

Japan Airlines Sells Percentage Stake in Subsidiary JAL Hotels to Hotel Okura

Tokyo, Aug 6, 2010: The JAL Group announced today that Japan Airlines International Co., Ltd. (JALI), a subsidiary of Japan Airlines Corporation (JAL) will sell 79.6% of its shares in JAL Hotels Co., Ltd. (JHC) to Hotel Okura Co., Ltd (Hotel Okura) in a stock transfer agreement concluded today.

There has been intense competition in the hotel industry with a decline in guest figures following challenging economic conditions and the entrance of new overseas hotel operators and start-ups from various industries into the market. It has become urgently necessary to improve profitability through further service improvements and cost reductions.

The JAL Group is determined to rebuild its business under the Corporate Reorganization Proceedings, and with the support of the Enterprise Turnaround Initiative Corporation of Japan (ETIC), is aiming to make swift, fundamental reforms while preserving its business value to a maximum.

The decision to begin analyzing a transfer of stakes in JHC to Hotel Okura was made against these backdrops. The corporate value of JHC has been highly evaluated by Hotel Okura, and both hotel groups share the same vision and motivation to raise their competitive edges and perform well on the global stage by establishing internationally renowned hotel chains of outstanding quality. Japan Airlines International and Hotel Okura have today signed a stock transfer agreement to pursue this common objective, building on the close affinity they have between each other as business partners. The brand names of Hotel Nikko and Hotel JAL City will be retained with no change to the Mileage Program so hotel guests can be assured to continue accumulating miles and to use JAL coupons at JHC hotels.

Hotel Okura started with its first property – Hotel Okura Tokyo, in 1962 prior to the Tokyo Olympic Games. Since then, it has become a leader in its industry in Japan, operating a total of 21 hotels in major cities - 16 in Japan and 5 overseas, including at famous resort destinations.

Following the stock transfer, JHC aims to improve profitability by cooperating closely with Hotel Okura as a strong business partner, together developing sales promotion, joint material procurement and creating the opportunity to share best practices. JHC will also strengthen its endeavors to offer superior services that meet the needs of their customers.

Since its founding in 1970, JHC has become one of few Japanese hotel operators to develop into a major international franchise. It manages a total of **57 hotels (17,607 rooms)** with **39** properties in Japan and 18 overseas, operating Hotel Nikko as its flagship brand and Hotel JAL City as a complementing chain of high quality business hotels. JHC is slated to launch 6 new establishments in Asia – 5 within China and 1 in Vietnam; Hotel Nikko Wuxi (500 rooms) and Suzhou Qingshan Resort Hotel (90 rooms) will be inaugurated this year, Hotel Nikko Guangzhou (411 rooms), Hotel Nikko Xiamen (436 rooms) and Hotel Nikko Saigon (335 rooms) next year, and Hotel Nikko



Suzhou (475 rooms) by 2013. Outside of Asia, the five-stars Hotel JAL Tower Dubai (471 rooms) will become the first major Japanese-managed hotel in the United Arab Emirates when it opens this year.

2. Stock transfer

Of JAL Hotels stocks owned by Japan Airlines International (7,749,000 stocks, voting right ratio 90.7%), 6,800,000 stocks (voting right ratio 79.6%) will be transferred to Hotel Okura.

3. Future business development

JALI, JHC and Hotel Okura aim to maintain the reputation they have earned for their Japanese hospitality and good service. Going forward, JALI, with retention of 11.1% share in JHC, will support the mutually-beneficial cooperation between both hotel groups to jointly provide their customers with the highest level of quality airline-affiliated hotel services.

(a.) Maintaining the brand

After this transaction, the brand names Hotel Nikko and Hotel JAL City will be retained.

(b.) Maintaining the marketing program

After this transaction, the Mileage Program will remain in effect and guests can continue to accumulate miles and use JAL coupons at JHC chain hotels.

4. Schedule

Today : Conclusion of stock transfer agreement

End of September 2010 (planned) : Date of stock transfer and receipt of payment

Company name:	Japan Airlines International Co., Ltd.	Hotel Okura Co., Ltd.	JAL Hotels Co., Ltd.
Date established:	October 1, 1953	December 11, 1958	July 1, 1970
Main business:	Air transport operator	Hotel operator	Hotel operator
Capital:	200 billion yen (as of end of September 2009)	3 billion yen (as of end of March 2010)	4.272 billion yen (as of end of March 2010)
Major stockholder:	Japan Airlines Corporation – 100%	Taisei Corporation Shin Nippon Steel Corporation Mitsubishi Estate Kajima Corporation (as of end of March 2010)	Japan Airlines International – 90.7% (as of end of March 2010, before the stock transfer)

END

