

JAL International and JAL Domestic to Unify October 1st, 2006

Tokyo, Wednesday September 20, 2006: From October 1, 2006, Japan Airlines will be a single operating company, following the unification of the present two operating companies, JAL International and JAL Domestic companies. This change will complete the process of integrating the former Japan Airlines and Japan Air System.

The new single operating company will bear the name Japan Airlines International.

Unification of the two JAL operating companies will achieve greater efficiency and cost reduction by the elimination of duplication and will improve intra-company communications.

JAL International and JAL Domestic were formed in April 2004 to take over the roles of the former Japan Airlines and the former Japan Air System. The two JAL Group operating companies were based on the legal entities of their separate predecessors. Overseeing their operations was a holding company, Japan Airlines Corporation, which remains in that role.

During the initial process of integration of Japan Airlines and Japan Air Systems (JAS), which took place from October 2002 to April 2004, the group concentrated on enhancing collective strength and corporate value. But this has been negatively impacted by a series of adverse global events: terrorism, the war in Iraq, SARS outbreaks and most recently by record-breaking fuel prices.

As a result of this impact and its effect on fundamental changes in the business environment, JAL management felt that further integration was both necessary and desirable to create a new organization by blending the two operating companies into one. The decision to create the new unified company was announced on February 4, 2005 with the target for completion in FY2006.

Under a streamlined administrative structure, the new unified JAL Group organisation will be capable of flexibly coping with the continued upheaval in the international business environment.

The original plan for integration of the two former competitors, JAL and JAS, brought the new organization huge cost benefits in Japan. They were able to combine sales and ticket offices, airport facilities including check-in counters, administration offices, flight operations departments and ground service facilities. Taking into account staff reductions, economies through fleet reduction and other effects, the net integration were estimated at about 50 billion yen for 2005.

Integration created a stronger, more competitive airline with a 50% domestic market share, matching chief rival All Nippon Airways (ANA) in terms of domestic capacity and network power.

Traditionally, the Japan domestic market is more stable than the international marketplace and the combination of the domestic revenues of JAL and JAS gave the new JAL Group added financial strength. Domestic revenue generated by the integration now matches JAL international passenger revenues, creating a better revenue balance. Before integration, JAL domestic revenues accounted for only 30 percent of total sales revenues and international revenue accounted for 70 percent, making the former JAL over-reliant on the more volatile international market.

Unification measures

Measures now being taken to unify operations further include merging the cabin attendants' organization by blending crews of JAL International and the former JAL Domestic. This involves international crew training for JAL Domestic crew. There will also be exchanges in cabin crew management teams.

Already underway are unification of safety regulations providing for work standards and work procedures and the unification of operating manuals.

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For customer & general enquiries, please contact your local JAL office: www.jal.co.jp/en/information/inter/branch/

Journalists with media enquiries, please contact the press office: geoffrey.tudor@jal.com / stephen.pearlman@jal.com
Tel: 81-3-5460-3109 / Fax: 81-3-5460-3108/ www.jal.com/en/corporate/

The flight operations division is being reorganized under JAL International. Flight crew unification is being carried out and the company is establishing training courses for cockpit crew to transfer to other types of aircraft.

Fleet engineering and maintenance management control is being centralized in JAL International. Former JAL Domestic maintenance departments are being incorporated in a new management organization.

JAL Group passenger sales activities, which were previously handled by the JAL Sales Company, were taken over by JAL International in April 2006. The JAL International Passenger Sales and Marketing Division has been newly established. It will include preparation of oneworld Line, a 24-hour, seven days a week support helpdesk to be introduced when JAL assumes full membership of the oneworld alliance in early 2007.

Cargo operations will be taken over by the newly established JAL International Cargo and Mail Division.

General administration departments of JAL International and JAL Domestic, such as industrial relations and medical services will be unified under JAL International.

The holding company, JAL Corporation, will be reorganized and its main function will be that of the Board of Directors of the JAL Group. It will include departments for corporate affairs, finance, investor relations, public relations and a new accounting department.

All other present holding company functions, such as committees for corporate social responsibility, compliance and business risk, customer satisfaction improvements and other corporate overseeing activities will be taken over by the corresponding committees in JAL International.

History of the JAL/JAS integration.

2001

November 12: After an informal agreement reached during 2001, JAL and JAS formally announced their intention to integrate.

2002

January 29: The integration plan was announced, to take place in two phases:

1. October 2002 – formation of a holding company, Japan Airlines System Ltd., to oversee integration of JAL and JAS
2. April 2004 – creation of two operating airlines – JAL International and JAL Domestic

April 26: The Fair Trade Commission approves the plan, subject to conditions..

September 18: New logo and aircraft livery announced

October 1: JAL Sales Co. Ltd formed to handle JAL Group passenger sales.

October 2: Japan Airlines System Corporation, the new JAL Group holding company formally launched on Tokyo Stock Exchange.

2003

July 10: New uniforms announced, effective April 2004

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2004

April 1: Phase 2 of the JAL/JAS integration. Two new operating companies, JAL International and JAL Domestic, start business.

June 6: Holding company renamed Japan Airlines Corporation

2005

February 4: Revision of organization announced, to take effect from October 2006.

2006

April 1: Incorporation of JAL Sales into Japan Airlines International

October 1: Integration of JAL Domestic and JAL International into one operating company, JAL International.

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