Chapter 2 The JAL Group Value Creation Story

1. Materiality

The JAL Group positioned its ESG strategy at the topmost of the JAL Group Medium-Term Management Plan Rolling Plan 2023 and reviewed its materiality to create social and economic value and solve social issues through air transportation and societal connections generated by its business. To date, materiality has been identified as 22 issues in 4 areas in order to contribute to achieving the 17 goals/169 targets of the SDGs. This is mainly in the FSC business area. Through the materiality identification process, we are reviewing materiality so that it is closely linked to the creation of economic value in all business areas of the JAL Group, and not just in aviation. In addition, we define human resources (human capital), which is the JAL Group’s greatest strength, as materiality because to improve the value creation and productivity of all employees is an important management issue. The JAL Group aims to achieve medium- to long-term growth by creating a safe and secure society and a business areas of the JAL Group, and not just in aviation. In addition, we define human resources (human capital), which is the JAL Group’s greatest strength, as materiality because to improve the value creation and productivity of all employees is an important management issue. The JAL Group aims to achieve medium- to long-term growth by creating a safe and secure society and a

Material Specific Process

To identify materiality, we first reconsidered social issues in the post COVID-19 pandemic period. We then analyzed the important social issues for the JAL Group and its stakeholders based on the social and economic values that the JAL Group creates through air transportation and societal connections. The identification of materiality was reported and approved by the Board of Directors after extensive management discussions at the Sustainability Promotion Council chaired by the President. The identified materiality is reflected in the business strategy of Rolling Plan 2023 of the Medium-Term Management Plan. We also set and disclosed metrics and targets for each materiality.

Material Issues (Materiality)

<table>
<thead>
<tr>
<th>Material Issues (Materiality)</th>
<th>Indicator of Social Values [FY2025 target]</th>
<th>Indicator of Economic Values [FY2025 target]</th>
<th>Goals of the Relevant SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism Nation</td>
<td>Promoting economic growth and international mutual understanding through tourism</td>
<td>Regional Revitalization (+10% compared to domestic total passengers FY2019)</td>
<td>Transportation and tourism growth (FY2025)</td>
</tr>
<tr>
<td>Regional Revitalization</td>
<td>Bring prosperity and vitality to the community</td>
<td>Remote-controlled car (1,000,000 Inbound tourists to Japan using domestic flights)</td>
<td>Economic growth (FY2023)</td>
</tr>
<tr>
<td>Fulfilled Hearts</td>
<td>Enhance happiness and cultivate affluent life through free movement and connection of goods and people</td>
<td>Promotion of real estate (Regional cargo volume +10% compared to FY2019)</td>
<td>Social inclusion (FY2025)</td>
</tr>
<tr>
<td>Resilience through Diversity</td>
<td>Build a diverse society in which people, cultures, values, and modes of behavior are respected and new values are created</td>
<td>Respect for human rights (Implementation rate of human rights due diligence 100%)</td>
<td>Human rights (FY2023)</td>
</tr>
<tr>
<td>Safe and Secure Society</td>
<td>Create, develop, and protect a safe infrastructure of the skies</td>
<td>Barrier-Free and Stress-Free (2.5 times the FY2019 boarding rate for customers who find it difficult to travel)</td>
<td>Access to sustainable energy (FY2025)</td>
</tr>
<tr>
<td>Aviation Infrastructure</td>
<td>Pass on the basis of sustainable air transport to the future</td>
<td>Expansion of air travel in total passengers (5.5 times the FY2019 boarding rate for customers who find it difficult to travel)</td>
<td>Economic growth (FY2025)</td>
</tr>
<tr>
<td>Precious Earth</td>
<td>Preserve and restore the global environment, which serves as a source of people, sales and distribution channels, and to pass it on to the next generation</td>
<td>Promotion of DEI (Ratio of women in management 30%)</td>
<td>Promoting DEI (FY2023)</td>
</tr>
<tr>
<td>Human Capital</td>
<td>Enhance capacity for value creation and productivity of all JAL Group employees</td>
<td>Improvement of the ability to create social value (Highly engaged employees percentage 64.4%)</td>
<td>Social responsibility (FY2025)</td>
</tr>
</tbody>
</table>

Please see pp.50-51 for more information on “metrics and targets.”

Management discussed the JAL Group’s Value Creation

1. Understanding Social Issues
2. Important Analysis for the JAL Group
3. Important Analysis for Stakeholders
4. Identifying Materiality
5. Setting Indicators and Targets

Please see pp.85-88 for more information on “metrics and targets.”

[Diagram of material issues and targets]

[Diagram of materiality and sustainability goals]
2. JAL Group’s Value Creation Story

Achieving JAL VISION 2030 and Carbon Neutrality

The JAL Group has set forth the JAL Vision 2030, which aims to create a society of Safety and Peace of Mind and a Sustainable future for the purpose of our company, which is to create a vibrant society and a future where many people and goods freely move around.

In the 2021 to 2025 JAL Group Medium Term Management Plan Rolling Plan 2023, we reviewed the positioning of our ESG strategy and defined it as our top-level strategy. Through our ESG strategy, we will create social value in terms of air transportation and societal connections, realize JAL Vision 2030, and improve economic value.

In the business strategy to promote the ESG strategy, the JAL Group will expand its earnings and achieve sustainable growth through business model reform, human resources strategy, DX strategy, and GX strategy for carbon neutrality.

Our Purpose

To become the world’s most preferred and valued airline group, where many people and goods freely move around.

Our Vision

JAL Vision 2030

Build a society where everyone can live safely, securely and with a peace of mind.

Build a better future where everyone can feel fulfilled and hopeful.

Our Values

Safety and Vision of Mind

Sustainability

p.65-66

ESG Strategy: Creating new value in the CX/EX space

Human Resources Strategy: Per capita sales: +15%

Business Model Reform: Increase the percentage of new areas to 50%
3. JAL Group’s Value Creation Process
Solving Social Issues and Enhancing Sustainable Corporate Value

The JAL Group supports the movement of people and goods in the areas of FSC, LCC, and Cargo and Mail, and creates societal connections through air transportation while maintaining safe operations, which is the foundation of our business. We aim to continuously increase corporate value by creating social and economic value through the movement and connection of people and goods, and by strengthening human capital and other capital.

**Human capital**
- Diverse and professional human resources
  - JAL Group Employees: 36,269 employees
  - 1,365 female managers (32.6% of all managers)
  - Highly engaged employees

**Intellectual capital**
- Acquired expertise
  - Regulations and measures to protect aviation safety
  - IT systems that achieve high quality in the solution domain

**Social capital**
- Networks connecting regional areas in Japan with the world
  - JAL Group Airline and Affiliate Airlines
  - Collaboration with local communities
  - Customer base centered on aviation
  - About 37 million JAL Mileage Bank members

**Financial capital**
- Substantial aircraft
  - JAL Group number of aircraft: 9 aircraft types, 232 aircraft among which 11 aircraft were deployed in growth areas.
  - New type of fuel saving equipment 2 models: 47% during the COVID-19 pandemic

**Natural capital**
- Effective use of resources
  - Aircraft fuel using local fuels
  - Waste resources

The JAL Group Value Creation Story

**Foundations of Value Creation**
- Safety Charter pp.17-19
- JAL Philosophy p.20
- Divisional Profitability Management System p.21

**Value created through air transportation and societal connections**
- Movement of people and goods
  - Safety and security
  - Social infrastructure network
  - Carbon neutrality
- Societal Connections
  - Conservation of environmental and biodiversity
  - Rebuild the local economy
  - Improvement of people’s well-being

**Business portfolio**

- **Stakeholders**
  - Customers
  - Employees

**Strengthening human capital and improving capital efficiency**

Increase corporate Value

**OUTCOME**
(Enhancement of Value and Capital Created through Air Transportation and Societal Connections)
4. Foundations of Value Creation

(1) Safety Charter

The Safety Charter demonstrates the JAL Group’s determination, basic philosophy, and actions toward safety, which is the basic premise for creating value as an airline. Every employee, from top management to front-line employees, implements the Safety Charter on a daily basis. The JAL Group places particular importance on the Safety Management System, which is an organizational safety promotion mechanism for maintaining and improving aviation safety, and the Safety Culture, which is an organizational culture for functioning the safety management system.

Safety Charter

Safety: The protection of lives.

This is the commitment and basic foundation of business continuity for the JAL Group.

We take to heart our mission and responsibility as safety professionals to ensure a safe operation on every flight with the best of our knowledge, skills, and abilities.

To accomplish this, we will act according to the following principles.

- Stop immediately when safety concern arises.
- Comply with rules and strictly follow standard operating procedures.
- Always check and confirm; never rely on assumptions.
- Promptly communicate information without omission to ensure safety.
- Deal with problems quickly and appropriately without underestimation.

Safety Management System

A safety management system is a generic term for a collection of structured organizational processes that include safety policies, organizational structures, responsibility sharing, and methods of safety risk management. In accordance with the JAL Group Safety Charter, our fundamental safety policy, management, the Corporate Safety and Security Division and other divisions implement the PDCA cycle for safety, and organically link it across organizations to ensure the safety management system functions properly and continuous improvements are made.

Safety Management Structure

As there are eight airlines in the JAL Group including Japan Airlines, safety is managed under a common policy which was confirmed by the Group Safety Enhancement Council in order to maintain uniform and high safety levels throughout the JAL Group. In addition, the Group Operational Safety Promotion Committee has been established as a subcommittee of the Group Safety Enhancement Council to maintain and strengthen safety cooperation between JAL divisions and Group airlines.

The President assumes final responsibility for safety.

The Chief Safety Officer, appointed by the President, has overall responsibility and authority for the safety management system, and makes important management decisions including safety measures and safety investments.

For details on the safety management system, please visit the JAL website.


Implementation of the Safety Management System (PDCA cycle)

Safety risk management

Gathering and dissemination of information

We gather a wide range of information from reports on unsafe behavior and acts, the flight data analysis program, crew fatigue and alcohol risk management program, and use it to prevent safety events.

Managing risks

In formulating safety measures for air transport and promoting responses to accidents and troubles, we manage risk through the following steps.

Utilizing gathered information on unsafe conditions and unsafe events, we identify hazards and real or hidden risk factors with the potential to cause or contribute to an aircraft accident, serious incident or other adverse events.

We determine the severity of consequences and the probability of occurrence, assess the acceptability of the risk level and examine the need to take action. Multiple risks are prioritized, as necessary, to know which ones are most urgent.

We establish and implement measures to eliminate each hazard so that high priority risks are reduced to a tolerable level.

We monitor the measures and evaluate their effectiveness. If the risk is determined not to be acceptable, we establish and implement additional measures.

Education, training and safety awareness

Initiatives based on the three actuals principle

JAL Group employees are educated on the importance of safety from the depths of their minds by going to the accident site (the actual place), looking at aircraft debris and personal belongings of victims (the actual objects), and listening to stories of those who experienced the accident (the actual people).

Training and assessment

To assure stable safety and quality standards, training and assessment are conducted for pilots, maintenance engineers, cabin attendants, and dispatchers.

Internal audits

We conduct internal audits regularly in accordance with the requirements established by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the International Air Transport Association (IATA) in order to identify areas for improvement in the safety management system and improve safety standards.

Management review

The Group Safety Enhancement Council reviews policies and plans every year and evaluates and improves the safety management system to ensure that it is functioning effectively.

Management of change

We have established and implemented a change management process to manage risks arising from upsizing and downsizing of organizations, and changes to facilities, systems, processes, and procedures with the probability of affecting safety.
A Safety Culture

A safety culture is an organizational culture and an organization’s shared awareness about safety. The JAL Group is working to foster a safety culture based on lessons learned from the past.

A reporting culture

Reporting hazards is essential to safety management. Therefore, we have introduced a voluntary reporting system to swiftly emerging safety problems. Even minor human errors are reported and used to establish preventive measures. In 2007, JAL became the first airline in Japan to introduce a non-punitive reporting policy to inform employees that they will not be punished for human errors if the JAL Group deems that they occurred even though every precaution was taken. In this way, we have created an environment to encourage employees to report spontaneously without hesitation.

A culture of decision-making and challenge

The JAL Group aims to achieve sustainable growth and development by adapting to the rapidly changing environment. As it is extremely important from the viewpoint of safety for employees to make decisions within their authority and responsibility, we are reviewing and improving the decision-making process to ensure smooth and prompt decision-making.

A communication culture

The JAL Group is promoting communication and creating opportunities for employees to verbally share information face-to-face. An activity has been running since 2006, where employees across divisions meet and revitalize the organization. We also employ verbal confirmation as a means of interactive communication to ensure thorough checks and instill this practice in workplaces.

A culture of refining manuals

The JAL Group employees strive to understand the true meaning of their work manuals by always asking themselves, “What is this procedure for?” Also, manuals are there to follow but also to change. Therefore, we search for improvements necessary when using the manual and review manuals together with manufacturers. We have established a framework for periodic inventory both in quality and in quantity.

A culture of thinking from the “second to third person perspective”

In order to encourage JAL Group employees to think from the customer’s perspective, we place importance on the “second to third person perspective,” which combines the third person perspective of thinking from a specialized airline professional and the first and second person perspective of treating customers as if we or our family were the customer.

JAL Philosophy

Part 1 In Order to Lead a Wonderful Life

Chapter 1 The Formula for Success

Chapter 2 Have the Right Attitude

Chapter 3 Accumulate Tedious Efforts with Passion

Part 2 To Become a Wonderful JAL

Chapter 1 Each of Us Makes JAL What It Is

Chapter 2 Have a Keen Sense of Profitability

Chapter 3 Accumulate Tedious Efforts with Passion

Part 3 Build Our Hearts

Chapter 4 Ability Will Improve

Chapter 5 Believe in Our Work

Chapter 6 Be Creative in Our Work

Initiatives to Practice the JAL Philosophy

JAL Philosophy workshop

All JAL Group employees participate in workshops three times a year with the aim of providing the best service to customers and contributing to the advancement of society through the study of JAL Philosophy. In FY2022, we deepened our learning on the theme of “leadership” and “leadership that responds to the challenge of the day.”

Leaders workshop

In FY2022, six workshops were held annually for executives and department heads and two sessions annually for managers, with the aim of helping leaders improve their character. Focusing on leadership that responds to the changing times and building an organization that takes on challenges, the JAL Group leaders strive to compete with each other in order to demonstrate the strength of the JAL Group in human resources.

JAL Philosophy and ESG Strategy

Last year, we focused on ESG strategies as the theme of the JAL Philosophy workshop, hoping to convey that our work based on altruism has led to ESG strategies. Participants commented, “I found that the results of each person’s daily work lead to ESG strategy, and my motivation for work increased.” It was a challenge to tackle a difficult subject, but I feel that thinking through the common values of JAL Philosophy has enabled us to bring all employees together.
Chapter 2 The JAL Group Value Creation Story

(3) Divisional Profitability Management System

The divisional profitability system, based on our Amoeba Management, has advantages such as fostering personnel with a sense of management, proactive business management, and the realization of Management by All. All JAL Group employees work on figures involved in company management to maximize profits. Along with the implementation of JAL Philosophy, we aim to realize our corporate philosophy by not only maximizing profit in each division, but also pursuing optimal profits throughout the entire company.

- Developing Human Resources that Contribute to Sustainable Development

In the Amoeba system, the leaders of each organization are responsible for the income and expenditure of their own organization. They gain managerial experience by formulating intentional organizational goals and engaging all members to achieve the goals. This initiative will produce managerial talent.

- Realize Business Model Reform by Leveraging Strengths

Each month, we formulate earnings forecasts for the FSC, the LCC, and the Mileage, Lifestyle, and Infrastructure businesses. Based on these forecasts, we examine and implement measures to maximize earnings. At the Group performance report meetings, which are attended by all executives, discussions will be repeated on the income and expenditure forecasts and measures formulated by each business. In addition to cost management, which was a major topic of discussion during the COVID-19 pandemic, the focus of discussions will be to maximize income based on changes in the current business environment. All participants will share their insights toward achieving the annual earning goal and rebuilding the business portfolio. By taking advantage of proactive management and the Management by All, we will realize the growth of each business, thereby leading to the sustainable growth of the JAL Group.

Driving Force to Involve all Employees in Management

- Contribution to Improve Income and Expenditure

Divisional profitability initiatives exerted authority during the COVID-19 pandemic. The leaders of each organization took the lead in formulating earnings forecasts based on the latest demand trends of each month, and appropriately managed costs in response to the sharp decline in income. In addition, these forecasts were shared at departmental meetings where all members gathered, regardless of job title or years of employment, and all organizations considered and implemented measures to improve income and expenditure, such as planning new businesses utilizing the resources that we own. In this way, each organization continued to take advantage of the strengths of the system, and the JAL Group as a whole has improved its income and expenditure.

- JAL Group Code of Conduct (Information Disclosure and Compliance)

The JAL Group Code of Conduct is a commitment to society through which the JAL Group conducts its business and is an action guideline that all employees must adhere to in order to create value sustainably through their daily work. In addition to implementing the JAL Philosophy, all employees will think and act in accordance with the Code of Conduct, thereby fulfilling the promise to society, such as solving social issues including the SDGs.

JAL Vision

Medium-Term Management Plan

JAL Philosophy

Divisional Profitability Management System

SUSTAINABLE DEVELOPMENT GOALS

JAL Group Code of Conduct

JAL Group Corporate Policy

For the fullest of the JAL Group Code of Conduct, please visit the JAL website.

WEB


Initiatives based on the JAL Group Code of Conduct

We formulate and implement initiatives based on the JAL Group Code of Conduct, ranging from the business strategy of the medium-term management plan with ESG strategy at the top to initiatives related to more universal governance. Specific initiatives for more universal governance include:

1. Information Disclosure and Dialogue

- In order to continue to be a trusted company in society, the JAL Group strives to have better dialogue with a wide range of stakeholders and to enhance and improve the quality of information disclosure, which is a prerequisite for dialogue.
- We strive to disclose information carefully and engage in constructive dialogue with shareholders, investors, and other stakeholders.
- In order to disclose the JAL Group’s corporate stance, we have posted a variety of information on our company website, including the JAL Report, a consolidated report on finance and ESG, the JAL Group Safety Report, which summarizes our attitude and initiatives toward safety, as well as our corporate philosophy, corporate information, safety and quality information, sustainability information, and RI information. We also disclose information on our management plans and financial results in a timely, fair, and appropriate manner. In addition, we will carry out dialogue to promote understanding from a wide range of stakeholders and enhance corporate value.

2. Proactive Information Disclosure

The JAL Group is working to enhance the quality of information disclosure and emphasize two-way communication so that stakeholders can understand the situation and business environment accurately and deeply. In recognition of this proactive disclosure of information, we have been ranked number one in the transportation sector for the fourth time in the past five years since 2018 by the Japan Securities Analysts Association as a “Disclosure Excellent Company.” In order to build better relationships with stakeholders, we will continue to actively disclose information and strengthen communication through dialogue events and RI materials and strive to conduct RI activities with higher quality.
The JAL Group carries out fair business activities in order to remain a company trusted by society.

Fair business practices will be ensured through compliance, anti-corruption, engagement in free and fair competition, management of personal information and intellectual property, and measures against anti-social forces.

To this end, we will raise awareness of compliance and conduct based on the Code of Conduct through the education for each employee. We will also establish a consultation desk and work to detect fraud as soon as possible.

In particular, as we work to prevent corruption, we comply with laws and regulations and international treaties applicable to our respective countries and regions as part of our global business development, and we are working to strengthen controls on bribery and prevent money laundering.

The number of violations of the Code of Conduct (disciplinary actions) in FY2022 is shown at right. When violations are discovered, we not only investigate them appropriately and take action, but we also strive to prevent the recurrence of such cases by frequently sharing the reported cases, providing in-house education, and establishing a system to prevent violations.

<table>
<thead>
<tr>
<th>Items</th>
<th>Number of Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribery or Corruption</td>
<td></td>
</tr>
<tr>
<td>Discrimination</td>
<td></td>
</tr>
<tr>
<td>Harassment</td>
<td></td>
</tr>
<tr>
<td>Gender Discrimination</td>
<td></td>
</tr>
<tr>
<td>Conflicts of Interest</td>
<td></td>
</tr>
<tr>
<td>Money Laundering or Insider Trading</td>
<td></td>
</tr>
</tbody>
</table>

Efforts for further implementation

Since its establishment in 2019, we have been working on a step-by-step process to steadily implement the system by spreading the word and promoting understanding. Since FY2021, each employee has been reflecting on the Code of Conduct once again, sharing and discussing their own problems at work, which they believe is an important practice for further application.

We will maintain fair and clear procurement and strive to co-exist and co-prosper with our suppliers by building a sustainable supply chain through the dissemination and compliance with the JAL Group Supplier Code of Conduct.

To this end, we will endeavor to respond in good faith and identify and resolve issues from the perspectives of legal compliance, global environmental protection, respect for human rights, proper labor practices, and fair business practices.

The JAL Group’s businesses, including air transportation, are supported by the supply chains of a wide variety of suppliers. Throughout this supply chain, we operate a supply chain ESG program to identify and address significant risks and impacts from an ESG perspective.

**ESG Initiatives - Supply Chain ESG Program**

The JAL Group’s Supplier Code of Conduct is presented to all our suppliers to understand and comply with. To this end, we will endeavor to respond in good faith and identify and resolve issues from the perspectives of legal compliance, global environmental protection, respect for human rights, proper labor practices, and fair business practices.

The Supply Chain ESG Program assesses and supports suppliers according to the level of their ESG risks.

The JAL Group Supplier Code of Conduct is presented to all our suppliers to understand and comply with.

**Promotion System**

Compliance initiatives, including the promotion of fair business conduct, are reported at the Group Risk Management Meeting directly under the President, and the status of initiatives is supervised.

In addition, we have established the JAL Group Compliance Network, consisting of executives from each JAL Group company, to ensure thorough compliance across the Group.

**Enhancement of Employee Education**

Since the establishment of the Code of Conduct in 2019, the JAL Group has been conducting training programs with the aim of improving the level of awareness, understanding, and steady implementation.

All employees attend a seminar on our Code of Conduct annually in October, known as the Compliance Month. In FY2022, we aimed to further implement the Code of Conduct by sharing and discussing what we think is important for each participant and work to improve the curriculum every year based on their responses.

In addition to the above training, we are also working to further raise awareness of compliance by providing education by job level, including the executive level, and in each workplace, including overseas departments.

**Development of Consultation Services for Employees**

We have established internal and external reporting and consultation desks (24 hours, 365 days, Japanese/English) that can be used anonymously by all JAL Group employees. In addition, each group company has its own consultation desk, and the JAL Group as a whole is conducting early detection and correction of fraud. The number of internal reports in FY2022 was 170. In order to make the contact easily accessible to employees, we will continue to disseminate information that makes it easy to understand where to present their report and provide internal education on the whistleblowing system.

**Compliance with JAL Group Supplier Code of Conduct in FY2022 (percentage by field)**

<table>
<thead>
<tr>
<th>Field</th>
<th>FY2022 Compliance Level</th>
<th>FY2023 Target</th>
<th>FY2023 Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Labor</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Respect for Human Rights</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Responsible Procurement</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Key Performance Indicators (KPI)**

- Consultation response rate: Each year/Q4, 100% / 100%
- Primary suppliers FY2023 FY2024 100% 100%
- Monitors: 100% 100% 100% 100%
- Auditing rate of suppliers required audit: FY2023 FY2024 100% / N/A
- Consultation response rate: Each year/Q4, 100% / 100%
- Training rate of procurement staff: Each year/Q4, 100% / 100%

**Suppliers' Engagement Assessment**

In the Supplier Engagement Assessment conducted by CDP, an international environmental non-profit organization, JAL was the only airline in Japan to receive an “A-,” the highest rating given to the top eight percent from approximately 18,700 companies in Japan and overseas. After that, JAL was certified as a Supplier Engagement Leader.
To realize our corporate policy, the JAL Group established a Multi-Stakeholder Policy based on the belief that it is important to create value through dialogue with diverse stakeholders such as shareholders, employees, business partners, customers, creditors, and local communities. Awareness and advice for improvement gained through constructive dialogue with a wide range of stakeholders around the company are used to continuously enhance corporate value.

For All Employees to Work Together to Create Value
In order for all employees to work together to improve corporate value through sustainable value creation, we are rapidly sharing accurate information and promoting direct communication between management and employees. In order to ensure a proper understanding of the JAL Group’s management strategy and status, our top management distributes not only internal newsletters but also instructional videos on the Medium Term Management Plan and quarterly financial results. In addition, regular briefings by the President are available to our worldwide employees. Furthermore, we hold round-table meetings between the President and employees at various branches, including overseas offices, to directly communicate with each other about safety, other workplace initiatives, and issues.

Creating Customer Value through Dialogue with Customers
Customer feedback is reported to the Board of Directors on a monthly basis. In addition, through company-wide consultations at the management level, we confirm how to solve problems and examine countermeasures. In addition, we are working to develop new products and improve our services based on customer satisfaction surveys after boarding our flights and the feedback received at the contact desk. The JAL Group will continue to take customer feedback seriously and strive to improve its services.

Community, Next Generation/Environment
Becoming a Part of Building a Diverse and Resilient Society
The midyear between the enactment and achievement of SDGs is 2023. In order to further promote ESG management by grasping the latest social trends and incorporating the knowledge of experts into our strategies, we hold a dialogue with executives and Professor KANIE Norichika, a leading expert in SDGs research and a professor at Keio University Graduate School, regarding the process of formulating the Medium Term Management Plan Rolling Plan.

As aviation is an indispensable social infrastructure, Professor KANIE pointed out the significance and importance of challenging the future of flight, such as fuel, onboard safety, and the flight experience. To this end, we are working on a Medium-Term Management Plan Rolling Plan.

Moreover, we strive to improve our suppliers’ understanding of ESG/SDGs through visits to supplier plants.

Community Communication to Improve the Soundness of the Supply Chain
Our suppliers were requested to comply with the JAL Group Supplier Code of Conduct in order to raise the level of the entire supply chain from the perspective of ESG management. In addition to daily business meetings, participants from 39 significant suppliers participated in the briefing session in FY2022 to publicize the JAL Group’s ESG initiatives (such as CO2 reduction) and the JAL Supplier Hotline, established in FY2022. Moreover, we strive to improve our suppliers’ understanding of ESG/SDGs through visits to supplier plants.

Dialogue on Human Rights in the Supply Chain
Following FY2021, we invited Mr. SHIMOTAYA Takeshi (photo), the founder of The Global Alliance for Sustainable Supply Chain, who has expert knowledge on human rights initiatives in the supply chain, to hold a dialogue with the board members of the Sustainability Promotion Committee. In this dialogue, he gave us valuable advice on the involvement of farmers and other producers in the supply chain, as well as factory workers, and the progress of our company’s efforts from a global perspective. Based on the advice we received, we included the identification and conduction of on-site audits to suppliers that are closely tied to our company and highly important from an ESG perspective, to one of our human rights due diligence efforts for FY2023. The JAL Group will continue to engage in dialogue with society and continue to address issues and make improvements based on the belief that respect for human rights is a universal value.

Conduct Regular Meetings and Subcommittees with Alliance Members
As a member of the one world Alliance, JAL works with its allies to promote various measures to improve customer convenience and realize sustainability through regular and subcommittees meetings. Going forward, JAL will be loading SAF, which is a joint procurement that has been under discussion with member companies. Together with one world member companies, we will strive to realize new values and improve the quality of our services.

Strengthening Communication with Individual Shareholders and Investors
We strive to disclose information by posting management-related information such as our corporate philosophy, management strategies, management plans, and results on our website and by sending IR-related information in a timely manner through IR Mail. In addition, as a means of strengthening two-way communications, we conducted new initiatives at the General Meeting of Shareholders held in June 2023, such as live-streaming from the opening to the closing of the meeting and answering all questions received in advance. In addition, as a means to deepen understanding of the JAL Group, we conducted tours of the JAL plant and held online briefings for shareholders living far away. We will continue to work to further enhance and improve the quality of information disclosure and achieve better dialogue with shareholders and investors.

Interacting with Institutional Investors through Interviews and Events
In addition to individual meetings, we actively engage in dialogue with institutional investors through a variety of IR-related events throughout the year. We have also resumed face-to-face events, striving to engage in interactive, positive dialogue with our stakeholders. We regularly provide feedback to the Board of Directors and key departments concerned on the valuable opinions and comments obtained at these events, to reflect in our management.
### Risk Management

The JAL Group defines risk as an event or action that interferes with the achievement of an organization’s mission, objectives and goals. We have established a multi-layered risk governance system, in which responses to priority risks determined at the meeting are reported to the Board of Directors and further measures are discussed as necessary. Risks related to aviation safety are discussed at the Group Safety Committee, and risks related to sustainability in general, such as the environment and human rights, are discussed at the Sustainability Promotion Committee.

#### Risk Management Structure

- **Aviation Safety**
- **Corporate Risk Operation Risk**
- **Group Operational Safety Promotion Committee**
- **Risk Management and Corporate Risk Operation Committee**
- **Group Risk Management Council**
- **Internal Rules Development Committee**
- **Overall sustainability committee**

#### Efforts

1. **Implementation of the risk management cycle**

   The JAL Group defines risk as “an event or action that threatens the achievement of the mission, purpose or target of an individual or an organization,” mandating all organization leaders to manage their own risks in the workplace. In implementing preventive risk management, risk officers conduct risk assessments twice a year to identify prioritized risks and take risk measures. Risk Control Self-Assessment is provided to the organization at stake to reassess and improve risk responses through a workshop style self-assessment and provides risk consulting, as needed.

2. **Enhancement of BCM**

   In order to fulfill our mission as a public transportation system that plays a role in social infrastructure, we are promoting BCM and building a system that enables us to carry out operations appropriately in times of emergency. In the event of an unknown viral infection, major failure, or an earthquake directly beneath Tokyo, we have established individual BCPs to protect the safety of our customers, employees, family members, and related personnel. We have also established basic policies and systems necessary for the continuation of the JAL Group’s important social and corporate activities. We conduct regular training, utilizing the knowledge of external experts, and revise the BCP from time to time. The JAL Group’s business continuity capabilities have been highly evaluated by rating agencies.

#### (iii) Development of crisis management system

The JAL Group has established a system for the responsible person to quickly determine the level of crisis management (Levels 1 to 8) according to the situation and to take immediate action in the event we detect or confirm the occurrence, threat of, or risk of an impending flight safety and security, a natural disaster, pandemic, and other risks to air transport.

In recent years, in response to BCP activation on the outbreak and spread of COVID-19 and on safety and security risks in certain regions and airspace due to the Ukraine-Russia situation, we have established a task force to gather and analyze information and take appropriate action. We also conduct drills regularly and enrich education and training to raise staff awareness of crisis management.

#### (iv) Information security measures

**Basic Policy**

In view of the importance of information security and personal data protection in a sophisticated information and telecommunications society, we have established the JAL Group Fundamental Policy on Information Security and are working to properly manage and protect important information held by the company, such as personal data of customers entrusted, by disclosing on our website, information on compliance with laws and internal rules, our management system, safety measures, education, awareness raising activities, cooperation with subcontractors, accident handling measures and our help desk.

For more information about the JAL Group’s Basic Policy on Information Security, visit our company website.


**Management System**

By establishing a Risk Management and Information Security Committee to manage and promote personal information and information security, we aim to reduce corporate risks such as information leaks in preparation for sophisticated and complex external cyber-attacks.

Under the leadership of our Senior Vice President of the IT Planning Department, also known as the Chief Information Security Officer (CISO), we are working to further improve our information security management system by being members of Transportation ISAC (Japan) and Aviation ISAC™ and by obtaining certification from associations that are under the jurisdiction of ISA27001, a global standard for information security and infrastructure.

- 1. Organizations that promote activities contributing to the improvement of the collective defense capabilities of transportation and transportation business operators
- 2. Global information sharing organization consisting of airlines, aircraft manufacturers, among others

**Information Security**

As an important public transportation infrastructure provider, we take measures against cyber incidents such as information leaks and unauthorized access in accordance with the guidelines set by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Our internal efforts include regular Learning security training for all employees, the establishment of a CSIRT system, and various training programs to prevent cyber incidents and respond promptly when they occur. In addition, as a measure to strengthen security during telework, we have built a system that fully encrypts horizontal communications outside the company and constantly monitors them. In cooperation with the outside world, specialized agencies monitor threats 24 hours a day, 365 days a year, and conduct periodic audits.
Corporate Governance

In order to achieve sustainable growth and increase social and economic value, the JAL Group undertakes strong management transparency.

We have established a corporate governance system that provides management oversight functions.

Basic views on corporate governance

As a leading safety company in the transportation field, the JAL Group will provide the best service to its customers while maintaining safe operations, which is the basic premise of its existence. In addition to fulfilling our economic responsibility to provide good products and earn appropriate profits through fair competition, we are conducting business with the view that we are a corporate group that fulfills its responsibilities and contributes as a member of society. Based on this, we have established the JAL Philosophy under our Corporate Philosophy and promptly make appropriate management decisions. At the same time, we strive to enhance corporate value and fulfill our accountability by establishing a corporate governance system that demonstrates strong management oversight functions under high management transparency.

For details of the Fundamental Policies of Corporate Governance and the Corporate Governance Report, please visit the JAL website.

WEB

*Matters not specifically mentioned in this section are those about Japan Airlines Co., Ltd.

1. Corporate Governance System

Board of Directors | Held 18 meetings in FY2022
The Board of Directors exercises strong management monitoring with a high degree of transparency through the nomination of Directors, Audit and Supervisory Board Members and Executive Officers, decision of office remuneration, and important decision-making.

To fulfill this role,
① The Board separates the management monitoring and business execution functions.
② The Board Chair is nominated from among Directors who do not concurrently serve as Outside Director.
③ At least three highly independent candidates are nominated for Outside Directors and from the Ordinary General Meeting of Shareholders in June 2021, Outside Directors account for at least one third of all Board members.
④ In FY2021, we decided to increase female Director appointments.
⑤ From fiscal 2021, Directors and Audit and Supervisory Board Members are required to basically attend at least 80% of all Board meetings.
⑥ The Board transfers appropriate authority to the President to ensure efficient decision-making.

Corporate Governance Committee | Held twice in FY2021
Checks whether business activities comply with the JAL Group Fundamental Policies of Corporate Governance, conducts analysis and assessment to determine whether they will contribute to sustainable growth and enhancement of corporate value over the medium- to long-term, and provides necessary feedback and recommendations to the Board of Directors.

To assess the effectiveness of the Board of Directors, from the previous year, we have been proposing an expansion of the scope of interviews to all Directors and Corporate Auditors because the assessment has been conducted through a questionnaire only for External Directors. Furthermore, a number of recommendations were made as topics to be addressed in the future such as promoting a new DX strategy and the need for further operational integrity.

Officers Disciplinary Committee | Not held in FY2022
Decides disciplinary action of Directors and Executive Officers.
Management Committees directly under the President

The Board of Directors transfers appropriate authority to the President in order to make efficient decisions.

Executive Management Council | Held 35 meetings in FY2022

The Executive Management Council is an organ established by the JAL Group, the Group Safety Enhancement Council makes decisions on important safety policy matters, and the JAL Group will promptly report the incident to the Board of Directors twice in FY2022.

Group Safety Enhancement Council | Held 12 meetings in FY2022

To ensure flight safety and promote safety management of the entire JAL Group, the Group Safety Enhancement Council makes decisions on important safety policy matters, confirms the status of and regularly reviews the Safety Management System, and takes actions to be taken concerning safety in daily operations, among others, according to the JAL Group Corporate Policy and company policies to promote flight safety and manage safety management of the entire JAL Group.

Major Activities in FY2022:
- In addition to understanding the JAL Group’s overall aviation safety policy and safety management system, we discussed how to respond to aviation accidents and other incidents during the fiscal year under review. In the event of an air accident, the JAL Group will promptly report the incident to the Board of Directors.
- We discussed how to respond to aviation accidents, and other incidents during the fiscal year under review. In the event of an air accident, the JAL Group will promptly report the incident to the Board of Directors.

CustomerValue Creation Council | Established in June 2023

Aiming at resolving important issues related to customer value for all customers and society, the JAL Group establishes a formal customer value creation policy and management system, and makes progress in promoting the JAL Philosophy.

JAL Philosophy Council | Held one meeting in FY2022

The JAL Philosophy Council establishes the fundamental policy, and draws up, enforces, and manages progress of measures to promote the JAL Philosophy.

Group Risk Management Council | Held two meetings in FY2022

To conduct overall risk management and achieve stable JAL Group management, the Risk Management Council establishes the fundamental policy on risk management, conducts regular risk assessment, establishes countermeasures, and manages business continuity, among others. Major activities in FY2022:
- Review of priority risks, status of response to priority risks, and discussion on priority issues such as cyber security and response to the anticipated Tokyo Metropolitan Earthquake. In FY2022, we reported to the Board of Directors twice in total.

Group Business Performance Reporting Meeting | Held 12 meetings in FY2022

The Group Business Performance Reporting Meetings are aimed at sharing earnings of each Group company and each division in the JAL Group and considering ways to improve business performance.

Group Management Council | Held 26 meetings in FY2022

The Group Management Council conducts deliberation to check progress of important management issues facing the JAL Group and establish measures to address these issues, and reports information of significant importance.

Support for Directors and Audit and Supervisory Board Members

Legal considerations are explained to the directors, as necessary, to ensure that they are fully aware of their duties, including the fiduciary duties of the duty of loyalty and the duty of care. They are provided opportunities for continuous participation in external training and affiliated organizations.

In addition to the provision of corporate information, Audit and Supervisory Board Members are given opportunities to participate in external training and external organizations.

In order to deepen their understanding of the Company, we provide Outside Directors, Outside Auditors, and Supervisory Board Members with safety education including a memorial climb of Mt. Osutaka, a visit to the Safety Promotion Center, and visits to frontlines. We also provide advance briefings on agenda items as necessary and opportunities and materials to explain other matters at their request.

Progress in Strengthening Corporate Governance

Ahead of the establishment of the Corporate Governance Code, we established in FY2012 voluntary committees for nomination and remuneration, among others, as a company with an Audit and Supervisory Board, and have actively made efforts to improve board effectiveness to strengthen governance in accordance with the Corporate Governance Code.

In FY2022, we established a system whereby the Audit Department reports directly to the Board of Directors in addition to the Board of Corporate Auditors (Dual Reporting Line). At the June 2023 Annual General Meeting of Shareholders, we established a system with multiple female directors.

<table>
<thead>
<tr>
<th>Trends in the Corporate Governance Code, etc.</th>
<th>2012</th>
<th>2015</th>
<th>2018</th>
<th>2021</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional design as a company with an Audit and Supervisory Board</td>
<td>2012 Established the Corporate Governance Code</td>
<td>2015 Established the Revised Corporate Governance Code</td>
<td>Corporate Governance Code</td>
<td>Corporate Governance Code</td>
<td>Corporate Governance Code</td>
</tr>
<tr>
<td>Strengthening supervisory functions</td>
<td>FY2012 Established committees relating to nomination, officer remuneration, etc., chaired by an Outside Director</td>
<td>FY2015 Introduced a new officer remuneration system (CEO’s success case for the President, etc.)</td>
<td>FY2017 Increased the number of Outside Directors from 2 to 3</td>
<td>FY2017 To be chaired by a non-executive director</td>
<td>FY2021 Compliance with all principles of the (revised) Corporate Governance Code</td>
</tr>
<tr>
<td>Composition of Directors</td>
<td>Chair of the Board of Directors</td>
<td>FY2012 Independent Outside Directors (3)</td>
<td>FY2015 - Increased the number of Outside Directors from 2 to 3</td>
<td>FY2017 Compliance with all principles of the (revised) Corporate Governance Code</td>
<td>FY2021 Compliance with all principles of the (revised) Corporate Governance Code</td>
</tr>
<tr>
<td>Compliance with the Corporate Governance Code</td>
<td>Improving board effectiveness</td>
<td>FY2015 Compliance with all principles of the Corporate Governance Code</td>
<td>FY2016 - Compliance with all principles of the (revised) Corporate Governance Code</td>
<td>FY2017 - Completed Board Effectiveness Assessment</td>
<td>FY2022 Strengthened the risk management meeting body</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FY2021 - Compliance with all principles of the (revised) Corporate Governance Code</td>
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★ Established a dual reporting line whereby the Audit Department reports directly to the Board of Directors.

*To be chaired by a non-executive director
Management Structure

(i) Board of Directors (as of August 1, 2023)

Directors are selected from those with extensive experience in various fields and high insight and expertise, paying attention to ensuring diversity in terms of gender, international nature, work history, and age, among others. We also aim to have more than one female director from FY2021. In addition to the previous one outside director, we have newly appointed one in-house director to realize a system with multiple female directors. The JAL Group will explain legal considerations and other matters to the directors and will ensure that the directors are fully aware of their duties, including the duty of loyalty and the duty of care of good offices, and provide opportunities for outside training and continuous participation in external organizations. The term of office of directors shall be one year to clarify management responsibilities for each fiscal year.

Outside Directors are elected from those more suitable independent candidates and comprise at least one third of the Board of Directors. In accordance with our company’s “Independence Standards” for Outside Directors, The JAL Group will not appoint outside directors who are unable to secure substantial independence or who concurrently serve as directors of more than four listed companies in addition to our company. Furthermore, one of the Outside Directors will be appointed as the Lead Independent Outside Director to strengthen cooperation with Audit and Supervisory Board Members and internal divisions.

List of Directors

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Important positions currently held or held in a public company</th>
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<tbody>
<tr>
<td>Director</td>
<td>YANAGI Hiroyuki</td>
<td>Outside Director, Japan Exchange Group Inc., 89% (18/18) Chairperson</td>
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<tr>
<td>Director</td>
<td>SHIMIZU Tadayuki</td>
<td>Representative Director, Senior Managing Executive Officer</td>
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<td>Independent Outside Director, Lead Independent Outside Director</td>
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<td>Director</td>
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<td>Independent Outside Director</td>
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Succession Plans for the Presidents and Other Leaders

The qualifications required of the President and other leaders are as follows: “Persons with qualities to steadily achieve positive results toward realizing the Corporate Policy by working together with all employees based on a firm commitment to fight safety, which is the basic foundation of business continuity for the JAL Group. They must also have a strong will to innovate in the environment of the JAL PHosophy.” The Nomination Committee continuously discusses candidates for the position of President, among others, and provides the candidates with practical and diverse experience, such as management experience, human resources management experience, and activities at external organizations, so that they can acquire the necessary background for management at an early stage.

With regard to the development of the next generation of executives, including executive officers, the Human Resources Committee holds practical discussions on setting career paths, rotating across departments, forming external networks, and pooling human resources in order to promote diversity and expand capabilities.

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<td>Director</td>
<td>MITSUYA Yuko</td>
<td>Independent Outside Director</td>
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</table>
In addition to attending meetings of the Board of Directors and other important meetings, the Audit and Supervisory Board Members audit important matters related to corporate and business operations and the status of business execution by inspecting important business documents. In addition, together with Corporate Auditors and other staff, they conduct annual audits of each business site and subsidiary, and report the results to the Representative Director. In addition, they strive to exchange information with the Internal Audit Division and the Accounting Auditor. Throughout their attendance at meetings with our auditors, Audit and Supervisory Board Members enhance and strengthen auditing throughout the Group, our company provides company information to Audit and Supervisory Board Members. In addition, they provide external training opportunities and continuous participation in external organizations for internal Audit and Supervisory Board Members.

Officer Remuneration

■ Policy on the Decision of Officer’s Remuneration

① To achieve sustainable and steady growth and increase corporate value over the medium- to long-term, we promote business execution in accordance with the Corporate Policy and management strategies, and strongly motivate Directors to achieve specific management targets.

② We will establish appropriate ratios for performance-linked bonuses based on business performance. For the purpose of further promoting the alignment of interests of shareholders, establishing appropriate ratios for performance-linked shared based remuneration linked to corporate value in accordance with medium- to long-term performance, in order to contribute to demonstrating social corporate value.

③ We will provide remunerations that are appropriate to our top management in accordance with our business performance.

■ Remuneration Levels and Remuneration Composition Ratios

① We will set appropriate remuneration levels with reference to the business environment and objective remuneration data in the marketplace.

② Taking into account the nature of our company’s business and the effectiveness of performance-linked bonuses, the ratios of (A) the amount of fixed basic remuneration, (B) the amount of performance-linked bonus to be paid based on the degree of achievement of the target, and (C) the amount of performance-linked stock remuneration to be delivered based on the degree of achievement of the target are set as follows (The following percentages are indicative and fluctuate in response to changes in business environment and roles of each position).

<table>
<thead>
<tr>
<th>Remuneration Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total remuneration, etc.</td>
<td>100%</td>
</tr>
<tr>
<td>Fixed basic remuneration</td>
<td>50%</td>
</tr>
<tr>
<td>Performance-linked bonus</td>
<td>35%</td>
</tr>
<tr>
<td>Performance-linked stock remuneration</td>
<td>5%</td>
</tr>
</tbody>
</table>

- The total amount of remuneration, and the like, for directors does not include salaries for employees who concurrently serve as Directors.

- The total amount of remuneration, and the like, for candidates is set as above policy.

- The total amount of remuneration, and the like, for employees in FY2022 is in line with the above policy stipulated by our company.

■ Framework for Performance-linked Remuneration

Performance-linked bonuses and performance-linked stock remuneration indicators are reviewed as appropriate in response to changes in the business environment and the roles of each executive. In FY2022, we reviewed performance-linked bonuses and performance-linked stock remuneration indicators in order to more vigorously promote ESG, business and financial strategies, which are the three pillars of the Medium-Term Management Plan’s management strategy.

- Performance-linked shares of remuneration commencing in FY2019, FY2020, and FY2021 will be ultimately not paid based on performance.
4. Effectiveness Evaluation

(i) Effectiveness Evaluation of the Board of Directors

While referring to the self-evaluation of each director and auditor, and third-party analysis, we conducted an effectiveness evaluation annually. We aim to improve our corporate value over the medium to long term by reviewing our operations.

Main Agenda Items Discussed by the Board of Directors

In FY2021, a total of 19 monthly Board meetings and extraordinary Board meetings were held.

**[Management Strategy]**
- 2021-2025 JAL Group Medium Term Management Plan
- Progress of the Rolling Plan 2022

**Sustainability Initiatives**
- Promotion of business structure reform
- Promotion of human resources strategies
- Promotion of DX Strategy
- 2021-2025 JAL Group Medium Term Management Plan
- Formulation of Rolling Plan 2022

**Risk Management**
- Strengthening risk management

**Governance and Risk Management**
- Evaluation of Board effectiveness
- Resolution of Remaining Committee Statutes
- Report and decision of the Committee on appointment of new executives and remuneration

**Operations**
- Development and evaluation of internal controls

**Financial Results\Finance**
- Quarterly financial results
- Financing
- Notification of cross-shareholdings

**[Dialogue with Stakeholders]**
- Response to Audit and Supervisory Board Member Audit Report

**Governance**
- Status of operation of the shareholder benefit system

**[Investigation of longer-term operation]**
- Effects to further strengthen constructive dialogue with shareholders
- Feedback on IR findings, among others
- Discussions on climate change based on TCFD

(ii) Effectiveness Evaluation of the Audit and Supervisory Board

The Audit and Supervisory Board conducted a questionnaire to all Audit and Supervisory Board Members and carried out a self-assessment on the status of audit activities, which was used as a reference for planning for the next fiscal year.
5. Message from Outside Directors and Chair of the Board of Directors

Support the Company’s Challenges with the Knowledge of General Trading Company Management and Work to Realize Rolling Plan 2023

KOBUYASHI Eizo
Independent Outside Director (Principal Independent Outside Director)
Chair of Corporate Governance Committee
Chair of Renumeration Committee

Support growth strategy with knowledge gained as top management

The JAL Group Board of Directors has three outside directors, each with different knowledge and experience, who discuss various issues. There was a sense of tension at the Board Meeting when the COVID-19 pandemic was anticipated to continue for three more years from the beginning of 2020 as this would weaken the foundation of the JAL Group. In 2021, when the COVID-19 pandemic came to an end and air transport demand showed a pant-up demand, the JAL Group changed its policy from the pre-COVID-19 FSC-only stance and attempted to introduce a new businesses from a completely different perspective.

There is a limit to what we can do with our employees when developing new businesses. But if you look at other companies, there are always companies that excel in different fields with talented people. I think we have entered an era in which we can take on big challenges by incorporating our foresight and knowledge. The future growth strategy of the JAL Group will be to take advantage of external resources through collaborating businesses and to establish two or three new business realms.

At the trading company where I was President, there was a saying, “the status quo is, in other words, an omission”. At that time, I continued to say to my employees, “Challenge, Create, Commit” and I asked them to be honest in order to be trusted by our customers, and to become people who launch businesses that open the future with an aggressive spirit and frontier spirit.

Our company’s board of directors also spoke out based on this experience.

Enhance Effectiveness Evaluation of the Board through Discussions

In the Corporate Governance Committee, discussions were focused on the effectiveness evaluation of the Board. As Chair of the Committee, I am conscious of the transparency of management decision making, and am facilitating it from the viewpoint of strengthening our company’s management. I always advise people to implement the Medium-Term Management Plan’s PDCA, but when evaluating its effectiveness, I ask what they could and couldn’t do, why was it not possible and how it could be made into a valuable experience and asset.

In addition, when revising the Corporate Governance Code, we believe that it should be “Comply and Express” rather than “Comply or Express.” There is no point in adhering to the Corporate Governance Code unless you can properly explain its contents. I will continue to contribute to the improvement of board effectiveness by taking the reins of the Committee as Chair so that we can improve our issues and move in a better direction.

Deliver a sustainable growth story from the Board of Directors

At the 2022 meeting of the Board of Directors, we discussed both structural reforms and growth strategies. In terms of structural reform, we focused on breaking away from the COVID-19 pandemic and restoring the LCC business. As for the growth strategy, we discussed refurbishing the cabin of passenger aircraft and the business model utilizing freight-only aircraft, and decided on the investment paths when the COVID-19 pandemic subsidies. When I discuss growth strategies, I first have a hypothesis or a concept, which I use to develop a business plan and manage to check the flow of decisions. And I believe that the decisive and driving factor in decision making is whether the company has established methods to consolidate its management.

The growth strategy of the JAL Group now includes expanding into new areas. In March 2023, JAL signed a purchase agreement for 21 Boeing 737-8 fuel-efficient aircraft. This is the first time in 18 years that JAL has ordered a new Boeing model, which will be introduced in 2026. This is a very large investment that the JAL Group rarely makes. I hope the whole Group will be excited and take on the challenge. In order to achieve this, the Board of Directors needs to properly communicate to our Group employees the story of why “fair transportation and social connections” set forth in this Rolling Plan creates value and a sustainable business model.

From the viewpoint of sustainability, the aviation industry has a great responsibility to promote measures against climate change, such as reducing CO2 emissions. From an aircraft perspective, there are two basic directions to change the aircraft: change to an energy-efficient aircraft or change the loaded fuel. In particular, the production and stable supply of synthetic fuels is essential, and research on domestic SAF is a pressing issue. We will use our experience in developing engines and synthetic fuels at our manufacturers and the National Institute of Advanced Industrial Science and Technology to provide advice on the importance of synthetic fuels for the future of decarbonization and GX.

Discussing board diversity from a global perspective

In addition to discussions on the Succession Plan at the Nominating Committee, we decided to reappoint the President, which has been enforced at other companies where I am an Outside Director. Looking back at the President’s efforts over the past year, and confirming his future desires, we will be able to have a transparent and exciting management process from the perspectives of whether his ideas will lead to the improvement of corporate value. At our company, three of the nine directors are Outside Directors. However, as corporate management is questioning the importance of diversity, it is not enough to have a diversity of directors. One of the outside directors was originally a woman, but it is significant that Ms. TOTTOYU MATSUOKA, who was a former JAL employee, has joined the board as a Representative Director Senior Managing Executive Officer. Furthermore, based on my experience in global management, I feel that non-Japanese often have a stronger awareness of issues such as human rights, and it is for our company to start considering the appointment of non-Japanese directors. As Chair of the Nominating Committee, I will continue to enhance discussions on the diversity of the Board of Directors in order to broaden the scope of our company’s business and promote diverse discussions.
Work to create a system that enables women and young people to play an active role by leveraging their experience as leaders

MITSUYA Yuko
Outside Director

Create a climate where challenges can be taken through dialogue

When I was in my 20s and traveling around the world with the national volleyball member most of my travel was with JAL to and from Narita Airport. As my first flight was also with JAL, JAL is my starting point in air travel. As an athlete, my judgment is made not whether I can do it, but whether I want to do it. When I was offered the position of an Outside Director, I accepted this challenging offer. I became a teacher soon after I retired from being an athlete, and I have been working on human resource development since then. In this Rolling Plan 2023, we are focusing on human resource development and diversity under the guidelines of developing and hiring “a person who respects diverse values, challenges new value creation, and inspires change”. I would like to use my experience to contribute to the development of human resources that the JAL Group values. The point of contact with airlines that many customers have been working on human resource development and diversity under the guidelines of developing and hiring “a person who respects diverse values, challenges new value creation, and inspires change”. I would like to use my experience to contribute to the development of human resources that the JAL Group values. The point of contact with airlines that many customers

also in many other companies. From now on, men and women will have equal opportunities. A system must be created that allows them to make mistakes, and experience small successes and small failures over again from a young age. In order to create a climate in which young people can take on challenges, I want to engage in dialogue with diverse employees in our company, including women and young people.

Submit your perspectives to the Board because this is your first year

In the coming year, I will use my experience to strengthen human resource development, diversity, and governance. The advantage of my first year as an outside director is that I can see JAL from a fresh perspective. This will be a period before I will become accustomed to the company’s thinking. I will be able to evaluate the company from outside perspectives, including the perspectives of our customers, and compare it with other companies. I believe that it is my role to contribute to the improvement of Effectiveness Evaluation of the Board by making statements at the Board of Directors meetings on areas we should improve.

Build a trusting relationship with each and every director

Based on its responsibilities to shareholders and other stakeholders, the Board of Directors is required to promote the sustainable growth of the JAL Group and the improvement of corporate value over the medium to long term while resolving social issues. In order to achieve this, while conducting highly effective supervision, we must take appropriate risks and present a major director.

As stated in the Skills Matrix, diversity is a strength of our Board of Directors, which consists of members with diverse backgrounds and broad knowledge. Outside Directors, who have a wealth of management experience and high levels of expertise, provide opinions that are hard to come by among internal executives. We have not once or twice heard proposals that extend much longer than planned or that are not approved as proposed due to severe objections. This proves that a strong supervisory function is definitely enforced. On the other hand, we decided to take the opportunity of the COVID-19 pandemic to build a highly resilient business portfolio, but in order to expand new business areas, we need to draw on the knowledge of Outside Directors to boldly support new challenges. However, new businesses are reasonably risky and sometimes divided.

Support the implementation of growth strategies through communication

Needless to say, it is up to the JAL Group employees to implement the medium- to long-term growth strategy determined by the Board of Directors. Taking advantage of my long term experience as a captain (flight) at the front line and coming from within this company, I always organize the decisions made at the Board of Director meeting by taking on the viewpoint of how to convey them to our employees. I also seek to deliver messages that will increase the commitment of our employees.

These days, some argue that Outside Directors should serve as Chair of the Board of Directors, but the important thing is to make optimal management decisions and make sure that those decisions are implemented. The responsibility of the Chair of the Board of Directors is to ensure that the JAL Group is “the world’s most preferred and valued airline group”. 

To maximize the strength of Board Members with diverse backgrounds and advanced knowledge to inspire employees

UEKI Yoshiharu
Director, Chairperson

Outside Director
MITSUYA Yuko
Outside Director

Build a trusting relationship with each and every director

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My 30 plus years of pilot experience is advantageous. Pilots gather diverse information and opinions on every flight in order to deliver safety and security based on the trust relationship with colleagues, including those working at airports and in the cabin. Like an orchestra conductor, the role of the Chair of the Board of Directors is to create the best possible symphony by harmonizing the various voices in an open discussion. The optimal feature of the Chair of the Board of Directors is that it brings the minds of board members together in a position that is distinct from execution.
5. The Trails of Challenges

Since its establishment in Japan in 1951 as the first commercial airline after World War II, the JAL Group has constantly grasped the trends of the times, and accumulated challenges and innovations. Going forward, we will continue to take advantage of the strengths we have cultivated through our 70-plus year history to realize a vibrant society and future where many people and goods freely move around and work together with our stakeholders to achieve the "world’s most preferred and valued airline group."

1951 to 1970s

Initially, we faced another company, aircraft, and started our business by operating and maintaining outsourcing. However, we expanded our route networks for realizing our long-awaited aircraft and independent operations and supported the mass transit era of the 1970s.

1980s to 2000s

As we entered the era of great competition due to the Open Sky agreement and deregulation of aviation, we improved our service quality to differentiate and grow as a global airline.

2010 to Today

After bankruptcy in January 2010, we recovered our business by optimizing the scale of our operations and reforming employee attitudes. An unprecedented crisis emerged with the COVID-19 pandemic, however we will overcome it by taking advantage of the strengths we built up to date and working together to realize JAL Vision 2030.

Recovery from Bankruptcy
Overcoming the COVID-19

Create relationships and connections through air transportation with ESG strategy as top strategy

To Become the World’s Most Preferred and Valued Airline Group

Human Capital

Intellectual capital

Social and related capital

Manufacturing Capital

Financial Capital

Natural Capital

Precious Early Resource use with low environmental impact

Data Section

Sustainability

Organization and Management Foundation

Customer Base

Route Network

IT System

Human Resources

Aircraft

Chapter 2 The JAL Group Value Creation Story

1. Materiality

2. JAL Group’s Value Creation Story

3. JAL Group’s Value Creation Process

4. Foundations of Value Creation

5. The Trails of Challenges

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