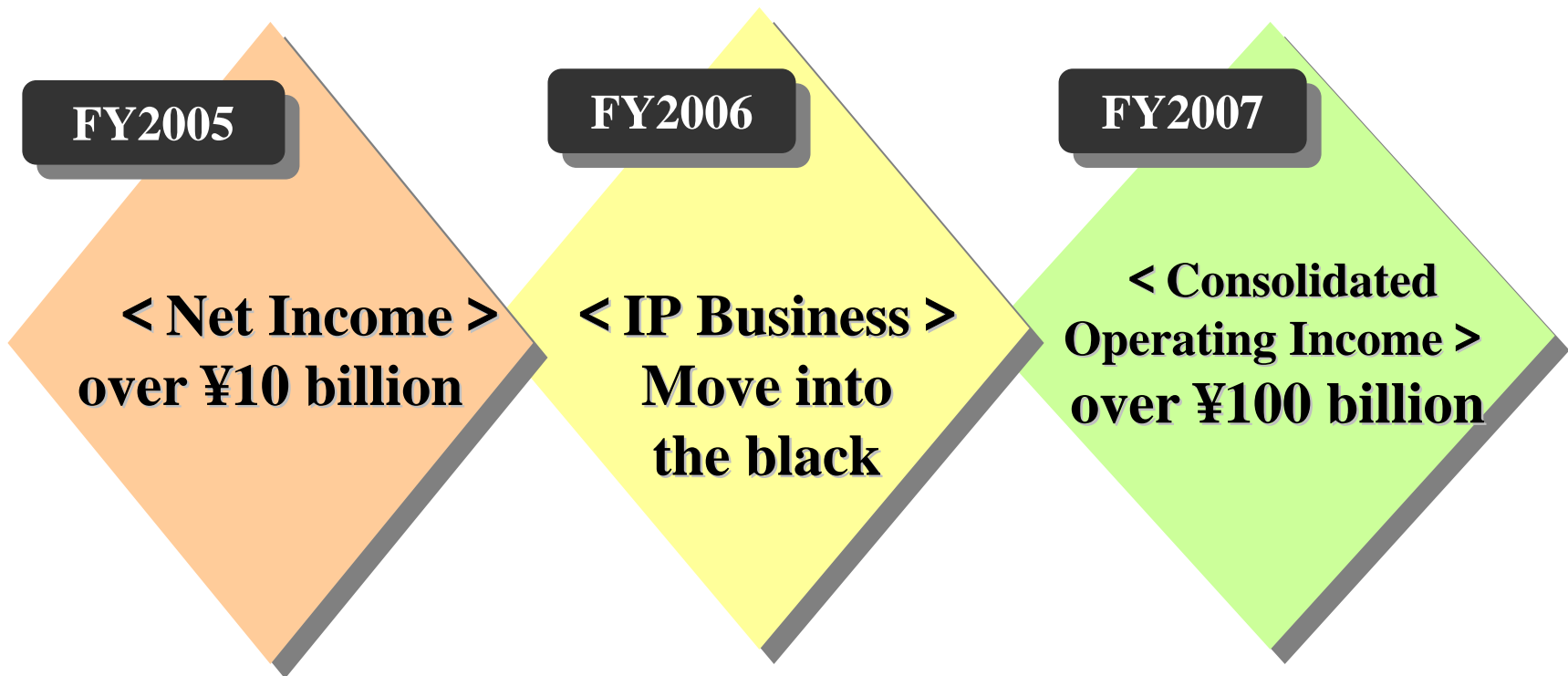


Operating Profit by Business Segment (Image)



Goals in this Business Plan

- We will achieve the following goals by carrying out the reforms and other measures in this medium-term Business Plan.



. Reference Materials



Revision of the Forecast of Business Results for FY2004

		Forecast on Nov 8, 04	Corrected Forecast	Difference
International Passenger	ASK	8.3%	-	-
	No. of Passenger	25.8%	25.4%	-0.4%
	Yield (per Pax)	-2.2%	-3.0%	-0.8%
Domestic Passenger	ASK	-3.4%	-	-
	No. of Passenger	-3.4%	-3.9%	-0.5%
	Yield (per Pax)	4.1%	4.3%	+0.2%
International Cargo	ATK	2.0%	-	-
	Tonnage	11.4%	8.0%	-3.4%
	Yield (per weight)	0.3%	3.7%	+3.4%

	Forecast on Nov 8, 04	Corrected Forecast	Difference
Operating Revenue	2,128	2,121	-7
(International Passenger)	676	669	-7
(Domestic Passenger)	672	671	-1
(International Cargo))	171	171	0
(Others)	609	610	+1
Operating Cost	2,075	2,066	-9
Operating Income	53	55	+2
Operating Earning Rate	2.5%	2.6%	+0.1%
Ordinary Income	66	68	+2
Net Income	23	27	+4

[Operating Cost]
 Fuel -14 billion yen
 Common Cost -3 billion yen
 Personnel Cost +10 billion yen
 (Changes in accounting procedure re. Pension scheme etc.)

[Net Income]
 Extraordinary Expense
 System related +4 billion yen
 Changes in accounting procedure re. Pension scheme -8 billion yen



Assumptions

Yr/Yr		FY04	FY05	FY06	FY07
International Passenger	ASK	8.3%	2.0%	-0.8%	-1.2%
	No. of Passenger	25.4%	3.3%	4.7%	0.9%
	Yield (per Passenger)	-3.0%	4.1%	-0.6%	-0.7%
Domestic Passenger	ASK	-3.4%	-1.2%	-1.3%	-0.1%
	No. of Passenger	-3.9%	2.4%	0.5%	0.2%
	Yield (per Passenger)	4.3%	-0.2%	-0.0%	-0.1%
International Cargo	ATK*	2.0%	4.1%	5.9%	3.1%
	Tonnage	8.0%	4.3%	5.8%	5.8%
	Yield (per weight)	3.7%	-2.1%	-0.8%	-1.5%

*Cargo Freighter

		FY04
Fuel	SIN Kerosene	\$50/bbl
	Hedge (Average Rate)	40%(App \$40/bbl)
FOREX	USD	¥108

FY05	FY06	FY07
\$54/bbl	\$54/bbl	\$54/bbl
40% (App \$50/bbl)	15% (App \$50/bbl)	2% (App \$50/bbl)
¥110	¥110	¥110

*Fuel Hedge Rate and average rate is as of Mar 10th, 05

Forecast of Business Results

Operating Income FY07 Over ¥100 billion

Billions of Yen

	FY04
Operating Revenue	2,121
(International Passenger)	669
(Domestic Passenger)	671
(International Cargo)	171
(Others)	610
Operating Income	55
Operating Earning Rate	2.6%
Ordinary Income	68
Net Income	27

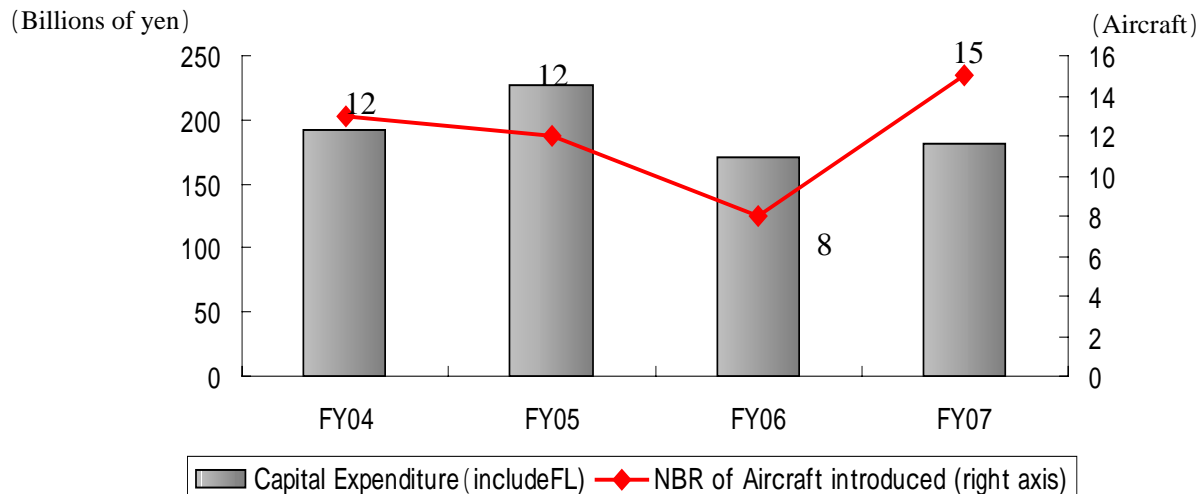
	FY05	FY06	FY07
Operating Revenue	2,209	2,266	2,283
(International Passenger)	720	749	750
(Domestic Passenger)	685	689	689
(International Cargo)	175	184	191
(Others)	629	644	653
Operating Income	60	92	100
Operating Earning Rate	2.7%	4.1%	4.4%
Ordinary Income	29	63	74
Net Income	17	34	29

Own Capital	186
ROE	15.4%

Own Capital	194	320	340
ROE	8.7%	13.0%	8.8%



Capital Expenditure and Depreciation



	FY04 *
Investment (Purchase) (A)	96.0
(Aircraft)	36.5
(Ground Asset etc.)	36.0
(Intangible Fixed Assets)	23.5
Capital Investment (Finance Lease) (B)	96.0
(A)+(B)	192.0
Depreciation (C)	120.0
Principal Payment of Finance Lease (D)	59.0
(C)+(D)	179.0

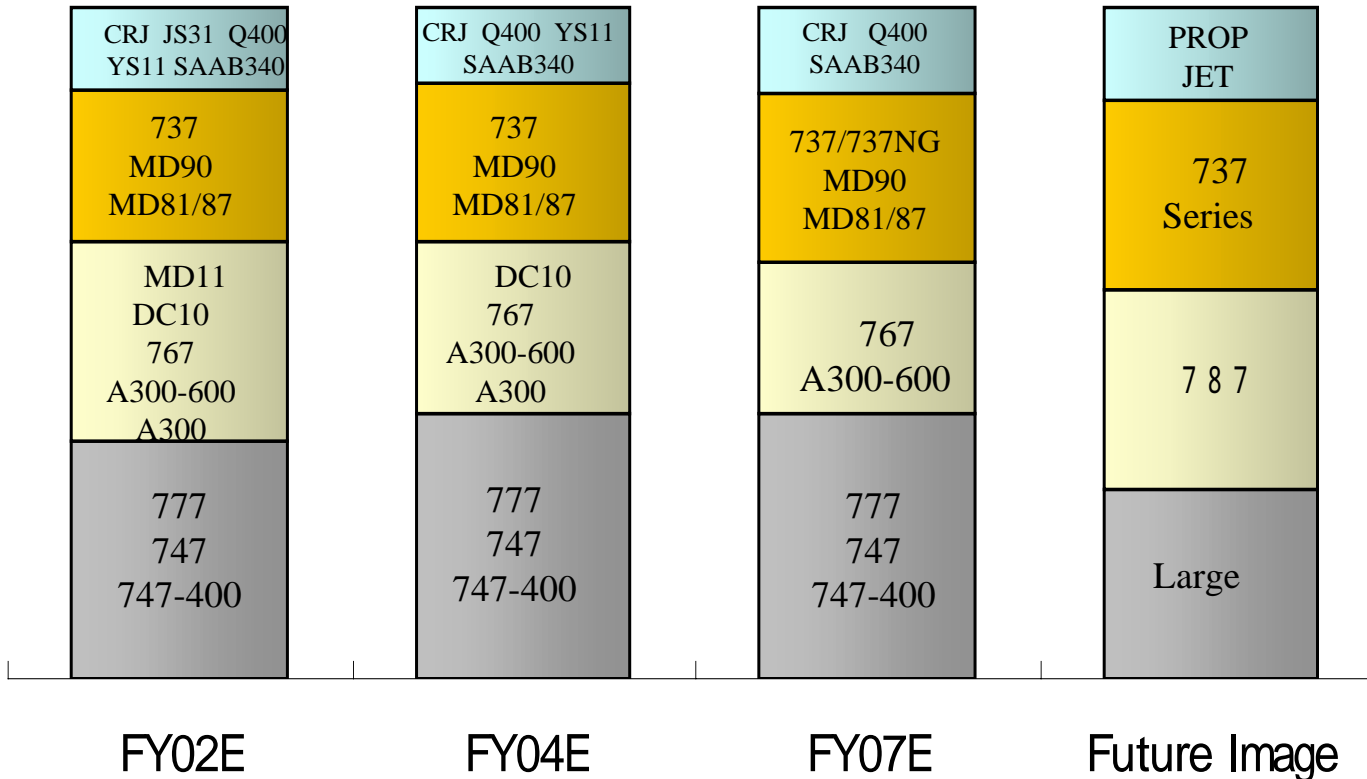
	Billions of Yen		
	FY05	FY06	FY07
Investment (Purchase) (A)	150.0	171.0	181.0
(Aircraft)	96.0	120.0	132.0
(Ground Asset etc.)	37.0	36.0	36.0
(Intangible Fixed Assets)	17.0	15.0	13.0
Capital Investment (Finance Lease) (B)	77.0	0	0
(A)+(B)	227.0	171.0	181.0
Depreciation (C)	125.0	124.0	127.0
Principal Payment of Finance Lease (D)	51.0	52.0	52.0
(C)+(D)	176.0	176.0	179.0

*FY04's data has been revised from Nov 8th, 2004; changed aircraft investment from purchase to financial lease, Depreciation data has been revised.

Medium and Long Term Fleet Plan

Down Size Aircraft · Drastic Reduction of Aircraft Types

2 8 6 Aircraft (16 Types) → 2 7 7 Aircraft (14 Types) → 2 7 7 Aircraft (11 Types)



*Exclude RAC aircraft

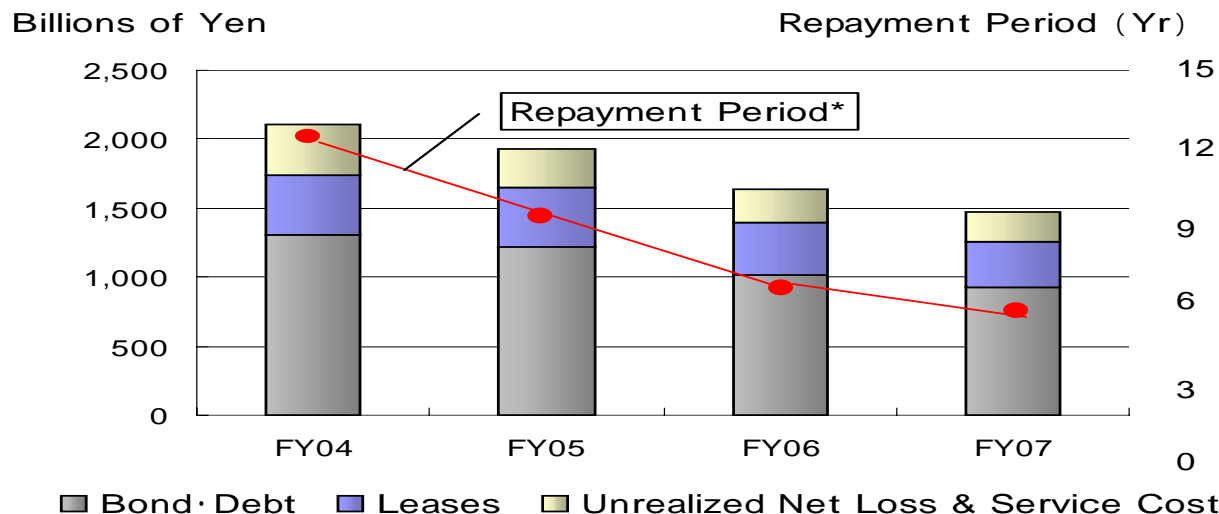
■ Large ■ Medium ■ Small ■ Regional



7. Interest-bearing Debt

FY05-FY07 Reduce ¥600 billion

*100 billion yen CB in FY06 is calculated.



*Interest-bearing debt/operating cash flow(Operating Income+Net Interest Income-Tax·Divined+Repayment Lease Principal+Depreciation etc.

(Billions of Yen)

	FY04*
Bond & Debt	1,311
Leases	430
Unrealized Net Loss & Service Cost	363
Total	2,104

	FY05	FY06	FY07
Bond & Debt	1,215	1,009	922
Leases	432	383	333
Unrealized Net Loss & Service Cost	278	247	210
Total	1,925	1,639	1,465

Interest-bearing Debt Repayment Period 12 years

9 years

6 years

5 years

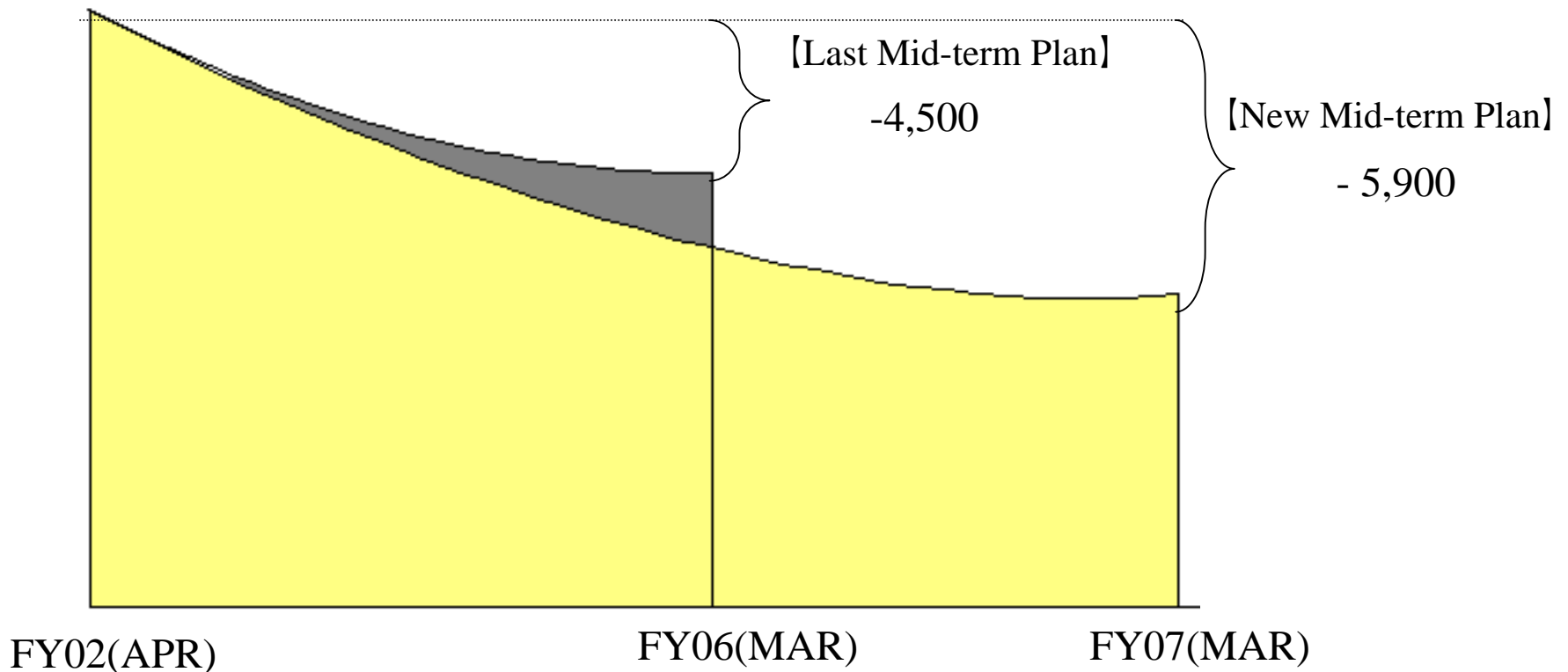
*FY04's data has been revised from Nov 8th, 2004, due to advance debt loans of FY05 and changed part of aircraft investment from purchase to financial lease.

Personnel Plan

Accelerate -4,500 personnel reduction plan (FY06,Mar), and achieve -5,900 reduction by FY07(Mar)

【JAL Group Ground Staff Reduction Image】

*JAL Group Ground Staff (include unconsolidated subsidiary/unconsolidated associated company)

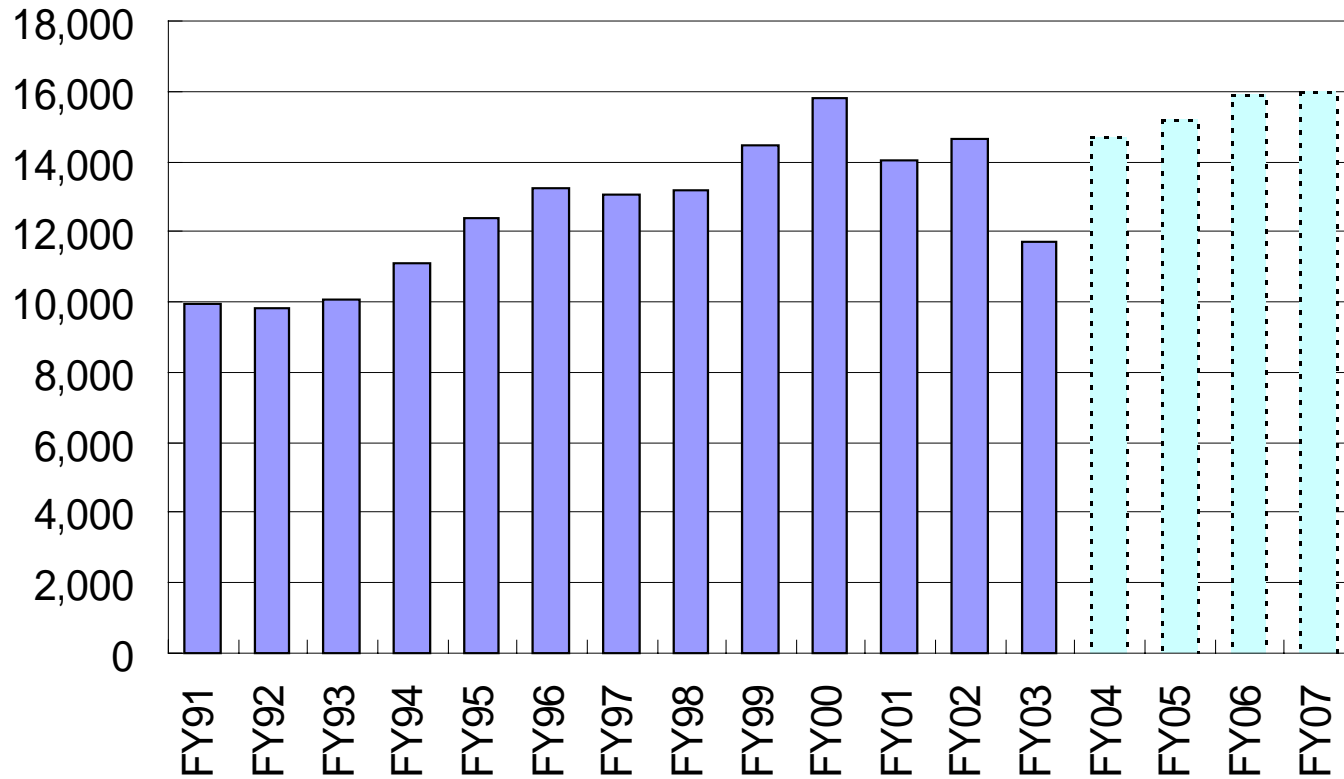




Demand Trend -International Passenger-

'000 Passengers

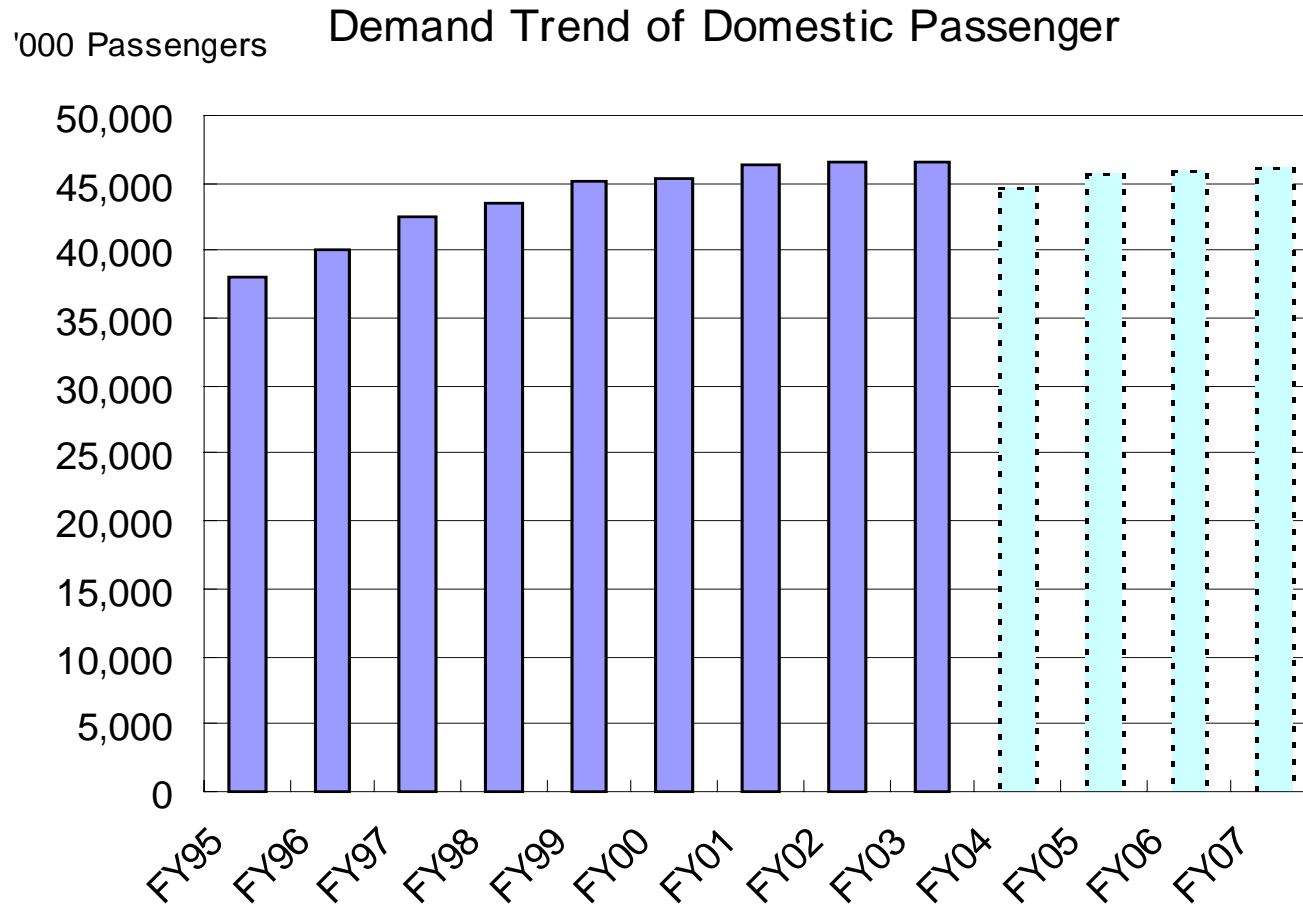
Demand Trend of International Passenger



*Figures from FY04 to FY07 are forecast

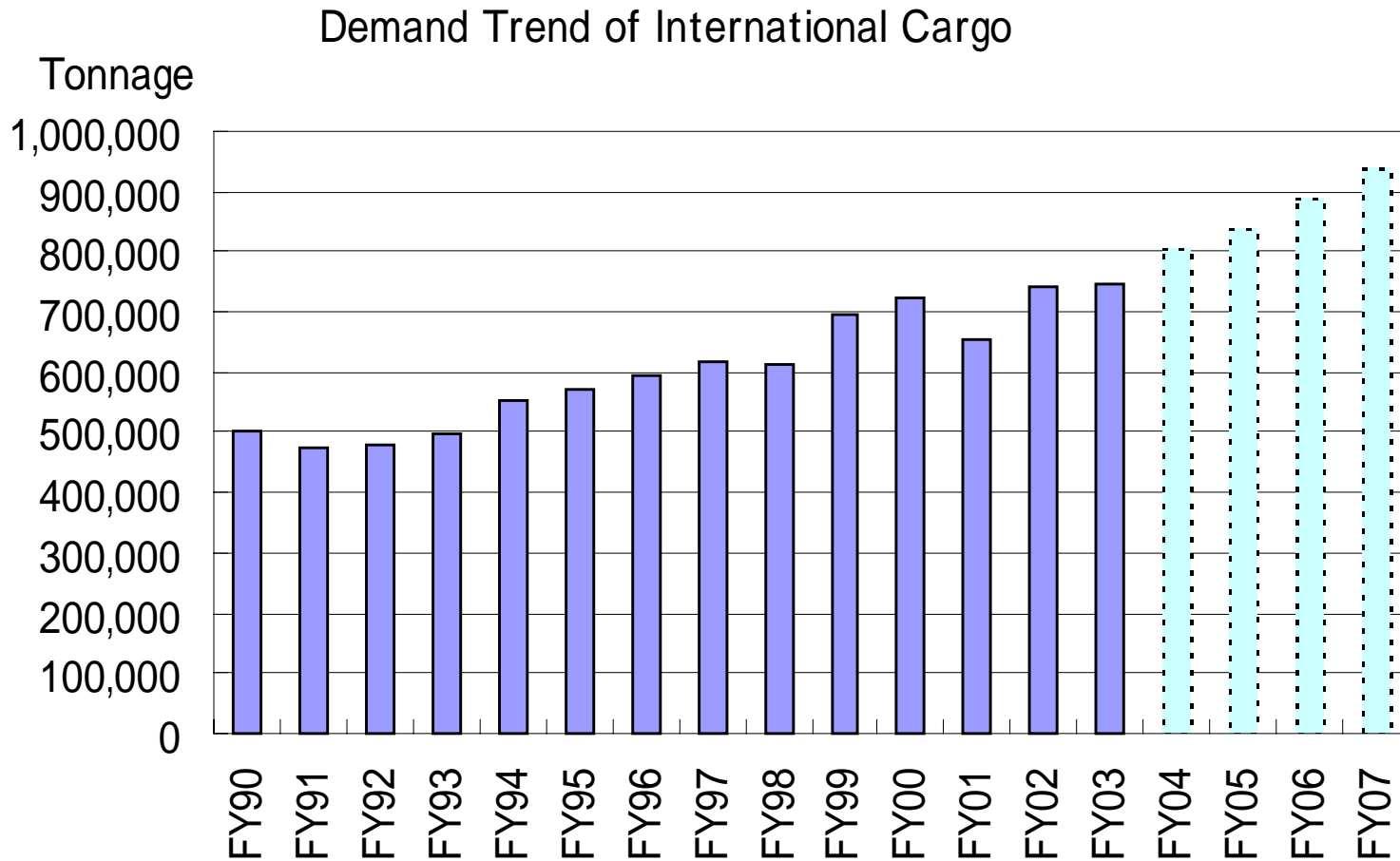


Demand Trend -Domestic Passenger-



*Figures from FY04 to FY07 are forecast

Demand Trend –International Cargo-



*Figures from FY04 to FY07 are forecast

<Notice>



(N.B.)

Any statement in this document, other than those of historical facts, are forward-looking statements about future performance, which are based on management's assumption and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from this forecast.

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