

Fundamental Policies on the Internal Controls System

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

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

- (1) We have established JAL Philosophy as behavioral guidelines of the Company. Directors and employees are encouraged to abide by these practices.
- (2) The Board of Directors decides the Fundamental Policies on the Internal Controls System and the General Affairs Department promotes development of the internal control system.
- (3) The General Affairs Department supervises compliance operations and monitors development and operation of relevant company regulations.
- (4) We have developed an audit system to ensure the duties of directors and employees are executed in compliance with applicable laws and regulations.

2. 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.

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

We have developed regulations and other systems for loss control.

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

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

- (1) We hold ordinary Board of Directors meetings once a month and extraordinary meetings when it is necessary to make important decisions regarding group management policies and plans. In addition, to ensure the duties of directors are executed efficiently, we have established meeting structures such as the Management Committee and Group Earning Announcement Session.
- (2) We have defined administrative authority, authority of managerial posts, division of duties, etc. in accordance with company regulations, and have segregated authority in order to ensure that duties are executed efficiently.

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

- (1) We have established JAL Group Business Management Regulations to ensure that each subsidiary has established a system to carry out management in a fair and efficient manner in accordance with JAL Philosophy. We have also enacted Guidance for JAL Group Internal Control and continuously monitor 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.

6. We have developed a system concerning employees in case corporate auditors require the assignment of employees to support their duties, a system concerning independence of such employees from directors, and a system to ensure that instructions by corporate auditors to those employees are effective.

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

- (1) We have developed a system for directors and employees to report to corporate auditors.
- (2) We have developed a system for directors, corporate auditors, employees or persons who receive reports from them to report to corporate auditors.
- (3) We have developed a system to ensure that persons who report are not subjected to disadvantageous treatment as a result of reporting.

8. **We have developed a system for advance payment or repayment of costs arising from the execution of the duties of corporate auditors and the policy for processing of costs or liabilities arising from the execution of other duties.**

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

END

Appendix : The Board of Directors decided this Fundamental Policies on MAR 30, 2016 and this shall take effect on APR 01, 2016.