JAPAN AIRLINES

[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, 2016 (Japanese GAAP)

April 28, 2016

Company name **Japan Airlines Co., Ltd**
Stock Listing **Tokyo Stock Exchange**
Code No. **9201** **URL: http://www.jal.com**
Representative **Yoshiharu Ueki, President**
Contact **Yuichiro Kito, General Manager, Finance** **Phone: +81-3-5460-3068**

Scheduled date of Ordinary General Meeting of Shareholders: June 22, 2016
Scheduled date of dividend payment: June 23, 2016
Scheduled date of filing Financial Report for the Fiscal Year 2015: June 23, 2016
Supplementary explanations of Fiscal Year 2015 financial results: Yes
Presentation for the Fiscal Year 2015 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, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2015 ended March 31, 2016	1,336,661	(0.6)	209,192	16.4	209,219	19.4	174,468	17.1
FY2014 ended March 31, 2015	1,344,711	2.7	179,689	7.7	175,275	11.2	149,045	(10.3)

* Comprehensive income ; Year ended March 31, 2016: 110,773 million Yen (27.0%), Year ended March 31, 2015: 151,768 million Yen (13.9%)

	Net income per share	Diluted net Income per share	Return on Equity	Ratio of Ordinary profit To total assets	Operating income margin ratio
	Yen		%	%	%
FY2015 ended March 31, 2016	481.29	—	21.5	13.7	15.7
FY2014 ended March 31, 2015	411.06	—	20.3	12.5	13.4

(Reference) Equity in net income of affiliates; Year ended March 31, 2016: 651 million Yen, Year ended March 31, 2015: (2,609) million Yen

Note: JAL undertook a two-for-one stock split of its common shares as of October 1, 2014. As a result, net income per share is calculated on the assumption that the stock split was undertaken at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder’s equity ratio (%)	Shareholder’s equity Per share
	Millions of Yen	Millions of Yen		Yen
FY2015 ended March 31, 2016	1,578,928	870,557	53.4	2,325.79
FY2014 ended March 31, 2015	1,473,354	800,751	52.7	2,142.00

(Reference) Shareholder’s equity ; Year ended March 31, 2016: 843,099 million Yen, Year ended March 31, 2015: 776,475 million Yen

Note: JAL undertook a two-for-one stock split of its common shares as of October 1, 2014. As a result, shareholder’s equity per share is calculated on the assumption that the stock split was undertaken at the beginning of the previous consolidated fiscal year.

(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
FY2015 ended March 31, 2016	312,394	(288,915)	(49,636)	92,951
FY2014 ended March 31, 2015	261,139	(230,559)	(67,323)	119,287

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	%	%
FY2014	-	-	-	**104.00**	**104.00**	**37,707**	**25.3**	**5.1**
FY2015	-	-	-	**120.00**	**120.00**	**43,508**	**24.9**	**5.4**
FY2016(Forecast)	-	-	-	-	-		-	

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

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income attributable to owners of the parent		Net income 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: Forecast for the six months ending September 30, 2016 is not made.

Notes

(1) Changes in significant consolidated subsidiaries during the fiscal year ended March 31, 2016: 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) : None

3) Changes in accounting estimates: None

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, 2016: 362,704,000
Year ended March 31, 2015: 362,704,000

(b) Number of treasury stock at the end of the period
Year ended March 31, 2016: 203,395
Year ended March 31, 2015: 203,395

(c) Average number of shares outstanding
Year ended March 31, 2016: 362,500,605
Year ended March 31, 2015: 362,584,185

Note: JAL undertook a two-for-one stock split of its common shares as of October 1, 2014. As a result, Total number of shares issued at the end of the period and Number of treasury stock at the end of the period, Average number of shares outstanding is calculated on the assumption that the stock split was undertaken at the beginning of the revious consolidated fiscal year.

(Reference)

1. Non-consolidated Financial Results for the Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Non-consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2015 ended March 31, 2016	**1,092,312**	**0.2**	**164,607**	**28.0**	**175,121**	**26.3**	**163,281**	**0.1**
FY2014 ended March 31, 2015	**1,090,140**	**3.9**	**128,623**	**5.9**	**138,627**	**8.5**	**163,175**	**12.6**

	Net income per Share	Diluted net Income per share
	Yen	
FY2015 ended March 31, 2016	**450.35**	—
FY2014 ended March 31, 2015	**449.95**	—

Note: JAL undertook a two-for-one stock split of its common shares as of October 1, 2014. As a result, net income per share is calculated on the

assumption that the stock split was undertaken at the beginning of the previous consolidated fiscal year.

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen		Yen
FY2015 ended March 31, 2016	**1,563,384**	**836,490**	**53.5**	**2,307.13**
FY2014 ended March 31, 2015	**1,460,688**	**728,437**	**49.9**	**2,009.11**

(Reference) Shareholder's equity ; Year ended March 31, 2016: 836,490 million Yen, Year ended March 31, 2015: 728,437 million Yen

Note: JAL undertook a two-for-one stock split of its common shares as of October 1, 2014. As a result, shareholder's equity per share is calculated on the assumption that the stock split was undertaken at the beginning of the previous fiscal year.

2. Non-consolidated Financial Forecast for the Fiscal Year Ending March 31, 2017

(Percentage compared to prior year)

	Operating Revenues		Ordinary Income		Net Income		Net income per share
Entire Fiscal Year	Millions of Yen **1,105,000**	% **1.2**	Millions of Yen **150,000**	% **(14.3)**	Millions of Yen **169,000**	% **3.5**	Yen **466.12**

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

Indication of audit procedure implementation status

These financial results are not subject to the audit requirements as provided in the Financial Instruments and Exchange Act. The audit of 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 Year Ended March 31, 2016.

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. Please refer to "1.Operating results (1) Analysis of operating results" on page 2 in the Attachment for the assumptions used and other notes.

* The Company holds a presentation for institutional investors and analysts on April 28, 2016. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

CONTENTS

1. Operating results

(1) Analysis of operating results

During the reporting period of consolidated financial results for the fiscal year ended March 31, 2016 (April 1, 2015 to March, 31, 2016), the Japanese economy maintained its moderate recovery and personal consumption remained robust in general. Overseas economics including the U.S. economy recovered in general, although weakness was observed in some areas such as China and emerging countries in Asia. On the other hand, the number of international visitors to Japan, which affects our passenger revenue, totaled 21,359 thousand in 2015, representing a significant increase of 45.6% over the previous year. Fuel prices, which impact our fuel purchasing costs, international passenger revenue and international cargo revenue, were lower than they were the year before, but the JPY/USD foreign exchange rate showed weakness in the yen continuing. Under these economic conditions, the JAL Group strived to increase profit consciousness through efforts based on JAL Philosophy and the amoeba management system, realize greater management efficiencies, provide the finest service to its guests anchored in a firm commitment to flight safety, and thus achieve the targets in the JAL Group Medium Term Management Plan Rolling 2015 announced on February 18, 2015.

As a result of the above, during the consolidated fiscal year, consolidated operating revenue decreased by 0.6% year-on-year to 1,336.6 billion yen, operating expenses decreased by 3.2% year-on-year to 1,127.4 billion yen, operating income increased by 16.4% year-on-year to 209.1 billion yen, ordinary income increased by 19.4% year-on-year to 209.2 billion yen and net income attributable to owners of the parent increased by 17.1% year-on-year to 174.4 billion yen.

Financial results of each business segment are described as below.

<Air transport segment>

During the consolidated fiscal year, the results of our air transport business are operating revenue of 1,205.2 billion yen (an increase of 0.7% year-on-year) and operating income of 190.8 billion yen (an increase of 18.1% year-on-year). (Operating revenue and operating income are the figures before elimination of intra-segment transactions.)

Details are as follows

a. International operations

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016	% or points compared to prior period
Revenue from passenger operations (millions of Yen)	454,857	448,780	98.7%
Revenue passengers carried (number of passengers)	7,793,704	8,080,676	103.7%
Revenue passenger km (RPK) (1,000 passenger-km)	36,109,588	38,069,127	105.4%
Available seat km (ASK) (thousands-km)	47,696,816	48,327,267	101.3%
Revenue passenger-load factor (L/F) (%)	75.7	78.8	3.1
Revenue from Cargo Operations (millions of Yen)	60,301	54,273	90.0%
Revenue cargo ton-km (RCTK) (thousands-km)	1,754,657	1,724,590	98.3%

In international passenger operations, the number of boarded passengers increased substantially due to strong outbound corporate demand and robust inbound demand mainly on North American, China and Southeast Asian routes.

In route operations, we launched four weekly flights between Narita and Dallas/Fort Worth from November 30, 2015 operated by the fully revamped 787-8 named JAL SKY SUITE 787, and increased services to daily flights from March 20, 2016. Dallas/Fort Worth International Airport is the largest hub of joint business partner American Airlines. Leveraging its expansive network encompassing destinations within the U.S. and Latin America, passenger convenience has improved significantly and load factors have been high. From October 25, 2015, we launched services between Haneda and Shanghai (Pudong) and Haneda and Guangzhou, increased flight frequency between Haneda and Beijing, and thus improved our China route network in and out of Haneda. In the aftermath of the Paris terror attacks, Narita=Paris flights were suspended in certain periods between January and March 2016 to respond flexibly to demand.

On the product side, we progressively introduced JAL SKY SUITE aircraft, offering fully-flat Business Class seats with unobstructed aisle access for every seat and “New Spacious Economy” seats offering more space than the standard. As of the end of FY2015, the number of JAL SKY SUITE operated routes has increased to twenty-six. On introducing JAL SKY SUITE 787 on the Moscow route in February 2016, all flights in our European network are now operated with JAL SKY SUITE aircraft. On March 30, 2016, we unveiled our renovated dining area “The Dining” in Sakura Lounge at Narita Airport to provide the finest quality with a class above feel to as many guests as possible.

Sales-wise, we increased the number of languages available on our multilingual “JAL Guide to Japan” website to seven to convey Japan’s appeal to a larger number of international visitors than ever and assure greater convenience when flying with the JAL Group. In addition to improving the information content, we opened a smartphone website.

In January 2016, JAL was named the world’s best airline in the Major International Airlines category for operational performance of domestic and international flights operated between January and December 2015 by FlightStats of the U.S., which analyzes the on-time arrival rate by airline, amongst others. Furthermore, we took first place in the Asia-Pacific Major Airlines category, and **one**world, of which JAL is a member, was the best alliance for on-time flights. As a result, JAL ranked first in all three categories for which it qualifies for the fourth time after 2010, 2012 and 2014. (*No Alliance category in 2010. JAL was awarded in the Asian Regional Airlines category (now terminated)). We will continue to embrace the challenge of improving convenience and comfort from every aspect so that we may provide the finest quality and deliver a refreshing and inspiring travel experience to our guests.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) increased by 1.3% year-on-year, demand measured in Revenue Passenger Kilometers (RPK) increased by 5.4% year-on-year, the Load Factor (L/F) was 78.8% (up 3.1 percentage points year-on-year) and international passenger revenue was 448.7 billion yen, declining 1.3% from the year before.

In international cargo operations, amid sluggish overall shipments in and out of Japan, we efficiently captured trilateral shipments via Japan in order to steadily secure shipments and maximize revenues. We also improved our lineup of added-value cargo transport products, such as a new container with enhanced functionality to maintain constant temperatures and equipment for transporting finished cars.

As a result of the above, the volume of international cargo carried measured in Revenue Cargo Ton Kilometers (RCTK) decreased by 1.7% year-on-year and international cargo revenue was 54.2 billion yen, down 10.0% from the year before.

b. Domestic operations

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016	% or points compared to prior period
Revenues from passenger operations (millions of Yen)	487,555	501,274	102.8%
Revenue passengers carried (number of passengers)	31,644,018	32,114,322	101.5%
Revenue passenger km (RPK) (1,000 passenger-km)	23,993,738	24,341,972	101.5%
Available seat km (ASK) (thousands-km)	36,306,359	35,869,126	98.8%
Revenue passenger-load factor (L/F) (%)	66.1	67.9	1.8
Revenue from Cargo Operations (millions of Yen)	24,294	23,363	96.2%
Revenue cargo ton-km (RCTK) (thousands-km)	356,691	363,200	101.8%

In domestic passenger operations, we deployed measures to stimulate demand and allocated aircraft to meet demand so as to increase profitability.

In route operations, we continued seasonal services on six of the regional routes which we had suspended. From April 1, 2015, we launched new code-share flights with Amakusa Airlines between Amakusa and Fukuoka, Amakusa and Kumamoto, and Kumamoto and Osaka (Itami) to increase customer convenience and contribute to the development of regional economies.

On the product side, we progressively expanded JAL SKY NEXT operated routes in and out of Osaka (Itami), as well as Tokyo (Haneda). We received favorable customer feedback about the cabin features, such as genuine leather seats, more legroom (around the knees) and inflight Wi-Fi service.

Sales-wise, we introduced Ultra Sakitoku, a new 75 day advance purchase fare, and expanded flights available at this fare during the high season such as Golden Week in spring and Obon in summer. They were in great demand by customers for visiting their hometowns or vacationing. We also improved usability of advance purchase fares of connecting flights, such as expanding eligible segments, aiming to promote regional exchanges and regional revitalization. To attract more international visitors to regions throughout Japan and provide opportunities to experience values distinct, we introduced a new domestic fare called “Japan Explorer Pass” in December 2015 and publicized it on “JAL Guide to Japan.”

The PC and smartphone websites of JAL Dynamic Package were renewed to create a user-friendly layout with enhanced visibility and operability, offer more optional plans, and enable customers to arrange their itinerary through JAL and other services to suit their needs.

From June 2015, we launched promotions to revitalize local areas through Furusato-wari (hometown discount) coupons (*) and are taking active part in regional revitalization projects by the central and local governments to attract visitors to various districts in Japan, etc.

(*) A general term for travel products in which a certain amount is deducted through a subsidy in "Urgent Assistance Grant for Regional Citizens, Daily Life, etc.”

To provide easy, convenient and simple services at the airport and in the air under the concept of “JAL Smart Style,” we introduced “JAL Express Tag Service” at Tokyo (Haneda) Airport (domestic) to reduce passenger waiting times at counters in

March 2015, and expanded this service to Sapporo (New Chitose), Osaka (Itami), Fukuoka and Okinawa (Naha) airports in March 2016. In July 2015, we launched a service on our smartphone app of providing waiting time in security check areas at Tokyo (Haneda) Airport to reduce stress and enable passengers to use their time more efficiently. At Osaka (Itami) Airport, we installed "JAL Power Stations" in May 2015 for passengers to charge their smartphones or PCs free of charge and reduce worrying about the battery level when boarding.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) decreased by 1.2% year-on-year, demand measured in Revenue Passenger Kilometers (RPK) increased by 1.5% year-on-year, the Load Factor (L/F) was 67.9% (up 1.8 percentage points year-on-year), and domestic passenger revenue was 501.2 billion yen, an increase of 2.8% from the year before.

In domestic cargo operations, despite the reduction in capacity, we were able to capture more shipments than in the previous year through aggressive sales activities and innovative ways of managing cargo space to utilize limited space effectively.

As a result of the above, the volume of domestic cargo carried when measured in Revenue Cargo Ton Kilometers (RCTK) increased by 1.8% year-on-year, and domestic cargo revenue decreased by 3.8% year-on-year to 23.3 billion yen.

Fleet as of March 31, 2016

Type of Aircraft	Owned	Leased	Total
Boeing 787	26	0	26
Boeing 777	40	0	40
Boeing 767	37	4	41
Boeing 737-400	12	0	12
Boeing 737-800	22	29	51
Embraer 170	17	0	17
Bombardier CRJ200	9	0	9
Bombardier DHC-8-400	8	2	10
Bombardier DHC-8-400CC	2	0	2
SAAB340B	13	0	13
Bombardier DHC-8-300	1	0	1
Bombardier DHC-8-100	4	0	4
Total	191	35	226

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.

	FY2014 April 1, 2014 to March 31, 2015 [Millions of Yen]	% contribution to total	FY2015 April 1, 2015 to March 31, 2016 [Millions of Yen]	% contribution to total	% compared to prior period
International:					
Passenger operations	454,857	38.0	448,780	37.2	98.7
Cargo operations	60,301	5.0	54,273	4.5	90.0
Mail-service operations	10,379	0.9	10,337	0.9	99.6
Luggage operations	715	0.1	845	0.1	118.3
Sub-total	526,253	44.0	514,237	42.7	97.7
Domestic:					
Passenger operations	487,555	40.8	501,274	41.6	102.8
Cargo operations	24,294	2.0	23,363	1.9	96.2
Mail-service operations	3,388	0.3	3,575	0.3	105.5
Luggage operations	287	0.0	297	0.0	103.6
Sub-total	515,526	43.1	528,511	43.9	102.5
Total revenues from international and domestic operations	1,041,780	87.1	1,042,749	86.5	100.1
Other revenues	154,463	12.9	162,453	13.5	105.2
Total revenues	1,196,243	100.0	1,205,202	100.0	100.7

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

	FY2014 April 1,2014 to March 31,2015	FY2015 April 1,2015 to March 31,2016	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	7,793,704	8,080,676	103.7%
Revenue passenger km (1,000 passenger-km)	36,109,588	38,069,127	105.4%
Available seat km (thousands-km)	47,696,816	48,327,267	101.3%
Revenue passenger-load factor (%)	75.7	78.8	3.1
Revenue cargo ton-km (thoussands-km)	1,754,657	1,724,590	98.3%
Mail ton-km (thousands-km)	230,276	230,146	99.9%
DOMESTIC			
Revenue passengers carried (number of passengers)	31,644,018	32,114,322	101.5%
Revenue passenger-km (1,000 passenger-km)	23,993,738	24,341,972	101.5%
Available seat km (thousands-km)	36,306,359	35,869,126	98.8%
Revenue passenger-load factor (%)	66.1	67.9	1.8
Revenue cargo ton-km (thousands-km)	356,691	363,200	101.8%
Mail ton-km (thousands-km)	24,286	25,668	105.7%
TOTAL			
Revenue passengers carried (number of passengers)	39,437,722	40,194,998	101.9%
Revenue passenger-km (1,000 passenger-km)	60,103,327	62,411,100	103.8%
Available seat km (thousands-km)	84,003,176	84,196,394	100.2%
Revenue passenger-load factor (%)	71.5	74.1	2.6
Revenue cargo ton-km (thousands-km)	2,111,349	2,087,791	98.9%
Mail ton-km (thousands-km)	254,563	255,814	100.5%

1. Revenue passenger kilometer (RPK) is the number of fare-paying passengers multiplied by the distance flown (km).
   Available seat kilometer (ASK) is the number of available seats multiplied by the distance flown (km).
   Revenue cargo ton kilometer (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
2. 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).
3. 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.
   However, in the year-earlier period,
   International operations : Japan Airlines Co., Ltd.
   Domestic operations : Japan Airlines Co., Ltd., Japan Transocean Air Co., Ltd., JAL Express Co., Ltd.(absorbed by JAL in October 2014), Japan Air Commuter Co., Ltd., J Air Co., Ltd., Ryukyu Air Commuter Co., Ltd., Hokkaido Air System Co., Ltd. (became a consolidated subsidiary in October 2014)
4. The figures have been truncated and the percentages are rounded off to the first decimal place.

<Others>

In other business operations, we strived 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. introduced timely products during the year to meet the demand trend and maximize revenues. The number of overseas travelers handled decreased by 11.7% year-on-year to 243 thousand due to concerns of instability in Europe. Domestically, it handled 2,429 thousand customers, up 5.6% from the year before, through strong sales of JAL Dynamic Package. As a result, operating revenue (before elimination of consolidated transactions) was 172.2 billion yen (an increase of 1.4% year-on-year).

JAL Card Co., Ltd. actively conducted online and direct mail campaigns, started using tablets in enrollment activities at major airports, increased the number of campaign staff, etc. to increase membership. It also strived to increase brand awareness through TV commercials and publicity at cultural events, and issued a new JAL JCB Card (Disney design) with Mickey Mouse as a pilot. As a result, membership increased by 91 thousand to 3,129 thousand members from the end of March 2015. Trading volume remained high, through measures to boost card usage, such as increasing double-mile partner shops and encouraging current members to switch to top tier status cards. As a result, operating revenue (before elimination of consolidated transactions) was 20.4 billion yen (an increase of 4.2% year-on-year).

(2) Analysis of financial condition

a. Assets, liabilities and net assets

Total assets for this consolidated fiscal year increased by 105.5 billion yen year-on-year to 1,578.9 billion yen mainly due to purchase of aircraft and advance payment of aircraft.

Liabilities totaled 708.3 billion yen, up 35.7 billion yen from the end of the previous fiscal year, mainly due to an increase in retirement benefit obligations.

Net assets totaled 870.5 billion yen, up 69.8 billion yen from the end of the previous fiscal year, mainly due to recording of net income attributable to owners of the parent despite the change in calculation of retirement benefit obligations as well as the payment of dividends.

As a result of the above, the shareholder's equity was 843.0 billion yen and the shareholder's equity ratio increased by 0.7 points from the end of the previous year to 53.4%.

For details, please refer to "5. Consolidated Financial Statements (1) Consolidated Balance Sheets" .

b. Cash Flows

Cash Flows from Operating Activities

As a result of adjusting the non-cash items such as depreciation etc. with net income before income taxes and non-controlling interests of 207.3 billion yen, the cash flow from operating activities (inflow) was 312.3 billion yen (an increase of 51.2 billion from the previous year).

Cash Flows from Investing Activities

Largely due to the expenditure for the acquisition of fixed assets, the cash flow from investing activities (outflow) was 288.9 billion yen (an increase of 58.3 billion yen from the previous year).

Cash Flows from Financing Activities

As a result of paying dividends and repaying interest-bearing debts, the cash flow from financing activities (outflow) was 49.6 billion yen (a decrease of 17.6 billion yen from the previous year).

Consequently, the balance of cash and cash equivalents at the end of the reporting period decreased by 26.3 billion yen from the end of the previous fiscal year to 92.9 billion yen.

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

We regard returns to our shareholders as a top priority management issue. We will actively pass profits on to our shareholders by continuously paying dividends, while securing internal reserves for investments to respond to future corporate growth and changes in the business environment, and to build a strong financial foundation.

Our policy is to allocate approximately 25% of net income attributable to owners of the parent after deducting income tax deferred as the total amount of dividends for our shareholders.

With regard to the dividend for fiscal year 2015, we are to pay a dividend of 120 yen per share taking the financial results, our financial conditions and the future business environments into consideration.

The dividend forecast for the next fiscal year will be disclosed only when our earnings forecast becomes clearer.

(4) Business risks

Risks affecting decisions of investors to invest in shares are mentioned below. However, they do not cover all the risks relating to JAL Group, as unforeseen risks excluding those listed here may exist. This section includes forward-looking statements based on judgment as of March 31, 2016. JAL Group is exposed to the following risks, given the group's business operations, primarily scheduled and unscheduled air transport business services.

a. Risks concerning changes in the international situation

JAL Group transports international air passengers and air cargo to mainly North America, Europe, Asia-Oceania and China. Air transport demand can decline significantly due to terrorist attacks, regional conflicts, wars, and outbreaks and transmission of infectious diseases etc. Especially if recommendations are issued to defer travel to regions of conflict or outbreaks and epidemics of infectious diseases, or if actions to defer nonessential and nonurgent travel due to concerns of the users, etc. become marked, they could have serious negative impacts on demand for JAL Group flights that depart and arrive in those regions.

b. Risks concerning changes in the Japanese and global economy

JAL Group's international and domestic passenger operations depend largely on the Japanese market. Therefore, Japanese economic trends and global economic conditions, or a decline in airline demand of the customer base in Japan, natural disasters or unfavorable weather, etc. could negatively impact JAL Group's business. Our international passenger operations, in particular, are easily affected by economic conditions.

c. Risks concerning our Medium Term Management Plan and Annual Plan

JAL Group establishes a Medium Term Management Plan and Annual Plan, but various internal and external factors pose a risk to the execution of these plans. These management plans are based on many assumptions, but if they do not go as planned, our ability to achieve the revenue targets and profit goals set out in the plans could be negatively affected. JAL Group's Medium Term Management Plan and Annual Plan are established based on effective accounting and tax systems, processing methods and legal requirements at the time of compilation. If these systems, methods and requirements are changed into the future, financial forecasts announced into the plans could change.

d. Risks concerning our aircraft delivery plans

JAL Group aims to build a fleet principally of new, fuel-efficient, small/mid-size aircraft for its air transport business, and has placed orders with aircraft manufacturers such as Boeing and Airbus. If delivery of aircraft is postposed due to technical, financial or other reasons of the aircraft manufacturer or component manufacturer, JAL Group's medium and long term business could be affected.

e. Risks concerning alliances

There have been active movements in the airline business to join a global alliance composed of several airlines or starting a joint business with partner airlines transcending national borders on receiving approval of anti-trust immunity (ATI). JAL Group is a member of the oneworld global alliance, alongside American Airlines (AA), British Airways (BA) and Finnair(AY). We also have a joint business with AA over the transpacific and with BA and AY over European routes. Our reliance on strategic partners and the oneworld alliance could expose us to a variety of risks which could affect our alliance strategies, such as changes in business conditions of the other party, changes in membership to oneworld, or changes in partnerships with JAL Group.

f. Risks concerning competition

JAL Group faces substantial and intensifying competition in routes, services and fares in both the domestic and international markets. On domestic routes, we face tough competition with another major Japanese airline, new low cost carriers (LCC) and Shinkansen express train services. On international routes, competition with major Japanese and international airlines is getting increasingly fierce, and the increase in flight slots in Haneda and Narita airports as well as alliances, code-sharing and mileage cooperation between airlines are certain to intensify competition. If the competitive environment or business environment changes significantly due to this intensifying competition, it could negatively affect management of JAL Group.

g. Risks concerning LCCs

JAL Group faces substantial and intensifying competition in routes, services and fares in both the domestic and international markets, and competition with LCCs is also seen to intensify. At present, impacts of LCCs have been contained within our estimated range. But if competition with Japanese and international LCCs intensifies, we would be compelled to reduce our fares and a part of customers could shift from JAL Group flights to LCCs. We have stakes in Jetstar Japan, which is an LCC established with Qantas group in Australia and others, and an affiliated company accounted for by the equity-method, whose performances could negatively affect our LCC strategies.

h. Risks concerning changes in jet fuel prices

JAL Group's business performance is greatly affected by changes in fuel prices. The group's fuel costs in FY2015 were approximately 228 billion yen, which accounts for approximately 20% of consolidated operating expenses in FY2015. As competition in the airline industry is extremely severe, we have difficulties in making price hikes by increasing fares or asking our customers to pay a fuel surcharge for the increased portion of fuel costs. To reduce risks posed by fluctuations in fuel prices, we conduct hedging transactions using commodity derivatives of crude oil. If the price of crude oil suddenly drops in a short period of time, depending on our hedging position, etc., the fall in market conditions might not be reflected in our business performance at once and might not contribute to improving our business performance.

i. Risks concerning fluctuations in foreign exchange rates

JAL Group conducts business extensively in domestic and international markets, and partially receives revenue and partially pays expenses in foreign currencies. Especially, as jet fuel prices, which account for the largest percentage of total costs, are affected by the US dollar, USD currency volatility has a greater impact on expenses than revenue. To reduce risks to profitability caused by currency volatility, foreign currencies received as revenue are basically used for paying expenses in foreign currencies. We also conduct derivative transactions. Furthermore, as the price of aircraft is mostly in amounts linked to the US dollar, the capitalized amount and depreciation cost have a risk of increasing or decreasing due to exchange fluctuations. To reduce foreign currency exchange fluctuation risk, we conduct derivative transactions to spread the chances of acquiring foreign currencies.

j. Risks concerning disasters

The majority of JAL Group aircraft passengers use aircraft departing and arriving at Haneda and Narita airports. The positioning of Haneda and Narita airports in the group's air transport business is very important. Our important information system center for aircraft operations, such as operations control and reservation control, is located in the Tokyo area. The Operation Control Center which controls the operation and schedule of all our aircraft operating around the world is also located in the Tokyo area. Therefore, if this important facility is affected by a large earthquake in the Tokyo area, etc., fire or terrorist attacks, etc., and Haneda and Narita airports are closed or our information systems or operation functions are suspended for a long period of time, it could seriously affect our business.

k. Risks concerning trust in aviation safety

JAL Group implements various measures each day to ensure safety in aircraft operations, but if we should cause a fatal accident due to a plane crash, it could damage the customers' trust in the safety of our operations and our reputation in society, and we would have to compensate, etc. for the death of passengers, etc.. Business continuity could even be put at stake. Furthermore, if safety problems occur to an aircraft type operated by JAL Group or a group's code-share flight, it could also damage the customers' trust in the safety of our operations and our reputation in society, and seriously impact the group's business performance. To reduce various damages caused by an aircraft accident and properly compensate for damages incurred by the victims, we have purchased liability insurance within the equivalent amount and range of compensation as current industry standards.

l. Risks concerning legal regulations

JAL Group's business complies with international regulations and regulations at the government and regional government level in conformance to laws, ordinances and regulations. If these regulations are revised, our business could be further regulated, and we might require a large increase in expenditures.

(a) Airworthiness directives, etc.

If technical problems seriously affect safety in aircraft operations, an airworthiness directive, etc., might be issued by the Japanese Minister of Land, Infrastructure, Transport and Tourism in accordance with laws and ordinances, and operations of aircraft might not be approved until safety has been confirmed. Even if an airworthiness directive is not issued under laws and ordinances, we might have to voluntarily suspend operation of aircraft under internal regulations, etc.. If this happens to our aircraft, including the Boeing 787 which we are putting into service with priority, operations of our aircraft might be disrupted, which would negatively affect our business performance.

(b) Laws, ordinances, etc. concerning the air transport business

JAL Group as an air transport operator does business according to laws, ordinances, etc. concerning the airline business. On international routes, we are required to conform to conventions including bilateral aviation agreements, and other international rules. Furthermore, in the air transport business, fares and fees are regulated by the anti-trust law and other similar overseas laws and ordinances. Future allocation of flight slots at Haneda and Narita airports as well as the timing when we can start our operations would also negatively affect our business performance.

(c) Environmental regulations, etc.

Amid increasing awareness of corporate social responsibility for the global environment, including prevention of global warming, environmental regulations concerning CO2 emissions, noise, toxic substances, etc., have been heightened. If global gas emission trading increases on the international aviation scene, or environmental regulations, such as fines for global warming gases, etc. are tightened, etc., it could negatively affect our business performance.

(d) Tax and fees, etc.

Taxes and fees, etc. in the airline business refer to landing fees, navigation support facility fees and aircraft fuel taxes etc.. Depending on the financial conditions or direction of transport administration of the government of each State, if the reduction of landing fees is abolished or taxes and fees are increased substantially, it could negatively affect our business performance.

m. Risks concerning litigations

JAL Group is currently subject to various litigations concerning business activities, which could affect our business or business performance. We could be sued etc. in the following situations, and depending on the situation, it could negatively affect our business performance due to additional expenditures or need of a reserve fund.

In the Netherland, etc., several airlines including JAL were sued by shippers in a civil suit, claiming they suffered damages by an alleged air cargo cartel. With regard to such incidents, the estimated amount of future losses have been registered in a reserve fund for probable future losses and in amounts that can be estimated in a reasonable manner.

n. Risks concerning our dependence on third parties

JAL Group's business is dependent on services by third parties to a certain extent; e.g. maintenance staff, airport staff, aviation security agents, fuel handling workers, baggage handling staff and private security companies.

o. Risks concerning IT (information systems)

JAL Group is dependent on information systems for our business operations. If various problems occur with our information systems caused by computer program problems, computer viruses, etc., important data could be lost, costs for repairs, etc. could increase, etc., and negatively affect our business. If large scale problems occur with infrastructure, etc., electric power which supports our information systems, etc., it could seriously disrupt our business.

p. Risks concerning financing

JAL Group is purchasing aircraft in order to renew aircraft, revamping cabins and upgrading core IT systems, and may need to obtain financing from financial institutions or markets to fulfill capital requirements. Our ability or costs to obtain financing may change depending on financial markets and our credibility. If financial markets or our credibility deteriorates or if the financing system of the governmental financial institutions changes, we might suffer an increase in costs to obtain financing.

q. Risks concerning handling of customer data

If JAL Group experiences information leaks due to mishandling of or unauthorized access, etc. to the customers' personal information in its possession, it might be obliged to compensate or be subjected to administrative measures. If this happens, it could damage public trust in our business, systems and brand and we could lose the trust of the customers and markets, which could negatively affect our business, financial conditions and business performances.

r. Risks concerning recruitment

We need to secure employees with various qualifications, including national qualifications, and with skills to operate aircraft required under law to conduct our business operations, but it takes considerable time for them to acquire these qualifications and skills. If we are unable to secure the necessary manpower in the required time, it could affect our business operations.

s. Risks concerning personnel and labor matters

Many group employees belong to labor unions. If a labor dispute breaks out, such as a collective strike by our employees, it could negatively affect our aircraft operations.

2. Outline of the Japan Airlines Group

The JAL Group is composed of JAL, 87 subsidiaries and 59 affiliated companies. Its business operations consist of the "air transport business" and "other businesses." The business operations and positions of each business, and the correlation with each segment by business type are as follows.

(1) Air transport business	JAL, thirty-two subsidiaries and three affiliated companies, a total of 36 companies, are engaged in the air transport business as below.
① Air transport business	JAL and subsidiaries, Japan Transocean Air Co., Ltd., Japan Air Commuter Co., Ltd., J-AIR Co., Ltd., Hokkaido Air System Co., Ltd., Ryukyu Air Commuter Co., Ltd. and an affiliated company are engaged in the air transport business.
② Airport passenger service	Subsidiaries such as JAL Sky provide check-in and information services for passengers, assistant dispatch services, and load control services.
③ Ground handling	Subsidiaries such as JAL Ground Service Co., Ltd. provide airport ground services, such as baggage and cargo loading, marshaling, and cabin and aircraft cleaning services.
④ Maintenance	Subsidiaries such as JAL Engineering perform maintenance on aircraft, engines and aircraft parts, etc.
⑤ Cargo	Subsidiaries such as JAL Cargo Service Co., Ltd. and affiliated companies provide cargo and mail handling services and warehouse (cargo handling facility) services.
⑥ Passenger sales	Subsidiaries such as JAL Navia provide reservation and information services by phone.
⑦ Airport peripheral businesses	Subsidiaries such as JAL Royal Catering Co., Ltd. and affiliated companies produce inflight meals, etc.
(2) Other	Fifty-five subsidiaries and 56 affiliated companies, a total of 111 companies, are engaged in travel planning/sales using air transport, sales of aircraft seats, baggage delivery, fueling, system development/operations, provision of reservation/ticketing systems for travel agencies, the credit card business, etc., such as JAL Pak Co., Ltd., JAL Sales Co., Ltd., JAL Infotec Co., Ltd., AXESS International Network Inc., and JAL Card Co., Ltd..

3. Management Policies

(1) Fundamental Policy

We have established the following JAL Group Corporate Policy.

【JAL Group Corporate Policy】

The JAL Group will;

Pursue the material and intellectual growth of all our employees;

Deliver unparalleled service to our customers; and

Increase corporate value and contribute to the betterment of society.

(2) Management indicators

We have established three management targets as set out in “JAL Group Medium Term Management Plan for Fiscal Years 2012-2016 - To the Next Growth Stage upon Establishing a High Profitability Structure -.”

① JAL recognizes that flight safety is the foundation and social responsibility of the JAL Group. As a leading company in safety in the transport sector, JAL will maintain the highest standards of safety.

② JAL will provide unparalleled services to the customers and deliver a refreshing and inspiring travel experience. We aim to rank “No.1 in Customer Satisfaction“ (*) by FY2016.

③ JAL aims to establish sufficient profitability and financial stability levels capable of absorbing the impact of economic fluctuations and risk events by achieving;
“10%+ operating profit margin for 5 consecutive years and 50%+ shareholder’s equity ratio by FY2016.”

*Repeat Intention and Recommendation Intention rate: JCSI values (Japanese Customer Satisfaction Index) announced by Japan Productivity Center, Service Productivity and Innovation for Growth

(3) Medium- and Long- Term Management Strategies

As various changes in the business environment are expected, we aim to clearly differentiate JAL from the competition on the three points below in order to provide unparalleled service that delivers a refreshing and inspiring travel experience and become the world’s most valued and preferred airline.

We maintain an awareness of cost of shareholder’s equity and to achieve capital efficiency exceeding this, we will establish a management plan and financial targets and announce and explain them, including specific measures to achieve these targets.

① Differentiation

a. Enhance JAL Brand

“To provide unparalleled service to the customers,” which is one of the objectives of the JAL Group Corporate Policy, we strive to maintain flight safety, enhance our products and services including human service, and improve and expand our network through joint efforts of every JAL Group staff. Consequently, we will pursue and create the JAL Brand as a full-service carrier to differentiate JAL from low cost carriers (LCC).

b. Route network, products and services

We will improve our route network, products and services with speed in order to become the customers' choice of airline, without merely aim for business expansion. We will expand flights operated with aircraft offering competitive cabin interiors, such as JAL SKY SUITE on international routes and JAL SKY NEXT on domestic routes.

We will pursue customer convenience and provide services that deliver a refreshing and inspiring travel experience to every customer.

c. Cost competitiveness

Despite cost increases driven by changes in the external environment such as the weaker yen and costs for new services, we will continuously strive to reduce costs by improving productivity. We will improve / penetrate the divisional profitability management system and reduce Unit Cost through innovations by every staff, on the premise of maintaining and improving safety and quality.

② Capital Policy

a. Fundamental Policy

We will strive to maintain necessary levels of net assets to acquire capital funds for investments to prepare for business risks specific to the air transport business and respond to future corporate growth and changes in the business environment, and endeavor to maintain the equity ratio at a secure level.

We will also develop a system to secure diversity and flexibility in financing, and strive to maintain a credit rating necessary to achieve this.

We are conscious of cost of shareholder's equity, and to achieve capital efficiency exceeding this, we will draw up a management plan, establish financial targets, and announce and explain specific measures for achieving these targets.

b. Dividend Policy

We regard returns to our shareholders as a top priority management issue. We will actively pass profits on to our shareholders by continuously paying dividends, while securing internal reserves for investments to respond to future corporate growth and changes in the business environment, and to build a strong financial foundation.

The decision-making body of dividends of surplus is the General Meeting of Shareholders. Payment of full-year dividend of surplus will be made at the end of the fiscal year-end.

Our dividend policy is to allocate approximately 25% of consolidated net income attributable to owners of the parent after deducting income tax deferred as the total amount of dividends for our shareholders.

We will review our financial targets and flexibly consider improvement of shareholder returns as necessary, taking into account our financial positioning, stock market trends, economic conditions, etc.

(4) Issues to be addressed

The JAL Group announced "JAL Group Medium Term Management Plan for Fiscal Years 2012-2016～To the Next Growth Stage on Establishing a High Profitability Structure～" in February 2012 to overcome changes in the business environment, survive the competition, and achieve sustainable growth and development. We have reviewed it each year. In February 2016, we drew up Medium Term Management Plan Rolling Plan 2016, on analyzing internal and external changes in the environment, reviewing the progress we have made with the current plan, and focusing our efforts to accomplish it. We defined the following five priority initiatives to pursue.

① Safety initiatives

② Route network

③ Products and services

④ Group management

⑤ Human resources development

We will pursue these initiatives in the following manner.

① Safety initiatives

Flight safety is the foundation and social responsibility of the JAL Group. Leveraging our experience accumulated over the years as the pioneer of air transportation in Japan, we will carry out activities in three areas; develop staff to maintain safety, evolve safety systems, and cultivate a safety culture, and thus accumulate our safety layers and provide customers with safe and comfortable flights. To establish safety management systems of high standards and ensure that every JAL Group staff takes action based on adequate knowledge and high awareness, we will pursue safety initiatives with speed under the strong leadership of management.

② Route network

We will not merely pursue business expansion, but scrutinize route profitability and build a highly convenient network bridging cities in Japan and the world. On international routes, we will continue to allocate business resources on medium and long-haul routes (Europe, North America, Southeast Asia). We will expand and improve our network in anticipation of future demand growth in North America and Asia, and respond appropriately to supply and demand while carefully evaluating profitability. On domestic routes, we will focus on improving competitiveness according to the competition, respond precisely to changes at Haneda and Itami, our main markets, allocate aircraft to meet demand, and maintain and improve profitability.

③ Products and services

We will pursue "high quality and full services" of international flights and "convenient and simple" for domestic flights, and provide products and services which deliver a refreshing and inspiring travel experience. Utilizing JAL Education Center, established in FY2012 to conduct unified education across organizations, and internal and external evaluations, we will develop human resources who are considerate and attentive, and anticipate and flexibly meet customer needs. We will create a mileage program, which is easy to earn and use and enables members to use award tickets more conveniently.

④ Group management

We will continue to hold JAL Philosophy Education seminars and penetrate the philosophies into every staff. We will also expand the divisional profitability management system to Group companies, and build a firm organizational operating structure which empowers every staff to take part in management and consciously maximize revenues and minimize expenses.

⑤ Human resources development

We will establish the ideal staff sought by the JAL Group and recruit staff in necessary and appropriate numbers. We will develop a common basic education/training program for the entire JAL Group and hold courses, focusing on developing leaders and safety / service professionals.

We have been expanding opportunities for competent staff with ability and motivation to play an active role, regardless of company or region of employment. We will continue efforts to create workplaces where diverse human resources can work actively with their colleagues' support. For example, we will train female staff through training programs that promote personal growth and motivation, and aim to achieve a female management ratio of 20%+ in the JAL Group based on the merit system by FY2023.

We will maintain flight safety to inspire customers to fly with JAL, never forget our gratitude to the customers, our shareholders and clients, possess a strong resolve to survive in the volatile airline industry, provide comfortable services, improve our business performance, and achieve our management targets through joint efforts of every staff.

4. Basic policy concerning the selection of accounting standards

JAL Group establishes its consolidated financial statement in accordance with “Regulations concerning Terms, Formats and Method of Compilation of Consolidated Financial Statements” (excluding Chapters 7 and 8) (1976 Ministry of Finance Ordinance No. 28) to enable comparisons between companies and comparisons over the years.

We will adopt IFRS depending on domestic and international conditions.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2015 and as of March 31, 2016-1

(Millions of Yen)

Account	FY2014 As of March 31, 2015		FY2015 As of March 31, 2016	
(Assets)				
Current assets				
Cash and time deposits		364,988		420,333
Notes and account receivable		142,150		128,148
Flight equipment spare parts and supplies		19,754		20,314
Deferred income tax assets		12,448		16,725
Other		76,931		44,429
Allowance for doubtful receivables		(817)		(709)
Total current assets		**615,455**		**629,242**
Fixed assets				
Tangible fixed assets				
Buildings and structure (Net)		33,686		32,720
Machinery, equipment and vehicles (Net)		7,714		9,105
Flight equipment (Net)		491,295		560,601
Land		1,793		1,330
Advances on flight equipment purchases and other		97,752		116,929
Other tangible fixed assets(Net)		7,016		7,985
Total tangible fixed assets	***1**	**639,258**	***1**	**728,673**
Intangible assets				
Software		61,668		79,866
Other intangible fixed assets		1,505		651
Total intangible assets		**63,174**		**80,518**
Investments				
Investments in securities	***2**	93,185	***2**	84,931
Long-term loans receivable		9,343		8,169
Deferred income tax assets		3,860		6,172
Net defined benefit assets		1,974		1,090
Other investments		47,362		40,376
Allowance for doubtful accounts		(258)		(245)
Total investments		**155,466**		**140,494**
Total fixed assets		**857,899**		**949,686**
Total assets		**1,473,354**		**1,578,928**

(1) Consolidated Balance Sheets as of March 31, 2015 and as of March 31, 2016-2

(Millions of Yen)

Account	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
(Liabilities)		
Current liabilities		
Accounts payable-trade	144,846	145,413
Short-term debt	106	5,792
Current maturities of long-term debt	7,807	10,851
Lease liabilities	25,123	13,254
Accounts payable-installment purchase	174	178
Income taxes payable	7,443	19,333
Sales deposit	78,770	83,365
Deferred income tax liabilities	181	0
Provision for loss on business of subsidiaries and associates	3,889	-
Asset retirement obligation	-	234
Other	104,730	90,128
Total current liabilities	**373,074**	**368,552**
Non-current liabilities		
Long-term debt	43,809	51,331
Lease liabilities	22,548	10,373
Long-term accounts payable-installment purchase	1,025	847
Deferred income tax liabilities	2,317	358
Reserve for loss on antitrust liabilities	5,858	6,294
Net defined benefit liabilities	191,635	236,310
Asset retirement obligation	3,419	3,723
Other	28,914	30,578
Total non-current liabilities	**299,528**	**339,818**
Total liabilities	**672,603**	**708,371**
(Net Assets)		
Stockholders' equity		
Common stock	181,352	181,352
Capital surplus	183,042	183,042
Retained earnings	421,137	557,905
Treasury stock	(538)	(538)
Total stockholders' equity	**784,992**	921,761
Accumulated other comprehensive income		
Net unrealized loss on other securities, net of taxes	24,334	14,767
Net unrealized gain or loss on hedging instruments, net of taxes	(15,612)	(24,777)
Translation adjustments	(4,101)	427
Adjustment for retirement benefit	(13,136)	(69,079)
Total accumulated other comprehensive income	(8,516)	(78,662)
Non-controlling interests	24,275	27,457
Total net assets	**800,751**	**870,557**
Total liabilities and net assets	**1,473,354**	**1,578,928**

(2) Consolidated Statement of Income and Comprehensive Income-1

(Millions of Yen)

Account	FY2014 (April 1, 2014– March 31, 2015)	FY2015 (April 1, 2015– March 31, 2016)
Operating revenues	1,344,711	1,336,661
Cost of operating revenues	986,723	931,902
Gross operating profit	**357,988**	**404,759**
Selling, general and administrative expenses		
Sales commissions	25,617	25,826
Provision for credit losses	111	68
Labor costs	61,866	65,348
Retirement benefit expenses	3,962	3,627
Other	86,741	100,695
Total Selling, general and administrative expenses	**178,298**	**195,567**
Operating income	179,689	209,192
Non-operating income		
Interest income	808	887
Dividend income	1,097	1,556
Gain on sale of flight equipment	3,154	5,798
Foreign exchange gains	1,889	-
Other	3,376	4,408
Total non-operating income	**10,326**	**12,651**
Non-operating expenses		
Interest expense	1,665	1,172
Loss on sales of flight equipment	6,954	3,978
Foreign exchange losses	-	3,837
Equity in loss of affiliates	2,609	-
Other	3,510	3,636
Total non-operating expenses	14,740	12,624
Ordinary income	**175,275**	**209,219**

(3) Consolidated Statement of Income and Comprehensive Income-2

(Millions of Yen)

Account	FY2014 (April 1, 2014 – March 31, 2015)	FY2015 (April 1, 2015 – March 31, 2016)
Extraordinary income		
Subsidy income for aircraft purchase	-	7,063
Settlement of facility restitution	-	2,201
Compensation income	846	1,198
Other	328	716
Total extraordinary income	**1,175**	**11,179**
Extraordinary losses		
Loss on reduction of aircraft	-	6,972
Impairment loss	*1 881	*1 2,714
Provision for loss on business of subsidiaries and associates	3,889	-
Other	1,778	3,330
Total extraordinary losses	**6,549**	**13,017**
Income before income taxes and non-controlling interests	169,901	207,381
Income taxes-current	14,656	26,834
Income taxes-deferred	1,319	(436)
Total income taxes	15,976	26,398
Net income	153,925	180,983
Breakdown		
Profit attributable to owners of parent	149,045	174,468
Profit attributable to non-controlling interests	4,880	6,514
Other comprehensive income		
Net unrealized loss on other securities, net of taxes	17,610	(9,461)
Net unrealized gain on hedging instruments, net of taxes	(22,515)	(9,005)
Translation adjustments	1,333	4,588
Adjustments for Retirement Benefits	1,058	(55,877)
Equivalent interest in equity affiliates	355	(453)
Total other comprehensive income	(2,157)	(70,209)
Comprehensive income	**151,768**	**110,773**
Breakdown		
Comprehensive income attributable to owners of parent	146,572	104,323
Comprehensive income attributable to non-controlling interests	5,196	6,449

(3)Consolidated Statements of Changes in Net Assets-1

FY2014(April 1, 2014 – March 31, 2015)

	Shareholders' equity				
	Common Stock	Capital Surplus	Retained earnings	Common stock in treasury	Total sharholders' equity
Balance at the end of previous period	181,352	183,043	332,067	△ 130	696,332
Cumulated amount with the changes in accounting policy			△ 30,965		△ 30,965
Balance at the beginning with the changes in accounting policy	181,352	183,043	301,102	△ 130	665,367
Changes during the period					
Dividends of Surplus			△ 29,010		△ 29,010
Net income attributable to owners of the parent			149,045		149,045
Stock repurchase				△ 408	△ 408
Difference by equity intrests' fluctuation		△0			△0
Other changes excluding Shareholders's equity					
Total changes during the period	–	△0	120,034	△ 408	119,625
Balance at the end of the period	181,352	183,042	421,137	△ 538	784,992

	Other accumulated comprehensive income					Minority interest on consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment and others	Accrued pension and serverance cost adjustment	Total valuation, tranlsation sdjustment and others		
Balance at the end of previous period	6,450	6,887	△ 5,187	△ 14,193	△ 6,044	20,775	711,064
Cumulated amount with the changes in accounting policy							△ 30,965
Balance at the beginning with the changes in accounting policy	6,450	6,887	△ 5,187	△ 14,193	△ 6,044	20,775	680,099
Changes during the period							
Dividends of Surplus							△ 29,010
Net income attributable to owners of the parent							149,045
Stock repurchase							△ 408
Difference by equity intrests' fluctuation							△0
Other changes excluding Shareholders's equity	17,883	△ 22,499	1,085	1,056	△ 2,472	3,499	1,026
Total changes during the period	17,883	△ 22,499	1,085	1,056	△ 2,472	3,499	120,651
Balance at the end of the period	24,334	△ 15,612	△ 4,101	△ 13,136	△ 8,516	24,275	800,751

(3)Consolidated Statements of Changes in Net Assets-2

FY2015(April 1, 2015 – March 31, 2016)

	Shareholders' equity				
	Common Stock	Capital Surplus	Retained earnings	Common stock in treasury	Total sharholders' equity
Balance at the end of previous period	181,352	183,042	421,137	△ 538	784,992
Changes during the period					
Dividends of Surplus			△ 37,700		△ 37,700
Net income attributable to owners of the parent			174,468		174,468
Other changes excluding Shareholders's equity					
Total changes during the period	−	−	136,768	−	136,768
Balance at the end of the period	181,352	183,042	557,905	△ 538	921,761

(Millions of Yen)

	Other accumulated comprehensive income					Minority interest on consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment and others	Accrued pension and serverance cost adjustment	Total valuation, tranlsation sdjustment and others		
Balance at the end of previous period	24,334	(15,612)	(4,101)	(13,136)	(8,516)	24,275	800,751
Changes during the period							
Dividends of Surplus							(37,700)
Net income attributable to owners of the parent							174,468
Other changes excluding Shareholders's equity	(9,566)	(9,165)	4,529	(55,942)	(70,145)	3,182	(66,962)
Total changes during the period	(9,566)	(9,165)	4,529	(55,942)	(70,145)	3,182	69,805
Balance at the end of the period	14,767	(24,777)	427	(69,079)	(78,662)	27,457	870,557

(4)Consolidated Statement of Cash flows

(Millions of Yen)

Account	FY2014 (April 1, 2014 – March 31, 2015)	FY2015 (April 1, 2015 – March 31, 2016)
Operating activities:		
Net income before income taxes and non-controlling interests	169,901	207,381
Depreciation and amortization	85,897	88,528
Loss on sales and disposal of fixed assets and loss on impairment of fixed assets, net	6,108	3,526
Increase (decrease) in net defined benefit liability	(5,686)	(10,741)
Interest and dividend income	(1,905)	(2,444)
Interest expense	1,665	1,172
Exchange profit, net	943	(421)
Equity in earnings of affiliates	2,609	(651)
Decrease (increase) in notes and accounts receivable	1,975	14,193
Decrease (increase) decrease in supplies	851	(449)
Increase (decrease) in accounts payable-payable	(4,392)	731
Other	15,730	21,152
Subtotal	**273,700**	**321,977**
Interest and dividends income received	2,360	2,975
Interest expenses paid	(1,768)	(1,259)
Proceeds from settlement of facility reconstitution	-	2,190
Income taxes paid	(13,152)	(13,489)
Net cash provided by operating activities	**261,139**	**312,394**
Investing activities:		
Payments into time deposits	(427,960)	(400,309)
Proceeds from withdrawal of time deposits	396,645	318,607
Purchase of non-current assets	(198,635)	(210,660)
Proceeds from sales of non-current assets	3,538	7,642
Purchase of investments in securities	(5,287)	(6,345)
Proceeds from sales and redemption of investment securities	243	273
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	76	39
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	169	—
Payments of loans receivable	(287)	(319)
Collection of loans receivable	1,859	1,669
Other	(920)	486
Net cash used in investing activities	**(230,559)**	(288,915)
Financing activities:		
Net increase in short-term loans payable	(84)	5,686
Proceeds from long-term loans payable	15,342	19,002
Repayment of long-term loans payable	(18,465)	(7,952)
Cash dividends paid	(28,989)	(37,695)
Dividends paid to non-controlling interests	(2,046)	(3,264)
Repayment of lease obligations	(32,638)	(25,411)
Other	(441)	—
Net cash used in financing activities	**(67,323)**	(49,636)
Effect of exchange rate changes on cash and cash equivalents	1,037	(141)
Net increase (decrease) in cash and cash equivalents	(35,705)	(26,299)
Cash and cash equivalents at the beginning of period	155,252	119,287
Increase in cash and cash equivalents resulting from merger	4	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(264)	(36)
Cash and cash equivalents at end of period	***1 119,287**	***1 92,951**

(5) Notes to Consolidated Financial Statements

・Going Concern Assumptions

None

・Base of presentation of the consolidated financial statement

1. Scope of consolidation

Number of consolidated subsidiaries: 55

JAL Aeroparts Co., Ltd., previously a consolidated subsidiary, was absorbed in the absorption-type merger with JAL Engineering Co., Ltd., the surviving entity, and is excluded from the scope of consolidation from this consolidated fiscal year.

J-PRO Co., Ltd. is included in the scope of consolidation from this consolidated fiscal year as a result of stock acquisition.

Consolidated subsidiaries, Pacific Business Base Inc. and Japan Airlines Management Corporation, are excluded from the scope of consolidation from this consolidated fiscal year due to their importance.

Pacific Investment Holdings Corporation is excluded from the scope of consolidation from this consolidated fiscal year due to liquidation.

Thirty-two subsidiaries, such as Naha Airport Passenger Service Co., Ltd., are excluded from the scope of consolidation. These non-consolidated subsidiaries are small in size and do not have a material effect on the consolidated financial statements on the whole.

2. Application of the equity method

Number of non-consolidated affiliated company accounted for by the equity-method : 14

Thirty-two non-consolidated subsidiaries such as Naha Airport Passenger Service Co., Ltd. and forty-five affiliates such as Hiroshima Airport Fueling Facility Co., Ltd. are excluded from the scope of companies accounted for by the equity method.

Non-consolidated subsidiaries and affiliates which are not accounted for by the equity method do not have a material impact on net income (loss), retained earnings, etc., and as their impact on the consolidated financial statements is immaterial on the whole, they are excluded from the scope of companies applying the equity method.

3. Fiscal year of consolidated subsidiaries

The balance sheet date of 49 of the consolidated subsidiaries including Japan Transocean Air Co., Ltd. are March 31.

The balance sheet date of 6 of the consolidated subsidiaries, including JAL HAWAII, INCORPORATED, are December 31.

Any significant differences arising from intercompany transactions during the period between these balance sheet dates and the consolidated balance sheet date have been adjusted, if necessary.

4. Summary of significant accounting policies

(1) Valuation of significant assets

a. Securities: Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving-average method.

b. Inventories: Inventories are valued at the lower of cost and net realizable value with cost determined by the moving-average method.

c. Derivatives: Derivative positions are stated at fair value.

(2) Depreciation of tangible fixed assets (excluding leased assets)

a. Aircraft: The straight-line method

b. Other tangible fixed assets:	Japan Airlines Co., Ltd	The straight-line method
(excluding aircraft)	Other companies	Principally, the fixed rate method

Estimated useful lives

Aircraft: 12-20years

Other: 2-65years

(3) Depreciation of intangible fixed assets (excluding leased assets)

The straight-line method

Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life which ranges principally from 5 to 7 years.

(4) Depreciation of leased assets

Leased assets arising from finance lease transactions that transfer the ownership of leased assets to the lessee are depreciated by the same method applied to assets arising from purchase transactions.

Leased assets under finance lease transactions that do not transfer the ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the lease term as the useful life.

As for certain consolidated subsidiaries, finance lease transactions that do not transfer the ownership of the leased assets to the lessee contracted prior to April 1, 2008, continue to be accounted for by a method corresponding to that used for ordinary operating lease transactions.

(5) Accounting standards of important provisions

a. Allowance for doubtful accounts

General provision for doubtful accounts is provided by applying a reserve percentage to receivables based on experience from past transactions. When considered necessary, specific reserves are made based on the assessment of individual accounts.

b. Reserve for loss on antitrust litigation

Estimated future loss is accrued in order to provide for penalty and compensation potentially arising from price cartel.

(6) Accounting Standard for Retirement Benefits

In calculating the retirement benefit obligation, the method of attributing expected benefits to the accounting period is based on the benefit formula basis.

Actuarial gain and loss are amortized by the straight-line method over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the difference was recorded.

Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

(7) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(8) Foreign currency translation

Foreign currency receivables and payables are translated into yen at the applicable year-end foreign exchange rates and any gain or loss on translation is included in current earnings.

Foreign currency translation adjustments arising from the translation of assets, liabilities, revenues and expenses of foreign consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the year end are presented as foreign currency translation adjustments and non-controlling interests in the accompanying consolidated balance sheets.

(9) Hedge accounting

a. Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Forward foreign exchange contracts are under the allocation method.

b. Hedging policy and the hedging instrument and the hedged item

To avert exchange rate volatility risks in the future for operational liabilities in foreign currency, we have used currency option trades and forward foreign exchange contracts. To curb price volatility risks of commodities such as jet fuel and stabilize costs, we have used commodity derivatives trades.

c.Risk management and method of assessing hedge effectiveness

The Company and certain consolidated subsidiaries enter into these hedging transactions in accordance with the internal guidelines and strategies established by management. The routine operations of the department which is responsible for hedging transactions are examined by other departments. Gain and loss on hedging instruments and the assessment of hedge effectiveness, which are performed both at inception and on an ongoing basis, are reported at meetings of the related department managers on a timely basis. Other consolidated subsidiaries have adopted procedures for hedging transactions which are more simplified than those adopted by the Company.

(10) Amortization period and the amortization method for goodwill

Goodwill acquired are amortized over a period from 3 to 5 years.

(11) Range of funds in the consolidated statement of cash flows

The company and its consolidated subsidiaries define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

(12) Adoption of the Japanese consolidated corporate tax return system

The Company and certain domestic consolidated subsidiaries have adopted the Japanese consolidated corporate tax return system.

(Changes in Accounting Policy)

None

Notes to the consolidated balance sheet

*1 Accumulated depreciation of tangible fixed assets

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
	336,569	364,355

*2 Non-consolidated subsidiaries and affiliates

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Investments and other assets		
Investment securities (Stock)	34,302	39,431
Investment securities (Bond)	3,330	3,330

3 Contingent liabilities

(1) Breakdown of guaranteed debt

(Guarantees for bank loans)

(Millions of Yen)

	FY2014 As of March 31,2015	FY2015 As of March 31,2016
Employee loan	227	186

4 We have signed a commitment line agreement with three financial institutions to secure liquidity upon emergency. The balance of unexecuted loans, etc. based on the agreement is shown below.

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Total amount of commitment line contract	50,000	50,000
Outstanding borrowings	—	—
Net amount	50,000	50,000

Notes to consolidated statements of income and comprehensive income

*1 Impairment loss

The JAL Group has recognized an impairment loss on the following asset groups.

FY2014 April 1, 2014 to March 31, 2015

Assets utilized in the Company's and consolidated Subsidiaries' operations	Groups of assets	Location
Assets to be sold	Fight equipment	−

Regarding assets planned for sale for which alternative investments had not been planned, the assumed sales amount is expected to be less than book value. Therefore, the book value has been reduced to the recoverable amount and the amount of reduction has been recognized as an impairment loss (881 million yen). The breakdown is 881 million yen on fight equipment.

The collectable amount of these asset groups are measured by net selling price, and the amount in the sales agreement, etc., is used. In addition, companies accounted for using the equity method also post impartment losses using the same method, and the company's share of comprehensive income of associates accounted for using equity method is posted as equity in loss of affiliates (74 million yen) based on the equity method.

FY2015 April 1, 2015 to March 31, 2016

Assets utilized in the Company's and consolidated Subsidiaries' operations	Groups of assets	Location
Assets to be sold	Fight equipment	−

Regarding assets planned for sale for which alternative investments had not been planned, the assumed sales amount is expected to be less than book value. Therefore, the book value has been reduced to the recoverable amount and the amount of reduction has been recognized as an impairment loss (2,714 million yen). The breakdown is 2,504 million yen on fight equipment.

The collectable amount of these asset groups are measured by net selling price, and the amount in the Sales agreement, etc., is used.

Notes to consolidated statements of Cash flows

*1 Relationship between the amount of subjects that are in the consolidated balance sheet with cash and cash equivalents at the end

(Millions of Yen)

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016
Deposit accounts and cash	364,988	420,333
Deposit term deposits is more than three months	(245,700)	(327,382)
Cash and cash equivalents	119,287	92,951

Leases

As lessee

1. Finance lease transactions

a. Finance lease

Mainly aviation equipment (aircraft) in the air transport business.

b. Depreciation of lease assets

Described in 4 (4), which provide important basics for preparing consolidated financial statements.

At certain consolidated subsidiaries, accounting work of finance leases exempt from ownership transfer whose contracts were signed prior to April 1, 2008 was dealt with according to the normal method for rental and lease. Details are provided below.

(1) Acquisition cost of the leased property, less accumulated depreciation and Net book value

(Millions of Yen)

	FY2014 As of March 31, 2015		
	Acquisition costs	Less accumulated depreciation	Net book value
Machinery and Vehicles	58	55	2

(Millions of Yen)

	FY2015 As of March 31, 2016		
	Acquisition costs	Less accumulated depreciation	Net book value
Machinery and Vehicles	–	–	–

(2) Lease payments receivable for finance leases

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Within 1 year	2	–
Over 1 year	–	–
Total	2	–

(3) Lease payments, depreciation expense and interest expense

(Millions of Yen)

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016
Lease payments	93	2
Depreciation expense	85	2
Interest expense	1	0

(4) Method of calculating depreciation

Assets are depreciated by the straight-line method on the assumption that the lease term is the useful life and the residual value is zero.

(5) Method of calculating interest equivalent

The difference between aggregate lease rentals and the acquisition cost of leased assets is deemed to be the interest and is apportioned over accounting terms by the interest method.

2. Operating leases

Unexpired lease fee for operating lease transactions that cannot be terminated

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Within 1 year	24,024	19,015
Over 1 year	101,071	77,900
Total	125,096	96,915

(Impairment loss)

No impairment loss allocated to leased assets.

・Notes to marketable securities

1. Marketable securities classified as other securities

FY2014　March 31, 2015 (Millions of Yen)

	Type	Carrying value	Acquisition costs	Unrealized gain(loss)
Balance on the consolidated balance sheets exceeding the acquisition cost	Stocks	50,105	15,913	34,191
	Subtotal	50,105	15,913	34,191
Balance on the consolidated balance sheets not exceeding the acquisition cost	Stocks	-	-	-
	Subtotal	-	-	-
Total		50,105	15,913	34,191

FY2015　March 31, 2016 (Millions of Yen)

	Type	Carrying value	Acquisition costs	Unrealized gain(loss)
Balance on the consolidated balance sheets exceeding the acquisition cost	Stocks	36,095	15,870	20,225
	Subtotal	36,095	15,870	20,225
Balance on the consolidated balance sheets not exceeding the acquisition cost	Stocks	33	40	(6)
	Subtotal	33	40	(6)
Total		36,129	15,910	20,218

2. Proceeds from sales of securities classified as other securities

FY2014 April 1, 2014 to March 31, 2015 (Millions of Yen)

Amount sold	Total gain on sales of securities	Total loss on sales of securities
54	0	-

FY2015 April 1, 2015 to March 31, 2016 (Millions of Yen)

Amount sold	Total gain on sales of securities	Total loss on sales of securities
273	265	-

・Derivatives

1. Derivative transactions to which hedge accounting is not applied

   Omitted due to lack of importance.

2. Derivative transactions to which hedge accounting is applied

   As for derivatives trading requiring hedge accounting, the contracted amount on the consolidated closing date by hedge accounting method, or principal equivalent amounts provided in contracts are as below.

FY2014 As of March 31, 2015 (Millions of Yen)

Hedge accounting	Type of transactions	The main hedged	Contract amount	Over 1 year	Estimated Fair value
Principle treatment method	Foreign exchange forwards Long:				
	USD	Accounts payable -trade	37,248	1,690	3,624
	EUR		3,284	-	(211)
	Other		1,303	-	(32)
	Currency option trading				
	Buy: Call options	Accounts payable -trade	183,843	28,723	19,433
	Sell: Put options		97,158	26,186	(869)
	Commodity swaps				
	Received variable/ payable fixed	Aviation fuel	113,996	30,971	(36,044)
	Commodity options				
	Buy: Call options	Aviation fuel	158,887	-	13
Processing forward foreign exchange contracts	Foreign exchange forwards Long:				
	USD	Accounts payable -trade	1,102	-	226
	EUR		282	-	(19)
	Other		80	-	2
Total					(13,876)

Note: Calculation method of current market price

Currency option, commodity swap trading and commodity option are based on prices, etc. presented by financial institutions.

Others are based on the forward exchange rate.

FY2015 As of March 31, 2016 (Millions of Yen)

Hedge accounting	Type of transactions	The main hedged	Contract amount	Over 1 year	Estimated Fair value
Principle treatment method	Foreign exchange forwards Long:				
	USD	Accounts payable -trade	53,335	1,801	(3,146)
	EUR		3,176	-	(149)
	Other		1,182	-	(62)
	Currency option trading				
	Buy: Call options	Accounts payable -trade	85,238	23,650	1,890
	Sell: Put options		78,875	21,322	(3,089)
	Commodity swaps				
	Received variable/ payable fixed	Aviation fuel	77,531	21,620	(25,013)
Processing forward foreign exchange contracts	Foreign exchange forwards Long:				
	USD	Accounts payable -trade	1,166	-	(75)
	EUR		217	-	(11)
	Other		157	-	(13)
Total					(29,672)

Note: Calculation method of current market price

Currency option and commodity swap trading are based on prices, etc. presented by financial institutions.

Others are based on the forward exchange rate.

Retirement benefit

1. Outline of retirement benefit system

Japan Airlines and certain significant consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum.
As of March 31, 2016, Japan Airlines and 43 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were 3 corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain foreign subsidiaries have also established contributory defined benefit pension plans.
The Japan Airlines Welfare Pension Fund also introduced an option similar to a cash-balance plan as well as other alternatives.
The JAL Group Pension Fund established by certain consolidated subsidiaries, introduced a cash-balance plan option.
In computing the projected benefit obligation, small companies are permitted to adopt certain simplified methods to calculate and certain subsidiaries have done so.
Certain consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum severance indemnity plans and they calculate retirement benefit liabilities, assets and Net periodic retirement benefit expenses in simplified methods.

2. Defined Benefit Plan

(1)Movement in retirement benefit obligations , except plan applying the simplified method

(Millions of Yen)

	FY2014 April 1, 2014 to March 31,2015	FY2015 April 1, 2015 to March 31,2016
Balance at beginning of year	396,449	424,673
Cumulated amount with the changes in accounting policies	30,229	-
Opening balance changed the accounts policy	426,678	424,673
Service cost	12,813	12,851
Interest cost on projected benefit obligation	3,221	3,200
Actuarial loss	4,176	58,524
Benefit Paid	(22,353)	(25,858)
Past service costs amortization	(6)	-
Others	143	(45)
Balance at end of year	424,673	473,346

(2) Movement in plan assets, except plan applying the simplified method

	FY2014 April 1, 2014 to March 31,2015	FY2015 April 1,2015 to March 31,2016
Balance at beginning of year	233,331	238,110
Expected returns on plan assets	3,613	3,646
Actuarial gain	3,102	653
Contributions paid by the employer	16,586	18,012
Benefit Paid	(18,522)	(19,547)
Balance at end of year	238,110	240,874

(3) Reconciliation from retirement benefit obligations and plan assets to liability(asset) for retirement benefits, applying the simplified method

	FY2014 April 1, 2014 to March 31,2015	FY2015 April 1, 2015 to March 31,2016
Balance at beginning of year	3,249	3,098
Retirement benefit cost	192	183
Contributions paid by the employer	(190)	(163)
Benefits Paid	(254)	(235)
Decrease on partial termination of defined benefit plan	17	-
Increase by merger	43	-
Other	39	(132)
Balance at end of year	3,098	2,748

(4) Reconciliation from retirement benefit obligations and plan assets to Net defined benefit liabilities(assets) on the Consolidated Balance Sheets

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Funded retirement benefit obligations	339,880	390,109
Plan assets	(241,887)	(244,800)
	97,993	145,308
Unfunded retirement benefit obligations	91,667	89,911
Total net liability(asset) for retirement benefits	189,661	235,220
Net defined benefit liabilities	191,635	236,310
Net defined benefit assets	(1,974)	(1,090)
Total net defined benefit liabilities(assets)	189,661	235,220

※Included applying the simplified method

(5) Retirement benefit cost

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016
Service cost	12,813	12,851
Interest cost	3,221	3,200
Expected return on plan assets	(3,613)	(3,646)
Past service costs amortization	(24)	(18)
Net actuarial loss amortization	1,475	1,366
Amortization of unrecognized severance benefit obligation at transition	680	-
Retirement benefit cost based on the simplified method	192	183
Other	(685)	(692)
Subtotal	14,059	13,244
Loss on partial termination of defined benefit plan, net	20	-
Total	14,079	13,244

(6) Adjustment for retirement of defined benefit

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016
Past service costs	(18)	(18)
Actuarial losses	401	(56,504)
Benefit obligation at transition	680	-
Total	1,063	(56,522)

(7) Accumulated adjustment for retirement benefit

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Past service costs that are yet to be recognized	(417)	(399)
Actuarial losses that are yet to be recognized	13,881	70,385
Total	13,463	69,986

(8) Plan assets

		FY2014 As of March 31,2015	FY2015 As of March 31, 2016
①	General Insurance fund	89%	91%
	Bond	3	3
	Other	8	6
	Total	100	100

② Setting method for expected rate of return on assets for long term

To decide expected rate of return on Assets for long term for the pension assets, we are taking long-term expected rate of return into our consideration , which is computed from the combination of the current and future pension asset and various assets composing our pension assets.

(9) Actuarial assumptions

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Discount rate	0.6 % to 1.8%	0.6 % to 1.2%
Long-term expected rate of return	1.0 % to 2.5%	1.0 % to 2.5%

3. Defined Contribution Plans

Japan Airlines and consolidated subsidiary needed to contribute to the total of 1,579 million yen in FY2014 and 1,564 million yen in FY2015, respectively.

Tax-effect accounting

1. Deferred tax assets

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Deferred tax assets		
Net defined benefit liabilities	60,834	71,370
Operating accounts payable	9,413	10,442
Deferred losses on hedges	12,845	10,170
Lease obligations	11,284	4,323
Flight equipment purchase incentives	3,018	3,347
Depreciation	3,634	3,148
Reserve for loss on antitrust litigation	1,837	1,885
Asset retirement obligation	1,075	1,188
Loss carried forward	247,720	197,977
Other	8,060	8,660
Deferred tax asset Subtotal	359,723	312,513
Valuation allowance	(316,836)	(276,975)
Deferred tax asset Total	42,887	35,538
Deferred tax liability		
Net unrealized gains or losses on other securities, net of taxes	10,863	6,167
Leased asset	7,181	3,022
Deferred gains on hedges	6,373	658
Other	4,659	3,150
Deferred tax liability Total	29,077	12,998
Deferred tax liabilities, net	13,809	22,539

Net amount of deferred tax assets (liabilities) in the previous consolidated fiscal year and this consolidated fiscal year are included in the following items of the consolidated balance sheet.

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Current assets - Deferred tax assets	12,448	16,725
Fixed assets - Deferred tax assets	3,860	6,172
Current liabilities - Deferred tax liabilities	181	0
Fixed liabilities - Deferred tax liabilities	2,317	358

2. Difference cause of the tax rate after application of tax effect accounting and statutory tax rate

(Millions of Yen)

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Statutory tax rate	34.3%	32.0%
(Adjustment)		
Equity in earnings loss of affiliates	0.5	(0.1)
Valuation allowance increase or decrease	(27.5)	(20.8)
Decrease in deferred tax assets due to change in tax rate	1.0	0.4
Other	1.1	1.2
the tax rate after application of tax effect accounting	9.4	12.7

3.Revision of deferred tax assets and deferred tax liabilities due to change in statutory tax rate

Due to the enforcement of the Law Revising a Portion of the Income Tax Law (2016 Law No. 15) on March 29, 2016, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for this consolidated fiscal year (limited to those cancelled after April 1, 2016) has been changed from 31.5% of the previous consolidated fiscal year to 30.2％for those recovered or expected to be recovered between April 1, 2016 to March 31, 2018, and to 30.0％ for those recovered or expected to be recovered after April 1, 2018.

As a result, deferred tax assets (the amount after deducting deferred tax liabilities) decreased by 963 million yen, income tax-deferred recognized this consolidated fiscal year increased by 925 million yen, valuation difference on available-for-sale security increased by 308 million yen, deferred gains or losses on hedges decreased by 327 million yen, and accumulated adjustment of retirement benefits decreased by 20 million yen.

・Segment Information, etc.

a. Segment Information

1. Overview of reportable segments

Separate financial statements of JAL Group composite units are accessible, and for the Board of Directors to effectively use resources and evaluate business performance, according to management policies, progress of important business executions are reported and considered as necessary. The air transport business is a reporting segment.

The air transport business refers to scheduled and non-scheduled air transport services for international and domestic passengers and cargo.

2. Calculation method of segment

The reported accounting method of business segments is generally the same as stated in “Important matters providing the basis for the preparation of consolidated financial statements”.

Profit of reporting segments is based on operating profit.

Transactions between a reporting segment and others are transactions between consolidated companies based on market prices etc.,

3. Segment Information

FY2014 April 1, 2014 to March 31, 2015 (Millions of Yen)

	Segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1.Operating revenues					
(1)Sales to third parties	1,079,073	265,638	1,344,711	-	1,344,711
(2)Inter-group sales and transfers	117,169	32,818	149,988	(149,988)	-
Total	1,196,243	298,456	1,494,699	(149,988)	1,344,711
Segment profit	161,593	18,030	179,624	65	179,689
2.Segment assets	1,411,174	166,854	1,578,029	(104,674)	1,473,354
Others					
Depreciation and amortization	84,269	1,944	86,214	(316)	85,897
Impairment loss	881	-	881	-	881
Investment in equity method affiliates	2,818	24,011	26,830	-	26,830
Increase in Tangible fixed assets and Intangible fixed assets	194,227	2,250	196,477	(13)	196,464

(Note) 1. “Others” refers to a segment which is not included in a reporting 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.

FY2015 April 1, 2015 to March 31, 2016 (Millions of Yen)

	Segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1.Operating revenues					
(1)Sales to third parties	1,090,787	245,874	1,336,661	―	1,336,661
(2)Inter-group sales and transfers	114,415	28,734	143,149	(143,149)	―
Total	1,205,202	274,609	1,479,811	(143,149)	1,336,661
Segment profit	190,811	18,466	209,277	(84)	209,192
2.Segment assets	1,517,665	167,193	1,684,858	(105,929)	1,578,928
Others					
Depreciation and amortization	86,416	2,112	88,528	(0)	88,528
Impairment loss	2,504	209	2,714	―	2,714
Investment in equity method affiliates	7,229	24,871	32,100	―	32,100
Increase in Tangible fixed assets and Intangible fixed assets	208,925	3,510	212,435	―	212,435

(Note) 1. “Others” refers to a segment which is not included in a reporting 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.

b. Related information

FY2014　April 1, 2014 to March 31, 2015

1. Information of each service and product

Omitted as the same information is provided in Segment Information.

2. Information by geographical area

(1)Operating revenues (Millions of Yen)

Asia and Oceania	North America	Europe	Total
247,832	193,505	90,944	532,282

(Note) 1. The total of sales on international routes and in countries or regions excluding Japan of reporting companies and consolidated companies.

2. Geographical segmentation in based on geographical proximity of the countries and areas.
Asia and Oceania: China, South Korea, Singapore, India, Australia, Guam
North America: U.S.A.(excluding Guam),Canada
Europe: U.K., France, Germany

(2)Tangible fixed assets

Omitted as the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on consolidated financial statements.

3. Information by major customer

Omitted as none of the earnings of specific external customers do not account for over 10% of earnings on the Consolidated Statement of Income and Comprehensive Income.

FY2015　April 1, 2015 to March 31, 2016

1. Information of each service and product

Omitted as the same information is provided in Segment Information.

2. Information by geographical area

(1)Operating revenues (Millions of Yen)

Asia and Oceania	North America	Europe	Total
243,785	197,552	79,997	521,334

(Note) 1. The total of sales on international routes and in countries or regions excluding Japan of reporting companies and consolidated companies.

2. Geographical segmentation in based on geographical proximity of the countries and areas.
Asia and Oceania: China, South Korea, Singapore, India, Australia, Guam
North America: U.S.A (excluding Guam), Canada
Europe: U.K., France, Germany

(2)Tangible fixed assets

Omitted as the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on consolidated financial statements.

3. Information by major customer

Omitted as none of the earnings of specific external customers do not account for over 10% of earnings on the Consolidated Statement of Income and Comprehensive Income.

c. Information on impairment loss on fixed assets by reportable segment

FY2014 April 1, 2014 to March 31, 2015

Omitted as the same information is provided in Segment Information.

FY2015 April 1, 2015 to March 31, 2016

Omitted as the same information is provided in Segment Information.

d. Information about the amortization of goodwill and year-end balance by reportable segment

FY2014 April 1, 2014 to March 31, 2015 (Millions of Yen)

	Segment	Other	Total	Adjustment	Consolidated
	Air Transportation				
Amortization amount	22	849	871	-	871
Year-end balance	-	1,305	1,305	-	1,305

FY2015 April 1, 2015 to March 31, 2016 (Millions of Yen)

	Segment	Other	Total	Adjustment	Consolidated
	Air Transportation				
Amortization amount	-	849	849	-	849
Year-end balance	-	455	455	-	455

e. Information about the gain on negative goodwill by reportable segment

FY2014 April 1, 2014 to March 31, 2015

There is no applicable matter

FY2015 April 1, 2015 to March 31, 2016

Omitted due to small importance.

(Per share information)

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016
Net assets per share	2,142.00 yen	2,325.79 yen
Net income per share	411.06 yen	481.29 yen

(Note) 1. Net income 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

	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
Total net assets (Millions of yen)	800,751	870,557
Amounts deducted from total net assets (Millions of yen)	24,275	27,457
(Non-contorlling interests) (Millions of yen)	(24,275)	(27,457)
Net assets at the balance sheet related to common stock (Millions of yen)	776,475	843,099
The year-end number of common stock used for the calculation of net assets per share (Thousand shares)	362,500	362,500

(2) Net income per share

	FY2014 April 1, 2014 to March 31, 2015	FY2015 April 1, 2015 to March 31, 2016
Net income attributable to owners of the parent (Millions of yen)	149,045	174,468
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of the parent in accordance with the common stock (Millions of yen)	149,045	174.468
Average number of shares outstanding during the period (Thousand shares)	362,584	362,500

Note: JAL undertook a two-for-one stock split of its common shares as of October 1, 2014. As a result, net income per share is calculated on the assumption that the stock split was undertaken at the beginning of the previous consolidated fiscal year.

(Significant Subsequent Event)

None

6.Non-consolidated Financial Statements

(1) Balance Sheets

(Millions of Yen)

Account	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
(Assets)		
Current assets		
Cash and time deposits	349,592	408,285
Accounts receivable-trade	150,431	136,913
Flight equipment spare parts and supplies	16,046	17,176
Prepaid expenses	7,315	6,575
Deferred tax assets	10,860	14,878
Other	73,228	35,068
Allowance for doubtful accounts	(113)	(177)
Total current assets	**607,361**	**618,720**
Fixed assets		
Tangible fixed assets		
Buildings	28,331	27,573
Structures	72	134
Machinery and equipment	3,793	4,452
Flight equipment	479,065	549,167
Vehicles	719	711
Tools, furniture and fixtures	6,104	6,794
Land	1,246	1,222
Advances on flight equipment and other purchases	90,692	104,444
Total tangible fixed assets	**610,026**	**694,500**
Intangible assets		
Software	59,855	79,670
Other	4	3
Total intangible assets	**59,859**	**79,673**
Investments and other oassets		
Investments in securities	54,796	41,450
Shares of subsidiaries and affiliates	71,948	76,841
Bonds of subsidiaries and affiliates	3,330	3,330
Long-term loans receivable	9,284	8,195
Long-term prepaid expenses	1,526	1,522
Deferred tax assets	185	3,344
Other	42,478	35,918
Allowance for doubtful accounts	(109)	(112)
Total investments and other assets	183,440	170,490
Total fixed assets	**853,327**	**944,664**
Total assets	**1,460,688**	**1,563,384**

Balance Sheets (Millions of Yen)

Account	FY2014 As of March 31, 2015	FY2015 As of March 31, 2016
(Liabilities)		
Current liabilities		
Accounts payable-trade	162,867	165,113
Short-term borrowings	123,035	134,970
Current portion of long-term loans payable	7,127	8,009
Lease payable	24,778	12,758
Accounts payable-installment purchase	174	178
Accounts payable - other	16,422	17,636
Accrued expenses	8,618	9,290
Income taxes payable	742	11,869
Advances received	64,466	69,080
Deposits received	18,765	19,663
Air Transport deposits received	24,459	16,942
Other	33,009	27,816
Total current liabilities	**484,467**	**493,328**
Non-current liabilities		
Long-term loans payable	40,853	46,363
Lease payable	20,950	8,432
Long-term accounts payable-installment purchase	1,025	847
Provision for retirement benefits	151,444	141,092
Reserve for loss on antitrust litigation	5,858	6,294
Other	27,650	30,535
Total non-current liabilities	**247,783**	**233,565**
Total liabilities	**732,251**	**726,894**
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus		
Legal capital reserves	174,493	174,493
Total capital surplus	174,493	174,493
Retained earnings		
Other retained earnings		
Earned surplus brought forward	364,967	490,542
Total Retained earnings	364,967	490,542
Treasury stock	(408)	(408)
Total owners' equity	**720,404**	**845,979**
Valuation, translation adjustments and other		
Net unrealized gains or losses on other securities, net of taxes	23,819	14,400
Deferred gains or losses on hedges , net of taxes	(15,786)	(23,889)
Total valuation, translation adjustments and other	**8,032**	**(9,489)**
Total net assets	**728,437**	**836,490**
Total liabilities and net assets	**1,460,688**	**1,563,384**

(2)Statement of Income

(Millions of Yen)

Account	FY2014 (April 1, 2014 – March 31, 2015)	FY2015 (April 1, 2015 – March 31, 2016)
Operating revenues	1,090,140	1,092,312
Cost of operating revenues	825,467	779,198
Gross operating profit	264,673	313,113
Selling, general and administrative expenses	136,049	148,506
Operating income	128,623	164,607
Non-operating income		
Interest income and dividend income	14,179	12,862
Exchange gain, net	1,944	-
Other	5,534	9,206
Total non-operating income	21,659	22,069
Non-operating expenses		
Interest expense	1,734	1,255
Foreign exchange losses	-	3,703
Other	9,920	6,596
Total non-operating expenses	11,655	11,554
Ordinary income	138,627	175,121
Extraordinary gains		
Settlement of facility restitution	-	2,201
Gain from compensation	846	1,198
Gain on extinguishment of tie-in shares	26,980	-
Other	14	584
Total extraordinary gains	27,841	3,984
Extraordinary losses		
Loss on impairment of fixed assets	820	2,052
Lease penalties	1,454	1,020
Loss on valuation of shares of subsidiaries and associates	3,959	611
Loss on disposal of fixed assets	250	502
Other	32	23
Total extraordinary losses	6,517	4,210
Net income before income taxes	159,951	174,895
Income taxes-current	(3,984)	11,572
Income taxes-deferred	760	41
Total Income taxes	(3,223)	11,614
Net income	163,175	163,281

(3) Non-consolidated statement of Change in Net Assets

FY2014 (April 1, 2014- March 31, 2015)

(Millions of Yen)

	Shareholders' equity						
	Capital	Capital Surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal Capital Surplus	Total of Capital Surplus	Other retained earnings earned surplus	Total of retained earnings		
Balance at the end of previous period	181,352	174,493	174,493	264,863	264,863	△ 0	620,708
Cumulated amount with the changes in accounting policy				△ 34,054	△ 34,054		△ 34,054
Balance at the beginning with the changes in accounting policy	181,352	174,493	174,493	230,808	230,808	△ 0	586,653
Changes during the period							
Dividends of Surplus				△ 29,016	△ 29,016		△ 29,016
Net income				163,175	163,175		163,175
Stock repurchase						△ 408	△ 408
Other changes excluding Shareholders's equity							
Total changes during the period	–	–	–	134,158	134,158	△ 408	133,750
Balance at the end of the period	181,352	174,493	174,493	364,967	364,967	△ 408	720,404

	Shareholders' equity			
	Valuation difference on available-for-sale securities	Deffered gains or losseson hedges	Total of the valuation	Total shareholders' equity
Balance at the end of previous period	6,241	6,703	12,945	633,653
Cumulated amount with the changes in accounting policy				△ 34,054
Balance at the beginning with the changes in accounting policy	6,241	6,703	12,945	599,599
Changes during the period				
Dividends of Surplus				△ 29,016
Net income				163,175
Stock repurchase				△ 408
Other changes excluding Shareholders's equity	17,577	△ 22,489	△ 4,912	△ 4,912
Total changes during the period	17,577	△ 22,489	△ 4,912	128,838
Balance at the end of the period	23,819	△ 15,786	8,032	728,437

FY2015 (April 1, 2015- March 31, 2016)

(Millions of Yen)

	Shareholders' equity						
	Capital	Capital Surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Legal Capital Surplus	Total of Capital Surplus	Other retained earnings earned surplus	Total of retained earnings		
Balance at the end of previous period	181,352	174,493	174,493	364,967	364,967	△408	720,404
Changes during the period							
Dividends of Surplus				△37,707	△37,707		△37,707
Net income				163,281	163,281		163,281
Other changes excluding Shareholders's equity							
Total changes during the period	–	–	–	125,574	125,574	–	125,574
Balance at the end of the period	181,352	174,493	174,493	490,542	490,542	△408	845,979

(Millions of Yen)

	Shareholders' equity			
	Valuation difference on available-for-sale securities	Deffered gains or losseson hedges	Total of the valuation	Total shareholders' equity
Balance at the end of previous period	23,819	△ 15,786	8,032	728,437
Changes during the period				
Dividends of Surplus				△ 37,707
Net income				163,281
Other changes excluding Shareholders's equity	△9,419	△8,102	△17,521	△17,521
Total changes during the period	△9,419	△8,102	△17,521	108,052
Balance at the end of the period	14,400	△23,889	△9,489	836,490