

18:00

Touchdown on a sunset-touched runway
And arms raised, as if to send a sign
“Welcome back”

Governance

JAL REPORT 2014



Corporate Governance

We have established and actively implement our Basic Corporate Governance Policy to enhance management transparency and monitoring.

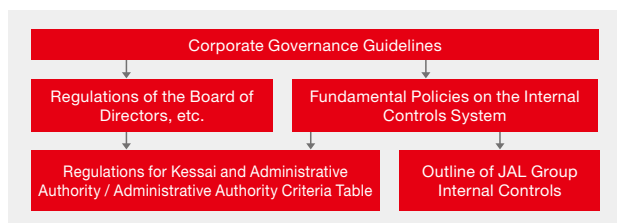
Our Basic Corporate Governance Policy

We have established the “JAL Philosophy” under the JAL Group Corporate Policy as a set of company guidelines on proper conduct. The JAL Philosophy guides our efforts to increase corporate value and maintain accountability through a corporate governance structure that produces high management transparency and robust monitoring while also facilitating rapid, focused decision making.

The Board of Directors has established corporate governance standards by adopting Corporate Governance Guidelines as a key set of rules to supplement the Companies Act, related laws and regulations, and our own Articles of Incorporation. The Board reviews the Corporate Governance Guidelines at least once a year. Directors strive to realize our corporate policy by putting the JAL Philosophy into practice and reporting on the progress of implementing the philosophy at Board meetings.

These Corporate Governance Guidelines have been made available to the public via our website so that stakeholders—including customers—can readily refer to and understand the JAL Group’s corporate stance.

<http://www.jal.com/en/outline/corporate/governance.html>



Board of Directors

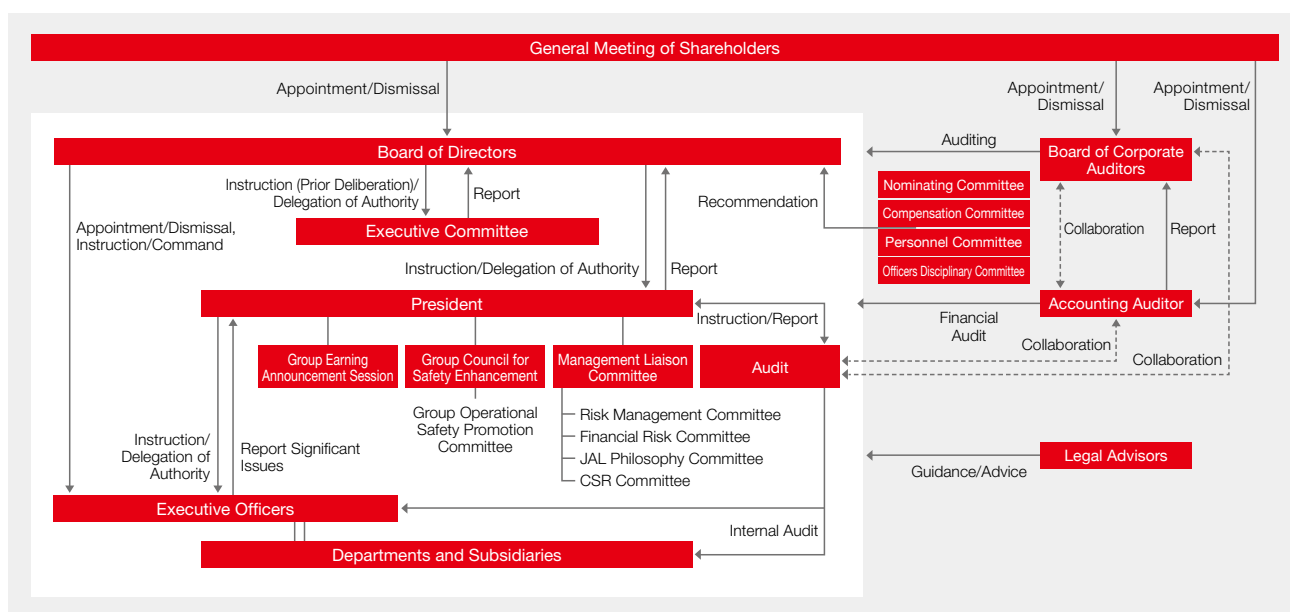
The Chairman of the Board of Directors chairs meetings of the Board to clearly separate management monitoring and business execution functions.

As of July 2014, the Board of Directors is composed of nine members, seven men and two women. We have also appointed two External Directors, Tatsuo Kainaka and Kimie Iwata. Kainaka offers a wealth of experience, accomplishments and deep insight in the areas of corporate governance and legal affairs based on extensive knowledge accumulated over his long career in the judicial system. Iwata brings a wealth of experience, accomplishments and deep insight related to supporting the professional development of women and corporate social responsibility gained through her extensive experience with government and corporate management. We believe that having both of them as External Directors provides significant benefits to JAL Group management.

Directors receive legal guidance to ensure they are aware of their formal duties, including the fiduciary duty of loyalty and the due care of a prudent manager. Directors serve one-year terms, confirming their role and accountability each fiscal year.

Board of Corporate Auditors

As a company with auditors, we are seeking to strengthen our auditing system by appointing three External Audit and Supervisor Board Members out of a total of five auditors. External auditors are appointed on the merits of their extensive knowledge of and experience in a wide range of fields. Together with the other auditors, the external auditors work closely with the



Internal Auditing Department and corporate auditors to ensure sound management by conducting audits from a neutral and objective standpoint.

Committees

The JAL Group has established a Nominating Committee, Compensation Committee, Personnel Committee and Officers Disciplinary Committee to enhance management transparency.

Risk Management System

The JAL Group manages risks by dividing them into three categories: (1) operational risks associated with aviation safety, aviation security and other issues related to air transportation; (2) corporate risks associated with management in general, excluding risks related to air transportation; and (3) strategic risks associated with business management that may have a material impact on corporate revenue and expenditures.

With respect to aviation safety, we have established a Council for JAL Group Safety Enhancement chaired by the President of Japan Airlines Co., Ltd. and composed of Directors appointed by the President and the Presidents of Group airline companies. We have also established the Operational Safety Promotion Committee under the Council for JAL Group Safety Enhancement, headed by the General Manager of Corporate Safety & Security of Japan Airlines Co., Ltd. Membership includes the Vice Presidents of the Safety Management Departments and board members in charge of safety at Group airline companies. The Operational Safety Promotion Committee monitors and evaluates the safety management system based on the status of flight operations. By formulating and evaluating the plans, policies and measures on aviation safety and making overall adjustments and offering recommendations, advice and guidance, this committee seeks to maintain and strengthen collaboration between departments and between Group airline companies on issues related to safety and enhance the level of safety.

To stabilize Group management by comprehensively managing risks other than those associated with aviation safety, which includes safety and security management, we have established the Risk Management Committee based on the JAL Group Basic Policies on Risk Management. Headed by the Executive Officer of general affairs, this committee formulates basic risk management guidelines, submits progress reports, and shares information on measures taken when risks are identified. On an annual basis, the Risk Management Committee conducts a fixed-point observation related to risks faced by each department of Japan Airlines Co., Ltd. and major Group companies. At the management level we endeavor to build a common awareness of the results of the review and policies formulated in response to the results. We also assess and analyze risks

identified by the review and provide support to responsible organizations so they can promptly implement measures to prevent risk from materializing. In dealing with specific risks that threaten our ability to fulfill our responsibility as a provider of public transportation, such as a new strain of the influenza virus or an earthquake, we have established a system that enables us to continue business in an appropriate manner under emergency situations based on guidelines set up in collaboration with regulatory bodies and other relevant institutions.

In addition, we have established an Information Security Committee headed by the Executive Officer of general affairs and Executive Officer for IT planning to strengthen our controls over personal and corporate information handled by the entire Group.

We have also established the Financial Risk Committee—headed by the Executive Officer of finance and accounting—to provide corporate management with an appropriate understanding of financial risks. The Financial Risk Committee regularly monitors the results of simulations on the financial condition of the company, estimates the potential impact of risks that may materially and quantitatively affect corporate performance, and responds to risks as necessary in tandem with the Risk Management Committee.

Compliance System

To promote compliance with all laws, regulations and rules governing our corporate activities, we have designated the General Affairs Department of Japan Airlines Co., Ltd. to act as the supervising division for compliance issues and are making a focused effort to raise employee awareness by adopting various measures.

We have organized the JAL Group Compliance Network comprising Directors from each Group company, which seeks to enhance the compliance culture of the entire Group by promoting the prompt sharing of related information, providing e-learning and educational programs, and regularly publishing the compliance information magazine *RASHINBAN*.

A contact point has also been set up within the General Affairs Department to receive reports on legal violations from whistleblowers inside and outside the Group in an effort to gather information related to compliance.

Internal Controls System

The JAL Group establishes the “Fundamental Policies on the Internal Controls System” according to the regulations of the Companies Act and observes these laws in order to ensure the reliability of the financial reports as well as the effectiveness and validity of our operations. The board of directors’ meeting held on March 27, 2013, decided the following “Fundamental Policies on the Internal Controls System.”

Fundamental Policies on the Internal Controls System

1. Regarding the system to ensure compliance with the Articles of Incorporation and the laws and regulations governing the execution of the duties of the director

- We established "Corporate Governance Guidelines" and set up a corporate governance system that will demonstrate high management transparency and promote a strong management monitoring function in order to ensure the proper maintenance of the internal controls system.
- We established "JAL Philosophy" as conduct guidelines of our company. The directors are encouraged to abide by these practices.
- The board of directors decides the "Fundamental Policies on the Internal Controls System," and the general affairs department promotes the maintenance of the internal controls system.
- The general affairs department supervises compliance operations and monitors the operations situation and maintenance of related regulations.
- We have set up an inspection system to ensure the duties of the directors are executed in compliance with relevant laws and regulations.

2. Regarding the system related to the management and preservation of information related to the execution of the director's duties

We manage and properly preserve the information related to execution of duties according to relevant laws and regulations and company rules.

3. Regarding other official regulations systems related to the management of the risk of losses

In order to manage the risk of the entire group, we have established a "Council for Safety Enhancement," a "Risk Management Committee," and a "Financial Risk Committee" to prevent losses by consistently monitoring the appropriateness of duties, establishing the "Outline of JAL Group Internal Controls," alongside managing the risks appropriately. In addition, we plan to minimize loss by corresponding on all levels when a danger of loss does happen to occur.

4. Regarding the system to ensure the execution of the director's duties is effectively carried out

- We hold a monthly board of directors' meeting and additionally, hold provisional meetings when important decisions regarding group management policies and plans need to be decided. In addition, to ensure the effective execution of the directors' duties, we have installed meeting bodies such as the "Executive Committee" and "Earnings Announcements Sessions."
- In accordance with company rules, we have segregated authority in order to maintain effective execution of duties, and determined the division of duties, authority of managerial posts and authority of duties.

5. Regarding the system to ensure employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation.

- We have established "JAL Philosophy" as conduct guidelines of our company and encourage employees to put them to practice.

- The general affairs department promotes the maintenance of the internal controls system.
- The general affairs department oversees operations related to compliance and monitors the operations situation and maintenance of related official regulations.
- We have set up an inspection system to ensure the employees execute their duties in compliance with relevant laws and regulations.

6. Regarding the system that ensures business appropriateness in the corporate group

We established "JAL Group Business Management Official Regulations." Each company in the group ensures that the system is used to effectively and justly carry out management based on the "JAL Philosophy." In addition, the "Outline of JAL Group Internal Controls" is enacted and continuously monitors the appropriateness of duties.

7. Regarding matters related to the employees concerned in the event that auditors request that employees be appointed to assist in their duties

We appoint employees (auditing staff) to establish an organization independent from the directors to increase the effectiveness of the auditor's inspection and perform auditing duties smoothly.

8. Regarding matters related to the independence of the aforementioned employees from the directors

The auditing staff is appointed with the approval of the auditors and receives instructions and orders from the auditors.

9. Regarding the systems for employees and others to report to the auditors

- By establishing a corporate governance system, we strengthen the management monitoring system of directors and employees by the auditors.
- We ensure the system and the opportunity for the director and employees to appropriately report to the auditors.
- We request that auditors attend meetings of the board of directors and other important meetings, and forward important circulars to the auditors. In addition, we report the circumstances on the execution of duties and all important matters on company management and business operations to the auditors.

10. Regarding the other system to ensure the effectiveness of the board of auditors and the auditors' inspection

- We establish the system in accordance with the inspection plan devised each year by the auditors in order to effectively implement the inspection.
- The directors, employees, the directors of each group and the auditing group all exchange opinions with the auditor.

* "Employees" refers to the executive officers and trained staff.

► Governance Data

(As of the end of years)

	FY2011	FY2012	FY2013	Unit
Governance				
Executives	5	7	7	Persons
Female Directors	0	1	2	Persons
External Directors	2	2	2	Persons
Auditors	4	5	5	Persons
External Auditors	2	3	3	Persons
Executive Remuneration	—	235	294	Millions of yen
Directors Total (including external directors)	—	172	228	Millions of yen
Auditors Total (including external auditors)	—	63	66	Millions of yen

Note: There have been 9 directors (including 2 external directors) and 5 auditors (including 3 external auditors) since the 65th ordinary general meeting of shareholders held on June 18, 2014.