

[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 Nine Months Ended December 31, 2016 (Japanese GAAP)

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <http://www.jal.com> **January 31, 2017**
Representative Yoshiharu Ueki, President
Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3068
 Scheduled date for filing of quarterly report: February 1, 2017
 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 Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 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	%
Nine Months ended December 31, 2016	975,488	(4.7)	137,311	(19.2)	136,067	(20.2)	108,282	(24.6)
Nine Months ended December 31, 2015	1,023,412	0.1	170,017	23.0	170,477	24.0	143,685	20.1

*Comprehensive income for the period April 1, 2016 - December 31, 2016: 149,163 Millions of Yen. (+10.6%) April 1, 2015 - December 31, 2015: 134,875 Millions of Yen. (+17.6%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine Months ended December 31, 2016	299.74	-
Nine Months ended December 31, 2015	396.37	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity ratio (%)	Net Asset Per share
	Millions of Yen	Millions of Yen		Yen
As of December 31, 2016	1,625,318	953,407	56.8	2,593.08
As of March 31, 2016	1,578,928	870,557	53.4	2,325.79

(Reference) Shareholder's equity As of December 31, 2016: 923,813 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)	-	-	-	92.00	92.00

Notes 1: Revisions to the most recently disclosed dividend forecasts: Yes

Notes 2: Dividend per share is calculated based on the number of treasury stock as of December 31, 2016.

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	1,280,000	(4.2)	170,000	(18.7)	163,000	(22.1)	161,000	(7.7)	445.67

Notes 1: Revisions to the most recently disclosed earnings forecasts: None

Notes 2: Profit per share is calculated based on the number of shares outstanding as of December 31, 2016.

Notes

- (1) Changes in significant consolidated subsidiaries during the Nine Months ended December 31, 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)
- 1) Total number of shares issued at the end of the period (including treasury stock)
 - As of December 31, 2016 : 362,704,000
 - As of March 31, 2016 : 362,704,000
 - 2) Number of treasury stock at the end of the period
 - As of December 31, 2016 : 6,442,269
 - As of March 31, 2016 : 203,395
 - 3) Average number of shares outstanding
 - During the Nine Months ended December 31, 2016 361,252,833
 - During the Nine Months ended December 31, 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 Nine Months Ended December 31, 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 Third 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 January 31, 2017. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

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

(1) Explanation of Operating Results

During the nine months of consolidated financial results for the fiscal year ending March 31, 2017 (April 1, 2016 to December 31, 2016, hereinafter referred to as “the third quarter”), the Japanese economy showed weakness, however personal spending was stable in general. In overseas economies, weakness was observed in Asia’s emerging markets, resource-rich markets and China markets. Crude oil prices, which affect our fuel purchasing costs and international passenger and international cargo revenues were lower than the year before but increased rapidly from December, triggered by an agreement to reduce crude oil production which was announced at a meeting of the Conference of the Organization of the Petroleum Exporting Countries. Meanwhile, the Japanese yen grew stronger against the US dollar, but started to depreciate from December after the Federal Open Market Committee of the US Federal Reserve Board decided to raise its benchmark interest rate. Under these economic conditions, we worked to increase profit consciousness of every staff through sound management based on the JAL Philosophy and precise amoeba management system, realize greater management efficiencies, and provide unparalleled 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 4.7% year-on-year to 975.4 billion yen and operating expense decreased by 1.8% to 838.1 billion yen, while operating income decreased by 19.2% year on year to 137.3 billion yen and ordinary income decreased by 20.2% to 136.0 billion yen. Net income attributable to owners of the parent for the third quarter was 108.2 billion yen, down 24.6% year on year.

Air Transportation Segment

Third quarter financial results of the air transportation business segment are operating revenue of 877.2 billion yen, down 5.0% year-on-year, and operating income of 123.8 billion yen, 20.4% lower than the year before. (Operating revenue and operating income are values before elimination of intra-segment transactions.)

Details are provided below.

a. International operations

	Nine Months ended December 31,2015	Nine Months ended December 31,2016	% or points compared to prior period
Revenue from Passenger Operations (millions of Yen)	345,993	314,441	90.9%
Revenue Passengers Carried (number of passengers)	6,352,855	6,279,825	98.9%
Revenue Passenger Kilometers (RPK) (1,000 passenger-km)	30,418,996	30,508,305	100.3%
Available Seat Kilometers (ASK) (thousands)	38,015,891	38,203,734	100.5%
Revenue Passenger Load Factor (L/F) (%)	80.0	79.9	(0.2)
Revenue from Cargo Operations (millions of Yen)	42,479	31,844	75.0%
Revenue CargoTon Kilometers (RCTK) (thousands)	1,319,060	1,407,431	106.7%

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 third quarter of the previous year represent figures after reflecting these changes.

In international passenger operations, inbound demand remained robust and outbound demand picked up in the third quarter(October-December) to previous year levels. As a result, we achieved a record highest revenue passenger load factor of 79.5% in the third quarter (October to December).

As for quality and service, Japan Airlines ranked first in loyalty (Repeat Intention Rate), retaining this ranking from the previous year, and moved up to first place for Recommendation Intention Rate in the International Airlines category of the 2016 Japan Customer Satisfaction Index Survey. Furthermore, Japan Airlines was named the most punctual Asia-Pacific Major International Airline in both mainline and network categories for calendar year 2016 by FlightStats. This is the seventh time and the fifth consecutive year for JAL to receive an award as the best on-time Asia-Pacific carrier.

In route operations, we increased services from four weekly to daily service of the Narita=Dallas/Fort Worth service, which has been in great demand. We also increased flight frequency on our Hawaii (Narita=Honolulu, Kansai=Honolulu) and Bangkok routes to meet demand.

As for alliances, Iberia joined in the trilateral joint business with British Airways and Finnair on routes between Japan and Europe on October 18, 2016, adding Iberia’s hub airport Madrid to London and Helsinki to our network and bringing more connection options when traveling between Japan and Europe. Beginning December 1, 2016, Japan Airlines and Korean Air launched a reciprocal mileage tie-up program between Japan and Korea, enabling members of the airlines’ respective loyalty programs to board either airline with award tickets, to improve customer convenience.

On the marketing front, we introduced ALIPAY, China’s largest third party settlement platform, on JAL’s China corporate website for Chinese customers to enjoy greater convenience when planning trips to Japan. In addition, we are operating a JAL Doraemon Jet painted with special Doraemon livery on the Narita=Shanghai (Pudong) route, etc. to increase recognition of JAL and develop familiarity with Japan.

On the product side, we continue to expand routes operated with SKY SUITE configured aircraft, offering full-flat seats in Business Class with unobstructed aisle access from every seat and “New Spacious Economy” in Economy Class, which are more spacious than the standard seating arrangement. The JAL SKY SUITE 777-200ER, which received the 2016 Good Design Award, is in service on the Haneda and Bangkok, Singapore, Hong Kong and Honolulu respectively, and will progressively be deployed on the Kansai=Honolulu and Chubu=Honolulu routes. As of the end of December 2016, JAL SKY SUITE operated routes including the 777-300ER, 787-8, 787-9 and

767-300ER have increased on 27 routes.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) increased by 0.5% year-on-year, demand measured in Revenue Passenger Kilometers (RPK) increased by 0.3% year-on-year, the Load Factor (L/F) was 79.9% year-on-year (down 0.2 percentage points), and international passenger revenue was 314.4 billion yen, down 9.1% from the year before due to a decrease in fuel surcharge revenue and such.

In international cargo operations, as market demand picked up from the July-September period and continued to grow, we worked on capturing robust demand in an effort to maximize revenue. Third-quarter cargo volume measured in Revenue Cargo Ton Kilometers (RCTK) rose 6.7% year-on-year. However, revenue fell 25.0% year-on-year to 31.8 billion yen, weighed down by lower fuel surcharge revenue, lower foreign-currency-denominated cargo revenues caused by the strong yen, and lower cargo revenue in accordance with the revised settlement method.

In international mail operations, we captured individual mail order shipments in H1FY2016 and though demand weakened from H2FY2016, we managed to secure weight of previous year's level. Handling volume of Cool EMS, a cool transport service for international express parcels provided in collaboration with Japan Post Co., Ltd., increased significantly year-on-year, stemming from higher recognition of Cool EMS by markets and more post offices handling this service. As a result, mail volume measured in Mail Ton Kilometers increased 3.6% year-on-year, but revenue fell 18.1% year-on-year to 6.5 billion yen, as the strong yen served as a drag on foreign-currency-denominated mail revenue.

b. Domestic operations

	Nine Months ended December 31, 2015	Nine Months ended December 31, 2016	% or points compared to prior period
Revenue from Passenger Operations (millions of Yen)	384,172	380,896	99.1%
Revenue Passengers Carried (number of passengers)	24,377,334	24,623,199	101.0%
Revenue Passenger Kilometers (RPK) (1,000 passenger-km)	18,469,219	18,525,115	100.3%
Available Seat Kilometers (ASK) (thousands)	27,166,199	26,744,750	98.4%
Revenue Passenger Load Factor (L/F) (%)	68.0	69.3	1.3
Revenue from Cargo Operations (millions of Yen)	17,983	17,126	95.2%
Revenue Cargo Ton Kilometers (RCTK) (thousands)	279,724	272,726	97.5%

In domestic passenger operations, we deployed measures to stimulate demand and strived to strike a balance between supply and demand to increase profitability. As a result we achieved a record highest load factor of 71.9% in the third quarter (October to December).

In route operations, in response to falling passenger demand caused by the 2016 Kumamoto Earthquakes, we speedily assigned smaller aircraft types centering on routes between Haneda and Kyushu to improve profitability, and operated many extra flights mainly between Fukuoka and Kagoshima to supplement disrupted surface transport services in Kyushu. In Hokkaido, to respond to prolonged transport service disruptions in Hokkaido caused by a series of typhoons in August 2016, we temporarily increased flight frequency of Hokkaido Air System on the Sapporo (Okadama)=Kushiro route from September to December 2016. On Itami routes, we deployed the Embraer 190, the first regional jet equipped with Class J seats, and expanded services to the Itami=Kagoshima route from May 2016, and further, the Itami=Sendai and Itami=Fukuoka routes in order to offer greater comfort when flying in and out of Itami.

On the marketing front, to support Kumamoto earthquake relief efforts, we introduced special Oen (Support) Sakitoku fares with deeper discounts than regular discounts when flying to and from Kyushu. We cooperated with disaster restoration to the greatest extent possible, such as catering to passenger traffics traveling home to Kyushu or volunteering in quake-stricken areas, and offering free transportation for volunteer groups and relief supplies. In addition, to revive and draw leisure demand to Kyushu, we participated in the Kyushu Fukko Wari (Kyushu Recovery Discount) Project from July 2016 and started sales of JAL Dynamic Package travel products using the Kyushu Tourism Oen (Support) Grant subsidized by the Japanese government, in partnership with General Incorporated Association Kyushu Tourism Promotion Organization.

To bring more inbound visitors to local regions in Japan, we started multilingual sales of new discounted domestic fares called Japan Explorer Pass on JAL's website in 22 countries and regions, and opened a promotional site for finding information, booking hotels, arranging tours, etc. in Japan to offer users greater convenience and seamless travel.

We also started a new service called Dokokani Mile (travel somewhere with mileage) from December 2016, Japan's first-ever domestic award ticket and a co-creation innovation by JAL and Nomura Research Institute. The service concept of "traveling somewhere with mileage and leaving the destination up to JAL" aims to create new demand, bring them to local areas, and boost air travel in Japan by offering domestic award tickets for less than half the required mileage.

On the product side, we completed revamping of all applicable aircraft (*) to JAL SKY NEXT configured aircraft, which was first

introduced in May 2014. To enable as many passengers to experience inflight Wi-Fi service available on JAL SKY NEXT-operated flights, we conducted a “15 minutes for free campaign” on all flights, and also increased free video programs. In these ways and more, we are doing our best to deliver a comfortable and enjoyable travel experience.

(※) 777-300, 777-200, 767-300, 737-800 aircraft (excluding Japan Transocean Air aircraft)

In June 2016, we opened a totally renewed Sakura Lounge and the second Diamond Premier Lounge at Shin-Chitose Airport (Sapporo) following the one at Haneda Airport, improved meal and drink service menus, and revised service times to improve lounge service quality at Shin-Chitose Airport. In October 2016, we opened a Diamond Premier Lounge at Osaka International Airport (Itami) to further improve our service quality and comfort for our guests.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) decreased by 1.6% year-on-year, demand measured in Revenue Passenger Kilometers (RPK) increased by 0.3% year-on-year, the Load Factor (L/F) was 69.3% year-on-year (up 1.3 points), and domestic passenger revenue came to 380.8 billion yen, down 0.9% from the year before.

In domestic cargo operations, signs of recovery were observed in the October-December period, but shifts to surface transport and a drop in perishable shipments caused by adverse weather pushed down cargo volume measured in Revenue Cargo Ton Kilometers (RCTK) to 2.5% year-on-year, and domestic cargo revenue fell 4.8% year-on-year to 17.1 billion yen.

Components of Revenues from the Air Transportation Segment are as follows

	Nine Months ended December 31,2015 Millions of Yen	Percentage contribution to total (%)	Nine Months ended December 31,2016 Millions of Yen	Percentage contribution to total (%)	% compared to prior year
International:					
Passenger Operations	345,993	37.5	314,441	35.8	90.9
Cargo Operations	42,479	4.6	31,844	3.6	75.0
Mail-service Operations	8,041	0.9	6,589	0.8	81.9
Luggage Operations	638	0.1	560	0.1	87.8
Sub-Total	397,153	43.0	353,436	40.3	89.0
Domestic:					
Passenger Operations	384,172	41.6	380,896	43.4	99.1
Cargo Operations	17,983	1.9	17,126	2.0	95.2
Mail-service Operations	2,703	0.3	2,971	0.3	109.9
Luggage Operations	217	0.0	221	0.0	101.7
Sub-Total	405,076	43.9	401,216	45.7	99.0
Total Revenues of International and Domestic Operations	802,229	86.9	754,652	86.0	94.1
Other Revenues	121,000	13.1	122,571	14.0	101.3
Total Revenues	923,230	100.0	877,223	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

	Nine Months ended December 31,2015	Nine Months ended December 31,2016	% or points compared to prior period
INTERNATIONAL			
Revenue Passengers Carried (number of passengers)	6,352,855	6,279,825	98.9%
Revenue Passenger Kilometers (1,000 passenger-km)	30,418,996	30,508,305	100.3%
Available Seat Kilometers (thousands)	38,015,891	38,203,734	100.5%
Revenue Passenger Load Factor (%)	80.0	79.9	(0.2)
Revenue Cargo Ton Kilometers (thousands)	1,319,060	1,407,431	106.7%
Mail Ton Kilometers (thousands)	173,461	179,694	103.6%
DOMESTIC			
Revenue Passengers Carried (number of passengers)	24,377,334	24,623,199	101.0%
Revenue Passenger Kilometers (1,000 passenger-km)	18,469,219	18,525,115	100.3%
Available Seat Kilometers (thousands)	27,166,199	26,744,750	98.4%
Revenue Passenger Load Factor (%)	68.0	69.3	1.3
Revenue Cargo Ton Kilometers (thousands)	279,724	272,726	97.5%
Mail Ton Kilometers (thousands)	19,401	19,925	102.7%
TOTAL			
Revenue Passengers Carried (number of passengers)	30,730,189	30,903,024	100.6%
Revenue Passenger Kilometers (1,000 passenger-km)	48,888,215	49,033,420	100.3%
Available Seat Kilometers (thousands)	65,182,090	64,948,485	99.6%
Revenue Passenger Load Factor (%)	75.0	75.5	0.5
Revenue Cargo Ton Kilometers (thousands)	1,598,784	1,680,157	105.1%
Mail Ton Kilometers (thousands)	192,862	199,620	103.5%

- 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 third 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.
However, in the year-earlier period,
International operations : Japan Airlines Co., Ltd. Hokkaido Air System 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. Hokkaido Air System Co., Ltd.
- Figures have been truncated and percentages are rounded off to the first decimal place.

Other businesses

The financial results of two major companies in this segment are as follows.

JALPAK Co., Ltd. redesigned the international travel reservation display on smartphones to improve usability, conducted timely sales promotion campaigns to meet demand trends, and strived to increase product sales throughout the third quarter. It also sold JAL Kyushu Fukko Wari (Kyushu Recovery Discounts) to support tourism promotion and economic recovery in Kyushu. Although it actively sold Business Class and Premium Economy Class, weak growth of leisure demand to Europe and the reduction of seat capacity on the introduction of new aircraft, etc. compressed overseas customer volume to 178 thousand persons, 4.8% lower than the previous year. On the other hand, domestic customer volume rose 3.3% year-on-year to 1,879 thousand persons through strong sales of JAL Dynamic Package as a result of increased WEB publicity and sales promotions and convenient bookings on smartphones. As a result, operating revenue (before elimination of consolidated transactions) fell 1.1% year-on-year to 131.7 billion yen.

JAL Card Co., Ltd. continued to conduct campaigns taking advantage of online and direct mail advertising, and achieved a large increase in enrollments at airports and online over the previous year. Enrollment activities at banks from fiscal 2016 also contributed to more JAL Card members, which increased in total by 107 thousand members to 3,236 thousand members from the end of March 2016. Trading volume remained high as a result of campaigns to sign up for or switch to top tier cards, and promotions to increase card usage utilizing partner shops. As a result, operating revenue (before elimination of consolidated transactions) was 15.3 billion yen, up 0.3% year-on-year.

(2) Explanation of Financial Conditions

Assets, liabilities and net assets

Total assets in the third quarter increased by 46.3 billion yen from the end of the previous fiscal year to 1,625.3 billion yen, and total liabilities decreased by 36.4 billion yen from the end of the previous fiscal year to 671.9 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 953.4 billion yen, increased by 82.8 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 134.3 billion yen in profit before income taxes for the third quarter, cash flow from operating activities (inflow) came to 181.0 billion yen, down 42.9 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 (outflow) totaled 101.5 billion yen, down 91.8 billion yen year-on-year.

Cash Flows from Financing Activities

Cash flows (outflow) from financing activities were 63.4 billion yen, up 1.1 billion yen year-on-year, mainly due to expenditures for paying dividends and purchasing our treasury shares.

As a result of the above, the balance of cash and cash equivalents at the end of the third quarter increased by 16.7 billion yen from the end of the previous fiscal year to 109.6 billion yen.

(3) Explanations of Forecast of Consolidated Financial Results

The consolidated earnings forecast remains the same as the full-year forecast announced in “Consolidated Financial Results for the Six Months Ended September 30, 2016” on October 31, 2016.

We intend to pay 25% of profit attributable to owners of the parent after adjusting income tax deferred to our shareholders as dividends. According to our full-year consolidated earnings forecast, we expect to pay a year-end dividend of 92 yen per share.

2. Regarding Summary Information (Notes)

(1) Significant changes in the Scope of Consolidation

None

(2) Application of Special Accounting Treatment

None

(3) Changes in Accounting Policies and Estimates

Effective beginning the three-month period ended June 30, 2016, some of the domestic consolidated subsidiaries have adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (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 nine months period ended December 31, 2016.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2016 and as of December 31, 2016

(Millions of Yen)

Account	FY2015 As of March 31, 2016	FY2016 As of December 31, 2016
(Assets)		
Current assets		
Cash and deposits	420,333	355,634
Notes and accounts receivable-trade	128,148	129,434
Securities	-	17,000
Flight equipment spare parts and supplies	20,314	20,324
Other	61,154	65,586
Allowance for doubtful accounts	(709)	(731)
Total current assets	629,242	587,249
Non-current assets		
Tangible fixed assets, net		
Flight equipment	560,601	650,148
Other tangible fixed assets	168,072	161,543
Total tangible fixed assets	728,673	811,692
Intangible fixed assets	80,518	92,843
Investments and other assets	140,494	133,533
Total non-current assets	949,686	1,038,069
Total assets	1,578,928	1,625,318
(Liabilities)		
Current liabilities		
Accounts payable-trade	145,413	149,355
Short-term loans payable	5,792	2,495
Current portion of long-term loans payable	10,851	10,634
Lease obligations	13,254	6,952
Accounts payable-installment purchase	178	180
Other	193,062	164,665
Total current liabilities	368,552	334,283
Non-current liabilities		
Bonds payable	-	20,000
Long-term loans payable	51,331	48,634
Lease obligations	10,373	6,643
Long-term accounts payable-installment purchase	847	711
Net defined benefit liability	236,310	228,917
Provision	6,294	6,109
Other	34,660	26,611
Total non-current liabilities	339,818	337,627
Total liabilities	708,371	671,911
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,042	183,057
Retained earnings	557,905	622,688
Treasury shares	(538)	(20,538)
Total shareholders' equity	921,761	966,559
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,767	15,511
Deferred gains (losses) on hedges	(24,777)	6,100
Foreign currency translation adjustment	427	(41)
Remeasurements of defined benefit plans	(69,079)	(64,316)
Total accumulated other comprehensive income	(78,662)	(42,746)
Non-controlling interests	27,457	29,593
Total net assets	870,557	953,407
Total liabilities and net assets	1,578,928	1,625,318

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

Account	Nine Months ended December 31, 2015	Nine Months ended December 31, 2016
Operating revenues	1,023,412	975,488
Operating cost	710,221	695,659
Operating gross profit	313,191	279,828
Selling, general and administrative expenses	143,174	142,517
Operating income	170,017	137,311
Non-operating income		
Interest and dividend income	2,101	1,606
Foreign exchange gains	-	1,739
Share of profit of entities accounted for using equity method	442	2,424
Other	4,998	2,302
Total non-operating income	7,542	8,073
Non-operating expenses		
Interest expenses	834	604
Loss on sales and disposal of flight equipment	2,721	5,077
Foreign exchange losses	1,757	-
Other	1,769	3,635
Total non-operating expenses	7,083	9,317
Ordinary income	170,477	136,067
Extraordinary income		
Reversal of reserve for loss on antitrust litigation	152	185
Gain on extinguishment of tie-in shares	-	103
Settlement of facility restitution	2,201	-
Compensation income	1,172	-
Other	135	36
Total extraordinary income	3,661	324
Extraordinary losses		
Compensation payments	-	1,285
Impairment loss	1,474	505
Other	317	266
Total extraordinary losses	1,791	2,056
Profit before income taxes	172,346	134,335
Income taxes	23,588	20,896
Profit	148,757	113,439
<u>Breakdown</u>		
Profit attributable to owners of parent	143,685	108,282
Profit attributable to non-controlling interests	5,072	5,156
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,989)	704
Deferred gains (losses) on hedges	(10,816)	30,562
Foreign currency translation adjustment	51	(789)
Remeasurements of defined benefit plans	988	4,775
Share of other comprehensive income of entities accounted for using equity method	(116)	470
Total other comprehensive income	(13,882)	35,724
Comprehensive income	134,875	149,163
<u>Breakdown</u>		
Comprehensive income attributable to owners of the parent	129,804	144,198
Comprehensive income attributable to non-controlling interests	5,071	4,965

(3) Consolidated Statement of Cash Flows - Summary

(Millions of Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
I. Cash flows from operating activities (※1)	223,999	181,030
II. Cash flows from investing activities	(193,393)	(101,519)
III. Cash flows from financing activities	(62,392)	(63,497)
IV. Cash and cash equivalents at end of period	86,950	109,654
※1 Including depreciation and amortization	65,808	70,923

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 December 31, 2015	FY2016 April 1, 2016 to December 31, 2016
Cash and time deposits	365,515	355,634
Securities	-	17,000
Time deposits with a maturity of more than three months	(278,565)	(250,979)
Securities with a maturity of more than three months	-	(12,000)
Cash and cash equivalents	86,950	109,654

(4) Notes of Consolidated Financial Statements

Going Concern Assumptions

None

Explanatory Note in case of Remarkable Changes in Shareholders' Equity

JAL decided at the Board of Directors Meeting held on October 31, 2016 to purchase its own shares in accordance with provisions in Article 156 of the Companies Act, applicable by replacing the phrase pursuant to provisions in Article 165, Clause 3 of the Companies Act and started to purchase them. As a result, the treasury shares of JAL increased by 19,999 million yen in the first nine months of the fiscal year ending March 31, 2017 to result in 20,538 million yen at the end of the third quarter.

Segment Information, etc.

Segment information

a. Consolidated financial results for the Third quarter of FY2015 (April 1, 2015 to December 31, 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	835,172	188,240	1,023,412	-	1,023,412
2. Intersegment revenue or transfer	88,057	21,423	109,480	(109,480)	-
Total	923,230	209,663	1,132,893	(109,480)	1,023,412
Segment profit	155,564	14,552	170,116	(99)	170,017

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

Notes 2: Adjustment includes intersegment elimination.

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

b. Consolidated financial results for the Third quarter of FY2016 (April 1, 2016 to December 31, 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	789,700	185,787	975,488	-	975,488
2. Intersegment revenue or transfer	87,522	21,946	109,469	(109,469)	-
Total	877,223	207,734	1,084,957	(109,469)	975,488
Segment profit	123,809	13,747	137,556	(245)	137,311

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

Notes 2: Adjustment includes intersegment elimination.

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

Significant Subsequent Event

None