

[REFERENCE TRANSLATION]

Please note that this translation is to be used solely as reference and the financial statements in this material are unaudited.

In case of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Consolidated Financial Results for the Three Months Ended June 30, 2016 (Japanese GAAP)

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <http://www.jal.com> **July 29, 2016**
Representative Yoshiharu Ueki, President
Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3068
 Scheduled date for filing of quarterly report: August 1, 2016
 Scheduled date for dividend payment: Not Applicable
 Supplementary explanations of quarterly financial results: Yes
 Presentation for the quarterly financial results: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen unless otherwise indicated)

1. Consolidated Financial Results for the Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)
(1) Consolidated Operating Results (Cumulative)

	Operating Revenues		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended June 30, 2016	297,210	(4.8)	22,090	(39.1)	19,705	(49.8)	14,720	(54.9)
Three months ended June 30, 2015	312,035	1.6	36,244	94.6	39,230	131.7	32,610	120.7

*Comprehensive income for the period April 1, 2016- June 30, 2016:24,474 Millions of Yen April 1, 2015 - June 30, 2015:40,878 Millions of Yen

	Profit per share		Diluted profit per share	
	Yen		Yen	
Three months ended June 30, 2016	40.61		-	
Three months ended June 30, 2015	89.96		-	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity ratio (%)	Net Asset Per share
As of June 30, 2016	Millions of Yen 1,554,277	Millions of Yen 848,717	53.0	Yen 2,270.32
As of March 31, 2016	Millions of Yen 1,578,928	Millions of Yen 870,557	53.4	Yen 2,325.79

(Reference) Shareholder's equity As of June 30, 2016:822,993 Millions of Yen As of March 31, 2016: 843,099 Millions of Yen

2. Dividends

	Dividends per Share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
Year Ended March 31, 2016	Yen -	Yen -	Yen -	Yen 120.00	Yen 120.00
Year Ending March 31, 2017	-	-	-	-	-
Year Ending March 31, 2017 (Forecast)	-	-	-	-	-

Note: Revisions to the most recently disclosed dividend forecasts: None

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2017

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire Fiscal Year	1,343,000	0.5	201,000	(3.9)	193,000	(7.8)	192,000	10.0	529.65

Note: Revisions to the most recently disclosed earnings forecasts: None

Forecast for the six months ending September 30, 2016 is not made.

Notes

- (1) Changes in significant consolidated subsidiaries during the three months ended June 30, 2016: None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
- 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: YES
- 2) Changes in accounting policies other than 1): None
- 3) Changes in accounting estimates: None
- 4) Restatement of corrections: None
- (4) Number of shares issued (common stock)
- (a) Total number of shares issued at the end of the period (including treasury stock)
- | | | |
|----------------------|---|-------------|
| As of June 30, 2016 | : | 362,704,000 |
| As of March 31, 2016 | : | 362,704,000 |
- (b) Number of treasury shares at the end of the period
- | | | |
|----------------------|---|---------|
| As of June 30, 2016 | : | 203,395 |
| As of March 31, 2016 | : | 203,395 |
- (c) Average number of shares outstanding
- | | | |
|---|--|-------------|
| During the three months ended June 30, 2016 | | 362,500,605 |
| During the three months ended June 30, 2015 | | 362,500,605 |

Indication of quarterly review procedure implementation status

These quarterly financial results are not subject to the quarterly review requirements as provided in the Financial Instruments and Exchange Act. The review of quarterly consolidated financial statements as provided in the Financial Instruments and Exchange Act had not been completed as of the date of these Consolidated Financial Results for the Three Months Ended June 30, 2016.

Explanation for appropriate use of forecasts and other notes

Remarks on the description on future forecast

The forward-looking statements such as operational forecasts contained in this statements summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from such forward-looking statements for a variety of reasons. Please refer to “Qualitative Information concerning Financial Results for the First Quarter of FY2016” in the Attachment for the assumptions used and other notes.

* The Company will hold a presentation for institutional investors and analysts on July 29, 2016. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

CONTENTS

1.	Qualitative Information concerning Financial Results for the First Quarter of FY2016	2
	(1) Explanation of Operating Results	2
	(2) Explanations of Financial Conditions	9
	(3) Explanations of Forecast of Consolidated Financial Results	10
2.	Regarding the Summary Information (Notes)	10
	(1) Changes in the Scope of Consolidation	10
	(2) Application of Special Accounting Treatment	10
	(3) Changes in Accounting Policies and Estimates.....	10
3.	Consolidated Financial Statements	11
	(1) Consolidated Balance Sheets	11
	(2) Consolidated Statements of Income and Comprehensive Income	12
	(3) Consolidated Cash Flow Statements - Summary	13
	(4) Notes for Consolidated Financial Statements	13
	Going Concern Assumptions	13
	Explanatory Note in case of Remarkable Changes in Shareholders' Equity.....	13
	Segment Information, etc.	14
	Significant Subsequent Event	14

1. Qualitative Information concerning Financial Results for the First Quarter of FY2016

(1) Explanation of Operating Results

During the first three months of the fiscal year ending March 31, 2017 (April 1, 2016 to June 30, 2016, hereinafter referred to as “the first quarter”), the Japanese economy is on a moderate recovery; however private consumption is almost flat, while consumer confidence appears to be pausing. In overseas economies, a sense of uncertainty pervaded the British and European economies stemming from the LEAVE won a majority in the United Kingdom European Union membership referendum. Weakness was also observed in new emerging markets in Asia and resource-rich countries led by China’s economic slowdown. Due to effects of a series of earthquakes that struck Kumamoto Prefecture in the Kyushu region in April (the 2016 Kumamoto Earthquakes), tourism demand in Kyushu declined. Crude oil prices, which affect our fuel purchasing costs, international passenger revenue and international cargo revenue, have been lower than the year before, and the JPY/USD foreign exchange rate showed the Japanese yen getting stronger. Under these economic conditions, we worked to increase profit consciousness through efforts based on JAL Philosophy and the amoeba management system, realize greater management efficiencies, and provide the finest service to our customers anchored in our firm commitment to flight safety in order to reach the targets set out in Rolling Plan 2016 for the JAL Group Medium Term Management Plan announced on February 18, 2016.

As a result of the above, consolidated operating revenue decreased by 4.8% year-on-year to 297.2 billion yen and operating expense decreased by 0.2% to 275.1 billion yen, while operating income decreased by 39.1% year on year to 22.0 billion yen and ordinary income decreased by 49.8% to 19.7 billion yen. Profit attributable to owners of the parent for the first quarter was 14.7 billion yen, down 54.9% year on year.

Air Transportation Segment

Operating revenue decreased by 5.0% year-on-year to 268.3 billion yen and operating income decreased by 39.5% year-on-year to 19.5 billion yen. (Operating revenue and operating income are before elimination of transactions between segments.)

Details are provided below.

a. International Operations

	Three months ended June 30, 2015	Three months ended June 30, 2016	% or points compared to prior period
Revenue from passenger operations (millions of Yen)	109,479	99,551	90.9%
Revenue passengers carried (number of passengers)	2,099,511	2,052,250	97.7%
Revenue Passenger Kilometers (RPK) (1,000 passenger-km)	9,885,982	9,930,109	100.4%
Available Seat Kilometers (ASK) (thousands)	12,535,566	12,690,256	101.2%
Revenue Passenger Load Factor (L/F) (%)	78.9	78.2	(0.6)
Revenue from Cargo Operations (millions of Yen)	14,766	9,945	67.4%
Revenue CargoTon Kilometers (RCTK) (thousands)	451,012	432,741	95.9%

Note: From the first quarter under review, figures for Revenue Passengers Carried, Revenue Passenger Kilometers, Available Seat Kilometers, and Load Factor are calculated including “marketed portion by other airlines through code-sharing from among JAL operation flights.” As a result, these items for the first quarter of the previous year represent figures after reflecting these changes.

In international passenger operations, inbound demand remained robust primarily on Southeast Asia routes, but growth of outbound demand from Japan became stagnant. Under these conditions, we are working to launch and expand high quality products and services to inspire customers to choose to fly with JAL.

In route operations, the Narita and Dallas/Fort Worth service launched the year before has been well-received by customers, and flight frequency was increased from four weekly services to daily services from March 20, 2016, bringing greater convenience to customers. On the Narita=Moscow route, flight frequency was increased by one weekly flight to four weekly flights from April to June, and further, to five weekly flights from July to October in order to cater to passenger demand. As for airline partnerships, JAL and Alaska Airlines launched a new partnership including a code-sharing agreement from June 29, 2016, expanding our route network on the U.S. west coast extensively as a result. The partnership also includes a reciprocal frequent flyer agreement, which provides JAL Mileage Bank members with opportunities to earn JAL miles when boarding Alaska Airlines operated flights and to redeem miles for award tickets to board Alaska Airlines operated flights. Hence the new partnership has brought greater convenience for passengers travelling on the U.S. west coast.

On the marketing front, we redesigned JAL’s overseas websites serviced in 26 regions and 12 languages around the world since the previous remake about three years ago. Utilizing feedback from questionnaire surveys and user behavior surveys, we pursued improved visibility and operability in order to “provide unparalleled service to customers which is refreshing and inspiring on every flight.” We would like to ensure that the travel experience is stress free and comfortable even before customers make reservations.

On the product side, we are expanding routes operated with JAL SKY SUITE configured aircraft, offering full-flat seats in Business Class with unobstructed aisle access from every seat, and Economy Class seats in a seating arrangement which is more spacious than the norm, befittingly named “New Spacious Economy.” Our 777-200ER aircraft are also being revamped with JAL SKY SUITE cabin interiors and will be deployed on the Haneda=Bangkok route from June 18, 2016, and progressively

expanded to Singapore and Honolulu routes. As of the end of June 2016, JAL SKY SUITE aircraft including the 777-300ER, 787-8, 787-9 and 767-300ER are operated for 28 flights on 24 routes. The inflight meal menu for Economy Class was renewed on flights departing from Tokyo (Narita/Haneda) and Osaka (Kansai) for China, Hong Kong and Taiwan from June 1, 2016. The menus are conceptualized under the theme “Hokkaido” and have won favorable reviews. On the same date, June 1, we also introduced halal certified inflight meals on select international flights from Japan to enable Muslim passengers to enjoy their meals with peace of mind.

We will continue to embrace the challenge of improving convenience and comfort to provide customers with unparalleled service and a refreshing and inspiring travel experience.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) increased by 1.2% year-on-year, demand measured in Revenue Passenger Kilometers (RPK) increased by 0.4% year-on-year, the Load Factor (L/F) was 78.2% year-on-year (down 0.6 percentage points), and international passenger revenue was 99.5 billion yen, down 9.1% from the year before due to a decrease in fuel surcharge revenue and such.

International cargo operations saw a decline in demand on transpacific routes amongst others, and a 4.1% year-on-year decrease in cargo volume when measured in Revenue Cargo Ton Kilometers (RCTK). International cargo revenue came to 9.9 billion yen, down 32.6% year on year due to various factors such as a decline in fuel surcharge revenue caused by lower fuel prices, effects of the strong yen on foreign currency denominated cargo revenue, and netting international cargo sales commission from revenue due to a change in adjusting method. The core system for international cargo updated in April 2016 followed by domestic cargo system in September 2014 successfully integrated each other and increased convenience in reservation and tracking shipping status through.

International mail operations secured demand comparable to previous year levels by capturing strong demand for individual mail orders. Cool EMS, a cool transport service for international express parcels provided in collaboration with Japan Post Co., Ltd., increased in handling volume from the previous year, partly due to the introduction of larger cool containers starting from June. As a result of the above, mail volume when measured in Mail Ton Kilometers increased by 14.6% from the year-earlier-period, but revenue decreased by 1.5% year-on-year to 2.3 billion yen caused by the effect of the strong yen on mail revenue paid by foreign currencies, and such.

b. Domestic Operations

	Three months ended June 30, 2015	Three months ended June 30, 2016	% or points compared to prior period
Revenues from passenger operations (millions of Yen)	109,900	109,427	99.6%
Revenue passengers carried (number of passengers)	7,538,738	7,465,134	99.0%
Revenue Passenger Kilometers (RPK) (1,000 passenger-km)	5,663,276	5,567,589	98.3%
Available Seat Kilometers (ASK) (thousands)	8,973,528	8,743,580	97.4%
Revenue Passenger Load Factor (L/F) (%)	63.1	63.7	0.6
Revenue from Cargo Operations (millions of Yen)	5,757	5,487	95.3%
Revenue Cargo Ton Kilometers(RCTK) (thousands)	90,328	86,857	96.2%

In domestic passenger operations, we deployed measures to stimulate demand and manage supply and demand so as to increase profitability.

In route operations, in response to falling passenger demand caused by the 2016 Kumamoto Earthquakes, we speedily adjusted aircraft capacity to meet demand principally on Kyushu routes from Haneda to improve profitability, while operating many unscheduled flights mainly between Fukuoka and Kagoshima to supplement disrupted surface transport services in Kyushu. The Haneda=Yamagata route, using the allotted “Haneda Airport Policy Contest Slot” in fiscal 2014, won the highest evaluation for joint promotions with the region and was granted a three year extension from fiscal 2016 by the Ministry of Land, Infrastructure, Transport and Tourism. We are continuously operating two flights a day on this route. In addition, we temporarily handled air cargo at Yamagata Airport to transport cherries, a specialty which Yamagata is known for, to Tokyo and Osaka while it’s fresh starting from June 10. On routes from/to Itami Airport, we deployed the Embraer 190 offering “class J”, the first regional jet with this service, and launched flights on the Itami=Kagoshima route from May 2016. We put in efforts to contribute to customer convenience and comfort even further.

Furthermore, to support recovery from the Kumamoto Earthquakes, we set up a special fare “Ouen Sakitoku” offering greater discounts applicable to routes to/from Kyushu. We cooperated in relief efforts to the best of our ability, such as meeting passenger demand to Kyushu to visit hometowns or volunteer in quake stricken areas, and providing free transportation for volunteer groups and relief supplies. In addition, to lure international travelers to Kyushu, we launched a new domestic fare called “oneworld YOKOSO/Visit KYUSHU Fare” aimed to create opportunities for international visitors to visit Kyushu and revitalize tourism demand in the region. We also started sales of a “one-way by Shinkansen and one-way by air product” for travelling around Hokkaido and Aomori, in collaboration with East Japan Railway Company, to create new tourist flows. The fusion of new travel values, that is, of securing more time to stay by using aircraft one-way, and riding the new Hokkaido Shinkansen express train, aims to boost tourism demand to Hokkaido and Aomori and revitalize the regions.

To provide easy, convenient and simple services at the airport and in the air under the concept of “JAL Smart Style,” we expanded and improved on current services, such as setting up large monitors indicating waiting time at security checkpoints along the traffic flow to the departure floor from Tokyo monorail and Keihin Kyuko stations at Haneda Airport to alleviate

wait-time stress of customers.

As for cabin services, we conducted a “15-minutes for free campaign” of our inflight Wi-Fi service, introduced in July 2014, on all Wi-Fi available aircraft to let more customers experience it, added more free video programs, and such to provide greater comfort in air travel to as many customers as possible.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) decreased by 2.6% year-on-year, demand measured in Revenue Passenger Kilometers (RPK) decreased by 1.7% year-on-year, the Load Factor (L/F) was 63.7% year-on-year (up 0.6 percentage points), and domestic passenger revenue came to 109.4 billion yen, down 0.4% from the year before.

In domestic cargo operations, though demand of parcel shipments was strong, cargo volume measured in Revenue Cargo Ton Kilometers (RCTK) decreased by 3.8% year-on-year, and domestic cargo revenue stood at 5.4 billion yen, down 4.7% from a year ago, due to intensifying competition, and such.

Components of Revenues from the Air Transportation Segment are as follows

	Three months ended June 30, 2015 Millions of Yen	Percentage contribution to total (%)	Three months ended June 30, 2016 Millions of Yen	Percentage contribution to total (%)	% compared to prior year
International:					
Passenger operations	109,479	38.8	99,551	37.1	90.9
Cargo operations	14,766	5.2	9,945	3.7	67.4
Mail-service operations	2,342	0.8	2,306	0.9	98.5
Luggage operations	217	0.1	191	0.1	88.3
Sub-total	126,805	44.9	111,995	41.7	88.3
Domestic:					
Passenger operations	109,900	38.9	109,427	40.8	99.6
Cargo operations	5,757	2.0	5,487	2.0	95.3
Mail-service operations	894	0.3	881	0.3	98.6
Luggage operations	66	0.0	67	0.0	101.5
Sub-total	116,618	41.3	115,864	43.2	99.4
Total revenues of international and domestic operations	243,423	86.2	227,860	84.9	93.6
Other revenues	39,009	13.8	40,457	15.1	103.7
Total revenues	282,433	100.0	268,317	100.0	95.0

Note: Amounts are rounded down to the nearest million yen, percentages are round off to the first decimal place.

Consolidated Traffic Results

	Three months ended June 30, 2015	Three months ended June 30, 2016	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	2,099,511	2,052,250	97.7%
Revenue passenger km (1,000 passenger-km)	9,885,982	9,930,109	100.4%
Available seat km (thousands)	12,535,566	12,690,256	101.2%
Revenue passenger-load factor (%)	78.9	78.2	(0.6)
Revenue cargo ton-km (thousands)	451,012	432,741	95.9%
Mail ton-km (thousands)	50,228	57,560	114.6%
DOMESTIC			
Revenue passengers carried (number of passengers)	7,538,738	7,465,134	99.0%
Revenue passenger-km (1,000 passenger-km)	5,663,276	5,567,589	98.3%
Available seat km (thousands)	8,973,528	8,743,580	97.4%
Revenue passenger-load factor (%)	63.1	63.7	0.6
Revenue cargo ton-km (thousands)	90,328	86,857	96.2%
Mail ton-km (thousands)	6,412	6,565	102.4%
TOTAL			
Revenue passengers carried (number of passengers)	9,638,249	9,517,384	98.7%
Revenue passenger-km (1,000 passenger-km)	15,549,257	15,497,698	99.7%
Available seat km (thousands)	21,509,094	21,433,836	99.7%
Revenue passenger-load factor (%)	72.3	72.3	0.0
Revenue cargo ton km (thousands)	541,340	519,598	96.0%
Mail ton km (thousands)	56,640	64,125	113.2%

- From the first quarter under review, figures for Revenue Passengers Carried, Revenue Passenger Kilometers, Available Seat Kilometers, and Load Factor of the international operations are calculated including “marketed portion by other airlines through code-sharing from among JAL operation flights.” As a result, these items for the first quarter of the previous year represent figures after reflecting these changes.
- Revenue Passenger Kilometers (RPK) is the number of fare-paying passengers multiplied by the distance flown (km).
Available Seat Kilometers (ASK) is the number of available seats multiplied by the distance flown (km).
Revenue Cargo Ton Kilometers (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
- The distance flown between two points, used for calculations of RPK, ASK and RCTK above is based on the great-circle distance and according to statistical data from IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization).
- International operations: Japan Airlines Co., Ltd.
Domestic operations: Japan Airlines Co., Ltd., Japan Transocean Air Co., Ltd., Japan Air Commuter Co., Ltd., J-Air Co., Ltd., Ryukyu Air Commuter Co., Ltd., and Hokkaido Air System Co., Ltd.
- Figures have been truncated and percentages are rounded off to the first decimal place.

Other businesses

In Other operations, we worked to increase customer convenience and enhance JAL Group's corporate value. The financial results of two major companies in this segment are as follows.

JALPAK Co., Ltd. put forward product sales launch dates and extended service available periods with the aim to promote early bookings, and increased product competitiveness in order to maximize revenue. Customer volume of overseas travel decreased by 8.6% year-on-year to 52,000 persons due to concerns of instability in Europe. Domestically, customer volume decreased by 0.4% to 553,000 persons, due to effects of the Kumamoto Earthquakes, although JAL Dynamic Package showed strong demand through increased online advertising and sales promotions and reservations through smartphones. As a result, operating revenue (before elimination of consolidated transactions) was 36.3 billion yen, down 0.9% year-on-year.

JAL Card Co., Ltd. actively conducted campaigns exploiting TV and online advertising, and was rewarded with an increase in new members enrolling at airports and online from the previous year. Enrollment activities began at banks from fiscal 2016. As a result, membership increased by approximately 30,000 to 3.15 million members from the end of March 2016. Trading volume remained high despite low personal spending by increasing double-mile partner shops, implementing card usage boosting measures, and promoting switches to top tier status cards. As a result, operating revenue (before elimination of consolidated transactions) was 16.4 billion yen, up 0.2% year-on-year.

(2) Explanation of Financial Conditions

Assets, liabilities and net assets

Total assets in the first quarter decreased by 24.6 billion yen from the end of the previous fiscal year to 1,554.2 billion yen, and total liabilities decreased by 2.8 billion yen from the end of the previous fiscal year to 705.5 billion yen.

Though paying of dividends to shareholders decreased net assets, we posted a quarterly profit attributable to owners of the parent, resulting in net assets of 848.7 billion yen, decreased by 21.8 billion yen from the amount reported at the end of the previous fiscal year.

For details, please refer to "3. Consolidated Financial Statements (1) Consolidated Balance Sheets".

Cash Flows

Cash Flows from Operating Activities

As a result of addition/subtraction of non-cash items, such as depreciation and amortization costs and debts/credits relating to operating activities to/from 20.2 billion yen in profit before income taxes for the first quarter, cash flow from operating activities (inflow) came to 60.9 billion yen, down 29.4 billion yen year-on-year.

Cash Flows from Investing Activities

As a result of expenditures to acquire fixed assets and proceeds from withdrawal of time deposits, cash flows from investing activities (inflow) totaled 30.2 billion yen, up 67.5 billion yen year-on-year.

Cash Flows from Financing Activities

As a result of repaying short-term loans and paying dividends, cash flows from financing activities (outflow) totaled 56.6 billion yen, up 7.8 billion yen year-on-year.

As a result of the above, the balance of cash and cash equivalents at the end of the first quarter increased by 33.0 billion yen from the end of the previous fiscal year to 125.9 billion yen.

(3) Explanations of Forecast of Consolidated Financial Results

There are no changes in the forecast of consolidated financial results for the full year announced in “Consolidated Financial Results for the year ended March 31, 2016” disclosed on April 28, 2016.

Estimated dividends for fiscal year 2016 ending March 31, 2017 will be disclosed as soon as the estimate of financial results becomes clearer. We were to allocate approximately 25% of profit attributable to owners of the parent after deducting income taxes-deferred as the total amount of dividends for our shareholders for the full year.

2. Regarding Summary Information (Notes)

(1) Changes in the Scope of Consolidation

None

(2) Application of Special Accounting Treatment

None

(3) Change in Accounting Policy and Estimates

Effective beginning the three-month period ended June 30, 2016, some of the domestic consolidated subsidiaries have adopted the "Practical Solution on Accounting for Changes in Depreciation Method related to the 2016 Tax Law Changes (PITF No.32 of June 17, 2016)," following the revision of the Corporation Tax Act. Accordingly, the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 was changed from declining-balance method to straight-line method.

There are minimal impacts to the Operating Income, Ordinary Income and Profit before Income Taxes of the three months period ended June 30, 2016. .

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2016 and as of June 30, 2016 (Millions of Yen)

Account	FY2015 As of March 31, 2016	FY2016 As of June 30, 2016
(Assets)		
Current assets		
Cash and deposits	420,333	344,236
Notes and account receivable-trade	128,148	130,735
Securities	-	13,000
Flight equipment spare parts and supplies	20,314	21,783
Other	61,154	56,017
Allowance for doubtful accounts	(709)	(679)
Total current assets	629,242	565,094
Non-current assets		
Tangible fixed assets, net		
Flight equipment	560,601	617,969
Other tangible fixed assets	168,072	154,792
Total tangible fixed assets	728,673	772,762
Intangible fixed assets	80,518	84,429
Investments and other assets	140,494	131,990
Total non-current assets	949,686	989,182
Total assets	1,578,928	1,554,277
Account	FY2015	FY2016
	As of March 31, 2016	As of June 30, 2016
(Liabilities)		
Current liabilities		
Accounts payable-trade	145,413	138,303
Short-term loans payable	5,792	597
Current portion of long-term loans payable	10,851	10,245
Lease obligations	13,254	10,296
Accounts payable-installment purchase	178	179
Other	193,062	216,130
Total current liabilities	368,552	375,751
Non-current liabilities		
Long-term loans payable	51,331	48,636
Lease obligations	10,373	9,056
Long-term accounts payable-installment purchase	847	802
Net defined benefit liability	236,310	234,114
Provision	6,294	5,675
Other non-current liabilities	34,660	31,522
Total non-current liabilities	339,818	329,807
Total liabilities	708,371	705,559
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,042	183,042
Retained earnings	557,905	529,126
Treasury shares	(538)	(538)
Total shareholders' equity	921,761	892,981
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,767	12,778
Deferred losses on hedges	(24,777)	(15,018)
Foreign currency translation adjustment	427	(248)
Remeasurements of defined benefit plans	(69,079)	(67,499)
Total accumulated other comprehensive income	(78,662)	(69,988)
Non-controlling interests	27,457	25,724
Total net assets	870,557	848,717
Total liabilities and net assets	1,578,928	1,554,277

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

Account	Three months ended June 30, 2015	Three months ended June 30, 2016
Operating revenue	312,035	297,210
Operating cost	229,672	227,671
Operating gross profit	82,362	69,539
Selling, general and administrative expenses	46,117	47,448
Operating income	36,244	22,090
Non-operating income		
Interest and dividend income	1,041	627
Other	4,267	1,175
Total non-operating income	5,308	1,803
Non-operating expenses		
Interest expense	334	223
Foreign exchange losses	-	2,431
Share of loss of entities accounted for using equity method	872	-
Other	1,115	1,532
Total non-operating expenses	2,322	4,187
Ordinary income	39,230	19,705
Extraordinary income		
Reversal of reserve for loss on antitrust litigation	-	619
Gain on bargain purchase	38	-
Other	87	15
Total extraordinary income	125	635
Extraordinary losses		
Loss on disposal of fixed assets	45	48
Provision of reserve for loss on antitrust litigation	76	-
Other	60	18
Total extraordinary losses	181	66
Profit before income taxes	39,173	20,274
Income taxes	5,196	4,196
Profit	33,977	16,078
Breakdown		
Profit attributable to owners of parent	32,610	14,720
Profit attributable to non-controlling interests	1,367	1,357
Other comprehensive income		
Valuation difference on available-for-sale securities	(486)	(1,950)
Deferred gains on hedges	6,913	9,618
Foreign currency translation adjustment	101	(705)
Remeasurements of defined benefit plans	329	1,592
Share of other comprehensive income of entities accounted for using equity method	42	(158)
Total other comprehensive income	6,900	8,396
Comprehensive income	40,878	24,474
Breakdown		
Comprehensive income attributable to owners of the parent	39,473	23,394
Comprehensive income attributable to non-controlling interests	1,405	1,080

(3) Consolidated Statement of Cash Flows - Summary

(Millions of Yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
I. Cash flows from operating activities: *1	90,342	60,927
II. Cash flows from investing activities:	(37,336)	30,200
III. Cash flows from financing activities:	(48,846)	(56,647)
IV. Cash and cash equivalents at end of period	123,762	125,975
*1 Depreciation and amortization	21,502	23,426

Relationship between the amount of accounts that are in the consolidated balance sheet and cash and cash equivalents

(Millions of Yen)

	FY2015 April 1, 2015 to June 30, 2015	FY2016 April 1, 2016 to June 30, 2016
Cash and deposits	351,300	344,236
Term deposits for over three months	(227,537)	(231,261)
Securities	-	13,000
Cash and cash equivalents	123,762	125,975

(4) Notes for Consolidated Financial Statements

Going Concern Assumptions

None

Explanatory Note in case of Remarkable Changes in Shareholders' Equity

None

Segment Information, etc.

Segment information

a. Consolidated financial results for the first quarter of FY2015 (April 1, 2015 to June 30, 2015)

1) Information concerning amount of operating revenue and profits or losses by reporting segment

(millions of yen)

	Reporting segment	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Air transportation				
Revenue					
1. Revenue from external customers	258,317	53,717	312,035	-	312,035
2. Intersegment revenue or transfer	24,115	6,697	30,813	(30,813)	-
Total	282,433	60,414	342,848	(30,813)	312,035
Segment profit	32,245	3,990	36,235	8	36,244

(Note) 1. "Others" refer to business segments that are not included in the reporting segment, such as travel services, etc.

2. Adjustment includes intersegment elimination.

3. Segment profit has been adjusted with operating income on the Consolidated Statement of Income and Comprehensive Income.

b. Consolidated financial results for the first quarter of FY2016(April 1, 2016 to June 30, 2016)

1) Information concerning amount of operating revenue and profits or losses by reporting segment

(millions of yen)

	Reporting segment	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Air transportation				
Revenue					
1. Revenue from external customers	243,516	53,694	297,210	-	297,210
2. Intersegment revenue or transfer	24,801	6,806	31,607	(31,607)	-
Total	268,317	60,500	328,818	(31,607)	297,210
Segment profit	19,501	2,626	22,127	(37)	22,090

(Note) 1. "Others" refer to business segments that are not included in the reporting segment, such as travel services, etc.

2. Adjustment includes intersegment elimination.

3. Segment profit has been adjusted with operating income on the Consolidated Statement of Income and Comprehensive Income.

Significant Subsequent Event

None