Japan Airlines Corporation

Interim Financial Information

For the six months ended September 30, 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.
On June 26, 2004, the JAL holding company Japan Airlines System Corporation was renamed Japan Airlines Corporation to emphasize the JAL branding.
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 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 fold.

3. Medium- and Long-Term Management Strategies

The business environment within which the JAL Group operates remains difficult, mainly due to a surge in fuel prices. Moreover, the instability of the international political situation gives little cause for optimism over the short term. In response to these circumstances, the JAL Group as a whole is working to implement a structural reorganization that will ensure improved profitability. Details of this reorganization, which is currently being pursued as part of the FY2003-2005 Medium-Term Business 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 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
We have positioned as a top-priority issue the stabilization of the Group’s operational base through improvements in operational efficiency and the strengthening of our competitiveness on domestic routes. As means to this end, we are putting effort into raising profitability, winning greater customer loyalty, and expanding our domestic flight network. We have introduced the new “Class-J” services in place of the former “Super Seat” services, and are planning to launch the new “JAL IC Check-In” service utilizing touch-screen machines shortly after the completion of renovation work at Haneda Airport in the second half of fiscal 2004, thereby increasing the attractiveness of our overall service. Additionally, we have been making great strides in cost-reduction by

expanding the scope of operations of our low-cost subsidiary JAL Express and making more use of online services. In these and other ways, we are creating an ever-more-efficient operating structure.

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 a 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 established, and Group-wide efforts have been 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 Corporation, as the holding company, and the operating companies while the holding company supervises the operating companies.
To speed up the decision-making process, the executive officer system has been adopted, and the number of directors of the holding company is now twelve, while the number of executive officers is five.
To clarify management accountability on an annual basis, the term of office of directors and executive officers has been set at one year.

b) 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.

c) A Compliance and Risk Management Committee has been established, chaired by 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 Group CEO and all external directors and external corporate auditors, has been established to advise the board of directors on matters involving the compensation of directors.

d) Contractual agreements covering management guidance and outsourcing of certain tasks exist between Japan Airlines 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 for the purpose of reinforcing the JAL Group's auditing functions.

e) 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 Japan Airlines 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 various 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 Corporation, JAL International Co., Ltd., JAL Domestic Co., Ltd. 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 Corporation, JAL International Co. Ltd. , and JAL Domestic Co., Ltd. , 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

JAL International Co., Ltd. and JAL Domestic Co., Ltd. tackled environmental problems through environmental committees established in 1990 and 1999, respectively. Accompanying the business integration in October 2002, Japan Airlines 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 10.4% from its fiscal 1990 (base-year) level. With this, the target for fiscal 2010 has been expanded 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 JAL Co., Ltd. attained the purchase of “green” stationery and office supplies of 90.9%. In FY2003 the Company set out regulations for green purchasing. Application has been expanded throughout the Group.

c) Environmental accounting

In FY2003, environmental accounting was applied on an aggregate basis encompassing Japan Airlines Corporation and all Group airline companies.

d) Atmospheric observation

From 1993 to the end of FY2003, scheduled flights between Japan and Australia of JAL International Co., Ltd. carried out a total of 238 samplings 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) Establishing an ISO 14001 environmental management system

ISO 14001 environmental management system certification has been obtained by the following units of JAL International Co., Ltd.: the Components Services Business Division; the Regional Office, Cargo & Mail, Narita; the Maintenance Business Division, Narita; and the Repair and Overhaul Business Division, as well as by the Dock Maintenance Division, Haneda, a unit of JAL Domestic Co., Ltd. In addition the certification has been obtained by the affiliated company AGP Corporation, and by the Hotel Nikko Tokyo. Currently, the Aircraft Maintenance Business Division, Haneda, of JAL International Co., Ltd., is preparing to apply for certification, and further ongoing environmental management initiatives are being pursued throughout the entire Group.

f) Recycling initiatives

The adoption of a new uniform for aircraft crew and ground staff in April 2004, in line with the integration of Japan Airlines (JAL) and Japan Air System (JAS), left us with 230 tons of old uniforms to dispose of. Up to now, security considerations dictated that such uniforms had to be incinerated, but this time, we took advantage of newly developed technology to have the material recycled as sound-proofing and thermal insulation material for use in the bodies of motor vehicles. Additionally, we are finding recycling uses for the polyethylene sheets used to protect cargo from dust and dirt, or to keep it dry, as well as for onboard waste such as empty aluminum cans and used newspapers.

g) Environmental auditing

The JAL Group conducts environmental audits to ensure constant monitoring of compliance with legal statutes and the Group's own regulations regarding environmental matters, on the part of all companies in the JAL Group and of all divisions or departments within those companies. In fiscal 2003, special audits were conducted on the methods of disposal of waste matter by 29 divisions of 12 companies in the Kanto region.

2. BUSINESS PERFORMANCE AND FINANCIAL CONDITION

【Business Performance】

1. Overview of the term

(1) Overall results (consolidated)

In spite of the lessening of the impact of uncertainties in the international situation and of factors such as SARS, the operating environment for the JAL Group remains extremely difficult. The principal causes are the sluggishness of passenger demand - both for domestic and international travel - and the surge in aviation fuel prices to all-time highs. To counter this, all Group companies joined together in implementing measures to improve the balance of revenue and expenditure. On a consolidated basis, the Group posted operating revenues of ¥1,075.7 billion in the half, with operating income of ¥86.8 billion, ordinary income of ¥107.8 billion, and net income of ¥82.9 billion.

(2) Results of Operations by Segment

Air Transportation Business

On international routes, demand grew by 46.2% from its year-earlier level in terms of revenue passengers carried, and by 32.3% in terms of revenue passenger-kilometers. Passenger demand is recovering from the adverse effects of the SARS outbreaks and other factors, but the recovery in areas of demand such as group travel to Southeast Asia has been slower than forecast. In consequence, overall performance has been below expectations. Particular effort was devoted to stimulating a recovery in demand for tourism to destinations such as China, Thailand, and Bali, including by operating various promotional campaigns to boost demand. As a result, revenues rose by ¥95.2 billion year-on-year, to ¥346 billion.

On domestic routes, demand was affected by the shift in demand back to international routes, reversing the switch to domestic routes in the previous year. Domestic passenger demand was also affected by the Athens Olympics and the large number of typhoons that traversed Japan this year. As a result, overall demand declined from the previous year. The Group addressed this by taking active steps to promote sales, including the unification of flight numbers and introduction of the new "Class-J" services in place of "the Super Seat" services, as well as the increase use of e-business sales methods. Nevertheless, demand showed a year-on-year decline, the number of revenue passengers carried falling to 92.8% of the corresponding period of the previous year, and revenue passenger-kilometers slipping to 93.4%. Owing to an improvement in yield, revenues rose by ¥1.0 billion from the previous year, to ¥344.9 billion.

International cargo operations benefited from a substantial increase in demand, particularly for the transportation of digital cameras and other digital consumer electronics equipment, buoyed by the recovery in the world economy. Revenue ton-kilometers rose by 13.7% from the previous term, resulting in growth in revenue of ¥12.1billion, to ¥83.5 billion.

The net result of these developments was that the aggregate volume of transportation of passengers and cargo on domestic and international routes increased by16% year-on-year, operating revenues rose by ¥112.6 billion, to ¥864.1 billion, and the Group posted operating income of ¥77.1 billion.

(A breakdown of air transportation segment revenues is given on page 33)

Airline-Related Business

TFK Corporation engaged in the sale of in-flight meals, and other companies of a similar nature, achieved year-on-year increases in revenues, buoyed by a recovery in the passenger demand that had fallen as a result of SARS and other factors in the previous year. AGP Corporation, which supplies electric power to aircraft on the ground, increased sales to foreign airlines in its power-supply operations at Narita, and also generated higher sales of power supply facilities for the Chubu (Central Japan) International Airport, although maintenance income fell as the Tokyo Air Cargo City Terminal was closed. Accordingly, AGP Corporation enabled it to achieve year-on-year revenue growth.

As a result, revenues in the airline-related business segment totaled ¥142.8 billion, with operating income of ¥3.5 billion.

Travel Services Business

At JALPAK Co., Ltd., tourism demand originating in Japan remained soft relative to initial expectations, particularly on tours to Europe and China. However, demand for destinations in Hawaii and Micronesia was robust, and there was a recovery from the previous year's slide in travel demand caused by factors such as SARS, enabling the company to achieve a year-on-year increase in revenue. Meanwhile JAL Tours Co., Ltd., which performed well in the previous year owing to the switch of demand away from overseas travel, suffered a fall in passenger numbers in this half, in part because of the larger than usual number of typhoons. Nevertheless, increases in unit prices enabled the company to maintain revenue at its year-earlier level. Broken down by destination, passenger numbers were down year-on-year to Hokkaido, the Kanto region (centered on Tokyo), and Kyushu, but numbers to Okinawa remained substantial.

The revenues of the travel services business segment totaled ¥221.7 billion, and operating income was ¥1.0 billion.

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Other Business

JALUX Inc., a retailing company, achieved a year-on-year increase in revenues as a result of a recovery from the decline in sales at airports and sales of in-flight goods in the previous year, which had been caused by the fall in passenger demand triggered by events such as the SARS outbreaks. Hotel operator JAL Hotels Company Ltd. also benefited from a recovery from the previous year's slide in passenger demand caused by factors such as SARS. The company posted year-on-year revenue growth, primarily from directly managed hotels and the commissioned management of hotels overseas. In the field of credit cards, JALCard Inc. achieved a substantial expansion in its revenue, boosted in particular by another strong increase in the number of cardholders, which was up by 6% from the end of the previous year, to 1.29 million.

The operating revenues of this business segment totaled ¥127.4 billion, and operating income was ¥5.6 billion.

2. Business and Other Risk

(1) The JAL Group's business integration

On October 2, 2002, the Company was established by means of share transfers as the holding company for Japan Airlines Co., Ltd. and Japan Air System Co., Ltd., giving birth to the new JAL Group. The forecast for the current full term and the medium-term business plan both incorporate projections of some of the effects of this integration, including revenue growth by such means cost reductions resulting from enhanced efficiency and network expansion. At present the integration, including computer system integration, is proceeding well and according to plan.

(2) 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.

(3) 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.

(4) 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.

【Financial Position】

1. Cash Flows

Net cash provided by operating activities for the reporting six-month period amounted to ¥108.7 billion, as a result of the posting of income before income taxes and minority interests of ¥91.5 billion, and depreciation expenses in the amount of ¥61.8 billion.
Net cash used in investing activities amounted to ¥20.8 billion, largely attributable to expenditure for the acquisition of new aircraft, including advance payments.
Net cash provided by financing activities amounted to ¥24.4 billion, as the cash outflow from the repayment of short-term borrowings and the redemption of bonds on maturity was more than offset by a cash inflow from new fund procurement via both bond issuances and long-term loans.
As a result of the foregoing, cash and cash equivalents came to ¥256.2 billion at the end of the first-half period. Total assets amounted to ¥2,223.1 billion and total liabilities to ¥1,954.9 billion. Shareholders’ equity stood at ¥244.0 billion, giving an equity ratio (shareholders’ equity as a percentage of total assets) of 11.0%.

2. State of Aircraft Fleet

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

Type of Aircraft	Sep.30,2004		Purchase	Lease	Sale/retirement	Termination of Lease	Other/remodeling
	Owned	Leased					
B747-400	38	4					
B747LR	18	4					
B747SR	3	0					
B747F	7	3					
B777	10	21		5			
MD-11	1	0			(2)		
DC-10	8	0			(2)		
A300-600R	12	10					
A300	6	0	1		(3)	(2)	
B767	17	18		2			
MD-90	13	3					
MD-81	12	6	3			(3)	
MD-87	6	2					
B737	9	14		1	(1)		
CRJ200	0	6					
YS-11	8	0			(1)		
DHC-8-Q400	1	3		1			
SAAB340B	7	7					
DHC-8-Q100	4	0					
BN-2B	3	0					
TTL	183	101	4	9	(9)	(5)	0

Notes
1. Four aircraft were purchased after the termination of lease contracts.
2. Aircraft used for training purposes are not included.
3. From this term Ryukyu Air Commuter Co., Ltd. is included in Consolidated account and four DHC-8-Q400 and three BN-2B are added.

3. Cash Flow Indicators on a Consolidated Basis

The following are the consolidated cash flow indicators.

	(at Mar.31,2004)	(at Sep.30,2004)
Equity ratio (%)	7.5%	11.0%
Market Cap. equity ratio (%)	33.2%	27.8%
Interest-bearing debt repayment period	17.2 years	12.3 years
Interest coverage ratio	2.7	8.3

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.

【Outlook for the Full Year (fiscal 2004)】

The operating environment for the JAL Group remains extremely difficult, in spite of the lessening of the impact of uncertainties in the international situation and of factors such as SARS. The key reasons for this are the sluggishness of passenger demand both for domestic and international travel and the sharp increases in fuel prices to all-time highs. In air transportation business, international cargo operations should experience overall brisk demand that exceeds initial expectations, particularly on Pacific routes, reflecting the global trend towards economic recovery. Demand for international passenger operations, however, is expected to fall below initial expectations, primarily because of the lag in the recovery of demand for group travel to Southeast Asia, and the faltering of demand on European routes. In domestic passenger operations, overall demand is leveling off, in particular for group travel, and factors such as the impact of the repeated onset of typhoons have led the Group to project that demand will fall below initial expectations.
Fuel prices have recently risen to over US$60 per barrel on a Singapore kerosene basis, which is well above the Group's initial forecast of US$34, reaching all-time highs and remaining there. These price rises are putting severe pressure on the Group's finances. To counter this, the JAL Group has formulated and immediately implemented remedial measures totaling ¥47 billion. The core measures involve increasing revenues, including fare revisions and revising plans for the numbers of routes and flights, and measures to reduce various costs. Regarding the revision of the retirement benefit scheme, the Company will follow a new accounting procedures advised by its accountants, under which the Company is expected to recognize gains on reversal of accrued pension and severance costs in lump-sum. This will cause the reduction of expenses to be greater than initially envisaged.

For the reasons stated above, the forecast of results on a consolidated basis for the full fiscal year will be revised as follows.

(Consolidated basis; billions of yen)

	Revised forecast	Previous forecast (May 7, 2004)	Change
(1) Operating Revenue	2,128	2,190	△62
(2) Operating Income	53	81	△28
(3) Ordinary Income	66	69	△3
(4) Net income	23	36	△13

Assumptions on which the revised 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 price, Singapore Kerosene at a market price of US$53/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.