

## 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 as the leading company of safety in the transport sector and providing the finest service to our customers.

Taking this into account, we have established JAL Philosophy in accordance with the JAL Group Corporate Policy, "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 enhance corporate value and achieve accountability by establishing a corporate governance system 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.

### [Relationship with Shareholders]

#### (1) Ensuring shareholder rights

We conduct business for the joint benefit of the Company and shareholders, comply with provisions stipulated in the Companies Act and Civil Aeronautics Law, and give sufficient consideration to ensure that shareholders can exercise their rights smoothly. Especially, we are aware that the general meeting of shareholders is a venue for constructive dialogue with shareholders, and have developed an environment in which they can exercise their rights appropriately from their perspective.

Furthermore, we emphasize fairness, accuracy and continuity, actively engage in IR (Investor Relations) activities to maintain interactive communication, and promote constructive dialogue with shareholders.

(Appendix① Policy on Constructive Dialogue with Shareholders)

#### (2) Social responsibilities as a corporate citizen

JAL Group has established the Basic CSR Policy "The JAL Group will strive to meet the expectations of society, address social issues, and pass on a better society to future generations through its core air transport business as the 'Wings of Japan'." We aim to realize our Corporate Policy by collaborating with shareholders and practicing JAL Philosophy.

## [Board of Directors]

### (1) Board of Directors

The Board of Directors ensures high management transparency and strong management monitoring through the election of candidates for the positions of Directors, Corporate Auditors, and Executive Officers, decides their remuneration, and makes important decisions.

In order to separate the management monitoring function and business execution function, the Board appoints a Director who is not a business executing director as Chairman, and an appropriate number of two or more Outside Directors who qualify as highly independent. Outside Directors perform the function of providing appropriate advice.

In order to carry out efficient decision-making, the Board may delegate decision-making of matters set forth in the Administrative Authority Criteria Table to the Managing Executive Officers Committee, which is comprised of Directors and Executive Officers who are Managing Executive Officers or higher, and the President, etc. pursuant to Regulations for Kessai and Administrative Authority approved by the Board.

### (2) Ensuring effectiveness of the Board of Directors

The Board of Directors has established the Corporate Governance Committee, which is comprised of the Chairman of the Board and Outside Directors, to evaluate the effectiveness of the Board of Directors while referring to self-evaluations by each Director once a year, review operation, etc. of the Board appropriately, and disclose an overview of findings. The Lead Independent Outside Director serves as the Chairman of the Corporate Governance Committee.

### (3) Directors

Legal considerations are explained to Directors to ensure that they are aware of their responsibilities including the “fiduciary duty of loyalty” and the “duty of care of a prudent manager.” The term of office is one year in order to confirm their accountability for each fiscal year.

Outside Directors are appointed from persons with vast knowledge and experience in various fields in order to ensure diversity. Those who do not qualify as highly independent within the meaning of “Standards for Independence of Outside Directors” (Appendix ②) established by the Company are not appointed. Furthermore, one Outside Director from among Outside Directors is appointed as the Lead Independent Outside Director to improve coordination with Corporate Auditors and internal divisions.

To deepen the understanding of the Company of Outside Directors, we arrange tours of airports, sales, maintenance, and other workplaces and provide training on safety.

## [Corporate Auditors and Board of Corporate Auditors]

### (1) Corporate Auditors

Corporate Auditors monitor important matters concerning corporate management, business operations and the execution of duties by reviewing important Kessai (written approval) documents, as well as participating

in board meetings and other important meetings. Furthermore, Corporate Auditors, together with staff members of the Corporate Auditors Office, conduct 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 internal audit departments and accounting auditors, hold regular meetings with corporate auditors of subsidiaries to improve and strengthen auditing of JAL Group.

We provide opportunities for Corporate Auditors to sufficiently understand the role and responsibilities required of them by providing corporate information, allowing continuous participation in external training and external associations, etc., and bear necessary expenses.

Outside Corporate Auditors are appointed from among persons with vast knowledge and experience in various fields, and those who do not qualify as highly independent within the meaning of “Standards for Independence of Outside Directors” (Appendix②) established by the Company are not appointed. Outside Corporate Auditors ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

To deepen the understanding of the Company of Outside Corporate Auditors, we arrange tours of airports, sales, maintenance, and other workplaces and provide training on safety.

## (2) Board of Corporate Auditors

The Board of Corporate Auditors makes appropriate judgment from an independent objective standpoint, based on their fiduciary responsibilities to the shareholders when fulfilling their role and responsibilities, such as auditing the execution of Director’s duties, appointing or removing accounting auditors, and executing rights concerning auditor remuneration.

## [Establishment of Various Committees]

We have established the following committees in addition to the aforementioned Corporate Governance Committee under the Board of Directors to build a corporate governance system that results in high management transparency and strong management monitoring.

### (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 Nominating Committee makes comprehensive judgment of the personality, knowledge, ability, experience and performance, etc. of a candidate based on an inquiry from the Board of Directors and reports back to the Board. The Nominating Committee is comprised of not more than five members including the President, and the majority of Directors are Outside Directors. The Chairman is elected from Outside Directors. Furthermore, the Nominating Committee considers the succession plan for top management such as the President in order to realize our Corporate Policy, medium to long-term management strategies and management plan.

## (2) Compensation Committee

The Compensation Committee discusses matters concerning the amount of compensation for Directors, Executive Officers and Corporate Auditors based on an inquiry from the Board of Directors and reports back to the Board. The Compensation Committee is comprised of not more than five Directors including the President, and the majority of Directors are Outside Directors. The Chairman is elected from among Outside Directors. As a result, transparency and fairness in the compensation determining process is secured. The Compensation Committee considers the compensation system that would provide a sound incentive for sustainable growth.

## (3) Personnel Committee

When appointing or removing 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 resolution. The Personnel Committee is comprised of not more than five Directors including the President, and majority of Directors are Outside Directors.

## (4) Officers Disciplinary Committee

When taking disciplinary action against Directors and Executive Officers, the Officers Disciplinary Committee makes decisions. The Officers Disciplinary Committee is comprised of not more than five Directors including the President, and the majority of Directors are Outside Directors. The Chairman is elected from among Outside Directors. Any submission of proposals to the general meeting of shareholders concerning the removal of a Director requires the approval of the Board of Directors.

In addition to the committees listed above, venues for exchange of opinions are held comprised of Independent Directors only, in order to exchange information and share views from an independent, objective standpoint.

## [Information Disclosure]

To enable our stakeholders to easily access JAL Group's corporate stance, various information such as our Fundamental Policies of Corporate Governance, Corporate Policy, management strategies, and management plan, is posted on our website. We issue "JAL Report" containing financial information and CSR activities each year.

## [JAL Philosophy Education]

The Representative Director, President conducts JAL Philosophy Education for JAL Group Directors including the President, and employees in order to penetrate JAL Philosophy into JAL Group.

Appendix : This Fundamental Policy takes effect on October 30, 2015.

**【Policy on Constructive Dialogue with Shareholders】**

We are aware that the general meeting of shareholders is a venue for constructive dialogue with shareholders, and secure and provide a period for them to sufficiently examine accurate information from their standpoint through the Convocation Notice of the General Shareholders' Meeting, etc. We provide easy-to-understand information at the general meeting of shareholders and have developed an environment in which shareholders can exercise their rights appropriately.

Furthermore, we conduct IR (Investor Relations) activities to maintain positive interactive communication under the following policy, in which Representative Directors, the Finance and Accounting Director, etc. engage in active dialogue, and fairness, accuracy and continuity of management strategies, business strategies, financial information, and such are emphasized.

- (1) We assign the Finance and Accounting Director and General Affairs Director as management to oversee dialogue with shareholders.
- (2) We assign a supervisor to oversee information gathering, management and disclosure, and also staff to implement these duties in the Finance Department, and disclose information in a timely, fair and appropriate manner in coordination with related departments.
- (3) We hold meetings to explain our financial results and management plan when announcing them, issue "JAL Report" and "To Our Shareholders," and arrange tours of facilities, etc. to promote investment opportunities and improve information disclosure.
- (4) We feedback results of dialogue with shareholders to management, as necessary, so that management may share the shareholders' requests and opinions and an awareness of issues, and reflect their views in corporate management.
- (5) We establish and disclose a "silent period," during which we do not provide any replies or comments to inquiries or information on corporate status to prevent information leaks and ensure fairness. We conduct information management and control insider information.

**【Standards for Independence of Outside Directors】**

We have established the following standards to determine if an Outside Director qualifies as independent in order to establish a corporate governance system that results in high management transparency and strong management monitoring and to enhance corporate value. (Basically, persons who are not described as follows qualify as independent.)

1. A person who executes or has executed business in the Company or a consolidated subsidiary in the past 10 years
2. A person who is described by any of the items a ~ f in the past three years.
  - a. a business counterpart or a person executing 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 of the Company or a person executing business of such shareholder holding an equity ratio of 5% or more in the Company
  - c. a major lender for the Company or a person executing business of such lender.
  - d. a person who receives over JPY 10 million in donations annually from the Company or a person belonging to an entity receiving such donations
  - e. a person receiving remuneration of over 10 million yen excluding director remuneration from the Company or a person belonging to an organization receiving remuneration exceeding 1% of consolidated revenue of the Company
  - f. a person executing business of the Company, who also executes business of another company as Outside Director
3. The spouse or relative within the second degree of kinship of an individual described in 1 and 2.

(Note) A person executing business refers to an executive director or executive officer.