

Stakeholder Dialog

JAL Aspirations for Corporate Governance

Corporate governance in Japan has reached a major turning point and is attracting attention from observers both inside and outside the country. In May 2015, Executive Officer Hiroyuki Hioka sat down with two experts – Professor Iwao Taka of Reitaku University and External Director Kimie Iwata – to discuss the current state and future of JAL's corporate governance.



High transparency and robust monitoring in JAL's corporate governance

Hioka ● Our basic stance on corporate governance is to realize the JAL Group Corporate Policy while protecting flight safety, which represents the very foundation of our business. This means we will work to realize the objective: the JAL Group will pursue the material and intellectual growth of all our employees; deliver unparalleled service to our customers; and increase corporate value and contribute to the betterment of society. To this end, we must establish a corporate governance structure that produces high management transparency and robust monitoring while also facilitating rapid, appropriate decision making. While JAL is a company with a board of corporate auditors, we have opted to set up four committees that include the Nominating Committee and Compensation Committee, which are characteristic of a Company with Committees, and we pride ourselves in having this hybrid system.

Taka ● In the Nominating Committee, for example, do you discuss the appointments of corporate officers?

Iwata ● In appointing corporate officers, we offer advice from a third-party perspective, pointing out, for example, that promoting younger candidates may be better than simply adhering to a seniority rule, or that more female candidates should be sought, or encouraging the appointment of promising JAL leaders to the position of president at subsidiaries so they can gain experience. We serve, in a sense, as escorts guiding the appointment process up to the president's final decision. Meanwhile, we participate right from the beginning in the appointment of external officers, from identifying the desired qualifications to selecting the final candidates.

Taka ● JAL is to be commended for maintaining a mechanism that serves as a brake by referring to overall trends or pointing out that the appointment of an officer who is approaching retirement to a post at a subsidiary is inappropriate. The external directors are functioning well.

Iwata ● The compensation of officers

is handled in a similar way. While this is typically discussed by internal officers who prepare and present a proposal to the committee for deliberation, there are no predetermined conclusions at JAL. We participate in the discussions from the beginning by sharing an awareness of the issues and reviewing cases from other companies.

Taka ● To what extent do external officers speak up at the Board of Directors meetings?

Iwata ● On major issues, nearly all of us have more to say than the internal officers.

Taka ● Foreign shareholders may feel that a company with a board of corporate auditors is behind the times. This misunderstanding comes from the fact that auditors have no voting rights on the Board of Directors. This makes it all the more important to emphasize how much active discussion goes on among members of the Board of Directors and how well your system works, especially since external directors play a role that is close to the executive level at JAL.

Iwata ● Yes, we are encouraged to attend executive meetings as often as possible.

Hioka ● The external directors provide outstanding support.

Taka ● So JAL does not hesitate in revealing everything to people outside the Company, from whom the Company seeks verification on all issues. While most companies talk about management transparency, JAL actually practices it.



Kimie Iwata
External Director, Japan Airlines Co., Ltd.

The Verification Committee of Independent Executives – objectivity on and understanding of in-house issues

Hioka ● In our corporate governance, JAL places particular emphasis on management transparency. In September 2014, illegal access to our customer information system led to the leakage of information about JAL Mileage Bank members, causing significant public concern and inconvenience. To review our response, we set up the Verification Committee of Independent Executives comprising five external officers, including two external directors and three external auditors. We asked Ms. Iwata to chair the committee.

Iwata ● I received the request as results were coming in from an internal investigation of the appropriateness of the current investigation method and validity of its results, whether JAL had undertaken sufficient IT security measures before the incident, and what we should do to strengthen those measures. I understood that our job was to verify these points and ensure transparency by disclosing our results to the public. JAL had not been sufficiently aware of the fact that customer information is a corporate asset with significant attendant risks. I commented on this in the results we reported to the Board of Directors. JAL should make better use of customer information as an asset, and I would also like to see the Company do more to address the associated risks.

Taka ● It is quite rare for independent officers to set up a verification committee.

Iwata ● I was told that this was the first such case in Japan. I think its effectiveness was due to the dual role of external officers. First, we were able to conduct an objective verification because all five of us have an independent status. And second, we possess a deep understanding of internal issues from our daily involvement in the Company. In addition, I had worked on CSR and risk management in my position as a corporate manager, and other members were experts on law and corporate accounting, so the five of us gave the committee an extremely well-balanced composition.



Iwao Taka
Professor, School of Economics and Business Administration, Reitaku University

Taka ● In my view, it was good that external officers conducted the verification while at the same time a working group of outside professionals in areas beyond their expertise, such as information and security, were incorporated into the process and involved in the series of discussions. I think this added substance to the report.

Harnessing the JAL Philosophy and JAL Brand to drive us forward

Hioka ● I think we can say that JAL management and the efforts of employees have been sustained by the divisional profitability management system and the JAL Philosophy.

Iwata ● Daily study groups are being held at each worksite to deepen understanding of the JAL Philosophy and to strengthen the ability to put it to practice. I have been involved in the management of several companies, but I have never come across a company like JAL.

Hioka ● The JAL Philosophy was created five years ago at the time of our corporate bankruptcy, when we had to unite employees and management. It serves as an action guideline and criteria for decision making, as well as the driving force that has kept us moving forward.

Taka ● I feel that the JAL Philosophy has been the greatest source of JAL's competitive strength.

Hioka ● Today, whenever there are signs that we may revert to our old ways, employees who have studied and gained a solid understanding of the JAL Philosophy caution that we are going against the spirit of the JAL Philosophy.

The sense that the JAL Philosophy is our anchor is also connected to our ongoing efforts to rebuild the JAL Brand.

Iwata ● The JAL Brand was not created by a single person; it is the result of a joint effort through JAL's relationship with various stakeholders. I am particularly aware that it is something we create with our customers, and in their minds and hearts. Our employees are also important stakeholders. The JAL Brand is something we create also in the minds of our employees.

Taka ● Brands can be dangerous in a way. Customers who have faith in a brand are convinced of its value, even when they may be receiving less than the best service.

And the JAL Philosophy is what stops inadequate service from happening. In particular, I would like to point to the "Attitude" in "The Result of Life and Work = Attitude × Effort × Ability." You must share this as a core value when reflecting on and renewing your attitude whenever excessive pride raises its head. And I think it is important to repeat this process.

The power of diversity as an essential aspect of corporate governance

Iwata ● In JAL's case, almost all cabin attendants serving customers on our flights are women. Now, having an officer who has risen through the ranks from a cabin attendant strengthens the ties between management and the worksite. The need for developing the careers of diverse employees, including women, has been incorporated into the corporate governance code and is growing in importance. Individuals, having various attributes in regard

to gender, nationality and experience, bring diverse values, expertise and a human network to a company. At the management level, for example, this diversity produces the best decisions out of a wide range of options. Diversity is essential for corporate governance.

The JAL Group has set its target of raising the ratio of women in management from 14% in fiscal 2013 to 20% by fiscal 2023. Two things will be required to achieve this goal. One is to earnestly strive to train women and provide opportunities. The other is to change conventional work styles so that women can develop their careers. I hope JAL will serve as a leader for Japanese industry. Half of our customers and employees are women. And from the perspective of creating a corporate brand with customers and employees, JAL cannot expect future growth unless it promotes women playing active roles.

Hioka ● JAL was recently selected as a women-friendly "Nadeshiko Brand" and a "Health & Productivity Management Brand". As we make a point of declaring our will to "pursue the material and intellectual growth of all our employees" at the very top of our corporate policy, we can only provide unparalleled service when we offer an environment in which employees are happy, healthy, and able to demonstrate their potential with vitality. I believe JAL was selected because we are continuing to move forward, even if that progress is made one step at a time.

Taka ● At the level of the Board of Directors, JAL set in motion a fundamental change by embracing diversity, appointing members who had served as pilots, maintenance crew and cabin attendants. In the JAL Philosophy sessions that I observed, I noticed that



Hiroyuki Hioka
Executive Officer, General Affairs
Japan Airlines Co., Ltd.

employees from different worksites who had never spoken to each other before had been brought together. I feel that JAL is truly making strategic use of diversity and turning it into a competitive advantage.

Moving toward a brighter future through the united effort of all JAL employees

Iwata ● I believe JAL is becoming a good company in terms of corporate governance as well, precisely because of its experience. I hope it will remain vigilant to signs of any regression and continue moving forward.

Hioka ● Our president takes every opportunity to point out that employees are our assets. We hope the energy of our employees will propel us to the next level, and we must spread far and wide the message that management and employees should be working hand in hand.

Taka ● I think JAL had a time when there was little communication between management and the front lines of operations. While I do not foresee the Company reverting to how it was in those days, governance should not be left to management alone. It requires a collaborative effort with the worksite. And while those of you who experienced the corporate bankruptcy seek to advance by learning from that, younger generations have different mindsets. Because JAL is currently enjoying great success, I think this is a good time for the Company to create a mechanism for smoothly transitioning into the next management group so that JAL can move on to a brighter future.



Governance

We are striving to increase corporate value by establishing a corporate governance structure that produces high management transparency and robust monitoring, by promoting compliance, and by developing and operating a solid risk management structure.

Status of Corporate Governance

The JAL Group has established the Fundamental Policies of Corporate Governance with the primary goal of enhancing management transparency and monitoring.

JAL Group Fundamental Policies of Corporate Governance

We maintain an awareness that our corporate group is a member of society at large with the duty to fulfill our corporate social responsibility and contribute to society as we develop our business, in addition to fulfilling our financial responsibility of earning adequate profits by providing high quality products through fair competition while maintaining flight safety, which is the core of our business, and providing the finest service to our customers.

Taking this into account, we have established the JAL Philosophy in accordance with the JAL Group Corporate Policy, "the JAL Group will pursue the material and intellectual growth of all our employees, deliver unparalleled service to our customers, and increase corporate value and contribute to the betterment of society." We will strive to increase corporate value and achieve accountability by establishing a corporate governance structure that results in high management transparency and strong management monitoring, while at the same time engaging in speedy and appropriate management decision making.

The Board of Directors has established corporate governance by adopting the Fundamental Policies of Corporate Governance as a key set of rules subsequent to the Companies Act, relevant laws and regulations and the Articles of Incorporation, and reviews it at least once a year. The directors aim to realize our Corporate Policy by putting the JAL Philosophy into practice, and report the progress of implementation of the JAL Philosophy at Board of Directors meetings.

Basic Explanation of Company Organs

To speed up the decision-making process, we adopt the executive officer system, consisting of 9 directors (including 2 women) and 25 executive officers (including 2 women) excluding those with concurrent duties as directors.

● Strengthened Supervision and Checks on Executive Management

1. Board of Directors

In order to separate the management monitoring function and business execution function, the director and chairman takes the chair at Board of Directors meetings and an appropriate number of two or more external directors with a high level of independence are appointed.

In addition, in order to carry out efficient decision making, the Board of Directors may delegate decision making concerning matters set forth in the Administrative Authority Criteria Table to the Managing Executive Officers Committee, which is com-

prised of directors and managing executive officers or higher executive officers, pursuant to Regulations for Kessai and Administrative Authority approved by the Board of Directors. Amendment to and abolishment of Managing Executive Officers Committee Regulations are decided by the Board of Directors.

2. Directors and Corporate Auditors

In order to promote transparent and fair corporate activities and establish corporate governance, the management monitoring function is strengthened through the appointment of an appropriate number of two or more external directors and half the number or more corporate auditors.

Legal considerations are explained to directors to ensure that they are aware of the duties of directors, including the "fiduciary duty of loyalty" and the "duty of care of a prudent manager." Moreover, the term of office of directors is one year in order to confirm their accountability for each fiscal year.

In order to ensure diversity, external directors with vast knowledge and experience in various fields are appointed. In addition, in order to ensure independence, individuals who are not substantially independent under the Company's Independence Standards of External Officers are not appointed as external directors.

Corporate auditors monitor important matters concerning corporate management and business operations and the execution of duties by reviewing important Ringi (internal approval process) documents, as well as participating in Board of Directors meetings and other important meetings.

External corporate auditors are appointed from persons with vast knowledge and experience in various fields. Individuals who are not substantially independent under the Company's Independence Standards of External Officers are not appointed as external corporate auditors. External corporate auditors, together with other corporate auditors, coordinate with the internal audit department and accounting auditors to ensure sound management by conducting audits from a neutral and objective standpoint.

Furthermore, corporate auditors, together with staff members of the corporate auditors' office, carry out an annual audit of each business location, subsidiary and affiliated company and report the results to the representative directors. Corporate auditors also share information with the audit department and corporate auditor, hold meetings several times a year with the full-time corporate auditors of subsidiaries to ensure and enhance auditing of the JAL Group.

3. Independence Standards for External Officers

We have established the following standards to determine independence of external officers of the Company in order to establish a high corporate governance structure that results in high management transparency and strong management

monitoring and increased corporate value. (Basically individuals who do not correspond to any of the following items are determined to be independent.)

Independence Standards of External Officers

1. An individual who has executed business* of JAL and JAL Group consolidated subsidiaries at present or in the past ten years.
2. An individual who corresponded to any of the items from a to f in the past three years.
 - a. A business counterpart or a person who executed business of such business counterpart, whose transactions with the Company for one business year exceeded 1% of consolidated revenue of the Company or the business counterpart
 - b. A major shareholder or a person executing business of such shareholder having an equity ratio of 5% or more in the Company
 - c. A major lender of borrowings of the Company or a person executing business of such lender
 - d. An individual receiving contributions of over 10 million yen a year from the Company or a person belonging to an organization receiving such contributions
 - e. An individual receiving remuneration of over 10 million yen excluding director's remuneration from the Company or a person belonging to an organization receiving remuneration exceeding 1% of consolidated revenue of the Company
 - f. In case a person executing business of the Company is assigned as external director of another company, the person executing business of such other company
3. The spouse or relative within second degree of kinship of individuals corresponding to 1 and 2.

* A person executing business refers to an executive director or executive officer.

● Management Transparency and Information Disclosure

1. Nominating Committee

When submitting a proposal to the general meeting of shareholders concerning the appointment of candidates to the positions of director and corporate auditor, the Board of Directors consults the Nominating Committee in order to make a comprehensive judgment of the personality, knowledge, ability, experience and performance of a candidate, and takes into account the Nominating Committee's report on such matters before passing any resolutions. The Nominating Committee is led by a chairman elected through a mutual vote among no more than five committee members comprising the President and directors appointed with the approval of the Board of Directors. The majority of directors in this committee (other than the President) are external directors.

2. Compensation Committee

When submitting a proposal to the general meeting of shareholders concerning the total amount of compensation for

directors and corporate auditors, setting compensation amounts within the limits approved at the general meeting of shareholders and setting compensation amounts for executive officers, the Board of Directors ensures transparency and fairness in the decision making process by consulting the Compensation Committee, which is comprised of two or more external directors and the President, and taking into account the Compensation Committee's report on such matters before passing any resolutions.

3. Personnel Committee

When appointing or discharging an executive officer, the Board of Directors consults the Personnel Committee and takes into account the Personnel Committee's report on such matters before passing any resolutions. The Personnel Committee is comprised of a maximum of five members, including the President and other directors appointed by approval of the Board of Directors. The majority of directors in this committee (other than the President) are external directors.

4. Officers Disciplinary Committee

Decisions concerning disciplinary action against directors and executive officers are made by the Officers Disciplinary Committee. The Officers Disciplinary Committee is composed of not more than five members, including the President and other directors appointed at a Board of Directors meeting. "Other directors" consist of a majority of external directors. Any submission of proposals to the general meeting of shareholders concerning the removal of directors requires the approval of the Board of Directors.

5. Information Disclosure

To enable our stakeholders including the customers to easily access the JAL Group's corporate stance, the Fundamental Policies of Corporate Governance is made publicly available at all times.

● JAL Philosophy Education

The representative director and president conducts JAL Philosophy Education for JAL Group directors, including himself, and employees in order to penetrate the JAL Philosophy into the JAL Group.

► Meetings of Management Boards (fiscal 2014)

Organ	Number of meetings	Average attendance of officers
Board of Directors	19	95%
Board of Corporate Auditors	14	100%

Other Organs Concerning Corporate Governance

Other organs concerning corporate governance are established in the Company as follows.

• Executive Committee

The Executive Committee, as the decision-making organization of management equivalent to the Board of Directors, discusses in advance matters to be decided at Board of Directors meetings, shares information between directors, and discusses and decides on matters requiring checks and approval by the Executive Committee.

• Management Liaison Committee

The Management Liaison Committee checks progress of management matters between directors and shares information.

• Group Earning Announcement Session

The Group Earning Announcement Session is attended by directors, executive officers and presidents of major subsidiaries to share the JAL Group's business results and consider ways to improve them.

• Group Council for Safety Enhancement General Meeting

The Corporate Safety and Security Department is placed directly under the President to rigorously maintain safety.

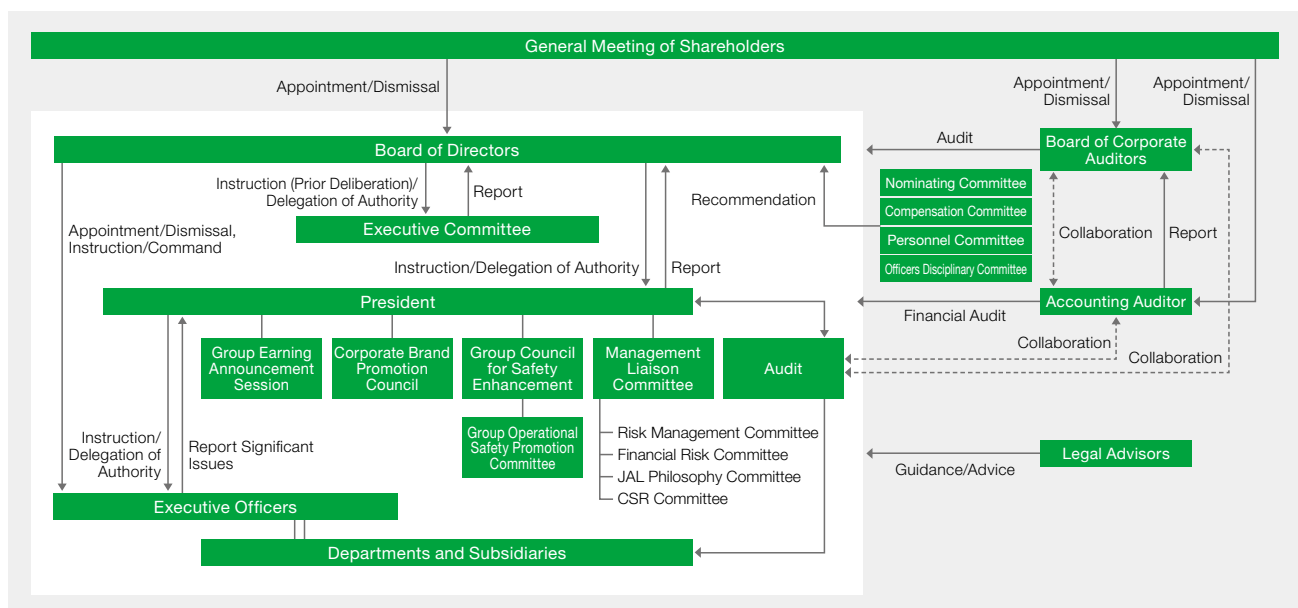
The Group Council for Safety Enhancement General Meeting, in which the Corporate Safety and Security Department serves as the Secretariat, shares information on safety in daily operations, decides on countermeasures, considers important measures concerning safety and checks policies.

• Corporate Brand Promotion Council

The Corporate Brand Promotion Council formulates important policies concerning the corporate brand and based on the JAL Group's corporate policy and guidelines. It also keeps track of the actual state of corporate activities, manages progress and shares information on the various ongoing initiatives aimed at enhancing the corporate brand.

• CSR Committee

The CSR Committee checks on the status of progress in promoting Group CSR activities by referring to ISO 26000 standards to implement an effective plan-do-check-act cycle with the aim of building on and promoting the Group's CSR activities.



Fundamental Policies on the Internal Controls System

To provide unparalleled service to the customers, increase corporate value, and contribute to the betterment of society, the JAL Group has established the Fundamental Policies of Corporate Governance. To increase its effectiveness, we have established rules and organizations concerning the following systems and matters, and ensure that business operations are conducted appropriately in accordance with the Companies Act and Companies Act Enforcement Regulations. We evaluate and verify development and operation of the internal control system and implement corrective action when correction is required.

1. We have developed a system to ensure compliance with the Articles of Incorporation and laws and regulations governing the execution of the duties of directors.

1. We have established the JAL Philosophy as behavioral guidelines of the Company. Directors and employees are encouraged to abide by these practices.
2. The Board of Directors decides on the Fundamental Policies on the Internal Controls System and the General Affairs Department promotes development of the internal control system.
3. The General Affairs Department supervises compliance operations and monitors development and operation of relevant Company regulations.
4. We have developed an audit system to ensure the duties of directors and employees are executed in compliance with applicable laws and regulations.

2. We have developed a system concerning the preservation and management of information concerning the execution of the duties of directors.

We preserve and manage information concerning the execution of duties of directors in compliance with applicable laws and regulations and Company regulations.

3. We have developed regulations and other systems concerning risk management of losses.

In order to manage risks to the JAL Group, we have established a Council for Safety Enhancement, a Risk Management Committee, a Financial Risk Committee, etc., to appropriately manage risks, and the General Affairs Department has established Guidance for JAL Group Internal Control to monitor the appropriateness of duties and proactively prevent risks of losses. In addition, we are prepared in the event of a risk of losses and strive to minimize losses.

4. We have developed a system to ensure that the duties of directors are executed efficiently.

1. We hold ordinary Board of Directors meetings once a month and extraordinary meetings when it is necessary to make important decisions regarding Group management policies and plans. In addition, to ensure the duties of directors are executed efficiently, we have established meeting structures such as the Executive

Committee and Group Earning Announcement Session.

2. We have defined administrative authority, authority of managerial posts, division of duties, etc., in accordance with Company regulations and have segregated authority in order to ensure that duties are executed efficiently.

5. We have developed a system to ensure that duties in the JAL Group are executed appropriately.

1. We have established JAL Group Business Management Regulations to ensure that each subsidiary has established a system to carry out management in a fair and efficient manner in accordance with the JAL Philosophy. The General Affairs Department has also enacted Guidance for JAL Group Internal Control and continuously monitors the appropriateness of duties.
2. We have developed a system to report matters concerning the execution of the duties of directors of subsidiaries, etc., to the Company.
3. We have developed regulations and other systems for risk management of losses of subsidiaries.
4. We have developed a system to ensure the duties of directors, etc., of subsidiaries are executed efficiently.
5. We have developed a system to ensure that directors, employees, etc., of subsidiaries execute duties in compliance with applicable laws, regulations and the Articles of Incorporation.

6. We have developed a system concerning employees in case corporate auditors require the assignment of employees to support their duties, a system concerning independence of such employees from directors, and a system to ensure that instructions by corporate auditors to those employees are effective.

7. We have developed a system concerning reports, etc., to corporate auditors.

1. We have developed a system for directors and employees to report to corporate auditors.
2. We have developed a system for directors, corporate auditors, employees or persons who receive reports from them to report to corporate auditors.
3. We have developed a system to ensure that persons who report are not subjected to disadvantageous treatment as a result of reporting.

8. We have developed a system for advance payment or repayment of costs arising from the execution of the duties of corporate auditors and the policy for processing of costs or liabilities arising from the execution of other duties.

9. We have developed other systems to ensure that audits by the Board of Corporate Auditors or corporate auditors are executed effectively.

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.

We manage operational risks by establishing the Group Council for Safety Enhancement General Meeting 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 Group Operational Safety Promotion Committee under the Council, headed by the executive officer of Corporate Safety & Security at 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 Group 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, making over-

all 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. Chaired by the executive officer of General Affairs at Japan Airlines Co., Ltd., 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 addition, we have established an Information Security Committee headed by the executive officer of General Affairs and executive officer for IT Planning at Japan Airlines Co., Ltd. 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 at Japan Airlines Co., Ltd., 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.

Business Continuity Plan

In dealing with specific risks that threaten our ability to fulfill our responsibility as a provider of public transportation, such as an unidentified viral infectious disease, including pandemic influenza, or an earthquake, we have established a Business Continuity Plan (BCP) system that enables us to effectively continue business under emergency situations based on guidelines set up in collaboration with regulatory bodies and other relevant institutions. The BCP covers the basic points of policies and procedures that are necessary for ensuring the safety of our employees and their families and for maintaining air transport operations, including reservations and guidance, which are important to the JAL Group, as well as payment

and settlement operations. We regularly conduct reviews and implement revisions as required to improve the practical application of the BCP.

In 2014, we responded to the rapid spread of the Ebola epidemic in West Africa by implementing our BCP for "Unidentified Viral Infectious Disease, Including Pandemic Influenza." We also collaborated with government institutions and set up necessary systems, consequently adding the "Policy on Handling Ebola Virus Disease (International Flights)" to the BCP.

The JAL Group introduced a safety confirmation system in 2007 to quickly confirm the safety of all JAL Group employees and their families in the event of an earthquake disaster, and launched an upgraded version of the system for the entire Group in 2014 to accelerate information gathering. In addition, through measures that include regular reporting drills, we are striving to instill in each employee an awareness of crisis management in preparation for contingencies.

Information Security Measures

An incident involving the leakage of personal information occurred in September 2014 at the JAL Group caused by an illegal login to the JAL Mileage Bank and illegal access to the customer information management system. We deeply regret the inconvenience and concern this has caused to many customers and persons involved. In response, we are strengthening information security as a top priority and are taking steps to prevent a reoccurrence.

Specifically, we advanced previously planned measures for reinforcing information security to establish a robust system for detecting and monitoring increasingly advanced and complex cyber-attacks from outside the Company while continuing to upgrade preventive measures to the highest level. The Risk Management Committee is following up to ensure steady progress is being made.

Compliance System

To ensure thorough 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 cultivate a compliance culture throughout the entire Group by regularly publishing the compliance information magazine and mail magazines and providing information via the intranet.

Our compliance education and legal seminars by the Legal Affairs Department are broadly conducted through face-to-face sessions and e-learning to promote actions that comply

with social norms while preventing legal risks by actively raising Group-wide knowledge of these areas.

Whistleblower System

The JAL Group has set up a Group Hotline as a contact point for consultation on issues related to compliance and for reporting legal violations based on the Group Hotline Regulations. The Group Hotline is available to all staff employed by the JAL Group, including temporary staff and employees of subcontractors, with full guarantee that persons using the Group Hotline will not be treated adversely for doing so.

Good Partnership with Business Associates

Recognizing that our flight operations, services and products are made possible through the cooperation and support of our business associates, we strive to establish solid partnerships of mutual trust, not only through fair and transparent procurement, but by maintaining a sense of gratitude.

1. Fair and Transparent Procurement

When we select business associates, we take full consideration of the quality of their services and products, pricing and delivery times, as well as overall reliability and ongoing CSR (corporate social responsibility) efforts.

Since August 2010, we have been centralizing all the procurement operations in the Purchasing Department of Japan Airlines Co., Ltd. We have sought to provide excellent opportunities for business associates in Japan and abroad and to consistently maintain fair and transparent procurement practices.

Our goal for centralized procurement also includes cost reduction as well as standardization and higher efficiency in the operational process of procurement.

2. Providing Safe and Comfortable Service to Passengers

To ensure the comfort of all passengers aboard our flights, we are working with our business associates to nurture a culture in which the highest priority is placed on safety while also promoting thorough quality control to offer premier hospitality.

3. Promoting Procurement Activities with Due

Consideration of Corporate Social Responsibility

In accordance with the Basic CSR Policy of the JAL Group, we

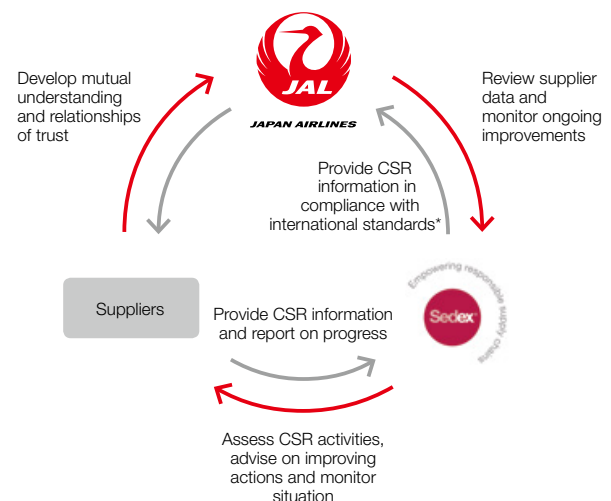
are working with our business associates to promote procurement activities with due consideration of CSR, including legal compliance, protection of the global environment, respect for human rights, proper labor practices, fair operating practices and consumer issues.

Reinforcing Supply Chain Risk Management

The JAL Group has decided to join the Global Membership, hosted by Sedex Information Exchange Limited (Sedex), to strengthen risk management throughout the supply chain and bolster the supply chain's sustainability.

Sedex is a London-based nonprofit organization that promotes ethical and responsible business practices. It shares information with suppliers around the world via an online information platform and monitors ongoing improvements in issues faced by suppliers in an effort to expand ethical business practices.

The JAL Group plans to use the CSR information platform offered by Sedex, starting with suppliers who provide goods that are directly connected to our customers, such as in-flight meals and products, to further develop the mutual understanding and relationships of trust that undergird responsible procurement.



* International standards: ISO 14001, SA 8000, OHSAS 18001, ETI (Ethical Trading Initiative) Base Code