

# Corporate Governance

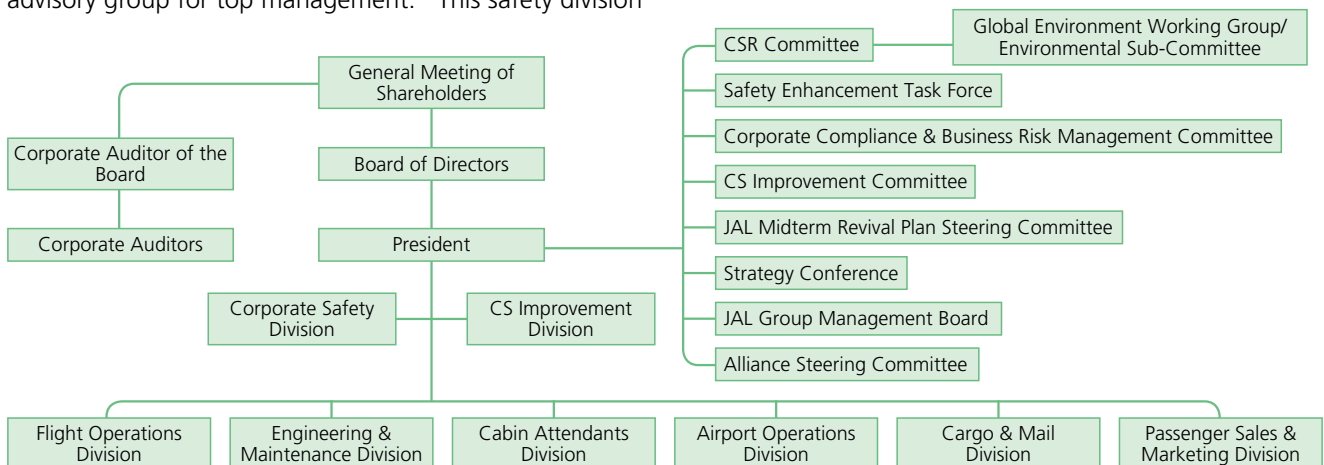
■ The Corporate Safety Division and Customer Satisfaction (CS) Improvement Division, which both report directly to the president, were established to ensure operational safety and meet the expectations of our customers. These two bodies oversee operations in the following six divisions — Flight Operations, Engineering & Maintenance, Cabin Attendants, Airport Operations, Cargo & Mail, and Passenger Sales & Marketing — as we aim to achieve efficient and competitive organizational operations.

■ The Corporate Safety Division was established in April 2006, based on proposals from the Safety Advisory Group (see page 22) for the “establishment of a central structure responsible for safety to serve as a powerful advisory group for top management.” This safety division

is located in Terminal 1 at Haneda Airport.

■ The CS Improvement Division was established in April 2007 to reflect accurately the desires and opinions of our customers.

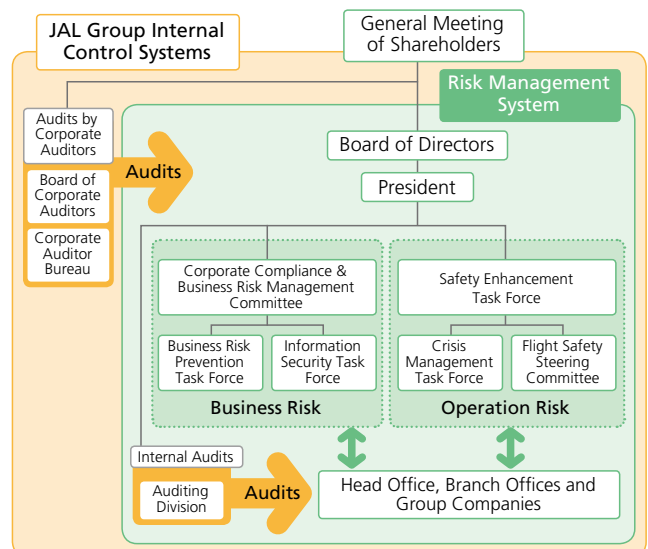
■ The CSR Committee was established in April 2004. Since then, the JAL Group has worked in unison to promote CSR activities. Directors responsible for each business area serve as CSR Committee members, with the executive office located in the Corporate Planning Bureau. No full-time department related to CSR has been established: we have worked to spread awareness throughout the group that each individual department is responsible for CSR.



## Internal Control Systems

### Basic Principles

Through fair competition and by ensuring operational safety, the JAL Group fulfills the economic role of providing a good product for which it obtains profits. We also aim to be a corporate group that contributes on a broad basis to society. As a result, the company established its Basic Policy on Internal Control Systems in line with the rules laid down in Japanese corporate law to ensure the validity and effectiveness of operations, the authenticity of financial reports and compliance with related laws and regulations.



## Risk Management System

At JAL, we divide risk into two broad categories: risk from engaging in air transport (operation risk) and risk from other business operations (business risk).

We have established two councils made up of board members to manage risk:

- The Safety Enhancement Task Force, which establishes policies and responses to operation risk. This met on 21 occasions during fiscal 2006.
- The Corporate Compliance and Business Risk Management Committee, which establishes policies and responses to business risk. This met twice in fiscal 2006.

Information gathering related to risk management and reporting channels have been established and divided into standard and emergency situations, while precautionary measures and timely reporting systems have been set up for cases when incidents occur. The company has also laid down rules stipulating the responsibility of the company directors in cases where emergency situations arise.

## Information Security and Protection of Personal Information

### 1. Establishing the System and Structure

In addition to basic policies and rules common to the whole group, the company has established a set of standards for information-security measures in compliance with ISO 17799. This protects JAL computer systems against data leaks and tampering, service outages and computer viruses. Each department also conducts its own checks to ensure that relevant in-house procedures conform to these standards and reports its status to an information-security subcommittee.

### 2. Employee Education and Development

As well as implementing e-learning-based training for all JAL Group staff, the company promotes educational activities concerning data leaks as part of our risk management.

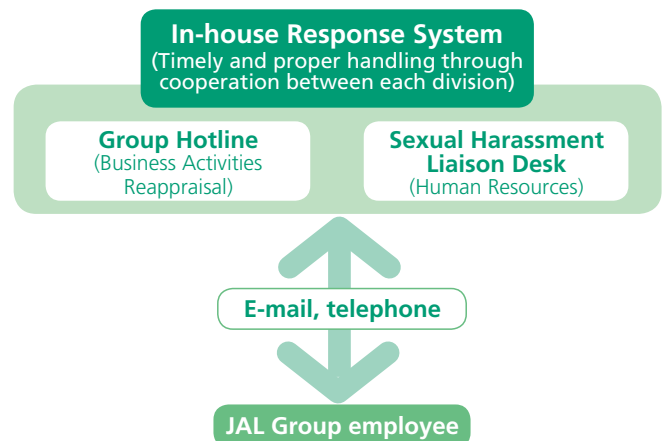
### 3. Gaining Accreditation

JAL Group companies are actively engaged in activities aimed at acquiring various forms of accreditation, including the Privacy Mark, a Japanese certification granted

to private enterprises that adopt adequate measures in protecting personal data, and the Information Security Management System (ISMS) standard. In May 2007, placement agency JAL Business Co., Ltd. and cargo and logistics enterprise JAL Logistics Inc. were awarded the Privacy Mark.

## Internal Whistle-Blowing

In April 2006, JAL established a system for internal whistle-blowing in line with the enforcement of the Whistleblower Protection Act. In addition to widely publicizing this system throughout the JAL Group, we take steps to respond in a timely and appropriate manner to protect the privacy of the informant where such information has been brought forward. The company has also established liaison desks relating to human rights and sexual harassment for the purposes of receiving inquiries and listening to complaints and grievances of group employees.



## Employee-Data Leaks

In March 2007, it was discovered that company-held employee data had been leaked to one of the labor unions. Following detailed analysis of this incident, the company decided to strengthen control of employee data and make all efforts to prevent a recurrence of this incident via such measures as raising awareness of personal-data protection, explicitly specifying the reason for acquiring personal data when it is collected and clarifying the scope of authority of those engaged in handling such data.

## Audits

### 1 Corporate Auditor of the Board

Each year, the corporate auditors attend meetings with the JAL Board of Directors. In addition, along with staff of the Bureau of Corporate Auditors, they audit approximately 100 corporation departments, operational branch offices and group companies and report the results to the president. They also exchange information with internal-control divisions and auditing companies, and hold meetings three times a year with full-time auditors at JAL subsidiaries to share information with the aim of enhancing and improving corporate auditing.

The JAL Group is moving to enhance its overall auditing system, including that at Japan Airlines International Co., Ltd., where in addition to two auditing-operations officers assisting the auditors, the company has appointed five group auditors to audit 26 of our subsidiaries that contract operations from Japan Airlines International.

### 2 Internal Audits

To tighten internal controls and checks, the JAL Group implements the following audits. Yearly assessments and reviews of areas subject to audits and audit methods are conducted.

#### Operational Audits — Departmental

We audit general operations at the department and office levels, focusing on their overall area of operations.

#### Operational Audits — Specified Areas

We select a subject area and audit across companies and organizations with respect to group policies, systems and management. Fiscal 2006 saw audits carried out of risk management in sales activities and information-security-response status.

#### Accounting Audits

We conduct audits at the divisional level (each operational base) to ensure that procedures for complying with accounting regulations and standards are being followed.

#### Group Audits

We audit each group company to promote business operations based on group management practice and the operational mission given to each company. This is also performed to improve each company's internal controls, compliance and risk-management functions.

### Environmental Audits

We audit the entire group with the objective of promoting business operations based on compliance with environmental laws and ordinances in addition to group policies, rules and regulations related to environmental issues.

### Safety Audits

Please see page 21.

## Compliance

At the JAL Group, we view compliance as an important function of our internal-control systems and at the same time position compliance as fundamental to CSR. The company interprets compliance to mean not just adherence to laws and ordinances but conformity with internal rules, social norms and agreements decided in contract (or amongst ourselves), and through this to comply with social needs and demands and increase corporate value.



## The JAL Group Code of Conduct

The JAL Group has established a code of conduct entitled "Commitment to Society" so as to ensure the execution of its Corporate Policy. Part of this policy reads, "The Japan Airlines Group, as an overall air-transport enterprise, will act as a bridge to bring peoples, their cultures and their hearts closer together and thus contribute to world peace and prosperity."

In addition to all our employees fulfilling their responsibilities, we promise that we will constantly



Our Commitment to Society

act as an organization that fulfills its responsibilities as a good corporate citizen.

For the full text of the JAL Group Code of Conduct, see <<http://www.jal.com/en/corporate/action.html>>.

## Compliance Promotion

The JAL Group established the Corporate Compliance and Business Risk Management Committee to set down common concepts related to compliance for the entire group and to disseminate these throughout the group via various training and educational activities.

### Training Courses

In addition to implementing training courses for new employees and newly appointed managers, the company has introduced the Compliance Brush-Up Program (CBP), employing e-learning techniques and a system for loaning teaching materials to increase employee awareness of compliance. To educate employees about compliance and risk management on a regular basis through infor-

mation exchange among planning and field divisions, the company has begun publishing *Monthly Compass*, which introduces concrete case studies and activities carried out at each work site.

### Compliance Month

Every year, the company designates a JAL Group Compliance Month to increase the awareness of group employees, promote compliance and ensure thorough implementation of the JAL Group Code of Conduct. Activities during this period include group employees completing self-evaluation check sheets, along with compliance-awareness surveys for each division and compliance meetings and seminars conducted by lecturers brought in from outside the company.

### Compliance Network

Involving approximately 100 domestic group companies, the JAL Group Compliance Network shares compliance information, raises awareness and establishes and reinforces compliance-promotion structures. Activities covered by the network include replying to questions and requests for advice put forward by each company, providing teaching materials and engaging in educational activities.

## Compliance and Sincerity

At the JAL Group, the term “compliance” means activities in the pursuit of a sincere company stance. For example, the company holds seminars on antitrust laws for branches both in Japan and overseas, while observing the different antitrust laws around the world. These seminars are conducted not just from the stance of what is legally permissible, but serve to implant the desire throughout the company to implement activities that are thoroughly above board. This stance on antitrust is vital for the JAL Group in its activities on the global stage. Throughout the group, we have established an advertising-control system and created concrete guidelines to ensure that our advertising is easy for our customers to understand. Here at the Legal Division, we work with the company lawyers to support that system, while also offering advice to the entire group.



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