

[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 year Ended March 31, 2020 (Japanese GAAP)

Company name	Japan Airlines Co., Ltd	April 30, 2020
Stock Listing	Tokyo Stock Exchange	
Code No.	9201	URL: http://www.jal.com
Representative	Yuji Akasaka, President	
Contact	Yuichiro Kito, General Manager, Finance	Phone: +81-3-5460-3121
Scheduled date of Ordinary General Meeting of Shareholders:		June 19, 2020
Scheduled starting date of dividend payment:		—
Scheduled date of filing Financial Report for the Fiscal Year 2019:		June 22, 2020
Supplementary explanations of Fiscal Year 2019 financial results:		Yes
Presentation for the Fiscal Year 2019 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 Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)
(1) Consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Operating Revenues		Operating Profit		Ordinary Profit		Profit attributable to owners of the parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2019 ended March 31, 2020	1,411,230	(5.1)	100,632	(42.9)	102,571	(38.0)	53,407	(64.6)
FY2018 ended March 31, 2019	1,487,261	7.5	176,160	0.9	165,360	1.3	150,807	11.4

* Comprehensive profit ; Year ended March 31, 2020: 11,628 million Yen ($\Delta 92.7\%$), Year ended March 31, 2019: 158,449 million Yen (1.7%)

	Earnings per share	Diluted earnings per share	Return on Equity	Ratio of Ordinary profit To total assets	Operating Profit margin ratio
	Yen		%	%	%
FY2019 ended March 31, 2020	155.66	—	4.7	5.3	7.1
FY2018 ended March 31, 2019	432.10	—	13.6	8.5	11.8

(Reference) Equity in profit of affiliates; Year ended March 31, 2020: 1,381 million Yen, Year ended March 31, 2019: 1,317 million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen		Yen
FY2019 ended March 31, 2020	1,859,362	1,131,836	58.9	3,249.27
FY2018 ended March 31, 2019	2,030,328	1,200,135	57.4	3,340.15

(Reference) Shareholder's equity; Year ended March 31, 2020: 1,094,812million Yen, Year ended March 31, 2019: 1,165,133million Yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2019 ended March 31, 2020	60,030	(221,573)	(30,135)	329,149
FY2018 ended March 31, 2019	296,717	(186,392)	(37,037)	522,064

2. Dividends

	Dividends per Share					Total amount of dividend (Annual)	Payout ratio (Consolidated)	Dividend On equity (Consolidated)
	First Quarter End	Second Quarter End	Third Quarter End	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2018	-	55.00	-	55.00	110.00	38,378	25.5	3.5
FY2019	-	55.00	-	0.00	55.00	18,869	35.3	1.7
FY2020(Forecast)	-	-	-	-	-		-	

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2021

The consolidated financial results forecast for the fiscal year ending March 31, 2021 cannot be provided due to the difficulty of reasonably & accurately estimating the figures. Please refer to “1. Outline of Operating results (1) Outline of operating results for the current fiscal year and (4) Future Outlook” in the Attachment for the assumptions used and other notes.

Notes

(1) Changes in significant consolidated subsidiaries during the fiscal year ended March 31, 2020: None

(2) 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: None

2) Changes in accounting policies other than 1): Yes

3) Changes in accounting estimates: Yes

4) Restatement of corrections: None

(3) Number of shares issued (common stock)

(a) Total number of shares issued at the end of the period (including treasury stock)

Year ended March 31, 2020: 337,143,500

Year ended March 31, 2019: 349,028,700

(b) Number of treasury stock at the end of the period

Year ended March 31, 2020: 201,851

Year ended March 31, 2019: 201,957

(c) Average number of shares outstanding

Year ended March 31, 2020: 343,101,556

Year ended March 31, 2019: 349,006,212

Indication of audit procedure implementation status

This document is unaudited by certificated public accountants or audit firms.

Explanation for appropriate use of forecasts and other notes

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. However it does not mean that we guarantee its achievement. Actual results may differ from such forward-looking statements for a variety of reasons.

* The Company holds a presentation for institutional investors and analysts on April 30, 2020. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

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1. Outline of operating results

The airline industry including the JAL Group has been globally and significantly affected by the spread of the new coronavirus since January 2020. Global infection triggered world travel restrictions, which eliminated international travel demands. In Japan, a state of emergency has been declared and domestic travel is discouraged, which causes the domestic air travel demand to fall. This is the unprecedentedly tremendous event risk ever for the airline industry and its end is not foreseeable at this moment. There is no question that the JAL Group has been significantly affected as well.

The JAL Group is providing air transport service to the public in this rapidly-decreasing demand situation by promptly reacting to government travel restrictions globally and taking utmost infection prevention measures to ensure safety of customers and our employees. We are making continuous efforts of reducing our capacity by reducing flight frequency or downsizing fleets to minimize our operating cost, together with fixed cost restructuring and investment restructuring, to make the negative impact to our financial performance as small as possible in this crisis. Also, we will assure appropriate liquidity accordingly as this situation continues. Furthermore, deferral or exemption of landing fees, navigation fees or jet fuel tax and public financial support were requested through the Scheduled Airline Association of Japan, Supportive measures were included in the Cabinet Decision on April 7, 2020, of the Immediate Economic Measures for Response to COVID-19, for which we would like to show our sincere gratitude.

The JAL Group will make its best and utmost efforts through those measures to overcome this crisis.

(1) Outline of operating results for the current fiscal year

The operating revenue for the consolidated fiscal year decreased 5.1% year over year to 1,411.2 billion yen, the operating expenses decreased 0.0% year over year to 1,310.5 billion yen, the operating profit decreased 42.9% year over year to 100.6 billion yen and the ordinary profit decreased 38.0% from the previous year to 102.5 billion yen. The net profit attributable to owners of the parent was 53.4 billion yen, down 64.6% from the previous year.

(JPY Bn)	FY2018 April 1, 2018 to March 31, 2019	FY2019 April 1, 2019 to March 31, 2020	% or points compared to prior period
Operating Revenue	1,487.2	1,411.2	94.9%
International Passenger	530.6	476.2	89.7%
Domestic Passenger	528.0	514.6	97.4%
Cargo / Mail	100.0	91.6	91.6%
Other	328.4	328.7	100.1%
Operating Expense	1,311.1	1,310.5	100.0%
Fuel	251.2	243.4	96.9%
Excluding Fuel	1,059.8	1,067.1	100.7%
Operating Profit	176.1	100.6	57.1%
Operating Profit Margin (%)	11.8	7.1	(4.7)
Ordinary Profit	165.3	102.5	62.0%
Profit attributable to owners of the parent	150.8	53.4	35.4%

Note: Figures have been truncated and percentages are rounded off to the first decimal place.

To summarize the business environment in FY2019, amid rising uncertainty in the global economy caused by U.S.-China trade frictions and other factors, Japan went through a series of natural disasters and the consumption tax increase in October, but their impact on the economy was not significant that it remained steady. Then, as the coronavirus spread, the world economy and the Japanese economy largely decreased in and after January 2020.

Crude oil prices, which affect our fuel costs and international passenger and international cargo revenues, remained less fluctuated in general, although impacted by geopolitical risks from uncertain international affairs. They fell significantly, in and after March 2020, due to disagreement over oil production reduction at so-called OPEC+ meetings or the rising concerns over the world economy. The JAL Group will do its best to mitigate the negative impacts of oil price volatility on its financial performance through the collection of fuel surcharge or appropriate hedging. Also, the JAL Group will continue to closely monitor the impacts of oil price on economic trends and the Group's financial performance.

Hereinafter our business in this fiscal year is summarized as below:

Regarding "Safety", the fundamental of our business and one of our targets in our Mid-term Management Plan, it was very regrettable that JAL could not prevent alcohol-related matters and it was issued a "Business Improvement Order concerning Assurance of Safety in Air Transportation" on October 8, 2019, for the second time. The JAL Group appointed the President Yuji Akasaka as General Safety Manager. The JAL Group will, with every one of us altogether, determinedly advance a fundamental mindset reform and alcohol control in order to achieve to "rebuild safety and sense of security" and to "restore public trust and increase corporate value."

For another management target, "Customer Satisfaction", measures were steadily taken to improve both "Expand networks" and "Innovate better products and services". The measures include new routes using the additional slots at Tokyo (Haneda) International Airport allocated in September by the MLIT, the introduction of the state-of-the-art aircraft to the domestic routes such as Airbus A350-900 and Boeing 787-8, renewal of airport lounges at Haneda and Narita, development of "JAL SMART AIRPORT" to expedite boarding procedures at Haneda for more comfortable air travel, and improvement of JAL's website and mobile apps. As a result, JAL was certified as a 5-Star Airline for the second consecutive year in the World Airline Star Rating. Other awards were given as well. Upon the occurrence of natural disasters or Shuri Castle Fire in Okinawa, the JAL Group took various initiatives to support affected regions. We will continue to take initiative proactively to pursuit its social mission as a public transportation provider.

Then, each business domain's situation is summarized.

The international passenger demand, Japan-outbound corporate demand weakened along with the global economic slowdown. In addition, the supply-demand imbalance became apparent on European routes and China routes due to oversupply by competitors. Declining demand was observed on Hong Kong and Korean routes due to political uncertainty or the worsened relationship between Japan and South Korea. Amid the situation, JAL eagerly advanced network expansion with other airlines who belonged to different global alliances. Codeshare partnership was enhanced, and antitrust immunity was given to the joint business with Malaysia Airlines Berhad.

In and after January, the coronavirus infection spread from China to many countries, resulting in enhanced travel restrictions or quarantines, which caused restricted air transport of travelers and goods. Up to February, the air traffic demand rapidly fell especially in East Asia, then in all destinations including Europe and North America in and after March. JAL promptly reacted to the demand fall by reducing or stopping flight frequency or downsizing. As a result, most of new or increased flights out of both Haneda Airport and Narita Airport originally started from March 29 were postponed.

As a result, the available seat kilometers (ASK) decreased by 1.1% year over year, the passenger traffic decreased by 9.3%

year over year, the revenue passenger kilometers (RPK) decreased by 6.2% year over year, and the load factor reached to 77.1%.

In international cargo operations, Japan-outbound demand slowed down along with U.S.-China trade frictions. In the fourth quarter, the other airlines reduced their capacity and the demand-supply situation become tightened. The JAL Group operated passenger aircraft for cargo flights to carry medical materials such medical masks or protective clothing. As a result, cargo revenue decreased by 8.8% year on year.

In domestic passenger operations, both leisure and business demand had been robust, and the 10-consecutive consecutive-day long holidays, so-called Golden Week had raised the demand further, however, due to the coronavirus infection, the government's request to avoid events with large crowds or to stay at home and closing of theme parks, the demand fell rapidly in and after February. The JAL Group decreased its capacity, as it did in international passenger operations, to minimize the impact to its profit. As a result, the available seat kilometers (ASK) increased by 0.2% year over year, the passenger traffic decreased by 3.1% year over year, the revenue passenger kilometers (RPK) decreased by 2.9% year over year, and the load factor reached to 70.3%.

In order to explore to new business domains, the JAL Group is working to generate innovations, including initiatives at "JAL Innovation Lab", for new products, services and businesses by combining human resources, which is one of our strengths, and advanced technologies. In this fiscal year, the JAL Group advanced its first international mid and long-haul low-cost carrier, ZIPAIR Tokyo, to launch its first service in 2020. Also, together with Bell Textron Inc., it started to promote the development of next-generation air mobility service using eVTOL (electric Vertical Take-Off and Landing) technology. Also, in order to establish new type of air cargo service in local airports in Japan for regional revitalization, a trial air freight transport using Unmanned Aerial Vehicle (UAV) helicopter was conducted. Through those initiatives, the JAL Group proactively explored new business domains for further demands.

To fulfill its social mission as a public transportation provider, the JAL Group is working to revitalize regional communities and increase the number of international visitors to Japan. In July, "Hokkaido Airports Co., Ltd" a consortium in which JAL participates, was given a first refusal right in the "Hokkaido Bundled 7 Airport Concession Project". In October, five airlines established the Essential Air Service Alliance (EAS LLP), a limited liability partnership to cooperate in maintaining lifeline air transport to distant domestic islands or regions. The JAL Group will play an important role.

As initiatives toward achieving SDGs, the JAL Group has started to jointly conduct a feasibility study on Sustainable Aviation Fuel (SAF) production and sales in Japan with Marubeni Corporation, JXTG Nippon Oil & Energy Corporation, and JGC JAPAN CORPORATION. It also strived for health and productivity management, and it was recognized as "White 500".

As for financial strategies, to improve capital efficiency and stable shareholder return, JAL completed the repurchase of 1,189 million shares equivalent to 40 billion yen by the end of March and canceled those shares. In September, in order to mitigate future financial risks, JAL contributed 82.7 billion yen to the Corporate Pension Fund and reduced net defined benefit liability. In October, JAL was honored with the 2019 Award for Excellence in Corporate Disclosure in the Transportation Industry by the Securities Analysts Association of Japan for the second consecutive year. We will continue to further improve disclosures in quantity and quality to realize constructive dialogue with markets and investors.

The JAL Group financed 57.7 billion Japanese Yen in the fourth quarter to assure its liquidity at hand. In order to prepare for any unexpected situations, it will conduct financial initiatives promptly to assure its liquidity at hand and stabilize its management just in case the coronavirus' impact continues longer than expected.

The JAL Group is facing the current unprecedented situation in which both domestic and international passenger demand are rapidly and significantly falling due to the new coronavirus spread. We have been striving to construct risk-resistant management by not pursuing scales but efficiency as the priority. Now it is the time for us to show our strength. Using the firm financial

structure, we secure appropriate liquidity at hand. Also, we will work to reduce its operating cost as much as possible by promptly reacting to the rapidly-falling demand. Though, this fall in demand is caused by the coronavirus temporarily, and there is no doubt that the air transport demand to/from Japan will grow in the mid and long run. After surviving this hardship, we will once again strive to retrieve its firm financial structure, and the JAL Group is aggressively embracing challenge toward “the world’s most and preferred and valued airline” to provide a comfortable experience for every customer.

Financial results of each segment are as follows.

Air Transportation Segment

The operating revenue decreased 5.4% year over year to 1,284.8 billion yen and the operating profit decreased 47.1% year over year to 85.9 billion yen (both figures are before elimination of transactions between segments).

Details are provided below.

a. International operations

	FY2018 April 1, 2018 to March 31, 2019	FY2019 April 1, 2019 to March 31, 2020	% or points compared to prior period
Revenue from passenger operations (millions of Yen)	530,679	476,230	89.7%
Revenue passengers carried (number of passengers)	9,128,236	8,277,987	90.7%
Revenue passenger km (RPK) (1,000 passenger-km)	44,659,463	41,905,628	93.8%
Available seat km (ASK) (thousands-km)	54,925,904	54,324,546	98.9%
Revenue passenger-load factor (L/F) (%)	81.3	77.1	(4.2)
Revenue from Cargo Operations (millions of Yen)	65,496	59,744	91.2%
Revenue cargo ton-km (RCTK)	2,429,268	2,407,691	99.1%

b. Domestic operations

	FY2018 April 1, 2018 to March 31, 2019	FY2019 April 1, 2019 to March 31, 2020	% or points compared to prior period
Revenue from passenger operations (millions of Yen)	528,098	514,619	97.4%
Revenue passengers carried (number of passengers)	34,859,576	33,783,710	96.9%
Revenue passenger km (RPK) (1,000 passenger-km)	26,195,658	25,443,520	97.1%
Available seat km (ASK) (thousands-km)	36,116,930	36,199,539	100.2%
Revenue passenger-load factor (L/F) (%)	72.5	70.3	(2.2)
Revenue from Cargo Operations (millions of Yen)	21,853	20,724	94.8%
Revenue cargo ton-km (RCTK)	343,529	328,182	95.5%

Fleet

as of March 31, 2019

Type of Aircraft	Owned	Leased	Total
Airbus A350-900	4	1	5
Boeing 777-200	11	0	11
Boeing 777-200ER	11	0	11
Boeing 777-300	4	0	4
Boeing 777-300ER	13	0	13
Large-sized Total	43	1	44
Boeing 787-8	29	0	29
Boeing 787-9	17	3	20
Boeing 767-300	5	0	5
Boeing 767-300ER	29	0	29
Medium-sized Total	80	3	83
Boeing 737-800	43	19	62
Small-sized Total	43	19	62
Embraer 170	18	0	18
Embraer 190	14	0	14
Bombardier DHC-8-400CC	5	0	5
SAAB340B	5	0	5
ATR42-600	7	1	8
ATR72-600	2	0	2
Regional Total	51	1	52
Total	217	24	241

Note: Aircraft shown as “Leased” are the aircraft introduced under the operating lease scheme.

Components of Revenues from the Air Transportation Segment are as follows.

	FY2018 April 1, 2018 to March 31, 2019 [Millions of Yen]	% contribution to total	FY2019 April 1, 2019 to March 31, 2020 [Millions of Yen]	% contribution to total	% compared to prior period
International:					
Passenger operations	530,679	39.1	476,230	37.1	89.7
Cargo operations	65,496	4.8	59,744	4.7	91.2
Mail-service operations	9,123	0.7	7,562	0.6	82.9
Luggage operations	795	0.1	842	0.1	105.9
Sub-total	606,095	44.6	544,379	42.4	89.8
Domestic:					
Passenger operations	528,098	38.9	514,619	40.1	97.4
Cargo operations	21,853	1.6	20,724	1.6	94.8
Mail-service operations	3,547	0.3	3,627	0.3	102.3
Luggage operations	301	0.0	320	0.0	106.5
Sub-total	553,799	40.8	539,291	42.0	97.4
Total revenues from international and domestic operations	1,159,895	85.4	1,083,671	84.3	93.4
Other revenues	197,708	14.6	201,128	15.7	101.7
Total revenues	1,357,603	100.0	1,284,800	100.0	94.6

Note: The amounts are rounded down to the nearest million yen and the percentages are round off to the first decimal place.

Consolidated Traffic Results

	FY2018 April 1,2018 to March 31,2019	FY2019 April 1,2019 to March 31,2020	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	9,128,236	8,277,987	90.7%
Revenue passenger km (1,000 passenger-km)	44,659,463	41,905,628	93.8%
Available seat km (thousands)	54,925,904	54,324,546	98.9%
Revenue passenger-load factor (%)	81.3	77.1	(4.2)
Revenue cargo ton-km (thousands)	2,429,268	2,407,691	99.1%
Mail ton-km (thousands)	228,093	188,957	82.8%
DOMESTIC			
Revenue passengers carried (number of passengers)	34,859,576	33,783,710	96.9%
Revenue passenger-km (1,000 passenger-km)	26,195,658	25,443,520	97.1%
Available seat km (thousands)	36,116,930	36,199,539	100.2%
Revenue passenger-load factor (%)	72.5	70.3	(2.2)
Revenue cargo ton-km (thousands)	343,529	328,182	95.5%
Mail ton-km (thousands)	25,527	25,291	99.1%
TOTAL			
Revenue passengers carried (number of passengers)	43,987,812	42,061,697	95.6%
Revenue passenger-km (1,000 passenger-km)	70,855,121	67,349,148	95.1%
Available seat km (thousands)	91,042,834	90,524,085	99.4%
Revenue passenger-load factor (%)	77.8	74.4	(3.4)
Revenue cargo ton-km (thousands)	2,772,797	2,735,873	98.7%
Mail ton-km (thousands)	253,621	214,248	84.5%

- 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).
- The Fiscal Year Ending March 31, 2020
International operations: Japan Airlines Co., Ltd., Japan Transocean Air Co.
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.,
The Fiscal Year Ending March 31, 2019
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.

<Others>

Results of JALPAK Co., Ltd. and JAL Card Co, Ltd. are shown below.

JALPAK Co., Ltd.

	FY2018	FY2019	% or points compared to prior period
	April 1,2018 to March 31,2019	April 1,2019 to March 31,2020	
Overseas travelers handled (10,000 number of travelers)	22.2	18.3	82.2%
Domestic travelers handled (10,000 number of travelers)	271.8	260.6	95.9%
Operating Revenue (before elimination of consolidated transactions, billions of yen)	1,820	1,696	93.1%

JAL Card Co., Ltd

	FY2018	FY2019	% or points compared to prior period
	April 1,2018 to March 31,2019	April 1,2019 to March 31,2020	
Memberships (10,000 number of members)	357.9	372.0	103.9%
Operating Revenue (before elimination of consolidated transactions, billions of yen)	194	201	103.4%

(2) Outline of financial condition for the current fiscal year

Assets, liabilities and net assets

The assets at the fiscal year-end decreased by 170.9 billion yen from the end of the previous fiscal year to 1,859.3 billion yen, mainly due to Cash and Operating accounts receivable decrease.

The liabilities decreased by 102.6 billion yen from the end of the previous fiscal year to 727.5 billion yen due to decrease advances received and net defined benefit liability.

The net assets decreased by 68.2 billion yen from the end of the previous fiscal year to 1131.8 billion yen, as a result of paying dividends and a decrease in accumulated other comprehensive income.

As a result of the above, shareholders' equity ended at 1,094.8 billion yen, and the equity ratio rose by 1.5 percentage points from the end of the previous fiscal year to 58.9%. For details, refer to "3. Consolidated Financial Statements (1) Consolidated Balance Sheets as of March 31, 2019 and as of March 31, 2020".

(3) Outline of Cash Flows for the current fiscal year

Cash Flows from Operating Activities

As a result of adjusting net profit before income tax deferred etc. of 96.5 billion yen with non-cash items, such as depreciation costs, and net defined benefit liabilities and debts and credits in operating activities, cash flow from operating activities (inflow) decreased by 236.6 billion yen year-over-year to 60.0 billion yen.

Cash Flows from Investing Activities

Cash flow from investing activities (outflow) increased by 35.1 billion yen year-over-year to 221.5 billion yen, mainly for expenditures for acquiring fixed assets.

Cash Flows from Financing Activities

Cash flow from financing activities (outflow) declined by 6.9 billion yen year-over-year to 30.1 billion yen due to share repurchase and payment of dividends and issuance of bonds.

As a result, the balance of cash and cash equivalents at the end of the current fiscal year decreased by 192.9 billion yen from the end of the previous fiscal year to 329.1 billion yen.

(4) Future Outlook

The airline industry and the world economy are currently facing the tremendous crisis ever known before. For the JAL Group, the latest capacity reduction has reached to 95% reduction to in its international capacity and 70% reduction in its domestic capacity, due to entry restrictions to many countries, rapid demand fall or request by the Japanese Government to avoid travel upon the declaration of the state of the emergency. The impact to JAL's business has been significant. The coronavirus infection is expected to continue both in Japan and many countries in the world. Therefore, its effect is unforeseeable at this moment. As a result, for the JAL Group, it is difficult to expect its impact to the performance of the JAL Group so that at this moment we cannot disclose the consolidated financial forecast for the fiscal year ending March 31, 2021. It will be presented as soon as the impact of the coronavirus becomes foreseeable when the spread of the virus stops.

Even in the very difficult business environment, the JAL Group will pursue its social mission by sustaining its route network that enable people to travel or foods or medical materials to arrive to their destination. Securing safety of every single flight is our fundamental mission as well. Amid this situation, sanitizing aircraft thoroughly and taking preventive measures steadily to avoid infection for passengers and employees is important. We will flexibly adjust our flight number and routes to decreasing demand to save operational costs such as fuel or landing fees. Fixed cost is also reduced by changing personnel allocation or through company-wide cost management. Also, proactive financing allows cash at hand to be secured appropriately. Currently the excessive demand situation occurs in cargo so that we operate passenger fleet for international and domestic cargo flight to increase aircraft turnover and then profits.

As the passenger and flight number decreases, the workload of employees that are closely related to flight operation decreases. The JAL Group uses this occasion to review of operation manuals or to provide enhanced training to improve their ability for further growth after the coronavirus infection.

There is possibility that the whole society, not only the airline industry, may change fundamentally. However, the importance of global interaction of people and logistic network will not change. We will work altogether to endure this hardship and will provide air transport network for Japan and the world and regional network within Japan.

(5) Basic policy on distribution of profits, and dividend for the current and next fiscal years

JAL regards 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.

JAL will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. In addition, JAL will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, JAL seeks 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, JAL continuously strives 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. JAL makes its efforts to maintain this ratio at approximately 3% or above.

The effect of the spread of coronavirus infection has a significant impact on the JAL Group, nonetheless it is yet temporary and it does not cause fundamental change to our profit structure, therefore we will not change the above basic policy.

However, the worsened performance in this fourth quarter and the unforeseeable coronavirus effect in the new fiscal year ending March 2021 makes cash flow management based on various scenarios with continuous low demand essential. Therefore, we determined not to provide year-end dividend in order to secure liquidity at hand. We regret that we cannot pay dividends to shareholders, but we would like to ask their understanding in this situation.

As a result, the annual dividends per share for this fiscal year should be 55 yen that was already paid as interim dividends. Accordingly, the payout ratio becomes 35.3%, the total return ratio becomes 72.8% and the total return on equity ratio becomes 3.4%.

When the spread of the new coronavirus stops and our performance is determined to go back on its track as air transportation demand comes back in Japan and the world, we will strive to realize stable and continuous shareholder return.

For the forecast of dividends per share for the fiscal year ending March 2021, it will be undetermined because the impact of the new coronavirus on JAL's performance is not foreseeable at this moment.

(6) Business risks

Taking into account the content of its business centering on the scheduled and unscheduled air transportation business, the JAL Group is exposed to the following risks, or items with possible major effects on investors' investment decisions. This does not cover all risks which the JAL Group is exposed to, as risks exist other than those below are unpredictable. The following includes forward-looking matters, but these items were determined as of March 31, 2020.

- Risks concerning global pandemic, natural disaster or climate changes
- Risks concerning the external management environment such as international affairs and economic trends
- Risks concerning introduction of aircraft
- Risks concerning changes in market environments such as jet fuel and exchange rates
- Risks concerning air safety
- Risks concerning legal regulations, environmental regulations and rules and litigations
- Risks concerning IT system or customer information
- Risks concerning personnel and labor relations

2. Basic policy concerning the selection of accounting standards

The JAL Group creates consolidated financial statements based on Japanese standards, but to improve international comparability of financial information in capital markets and communication with our stakeholders, we plan to apply International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2021.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2019 and as of March 31, 2020

(Millions of Yen)

Account	FY2018 As of March 31, 2019	FY2020 As of March 31, 2020
(Assets)		
Current assets		
Cash and deposits	462,064	329,149
Notes and operating account receivable	153,112	88,871
Securities	60,000	—
Flight equipment spare parts and supplies	21,929	26,491
Other	65,095	82,432
Allowance for doubtful accounts	(661)	(950)
Total current assets	761,539	525,995
Non-current assets		
Tangible fixed assets, net		
Buildings and structures	31,385	33,364
Machinery, equipment and vehicles	11,800	14,177
Flight equipment	733,961	827,937
Land	861	853
Advances on flight equipment and other purchases	141,776	110,050
Other tangible fixed assets	9,431	11,425
Total tangible fixed assets	929,216	997,807
Intangible assets		
Software	92,076	95,642
Other intangible fixed assets	179	134
Total intangible assets	92,255	95,777
Investments		
Investment securities	101,289	100,117
Long-term loans receivable	7,240	6,691
Deferred tax assets	96,625	84,632
Net defined benefit asset	2,486	938
Other investments	39,950	48,651
Allowance for doubtful accounts	(275)	(1,248)
Total investments	247,317	239,781
Total non-current assets	1,268,788	1,333,367
Total assets	2,030,328	1,859,362

(Millions of Yen)

Account	FY2018 As of March 31, 2019	FY2019 As of March 31, 2020
(Liabilities)		
Current liabilities		
Operating accounts payable	185,650	166,327
Short-term loans payable	65	87
Current portion of long-term loans payable	13,287	13,556
Lease obligations	2,461	1,067
Accounts payable-installment purchase	190	195
Income taxes payable	21,738	4,083
Advances received	129,108	72,423
Asset retirement obligations	—	255
Other	101,896	100,463
Total current liabilities	454,399	358,460
Non-current liabilities		
Bonds payable	50,000	90,000
Long-term loans payable	73,524	84,770
Lease obligations	2,504	1,988
Long-term accounts payable-installment purchase	312	113
Deferred tax liabilities	169	241
Reserve for loss on antitrust litigation	5,936	5,816
Net defined benefit liabilities	212,672	151,330
Asset retirement obligations	8,657	8,829
Other	22,015	25,975
Total non-current liabilities	375,793	369,065
Total liabilities	830,192	727,525
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,050	183,049
Retained earnings	822,554	797,911
Treasury shares	(535)	(534)
Total shareholders' equity	1,186,421	1,161,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,371	17,676
Deferred losses on hedges	1,837	(23,146)
Foreign currency translation adjustment	99	(28)
Remeasurements of defined benefit plans	(43,596)	(61,467)
Total accumulated other comprehensive income	(21,287)	(66,965)
Non-controlling interests	35,001	37,023
Total net assets	1,200,135	1,131,836
Total liabilities and net assets	2,030,328	1,859,362

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

Account	FY2018	FY2019
	(April 1, 2018 to March 31, 2019)	(April 1, 2019 to March 31, 2020)
Operating revenue	1,487,261	1,411,230
Operating cost	1,075,233	1,076,148
Operating gross profit	412,028	335,081
Selling, general and administrative expenses		
Personnel expenses	72,861	70,924
Retirement benefit expenses	4,830	4,853
Purchased services	24,045	26,550
Other	134,130	132,120
Total selling, general and administrative expenses	235,867	234,449
Operating profit	176,160	100,632
Non-operating income		
Interest income	1,068	1,437
Dividend income	1,376	1,582
Gain on sales of flight equipment	1,494	1,710
Share of profit of entities accounted for using equity method	1,317	1,381
Subsidy income	630	1,219
Other	3,261	2,774
Total non-operating income	9,148	10,105
Non-operating expenses		
Interest expenses	803	658
Loss on sales and disposal of flight equipment	14,474	2,901
Foreign exchange losses	486	1,241
Valuation loss inventory	1,668	1,031
Other	2,515	2,332
Total non-operating expenses	19,948	8,166
Ordinary profit	165,360	102,571

(Millions of Yen)

Account	FY2018 (April 1, 2018– March 31, 2019)	FY2019 (April 1, 2019– March 31, 2020)
Extraordinary income		
Subsidy income for aircraft purchase	2,548	2,414
Gain on sales of investment securities	103	673
Other	161	132
Total extraordinary income	2,812	3,220
Extraordinary losses		
Loss on disposal of non-current assets	1,030	2,172
Impairment loss	7,898	1,959
Loss on valuation of investment securities	119	1,151
Provision of allowance for doubtful accounts	—	990
Loss on reduction of aircraft	2,548	2,401
Other	337	603
Total extraordinary losses	11,933	9,278
Profit before income taxes	156,240	96,513
Income taxes-current	33,223	7,898
Income taxes-deferred	(32,127)	31,173
Total income taxes	1,096	39,072
Profit	155,144	57,441
<u>Breakdown</u>		
Profit attributable to owners of the parent	150,807	53,407
Profit attributable to non-controlling interests	4,337	4,034
Other comprehensive income		
Valuation difference on available-for-sale securities	3,868	(2,545)
Deferred losses on hedges	(4,505)	(23,672)
Foreign currency translation adjustment	25	(151)
Remeasurements of defined benefit plans	3,845	(17,976)
Share of other comprehensive income of entities accounted for using equity method	71	(1,466)
Total other comprehensive income	3,305	(45,812)
Comprehensive income	158,449	11,628
Breakdown		
Comprehensive income attributable to owners of the parent	154,156	7,729
Comprehensive income attributable to non-controlling interests	4,292	3,898

(3) Consolidated Statements of Changes in Net Assets

FY2018 (April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital Surplus	Retained earnings	Common stock in treasury	Total shareholders' equity
Balance at the end of previous period	181,352	183,049	731,106	(10,535)	1,084,972
Changes during the period					
Dividends of Surplus			(39,377)		(39,377)
Net income			150,807		150,807
Stock repurchase				(9,999)	(9,999)
Cancellation of treasury shares			(19,999)	19,999	—
Change of scope of equity method, etc.		0	17		18
Net changes of items other than shareholders's equity					
Total changes of items during period	-	0	91,447	9,999	101,448
Balance at end of current period	181,352	183,050	822,554	(535)	1,186,421

(Millions of Yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deffered losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	16,469	6,360	(30)	(47,436)	24,637	33,792	1,094,127
Changes of items during period							
Dividends of surplus							(39,377)
Profit attributable to owners of the parent							150,807
Purchase of treasury shares							(9,999)
Cancellation of treasury shares							—
Change of scope of equity method, etc.							18
Net changes of items other than shareholders's equity	3,902	(4,522)	130	3,839	3,349	1,209	4,559
Total changes during the period	3,902	(4,522)	130	3,839	3,349	1,209	106,007
Balance at the end of the period	20,371	1,837	99	(43,596)	(21,287)	35,001	1,200,135

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	181,352	183,050	822,554	535	1,186,421
Changes of items during period					
Dividends of surplus			(38,050)		(38,050)
Profit attributable to owners of the parent			53,407		53,407
Purchase of treasury shares				(39,999)	(39,999)
Cancellation of treasury shares			(39,999)	39,999	—
Change in equity in entities accounted for using equity method, etc.		(0)		0	0
Net changes of items other than shareholders's equity					
Total changes of items during period	—	(0)	(24,642)	0	(24,642)
Balance at end of current period	181,352	183,049	797,911	(534)	1,161,778

(Millions of Yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	20,731	1,837	99	(43,596)	(21,287)	35,001	1,200,135
Changes of items during period							
Dividends of surplus							(38,050)
Profit attributable to owners of the parent							53,407
Purchase of treasury shares							(39,999)
Cancellation of treasury shares							—
Change in equity in entities accounted for using equity method, etc.							0
Net changes of items other than shareholders's equity	(2,694)	(24,983)	(128)	(17,870)	(45,677)	2,022	(43,655)
Total changes during the period	(2,694)	(24,983)	(128)	(17,870)	(45,677)	2,022	(68,298)
Balance at the end of the period	17,676	(23,146)	(28)	(61,467)	(66,965)	37,023	1,131,836

(4)Consolidated Statement of Cash flows

(Millions of Yen)

Account	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities:		
Profit before income taxes	156,240	96,513
Depreciation and amortization	124,104	138,035
Loss on sales and disposal of non-current assets and impairment loss	19,271	4,650
Decrease in net defined benefit liability	(12,157)	(85,775)
Interest and dividend income	(2,445)	(3,019)
Interest expenses	803	658
Foreign exchange gains	266	1,092
Share of profit of entities accounted for using equity method	(1,317)	(1,381)
Decrease (increase) in notes and operating accounts receivable	(1,852)	64,256
Increase in flight equipment spare parts and supplies	188	(4,522)
Increase in operating accounts payable	7,707	(19,288)
Increase (decrease) in advances received	21,957	△ 56,874
Other, net	7,865	△ 39,307
Subtotal	320,632	95,038
Interest and dividends income received	3,005	3,870
Interest expenses paid	(802)	(650)
Income taxes paid	(26,117)	(38,227)
Net cash provided by operating activities	296,717	60,030
Cash flows from investing activities:		
Purchase of non-current assets	(222,126)	(239,611)
Proceeds from sales of non-current assets	33,390	20,023
Purchase of investment securities	(4,153)	(5,647)
Proceeds from sales and redemption of investment securities	247	1,465
Payments of loans receivable	(314)	(233)
Collection of loans receivable	833	837
Other, net	5,730	1,592
Net cash used in investing activities	(189,713)	(221,573)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(3,085)	22
Proceeds from long-term loans payable	10,800	24,882
Repayments of long-term loans payable	(19,439)	△ 13,367
Repayments of lease obligations	(2,649)	△ 1,376
Proceeds from issuance of bonds	29,796	39,750
Purchase of treasury shares	(10,024)	(40,015)
Cash dividends paid	(39,347)	(38,146)
Dividends paid to non-controlling interests	(3,534)	(2,384)
Other, net	447	499
Net cash used in financing activities	(37,037)	(30,135)
Effect of exchange rate changes on cash and cash equivalents	(21)	(1,236)
Net increase (decrease) in cash and cash equivalents	73,265	(192,914)
Cash and cash equivalents at beginning of period	448,842	522,064
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(44)	—
Cash and cash equivalents at end of period	※1 522,064	※1 329,149

(5) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None.

(Changes in Accounting Policies)

(Change in the definition of cash and cash equivalents in the Consolidated Statement of Cash Flows)

Up till now, time deposits with a maturity of more than three months were not included within cash equivalents. However, from current Consolidated Fiscal Year, time deposits with a maturity of up to one year will be included.

This is because we determined that by including these time deposits within cash equivalents, we would be able to report cash flows more appropriately, given the fact that time deposits with maturities ranging from three months to one year were actually operated together with time deposits with shorter terms of three months or less in recent years, and based on this situation, internal regulations were clarified from current Consolidated Fiscal Year.

This change in the accounting policy has been retroactively applied. The amount after retroactive application is indicated also in the previous Consolidated Fiscal Year.

As a result, Cash flows from investing activities increased by 3,321 million yen, net increase (decrease) in cash and cash equivalents increased by 3,297 million yen and cash equivalents at end of period increased by 269,268 million yen in the previous Consolidated Fiscal Year.

(Accounting standards not yet implemented, etc.)

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No. 29, March 30, 2018 Accounting Standards Board of Japan)
- Implementation Guidelines on Accounting Standard on Revenue Recognition (Corporate Accounting Standards Application Guideline No. 30, March 30, 2018 Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published “Revenue from Contracts with Customers” in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Considering IFRS No. 15 will be applied from the fiscal year starting January 1, 2018 and Topic 606 from the fiscal year starting December 15, 2017, the Accounting Standards Board of Japan developed comprehensive Accounting Standards on Revenue Recognition and published them together with implementation guidelines.

The fundamental policy for developing Accounting Standards on Revenue Recognition by the Accounting Standards Board of Japan was that the accounting standards would incorporate the fundamental policy of IFRS No.15 as the starting point from the perspective of comparability of financial statements, which is the one of the benefits of achieving consistency with IFRS No. 15. If there are matters to be taken into consideration in Japan in actual practice, etc., alternative handling will be added within a range that would not impair financial statement comparability.

(2) Planned applicable date

Applied from the beginning of the fiscal year ending in March 2021

(3) Impact of application of these accounting standards, etc.

We are currently assessing the amount of impact of Accounting Standards on Revenue Recognition, etc. on consolidated financial statements.

(Changes in the Accounting Estimates)

(Change in duration)

The JAL Group has improved its accounting system to reflect more properly a durable period of each asset such as engines and cabin interiors of some aircrafts. As a result, the estimated useful lives of these assets have been changed since current Consolidated Fiscal Year. Accordingly, the operating profit decreased by 8,060 million yen, and the ordinary profit and the profit before income taxes decreased by 5,543 million yen in the previous Consolidated Fiscal Year.

Its impact on the segment is shown in the “Segment Information”.

(Notes to consolidated statements of cash flows)

- *1 The components of cash and cash equivalents in the accompanying consolidated statements of cash flows are as follows:

	(Millions of Yen)	
	FY2018 April 1, 2018 to March 31, 2019	FY2019 April 1, 2019 to March 31, 2020
Cash and time deposits	462,064	329,149
Securities	60,000	—
Cash and cash equivalents	522,064	329,149

(Segment Information)

1. Overview of reportable segments

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Air transportation includes international and domestic passenger operations, cargo operations and other transportation services.

2. Calculation method of reportable segment

The accounting policies of the segments are based on those adopted for the preparation of Consolidated Financial Statements.

Profit of reporting segments is based on operating profit.

Inter-group sales are recorded under the same conditions used in transactions with third parties.

3. Segment Information

FY2018 (April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Reportable segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1. Operating revenues					
(1) Sales to external	1,234,497	252,764	1,487,261	—	1,487,261
(2) Intersegment	123,105	35,425	158,531	(158,531)	—
Total	1,357,603	288,190	1,645,793	(158,531)	1,487,261
Segment profit	162,316	13,880	176,196	(36)	176,160
2. Assets	1,971,986	189,582	2,161,569	(131,240)	2,030,328
Others					
Depreciation and amortization	121,863	2,249	124,113	(9)	124,104
Impairment loss	7,898	—	7,898	—	7,898
Investments in entities accounted for using equity method	8,246	23,323	31,570	—	31,570
Increase in tangible fixed assets and intangible assets	221,708	1,768	223,477	—	223,477

- (Note) 1. "Others" refers to a segment which is not included in a reportable segment. It includes the travel planning and sales business.
2. The adjusted amounts of segment profit and segment assets represent elimination inter-segment transactions.
3. Segment profit has been adjusted with operating profit on consolidated financial statements.

	Reportable segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1.Operating revenues					
(1)Sales to external	1,172,684	238,545	1,411,230	—	1,411,230
(2)Intersegment	112,115	36,952	149,067	(149,067)	—
Total	1,284,800	275,497	1,560,298	(149,067)	1,411,230
Segment profit	85,936	15,066	101,003	(370)	100,632
2.Assets	1,791,385	172,515	1,963,901	(104,538)	1,859,362
Others					
Depreciation and amortization	136,226	1,821	138,047	(11)	138,035
Impairment loss	543	1,416	1,959	—	1,959
Investments in entities accounted for using equity method	6,756	24,222	30,979	—	30,979
Increase in tangible fixed assets and intangible assets	238,643	2,921	241,564	(59)	241,504

- (Note) 1. "Others" refers to a segment which is not included in a reportable segment. It includes the travel planning and sales business.
2. The adjusted amounts of segment profit and segment assets represent elimination inter-segment transactions.
3. Segment profit has been adjusted with operating profit on consolidated financial statements.

4. Information regarding changes to reported segments

(Change in duration)

As described in "Changes in the Accounting Estimates", the JAL Group has improved its accounting system to reflect more properly a durable period of each asset such as engines and cabin interiors of some aircrafts. As a result, the estimated useful lives of these assets have been changed since the current Consolidated Fiscal Year. Accordingly, the segment profit decreased by 8,060 million yen in the current Consolidated Fiscal Year.

(Per share Information)

	FY2018 April 1, 2018 to March 31, 2019	FY2019 April 1, 2019 to March 31, 2020
Net assets per share	3,340.15yen	3,249.27yen
Earnings per share	432.10yen	155.66yen

(Note) 1. Earnings per share (diluted) have not been shown because potential shares do not exist.
2. The basis for calculating is follows:

(1) Net assets per share

	FY2018 As of March 31, 2019	FY2019 As of March 31, 2020
Total net assets (Millions of yen)	1,200,135	1,131,836
Amounts deducted from total net assets (Millions of yen)	35,001	37,023
(Non-controlling interests) (Millions of yen)	(35,001)	(37,023)
Net assets at the balance sheet related to common stock (Millions of yen)	1,165,133	1,094,812
The year-end number of common stock used for the calculation of net assets per share (Thousand shares)	348,826	336,941

(2) Earnings per share

	FY2018 April 1, 2018 to March 31, 2019	FY2019 April 1, 2019 to March 31, 2020
Profit attributable to owners of the parent (Millions of yen)	150,807	53,407
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of the parent in accordance with the common stock (Millions of yen)	150,807	53,407
Average number of shares outstanding during the period (Thousand shares)	349,006	343,101

(Significant Subsequent Event)

None