Notice of Decision to Provide Support to Japan Airlines

January 19, 2010
Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (hereafter, “ETIC”) has decided to provide support to the companies listed below in accordance with Article 25.4 of the Enterprise Turnaround Initiative Corporation of Japan Act (Act No. 63 of 2009, hereafter, “the ETIC Act”).

1 Name of Persons or Companies Receiving Support
Japan Airlines Corporation, Japan Airlines International Co., Ltd., and JAL Capital Co., Ltd. (hereafter, “the JAL Companies”)

2 Name of Financial Institutions Jointly Applying for Rehabilitation Support with the JAL Companies
Development Bank of Japan Inc., Japan Finance Corporation, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation

3 Outline of the Business Revitalization Plan
See Attachment

4 Opinion of State Ministers in Charge of ETIC

The Prime Minister: No particular opinion

The Minister of Finance: No particular opinion

The Minister of Public Management, Home Affaires, Posts and Telecommunications:
It is our request that, in the process of the review on the flight routes to the local places, you should reach the conclusion with the through coordination with the government sharing the right direction of a discussion on the importance of flight routes in scope of our nation’s future social infrastructure.

The Minister of Health & Welfare Labour:
No particular opinion ; however, the Minister request that ETIC should guide the subjected 3 companies to hold a consultation with the employees immediately after the ETIC’s decision for the support and that ETIC should pay sufficient attention and cares for the compliance to the laws and regulations and the situations of said consultations are the employees.

The Minister of Economy, Trade & Industry:
The airline business is the very fundamental for peoples’ life and economic activities. We request that ETIC should pay sufficient attention and care not to invite any situation where Japan Airlines may face difficulties for its business and operational continuations, and to avoid impacts to those companies with the related business in the restructuring

5 Opinion of State Ministers Supervising Business Activities
The Minister of Land, Infrastructures & Transport

The entity subject to support this time plays very important role forming the airline network, which in tern is our nation's foundation of the growth.
Therefore, we should request that its safe & stable flights would be secured and that ETIC should listen thoroughly to the opinions of the Minister in charge of airline administration.
In addition, we should request that great effort should be placed to shorten the restructuring period as possible and to reach the target of planned vitalization at earliest.

6 Debt Purchase Application Period
January 19, 2010 to March 26, 2010 (receipt by ETIC)

7 Request for Temporary Suspension
As the JAL Companies filed a petition with the Tokyo District Court on January 19, 2010 to commence Corporate Reorganization procedures and were notified of the decision to commence on the same day, no request for a temporary suspension will be made under Article 27.1 of the ETIC Act.

8 ETIC's Rationale for Deciding to Provide Support
ETIC's rationale for deciding to provide support is as follows:

8.1 Background and Circumstances Leading to the Request for Corporate Rehabilitation and ETIC Support
The JAL Companies have made a considerable independent effort to break away from their high cost structure, implementing reforms that include reducing the workforce through increased labor productivity, revised wage and retirement benefit systems and curbs on lump-sum payments, as well as revision to their operating structure and business processes. The companies have also thoroughly revised international and domestic routes from the standpoint of profitability, updated aircraft and other equipment, and implemented downsizing of the aircraft fleet. However, before reaching a fundamental improvement in earnings, the falloff in demand caused by such factors as the fallout from Lehman Brothers' collapse and the H1N1 influenza outbreak became the trigger that led to the current situation.

The JAL Companies face the difficulty of requiring a large amount of working capital in a short period of time. To gain access to the financing necessary for business rehabilitation, the JAL Companies have decided to utilize a pre-packaged reorganization scheme (hereafter, "the JAL Reorganization Procedures") that combines simultaneously filing for Corporate Reorganization - a condition for receiving ETIC support and a measure that ensures transparency and a fair process – and applying for ETIC support.

8.2 Business Revitalization Plan
Because the JAL Reorganization Procedures are a combination of ETIC support and Corporate Reorganization procedures, the revitalization plan prepared by the JAL Companies may be revised or amended by the business reorganization plan to be submitted later. However, ETIC's view regarding the current revitalization plan for the JAL Companies is as outlined below.

One of the reasons that the JAL Companies have fallen into this situation is the excess of airline routes and aircraft compared to demand. JAL's inability to take decisive and appropriate action to reduce capacity resulted in a resolution to this problem being postponed, and the company being forced to continue to carry excess personnel and other fixed costs.

The revitalization plan for the JAL Companies aims to fully resolve this fundamental issue through the following measures.

8.2.1 Further Safety Enhancements

The JAL Companies will maintain and strengthen measures focused on the three pillars of: "investment in safety," "safety management" and "a culture of safety" to ensure an unwavering commitment to safety. Investments in safety will focus on improving IT and technical systems, measures to prevent human error and other problems through avoidance of over-reliance on the actions of on-site employees, and raising safety awareness among employees. Safety management will be enhanced by bolstering preventative risk management, greater utilization of safety data, and the use of the PDCA (plan-do-check-act) system, as well as by strengthening the structural links for safety management, and enhancing the risk management framework. A culture of safety will be fostered based on the new recommendations of the Safety Advisory Group, creating and establishing multiple layers of solid safety procedures.

8.2.2 Smaller Aircraft to Improve Efficiency

The JAL Companies will swiftly retire less fuel-efficient large aircraft such as the 747-400, and actively introduce more advanced aircraft such as highly fuel efficient small and midsized aircraft and regional jets. This will improve overall fuel efficiency and provide flexibility in the availability of aircraft.

8.2.3 Decisive Withdrawal from Unprofitable Routes and Pursuit of Alliance Benefits

The JAL Companies will decisively withdraw from unprofitable routes, while maintaining network coverage by utilizing its alliances. This will allow for adjustments to supply, incorporating such measures as a flexible increase or decrease in the number of flights in response to demand, as well as the cancellation and resumption of flights.

8.2.4 Streamlining of Workforce and Organizational Structure, and Fundamental Improvement in Flexibility

The JAL Companies will make adjustments to their workforce in line with diminished supply, including to head-office administration personnel, pilots, flight attendants, maintenance workers and ground handling crew. They will also increase flexibility in flight crew personnel expenses through fundamental revisions to flight crew compensation, minimum crew flight hours and other policies.

8.2.5 Redesigning an Organizational Structure for Swift On-Site Decision-Making

The JAL Companies will establish an organizational structure that is focused on operations sites and that allows for flexible, decisive and appropriate decision-making in response to changes in the business environment. The companies will make appropriate investments in IT systems and other infrastructure to support this structure.

With regard to JAL's pension program, if the Ministry of Health, Labour and Welfare provides formal approval to the changes made to the pension terms, the necessary steps will be taken in the JAL Reorganization Procedures to continue existence of a pension program.

In addition, a further ¥600 billion line of credit from Development Bank of Japan Inc. and ETIC has been established to provide sufficient funding for immediate business operations. ETIC's view is that ensuring that business operations and flights continue and implementing the necessary debt forgiveness and/or reductions to fundamentally improve the company's financial position will allow for the successful rehabilitation of the JAL Companies.

ETIC also believes that in order for the JAL Companies to maintain safe flight operations, to avoid the risk of losing customers due to a decline in service, harmful rumors or other damaging measures, and to preserve the maximum possible business value, it is at a minimum necessary to adopt the measures outlined in Section 3 of the attachment as part of the JAL Reorganization Procedures.

9 Appointment of a Corporate Trustee and Designation and Notification of its RepresentativesRepresentative

The JAL Companies today received notification of the decision from the Tokyo District Court to commence Corporate Reorganization proceedings, and with the decision to begin proceedings ETIC has been appointed as the corporate trustee. Following the intention of the court, ETIC directors Hideo Seto (ETIC Committee Chairman) and Akitoshi Nakamura (Representative Director) have been designated as representatives of the corporate trustee to undertake the duties of the trustee, and notice of such was made to the court, relevant companies and other parties.

Representative Hideo Seto will not be involved in any decisions by the ETIC Committee regarding the JAL Companies.

– End of Document –

Attachment: Outline of the Business Revitalization Plan

Section 1: Overview of the Companies Receiving Support

1 Corporate Outline

1.1 Companies Receiving Support

Japan Airlines Corporation (hereafter, “JALS”), Japan Airlines International Co., Ltd. (hereafter, “JALI”), and JAL Capital Co., Ltd. (hereafter, “JLC”), hereafter collectively referred to as “the JAL Companies”

1.2 Head Office Location

2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo

1.3 Date of Establishment

August 1951 (as the former Japan Air Lines)

1.4 Capitalization

¥251.0 billion (JALS)

1.5 Stock

Total JALS shares authorized to issue: 7,000,000,000 shares

Of which, total shares issued outstanding: 3,346,383,250 shares

1.6 Business Operations

Air transportation and airline-related businesses

1.7 Number of Employees

47,526 (JALS), 15,389 (JALI non-consolidated)

1.8 Principal Shareholders

Japan Trustee Services Bank, Ltd., Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsui & Co., Ltd., and Tokyu Corporation

1.9 Principal Trading Partners

JTB Corporation, Jalpak Co., Ltd., JAL Sales Co., Ltd., JAL Tours Co., Ltd., and others

1.10 Business Locations

Narita International Airport, Haneda Airport, other domestic and international airports

1.11 Financing Banks

Development Bank of Japan Inc., Japan Finance Corporation, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation

1.12 Corporate Group

JALS with 203 subsidiaries and 83 affiliates

1.13 Financial Position (as of March 2009)

JALS Consolidated:	Operating revenues	¥1,915.1 billion
	Operating income	(¥50.8 billion)
	Recurring income	(¥82.1 billion)
	Net income	(¥196.7 billion)
	Total assets	¥1,750.6 billion
JALI Non-consolidated:	Operating revenues	¥1,664.7 billion
	Operating income	(¥62.5 billion)
	Recurring income	(¥95.7 billion)
	Net income	¥91.6 billion
	Total assets	¥1,652.3 billion

Reference: September 2009 (First Half Results)

JALS Consolidated:	Operating revenues	¥763.9 billion	(down 28.8% YoY)
	Operating income	(¥95.7 billion)	
	Recurring income	(¥82.1 billion)	
	Net income	(¥114.4 billion)	

2 Corporate Group: As of March 31, 2009

The corporate group of the JAL Companies comprises JALS, together with 203 subsidiaries and 83 affiliates. Its business operations include air transportation, airline-related businesses, travel services, credit card and leasing services, and other businesses. The main subsidiaries and affiliates for each business segment are as follows.

2.1 Air Transportation: Eight consolidated subsidiaries, JAPAN AIRLINES INTERNATIONAL CO., LTD.; JAPAN TRANSOCEAN AIR CO., LTD.; JALWAYS CO., LTD.; JAL EXPRESS CO., LTD.; JAPAN AIR COMMUTER CO., LTD.; HOKKAIDO AIR SYSTEM CO., LTD.; RYUKYU AIR COMMUTER CO., LTD.; and J-AIR CO., LTD.

2.2 Airline-Related Businesses: Operations include passenger and cargo handling services, in-flight catering, aircraft and ground equipment maintenance and fueling provided by 95 subsidiaries and 65 affiliates, of which 52 are consolidated, including JAL GROUND SERVICE CO., LTD., JAL CARGO SERVICE CO., LTD., and TFK CORPORATION.

2.3 Travel Services: Travel planning and sales services, including air transport via the eight companies in the air transportation business, provided by 35 subsidiaries and 3 affiliates, of which 27 are consolidated, including, JALPAK CO., LTD., JAL TOURS CO., LTD., and JAL SALES CO., LTD.

2.4 Credit Card and Leasing Services: Financing, credit card services and leasing services provided by 19 subsidiaries, of which JAL CAPITAL CO., LTD., JALCARD, INC. and one other company are consolidated.

2.5 Other Businesses: Hotel business provided by 16 subsidiaries and 2 affiliates, of which JAL HOTELS CO., LTD. and 8 other companies are consolidated. Wholesale and retail sales, real estate services, printing, construction, staffing and IT services provided by 30 subsidiaries and 13 affiliates, of which AXESS INTERNATIONAL NETWORK, INC., JAL AEROPARTS CO., LTD., JAL BUSINESS CO., LTD. and 12 other companies are consolidated.

Section 2: Background and Circumstances Leading to the Request for Corporate Rehabilitation and ETIC Support

The JAL Companies have made a considerable independent effort to break away from their high cost structure, implementing reforms that include reducing the workforce through increased labor productivity, revised wage and retirement benefit systems and curbs on lump-sum payments, as well as revision to their operating structure and business processes. The companies have also thoroughly revised international and domestic routes from the standpoint of profitability, updated aircraft and other equipment, and implemented downsizing of the aircraft fleet. However, before reaching a fundamental improvement in earnings, the falloff in demand caused by such factors as the fallout from Lehman Brothers' collapse and the H1N1 influenza outbreak became the trigger that led to the current situation.

The JAL Companies face the difficulty of requiring a large amount of working capital in a short period of time. To gain access to the financing necessary for business rehabilitation, the JAL Companies have decided to utilize a pre-packaged reorganization scheme (hereafter, “the JAL Reorganization Procedures”) that combines simultaneously filing for Corporate Reorganization - a condition for receiving ETIC support and a measure that ensures transparency and a fair process – and applying for ETIC support.

The aim of the JAL Reorganization Procedures is to achieve quick and fundamental reform of the JAL Companies in a short period of time.

Section 3: Necessary Measures to Maintain the Business Value of the JAL Companies

The JAL Companies will work to preserve the maximum business value through the JAL Reorganization Procedures, and to reimburse as much as possible to creditors, including the financial institutions, in the rehabilitation. However, in order for the JAL Companies to preserve business value to the greatest extent possible by maintaining safe flight operations, and avoiding such risks as flight stoppage, loss of customers, service degradation and harmful rumors, the following measures in the JAL Reorganization Procedures will be essential. The JAL Companies plan to realize these measures through cooperation with all parties involved.

3.1 Protection of Commercial Obligations

In order for the JAL Companies to maintain the trust of their trading partners and to continue the same safe flight operations, it is essential that the JAL Reorganization Procedures include the protection of commercial obligations, premised on adherence to the same trading terms as before. Commercial obligations include those of JAL Group companies that handle certain aspects of the airline business and services together with the JAL Companies, such as the obligations of JAL Card to the JAL Companies.

3.2 Protection of Customer Mileage

The mileage program provided by the JAL Companies is used by many customers and makes an important contribution in terms of business operations. In order for the JAL Companies to maintain operating revenues, it is essential that the JAL Reorganization Procedures include full protection for customer mileage as before.

3.3 Protection of Lease Fee Obligations

In order for the JAL Companies to continue smooth flight operations, it is essential that the JAL Reorganization Procedures include payment of lease fee obligation for the aircraft necessary to flight operations, with adherence to the same trading terms as before.

3.4 Continued Existence of the Corporate Pension Program

For the JAL Corporate Pension Program that is the private pension plan for the JAL Companies, consent forms were recently sent to plan participants and pension recipients regarding a reduction in pension benefits and pension recipients relinquishing their rights to lump-sum payments. The forms have been collected and a portion necessary to revise the pension system has been secured. In order to maintain the morale of employees, which is tied to an increase in corporate value, it is essential to respect the opinions of plan participants and pension recipients. And the final decision is to take place after the formal approval by the Ministry of Health, Labour and Welfare for a change in the terms of the JAL Corporate Pension Program.

Section 4: Overview of the Business Revitalization Plan

1 Reasons for the Current Situation

The JAL Companies have arrived at their current situation due to the drag from structures remaining from the previous era of mass transit, with inefficiency and inflexibility in both 1) business structure (equipment and infrastructure) and 2) organizational structure (policies and procedures). Compared to its competitors JAL has a relatively large proportion of international flights, which are subject to broad fluctuations in demand. This left the airline unable to respond in a timely and appropriate manner to the massive falloff in demand caused by such factors as the fallout from Lehman Brothers' collapse and the H1N1 influenza outbreak.

1.1 Business Structure Inflexibility

1.1.1 Excessive Ownership of Large Aircraft

The JAL Companies, because of the constraints on arrival and departure slots at Haneda and Narita airports, actively introduced large aircraft and at one time had a fleet of over 100 747s, one of the world's largest. While this allowed the airline to provide mass transit at one time, fuel and other flight costs were also high and led to losses during periods of slack demand.

1.1.2 Maintaining Unprofitable Service Routes

The JAL Companies were previously government-affiliated corporations, and due to its extremely public nature maintained numerous unprofitable service routes. The merger with the former Japan Air System (JAS) further expanded the number of unprofitable service routes, primarily in regional areas of Japan. In addition, the large proportion of international flights, which display broad fluctuations in demand, presents a further challenge.

1.2 Organizational Structure Inflexibility

1.2.1 Excess Workforce and a Rigid Organizational Structure

The JAL Companies were predisposed to increases in personnel, maintaining a personnel structure and a promotion model centered on full-time employees with lifetime employment on the premise of sustainable business expansion. There was almost no consolidation of personnel or the organizational structure following the merger with the former JAS, leading to further excess and inflexibility.

1.2.2 Delays in Decision-Making

The JAL Companies had constant delays in decision-making as a result of a bloated management structure and a corporate culture that strived for infallibility, making them unable to respond promptly to changes in the business environment. Outdated IT systems and other tools to support timely and appropriate decision-making also further slowed decision-making.

2 Direction of Business Revitalization Plan

The business plan for the JAL Companies will focus on the following points in order to overcome the factors that led to the current predicament.

2.1 Further Safety Enhancements

The JAL Companies will maintain and strengthen measures focused on the three pillars of: “investment in safety,” “safety management” and “a culture of safety” to ensure an unwavering commitment to safety. Investments in safety will focus on improving IT and technical systems, measures to prevent human error and other problems through avoidance of over-reliance on the actions of on-site employees, and raising safety awareness among employees. Safety management will be enhanced by bolstering preventative risk management, greater utilization of safety data, and the use of the PDCA (plan-do-check-act) system, as well as by strengthening the structural links for safety management, and enhancing the risk management framework. A culture of safety will be fostered based on the new recommendations of the Safety Advisory Group, creating and establishing multiple layers of solid safety procedures.

2.2 Smaller Aircraft to Improve Efficiency

The JAL Companies will swiftly retire aging and less fuel-efficient large aircraft such as the 747-400, and actively introduce more advanced aircraft such as highly fuel efficient small and midsized aircraft and regional jets. This will improve overall fuel efficiency, and provide flexibility in the availability of aircraft.

2.3 Decisive Withdrawal from Unprofitable Routes and Pursuit of Alliance Benefits

The JAL Companies will decisively withdraw from unprofitable routes, while maintaining network coverage by utilizing its alliances. This will allow for adjustments to supply, incorporating such measures as a flexible increase or decrease in the number of flights in response to demand, as well as the cancellation and resumption of flights.

2.4 Streamlining of Workforce and Organizational Structure, and Fundamental Improvement in Flexibility

The JAL Companies will make adjustments to their workforce in line with diminished supply, including to head-office administration personnel, pilots, flight attendants, maintenance workers and ground handling crew. They will also increase flexibility in flight crew personnel expenses through fundamental revisions to flight crew compensation, minimum crew flight hours and other policies.

2.5 Establishing an Organizational Structure for Swift On-Site Decision-Making

The JAL Companies will establish an organizational structure that is focused on operations sites, and that allows for flexible, decisive and appropriate decision-making in response to changes in the business environment. The companies will make appropriate investments in IT systems and other infrastructure to support this structure.

3 Numerical Targets (Summary)

The earnings estimates for the JAL Companies may change as a result of petition of the JAL Reorganization Procedures or other factors, but by implementing the JAL Reorganization Procedures, and trimming excess to create a leaner organization, a considerable increase in profitability is expected. For the fiscal year ending March 2013, the plan forecasts operating revenues of ¥1,358.5 billion, with operating income of ¥115.7 billion (operating margin of 8.5%).

In the event of the continued existence of the corporate pension fund, operating income is expected to total ¥90.4 billion (operating margin of 6.7%) for the fiscal year ending March 2013.

Section 5: Content of Financial Support (Debt Forgiveness, DIP Financing and Loans)

The JAL Companies are expected to receive debt forgiveness amounting to ¥730 billion for a portion of their total ¥1,157.8 billion debt.

Immediately prior to and after ETIC's decision to provide support, the JAL Companies are to receive DIP financing though a ¥600 billion line of credit from ETIC and Development Bank of Japan.

Following ETIC's decision to acquire debt, the JAL Companies are to receive financing of over ¥300 billion from ETIC.

In conjunction with this financing, following ETIC's decision to acquire debt, the JAL Companies are to receive refinancing of their debt coordinated by ETIC, Development Bank of Japan, and major banks. These funds will be used to make a lump-sum repayment of the common benefit claims, namely the DIP financing and rehabilitation securities and loans.

Section 6: Conformance with Standards for Support

1 Possession of Revitalization Potential

The JAL Companies are Japan's largest airline carrier and have a large number of employees and affiliated companies, as well as aircraft and other equipment. They operate a network with flights providing service to numerous countries and cities throughout Japan and the world. As a public transportation facility that forms one facet of social infrastructure, JAL possesses considerable revitalization potential.

2 Carrying Excessive Debt

The JAL Companies are carrying approximately ¥780 billion of interest-bearing debt, an excessive amount of debt relative to their earnings capacity. Debt forgiveness and other forms of financial support are essential for business revitalization.

3 Prospects for Business Revitalization

3.1 Consent of Major Creditors for Application

The application for support by the JAL Companies has been made jointly with Development Bank of Japan Inc., Japan Finance Corporation, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation

3.2 Standards for Productivity Improvement

Of the productivity improvement standards, the projection of (1) improvement in the rate of return on equity of 45.8 percentage points in three years, and (2) improvement in the amount of added value per employee of 264.5 percentage points in three years, satisfies the required productivity improvement standards of 2 percentage points or more for (1) and 6 percentage points or more for (2).

In the case of continued existence of the corporate pension fund, the projection of (1) improvement in the rate of return on equity of 58.2 percentage points in three years, and (2) improvement in the amount of added value per employee of 242.9 percentage points in three years, satisfies the required productivity improvement standards of 2 percentage points or more for (1) and 6 percentage points or more for (2).

3.3 Standards for Financial Soundness

3.3.a Ratio of interest-bearing debt to cash flow less than 10 times

The ratio of interest-bearing debt to cash flow is projected to be 2.2 times in three years, satisfying the standard of less than 10 times.

In the case of continued existence of the corporate pension fund, the ratio of interest-bearing debt to cash flow is projected to be 3.0 times in three years, satisfying the standard of less than 10 times.

3.3.b Current revenue greater than current expenditures

The ratio of current revenue to current expenditures is projected to be 114.3% in three years, satisfying the standard of current revenue greater than current expenditures.

In the case of continued existence of the corporate pension fund, the ratio of current revenue to current expenditures is projected to be 112.0% in three years, satisfying the standard of current revenue greater than current expenditures.

3.4 Comparison with Liquidation Value

The dividend yield on liquidation of the three JAL Companies would be at most 1.3%. The recovery rate for the non-secured portion of debt applicable to the subject business revitalization plan (17%) is clearly greater than the recovery rate through bankruptcy proceedings.

3.5 Potential for Disposal of Debt, Shares or other Assets Acquired by ETIC Within Three Years

The implementation of the subject business revitalization plan will establish sound finance for the JAL Companies. Since ETIC does not anticipate any problems for the company in terms of its ability to repay principal or incur interest, it has been determined that there is a strong possibility of refinancing through the involvement of a new sponsor or other means.

3.6 Standards in Cases of ETIC Investment

3.6.1 Necessity

Because the implementation of the subject business revitalization plan will require the injection of new money, it will be necessary for ETIC to invest in and take control of the JAL Companies before the plan can be implemented. Accordingly, it is extremely difficult for ETIC to strongly recommend implementing the subject business revitalization plan without ETIC investment.

3.6.2 Exercise of Governance

Since after investment ETIC will acquire a majority stake (100%) in the JAL Companies, a structure will be established that is able to exercise proper governance.

3.6.3 Prospects for Investment or other Financing by Main Banks, Sponsors or Other Parties

A loan of approximately ¥160 billion is expected to be acquired from Development Bank of Japan immediately following the decision to provide support.

3.6.4 Prospects for Recovery Greater than the Investment

The business value of the JAL Companies will increase as a result of the implementation of the subject business revitalization plan, providing the prospect for recovery greater than the investment.

4 Connection with an Excessive Supply Structure

Since as a result of the implementation of the subject JAL Reorganization Procedures there is no scope to increase business supply in light of Article 19 of the Guidelines for the Application of the Act on Special Measures for Industrial Revitalization and Innovation, ETIC has judged the plan as “not hindering the dissolution of an excessive supply structure.”

5 Status of Discussions with Labor Unions

A briefing on the content of the subject business revitalization plan is to be made to the eight labor unions that exist at JALI (JALFIO, Japan Airlines Workers’ Union, JALJ Workers’ Union, Cabin Crew Union, JALI Flight Crew Union, JALJ Flight Crew Union (JPU), Senior Engineer Union, and Japan Airlines Captain Association) immediately following ETIC’s decision to provide support, along with discussion on employment, working conditions and other contract details. Since no labor unions exist at JALS or JLC, company-wide briefings for all employees will be held at both companies, providing opportunities for participation and discussion.

Section 7: Responsibility of Shareholders and Management

1 Responsibility of Management

Management responsibility on the part of the directors of the JAL Companies will be clarified by the retirement of all directors. (Persons necessary for the conduct of business at the JAL Companies will be sought through a separate effort in the JAL Reorganization Procedures.)

2 Responsibility of Shareholders

For the ordinary and A-Class shares issued by JALS (hereafter, “JALS Shares”), ETIC intends to implement measures that meet fundamental shareholder responsibility, including a 100% capital reduction. The final decision, however, will be made in the forthcoming JAL Reorganization Plan.

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Reference

Standards for Determining Support
(Notice of Standards for Support by the Enterprise Turnaround Initiative Corporation of Japan)

- Has revitalization potential
- Is carrying excessive debt
- Joint application with principal creditor, or has prospects for receiving consent from the principal creditor
- Has prospects for meeting “Productivity Improvement Standards” and “Financial Soundness Standards” within three years

Productivity Improvement Standards:	One of the following conditions should be met: Increase in the return on equity of two percentage points or more; Increase in the tangible fixed asset turnover of five percentage points or more; Increase in the amount of added value per employee of six percentage points or more.
Financial Soundness Standards:	All of the following conditions should be met: Ratio of interest-bearing debt to cash flow within ten times; Recurring income greater than recurring expenditures.

- In cases where debt is acquired or investment made, there is the ability to dispose of the subject debt, shares or other assets within three years of the decision to provide support
- In cases where investment is made, conditions are met such as necessity; exercise of governance, prospects for coordinated investment with sponsors or other entities, and prospect for recovery of investment
- Discussions are held with labor unions or labor representatives