

August 31, 2010

(Trustee press release)

Debtor Company: Japan Airlines Corporation
Debtor Company: Japan Airlines International, Co., Ltd.
Debtor Company: JAL Capital Co., Ltd.
Trustee: Enterprise Turnaround Initiative Corporation of Japan
Hideo Seto, Representative
Akitoshi Nakamura, Representative
Trustee: Eiji Katayama

Submission of the Reorganization Plan to the Tokyo District Court

On January 19, 2010, Japan Airlines Corporation ("JALS"), Japan Airlines International, Co., Ltd. ("JALI") and JAL Capital Co., Ltd. ("JLC") (collectively, the "Three Debtor Companies") petitioned the Tokyo District Court for commencement of corporation reorganization proceedings, and on that same day, a decision to commence corporate reorganization proceedings was made, and since that time to the present, the corporation reorganization proceedings have been pursued. We hereby announce that on August 31, 2010, we submitted a Reorganization Plan to the Tokyo District Court.

Going forward, with the support and cooperation of all our stakeholders, we hope to receive the confirmation of the Reorganization Plan from the Tokyo District Court on November 30.

The main points of the Reorganization Plan are as follows.

1. Main Points of the Business Plan

- By reducing the number of aircraft models through early retirement of inefficient models, reduction in aircraft size through deployment of new small and medium-sized aircraft models, and wholesale elimination of unprofitable routes, we will completely eliminate routes that lose money.
- Through reform of airport cost structures, reform of facilities, and review of wage and benefit systems, etc., we will reduce expenses more thoroughly than ever, and will direct our efforts towards making fixed costs variable. Further, we will sell or liquidate subsidiaries including selling the hotel business, and concentrate managerial resources on the air transport business.
- Through such measures as encouraging early retirement and sale of subsidiaries, there will be further headcount reductions in the JAL Group, so that the number of Group employees will go from 48,714 as of the end of FY2009 to roughly 32,600 at the end of FY2010.
- In the domestic passenger business, emphasizing greater frequency and smaller aircraft, we will maintain our network centering on Haneda Airport routes and direct effort towards improving profitability. In the international passenger business, we will direct initiatives towards the strengthening of our network, including the utilization of bilateral alliances with other airlines. In particular, we have applied for antitrust immunity with American Airlines, with the aim of greater profits on Pacific routes.

- We will construct a more efficient and strategic organization that is capable of reliably sharing the Group's managerial policy. Further, by learning more quickly the actual state of the Group's profit and loss, and clarifying where the responsibility lies for meeting numerical targets, we will construct a management control structure that is capable of reliably executing business plans.
- By preparing the Group to be capable of immediately addressing event risk at the time of onset, including the onset of financial crises, such as the one that began with the collapse of Lehman Brothers, and events such as H1N1-type influenza, we will achieve a business that is able to withstand risk.
- From the initial year of the plan, we will aim for a fast reorganization, by becoming profitable on an operating basis and eliminating excessive liabilities.

In implementing the above measures, the primary pre-condition will be safe aviation; we will ensure that there is robust communication between management and workers on location, so that everyone has the same understanding, and using appropriate management we will monitor and ensure the implementation of safety measures.

2. Main Points of Reorganization, Modification of Rights and Repayment Plan

- The Three Debtor Companies will carry out a reorganization and capital increase in the following order, on the day following the day of confirmation of the Reorganization Plan.
 - ① JALS, JALI and JLC will merge, with JALI as the surviving entity.
 - ② Stock owned by JALS shareholders will be acquired gratis, and all treasury shares will be cancelled, and JALI will reduce stated capital and capital reserves to zero.
 - ③ JALI will receive pay-in totaling 350 billion yen from the Enterprise Turnaround Initiative Corporation of Japan ("ETIC") and issue shares to ETIC.
 - ④ JALI will absorb and merge with JALways Co., Ltd. and JAL LIVRE Co., Ltd.
- Modification of rights for unsecured reorganization claims and secured reorganization claims (together, the "Reorganization Claims") will take place on the day following the day of confirmation of the Reorganization Plan following the merger of the Three Debtor Companies.
- The repayment rate for Reorganization Claims shall be the same for all Three Debtor Companies (what is known as par rate repayment); and with the merger, the internal claims among the Three Debtor Companies will extinguish, and overlapping claims held by creditors against multiple entities will be streamlined into a single claim.
- For secured reorganization claims, the fixed claim amount will be repaid in full in installments over seven years. However, with court approval, early lump-sum payment is also possible.
- Regarding the collateral for secured reorganization claims slated for disposal, if and only if a purchase and sale agreement or other disposal agreement is executed by March 10, 2011, a disposal price-linked repayment method will be employed.
- For unsecured reorganization claims, 87.5% of the fixed claim amount will be discharged, and repayment will be made in installments over seven years. However, with court approval, early lump-sum payment is also possible.
- JAL Corporate Pension Fund claims will be subject to modification of rights that will be consistent with the revised JAL corporate pension fund code, and premiums will be paid pursuant to the provisions of such revised code.

- For domestic corporate bond claims, within three months from the day of confirmation of the Reorganization Plan, lump-sum payment will be made of the amount after modification of rights.
- Starting April 1, 2011, JAL's name will become *Nihon Koukuu Kabushiki Kaisha* (English name will be “Japan Airlines Co., Ltd.”).

Overview of Reorganization Plan

Part I: Background to the submission of the Reorganization Plan

1 Background to filing the petition for corporate reorganization proceedings

On October 29, 2009, the Three Debtor Companies commenced advance consultations with the Enterprise Turnaround Initiative Corporation of Japan ("ETIC") and formulated a business rehabilitation plan with the involvement of ETIC. On January 19, 2010, the Three Debtor Companies, together with their primary creditors—namely, the Development Bank of Japan Inc., Japan Bank for International Cooperation, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation—formally applied for support from ETIC and filed a petition for commencement of corporate reorganization proceedings. On the same day, the court order for commencement of reorganization proceedings was received.

2 Appointment of Trustees and framework for executing operations

The Tokyo District Court appointed as Trustees ETIC and Eiji Katayama, Esq., and the Trustees appointed 25 deputy trustees. ETIC nominated as Trustee representatives Hideo Seto, an outside director of ETIC, and Akitoshi Nakamura, representative director of ETIC. On February 1, 2010, the Trustees delegated Kazuo Inamori, Chairman Emeritus of Kyocera Corporation, to be chairman of the Three Debtor Companies, and appointed Masaru Onishi to be deputy trustee and president, Hisao Taguchi to be deputy trustee and executive vice president, and 28 additional executive officers, putting in place the framework for executing operations.

3 Measures for avoiding disruption of aviation service

In order to prevent aviation service from being disrupted by the petition for commencement of corporate reorganization and to enable aircraft to continue to fly safely, ETIC decided, with certain preconditions for its support such as the continuous repayment of commercial obligations and lease obligations, to provide support on the same day that the order to commence reorganization proceedings was made. Further, in order to alleviate the uncertainty among commercial partners about availability of funds, prior to filing the petition for commencement of reorganization proceedings, ETIC held consultations with Development Bank of Japan Inc. and arranged for a line of credit for the JAL group, totaling 600 billion yen, to be available from January 2010.

On the same day as ETIC's decision to provide support and the order to commence reorganization proceedings, the Japanese government and the Transportation Minister announced the government's intention to provide the necessary support until JAL fully rehabilitates.

Also on the same day, the Three Debtor Companies received court approval to repay commercial obligations and lease obligations, and since then, based on such approval, the Three Debtor Companies have paid obligations necessary for continuation of flight service. Because of these measures, there have been no disruptions to JAL Group flight service, and the Three Debtor Companies are continuing safe flight operations.

4 Trustee initiatives directed at drastic structural reform

Following the decision to commence reorganization proceedings, the JAL Group undertook various initiatives, including initiatives directed towards the following:

- construction of a management control structure and accounting reform;
- optimization of route network;
- aggressive utilization of alliances;
- review of the air transport business (including cessation from the use of cargo-only planes);
- avoidance of aviation fuel price fluctuation risk;
- sale of aircraft directed towards reducing the number of aircraft models used;
- headcount reductions;
- sale of subsidiaries directed towards reorganization of group companies;
- procurement reform;
- facility reform;
- pension reform;
- airport-related cost structure reform;
- review of flight crew base and training location structure;
- revision of wage and welfare benefit systems;
- reductions in taxes and public charges; and
- improvements in employee awareness.

The above initiatives will be continued as part of the upcoming business plan.

Part II: Outline of Business Plan

The JAL Group Business Plan, on the premise that safety be ensured first and foremost, calls for the reduction of fixed expenses to the extent possible and a flexible operating structure for aircraft and flight crews, to enable greater flexibility and adaptability in operations; at the same time, by building as slim an organization structure as possible and thereby improving worker productivity, the JAL Group will improve profitability and secure further cost competitiveness.

By fully implementing the above measures, the JAL Group will aim to become profitable on an operating basis and eliminate its excessive liabilities from the first fiscal year of the plan and thus to rehabilitate quickly.

1 Outline of Business Plan

Item	Outline of Business Plan
Reduction in number of aircraft models	• A total of 103 aircraft, including all 747-400s, A300-600s, MD-81s and MD-90s, will be retired. The number of aircraft models flying JAL routes will be reduced from seven to four (excluding regional jets).
Smaller aircraft	• Will proceed with the deployment of the highly efficient small-sized 737-800, the even smaller regional jet E170, and the 787, an aircraft that is a key to future international route strategy.

Optimization of route network	<ul style="list-style-type: none"> • For domestic routes, on the premise of ensuring profitability, emphasis will be placed on more frequent service using smaller aircraft, and the flight network will be maintained at a certain level. • International routes will center on the major cities of US and Europe and on Asian routes (a growth market), securing strategic positioning in terms of customer needs and within alliances. For resort routes, JALI will specialize in Honolulu and Guam routes, which have both high profitability and strong customer demand.
Optimization of air transport subsidiary structure	<ul style="list-style-type: none"> • By making the regional air transport subsidiaries more closely tied to their local communities and streamlining their operations so that they operate only a single type of aircraft, a more efficient air transport structure will be attained.
Concentration of managerial resources on the air transport business	<ul style="list-style-type: none"> • Managerial resources will be concentrated on the air transport business, and subsidiaries in peripheral fields will be sold. • In the cargo and mail business, cargo-only planes (freighters) will be taken out of service, and the service will focus on cargo service using passenger plane cargo compartments (bellies).
Construction of an organization and management control structure with greater flexibility	<ul style="list-style-type: none"> • The multilayer structure and redundant functions of the organization will be eliminated, and new departments will be created that will be responsible for cash flow on an individual route basis, thereby clarifying responsibility for profit and loss results for individual routes and departments. • For group companies, responsibility for profit and loss will also be clarified; there will be greater understanding and management of the group's overall managerial conditions, as well as greater sharing of managerial policy with group companies.
Aggressive utilization of alliances	<ul style="list-style-type: none"> • The customers, managerial know-how, facilities, IT systems and other tangible and intangible assets of alliance partners will be aggressively utilized to maximize the alliance effect. • After obtaining antitrust immunity (ATI) with American Airlines, preparations will be made for the joint business, American Airlines know-how will be acquired, and bilateral partnerships with other airlines will be strengthened.
Major downsizing of self-operated airport facilities (reform of airport cost structures)	<ul style="list-style-type: none"> • Office space will be reviewed, airport terminal space will be partially returned, requests will be made for reductions in fees for joint facilities shared with other airlines, real estate-related fees will be reduced by vacating storage rooms and cargo warehouses, etc., and personnel costs will be reduced through headcount reductions and lowering per-unit charges for subcontracted services.

	<ul style="list-style-type: none"> • With respect to the Kansai International Airport and the Central Japan International Airport, in accordance with the reduction in number of flights, there will be contractions in group-run operations of passenger services and flight services, and through sale of operations to other companies, such group-run operations will be subcontracted.
Facility reform	<ul style="list-style-type: none"> • Initiatives will be taken to achieve major reductions in real estate-related fees. Office space will be subject to thorough review.
Headcount reductions	<ul style="list-style-type: none"> • Through a more flexible personnel positioning among organizational units and a review of working standards and other personnel policy, the overall bare-minimum headcount will be reduced, while ensuring safety. Specifically, through early retirement and sale of subsidiaries, there will be further headcount reductions, so that the number of Group employees will go from 48,714 as of the end of FY2009 to roughly 32,600 at the end of FY2010.
Overhaul of wage and benefit systems	<ul style="list-style-type: none"> • As the basic policy of the new system, employee evaluations will be carried out fairly and in strict accordance with standards, focusing on employee performance and conduct, and that evaluation will be properly reflected in employee treatment. • A review will be carried out of the welfare and other benefits (i.e., fringe benefits) provided to officers and employees, which have been strongly criticized as being too generous. With a basic principle of making these benefits in line with statutory requirements or with general norms, a thorough review will be carried out so that the levels and ranges are the minimum required of air carriers.
IT system updates	<ul style="list-style-type: none"> • The IT infrastructure, which has become obsolete and overly complicated, will be updated, the flow of organization-related information will be accelerated, and an operational platform will be built that can support assorted productivity improvements and function enhancements at low cost.
Reductions in taxes and public charges	<ul style="list-style-type: none"> • Because aviation fuel taxes, landing fees and other taxes and public charges are over 10% or so of sales from domestic and international routes of JAL Group aviation businesses (the aggregate amount of aviation fuel taxes, landing fees and other taxes and charges in FY2008 reached roughly 172.2 billion yen), application will be made to the competent offices for reductions in amount.

	<ul style="list-style-type: none"> • The subsidy policy for routes to isolated islands is premised on the assumption that a carrier can derive large profits from other routes; because this is not in line with the current managerial conditions of airline carriers, a demand will be made for expansion of this program.
Various cost reductions	<ul style="list-style-type: none"> • Procurement had been carried out individually by units but now will be centralized in a procurement department. • For fuel hedge transactions using derivatives, decisions with wide discretionary latitude will be eliminated, and risk management will be strengthened.

2 Managerial issues going forward

(1) Elimination of excessive debt

As of the end of March 2010, the JAL Group had liabilities in excess of assets, on an approximate consolidated basis, of 959.2 billion yen; with the modification of rights pursuant to the Reorganization Plan, and the investment by ETIC of 350 billion yen and the recording of business profits etc. through the end of March 2011, the excessive liabilities will be eliminated as of the end of March 2011, according to the plan. In addition, according to the plan, by accumulating business profits etc. going forward, in excess of 180 billion in net assets will be secured as of the end of March 2013, leading to a stable financial base. From the perspective of greater ability to withstand event risk, additional measures including capital reinforcement measures will be considered.

(2) Addressing event risk

The aviation business has been exposed to a number of event risks, including SARS, H1N1 influenza, and financial crises such as the one that began with the collapse of Lehman Brothers; as a framework for dealing with the onset of a risk, a structure will be built under which effort will be made to discover signs that an event risk may occur, the appropriate system development will be carried out, and adjustment of flight structures and emergency measures for reducing fixed costs can be flexibly implemented.

In the case of event risk, even after conclusion of the reorganization proceedings, ETIC, as Trustee, will confer with the ETIC Committee, and to the extent possible under the ETIC Act, will implement measures including additional financial support (investment, financing, guarantees) necessary for the continuation of business and performance of obligations. ETIC as Trustee will continue to provide support so as to construct a robust managerial framework that enables immediate response to unexpected event risks.

(3) Securing a proper managerial structure

For managerial structure, an execution structure will be built that will include clarification of responsibility for numerical results, in respect of both revenues and

costs for the departments under each management team; under this structure “tireless and persistent efforts” will be made to achieve the targets in the plan. In monthly results reporting meeting and business plan status confirmation meetings, the management teams will gain an awareness of current status and upcoming issues, with the aim of ensuring that plan targets for the JAL Group overall are attained.

(4) Initiatives addressing changes in the competitive environment

In respect to the domestic route market, by having some aviation subsidiaries operate flights using a single model small aircraft or regional jet, the Group's low-cost operations ratio will be increased, thereby establishing a thoroughly low-cost operation structure.

In respect to the international route market, utilizing the expansion of the Haneda landing slot, initiatives will be steadily directed towards demands for service that leverage convenience (high-yield demand). So that changes in the competitive environment can be addressed flexibly, the basic quality of safety and on-time performance will be strictly ensured, while consideration will be given to the provision of low-cost transport services.

Part III: Basic Policy of Reorganization Plan

1 Early completion through refinancing

With regard to repayment of Reorganization Claims, the principle is that installment payments will be made over seven years primarily; but by March 2011, refinancing will be carried out with the goal of early completion of the reorganization proceedings through early lump-sum payment ahead of schedule.

2 Merger

(1) Overview of merger

The Three Debtor Companies, JAZ and AAZ will merge, with JALI as the surviving entity.

- Japan Airlines Corporation (JALS)
Holding company for the JAL Group
- Japan Airlines International, Co., Ltd. (JALI)
Core business entity for the JAL Group
- JAL Capital Co., Ltd. (JLC)
Subsidiary handling the financial divisions of the JAL Group
- JALways Co., Ltd. (JAZ)
International aviation subsidiary for the JAL Group
- JAL LIVRE Co., Ltd. (AAZ)
Subsidiary handling the accounting divisions of the JAL Group

(2) Modification, associated with the merger, of rights for shares

- ① JALI will absorb and merge with JALS and JLC.
- ② Following ①, JALI will acquire all outstanding shares gratis, and cancel all its treasury shares.
- ③ Following ②, JALI will reduce stated capital and capital reserves to zero.
- ④ Following ③, JALI will receive pay-in of 350 billion yen from the ETIC.
- ⑤ Following ④, JALI will absorb and merge with JAZ and AAZ.
- ⑥ The foregoing will take effect on the day following the day of confirmation of the Reorganization Plan.

(3) Modification, associated with the merger, of Reorganization Claims

- ① All reorganization claims and other claims and obligations among the Three Debtor Companies will extinguish with the merger (extinguishment of internal claims).
- ② The repayment rate for Reorganization Claims shall be the same for all Three Debtor Companies (par rate repayment);
- ③ The foregoing modification of rights will take place on the day following the day of confirmation of the Reorganization Plan following the merger of the Three Debtor Companies.

3 Handling of overlapping claims

Overlapping claims will be grouped into those subject to repayment and those that will be discharged, according to the following principles.

When the amounts of multiple claims differ, the overlapping portion will be called the overlapping claim.

One claim	Other claim	What is subject to repayment
①Secured reorganization claim	Unsecured reorganization claim	Secured reorganization claim will be subject to repayment; unsecured reorganization claim will be discharged.
②Unsecured reorganization claim	Unsecured reorganization claim	One unsecured reorganization claim will be subject to repayment; the other unsecured reorganization claim will be discharged in its entirety.
③Secured reorganization claim & unsecured reorganization claim	Unsecured reorganization claim	① will be applied to the extent of the secured reorganization claim, and for any portion exceeding this, ② will be applied.
④Secured reorganization claim & unsecured reorganization claim	Secured reorganization claim	First, one secured reorganization claim will be subject to repayment; next, ① will be applied for the other secured reorganization claim.

Part IV: Modification and the like with regard to Reorganization Claims

1 Secured reorganization claims

(1) Principles on modification of secured reorganization claims secured by interests on continuously owned assets, and repayment method

- ① Fixed secured reorganization claims shall be repaid in full.
- ② Equal installment payments shall be made once a year every year between 2012 and 2018 on the last day of March. However, with court approval, Trustees can make a lump-sum payment. If there are holders of secured reorganization claims who have agreed with Trustees not to receive accelerated repayment, Trustee may choose not to make accelerated repayment just to such holders of secured reorganization claims.
- ③ Upon prior consultations with holders of secured reorganization claims, and with court approval, Trustees may sell the collateral assets for continued holding. The relevant security interest will be converted into pledge against fixed-term deposits in the name of Trustees.

(2) Provisions on collateral assets subject to disposal price-linked repayment method

- ① If Trustees execute a purchase and sale agreement or other disposal agreement by March 10, 2011, for the collateral assets slated for disposal, repayment shall be made as follows.

If the actual proceeds... (*) (*actual proceeds = sale price - sale costs)	exceed secured reorganization claims	Actual proceeds will be paid in full. Of the repayment amount, the portion exceeding the secured reorganization claim amount will be considered as 100% repayment of unsecured reorganization claims.
	fall short of secured reorganization claims	Actual proceeds will be paid in full. For secured reorganization claims not repaid by this, 87.5% shall be discharged.

- ② In the case where no sale could be made by March 10, 2011, (1) will be employed.
- ③ Secured reorganization claims secured by pledges on deposits

If the collateral assets for secured reorganization claims had been disposed of after the commencement of the reorganization proceedings and the security interests are converted into pledges or the like on deposits, in principle, repayment must be made within one month after the day of confirmation of the Reorganization Plan.

2 Preferred reorganization claims

(1) Taxes

After receiving a waiver of overdue taxes, the amount after waiver will be paid either within one month from the day of confirmation of the Reorganization Plan or on January 19, 2011, whichever comes first.

(2) Labor claims

Fixed labor claims will be paid in full within three months from the day of confirmation of the Reorganization Plan.

Retirement pension claims and loss-of-license pension claims will be repaid on the days prescribed by the relevant regulations.

3 Unsecured reorganization claims

(1) Details of the modification of rights and the principle of repayment method

a. Modification of rights

On the day following the day of confirmation of the Reorganization Plan, 87.5% will be discharged (repayment rate 12.5%). However, interest etc. following commencement will be discharged in its entirety.

b. Repayment method

Regarding the amount remaining after the discharge, equal installment payments will be made once a year between 2012 and 2018 on the last day of March. However, with court approval, Trustees may make a lump-sum payment. If there are unsecured reorganization claim holders who have agreed with Trustees not to receive accelerated repayment, Trustees may choose to not make accelerated repayment just to such unsecured reorganization claim holders.

(2) Provisions on rights to demand performance of guarantee liabilities

In regard to the right to demand performance of guarantee liabilities by the Three Debtor Companies other than for overlapping claims, the following will apply.

When the primary debtor continues to make the stipulated repayments	Modification of rights and repayment is suspended
When the acceleration clause is invoked against the primary debtor	On the day Trustees receive notice, the balance remaining after deducting the amount the primary debtor paid by such day from the fixed unsecured reorganization claim amount is deemed the fixed unsecured reorganization claim amount, and in the same manner as that described for (1) unsecured reorganization claims above, modification of rights and repayment will be carried out.

(3) Provisions concerning JAL Corporate Pension Fund claims

a. Modification of rights

Modification of rights will be made as follows on the day following the day of confirmation of the Reorganization Plan.

Premium rate on No. 1 pension (company payment portion)	To be modified from 49‰ to 43‰
Premium rate on special premiums	To be modified from 196‰ to 161‰

b. Repayment method

Premiums that are overdue on the day of confirmation of the Reorganization Plan	Lump-sum payment will be made within three months from the day of confirmation of the Reorganization Plan
Premiums that are not yet due on the day of confirmation of the Reorganization Plan	To be paid as stipulated in the amended JAL corporate pension fund code.

(4) Provisions concerning the repayment method for domestic corporate bond claims

Lump-sum payment will be made within three months from the day of confirmation of the Reorganization Plan.

4 Modification of rights for shares

- ① At the time of the merger and absorption by JALI, JALS shareholders will receive one JALI common share for every share they own. However, no stock certificates will be issued.
- ② Following ①, JALI will acquire all shares gratis.
- ③ Following ②, JALI will cancel all treasury shares.

5 Pay-in by ETIC

- Upon receiving 350 billion yen pay-in from ETIC, JALI will issue shares for subscription.
- The amounts of new stated capital, etc. at the post-merger JALI are as follows:

Stated capital: 175 billion yen	Capital reserves: 175 billion yen
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6 Possibility of additional investments

With court approval, new issuance of shares for subscription is possible.

7 Change in JALI's trade name

On April 1, 2011, JALI's trade name will change to *Nihon Koukai Kabushiki Kaisha* (English name will be “Japan Airlines Co., Ltd.”).

Part V: Schedule

August 31 (Tuesday)

Reorganization Plan submitted to the court

September 10 (Friday)

Forms for written vote scheduled to be
mailed to voting rights holders

Through November 19 (Friday)

Voting period for written vote