

Last Update: Apr, 03, 2017

**Japan Airlines Co., Ltd.**

Securities code: 9201

<http://www.jal.com/>

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

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 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 increase 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.

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

JAL Group has established a corporate governance system based on the objective of each principle and strives to enhance its corporate value. We are aware that the following two principles are important issues. We will clearly indicate them in JAL Group's Fundamental Policy on Corporate Governance and will study them at various committees established by the Board.

[Supplementary Principle 4-1-3 (Succession plan of chief operating executive, etc. (planning) ]

The Nominating Committee will start developing a succession plan for top management positions such as the President in order to realize our Corporate Policy, medium to long-term management strategies and management plan.

[Principle 4-2 (Role and responsibilities of Board of Directors)] and [Supplementary Principle 4-2-1 (Management compensation) ]

In order to achieve sustainable and strong growth and enhanced corporate value in the medium to long term, the Compensation Committee will consider a new director remuneration system that provides a strong incentive for the execution of Director's duties to match our Corporate Policy and management strategies, including improved performance-linked remuneration and introduction of stock option-based remuneration, from the next medium term management plan starting FY2017.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

[Principle 1-3 (Fundamental capital strategy policy) ]

(Fundamental capital strategy policy)

In order to plan for future corporate growth and adapt to changes in the management environment so as to be prepared for business risks unique to the air transport business, JAL Group strives to secure net assets required for capital expenditures and to keep the equity ratio stable.

Furthermore, it has established a system to secure diverse and flexible means of procuring capital and strives to maintain a good credit rating to realize this.

JAL Group is also aware of cost of equity and to achieve a level of capital efficiency that exceeds the costs, establishes a management plan and financial targets and discloses and explains them including concrete measures to achieve its targets.

(Policy on shareholder return)

Providing adequate returns to shareholders is one of the most important issues in corporate management. We will actively return profits to shareholders by continuously paying dividends, while making capital expenditures for the Company to grow and adapt to changes in the management environment, and accumulate retained earnings for building a strong financial foundation.

The general meeting of shareholders is the decision-making body for profit distribution. We distribute dividends from surplus to shareholders once a year through dividend payments.

Under our dividend policy, JAL Group allocates about 25% of its consolidated net profit attributable to shareholders of parent after deducting income tax deferred, etc. to pay dividends to shareholders.

We review our financial targets and flexibly consider to further increase shareholder returns as necessary, taking into account our financial conditions, price trend on stocks and the economic environment, etc.

[Principle 1-4 (so-called "Cross-Shareholdings") ]

(Principle on holding shares of listed companies)

Building cooperative and collaborate relationships over a broad range of fields such as sales, procurement, and service provision, and maintaining good relationships with local communities are indispensable in operating the air transport business. It is necessary to strengthen relationships with partners in various areas to survive in global competition and achieve growth. To achieve these goals, we may buy and hold shares in

other companies. In these cases, we will carefully select and hold shares of companies that will contribute to enhancing our corporate value, on the precondition of maintaining trusting relationships with our stakeholders.

The fundamental policy of holding shares in listed companies is that we will hold the minimum number shares to meet the above goals. We will review this as necessary, taking into account the degree of contribution to corporate value enhancement. If we judge that it is meaningless to hold certain shares in terms of enhancing our corporate value, we will consider selling them, while taking into account the impact on the market and other business matters, etc.

(Standards for exercising voting rights)

Regarding our principle on exercising voting rights of shares we own in a company, we will exercise voting rights so as to contribute to sustainable growth and medium to long-corporate value enhancement of the invested company, on the major premise of contributing to enhancing our corporate value.

[Principle 1-7 (Transactions between related parties) ]

Transactions between related parties, such as Directors and major shareholders, etc. are approved by the Board according to Regulations of the Board of Directors. The Board monitors transactions by approving individual transactions.

[Principle 3-1 (Improving 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.

(<http://www.jal.com/en/csr/report/>)

Details of our Corporate Policy, management strategies, management plan and fundamental principles of corporate governance, etc. are as follows.

(1) Corporate Policy, management strategy, management plan

(Corporate Policy)

We have established JAL Group Corporate policy as follows. Details are provided on our website.

"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."

(<http://www.jal.com/en/outline/corporate/philosophy.html>)

(Management strategies, management plan)

To overcome major changes in the environment, survive the competition, and achieve sustainable growth and

development, we announced the “JAL Group Medium Term Management Plan for Fiscal Years 2012 - 2016 ~ To the next stage of growth on establishing a highly profitable structure~” in February 2012. Since then, we have reviewed it each year. On initiating the final fiscal year of the plan, we have humbly reviewed our progress over the past four years and drew up “Medium Term Management Plan Rolling Plan 2016” to demonstrate our strong resolve to achieve our medium-term targets in the remaining year.

The Rolling Plan enables JAL Group staff to confirm the direction we are headed and understand our current position, and explains the progress made in the implementation of the medium-term plan to our stakeholders with the aim to achieve our initial medium-term management targets under the current business environment. Details are provided on our corporate website.

(<http://www.jal.com/en/investor/policy/plan.html>)

(2) Fundamental concept and fundamental policy on corporate governance

Our fundamental concept on corporate government is indicated in 1-1 Fundamental concept of this Report. JAL Group’s Fundamental Policy on Corporate Government is posted on our website.

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

(3) and (4) (Remuneration determination policy and process, and election and appointment of senior management, Directors and Corporate Auditors)

We have established a Nominating Committee and Compensation Committee, which are voluntary committees. Details are provided in II-1. Establishment of Voluntary Committees and Supplementary Explanation of this Report. 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.

(5) Explanation of election and appointment of individuals

The reason for appointment of directors and corporate auditors is indicated on the Convocation Notice of the General Meeting of Shareholders.

[Supplementary Principle 4-1-1 (Range of delegation to management by the Board of Directors) ]

In order to carry out efficient decision-making, the Board of Directors delegates decision-making of matters set forth in the Administrative Authority Criteria Table to the President, pursuant to Regulations for Kessai and Administrative Authority approved by the Board. To conduct detailed deliberations at Board meetings, we have established a Management Committee to deliberate over important issues among executive officers including the President in advance, clarify points at issue before submitting them to the Board, and contribute to appropriate and quick decision-making by the President.

[Principle 4-8 (Effective utilization of Independent Outside Directors)]

To promote transparent and fair corporate activities and establish corporate governance, the Board of Directors elects an appropriate number of three or more Independent Outside Director candidates according to Standards for Independence of Outside Directors established by the Company and enhances management monitoring.

[Principle 4-9 (Standards for Independence of Outside Directors and Aptitude) ]

The Company's standards for determining independence are provided in II.1. Relationship with Independent Directors of this Report. 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 our "Standards for Independence of Outside Directors" (Appendix②) are not appointed.

When appointing candidates for the position of Independent Outside Director, the Nominating Committee elects candidates after deliberating amongst the members from an objective standpoint and reports to the Board of Directors so that the Board is operated actively, constructively and strategically by diverse human resources, and monitors and oversees from a neutral standpoint. On receiving the report from the Nominating Committee, the Board decides Independent Outside Directors through the Board's approval.

[Supplementary Principle 4-11-1 (Concept on balance of knowledge, experience and abilities in general, diversity and scale of the Board of Directors) ]

The Board of Directors is comprised of persons with diverse knowledge, experience, abilities, and leadership, from among those capable of performing responsibilities required of directors. There are 3 to 15 members in the Board (currently 11 directors, including 2 women). The Nominating Committee nominates directors based on the abovementioned principle of members comprising the Board. On receiving a report from the Nominating Committee, the Board decides Directors as resolved by the Board. Outside Directors are described in Principle 4-9.

[Supplementary Principle 4-11-2 (Status of concurrent duties of Directors and Corporate Auditors) ]

When a Director or Corporate Auditor performs concurrent duties as director of another listed company, it is reported to the Board, on confirming whether holding concurrent duties will affect duties as Director or Corporate Auditor of the Company.

The status of concurrent duties of Directors and Corporate Auditors is provided on our website.

(<http://www.jal.com/en/outline/corporate/directors.html>)

[Supplementary Principle 4-11-3 (Analysis and evaluation of effectiveness of the Board of Directors) ]

The Board of Directors has established a Corporate Governance Committee composed of the Chairman of the Board and Outside Directors. Each year, it assesses the effectiveness of the Board and reviews operation, etc. appropriately, while referring to self-assessment by each director, etc. An overview is carried on our corporate website. The Lead Independent Outside Director serves as the Chairman of the Corporate Governance Committee.

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

[Supplementary Principle 4-14-2 (Policy on training for Directors and Corporate Auditors) ]

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 as a prudent manager.

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

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

[Principle 5-1 (Policy on constructive dialogue with shareholders) ]

We are aware that the general meeting of shareholders is a venue for constructive dialogue with shareholders, 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.

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.

[Principle 5-2 (Establishment and disclosure of management strategies and management plan) ]

We establish a Medium Term Management Plan, disclose our operating profit ratio and equity ratio targets on our website, etc., and explain concrete measures to achieve our targets at briefings on financial results, etc. The Medium Term Management Plan is reviewed each year based on business performance, future social and economic conditions, and such. The background and details of the Plan are provided on our website.

(<http://www.jal.com/en/investor/policy/plan.html>)

In addition to the above financial targets, we strive to achieve ROE exceeding cost for equity and enhance corporate value through sustainable improvement.

To enhance corporate value, we strive to maintain ROE of 10% or higher by increasing profitability and asset efficiency, on securing a sound financial foundation to be prepared for business risks.

## 2. Capital Structure

|                            |               |
|----------------------------|---------------|
| Foreign Shareholding Ratio | More than 30% |
|----------------------------|---------------|

### [Status of Major Shareholders]

| Name / Company Name                                  | Number of Shares Owned | Percentage (%) |
|------------------------------------------------------|------------------------|----------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 17,205,200             | 4.74           |
| Japan Trustee Services Bank, Ltd. (Trust account)    | 15,455,600             | 4.26           |
| KYOCERA Corporation                                  | 7,638,400              | 2.10           |
| Japan Trustee Services Bank, Ltd. (Trust account 9)  | 5,936,300              | 1.63           |
| Daiwa Securities Group Inc.                          | 5,000,000              | 1.37           |
| STATE STREET BANK AND TRUST COMPANY                  | 4,756,200              | 1.31           |
| Japan Trustee Services Bank, Ltd. (Trust account 7)  | 4,245,600              | 1.17           |
| Japan Trustee Services Bank, Ltd. (Trust account 1)  | 3,955,200              | 1.09           |
| Japan Trustee Services Bank, Ltd. (Trust account 5)  | 3,952,000              | 1.08           |
| Japan Trustee Services Bank, Ltd. (Trust account 6)  | 3,948,200              | 1.08           |

|                                                     |      |
|-----------------------------------------------------|------|
| Controlling Shareholder (except for Parent Company) | —    |
| Parent Company                                      | NONE |

### Supplementary Explanation

[Status of major shareholders]

1. The above number of shares held by shareholders may include shares relating to trustee or custodian operations.

2. We refused to register 90,889,420 shares on our shareholders list according to the Civil Aeronautics Law and Articles of Incorporation (adjusted shares held by foreigners, etc.).

### 3. Corporate Attributes

|                                                                               |                                       |
|-------------------------------------------------------------------------------|---------------------------------------|
| Listed Stock Market and Market Section                                        | Tokyo Stock Exchange<br>First Section |
| Fiscal Year-End                                                               | March                                 |
| Type of Business                                                              | Air Transportation                    |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year  | More than 1000                        |
| Sales (consolidated) as of the End of the Previous Fiscal Year                | More than ¥1 trillion                 |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 50 to less than 100              |

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

There are no special circumstances that may have a major impact on corporate governance.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

|                   |                                     |
|-------------------|-------------------------------------|
| Organization Form | Company with <i>Kansayaku</i> Board |
|-------------------|-------------------------------------|

#### [Directors]

|                                                                     |                                                          |
|---------------------------------------------------------------------|----------------------------------------------------------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 15                                                       |
| Term of Office Stipulated in Articles of Incorporation              | 1 year                                                   |
| Chairperson of the Board                                            | Chairman (except when concurrently serving as President) |
| Number of Directors                                                 | 11                                                       |
| Number of Outside Directors                                         | 3                                                        |
| Number of Independent Directors                                     | 3                                                        |

## Outside Directors' Relationship with the Company (1)

| Name           | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                |                      | a                              | b | c | d | e | f | g | h | i | j | k |
| Kimie Iwata    | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Eiji Kobayashi | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Masatoshi Ito  | From another company |                                |   |   |   |   |   |   |   |   |   |   |

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

## Outside Directors' Relationship with the Company (2)

| Name           | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------|-------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kimie Iwata    | ○                                   | NONE                                          | Ms. Iwata has extensive experience and numerous achievements in and deep insight into the support for women's empowerment, diversity, corporate social responsibility (CSR), reform of work patterns, etc. backed by many years of experience in administration and corporate management, and gives advice to the Company's management and appropriately supervises the execution of operations from objective and professional perspectives. For all of these reasons, she is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect her as External Director who meets the Independence Standards of External Officers stipulated by the Company. |
| Eizo Kobayashi | ○                                   | NONE                                          | Mr. Kobayashi has extensive experience in global management and leadership over                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|               |   |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------|---|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               |   |      | multifaceted group companies and deep insight into management as a top management of a general trading company which develops businesses around the world, and gives advice to the Company's management and appropriately supervises the execution of operations from practical and diversified perspectives. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company. |
| Masatoshi Ito | ○ | NONE | Mr. Ito has extensive experience and deep insight into management as a top management of a global company which is proficient at marketing from the customers' perspectives. He is believed to be the right person for the diversification of, and stimulation of discussion at, the Board of Directors and for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company.                                                                   |

|                                                                                                         |             |
|---------------------------------------------------------------------------------------------------------|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---------------------------------------------------------------------------------------------------------|-------------|

#### Committee's Name, Composition, and Attributes of Chairperson

|                       | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|-------------------------------------------------|---------------------------------------------------|
| Committee's Name      | Nominating Committee                            | Compensation Committee                            |
| All Committee Members | 5                                               | 5                                                 |
| Full-time Members     | 0                                               | 0                                                 |
| Inside Directors      | 2                                               | 2                                                 |
| Outside Directors     | 3                                               | 3                                                 |
| Outside Experts       | 0                                               | 0                                                 |
| Other                 | 0                                               | 0                                                 |
| Chairperson           | Outside Director                                | Outside Director                                  |

#### Supplementary Explanation

##### [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 appointed from among 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.

[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 serve as a sound incentive for sustainable growth.

[*Kansayaku*]

|                                                                            |             |
|----------------------------------------------------------------------------|-------------|
| Establishment of <i>Kansayaku</i> Board                                    | Established |
| Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation | 6           |
| Number of <i>Kansayaku</i>                                                 | 5           |

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

[Status of cooperation among *Kansayaku* and Accounting Auditors]  
Corporate Auditors receive reports from accounting auditors when establishing and audit plan and closing books and requests reports as necessary,  
[Status of cooperation among *Kansayaku* and Internal Audit Departments]  
Corporate Auditors exchange opinions and information with Internal Audit Departments regularly every two months.

|                                         |           |
|-----------------------------------------|-----------|
| Appointment of Outside <i>Kansayaku</i> | Appointed |
| Number of Outside <i>Kansayaku</i>      | 3         |
| Number of Independent <i>Kansayaku</i>  | 3         |

Outside *Kansayaku*'s Relationship with the Company (1)

| Name              | Attribute | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|-------------------|-----------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                   |           | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Hiroyuki Kumasaka | CPA       |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| Shinji Hatta      | Academic  |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| Osamu Kamo        | Lawyer    |                                |   |   |   |   |   |   |   |   |   |   |   |   |

- \* Categories for “Relationship with the Company”
  - \* ”○” when the director presently falls or has recently fallen under the category;  
“△” when the director fell under the category in the past
  - \* “●” when a close relative of the director presently falls or has recently fallen under the category;  
“▲” when a close relative of the director fell under the category in the past
- a. Executive of the Company or its subsidiary
  - b. Non-executive director or accounting advisor of the Company or its subsidiaries
  - c. Non-executive director or executive of a parent company of the Company
  - d. *Kansayaku* of a parent company of the Company
  - e. Executive of a fellow subsidiary company of the Company
  - f. A party whose major client or supplier is the Company or an executive thereof
  - g. Major client or supplier of the Company or an executive thereof
  - h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
  - i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
  - j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
  - k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
  - l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
  - m. Others

---

Outside *Kansayaku*'s Relationship with the Company (2)

---

| Name              | Designation as Independent <i>Kansayaku</i> | Supplementary Explanation of the Relationship | Reasons of Appointment                                                                                                                                                                                                                                                                                                                                          |
|-------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hiroyuki Kumasaka | ○                                           | NONE                                          | Mr. Kumasaka has extensive experience and numerous achievements as a certified public accountant and advanced accounting insight, so the Company hereby proposes that you elect him as External Audit & Supervisory Board Member who meets the Independence Standards of External Officers stipulated by the Company.                                           |
| Shinji Hatta      | ○                                           | NONE                                          | Mr. Hatta has extensive experience and deep insight in the “financial auditing” and “internal controls in corporations” as an authority in the study of corporate practice, so the Company hereby proposes that you elect him as External Audit & Supervisory Board Member who meets the Independence Standards of External Officers stipulated by the Company. |
| Osamu Kamo        | ○                                           | NONE                                          | Mr. Kamo has given guidance to government and companies about compliance and successively held positions as member of an investigation committee on misconduct cases since registered as attorney at law and has                                                                                                                                                |

|  |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  |  | extensive experience in and insight into compliance and corporate governance. The Company expects him to conduct audits and give advice from legal and other viewpoints as the Company's Audit & Supervisory Board Member and contribute considerably to stimulating, and maintaining the health of, the Company, so the Company hereby proposes that you elect him as External Audit & Supervisory Board Member who meets the Independence Standards of External Officers stipulated by the Company. |
|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### [Independent Directors/*Kansayaku*]

|                                                   |   |
|---------------------------------------------------|---|
| Number of Independent Directors/ <i>Kansayaku</i> | 6 |
|---------------------------------------------------|---|

#### Matters relating to Independent Directors/*Kansayaku*

All Outside Directors who qualify as independent are appointed as Independent 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.

Meetings comprising Independent Outside Directors and Independent Outside Corporate Auditors and meetings attended by Outside Accounting Auditors and Independent Outside Directors are held regularly.

#### **[Incentives]**

|                                  |      |
|----------------------------------|------|
| Incentive Policies for Directors | None |
|----------------------------------|------|

Supplementary Explanation

Regarding director remuneration, we will consider a new system including enhanced performance-linked remuneration, stock option-based remuneration, and such from FY2017 in order to build a compensation system matching the Corporate Policy and management strategies that provides a strong incentive for the execution of Director's duties, and thereby achieve sustainable and solid growth and enhanced corporate value in the medium to long term.

|                             |   |
|-----------------------------|---|
| Recipients of Stock Options | — |
|-----------------------------|---|

Supplementary Explanation

—

#### **[Director Remuneration]**

|                                                  |                          |
|--------------------------------------------------|--------------------------|
| Disclosure of Individual Directors' Remuneration | No Individual Disclosure |
|--------------------------------------------------|--------------------------|

Supplementary Explanation

The total amount by type, such as remuneration of Director, Corporate Auditor and Outside Director and the number of applicable Directors are disclosed.

|                                                                    |             |
|--------------------------------------------------------------------|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--------------------------------------------------------------------|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The (total) amount of director remuneration of the Company is "within 450 million yen annually" (approved at the General Shareholders' Meeting on March 28, 2011). The amount of director remuneration includes wages as employee for employees concurrently serving as Director. Director remuneration is decided by the Board of Directors, on receiving a report from the Compensation Committee comprised of Outside Directors and Representative Director, President.

#### **[Supporting System for Outside Directors and/or Kansayaku]**

The Secretary Office assists Outside Directors regularly as secretary, such as checking schedules, conveying information, and providing materials. The Corporate Auditor Office or full-time Corporate Auditors depending on the matter directly contacts Outside Corporate Auditors and assists them regularly in a similar manner.

The agenda of a Board meeting is sent to directors about one week before the meeting, and materials and necessary briefings are provided as necessary for individual questions and comments. We have established a system so that Outside Directors and Outside Corporate Auditors can attend and present opinions at Management Committee meetings, where deliberations are conducted over important issues requiring a resolution of the Board and matters requiring approval by the President that need to be confirmed by the Management Committee before submitting them to the Board or to the President.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

To expedite the decision-making process, we adopt the Executive Officer system. There are 11 Directors (including 2 female Directors) and 26 Executive Officers excluding concurrent Directors (including 3 female Executive Officers).

### **[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 our 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 to the positions of Directors, Corporate Auditors, and Executive Officers, decide 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 three 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 President pursuant to Regulations for Kessai and Administrative Authority approved by the Board. The Management Committee has been established for the purpose of contributing to appropriate and flexible decision-making on management issues by the Board of Directors and the President.

## (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, reviews operation, etc. of the Board appropriately, and discloses 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 serve as 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 dismissal 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.

We have established other organizations concerning corporate governance as below.

### 【Management Committee】

The Management Committee is an organ established by the Company for the purpose of contributing to appropriate and flexible decision-making by the Board of Directors and the President. The committee will deliberate over important issues requiring a resolution of the Board of Directors and matters requiring approval by the President that need to be confirmed by the Management Committee before presenting these issues to the Board or to the President.

#### **【Group Earnings Announcement Session】**

The Group Earnings Announcement Session is attended by Directors, Executive Officers and presidents of major subsidiaries to share the status of Group earnings and consider ways to improve business performance.

#### **【Corporate Brand Promotion Council】**

The Corporate Brand Promotion Council establishes important policies on corporate brand (corporate value) based on the JAL Group Corporate Policy and strategies, clarifies the status of corporate activities, manages progress of various corporate brand enhancement measures and shares information.

#### **【Tokyo 2020 Olympic and Paralympic Promotion Council】**

The Tokyo 2020 Olympic and Paralympic Promotion Council holds discussions on group-wide initiatives to support the successful delivery of the Tokyo 2020 Olympic and Paralympic Games and create new values, checks progress of such initiatives, and shares information.

#### **【Group Council for Safety Enhancement General Meeting】**

To rigorously promote safety, the Corporate Safety and Security Department is established directly under the President. The Group Council for Safety Enhancement General Meeting, which serves as Secretary of the Corporate Safety and Security Department, shares information safety in daily operations, decides countermeasures, considers important measures relating to safety and checks policies.

#### **【Management Liaison Committee】**

The Management Liaison Committee checks progress with matters relating to management and shares information among Directors.

#### **【Corporate Governance Committee】**

The Corporate Governance Committee inspects initiatives under the JAL Group Fundamental Policies at least once a year, conducts analysis and evaluation to verify whether they contribute to sustainable growth and corporate value enhancement in the medium to long term, and provides necessary recommendations and reports to the Board of Directors.

### 3. Reasons for Adoption of Current Corporate Governance System

We have established a system to establish corporate governance that results in high management transparency and high management monitoring, while at the same time engaging in speedy and appropriate management decision making, and enhance corporate value and achieve accountability.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

|                                                   | Supplementary Explanations                                                                                                               |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Early Notification of General Shareholder Meeting | A convocation notice is sent three weeks before the meeting in order to provide shareholders with sufficient time to examine the agenda. |
| Scheduling AGMs Avoiding the Peak Day             | The meeting is scheduled to avoid dates that other companies hold shareholder meetings to enable as many shareholders to attend.         |
| Allowing Electronic Exercise of Voting Rights     | We provide Internet Voting.                                                                                                              |
| Participation in Electronic Voting Platform       | We participate in electronic voting platform for institutional investors.                                                                |
| Providing Convocation Notice in English           | The convocation notice is prepared in English and posted on our website to enable shareholders to exercise their voting rights smoothly. |

### 2. IR Activities

|                                                                     | Supplementary Explanations                                                                                                                                                                                                           |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regular Investor Briefings for Individual Investors                 | We report the Company's financial results to individual shareholders with attendance of the IR Director, and arrange tours of our facilities several times a year.                                                                   |
| Regular Investor Briefings for Analysts and Institutional Investors | We hold investor briefings by the Representative Directors and IR Director in a venue accommodating 300 people when announcing our quarterly results and management plan.                                                            |
| Regular Investor Briefings for Overseas Investors                   | We report the Company's financial results to overseas investors with attendance of the Representative Directors and IR Director several times a year.                                                                                |
| Posting of IR Materials on Website                                  | We post a summary of financial results, securities report, and material for analysts and institutional investors on our website. ( <a href="http://www.jal.cxom/ja/investor/library/">http://www.jal.cxom/ja/investor/library/</a> ) |
| Establishment of Department and/or Manager in Charge of IR          | Director in charge: Norikazu Saito, Executive Managing Director<br>Department in charge: Finance Department                                                                                                                          |

### 3. Measures to Ensure Due Respect for Stakeholders

|                                                                           | Supplementary Explanations                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | We will constantly provide on our website the JAL Group Corporate Policy, JAL Philosophy, safety initiatives, press releases, various results, etc. on our website, as required by law and ordinances and to penetrate them into JAL Group staff. We will continuously build a relationship of trust, while valuing dialogue with shareholders. |

|                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Implementation of Environmental Activities, CSR Activities etc.  | <p>“Basic CSR Policy of JAL Group”</p> <p>- 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'.</p> <p>JAL Group’s CSR activities will be promoted through the implementation of JAL Philosophy in order to realize the JAL Group Corporate Policy.</p> <p>“Environmental Guidelines and Action Plan”</p> <p>With the awareness that an air transport operator is an important social infrastructure that must also fulfill its responsibility to give global environmental considerations, JAL Group positions environmental load reduction and environmental conservation as priority management issues. We will continue our Sky Eco project in order to keep the earth beautiful as seen from the sky and pass on a resourceful planet to the next generation.</p> <ol style="list-style-type: none"> <li>1. We will promote global warming prevention projects.</li> <li>2. We will promote environmental social activities and environmental awareness promotion projects.</li> <li>3. We will strive to realize a resource recycling society and environmental conservation.</li> <li>4. We will strive to realize environmental conservation around airports.</li> <li>5. We will give consideration to bio-diversity.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Development of Policies on Information Provision to Stakeholders | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Other                                                            | <p>The JAL Group promotes diversity in order to become a company where diverse human capital including women can actively participate in the workplace. By pursuing initiatives to reform workstyles and mindsets of all staff members, we aim to increase the proportion of female employees in senior management positions in the JAL Group from the current (March 31, 2016 ) 15.6% to 20% by the end of fiscal 2023.</p> <p>※The term “human assets” is used here as we consider employees as a company’s greatest assets.</p> <p><u>○Initiatives within Japan Airlines</u></p> <p>1. Development of the environment</p> <ol style="list-style-type: none"> <li>① Employees can take up to 3 years of child care leave and may change their return-to-work date according to personal commitments.</li> <li>② Exemption from late-night work and shortened working hours to raise children</li> <li>③ Temporary Child Care Subsidy, Monthly Child Care Subsidy, Child Care Items Rental Subsidy, use of supplementary services such as housekeeping services.</li> <li>④ We introduced new leave systems in fiscal 2016 to enable employees to continue working according to different stages in life: leave to accompany spouse due to transfer of spouse, fertility treatment leave. In April 2016, we abolished the contract staff system for cabin attendants and subsequently employed contract staff in cabin attendant positions as full-time employees, and hired cabin attendants joining the company from April 2016 as full-time employees.</li> <li>⑤ We will support staff with nursing care responsibilities, such as expanding the nursing care leave system and allowing employees to take “accumulated leave for specific reason” (accumulation of annual paid leave system) when they need to care for family members.</li> <li>⑥ We will propel workstyle reform and reinforce infrastructure development</li> </ol> |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>to provide employees with flexible workstyles free from location constraints. We will periodically review the teleworking system and operation to enable more employees to take advantage of this system.</p> <p>2. Reinforce Cultivation of Human Assets and the Corporate Culture</p> <p>①We continuously assign female employees to departments where they are rarely assigned and hold seminars specifically for them to reinforce cultivation of human assets. We also expanded opportunities for employees to go on an overseas assignment so that they may gain experience, and reviewed the overseas transfer system in fiscal 2016.</p> <p>②We are propelling cultivation of a corporate culture that nurtures human assets. For example, development of subordinates including women is incorporated in performance evaluations of manager-level employees. Also, the training policy of manager-level employees with female subordinates aged 35 or under is checked during interviews with Human Resources Management.</p> <p>③To further deepen initiatives to promote engagement of diverse human assets including women, the “Diversity Promotion Group” was created in Human Resources Management in April 2016. This organization will also pursue initiatives to promote employment of the elderly and increase opportunities for the disabled to participate in the workplace. By holding seminars to deepen staff understanding of LGBT (sexual minorities) , we will cultivate a corporate culture which recognizes diverse values to realize supportive and inclusive workplaces and energize organizations.</p> <p><u>○Initiatives within the JAL Group</u></p> <p>1. Founding of “JAL Nadeshiko Labo”</p> <p>In November 2015, a cross-functional team called “JAL Nadeshiko Labo” was created and placed under the president. The two pillars of their activities are “Group Project” to promote group-wide initiatives for women’s success in the workplace and “Nadeshiko Labo Project” to conduct studies for realizing a company which harnesses the talents of diverse human assets. Activities are conducted with the aim to reform workstyles and mindsets. “JAL Nadeshiko Labo” sponsors luncheons for forming communities and forums to listen to lectures by top management and guest speakers.</p> <p>※With the enforcement of a women empowerment law in Japan, all forty-three (43) JAL Group subsidiary companies have drawn up an action plan, including companies with a workforce of 300 or less which are not required to establish an action plan.</p> <p>2. Seminars for female employees</p> <p>①”Mama Café” seminars...Seminars for employees returning to work after taking childcare leave to help them build networks.</p> <p>②”Customer Value Creation Project” seminars...Seminars aimed at value creation, such as designing products and services that will be chosen by customers by harnessing the unique perspectives and experiences of women so that they may develop their potential.</p> |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

|                                                   |
|---------------------------------------------------|
| 【Fundamental Policies on Internal Control System】 |
|---------------------------------------------------|

To provide unparalleled service to the customers, increase corporate value, and contribute to the betterment of society, JAL Group has established the Fundamental Policies of Corporate Governance. To increase their 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 required.

1. A system for ensuring compliance with the Articles of Incorporation and laws and regulations governing the execution of Director's duties

(1) We have established JAL Philosophy as behavioral guidelines of the Company. Directors and employees are encouraged to abide by these practices.

(2) The Board of Directors decides 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 that the duties of directors and employees are executed in compliance with applicable laws and regulations.

2. A system for retention and management of information concerning the execution of Director's duties  
We retain and manage information concerning the execution of Director's duties in compliance with applicable laws and regulations and Company regulations.

3. Regulations and other measures for risk management of losses.

In order to manage risks facing JAL Group, we have established a Council for Safety Enhancement, Risk Management Committee, Financial Risk Committee, etc. to appropriately manage risks. 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. A system for ensuring efficiency in the execution of Director's duties

(1) We hold ordinary Board of Directors meetings once a month and extraordinary meetings when necessary to make important decisions regarding group management policies and plans. In addition, to ensure efficiency in the execution of Director's duties, we have established meeting structures such as the Management 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 efficiency in the execution of duties.

5. A system for ensuring appropriateness in the execution of duties in JAL Group

(1) We have established JAL Group Business Management Regulations to ensure the establishment of a system for fair and efficient management in each subsidiary, in accordance with 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 duties of directors at subsidiaries, etc. to the Company.

(3) We have developed regulations and other measures for risk management of losses of subsidiaries.

(4) We have developed a system for ensuring efficiency in the execution of Director's duties at subsidiaries, etc.

(5) We have developed a system to ensure that directors, etc., and employees of subsidiaries execute duties in compliance with applicable laws, regulations and the Articles of Incorporation.

6. A system for employees in case Corporate Auditors require the assignment of employees to support their duties, a system for independence of such employees from Directors, and a system for ensuring effectiveness of instructions by Corporate Auditors to such employees

7. A system for submission of 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 recipients of their reports to report to Corporate Auditors.

(3) We have developed a system to prevent disadvantageous treatment as a result of reporting.

8. A system for advance payment or repayment of costs arising from the execution of Corporate Auditor's duties and a policy for the processing of costs or liabilities arising from the execution of other duties.

9. Other systems for ensuring effectiveness in the execution of audits by the Board of Corporate Auditors or Corporate Auditors.

#### **【Operation of the Internal Controls System】**

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 and employees.

(1) We conduct JAL Philosophy Education seminars according to the fiscal year plan.

(2) We have revised regulations in adherence to the spirit of the Corporate Governance Code, such as Fundamental Policies of Corporate Governance, and at the same time, submitted a Corporate Governance

Report reflecting the revisions to the Tokyo Stock Exchange and disclosed them on the corporate website, etc. We have also taken necessary action and developed systems for each principle.

(3) We have established Fundamental Policies on the Internal Controls System and JAL Group Internal Control Guidance, and have developed, operate and evaluate internal control concerning the Companies Act and Financial Instruments and Exchange Act.

(4) We disseminate our Compliance Hot Line (internal and external contacts) to staff in a compliance information newsletter issued every three months in principle and on the Intranet.

(5) We inspect attributes of new business partner candidates, and conduct a review every three years as a regular inspection to verify whether there are any changes in attributes and/or information.

(6) Legal considerations are explained to Directors to ensure that they are aware of their duties, authorities, and responsibilities including the fiduciary duty of loyalty and the duty of care as a prudent manager. We provide education courses for employees, etc. to ensure that they acquire the necessary knowledge to perform their duties.

(7) The Audit Department inspects the development and operation of the internal controls system stipulated by JAL Group Internal Control Guidance according to the fiscal year plan. It reports audit results of each audit to management and regularly reports progress of audits and audit results to corporate auditors.

(8) The Maintenance Audit Department conducts inspections to verify that maintenance work is performed according to laws, regulations and internal rules.

(9) The Corporate Safety and Security Promotion Department holds meetings of the Group Council for Safety Enhancement, inspects deliberations, involvement, instructions, etc. on safety by management through submitted reference materials, etc. according to the Safety Audit Plan. It conducts Safety Roving of branch offices and operational audits.

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

(1) We prepare information (documents, minutes) on decision-making of the Board of Directors and other important meetings, and information (circular 'Ringi' documents) on important approvals according to laws, regulations, Regulations for the Board of Directors, regulations of various meeting structures, and Regulations for Kessai and Administrative Authority, and retain and manage them according to Regulations for Retention and Storage of Documents.

(2)We manage the system relating to the e-Ringi system (Kessai and Ringi system) safely and deal with unexpected situations appropriately.

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

(1)We nurture risk management consciousness of each staff to prepare ourselves for unexpected situations, such as conducting a group-wide notification exercise using the safety confirmation safety twice a year in principle.

(2)We oversee manuals of each division to further develop and increase effectiveness of the Business Continuity Plan of various assumed risks. The department in charge of the Post-Earthquake Business Continuity Plan is currently establishing a plan. We participated in the Pandemic Influenza Notification Exercise conducted by the Japanese Government on November 27, 2015 as a designated public business operator, and have reconfirmed the effectiveness of the internal notification system specified in the Business Continuity Plan.

(3)We maintain a system to regularly extract risks in the JAL Group including status of compliance with laws and regulations through a risk assessment, extract potential and apparent risks facing the JAL Group, and report to management at Risk Management Committee meetings.

(4)To care for families and the bereaved who suffer damage caused by an aircraft accident, we have established a system to provide Care Staff Education courses for staff promoted to manager, by incorporating a course in the curriculum for Training for New Managers. For managers in Tokyo who did not have the opportunity to attend Care Staff Education courses in the past, we hold seminars whenever the need arises. In fiscal year 2017, the number of staff appointed to Care Staff will reach 1,000 persons.

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

(1)We have established a corporate governance system to ensure quick, appropriate management decisions, and at the same time, demonstrates high management transparency and strong management monitoring according to the JAL Group Corporate Policy, and strive to increase corporate value and fulfill accountability. The Board of Directors has established Fundamental Policies on Corporate Governance, which are important fundamentals next to the Companies Act, related laws and regulations, and the Articles of Incorporation, to ensure corporate governance.

(2)We have clarified basic matters for managerial staff of the Company according to Regulations for Managerial Staff, to ensure that duties are executed efficiently according to Regulations for Meeting Structures and Regulations for Kessai and Administrative Authority, Segregation of Duties Regulations.

(3)We review Regulations for Kessai and Administrative Authority appropriately and have established an

efficient decision-making process.

(4)We provide Transactions Education courses for staff mainly engaged in transaction operations

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

(1)We have established JAL Group Company Management Regulations and Guideline for JAL Group Internal Control, and the General Affairs Department mainly monitors the appropriateness of duties.

(2)We manage the e-Ringi system safely and deal with unexpected situations appropriately.

(3)Information on the duties of the Board of Directors is stored and managed appropriately according to laws, regulations and internal rules.

(4)We coordinate and share information with staff in charge of compliance in each division and administration departments on a daily basis, instruct them on compliance and risk management, deal with events and establish preventive measures, and thus provide guidance which contributes to improving the compliance and risk management system of each company and division.

(5)We clarify basic relationships of business operations with the Company.

(6)We have established Regulations for the Board of Directors, an Administrative Authority Criteria Table, etc. to ensure that duties are executed efficiently.

(7)We inspect priority items of the JAL Group Medium Term Management Plan and fiscal year operating policy through Roving, Expanded Earnings Announcement Sessions, etc. and conduct monitoring to ensure that initiatives to achieve our targets are implemented properly.

(8)We strive to develop an environment to ensure that duties are executed surely and efficiently, such as holding meetings of administration directors and various seminars.

(9)We have established Guideline for JAL Group Internal Control and developed a system to ensure that duties are executed appropriately

(10)We conduct JAL Philosophy Education seminars according to the fiscal year plan.

(11)We share information on compliance with administration departments and release relevant information to staff and organizations as necessary. We assemble staff in charge during Compliance Month and hold seminars.

(12)We disseminate and reinforce matters relating to legal affairs to directors, employees, etc.

(13)The Audit Department conducts auditing appropriately.

(14)The Maintenance Audit Department inspects and verifies that maintenance work is performed according to various laws and regulations and internal regulations.

(15)The Corporate Safety and Security Promotion Department conducts safety audits appropriately.

(16)We hold training for new managers and seminars on legal affairs as necessary, and have established a system to ensure that the execution of duties fulfills 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.

To increased effectiveness of audits by corporate auditors and execute audit duties smoothly, we have established an organization independent from the Board of Directors and assigned employees (corporate auditor staff). Corporate auditor staff receive work instructions and orders from corporate auditors, and they are appointed with consent of corporate auditors.

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

(1)Corporate auditors attend board meetings and other important meetings, read Ringi documents requiring approval from director and above, and audit the status of execution of corporate duties through interviews with the President, hearings with related departments, visits to internal departments, etc.

(2)Corporate auditors exchange opinions and information regularly with corporate auditors of subsidiaries and visit subsidiaries.

(3)We have established an internal Compliance Hot Line, and have established a system to provide consultation on compliance issues and protect staff who report violation of laws, regulations and internal rules by organizations or individuals. Furthermore, we have opened a new external Compliance Hot Line, and strive to quickly detect and rectify illegal acts, etc. and increase compliance.

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.

Necessary expenses for audits by corporate auditors are paid appropriately.

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

Corporate auditors exchange opinions and information regularly with the Audit Department and auditing company and increase effectiveness of audits.

(Note) “Fundamental Policies on the Internal Controls System” was revised, abolishing the Managing Executive Officers Committee and establishing the Management Committee, through a resolution of the JAL Board of Directors on March 30, 2016, and took force on April 1, 2016. “Operation of the internal controls

## 2. Basic Views on Eliminating Anti-Social Forces

JAL Group and its special interest groups, shareholders, business partners, etc. have no relations whatsoever with anti-social forces. We respect the “Manual for Implementing Charter of Corporate Code” announced by Nippon Keidanren (Japan Business Federation)(revised April 2007), “Guideline for How Companies Prevent Damage from Anti-Social Forces” (agreed upon at a meeting in June 2007 of cabinet ministers responsible for anti-crime measures) and Organized Crime Exclusion Ordinances established based on these guidelines (enforced in all prefectures in October 2011) as our fundamental principle, and have built and operate a system to exclude anti-social forces accordingly. JAL Group’s policy, standards, etc. are established according to Company Policy & Regulations for Correspondence to Anti-social Forces, which is repeatedly disseminated and reinforced on the occasion of major internal meetings and staff training.

We have distributed Guidelines for Correspondence to Anti-social Forces to every JAL Group company and every department to disseminate information on excluding anti-social forces. Furthermore, we have posted information on ways to deal with anti-social forces on our Intranet to enable employees to respond appropriately when approached by them. We screen business parties with whom we start new business deals prior to the signing of a contract to confirm that no anti-social forces are involved. An “article on exclusion of anti-social forces” is included in agreements and we continuously screen business partners even after the commencement of business.

Through such measures, our employees are aware that continuous efforts to exclude anti-social forces are extremely important.

## V. Other

### 1. Adoption of Anti-Takeover Measures

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

|                           |
|---------------------------|
| Supplementary Explanation |
|---------------------------|

|   |
|---|
| — |
|---|

**2. Other Matters Concerning to Corporate Governance System**

|                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| We have established a system to ensure speedy information disclosure under our fundamental policy to disclose appropriate information to our shareholders and investors in a timely manner through proactive IR activities. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**【Schematic Diagram】**

