

Last Update: Nov.30.2021

**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 our core business, and providing unparalleled service to our customers.

Taking this into account, we have established JAL Philosophy in accordance with the JAL Group Corporate Policy, "The JAL Group will pursue the material and intellectual growth of all our employees, deliver unparalleled service to our customers, and increase corporate value and contribute to the betterment of society." We will strive to increase corporate value and achieve accountability by establishing a corporate governance 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]**

The JAL Group have implemented all principles of the Corporate Governance Code revised on June 11, 2021 and have established a corporate governance system. We will continuously work to increase corporate value.

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

##### **[Principle 1.3 (Basic Strategy for Capital Policy)]**

(Fundamental capital strategy policy)

In order to plan for future corporate growth and adapt to changes in the management environment in order to be prepared for business risks unique to the air transport business, the 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.

We are 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.

We will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. In addition, we will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, we seek 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 strive 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. Also, we conducted annual review of the cross-shareholding in accordance with the policy confirmed at the Board meeting held on February 18, 2021.

(Standards for exercising voting rights)

Regarding our principle on exercising voting rights of shares we own in a company, we will exercise voting rights in order 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 (Related Party Transactions)]**

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.

#### **[Supplementary Principle 2.4.1 (Ensuring Diversity, Including Active Participation of Women)]**

We are aware that the promotion of the active role of diverse human resources is one of our most important management issues. Accordingly, we have set targets for the ratio of female managers as a management target in the JAL Group Medium Term Management Plan for FY2021-FY202 and have established a HR development policy and a policy to develop an environment that ensures diversity in employment of core personnel, including appointment of non-Japanese and mid-career hires to management positions. These policies and status of implementation are provided on the JAL website.

(<https://www.jal.com/en/sustainability/report/>)

#### **[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. Employees with appropriate qualities are elected as Directors and Representatives.

The Vice President of Finance of the Company serves as the 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 (Full Disclosure)]**

To enable our stakeholders to easily access JAL Group's corporate stance, various information such as the JAL Group 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 the JAL Group Corporate policy as follows. Details are provided on our website.

"The JAL Group will pursue the material and intellectual growth of all our employees, deliver unparalleled service to our customers, and increase corporate value and contribute to the betterment of society."

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

##### **(Management strategies, management plan)**

The Company has formulated the FY2021-FY2025 Medium Term Management Plan aimed at overcoming the COVID-19 pandemic and realizing "JAL Vision 2030," our vision statement of what we intend to be by 2030, and announced it on May 7, 2021. As the pandemic has forced major shifts for the global community and significant changes in values, we will move forward to realize the vision of the future that we have set for ourselves, driven by "Safety and Security" and "Sustainability" as our growth engines.

During the specified medium term, we will pursue business structural reforms and accelerate initiatives toward creating a sustainable society through our business activities, on addressing the urgent issue of rebuilding our financial foundation so that we may return to pre-COVID-19 levels of profitability and get back on the growth path.

Details of our FY2021-FY2025 Medium Term Management Plan are provided on our corporate website. (<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.

The JAL Group 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 employee 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 3.1.3 (Sustainability initiatives)]**

Our sustainability initiatives are provided on the JAL website.

(<https://www.jal.com/en/sustainability/initiatives/>)

In order to implement strategic management toward growth, we are actively investing in human resources including human resource development and creating an environment where diverse human resources can demonstrate their individuality. We are also promoting digital IT strategies to increase diverse know-how, which is intellectual capital. Detailed strategies are provided on the JAL website.

(<https://www.jal.com/en/sustainability/report/>)

We have announced our pledge to achieve net zero CO2 emissions by 2050 and our support for the TCFD recommendations on climate-related financial disclosures. Information on climate action is provided on the JAL website under the items Governance, Strategy, Risk Management, and Indicators and Targets according to TCFD recommendations.

(<https://www.jal.com/en/sustainability/environment/climate-action/>)

**[Supplementary Principle 4.1.1 (Range of delegation to management by the Board of Directors)]**

In order to carry out efficient decision-making, the Board of Directors delegates decision-making of matters set forth in the Administrative Authority Criteria Table to the President, pursuant to Regulations for Kessai and Administrative Authority approved by the Board. To conduct detailed deliberations at Board meetings, we have established the Executive Management Council 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 Use of Independent Directors)]**

In order to promote transparent and fair corporate activities and establish corporate governance, a minimum of one-third of the total number of directors is elected as candidates for Independent Outside Director, in accordance with Standards for Independence of Outside Directors established by the Company and enhances management monitoring.

**[Principle 4.9 (Independence Standards and Qualification for Independent Directors)]**

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 4.10.1 (Independence of the Nominating Committee and the Compensation Committee)]**

Outside Directors account for a majority of members of the Nominating Committee and the Compensation Committee respectively, and the committee chair is elected by vote by members of the committees.

The Nominating Committee has the authority and role to deliberate on candidates for Executive Officers (including Executive Officers and Directors) and report to the Board of Directors. The Compensation Committee has the authority and role to deliberate on inquiries from the Board of Directors concerning remuneration for Executive Officers (including Executive Officers and Directors) and report to the Board of Directors. When deliberating important matters concerning appointments and remuneration of Executive Officers (including Executive Officers and Directors), the committees engage in their roles and provide advice appropriately from practical and multilateral perspectives including diversity and skills.

**[Supplementary Principle 4.11.1 (Concept on balance of knowledge, experience and abilities in general, diversity and scale of the Board of Directors)]**

Candidates for Director are elected from among persons who have extensive experience, deep insight and specialized knowledge in various fields, with consideration to making board composition diverse in terms of gender, internationality, career, age and other variables. The Company aims to increase female Board appointments.

We have created a skills matrix specifying a set of necessary skills required of Director such as specialized knowledge and experience. They include management experience, financial accounting, legal affairs and risk management, and also safety management, which is especially important in view of the business characteristics of the Company, global experience, sales and marketing, and IT and technology.

The Nominating Committee selects candidates for Director with reference to their experience and skills based on the above concept of Board composition, and additionally takes into account management experience in other companies when selecting candidates for Independent Outside Directors. After the Board of Directors receives a report from the Nominating Committee, candidates for Director are decided by a Board resolution. On receiving a report from the Nominating Committee, the Board decides Directors as resolved by the Board.

**[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. Persons who hold concurrent positions such as Director or Corporate Auditor in more than four listed companies excluding the Company are not elected either.

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 Chairperson 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. An analysis by a third-party organization is used to ensure an objective assessment.

(<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 for Constructive Dialogue with Shareholders)]**

We are aware that the general meeting of shareholders is a venue for constructive dialogue with shareholders, secure and provide a period for them to sufficiently examine accurate information from their standpoint through the Convocation Notice of the General Shareholders' Meeting, etc.

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

- (1) We assign the Finance and Accounting Director and General Affairs Director as management to oversee dialogue with shareholders.
- (2) We assign a supervisor to oversee information gathering, management and disclosure, and also staff to implement these duties in the Finance Department, and disclose information in a timely, fair and appropriate manner in coordination with related departments.
- (3) We hold meetings to explain our financial results and management plan when announcing them, issue “JAL Report” and “To Our Shareholders,” etc. and arrange tours of facilities, (which is suspended at the moment considering the COVID-19 outbreak) 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.

**[Supplementary Principle 5.1.1 (Responder to the shareholders)]**

To strengthen constructive dialogue with shareholders, we organize meetings with Executive Officers in accordance with the wishes of shareholders and investors. We also offer Outside Directors opportunities to engage in dialogue on corporate governance with investors to deepen their understanding of the Company from various perspectives.

**[Principle 5.2 (Establishing and Disclosing Business Strategies and Business Plans)]**

The Company has formulated the FY2021-FY2025 Medium Term Management Plan aimed at overcoming the COVID-19 pandemic and realizing “JAL Vision 2030,” our vision statement of what we intend to be by 2030, and announced it on May 7, 2021. In order to adapt to changes in the external environment and achieve sustainable growth and development, we will put forth Company-wide efforts to achieve our management strategies, built on the pillars of “Business Strategy, Financial Strategy, and ESG Strategy.”

Going forward, we will assess changes in the external environment and given conditions, make necessary revisions to the Plan, and formulate and publish a Rolling Plan each fiscal year.

**[Supplementary Principle 5.2.1 (Business portfolio)]**

The JAL Group Medium Term Management Plan for FY2021-FY2025, which was approved by the Board of Directors, provides strategies for each business domain and a resource allocation policy for building a sustainable and resilient business portfolio. The JAL Group Medium Term Management Plan for FY2021-FY2025 is available on the JAL website.

(<https://www.jal.com/en/investor/library/mid-term/>)

These strategies and policies will be periodically evaluated and reviewed in light of changes in the business environment.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	59,389,600	13.59%
Custody Bank of Japan, Ltd. (Trust account)	16,988,400	3.88%
KYOCERA Corporation	7,638,400	1.74%
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	6,564,707	1.50%
Custody Bank of Japan, Ltd. (Trust account 9)	6,239,700	1.42%
Daiwa Securities Group Inc.	5,000,000	1.14%
STATE STREET BANK WEST CLIENT – TREATY 505234	3,321,162	0.75%
DAIWA CM SINGAPORE LTD (TRUST A/C)	3,175,200	0.72%
Custody Bank of Japan, Ltd. (Trust account 7)	2,923,200	0.66%
SSBTC CLIENT OMNIBUS ACCOUNT	2,851,589	0.65%

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

### Supplementary Explanation

[Status of major shareholders]

- Shareholding ratio is calculated with 136,217 shares of treasury stock excluded, rounded down to two decimal places
- The above number of shares held by shareholders may include shares relating to trustee or custodian operations.

## 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	From ¥100 billion to less 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 Audit & Supervisory Board
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#### [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	Chairperson of the Company (except when concurrently serving as President)
Number of Directors	9
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	
KOBAYASHI Eizo	From another company												
HATCHOJI Sonoko	From another company												
YANAGI Hiroyuki	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/Audit & Supervisory Board Member
- 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/Audit & Supervisory Board Members 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
KOBAYASHI Eizo	○	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 improvement of corporate value, so the Company proposed that you elect him as Outside Director who meets the Independence Standards of External Officers stipulated by the Company.
HATCHOJI Sonoko	○	NONE	Ms. Hatchoji 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 improvement of corporate value, so the Company proposed that you elect her as Outside Director who meets the Independence Standards of External Officers stipulated by the Company.
YANAGI Hiroyuki	○	NONE	Mr. Yanagi has deep insight as a member of top management in a company pushing ahead with international expansion, as well as extensive experience in marketing and management strategy. The Company expects him to give advice to the Company's management and appropriately supervises the performance of duties 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 improvement of corporate value, so the Company proposed that you elect him as Outside 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 defines the qualities required of President and other leaders as "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 flight safety, which is the basic foundation of business continuity for the JAL Group. They must also display initiative in practicing the JAL Philosophy." The committee also formulates a succession plan for the President and other leaders and provide candidates with practical and diverse experience to acquire knowledge necessary for management at an early stage. If the business conduct of any member of top management is found questionable due to legal violations, harassment, negligence of the Board, or such, the Nominating Committee and/or Directors excluding the person in question will immediately investigate the situation based on a motion made by a Director at a Board meeting or other meeting. The Nominating Committee and/or Directors will report findings to the Board, which will then decide on an appropriate disciplinary penalty. 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 Chair is elected from among Outside Directors.

Board Member: AKASAKA Yuji, SHIMIZU Shinichiro, KOBAYASHI Eizo, HATCHOJI Sonoko, YANAGI Hiroyuki

< In FY2020 > Number of meetings :6

[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. In addition, the committee reviews the remuneration system as appropriate to ensure that it provides sound incentives for sustainable growth.

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 Chair is elected from among Outside Directors. As a result, transparency and fairness in the compensation determining process is secured.

Board Member: AKASAKA Yuji, SHIMIZU Shinichiro, KOBAYASHI Eizo, HATCHOJI Sonoko, YANAGI Hiroyuki

< In FY2020 > Number of meetings :7

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	6
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

[Status of cooperation among Audit & Supervisory Board Members and Accounting Auditors]  
 Audit & Supervisory Board Members receive reports from accounting auditors when establishing an audit plan and closing books and requests reports as necessary,  
 [Status of cooperation among Audit & Supervisory Board Members and Internal Audit Departments]  
 Audit & Supervisory Board Members exchange opinions and information with internal audit departments regularly every two months.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
KAMO Osamu	Lawyer													
KUBO Shinsuke	certified public accountant													
OKADA Joji	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 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. Audit & Supervisory Board Member 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 an Audit & Supervisory Board Member

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 Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside directors/ Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
KAMO Osamu	○	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 an Outside Audit & Supervisory Board Member who meets the Independence Standards of Outside Officers stipulated by the Company.
KUBO Shinsuke	○	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 an Outside Audit & Supervisory Board Member who meets the Independence Standards of Outside Officers stipulated by the Company.
OKADA Joji	○	NONE	Mr. Okada possesses rich experience, an established track record and expertise as an officer in the administration and the finance & accounting department of a general trading company. In addition, through his professional experience as a Full-time Audit & Supervisory Board Member of the general trading company and Chairperson of the Japan Audit & Supervisory Board Members Association, he has significant insight into all aspects of audit work including governance and risk management. For these reasons, he is believed to be the right person in the role of auditor to achieve sustainable growth of the Company and medium- to long-term enhancement of the Company's corporate value, and has been appointed as an Outside Audit & Supervisory Board Member who meets the Independence Standards of Outside Directors stipulated by the Company.

**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/ Audit & Supervisory Board Members	6
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Matters relating to Independent Directors/ Audit & Supervisory Board Members
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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 Audit & Supervisory Board Members 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
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Supplementary Explanation

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

Recipients of Stock Options	—
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Supplementary Explanation

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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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## 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
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## 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 market data on remuneration 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 the 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 the 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 FY2019 financial 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 2020. We achieved our targets for net profit attributable to owners of parent.

In regard to the performance-based bonus for the FY2020 performance evaluation period, the Company's Compensation Committee deliberated and reported that it would be inappropriate to provide bonuses during this unprecedented critical business environment from the outbreak of COVID-19. Based on the report from the committee, the Company's Board of Directors meeting held on October 30, 2020 resolved that there will be no bonus payments.

- (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 the 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.

Regarding common stock granted to Directors and Executive Officers under 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.” As a result, the Company's Compensation Committee decided and reported that it would be inappropriate to provide the same remuneration determined with this formula along the regulations during this unprecedented critical business environment from the outbreak of COVID-19. Based on the report from the committee, the Company's Board of Director's meeting held on June 26, 2020 resolved that there will be no performance-linked remuneration for the performance evaluation period from FY2017 to FY2019.

·In regard to the FY2018 performance-linked remuneration, our Company's Compensation Committee deliberated and reported that it would be inappropriate to provide remuneration during this unprecedented critical business environment from the outbreak of COVID-19. Based on the report from the committee, the Company's Board of Directors meeting held on October 30, 2020 resolved that there will be no performance-linked remuneration for the performance evaluation period from FY2018 to FY2020.

#### **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 the Company's Compensation Committee established by the Company. A majority of the members of the Company's Compensation Committee will be Outside Directors, and the Chair will be appointed from among Outside Directors.

Performance-linked bonus for the performance evaluation period of FY2020 and performance-linked share-based remuneration for the performance evaluation period beginning in FY2018 have not been provided as explained above. (Performance-linked bonus and performance-linked share-based remuneration for FY2021 have not been provided.)

#### **[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

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 Audit and Supervisory Board Members 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 Audit and Supervisory Board Members can attend and present opinions at Executive Management Council 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 Executive Management Council 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
INAMORI Kazuo	Honorary Adviser	Advice of Divisional Profitability System and JAL Philosophy	Non-permanent, without remuneration	Mar,31,2013	Annual

Number of the relevant person	1
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**[Other matters]**

The Company has regulations concerning “Special Directors” in place, prescribing that persons who have served as Chairperson, Vice-Chairperson 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 9 Directors (including one female Directors) and 27 Executive Officers excluding concurrent Directors (including four 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 Act 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

The 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.

To this end, the management monitoring function and business execution function of the Board are separated and a Director who does not concurrently serve as Executive Officer is elected as Chair. Furthermore, an appropriate number of three or more Outside Directors who qualify as highly independent are elected so that at least one-third of the Board are Outside Directors.

In order to carry out efficient decision-making, the Board may delegate decision-making of matters set forth in the Administrative Authority Criteria Table to the President pursuant to Regulations for Kessai and Administrative Authority approved by the Board. The Executive Management Council 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.

All Directors and Audit and Supervisory Board Members attend 80% or more of the Board meetings held during the fiscal year under review during their term of office.

<In FY2020> Number of meetings : 20

(2) Ensuring effectiveness of the Board of Directors

The Board of Directors has established the Corporate Governance Committee, which is comprised of the Board Chair and Outside Directors, to evaluate the effectiveness of the Board of Directors once a year, while referring to self-evaluations by each Director, review operation and other matters of the Board appropriately, and disclose a summary of their findings. An analysis by an independent third party is used in order to ensure objectivity in evaluation of the performance of the Board.

(3) Directors

Candidates for Director are nominated from among persons who have substantial experience, deep insight and expertise in various fields, with a view to making board composition diverse in terms of gender, nationality, career, and age. The Company aims to have several female directors on the Board.

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” and opportunities are provided to Inside Directors for continuous participation in external training, affiliated organizations and such. 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).

Candidates for Outside Director who do not qualify as highly independent within the meaning of “Standards for Independence of Outside Directors” (Appendix②) established by the Company are not elected. In addition, persons who hold concurrent positions in more than four listed companies excluding the Company are not elected as candidate for Outside Director. Outside Directors demonstrate their function as an advisory body to the Board of Directors. Furthermore, one Outside Director from among Outside Directors is elected as the Lead Independent Outside Director to improve coordination with Corporate Auditors and internal divisions.

To deepen the understanding of the Company, Outside Directors receive safety education such as climbing Mt. Osutaka and visiting 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 and materials to explain other matters at their request.

[Corporate Auditors and Audit and Supervisory Board]

(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 Corporate Auditors with corporate information, and opportunities for continuous participation in external training, affiliated organizations and such.

Candidates for Outside Audit and Supervisory Member are elected from among persons with vast knowledge and experience in various fields, and persons who do not qualify as highly independent within the meaning of “Standards for Independence of Outside Directors” (Appendix②) established by the Company are not elected. In addition, persons who hold concurrent positions in more than four listed companies excluding the Company are not elected as candidate for Outside Audit and Supervisory Board Member. Outside Audit and Supervisory Board Members 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, Outside Corporate Auditors receive safety education such as climbing Mt. Osutaka and visiting 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 and materials to explain other matters at their request.

## (2) Audit and Supervisory Board

The Audit and Supervisory Board 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.

<In FY2020> Number of meetings : 14

### [Internal Audits]

The Audit Department (9 employees) conducts 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 Internal Audit 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 Audit 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 Department, 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, Engineering and Maintenance Division, and Audit 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 and holds discussions to determine whether such activities contribute to sustainable growth and enhancement of medium- and long-term corporate value, and provides necessary findings, recommendations, and reports to the Board of Directors. The Corporate Governance Committee is comprised of the Board Chair and Outside Directors and is chaired by the Lead Independent Outside Director.

Board Member : UEKI Yoshiharu, KOBAYASHI Eizo, HATCHOJI Sonoko, YANAGI Hiroyuki

<In FY2020> Number of meetings : 2

(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 Chair 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.

Board Member : AKASAKA Yuji, SHIMIZU Shinichiro, KOBAYASHI Eizo, HATCHOJI Sonoko, YANAGI Hiroyuki

<In FY2020> Number of meetings : 6

(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. It also verifies as necessary that the compensation system functions as a sound incentive aimed at sustainable growth of the Company. 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 Chair is elected from among Outside Directors. As a result, transparency and fairness in the compensation determining process is secured.

Board Member : Yuji Akasaka, Shinichiro Shimizu, Eizo Kobayashi, Sonoko Hatchoji, Hiroyuki Yanagi

<In FY2020> Number of meetings : 7

(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 Chair.

Board Member : AKASAKA Yuji, SHIMIZU Shinichiro, KOBAYASHI Eizo, HATCHOJI Sonoko, YANAGI Hiroyuki

<In FY2020> Number of meetings : 14

(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 Chair 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.

Board Member : AKASAKA Yuji, SHIMIZU Shinichiro, KOBAYASHI Eizo, HATCHOJI Sonoko, YANAGI Hiroyuki

<In FY2020> Number of meetings : 0

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

[Information Disclosure]

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

[JAL Philosophy Education]

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

[Bodies directly controlled by the President]

We have established the following organs concerning governance.

(Executive Management Council)

The Executive Management Council 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 Executive Management Council before presenting these issues to the Board or to the President.

(Group Safety Enhancement Council)

To secure flight safety and promote safety management of the entire JAL Group, the Group Safety Enhancement Council 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.

(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.

(JAL Philosophy Council)

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

(Sustainability Promotion Council)

The Sustainability Promotion Council has been established in order to promote ESG management to achieve the SDGs, realize an affluent society where each one of us can sense and hope for a brighter future as mentioned in JAL Vision, and work with societies to achieve sustainable development.

(Group Business Performance Report Meeting)

The Group Business Performance Report Meeting 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.

(Group Management Council)

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.

[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 Outside 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.
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. *Currently suspended due to COVID-19
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. *Currently Held online due to COVID-19
Regular Investor Briefings for Overseas Investors	We report the Company's financial results to overseas investors with attendance of the Representative Directors and IR Director several times a year.
Posting of IR Materials on Website	We post a summary of financial results, securities report, and material for analysts and institutional investors on our website. ( <a href="http://www.jal.com/en/investor/library/">http://www.jal.com/en/investor/library/</a> )
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	As required by laws and ordinances, all our employees are familiar with the JAL Group Corporate Policy, JAL Philosophy, and the JAL Group Code of Conduct 'Commitment to Society.' Furthermore, our website publishes safety initiatives, press releases, various results, etc. We will continuously build a relationship of trust, while valuing dialogue with shareholders.
Implementation of Environmental Activities, CSR Activities etc.	<p>"JAL Group Basic CSR Policy"</p> <p>The JAL Group will strive to meet the expectations of society, address social issues, and pass on a better society to future generations through its core air transport business as the 'Wings of Japan'. Our CSR activities will be promoted through the implementation of JAL Philosophy in order to realize the JAL Group Corporate Policy.</p> <p>"JAL Group Environmental Guidelines (excerpts)"</p> <p>The environment must be protected to justify existence in all living being on Earth. To realize their Commitment to Society by Passing on the Precious Earth to the Next Generation as stated in their Code of Conduct, JAL Group</p>

	Supplementary Explanations
	<p>has configured a promotion plan under the below policy to engage in environmental conservation as a member of society and to prevent any events that should occur.</p> <ul style="list-style-type: none"> <li>-Regulatory Compliance</li> <li>-Efforts to Reduce Environmental Impact <ul style="list-style-type: none"> <li>(a) Address to climate change</li> <li>(b) Effective use of limited resources</li> <li>(c) Prevention of environmental pollution</li> <li>(d) Noise Reduction</li> <li>(e) Biodiversity conservation</li> </ul> </li> <li>-Development of Environmental Technology</li> <li>-Raise Awareness</li> <li>-Disclose Information</li> <li>-Continuous Improvement Policy</li> </ul> <p>The JAL Group has implemented various environmental initiatives and in April 2020 introduced an environmental management system progressively throughout the Group. Each Group company is conducting operations with the aim to achieve its individual targets, while keeping in mind to protect the environment. PDCA of the entire JAL Group is implemented to achieve the Company's environmental targets.</p>
Development of Policies on Information Provision to Stakeholders	<p>To enable our stakeholders to easily access the Company's basic stance, various information such as the Fundamental Policies of Corporate Governance, Corporate Policy, management strategies, and management plan, is posted on our website. We also issue an integrated report, "JAL Report," each year. We will continue to further improve disclosures in quantity and quality to realize constructive dialogue with markets and investors.</p>
Other	<p>We have been highly recognized, in recent years, by external organizations for excellence in disclosures, such as receiving commendations twice in FY2020 by the Tokyo Stock Exchange for disclosures on impacts of COVID-19, a mention by the Financial Services Agency for Good Practices for Disclosure of Descriptive Information for the third consecutive year, and selection by the Japan Securities Analysts Association of Japan for the top award in the transport industry category for Excellence in Corporate Disclosure (FY2018, FY 2019 and FY 2021).</p> <p>"Efforts to Improve Corporate Value and Create a Sustainable Society"</p> <p>In JAL Vision 2030, the JAL Group pledged to "create a future where everyone can feel abundance and hope" in order to enhance corporate value and realize a sustainable society.</p> <p>With a view to achieving the SDGs in 2030 and carbon neutral in 2050, the Group will identify issues in the 4 areas of the environment, People, communities, and governance, resolve social issues through business activities, and aim to realize a sustainable society.</p> <p>In addition, in promoting ESG management, JAL Group Code of Conduct "Commitment to Society" is constantly educating all employees to ensure that ESG management is thoroughly understood and complied with.</p> <p>(a) Environment</p> <p>In order to pass on the rich Earth to the next generation, we will promote environmental preservation initiatives for each of the following issues.</p> <ul style="list-style-type: none"> <li>- Address to Climate Change</li> <li>- Effective Use of Limited Resources</li> <li>- Prevention of Environmental Pollution</li> <li>- Noise Reduction</li> </ul>

Supplementary Explanations	
	<p>- Biodiversity Conservation Details of initiatives related to the Environment are disclosed on the JAL website. (<a href="https://www.jal.com/en/sustainability/environment/">https://www.jal.com/en/sustainability/environment/</a>)</p> <p>(b) People In order to contribute to the creation of a society where everyone can sense and hope for a better future, we will promote initiatives for each of the following issues.</p> <ul style="list-style-type: none"> <li>- Promotion of D&amp;I</li> <li>- Workstyle Innovation</li> <li>- Health and Productivity Management</li> <li>- Respect for Human Rights</li> <li>- Human Resources Development</li> <li>- Improving Accessibility</li> <li>- Prevent the Spread of Infectious Diseases</li> </ul> <p>Details of initiatives related to People are disclosed on the JAL website. (<a href="https://www.jal.com/ja/sustainability/human/">https://www.jal.com/ja/sustainability/human/</a>)</p> <p>(c) Communities In order to contribute to the development of local communities as social infrastructure, we will promote initiatives for each of the following issues.</p> <ul style="list-style-type: none"> <li>- Route Network Expansion</li> <li>- Increase Inbound Tourism</li> <li>- Improving Convenience in Travel</li> <li>- Regional Revitalization</li> <li>- Community Relations</li> <li>- Disaster Restoration Assistance</li> </ul> <p>Details of initiatives related to Communities are disclosed on the JAL website. (<a href="https://www.jal.com/ja/sustainability/community/">https://www.jal.com/ja/sustainability/community/</a>)</p> <p>(d) Governance In order to implement highly transparent management, we will promote initiatives for each of the following issues.</p> <ul style="list-style-type: none"> <li>- Fair Business Practices</li> <li>- Disclosure</li> <li>- Responsible Procurement</li> <li>- Promotion of BCM</li> </ul> <p>Details of initiatives related to Governance are disclosed on the JAL website. (<a href="https://www.jal.com/ja/sustainability/governance/">https://www.jal.com/ja/sustainability/governance/</a>)</p>

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



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 Risk Management 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 the JAL Group, we have established the Group Safety Enhancement Council, the Group Risk Management Council, and other committees and appropriately manage risks and proactively prevent loss. Further, we have established Guidance for Internal Control and other guidelines 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 Executive Management Council and the Group Earnings 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 the Company 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 established 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 reporting system to Corporate Auditors

1. We have developed a reporting system to Corporate Auditors for Directors and employees.

2. We have developed a reporting system to Corporate Auditors for Directors, Corporate Auditors, employees or any persons receiving a report from them..

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 Audit and Supervisory Board or Corporate Auditors are executed effectively.

#### Operation of the Internal Controls System

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 established the JAL Philosophy and the JAL Group Code of Conduct, "Commitment to Society," and penetrate and put them into action throughout the Group through education and other means.

2. We established Fundamental Policies on the Internal Controls System and JAL Group Internal Control Guidance, and develop, operate and evaluate internal controls in accordance with the Companies Act and Financial Instruments and Exchange Act.

3. We established internal and external Hot Lines for whistleblowers to report internal misconduct in order to prevent violation of laws, regulations and internal rules, and regularly disseminate information within the Company. In FY2020, we began around-the-clock operation of these Hot Lines.

4. 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.

5. We explain legal considerations 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.

6. 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, reports audit results of each audit to management, and regularly reports progress of audits and audit results to Audit and Supervisory Board Members.

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

8. The Safety Audit Department checks safety-related deliberations, engagement, instructions, and other operations regarding by management by attending Group Safety Enhancement Council meetings and checking materials submitted to the meetings.

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 on important approvals ('Ringi' documents) according to laws, regulations, Regulations for the Board of Directors, regulations of various meeting structures, and Regulations for Kessai and Administrative Authority, and retain and manage them according to Regulations for Retention and Storage of Documents.

2. We manage the e-Ringi system safely and operate it appropriately.

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

1. We review the definition of risk, risk assessment methods and risk response strategies appropriately according to JAL Group Internal Control Guidance and the Risk Management Manual to respond to risks that change diversely, regularly inspect risks including compliance throughout the JAL Group, and regularly identify and assess potential and emerging risks group wide. We also report to the Group Risk Management Council of progress of measures to deal with issues identified by the in-house Verification Committee relating to the Business Improvement Orders.

In addition, the Group Safety Enhancement Council formulates important safety policies, takes steps to grasp the actual situation, and when necessary, reviews the organization, systems and various measures to ensure aviation safety of the entire Group.

In FY2020 we conducted a Control Self-Assessment (a self-assessment based on a specified method and formulation of a risk management plan) and risk consulting against priority risks, identified issues and improved vulnerabilities, reported to the Group Risk Management Council and the Board of Directors in order to improve risk oversight by management.

2. We conduct regular JAL Group-wide reporting drills to raise awareness of risk management and quickly check the situation of our employees through an emergency call system in case of a contingency.

3. We established an Operations Control Center branch in Osaka, assuming that an earthquake could directly strike beneath the Tokyo metropolitan area where Head Office central functions are integrated, and are improving on our Business Continuity Plan to make it more effective by applying the knowledge of outside experts and are also conducting drills.

4. We continuously strengthen our crisis management system and train care givers who take care of victims and bereaved families, and Accident Command Board members to conduct risk management quickly and accurately in case of an aircraft accident or incident.

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

1. We established the Executive Management Council and the Group Earnings Announcement Session directly under the President to make appropriate and quick management decisions.

2. We clarify basic matters concerning the organizational structure of the Company and ensure the efficient execution of duties in accordance with Regulations for Meeting Structures, Regulations for Kessai and Administrative Authority and Regulations for Segregation of Duties.

3. We review administrative authorities and board operation methods and develop an environment for strategic discussions to achieve sustainable growth.

05. We have developed a system to ensure that duties in the Company are executed appropriately.

1. We established JAL Group Corporate Management Regulations and JAL Group Internal Control Guidance and the General Affairs Department plays the central role in monitoring the appropriateness of duties.

2. Board members and other employees engaged in management of Group companies reconfirm their responsibilities and roles themselves, and support Group companies in order to achieve effective and fair management. In FY2020 we developed a system to improve internal control from the viewpoint of strengthening group governance.

3. We coordinate and share information with the General Affairs Department of each JAL Group company and provide guidance on compliance and risk management daily, and continuously provide guidance that contributes to strengthening the compliance and risk management systems of each Group company and department by establishing handling procedures and recurrence preventive measures of events

4. We check priority issues in the JAL Group Medium Term Management Plan and annual operating policies through Expanded Group Earnings Announcement Sessions and other meetings, monitor the situation to ensure that initiatives to achieve our goals are implemented properly, and provide guidance and support..

5. We established the JAL Philosophy and the JAL Group Code of Conduct, "Commitment to Society" and penetrate and put them into action through education and other means.

6. The Audit Department conducts auditing appropriately.

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

8. The Safety Audit Department checks safety-related deliberations, engagement, instructions, and other operations by management by attending Group Safety Enhancement Council meetings in accordance with the Safety Audit Plan and checking materials submitted to the meetings. It also conducts internal audits of production divisions, the Corporate Safety and Security Division, and airports.

06. We have developed a system concerning employees in case Audit & Supervisory Board Members require the assistance of employees, a system concerning independence of such

employees from directors, and a system to ensure that instructions by Audit & Supervisory Board Members to those employees are effective.

We established an organization independent from directors and assign employees to serve as Audit & Supervisory Board Members to increase effectiveness of audits by Audit & Supervisory Board Members and execute audit duties smoothly. They receive work instructions and orders from and are appointed with the consent of Audit & Supervisory Board Members.

07. We have developed a system concerning reports, etc. to Audit & Supervisory Board Members.

1. Audit & Supervisory Board Members attend board meetings and other important meetings, read Ringi documents requiring approval from directors and above, and audit the execution of corporate duties through interviews with the President, hearings with related departments, visits to internal departments, etc.

2. Audit & Supervisory Board Members exchange opinions and information regularly with Audit & Supervisory Board Members of Group companies and visit them.

3. Audit & Supervisory Board Members check the development of systems to ensure that persons who have reported to them do not receive disadvantageous treatment for making such reports.

08. We have developed a system for advance payment or repayment of costs arising from the execution of the duties of Audit & Supervisory Board Members and the policy for processing of costs or liabilities arising from the execution of other duties.

Necessary expenses for audits by Audit & Supervisory Board Members are paid for appropriately.

09. We have developed other systems to ensure that audits by the Audit & Supervisory Board or Audit & Supervisory Board Members are executed effectively.

Audit & Supervisory Board Members 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**

The 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 at 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
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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.