

Court File No. CV-10-8692-00CL

**JAPAN AIRLINES CORPORATION, JAPAN
AIRLINES INTERNATIONAL CO., LTD., AND
JAL CAPITAL CO., LTD**

**THIRD REPORT OF PRICEWATERHOUSECOOPERS INC.,
INFORMATION OFFICER**

June 5, 2012

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.
C-36, AS AMENDED**

**AND IN THE MATTER OF CERTAIN PROCEEDINGS
TAKEN IN THE CORPORATE REORGANIZATION
ACT OF JAPAN (KAISHA KOSEI HO) (THE "JRA")
BEFORE THE TOKYO DISTRICT COURT, CIVIL
DEPARTMENT NO. 8**

**APPLICATION OF JAPAN AIRLINES CORPORATION, JAPAN AIRLINES
INTERNATIONAL CO., LTD., AND JAL CAPITAL CO., LTD UNDER
SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**THIRD REPORT OF PRICEWATERHOUSECOOPERS INC.,
INFORMATION OFFICER**

June 5, 2012

INTRODUCTION

- 1) On January 19, 2010, Japan Airlines Corporation, including wholly owned subsidiaries Japan Airlines International Co., Ltd. ("JALI") and JAL Capital Co., Ltd. (collectively, "JAL" or the "Company"), commenced restructuring proceedings under the Corporate Reorganization Act of Japan (*Kaisha Kosei Ho*) (the "JRA") before the Tokyo District Court, Civil Department No. 8 ("Japan Proceeding").
- 2) Pursuant to the commencement of proceedings under the JRA, the Tokyo District Court (the "Japanese Court") appointed the Enterprise Turnaround Corporation of Japan ("ETIC"), a fund established by the Japanese government to help distressed entities, and

Eiji Katayama, as trustees (collectively, the “**Trustees**”) in the Japan Proceeding, with full authority to administer JAL’s assets and ultimately formulate a plan of reorganization.

- 3) On January 19, 2010, Eiji Katayama (the “**Foreign Representative**”) sought certain protections in the United States pursuant to chapter 15 of title 11 of the United States Bankruptcy Code (“**Chapter 15 Proceedings**”).
- 4) On April 30, 2010 (the “**Filing Date**”), the Foreign Representative brought an application (the “**Recognition Proceeding**”) before the Canadian Court pursuant to Part IV of the Companies’ Creditors Arrangement Act, *R.S.C. 1985, c. C-36*, as amended (the “**CCAA**”), and obtained an order (the “**Canadian Recognition Order**”), which among other things: (i) recognized the Japan Proceeding as a “foreign main proceeding”; (ii) granted a stay of proceedings in Canada against the Company; and (iii) appointed Deloitte & Touche Inc. (“**Deloitte**”) as Information Officer.
- 5) The Company put forward a Reorganization Plan in the Japan Proceeding, which was accepted by the requisite majority of creditors and approved by the Japanese Court.
- 6) On November 30, 2010, the Japanese Court confirmed the reorganization plan submitted by the Company (“**Japan Confirmation Order**”).
- 7) On March 28, 2011, the Japanese Court determined that JAL’s restructuring proceeding was complete as JAL had repaid more than two thirds of the monetary claims provided for in the Reorganization Plan.
- 8) On June 8, 2011 this Honourable Court recognized and approved the Japan Confirmation Order and Reorganization Plan and terminated the stay of proceedings granted in the Canadian Recognition Order. The Foreign Representative did not seek to terminate the CCAA proceedings due to the fact that there are certain Unresolved Claims and Guarantee Claims that had to be finalized (updated below). On June 8, 2011 this Honourable Court also discharged Deloitte as Information Officer and approved their fees and expenses. Furthermore, PwC was approved as the Substituted Information Officer.
- 9) This report is the third report (“**Third Report**”) of PwC as the Substituted Information Officer (hereafter referred to as the “**Information Officer**”)

A. PURPOSE

10) The purpose of this Third Report is to provide this Honourable Court with information concerning the following:

- a) Update on Unresolved claims and Guarantee claims;
- b) Update on foreign proceedings; and
- c) Update on the Canadian Passenger Proceedings and the Proposed Settlement.

B. TERMS OF REFERENCE

11) In preparing this report, PwC received an update from the Company's external counsel in Canada, Davies Ward Phillips & Vineberg LLP ("Davies"). In addition, PwC has examined publicly available information filed in the Japan Proceeding and this Recognition Proceeding. PwC has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, PwC expresses no opinion or other form of assurance on the information contained in this report.

12) Certain of the information referred to in this report may consist of or include forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

13) PwC has requested that JAL bring to its attention any significant matters or concerns that were not addressed in the course of its inquiries. Accordingly, this report is based solely on the financial and other information provided to PwC by the Company or otherwise made publicly available.

C. UNRESOLVED CLAIMS & GUARANTEE CLAIMS

14) On March 28, 2011, the Japanese Court, pursuant to the JRA, determined that JAL's restructuring proceeding was complete. The Japanese Court made this determination

based on the fact that JAL had repaid more than two thirds of the monetary claims provided for in the Reorganization Plan and was not in default of the Reorganization Plan.

- 15) As noted in the First Report of the Information Officer dated June 6, 2011, the only claims that have not been paid were those claims that were in dispute ("Unresolved Claims") and those liabilities which were guaranteed by JAL ("Guarantee Claims") but have not come due because the primary debtor has continued to pay these debts in the ordinary course. If JAL became liable for the Guarantee Claims, it would be treated as an unsecured claim, and 87% of the claim would be compromised. The value of these unpaid claims was approximately ¥19 billion.
- 16) The Information Officer has been advised that all Unresolved Claims have been settled and paid to creditors as at April 30, 2012.
- 17) There has been no material Guarantee Claim made by any of JAL's subsidiaries which represent the majority of the potential Guarantee Claims that could be made. The Information Officer has been advised that the JAL operating entities are paying their debts as they come due.

D. STATUS OF CANADIAN AND FOREIGN PROCEEDINGS

Canada

Passenger Settlement Agreement

- 18) JAL has been in negotiations with the plaintiff's counsel in the Passenger Proceedings for some time. The Information Officer has been informed that those negotiations have resulted in the execution of a settlement agreement for the Passenger Proceeding dated December 1, 2010 ("Passenger Settlement Agreement").
- 19) The rules governing Canadian class proceedings require that the Passenger Settlement Agreement be approved by the court before the settlement can be implemented. The Information Officer understands that the plaintiffs have brought forward motions for certification and the approval of the notice of settlement approval hearing (the "Passenger Notice Motion").

- 20) The Information Officer understands that it is the intention of the Company to be before this Court in the near future following the expiry of the appropriate notice period for approval of the Passenger Settlement (the “**Passenger Settlement Approval Motion**”).
- 21) As at the date of this Third Report, PwC has not had any enquiries from Canadian creditors. Furthermore, the Information Officer has been advised by JAL that all Canadian creditors are being paid in ordinary course.

United States

- 22) The Chapter 15 Proceedings are ongoing and PwC has been advised that there have been no material updates to JAL’s restructuring proceeding in the United States since its First Report.

United Kingdom

- 23) The U.K. Proceedings are ongoing and PwC has been advised by JAL that there are no material updates to JAL’s proceedings in the U.K. since its First Report.

Australia

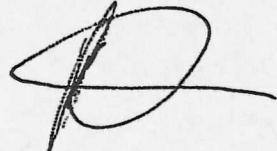
- 24) There are no material updates to report as it relates to JAL’s proceedings in Australia.

E. CONCLUSION

- 25) The Foreign Representative is not at this time seeking to terminate the CCAA proceedings due to the fact that the Passenger Settlement Approval Motion remains outstanding. The Information Officer understands that the Company will bring a motion to terminate the CCAA Proceedings, returnable at the same time as the Passenger Settlement Approval Motion.
- 26) The Information Officer will undertake to update the court as new information is presented to the Information Officer and/or there are any material changes.

All of which is respectfully submitted at Toronto, Ontario this 5th day of June, 2012.

PricewaterhouseCoopers Inc.
as Information Officer of
Japan Airlines Corporation,
Japan Airlines International Co., Ltd., and,
JAL Capital Co., Ltd.,
and not in its personal capacity



Paul van Eyk, CA-CIRP, CA-IFA
Senior Vice President