Corporate Governance Report

Last Update: Jul.2.2019

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 implements all principles of the Corporate Governance Code and has a corporate governance structure in place. We will continuously work to increase corporate value.

[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)

We regard shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholder returns through continuous and stable dividends and flexible share repurchases, while securing internal reserves for making investments for corporate growth in the

future and changing business environments and to build a strong financial structure.
Our shareholder return policy for the fiscal year ending March 31, 2020 and the following years is as follows:
In order to maintain a stable dividend level despite the upcoming effective tax rate increase, we will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. When determining the dividend amount in the future, in principle we will not exclude the impact of income taxes-deferred. In addition, we will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, we seeks to achieve a total payout ratio, which combines the total dividends paid out and the total amounts of the share repurchases, of an approximately 35% to 50% range through appropriately sharing periodic profits and allocating capitals among all of its stakeholders.
At the same time, we continuously strives to improve capital efficiency through monitoring a total return on equity ratio, which is calculated by dividing the sum of total dividends paid out and share repurchases by shareholders' equity. We make its efforts to maintain this ratio at approximately 3% or above.
The Ordinary General Meeting of Shareholders approves the year-end dividend, but the Articles of Incorporation state that the Company may pay an interim dividend after approval by the Board of Directors, based on a record date of September 30.

[Principle 1-4 (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 always verify the degree of contribution to corporate value enhancement of holding shares.. Specifically, we compare profit on transactions attributable to dividends received and shares held with target capital cost, conduct quantitative study and take into consideration qualitative factors. We also pay attention to market value.
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.
We confirmed the policy concerning reduction of the number of shares of listed companies held by the Company at the Board of Directors meeting on November 21, 2018.

(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 2-6 (Roles of Corporate Pension Funds as Asset Owners)]
The Company adopts the defined benefit corporate pension plan and manages the pension fund through the JAL Corporate Pension Fund.
The JAL Corporate Pension Fund has established a fundamental policy on pension asset management and has drawn up a basic asset allocation plan in order to ensure pension benefits into the future.
Changes to the fundamental policy and implementation of new investments require resolutions by the Board of Directors and Board of Representatives. Staffs with appropriate qualities are elected as Directors and Representatives.
Vice President of Finance of the Company serves as Pension Investment Director who executes management and investment duties of the pension fund. Members of the Secretariat strive to improve their expertise by attending external seminars and such.

The Pension Finance Committee, which is placed under the Chair of the Board of Directors, deliberates on financial operation in general, monitors operation, reports results and submits proposals to the Chair, and reports results to the Board of Representatives.

[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/philosophy.html)

(Management strategies, management plan)
We drew up the FY2017-2020 JAL Group Medium Term Management Plan in April 2017, marking 2020 as the final fiscal year when the Olympic and Paralympic Games Tokyo 2020 will be held and developments at Tokyo metropolitan airports are scheduled. To achieve the management goals defined in the Plan, it is reviewed every year based on changes in the external environment and the progress achieved toward fulfilling the Plan. In February 2019, we formulated Rolling Plan 2019 based on the present situation.
We will move forward steadily step by step to realize the JAL Vision, which presents our future corporate profile under the keywords "Transform JAL into a global airline" "Create values one step ahead" and "Sustainable growth," and the Grand Design, which presents the JAL Vision in concrete and quantitative details, to help drive sustainable and stable growth.
(http://www.jal.com/en/outline/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/governance.html)

(3) and (4) (Remuneration determination policy and process, and election and appointment/dismissal of senior management, Directors and Corporate Auditors)
We have established a Nominating Committee and Compensation Committee, which are voluntary committees.
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 comprehensively judges the personality, knowledge, ability, experience, performance and other attributes of each candidate based on an inquiry from the Board of Directors and reports back. Furthermore, in case the qualities of any member of top management is found questionable due to violation of the law, harassment negligence of the Board of Directors or such, members of the Nominating Committee and other Directors excluding the person in question will immediately conduct investigations based on a motion made by a Director at a Board meeting or other meeting. The Nominating Committee or other Directors will report the result of investigations to the Board of Directors. Treatment of the person in question shall be decided through a resolution by the Board.
The Company defines the President and other board members as persons with qualities to steadily get positive results toward realizing the Corporate Policy by working together with every staff based on a firm commitment to flight safety, which is the basis of existence of the JAL Group, and display of initiative in practicing the JAL Philosophy.
The Company assists candidates for President and other posts to quickly acquire grounding and discipline necessary for management through practical and diverse experiences.
Other 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/dismissal 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 Administrate 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 10 directors, including 1 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/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 and opportunities are provided for continuous participation in external training, affiliated organizations and such.
We provide opportunities for Corporate Auditors for continuous participation in external training, affiliated associations, etc. in addition to providing corporate information.
To deepen the understanding of the Company of Directors and Corporate Auditors, we provide safety education such as a memorial climb up Mt. Osutaka and visits to the Safety Promotion Center, in addition to visiting frontlines. We also provide advance explanations on agenda items to be submitted for deliberation, as necessary, and opportunities to explain other matters at their request.

[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 (Inventor 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)]
To achieve the management goals defined in the FY2017～2020 JAL Group Medium Term Management Plan, the Company announced, in February 2019, Rolling Plan 2019, which reviewed the mid-term plan based on changes in the external environment and the progress achieved toward the fulfillment of the plan, and shared the direction that the JAL Group is headed widely with our stakeholders.
The Medium Term Management Plan lays out financial targets of an operating profit margin of 10% or above and Return on Invested Capital (ROIC) of 9% or above. When setting target levels, we always check shareholder's equity cost through interactive dialogue with shareholders and investors and take into consideration Weighted Average Cost of Capital (WACC) based on this. To increase corporate value, we aim to maintain Return on Equity (ROE) of 10% or above by giving heed to capital efficiency and increasing profitability and asset efficiency, on establishing a strong financial structure enabling us to maintain an equity ratio of roughly 60% to prepare for business risks.
The Medium Term Management Plan and Rolling Plan provide the Company's financial strategy and capital policy, and concrete plans including growth through business domain expansion and innovation.
We explain specific measures to achieve our targets defined in the Medium Term Management Plan at financial results briefings and other venues. We revise these measures as necessary and explain the background, revisions and other matters at financial results briefings, the general meeting of shareholders and other occasions.
Details are uploaded on our corporate website.
（http://www.jal.com/en/investor/library/mid-term/)

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)	22,807,800	6.53%
Japan Trustee Services Bank, Ltd. (Trust account)	17,048,300	4.88%
Japan Trustee Services Bank, Ltd. (Trust account 9)	11,320,600	3.24%
KYOCERA Corporation	7,638,400	2.18%
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,803,600	1.95%
STATE STREET BANK AND TRUST COMPANY 505001.	5,067,600	1.45%
Daiwa Securities Group Inc.	5,000,000	1.43%
Japan Trustee Services Bank, Ltd. (Trust account 1)	4,529,400	1.29%
Japan Trustee Services Bank, Ltd. (Trust account 2)	4,203,000	1.20%
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,904,000	1.11%

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

Supplementary Explanation

[Status of major shareholders]

1. Shareholding ratio is calculated with 136,157 shares of treasury stock excluded, rounded down to two decimal places

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

3. We refused to register 54,616,546 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 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

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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 *Kansayaku* 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	10
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
Eiji Kobayashi	From another company											
Masatoshi Ito	From another company											
Sonoko Hacchoji	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
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 proposed 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 deep insight as a top management of a global company and extensive experience in marketing and management strategy, 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 proposed that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company.
Sonoko Hacchoji	○	NONE	Ms. Hacchoji has significant knowledge and extensive experience in the areas of financial products development, loans and risk management at banks and customer-centric marketing and management strategy in hotel management. The Company expects that she will give advice to the Company's management from her diversified perspectives over versatile themes including educational reforms at universities. 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 proposed that you elect her 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 the President and no more than four Directors elected by a resolution by the Board of Directors, the majority of members being Outside Directors. The Chairman is elected from among Outside Directors. Furthermore, the Committee continuously discusses various topics such as the election of successors to the President and other leaders to change and drive growth of the JAL Group in order to realize the JAL Group Corporate Policy and management strategies, and reports the result of their discussions to the Board.

[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 the President and no more than four Directors elected by a resolution by the Board, the majority of members being Outside Directors. The Chairman is elected from among Outside Directors. As a result, transparency and fairness in the compensation determining process is secured.

[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	6
Number of *Kansayaku*	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 *Kansayaku*	Appointed
Number of Outside *Kansayaku*	3
Number of Independent *Kansayaku*	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
Shinji Hatta	Academic													
Osamu Kamo	Lawyer													
Shinsuke Kubo														

* 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 *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
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

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
			practice, so the Company hereby proposed 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 proposed that you elect him as External Audit & Supervisory Board Member who meets the Independence Standards of External Officers stipulated by the Company.
Shinsuke Kubo	○	NONE	After joining Sanwa & Co. Tokyo Marunouchi Office (current Deloitte Touche Tohmatsu LLC), Mr. Kubo has cultivated extensive experience and achievements as well as high insight on accounting through his ample records in corporate audit, share listings, corporate revitalization, M&A and other areas. As such, the Company hereby proposed 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/*Kansayaku*	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	Introduction of a performance-linked remuneration system

Supplementary Explanation

It is described in [Director Remuneration] < Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods>

Recipients of Stock Options	—

Supplementary Explanation

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[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

Fundamental policies

(1) The Company will encourage the performance of duties consistent with our Corporate Policy and management strategies and provide strong incentives for the achievement of specific management targets, with the aim of sustainable and steady growth of the Company and the Group, and of medium to long-term improvement in corporate value.

(2) The Company will establish appropriate proportions for annual incentive (performance-linked bonus) linked to fiscal year performance and, for the purpose of further promoting the aligning of interests with shareholders, a long-term incentive (performance-linked share-based remuneration) linked to corporate value in accordance with medium to long-term performance, in order to contribute to the demonstration of sound entrepreneurial spirit.

(3) The Company will provide treatment that is appropriate to the management team of the Company, in accordance with the Company's business performance.

Remuneration levels and remuneration composition ratios

(1) The Company will set appropriate remuneration levels with reference to objective data on remuneration in the marketplace, and based on the business conditions of the Company.

(2) Taking into account factors including the content of the Company's business and the effectiveness of incentive remuneration, the Company sets the proportions of (1) amount of fixed basic remuneration*, (2) amount of annual incentive (performance-linked bonus) to be paid according to degree of achievement against targets, and (3) amount of long-term incentive (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets, as follows.

Guideline for the case of 100% achievement against targets: (1):(2):(3) = 50%:30%:20%

The above ratio is meant to be a guideline only, and changes may be made to reflect changes in the share price of the Company’s shares or for another reason.

* The amount excludes the amounts of allowances in cases in which an Executive Officer serves concurrently as Director, and the amounts of allowances when the Executive Officer has representative authority.

Framework for incentive remuneration

(1) The amount of money to be paid every term as an annual incentive (performance-linked bonus) will vary from approximately 0 to 200 depending on degree of achievement, with 100 as the amount to be paid in the case of achievement in line with performance targets. The indices for evaluation of performance will be profit attributable to owners of parent, indicators related to safe operation, and individual evaluation indices for each officer, etc. Reviews of these will be considered as necessary in accordance with changes in the business conditions, the roles of officers, etc.

Furthermore, based on for FY2018's fiscal results, the indicators for evaluating performance were set as profit attributable to owners of parent, indicators related to safety operation, and individual evaluation indices for each officer, and payments were made in July 2019. We achieved our targets for net profit attributable to owners of parent.

(2) The number of shares to be granted every term as a long-term incentive (performance-linked remuneration) will vary from approximately 0 to 220 depending on degree of achievement, with 100 as the number to be granted in the case of achievement in line with performance targets. The performance evaluation period will be three years, with performance for three consecutive business years evaluated every term. The indices for evaluation of performance will be items prioritized in our Medium-Term Management Plan, including consolidated operating margin, consolidated ROIC, and customer satisfaction. Reviews of these will be considered in every Medium-Term Management Plan period.

In regard to common stock granted to target Directors and Executive Officers through this Share-Based Remuneration Plan, the Company will establish a target number of held shares for each position and impose a certain sale limit with the goal of further promoting the aligning of interests with shareholders.

・The performance evaluation period for the "standard number of shares to be delivered" as part of the "performance-linked share-based remuneration" that began in FY2017 is three years, and the final number of shares granted is determined using the FY2019 "consolidated operating profit margin," "consolidated ROIC," and "customer satisfaction."

・FY2021 "consolidated operating profit margin," "consolidated ROIC," and "customer satisfaction" will be similarly used in determining the "performance-linked share-based remuneration" that began in FY2019.

Procedures for determination of remuneration, etc.

Matters related to remuneration of Directors and Executive Officers will be decided by the Board of Directors, following deliberation and reporting within a Compensation Committee arbitrarily established by the Company. A majority of the members of the Compensation Committee will be External Directors, and its Chairman will be appointed from among the External Directors.

[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.

[Situation of those who have retired from the representative directors, etc]

[Name of Corporate Counselor or Adviser who have retired from the representative directors, etc]

Name	Position	Business outline	Work Condition	Retirement of the representative directors, etc	Term
Kazuo Inamori	Honorary Adviser	Advice of Divisional Profittability System and JAL Philosophy	Non-permanent, without remuneration	Mar,31,2013	Annual
Masaru Onishi	Special Director	Matters commissioned by the Company (external affairs including activities in the business community, activities by various organizations and associations)	Non-permanent, remuneration to be paid	Mar,31,2018	One year from July 1, 2019

Number of the relevant person	2

【Other matters】
The Company has regulations concerning “Special Directors” in place, prescribing that persons who have served as Chairman, Vice-Chairman and/or President shall be elected, after retiring as an executive director, as a Special Director by a resolution of the board of directors（up to 2 years）. A Special Director will not be involved in the day-to-day management of the Company.
On the other hand, the Company requires the support of retiring executive directors in external activities such as activities of the Company in the business community. Therefore, compensation and benefits shall be provided commensurate with the work performed under this framework.

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 10 Directors (including 1 female Directors) and 27 Executive Officers excluding concurrent Directors (including 3 female Executive Officers). In addition,

[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 for the positions of Directors, Corporate Auditors, and Executive Officers, decides their remuneration, and makes important decisions.
In order to separate the management monitoring function and business execution function, the Board of Directors appoints a Director who does not concurrently serve as Executive Officer 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 Administrate 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.

(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. Furthermore, a remuneration system that provides

sound incentives for sustainable growth has been introduced to Directors (excluding Outside Directors).
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" (Appendix②) 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.

[Internal Audits]
Auditing Department (11 employees) conduct internal audits centering on Group-wide themes concerning risks of major losses, business effectiveness and efficiency, credibility of financial reports, compliance with laws and regulations, and preservation of assets, etc., according to a risk-analysis-based audit plan for the fiscal year. With regard to credibility of financial reports, the Auditing Department also conducts general evaluation as an independent organization under the President in the internal controls reporting system relating to financial reports, according to the Financial Instruments and Exchange Act.
From the perspective of auditing, the Auditing Department, as the third defense line in the three lines of defense model, places emphasis on checking the second defense line, such as the General Affairs Department (risk management), Legal Affairs Department and Accounting Department, utilizing the expertise, to verify whether they are supporting and monitoring Group organizations properly.
Results of internal audits are reported to the President at each instance and information on important matters concerning internal controls is provided to the Audit & Supervisory Board Members and Accounting Auditor to promote mutual coordination. The Corporate Safety and Security Division and Engineering and Maintenance Division, Auditing Department are responsible for safety audits and maintenance audits which are conducted in compliance with laws and regulations on the air transport business.

[Accounting Audits]
Accounting audits are conducted by KPMG AZSA LLC at our request, according to audits required under the Companies Act and the Financial Instruments and Exchange Act. In addition to periodic audits, accounting issues such as the establishment, amendment and abolition of laws, regulations and rules are checked as necessary to achieve appropriate accounting work.

[Establishment of Various Committees]
We have established the following committees under the Board of Directors to build a corporate governance system that results in high management transparency and strong management monitoring.

(1) Corporate Governance Committee
The Corporate Governance Committee checks, at least once a year, whether activities comply with JAL Group Fundamental Policies of Corporate Governance, conducts analyses and evaluations to determine whether such activities contribute to sustainable growth and enhancement of medium- and long-term corporate value, and provides necessary findings and reports to the Board of Directors. The Corporate Governance Committee is comprised of the Chairman of the Board and Outside Directors, and is chaired by The Lead Independent Outside Director.
(2) 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 comprehensively judges the personality, knowledge, ability, experience, performance and other attributes of each candidate based on an inquiry from the Board of Directors and reports back. The Nominating Committee is comprised of the President and no more than four Directors elected by a resolution by the Board of Directors, the majority of members being Outside Directors. The Chairman is elected from among Outside Directors. Furthermore, the Committee continuously discusses various topics such as the election of successors to the President and other leaders to change and drive growth of the JAL Group in order to realize the JAL Group Corporate Policy and management strategies, and reports the result of their discussions to the Board.
(3) 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. The Compensation Committee is comprised of the President and no more than four Directors elected by a resolution by the Board, the majority of members being Outside Directors. The Chairman is elected from among Outside Directors. As a result, transparency and fairness in the compensation determining process is secured.
(4) Personnel Committee
When appointing or dismissing an Executive Officer, the Board of Directors consults the Personnel Committee and takes into account the Committee's report on such matters before passing any resolution. The Personnel Committee is comprised of the President and no more than four Directors elected by a resolution by the Board, the majority of members being Outside Directors. The President serves as Chairman.
(5) 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 the President and no more than four Directors elected by a resolution by the Board, the majority of members being 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.

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

[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.

[Other organs concerning governance]
We have established the following organs concerning governance.

(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 Council for Safety Enhancement General Meeting)
To secure flight safety and promote safety management of the entire JAL Group, the JAL Group Council for Safety Enhancement General Meeting makes decisions on important safety management policies, confirms the status of and regularly reviews the Safety Management System, and decides actions to be taken concerning safety in daily operations, etc., according to the JAL Group Corporate Policy and company policies to secure flight safety and promote safety management of the entire JAL Group.

(Risk Management Council)
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, etc.

(Corporate Brand Promotion Council)
To enhance the corporate brand (corporate value), the Corporate Brand Promotion Council establishes important policies on the corporate brand (corporate value), confirms the status of corporate activities, and conducts progress management and information sharing of corporate brand enhancement measures, according to the JAL Group Corporate Policy and company policies.

(JAL Philosophy Council)
Establishes the fundamental policy, and draws up, enforces, and manages progress of measures to promote penetration of the JAL Philosophy.

(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.

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

[Overview of liability limitation agreement]
In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with each External Director and Audit & Supervisory Board Member, by which they are bound to be liable for damages specified in Article 423, Paragraph (1) of the Companies Act, to the extent of the amount of the minimum liability specified in Article 425, Paragraph (1) of the said Act.

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.

	Supplementary Explanations
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. (http://www.jal.com/en/investor/library/)
Establishment of Department and/or Manager in Charge of IR	Director in charge: Hideki Kikuyama, Executive Managing Director 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.	"Basic CSR Policy of JAL Group" - 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'. JAL Group's CSR activities will be promoted through the implementation of JAL Philosophy in order to realize the JAL Group Corporate Policy. "Environmental Guidelines and Action Plan" 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. 1. We will promote global warming prevention projects. 2. We will promote environmental social activities and environmental awareness promotion projects. 3. We will strive to realize a resource recycling society and environmental conservation. 4. We will strive to realize environmental conservation around airports. 5. We will give consideration to bio-diversity.

	Supplementary Explanations
Development of Policies on Information Provision to Stakeholders	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.
Other	We were honored with the 2018 Award for Excellence in Corporate Disclosure in the Transportation Industry by the Securities Analysts Association of Japan. We will continue to further improve disclosures in quantity and quality to realize constructive dialogue with markets and investors. It is our belief that active participation of diverse human resources and embracing challenges to create new values will lead to corporate growth. Therefore, JAL aspires to be a company where every employee can participate in the workplace, regardless of nationality, gender, sexual orientation, gender identity, age, disability or other attributes. JAL promotes Diversity & Inclusion under the strong determination and leadership of top management and actively promotes the achievement of SDGs(※). 1. Top Management Commitment and Promotion Structure JAL announced its Diversity Proclamation in March 2014 in accordance with the JAL Group Corporate Policy to "pursue the material and intellectual growth of all our employees" and the JAL Philosophy. Since then, we have communicated to all employees that JAL will promote Diversity & Inclusion as the clear intent of management through the President's Message released each year. Furthermore, we established the Human Resources Strategic Department in June 2017, responsible for developing a diversity management strategy, and have built a framework to speedily promote diversity by way of further involving the entire Group. 2.Promotion of Diversity & Inclusion As the active participation of female employees, representing approximately half of all employment, is essential for diversity in JAL, we raised the ratio of women in management to 20% by the end of FY2023. The current ratio of female management is 16.3% (as of March 31, 2018). In concrete terms, we set up a cross-organizational project called JAL Nadeshiko Lab in 2015, which is managing progress of numerical targets, nurturing female employees, holding in-house seminars and conducting other activities. We are also working to promote senior worker employment, increase employment opportunities for people with disabilities and deepen understanding of LGBT (sexual minorities). In March 2017, we added "Respect and adapt to diverse cultures" as a quality sought in "The Ideal JAL Group Employee" and are actively appointing employees hired in overseas regions to management posts and nurturing global human resources. 3.Promotion of Workstyle Innovation and Health Management It is essential that we develop environments to become a company where every employee can play an active part at work. Therefore, JAL is pursuing the following initiatives. 【Workstyle Innovation】 We are expediting corporate awareness reform and infrastructure development to nurture highly productive and highly motivated employees. （Concrete measures）

	Supplementary Explanations
	(1)Increase work time & workplace flexibility and improve productivity ・Lend laptops, smartphones and VDI (Visual Desktop Infrastructure) ・Develop internal Wi-Fi environments and install displays in conference rooms ・Save documents electronically (paperless) ・Introduce flextime without core time and annual paid leave by the hour ・Introduce telework (proposed "workation" as a new workstyle) (2)Improve productivity through work redistribution and process innovation ・Inventory jobs (review Administrative Authority Criteria, etc.) ・Centralize routine tasks by opening the Business Support Center ・Use RPA(Robotic Process Automation) for routine tasks 【Health Management】 To enable every employee to work energetically, it is essential that all employees and their dependents are healthy, both physically and mentally. We believe that this is an asset for the company and have therefore launched the health promotion project, JAL Wellness 202, in which we are developing and implementing health promotion initiatives through unified efforts by the company, employees and health insurance associations. JAL has been recognized as below for its leading-edge approaches to Diversity & Inclusion and workstyle innovation through unified efforts by top management and every employee. ・METI Minister's Award, New Diversity Management Selection 100 sponsored by the Ministry of Economy, Trade and Industry (METI) (FY2017) ・Selected as Nadeshiko Brand by METI and the Tokyo Stock Exchange (TSE) (4 consecutive years from FY2014) ・Selected as Health and Productivity Management Brand by METI and TSE (3 consecutive years from FY2015) ・Selected as Competitive IT Strategy Company by METI and TSE (2 consecutive years from FY2016) ・Top Hundred Telework Pioneers sponsored by the Ministry of Internal Affairs and Communications (FY2016) ・Shiny Telework Prize by Ministry of Health, Labour and Welfare (FY2017) JAL will continue to harness the diverse individuality of all employees, cultivate a corporate climate of creating new values through the synergistic effect of Life and Work, realize the true values of Diversity & Inclusion, and thereby contribute to achieving SDGs. (※)SDGs（Sustainable Development Goals）are international goals adopted at the UN Summit in September 2015. A framework advocating "Leave No One Behind" where the international community works to solve health, education, climate change, disparity and other problems in order to eradicate poverty and realize a sustainable society by 2030

IV. Matters Related to the Internal Control System

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

Development of the Internal Controls System (Fundamental Policies)

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 its effectiveness, we have established rules and organizations concerning the following systems and matters, and ensure that business operations are conducted appropriately in accordance with the Companies Act and Companies Act Enforcement Regulations. We evaluate and verify development and operation of the internal control system and implement corrective action when correction is required.

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

1.We have established 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 the duties of directors and employees are executed in compliance with applicable laws and regulations.

02.We have developed a system concerning the preservation and management of information concerning the execution of the duties of directors.
We preserve and manage information concerning the execution of duties of directors in compliance with applicable laws and regulations and company regulations.

03.We have developed regulations and other systems for loss control.
In order to manage risks to JAL Group, we have established a Council for Safety Enhancement and a Risk Management Council, etc., and appropriately manage risks and proactively prevent loss. Further, we have established Guidance for JAL Group Internal Control, etc. and the General Affairs Department continuously monitors the appropriateness of duties.

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

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

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

1.We have established JAL Group Business Management Regulations to ensure that each subsidiary has established a system to carry out management in a fair and efficient manner in accordance with JAL Philosophy. The General Affairs Department has also enacted Guidance for JAL Group Internal Control and continuously monitors the appropriateness of duties.

2.We have developed a system to report matters concerning the execution of the duties of directors of subsidiaries, etc. to the Company.

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

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

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.

06.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.

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

1.We have developed a system for directors and employees to report to corporate auditors.

2.We have developed a system for directors, corporate auditors, employees or persons who receive reports from them to report to corporate auditors.

3.We have developed a system to ensure that persons who report are not subjected to disadvantageous treatment as a result of reporting.

08.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.

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

Operation of the Internal Controls 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 its effectiveness, we have established rules and organizations concerning the following systems and matters, and ensure that business operations are conducted appropriately in accordance with the Companies Act and Companies Act Enforcement Regulations. We evaluate and verify development and operation of the internal control system and implement corrective action when correction is required.

01.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 revise regulations such as Fundamental Policies on Corporate Governance appropriately and implement all the corporate governance principles in adherence to the spirit of the Corporate Governance Code. Thus, the Company has put in place a system of corporate

governance. At the same time, we submit a Corporate Governance Report reflecting these matters to the Tokyo Stock Exchange and disclose the report on the corporate website and other media.

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 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,etc.

02.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 make efforts to safely manage and appropriately operate the e-Ringi system (Kessai and Ringi system).

03.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 have established an Operation Control Center branch in Osaka, assuming that an earthquake could directly strike beneath the Tokyo metropolitan area where Head Office central functions are integrated. We are also working to improve the effectiveness of the Business Continuity Plan and our business continuity ability through training, while applying the knowledge of outside experts.

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 through the Risk Management Council.

4.We are reinforcing our ERP system to implement speedy, effective and efficient crisis management responses in case of an aircraft accident or event, and are continuously training Care Staff to assist accident victims and their families and members of the Accident Command Board.

04.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. 3. We review Regulations for Kessai and Administrative Authority, delegate authority, create an organization climate that allows a high degree of autonomy, and build speedy decision-making processes, while securing governance.

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

05.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 make efforts to safely manage and appropriately operate the e-Ringi system.

3.Information on the execution of the duties of directors of subsidiaries 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 administrative departments of each company on a daily basis and provide them with instructions on compliance and risk management. Furthermore, we deal with events and establish preventive measures, and thus continuously 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.

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. of JAL Group subsidiaries, as is the case with JAL.

13.The Audit Department conducts auditing appropriately.

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

15.The Corporate Safety and Security Department holds JAL Group Safety Enhancement Meetings and checks discussions, involvement, instructions, etc. relating to safety by management through submitted reference materials, etc., in accordance with the Safety Audit Plan. It conducts Safety Roving of branch offices and operational audits, etc.

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.

06.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 directors and assigned employees (corporate auditor staff). Corporate auditor staff receive work instructions and orders from corporate auditors, and they are appointed with the consent of corporate auditors.

07.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 internal and external Compliance Hot Lines, 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.

08.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.

09.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.

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
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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.