Japan Airlines System Corporation

For the year ended March 31, 2004

1. MANAGEMENT POLICIES

1. Fundamental Policies

On April 1, 2004, the JAL Group achieved complete integration under the unified "JAL-Japan Airlines" brand, through the reorganization of Japan Airlines Co., Ltd. and Japan Air System Co., Ltd. into JAL International Co., Ltd., which handles international passenger and cargo operations, and JAL Domestic Co., Ltd., which handles domestic passenger operations.

In line with the corporate philosophy set out below, the JAL Group strives to contribute to the prosperity of Japan and the world as a whole through its activities as a comprehensive air transportation group that bridges the gap between cultures and minds. In addition, the Group aims to rank among the world's leading air transportation groups, and pursues a fundamental policy of maximizing its corporate value for the benefit of all stakeholders.

(Corporate philosophy)

(1) The relentless pursuit of safety and quality
(2) Thinking and acting from the standpoint of customers
(3) Taking actions to maximize corporate value
(4) Fulfilling obligations to society
(5) Placing value on diligence and the willingness to take on new challenges

2. Targeted Principal Management Indicators

With the objective of maximizing corporate value, the JAL Group seeks to increase asset efficiency, enhance profitability, and ensure the soundness of its financial condition. We have set up return on equity (ROE) and the ratio of interest-bearing debt to operating cash flow as our key management indicators. Out goal is to raise the former to more than 10%, and to make the latter within ten times.

3. Medium- and Long-Term Business Management Strategies

During FY2003, external factors such as the Iraq Conflict and the outbreak of the Severe Acute Respiratory Syndrome (SARS) caused the Company to post substantial losses. Against this backdrop, and given changes in circumstances such as customer needs and the operating environment for the Group, steps were taken to address the pressing issues of improving profitability and enhancing the soundness of the Group's financial position. The JAL Group formulated the FY2004-06 Medium-Term Business Plan in March, 2004 to further develop the JAL Group FY2003-05 Medium-Term Business Plan, announced in 2003, taking into account changes in the business environment. The principal components of this plan are as follows.

(1) Basic undertakings

a) Safety

Safe operations are the very basis of the JAL Group's existence, and also its social responsibility. The entire Group will make exhaustive efforts to assure safety, including the maintenance of safe aviation, to enable customers to use its aircraft with complete peace of mind.

b) Corporate Social Responsibility (CSR)

With respect to the core issues of environmental activities, compliance, investor relations, and corporate philanthropy, a new committee, chaired by the Group CEO, has been established to address these, ensuring vigorous and coordinated Group-wide activity.

(2) Group management strategy

a) Deep-rooted customer orientation

All Group employees will constantly keep the needs of the customer at the forefront of their minds. With "Customer First" as our watchword, we will identify customer needs and wants accurately, and create the optimum products and services. In this way, the Group will seek to maximize customer value by attracting a wide base of loyal customers and entrenching itself firmly as the "airline group of choice."

b) Optimization of business processes

We will seek to optimize business processes with the aim of enhancing Group-wide quality and efficiency. Elements of this will include providing simple and easy-to-understand products and services, and establishing an efficient Group operating structure.

c) Human resource development

The development of personnel and enhancement of their capabilities will be pursued by such means as increasing employee interchange within the Group, and expanding education and training. In addition, to assure an efficient and productive structure that facilitates rapid decision-making, over the five-year period from FY2002 to the end of FY2006, the number of Group ground staff will be streamlined at a total of 4,500. The system of severance and retirement benefits will also be revised, so as to reduce retirement benefit obligations and periodic expenditure.

(3) Function-specific business planning

a) International passenger operations

The foundation of business operations will be arranged in a way that enhances product and service quality, builds a lower-cost operating structure, and ensures that there is flexibility to respond rapidly to changes in the market. This will see the optimal allocation of resources to profitable and high-growth routes, and the restructuring of the network to match customer needs and markets. We will enhance competitiveness in such ways as increasing the fitting of the new Shell Flat seats in business class, and will build a more efficient operating structure by expanding the scale of operations of our low-cost subsidiary JALways, and reforming business processes by stepping up e-business.

b) Domestic passenger operations

In this segment we will seek to enhance profitability, gain customer loyalty, and improve the domestic network by giving maximum priority to stabilizing the foundation of business operations through the strengthening of competitiveness and ensuring operating cost efficiency. In addition to enhancing customer convenience by improving the mileage program and stepping up e-business, steps will be taken to strengthen the brand, including by introducing the new "class-J" service. In addition, costs will be reduced by expanding the scope of operations of our low-cost subsidiary JAL Express and through e-business, and we aim to build an efficient operating structure by taking maximum advantage of the benefits of our business integration.

c) Cargo operations

On China routes, where strong growth is expected, the aim is to develop the organizational and operational structure, and also to build our sales-promotion base and improve transportation quality through the recruitment and training of personnel. By such means as introducing B747-400Fs, we will assure sufficient supply capacity to meet the increase in demand for international air cargo services, and to help meet increasingly sophisticated and diverse customer needs we will offer the high-value-added J-PRODUCTS service**. In parallel with the growth of its own network, the Group will seek to increase revenues and reduce costs by forming alliances with other companies, such as through the WOW*** alliance.

** International cargo products provide special handling according to transit time or other attributes of cargo.

*** A global cargo alliance composed of JAL CARGO/LCAG (Lufthansa Cargo), SQ CARGO (Singapore Airlines Cargo) and SAS CARGO (SAS Cargo Group).

4. Issues to Be Addressed

The outlook for Japan's airline industry promises new business opportunities, buoyed by factors such as growth in demand for air services, primarily in China and the rest of Asia, and the opening of the Chubu (Central Japan) International Airport, but this will be accompanied by increasingly intense competition. However, amid the continuing instability of the international situation, it will remain essential to devote exhaustive attention to safe aviation and other aspects of safety.

It was amid these circumstances that on April 1, 2004, the JAL Group completed its full integration. Under the new operating structure, a pressing issue is to improve profitability still further and assure the soundness of the Company's financial condition. Its aim is both to resume payments of dividends and to secure consolidated return on equity of at least 10% over the period from fiscal 2004 to fiscal 2006.

In addition, in order to ensure that the JAL Group achieves sustained growth, we consider it important to be active in fulfilling our obligations to society as a corporate citizen, and to gain the steadfast trust of society. To guide the vigorous fulfilment of its Corporate Social Responsibility (CSR), the Corporate Social Responsibility Committee has been newly established, and Group-wide efforts will be made in this sphere.

The Group will work in unison to take maximum advantage of the benefits of the integration, and to strengthen the two fundamental components of quality: safety and service. In this way, it will aim to be the world's leading airline group in terms of service quality and business volume as combined.

5. Fundamental Policies and Actions Regarding Corporate Governance

(1) Fundamental approach

The JAL Group aims to engage in sound and transparent activities that are open to society, maximizing corporate value, and returning profit to every stakeholder. Given this, the Group is taking a variety of measures in line with its conviction that the strengthening of corporate governance, rigorous compliance, and the assurance of transparency in management are important management issues.

(2) Corporate governance system for decision-making, business execution, and oversight

The Company is undertaking the following activities in the sphere of corporate governance.

a) The management responsibilities for the Group as a whole and the responsibilities for individual business operations are divided between Japan Airlines System Corporation, as the holding company, and the operating companies while the holding company supervises the operating companies.

b) The system of executive officers has been adopted, and the number of directors of the holding company has been reduced to 10 to speed up decision-making. Furthermore, the term of directors has been set at one year, so as to clarify management accountability on an annual basis. At present there are six executive officers.

c) To facilitate the fair and transparent conduct of corporate activities and to enhance the corporate governance structure, the system of corporate auditors is being strengthened by including two external auditors among the total number of six auditors. In addition, there are three external directors.

d) A Compliance and Risk Management Committee has been established, chaired by the Executive Vice President and composed of full-time directors and corporate auditors. In addition, each of the operating companies - JAL International Co., Ltd. and JAL Domestic Co., Ltd. - has a committee charged with overseeing corporate activities and risk management. These committees ensure that Group management is transparent and that a comprehensive risk management system is applied to corporate activities. The goal is to maintain the stability of the Group's management and ensure that Group companies fulfil their social obligations. A Directors' Compensation Advisory Committee, which is composed of the president of the Company and all external directors and external corporate auditors, has been established to advise the board of directors on matters involving the compensation of directors.

e) Contractual agreements covering management guidance and outsourcing of certain tasks exist between Japan Airlines System Corporation, the holding company, and the operating companies JAL International Co., Ltd. and JAL Domestic Co., Ltd. In addition, these two operating companies function under the direct supervision of the holding company, including the requirement for discussing all important matters with the holding company prior to reaching decisions. From the standpoint of Group management, important subsidiaries and affiliates of the operating companies function under the supervision of the appropriate management systems of JAL International Co., Ltd. and JAL Domestic Co., Ltd. This system clarifies responsibilities and better facilitates the execution of business activities, thus strengthening the Group's corporate governance. Moreover, in addition to audits conducted by the corporate auditors, business, financial and Group audits are performed internally under the supervision of the Operations Supervision Division for the purpose of reinforcing the JAL Group's auditing functions.

f) In addition, the Group endeavors to bolster its ability to manage legal risk with regard to Its operations, by maintaining close ties with its consulting attorneys as well as consulting with other attorneys and specialists.

(3) Related party interests concerning external directors and external corporate auditors

External director Shinobu Shimizu is the president of Tokyu Corporation, a shareholder of JAL Airlines System Corporation. There are no other noteworthy personal, financial or other types of relationship with the holding company involving any other external directors or external corporate auditors.

(4) Measures taken during the past year to improve corporate governance

a) Meetings of the Compliance and Risk Management Committee were convened, and action was taken to foster the spread of "Commitment to Society," the JAL Group's code of conduct, which sets out the ways in which relationships should be formed with society when all Group companies and employees are engaging in their business activities.

b) Japan Airlines System Corporation, Japan Airlines Company, Ltd. (now JAL International), Japan Air System Co., Ltd. (now JAL Domestic), and JAL Sales Co., Ltd. developed a lateral structure for the assumption of responsibilities by officers in times of emergency, and a structure for enhancing preventative measures for various corporate risk and adapting to them.

c) To ensure transparency of management, steps were taken to develop and enhance publicity activities directed at the general public and the media, as well as IR activities, so as to conduct accurate and timely information disclosure.

d) With respect to the organization of Japan Airlines System Corporation, Japan Airlines Company, Ltd. (now JAL International), and Japan Air System Co., Ltd. (now JAL Domestic), a structure was put in place for the organic integration and reorganization of the same type of business that each conducts, so as to accelerate decision-making and enhance business efficiency, and also to conduct unified business management.

6. Addressing Environmental Problems

(1) Basic philosophy

The JAL Group regards environmental preservation as being a key management issue. Accordingly, at the time of the integration of the two predecessor airlines in October 2002, a basic environmental policy and environmental action guidelines were drawn up for the entire Group.

Basic Environmental Policy (instituted October 2002)

While fulfilling its mission as a public-service transportation organization, the JAL Group also imposes an environmental load in such forms as the consumption of fossil fuels and the emission of noise.

We consider environmental preservation to be a key management issue, and therefore we aim to achieve harmony between our business and the needs of the global environment by containing as far as possible the environmental load generated by our business activities.

Environmental Action Guidelines (Instituted October 2002)

a) To comply with environmental laws and regulations, and consult on environmental preservation issues actively.
b) To efficiently use various types of energy and resources.
c) To reduce waste and ensure proper disposal and recycling of waste.
d) To use environmentally friendly materials and equipment, including aircraft.
e) To raise environmental awareness and contribute to the community both domestically and internationally.

(2) Organization

Japan Airlines (now JAL International) and Japan Air System (now JAL Domestic) tackled environmental problems through environmental committees established in 1990 and 1999, respectively. Accompanying the business integration in October 2002, Japan Airlines System Corporation established the JAL Group Environmental Committee, which formulated Group environmental policies and has guided the conduct and thorough implementation of environmental activities. Since FY2004 its status has been that of the environmental subcommittee of the Corporate Social Responsibility Committee, chaired by the Group CEO, and in that capacity it engages in environmental activities.

(3) Principal activities

Medium and long-term targets are laid down in each of the categories below, and environmental activities are implemented accordingly.

a) Reduction of carbon dioxide emissions by aircraft

The overall quantity of fuel consumed per available ton-kilometer (ATK) in fiscal 2003 by all airline operations in the JAL Group has been reduced by 12.2% from its fiscal 1990 (base-year) level. With this, the target for fiscal 2010 has been changed to a reduction of 20% from the base-year level (previously 10%), reflecting continuing efforts to cut emissions.

b) Expansion of green purchasing

In FY2003 Japan Airlines (now JAL International) attained the purchase of “green” stationery and office supplies of 91.8%. In FY2003 the Company set out regulations for green purchasing. Application is to be expanded throughout the Group.

c) Environmental accounting

In FY2002, environmental accounting was applied on an aggregate basis encompassing all domestic offices of Japan Airlines System Corporation and Japan Airlines (now JAL International), and Japan Asia Airways Co., Ltd., Japan Trans Ocean Air Co., Ltd., JALways Co., Ltd., JAL Express Co., Ltd., and J Air Co., Ltd. Aggregation is to be expanded to encompass all Group airline companies.

d) Atmospheric observation

From 1993 to the end of FY2003, the regular flights of Japan Airlines (now JAL International) carried out a total of 238 observations of the atmosphere, thereby helping to elucidate the mechanisms that are causing global warming. In fiscal 2003 the Company also started a project for the automated continuous observation of the density of carbon dioxide.

e) Building of an ISO 14001 environmental management system

ISO 14001 certification has been awarded to the Components Department, Narita Cargo Branch, Narita Maintenance Department, and Engine Maintenance Department of Japan Airlines (now JAL International), to the Dock Maintenance Department of Japan Air System (now JAL Domestic) responsible for aircraft regular maintenance within the hangars, and to AGP Corporation's Haneda site. At present, JAL International's Haneda Maintenance Department is taking the necessary steps to acquire certification, and the building of a Group environmental management system is being pursued.

2. BUSINESS PERFORMANCE AND FINANCIAL CONDITION

［Business Performance］

1. Overview of the term

(1) Overall consolidated results

A harsh operating environment prevailed during the year, under the impact of factors such as a succession of serious international events, including the Iraq Conflict and the outbreaks of SARS and of avian influenza, and also a steep increase in the price of aviation fuel.

In domestic passenger operations vigorous sales promotion measures were conducted, and competitiveness was strengthened by the steady implementation of the integration plan, including network reorganization. As a result, unit prices improved, and revenues increased substantially.

In international passenger operations, however, the impact on passenger psychology of the external factors referred to above was more serious than expected, and the resultant slump in demand led inevitably to decline in revenue. Implementation of the integration plan was accelerated vigorously, and a total of ¥45.5 billion of emergency countermeasures to raise the profitability of all Group companies were implemented. Nevertheless, consolidated operating revenues totaled ¥1,931.7billion and there was an operating loss of ¥67.6 billion, a recurring loss of ¥71.9 billion, and a net loss of ¥88.6 billion.

(2) Results of Operations by Segment

(Prior to adjustment of intra-segment revenues and profits)

Changes in Method of Presenting Segment Information

From the reporting term onward, the method of presenting segment information has changed. Whereas previously "businesses related to flight operations," credit card and leasing business, and retailing and distribution business were combined together and presented as "Air Transport-Related Business," henceforth businesses related to flight operations is given the status of a separate business unit. For the purpose of formulating business strategies, businesses related to flight operations are presented separately by themselves as "Airline-Related Business."

In addition, hotel and resort operations, previously presented separately, have been scaled down, as the Company has switched to development based on operations on a commissioned basis. In consequence, henceforth they are to be presented as part of "Other Business" together with the credit card and leasing business, the retailing and distribution business, and other businesses.

Air Transportation Business Segment

In international passenger operations, factors such as the Iraq Conflict and the outbreaks of SARS and avian influenza had a major impact on demand, which fell to 80.2% of its year-earlier level in terms of revenue passengers carried, and to 84.6% in terms of revenue passenger-kilometers. Given this, steps were taken to reduce costs by adjusting supply to match trends in customer demand, and various promotional campaigns were run to stimulate demand, such as the "Fly JAL! Across the Ocean!" marketing campaign. These measures achieved a recovery in demand on routes to Europe, America, Hawaii, Micronesia, and Oceania, but recovery in tourism demand on routes to China and Southeast Asia was slow. In consequence, revenues declined by ¥118.7 billion year-on-year, to ¥549.7 billion.

In domestic passenger operations, there was strong passenger demand, particularly among individual passengers. The factors behind this were the increased numbers of routes and flights that resulted from the integration, improvements to timetables, and active measures to promote sales, including adjustments to the fare structure and the use of e-business sales methods. Demand was close to its year-earlier level, with revenue passengers carried at 99.9% of the previous year's figure, and revenue passenger-kilometers at 99.6%, but as a result of a substantial improvement in units prices, revenues rose by ¥39.5 billion from the previous first half, to ¥668.8 billion.

International cargo operations were affected by slack overall demand during the first half of the fiscal year. Among the causes in the first half were a reduction in cargo space as the number of passenger flights was cut owing to the SARS outbreak, and a fall in demand on Pacific routes. In the second half, demand on China and other East Asian routes was robust, and it recovered on Pacific routes. For the year as a whole, revenue ton-kilometers were 99.2% of their year-earlier level, and revenue, which was also impacted by the strength of the yen, fell by ¥4.2 billion from the previous year, to ¥153.0 billion.

The net result of these developments was that the aggregate volume of transportation of passengers and cargo on domestic and international routes declined by 7.3% year-on-year, operating revenues fell by ¥101.6 billion, to ¥1,548.8 billion, and there was an operating loss of ¥72.1 billion.

(A breakdown of air transportation segment revenues is given on page 38)

Airline-Related Business Segment

In Airline-related business there was a substantial decline in the number of airline passengers on international routes as a result of factors such as the SARS outbreaks, which caused declines in the revenues of TFK Co., Ltd., and other subsidiaries engaged in the sale of in-flight meals. In contrast, sales-promotion activities enabled AGP Corporation to achieve a strong increase in sales to foreign airlines for the operation of auxiliary power units for the supply of electric power to aircraft, and it also generated brisk sales in its ancillary business: the sale of electric-power equipment and parts and food-service carts. As a result, revenues in this business segment totaled ¥243.7 billion, with operating income of ¥1.8 million.

Travel Services Business Segment

JALPAK Co., Ltd., which specializes in the planning and creation of overseas travel products, suffered a substantial fall in revenues, particularly for travel to China and other parts of Asia. The principal cause was the steep decline in demand for overseas travel triggered by events such as the SARS outbreaks. In contrast, the revenue of JAL Tours Co., Ltd., whose specialty is the planning and creation of domestic travel products, was boosted by the switch of demand away from overseas travel. This resulted in healthy sales to destinations within the Japanese archipelago such as Okinawa and the Tohoku region. The travel planning and sales business segment posted revenues of ¥381.9 billion, and operating income of ¥3.9 billion.

Other Business Segment

Hotel operator JAL Hotels Company Ltd. experienced generally sluggish demand for banqueting services, but revenue from guest accommodations was robust. By region, hotels within Japan, particularly in Okinawa, performed relatively well, but the impact of SARS and other factors caused hotels overseas, primarily within Asia, to suffer declines in revenues. At JALUX Inc., in the field of retailing and distribution business, the impact of SARS was among the reasons for a fall in sales of in-flight goods and duty-free items, but the company was able to maintain sales at around their level in the previous year as a result of the positive effects of the merger with JAS Trading Co., Ltd. and brisk mail-order sales. In the credit-card field, JALCard Inc. successfully used schemes to attract new JAL Card members, achieving a considerable increase in the number of cardholders, and it expanded JAL ONLINE as a tool for the sale of domestic air tickets to companies. Factors such as these enabled the company to achieve substantial revenue growth. Overall, in this business segment the operating revenues totaled ¥258.1 billion, and operating income was ¥6.3 billion.

2. Business and Other Risk

(1) Impact of changes in the international situation

The JAL Group has striven to make the best of the complete business integration, and create a structure for the generation of stable profits. However, in the event of the occurrence of changes in the international situation that the Group has not envisaged, such as new terrorist incidents, conflicts or wars, and outbreaks of contagious diseases, the Group's financial position and operating performance may be affected.

(2) Impact of changes in exchange rates, fuel prices, etc.

Changes in exchange rates and fuel prices may affect the Group's operating performance. To minimize any such impact, with respect to exchange rates the Group uses foreign exchange contracts, currency swaps, and currency options to hedge the risk of fluctuations, and with respect to fuel, commodity derivatives (swaps, options) are used for the purpose of curbing price-fluctuation risk and of stabilizing costs.

(3) Impact of laws and regulations

Given that the JAL Group's core business is air transportation, the conduct of its business is premised on international agreements such as aviation treaties and laws, and other laws and regulations. In the event of material changes to existing regulations, the Group's operating performance may be affected.

3. Matters Relating to the Distribution of Profits

During the year under review, the impact of the Iraq Conflict, the outbreaks of SARS, and avian influenza were greater than predicted, with the result that consolidated operating revenues declined substantially by ¥151.7 billion from the previous year, to ¥1,931.7 billion. Additionally, the prices of aviation fuel remained at a higher level than had been expected. Implementation of the integration plan was brought forward and expedited vigorously, and a total of ¥45.5 billion of emergency improvement countermeasures were implemented, but nevertheless the Group incurred a consolidated operating loss of ¥67.6 billion, a recurring loss of ¥71.9 billion, a net loss of ¥88.6 billion, and retained earnings of ¥65.0 billion.

Given the substantial consolidated losses that have been incurred by the Group, and taking into consideration various factors such as the Group's financial position, it is considered that a dividend is unlikely.

［Financial Position］

1. Cash Flows

Cash flows from operating activities for the reporting period resulted in a net cash outflow of ¥76.3 billion, mainly as a result of the ¥82.1 billion loss before income taxes and minority interests, and ¥119.3 billion of depreciation and amortization charges. Cash flows from investing activities resulted in a net cash outflow of ¥85.3 billion, attributable principally to the acquisition of aircraft and advance payments. Cash flows from financing activities resulted in a net cash inflow of ¥7.6 billion, resulting from fund-raising by means of long-term loans, which were partially offset by repayments of loans and redemptions of bonds. As a result, cash and cash equivalents at the end of the year totaled ¥143.3 billion.

As of March 31, 2004, total assets stood at ¥2,113.4 billion, and total liabilities at ¥1,930.0 billion. Stockholders' equity totaled ¥159.2 billion, and the ratio to total assets was 7.5%.

2. State of Aircraft Fleet

Changes in the number of aircraft operated by our consolidated subsidiaries during the year, and the total number of owned and leased aircraft at the end of the year are shown below.

Type of Aircraft	Mar. 31,2004		Purchase	Lease	Sale/retirement	Termination of Lease	Other/remodeling
	Owned	Leased					
B747-400	38	4	3			(3)	
B747LR	18	4	1		(4)	(1)	
B747SR	3	0					
B747F	7	3					
B777	10	16		6			
MD-11	3	0	2		(3)	(2)	
DC-10	10	0			(5)		
A300-600R	12	10					
A300	8	2			(3)	(1)	
B767	17	16		5			
MD-90	13	3					
MD-81	9	9	1			(1)	
MD-87	6	2					
B737	10	13	1			(1)	
CRJ200	0	6		1			
YS-11	9	0			(2)		
DHC-8-Q400	1	2	1				
SAAB340B	7	7					
JS31	0	0			(2)	(1)	
TTL	181	97	9	12	(19)	(10)	0

Notes
1. Of the nine purchased aircraft, eight were purchased after the termination of lease contracts.
2. Aircraft used for training purposes are not included.

3. Cash Flow Indicators on a Consolidated Basis

The following are the consolidated cash flow indicators.

	(at Mar.31,2003)	(at Mar.31,2004)
Equity ratio (%)	11.7%	7.5%
Market Cap. equity ratio (%)	20.9%	33.2%
Interest-bearing debt repayment period	8.4 years	17.2 years
Interest coverage ratio	4.5	2.7

Notes
・Equity ratio: Stockholders' equity/Total assets ・Fair value equity ratio: Gross market capitalization/Total assets・Years for debt redemption: Interest-bearing liabilities/Cash flow from operating activities
・Interest coverage ratio: Cash flow from operating activities/Interest payments (Assumptions)

1. All indicators are calculated on the basis of consolidated financial values.
2. Gross market capitalization is calculated by multiplying the closing price of the Company's shares at the term-end by the number of ordinary shares issued and outstanding at the term-end.
3. Cash flow from operating activities refers to cash flow from operating activities posted under the consolidated statement of cash flows.
4. Interest-bearing debt refers to those of the liabilities stated in the consolidated balance sheets on which interest is paid.
5. Interest payments equate with interest paid in the consolidated statement of cash flows.

［**Forecast for Current Term**］

Although the operating environment for the JAL Group will remain harsh, we will make the best of the complete business integration.We will provide high-value-added products tailored to meet customer needs, and will also make efforts to enhance competitiveness. In addition, greater emphasis will be placed on the measures to achieve cost reductions that are already being implemented, with the aim of improving the Group's balance of revenue and expenditure. Steps will also be taken to improve profitability in fields other than air transportation.

The current forecasts of results for the current fiscal year ending March 2005 are as follows.

(1) Consolidated operating revenues: ¥2,190 billion

(2) Consolidated operating income: ¥81 billion

(3) Consolidated recurring income: ¥69 billion

(4) Consolidated net income: ¥36 billion

Assumptions on which the forecast is based

The computation of these forecasts was based on the following assumptions: An exchange rate of ¥110 against the U.S. dollar; with respect to aviation fuel costs, Singapore Kerosene at a market price of US$34/barrel, and the CIF price of crude oil at US$29/barrel

Any statements 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 those forecast.