

JALS Announces Revised Forecast of Non-consolidated Financial Results for Fiscal Year Ending March 31, 2006 and Its Proposal to Reduce of Capital Surplus

Tokyo [Friday March 3, 2006:] Japan Airlines Corporation (“JALS”) today announced its revised forecast of non-consolidated financial results for the fiscal year ending March 31, 2006. The revision relates to JALS’s expectation of recording revaluation losses of ¥139 billion with respect to the equity securities of Japan Airlines International and Japan Airlines Domestic, the two main operating subsidiaries of JALS. As a result, JALS will revise its forecast of non-consolidated financial results for the current fiscal year ending March 31, 2006 previously announced on November 7, 2005, as explained in the attachment in more details.

In addition, on March 2, 2006, JALS’s Board of Directors decided to propose a resolution at the next ordinary general meeting of shareholders scheduled for June 2006 to approve the reduction in the Company’s capital surplus, as outlined in more details in the attachment.

The consolidated financial statements of JALS already reflects the financial results of the two operating subsidiaries owned by JALS, and changes in the value of equity securities of Japan Airlines International and Japan Airlines Domestic do not affect the consolidated financial results. Therefore, the forecast of consolidated financial results for the fiscal year ending March 31, 2006 previously announced on November 7, 2005 in connection with JALS’ semi-annual financial results will not be affected by the revaluation losses.

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Certain statements made in this press release, including the forecasts of financial results, contain forward-looking statements which reflect management’s beliefs, views and assumptions in light of information currently available. The management targets represent goals that management will strive to achieve through the successful implementation of JALS’ business strategies. JALS may not be successful in implementing its business strategies, and management may fail to achieve the forecasted financial results. The management targets and other forward-looking statements involve current assumptions of future events as well as risks and uncertainties that could significantly affect expected results, including adverse economic or political conditions in Japan or other countries; increased jet fuel prices; negative changes in foreign exchange rates; difficulties or delays in integrating our businesses and achieving desired cost savings; increased competitive pressures; and changes in laws and regulations applicable to our business. Please see our public filings for additional information regarding the risks in our businesses. We have no obligation or intent to update any of the forward-looking statements in this press release.

Attachment

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Tokyo [Friday March 3, 2006:] Japan Airlines Corporation (“JALS”) today announced its revised forecast of non-consolidated financial results for the fiscal year ending March 31, 2006. The revision relates to JALS’s expectation of recording revaluation losses of ¥139 billion with respect to the equity securities of Japan Airlines International and Japan Airlines Domestic, the two main operating subsidiaries of JALS. As a result, JALS will revise its forecast of non-consolidated financial results for the current fiscal year ending March 31, 2006 previously announced on November 7, 2005, as explained in the attachment in more details.

In addition, on March 2, 2006, JALS’s Board of Directors decided to propose a resolution at the next ordinary general meeting of shareholders scheduled for June 2006 to approve the reduction in the Company’s capital surplus, as outlined in detail in this attachment.

1. Rationale for Revising Forecast of Non-consolidated Financial Results and Reduction in Capital Surplus

On March 2, 2006, JALS announced its 2006-2010 medium-term business plan, aiming to recover from the consolidated losses posted in recent periods and to achieve profitability and growth in the coming fiscal years. JALS aims to kick-off the revival of the JAL Group in FY 2006 (ending in March 2007) through, among other measures, the merger in October of the two main operating subsidiaries, JALI and JALD.

As part of its efforts to make a fresh start, the Company will record a valuation loss with respect to the equity securities of JALI and JALD. JALI and JALD posted net losses in recent periods due to external factors, such as terrorism, the war in Iraq, SARS, anti-Japan demonstrations and rising fuel prices, and safety issues. As a result of the revaluation, JALS expects to post increased net losses for the year ending March 31, 2006 as set forth in Part 2 below.

JALS plans to seek shareholders approval at the next ordinary general shareholders’ meeting in June to reduce a portion of the capital surplus and apply such amounts to eliminate the accumulated deficit. JALS hopes to eliminate the accumulated deficit, open the path for revival and establish a setting that would increase the possibility of dividend payments in the future.

2. Revised forecast of non-consolidated financial results

(unit: 1 million yen)

	Revenues	Ordinary Income	Net Profit / Loss
Previously announced forecast (A)	24,400	8,400	8,200
Revised forecast (B)	24,400	8,400	-131,000 (note)
Difference (B-A)	0	0	-139,200 (note)
Ratio	100	100	-
(reference) Last FY results	16,197	489	270

(note) After recording estimated valuation losses with respect to the subsidiary shares of 139,500 million yen, the Company forecasts a net loss instead of the previously forecasted net profit. It should be noted, however, that this is only a forecast and the actual valuation loss amounts will be reported as part of the financial statement for the fiscal year ending March 31, 2006. Therefore, actual net loss amount may differ from the forecasted amount.

(reference)

The consolidated financial statements of JALS already reflects the financial results of the two operating subsidiaries owned by JALS, and changes in the value of equity securities of Japan Airlines International and Japan Airlines Domestic do not affect the consolidated financial results. Therefore, the forecast of consolidated financial results for the fiscal year ending March 31, 2006 previously announced on November 7, 2005 will not be affected by the revaluation losses.

3. Reduction of Capital Surplus

On March 2, 2006, the board of directors adopted a resolution to seek stockholders' approval at an ordinary shareholders' meeting scheduled in June 2006 to reduce capital surplus. The amount of the capital surplus reduction will be applied to eliminate the accumulated deficit.

(1) Purpose

In accordance with Commercial Code, Article 289.1, the Company will reduce / apply the capital surplus to eliminate the accumulated deficit as of March 31, 2006 based on the forecast set forth in 2. above.

(2) Amount

The amount of the capital surplus reduction will be equal to the amount of accumulated deficit as of March 31, 2006. Based on the forecast set forth in 2. above, JALS expects a capital surplus reduction of approximately 67 billion. It should be noted, however, that this is only a forecast and the actual accumulated deficit amount as of March 31, 2006 will be reported as part of the financial statements as of and for the fiscal year ending March 31, 2006.

(3) Schedule

1. Board Meeting (adopting the general principles) – March 2, 2006
2. Completion of financial statements - mid-May (expected)
3. Board meeting to adopt a final plan – mid-May (expected)
4. General shareholders' meeting - end of June (expected)

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