

[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, 2017 (Japanese GAAP)

Company name	Japan Airlines Co., Ltd	April 28, 2017
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, 2017
Scheduled starting date of dividend payment:		June 23, 2017
Scheduled date of filing Financial Report for the Fiscal Year 2016:		June 23, 2017
Supplementary explanations of Fiscal Year 2016 financial results:		Yes
Presentation for the Fiscal Year 2016 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, 2017 (April 1, 2016 to March 31, 2017)
(1) Consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Operating Revenues		Operating Profit		Ordinary Profit		Profit attributable to owners of the parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2016 ended March 31, 2017	1,288,967	(3.6)	170,332	(18.6)	165,013	(21.1)	164,174	(5.9)
FY2015 ended March 31, 2016	1,336,661	(0.6)	209,192	16.4	209,219	19.4	174,468	17.1

* Comprehensive profit ; Year ended March 31, 2017: 210,021 million Yen (89.6%), Year ended March 31, 2016: 110,773 million Yen (-27.0%)

	Earnings per share	Diluted earnings per share	Return on Equity	Ratio of Ordinary profit To total assets	Operating Profit margin ratio
	Yen		%	%	%
FY2016 ended March 31, 2017	456.56	—	18.1	10.0	13.2
FY2015 ended March 31, 2016	481.29	—	21.5	13.7	15.7

(Reference) Equity in profit of affiliates; Year ended March 31, 2017: 2,180 million Yen, Year ended March 31, 2016: 651 million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen		Yen
FY2016 ended March 31, 2017	1,728,777	1,003,393	56.2	2,749.71
FY2015 ended March 31, 2016	1,578,928	870,557	53.4	2,325.79

(Reference) Shareholder's equity ; Year ended March 31, 2017: 972,064 million Yen, Year ended March 31, 2016: 843,099 million Yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2016 ended March 31, 2017	253,153	(168,077)	(53,531)	124,261
FY2015 ended March 31, 2016	312,394	(288,915)	(49,636)	92,951

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	%	%
FY2015	-	-	-	120.00	120.00	43,508	24.9	5.4
FY2016	-	-	-	94.00	94.00	33,236	20.2	3.7
FY2017(Forecast)	-	45.00	-	45.00	90.00		31.8	

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2018

(Percentage compared to prior year)

Entire Fiscal Year	Operating Revenues		Operating Profit		Ordinary Profit		Profit attributable to owners of the parent		Earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
	1,339,000	3.9	142,000	(16.6)	137,000	(17.0)	100,000	(39.1)	282.87

Note: Forecast for the six months ending September 30, 2017 is not made.

Notes

- (1) Changes in significant consolidated subsidiaries during the fiscal year ended March 31, 2017: 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: Yes
 - 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, 2017: 353,715,800
 - Year ended March 31, 2016: 362,704,000
 - (b) Number of treasury stock at the end of the period
 - Year ended March 31, 2017: 199,873
 - Year ended March 31, 2016: 203,395
 - (c) Average number of shares outstanding
 - Year ended March 31, 2017: 359,594,163
 - Year ended March 31, 2016: 362,500,605

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, 2017.

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. Outline of Operating results (1) Outline of operating results for the current fiscal year and (4) Outlook for the next fiscal year" in the Attachment for the assumptions used and other notes.

* The Company holds a presentation for institutional investors and analysts on April 28, 2017. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

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1. Outline of operating results

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

During the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017), the Japanese economy maintained its moderate recovery, with employment and income environments showing improvement. However, growth of personal spending and capital investment lacked strength. In overseas economies, weakness was observed in new emerging markets and resource-rich countries in Asia, such as China's economic slowdown.

Fuel purchasing costs and crude oil prices, which affect our international passenger and international cargo revenues, were low compared to the previous year, but increased from December 2016 as OPEC agreed to reduce oil production. As for exchange rates, the Japanese yen grew stronger than the US dollar from the previous year, but weakened from December 2016 due to expectations that the US FOMC would raise interest rates.

Under these economic conditions, we worked to increase profit consciousness of all our employees through efforts based on the JAL Philosophy and the divisional profitability management system, realize greater management efficiencies, and provide unparalleled service to customers, anchored in our firm commitment to flight safety, in order to reach the targets set out in Rolling Plan 2016 for the JAL Group Medium Term Management Plan announced on February 18, 2016.

As a result of the above, operating revenue for the consolidated fiscal year was 1 trillion 288.9 billion yen (down 3.6% y-o-y), operating expenses were 1 trillion 118.6 billion yen (down 0.8% y-o-y), operating profit was 170.3 billion yen (down 18.6% y-o-y), ordinary profit was 165.0 billion yen (down 21.1% y-o-y), and net profit attributable to owners of parent was 164.1 billion yen (down 5.9% y-o-y).

Financial results of each segment are as follows.

〈Air Transportation Business Segment〉

Financial results of the air transportation business segment for the consolidated fiscal year are operating revenue of 1 trillion 159.3 billion yen (down 3.8% y-o-y) and operating profit of 153.1 billion yen (down 19.7% y-o-y). (Operating revenue and operating profit are values before elimination of intra-segment transactions.)

Details are as follows.

a. International operations

	FY2015 April 1, 2015 to March 31, 2016	FY2016 April 1, 2016 to March 31, 2017	% or points compared to prior period
Revenue from passenger operations (millions of Yen)	448,780	415,218	92.5%
Revenue passengers carried (number of passengers)	8,460,068	8,394,777	99.2%
Revenue passenger km (RPK) (1,000 passenger-km)	40,305,498	40,633,050	100.8%
Available seat km (ASK) (thousands-km)	50,563,638	50,621,656	100.1%
Revenue passenger-load factor (L/F) (%)	79.7	80.3	0.6
Revenue from Cargo Operations (millions of Yen)	54,273	43,334	79.8%
Revenue cargo ton-km (RCTK) (thousands-km)	1,724,590	1,887,856	109.5%

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

In route operations, we increased flights on the Narita=Honolulu, Kansai=Honolulu, and Narita=Bangkok routes during specific periods to cater to robust demand. In alliances, following the inclusion of Iberia in our joint business routes between Japan and Europe, we started code-sharing on the Narita=Madrid route operated by Iberia, expanded code-sharing of all flights between Japan and Taiwan operated by China Airlines, and started code-sharing on routes between Moscow and Novosibirsk, Tyumen, Kaliningrad, and Omsk, operated by S7, in order to improve our network.

On the product side, we are expanding routes operated with SKY SUITE configured aircraft, installed with fully-flat seats in Business Class and the New Spacious Economy in Economy Class.

On the marketing and service front, we were named the most punctual major airline in the Asia-Pacific of both domestic international flights in both mainline and network categories for calendar year 2016 by FlightStats.

As a result of the above, capacity on international routes when measured in ASK (available seat kilometers) increased 0.1% from the previous year, and international passenger revenue ended at 415.2 billion yen (down 7.5% y-o-y) due to lower fuel surcharge revenue, the stronger yen, and so on.

b. Domestic operations

	FY2015 April 1, 2015 to March 31, 2016	FY2016 April 1, 2016 to March 31, 2017	% or points compared to prior period
Revenues from passenger operations (millions of Yen)	501,274	498,628	99.5%
Revenue passengers carried (number of passengers)	32,114,322	32,570,397	101.4%
Revenue passenger km (RPK) (1,000 passenger-km)	24,341,972	24,550,154	100.9%
Available seat km (ASK) (thousands-km)	35,869,126	35,423,513	98.8%
Revenue passenger-load factor (L/F) (%)	67.9	69.3	1.4
Revenue from Cargo Operations (millions of Yen)	23,363	22,260	95.3%
Revenue cargo ton-km (RCTK) (thousands-km)	363,200	357,803	98.5

In route operations, we introduced the Embraer 190 on domestic routes, the first regional jet configured with Class J. We expanded services operated with this aircraft on the Itami=Sendai, Itami= Fukuoka, and Itami=Nagasaki routes in addition to the Itami=Kagoshima route in an effort to provide greater comfort when flying to and from Itami.

On the product side, we completed installation of JAL SKY NEXT cabin interiors on all 77 aircraft. We conducted a Stay Connected for Free Campaign on all flights equipped with Inflight Wi-Fi Service to deliver great comfort in air travel.

On the marketing and service front, we introduced a new service called “Dokokani Mairu” (Travel Somewhere with Miles) aimed at generating and attracting new demand to regional Japan and further revitalizing domestic air travel. Sakura Lounge at New Chitose (Sapporo), Naha (Okinawa), Fukuoka, and Hiroshima airports underwent a complete renovation, and Diamond Premier Lounge was newly opened at New Chitose (Sapporo), Itami, and Fukuoka airports to offer top class lounge service for domestic flight passengers.

As a result of the above, capacity on domestic routes when measured in ASK (available seat kilometers) decreased 1.2% from the previous year and domestic passenger revenue was 498.6 billion yen (down 0.5%yoy).

Fleet

as of March 31, 2017

Type of Aircraft	Owned	Leased	Total
Boeing 777-200	12	0	12
Boeing 777-200ER	11	0	11
Boeing 777-300	4	0	4
Boeing 777-300ER	13	0	13
Large-sized Total	40	0	40
Boeing 787-8	25	0	25
Boeing 787-9	8	0	8
Boeing 767-300	6	0	6
Boeing 767-300ER	29	2	31
Medium-sized Total	68	2	70
Boeing 737-400	11	0	11
Boeing 737-800	26	27	53
Small-sized Total	37	27	64
Embraer 170	17	0	17
Embraer 190	5	0	5
Bombardier CRJ200	5	0	5
Bombardier DHC-8-400	7	2	9
Bombardier DHC-8-400CC	4	0	4
Bombardier DHC-8-300	1	0	1
Bombardier DHC-8-100	2	0	2
SAAB340B	12	0	12
ATR42-600	1	0	1
Regional Total	54	2	56
Total	199	31	230

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.

	FY2015 April 1, 2015 to March 31, 2016 [Millions of Yen]	% contribution to total	FY2016 April 1, 2016 to March 31, 2017 [Millions of Yen]	% contribution to total	% compared to prior period
International:					
Passenger operations	448,780	37.2	415,218	35.8	92.5
Cargo operations	54,273	4.5	43,334	3.7	79.8
Mail-service operations	10,337	0.9	8,699	0.8	84.2
Luggage operations	845	0.1	764	0.1	90.4
Sub-total	514,237	42.7	468,017	40.4	91.0
Domestic:					
Passenger operations	501,274	41.6	498,628	43.0	99.5
Cargo operations	23,363	1.9	22,260	1.9	95.3
Mail-service operations	3,575	0.3	3,959	0.3	110.7
Luggage operations	297	0.0	301	0.0	101.2
Sub-total	528,511	43.9	525,150	45.3	99.4
Total revenues from international and domestic operations	1,042,749	86.5	993,168	85.7	95.2
Other revenues	162,453	13.5	166,224	14.3	102.3
Total revenues	1,205,202	100.0	1,159,392	100.0	96.2

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

	FY2015 April 1,2015 to March 31,2016	FY2016 April 1,2016 to March 31,2017	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	8,460,068	8,394,777	99.2%
Revenue passenger km (1,000 passenger-km)	40,305,498	40,633,050	100.8%
Available seat km (thousands-km)	50,563,638	50,621,656	100.1%
Revenue passenger-load factor (%)	79.7	80.3	0.6
Revenue cargo ton-km (thousands-km)	1,724,590	1,887,856	109.5%
Mail ton-km (thousands-km)	230,146	239,127	103.9%
DOMESTIC			
Revenue passengers carried (number of passengers)	32,114,322	32,570,397	101.4%
Revenue passenger-km (1,000 passenger-km)	24,341,972	24,550,154	100.9%
Available seat km (thousands-km)	35,869,126	35,423,513	98.8%
Revenue passenger-load factor (%)	67.9	69.3	1.4
Revenue cargo ton-km (thousands-km)	363,200	357,803	98.5%
Mail ton-km (thousands-km)	25,668	26,104	101.7%
TOTAL			
Revenue passengers carried (number of passengers)	40,574,390	40,965,174	101.0%
Revenue passenger-km (1,000 passenger-km)	64,647,471	65,183,205	100.8%
Available seat km (thousands-km)	86,432,764	86,045,169	99.6%
Revenue passenger-load factor (%)	74.8	75.8	1.0
Revenue cargo ton-km (thousands-km)	2,087,791	2,245,659	107.6%
Mail ton-km (thousands-km)	255,814	265,231	103.7%

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

<Others>

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

JALPAK Co., Ltd.

	FY2015	FY2016	% or points compared to prior period
	April 1,2015 to March 31,2016	April 1,2016 to March 31,2017	
Overseas travelers handled (10,000 number of travelers)	24.3	24.1	99.4%
Domestic travelers handled (10,000 number of travelers)	242.9	251.0	103.3%
Operating Revenue (before elimination of consolidated transactions)	1,722	1,725	100.2%

JAL Card Co., Ltd

	FY2015	FY2016	% or points compared to prior period
	April 1,2015 to March 31,2016	April 1,2016 to March 31,2017	
Memberships (10,000 number of members)	312.9	327.2	104.5%
Operating Revenue (before elimination of consolidated transactions)	204	204	100.1%

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

a. Assets, liabilities and net assets

Assets at the fiscal year-end increased 149.8 billion yen from the end of the previous fiscal year to 1 trillion 728.7 billion yen, mainly due to procurement of aircraft and advance aircraft payments.

Liabilities increased 17.0 billion yen from the end of the previous fiscal year to 725.3 billion yen due to issuance of corporate bonds and an increase in loans.

Net assets increased 132.8 billion yen from the end of the previous fiscal year to 1 trillion 3.3 billion yen, as a result of paying dividends and acquiring own share, and reporting net profit attributable to owners of parent in the current fiscal year and an increase in accumulated other comprehensive income.

As a result of the above, shareholders' equity ended at 972.0 billion yen, and the equity ratio rose 2.8 percentage points from the end of the previous fiscal year to 56.2%. For details, refer to "3. Consolidated Financial Statements (1) Consolidated Balance Sheets as of March 31, 2016 and as of March 31, 2017-1".

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

Cash Flows from Operating Activities

As a result of adjusting net profit before income tax deferred etc. of 162.7 billion yen with non-cash items, such as depreciation costs, and debts and credits in operating activities, cash flow from operating activities (inflow) decreased 59.2 billion yen year-on-year to 253.1 billion yen.

Cash Flows from Investing Activities

Cash flow from investing activities (outflow) declined 120.8 billion yen year-on-year to 168.0 billion yen, mainly due to expenditures for acquiring fixed assets.

Cash Flows from Financing Activities

Cash flow from financing activities (outflow) increased 3.8 billion yen year-on-year to 53.5 billion yen due to payment of dividends and share repurchase.

As a result, the balance of cash and cash equivalents at the end of the current fiscal year increased 31.3 billion yen from the end of the previous fiscal year to 124.2 billion yen.

(4) Outlook for the next fiscal year

The JAL Group will pursue the following initiatives to achieve the management vision set out in the FY2017~2020 JAL Group Medium Term Management Plan (published on April 28, 2017).

(International Routes)

In international passenger operations, both outbound demand from Japan and inbound demand from overseas are expected to be buoyant. We would like to further improve yield through revenue management, while maintaining high load factors.

In route operations, we launched services between Haneda and New York in April 2017, which will help to improve convenience in connecting to North America from various regions in Japan. We also upgauged the Narita-New York route to the 777-300ER and started First Class service.

As for the Moscow route, which marks 50 years of service in April 2017, we will be flying daily between Narita=Moscow during the July-October period, as a result of Russia's relaxation of visa requirements.

On the marketing and service front, we revamped our information site called "JAL Guide to Japan" on JAL worldwide websites (March 31, 2017), and began offering multilingual services in nine languages on our smartphone site (i.e. English, simplified and traditional Chinese characters, French, German, Russian, Korean (new) and Thai (new)) to communicate the charms of Japan to the world and stimulate inbound demand.

(Domestic Routes)

In domestic passenger operations, taking into account an intensifying competitive environment such as new entrants on routes and price competition, we will deploy aircraft to meet demand in order to improve profitability, and implement measures to further improve convenience.

In route operations, we will further expand routes operated with the Embraer 190 primarily on routes flying in and out of Itami and regional Japan, and introduce cutting-edge turboprop aircraft, the ATR42-600, on Kagoshima island routes served by Japan Air Commuter to improve convenience and comfort on our regional network routes.

On the product side, regarding our inflight Wi-Fi service available on JAL SKY NEXT operated flights, we will continue the Stay Connected for Free Campaign on all aircraft equipped with inflight Wi-Fi service to improve customer convenience. We will also progressively introduce JAL SKY NEXT cabin interiors on the 737-800, operated by Japan Transocean Air.

On the marketing front, we will create opportunities for the increasing number of international visitors to travel all around Japan by improving our system for purchasing domestic fares overseas and improving services and functions of "Explore Japan," an inbound promotion site launched in November 2016.

(Expenses)

We expect an increase in fuel costs due to rising fuel prices, an increase in maintenance costs for engines, an increase in aircraft costs due to the introduction of new aircraft, and an increase in costs due to overall revamping of the core passenger system, the IT platform to serve as the base of future growth. Through continued implementation of productivity improvement measures and further penetration of the divisional profitability management system, we will strive to further increase cost efficiency.

Measure-wise, we will improve productivity by promoting workstyle innovation, such as improving work efficiency in frontline sections and reducing work hours in back-offices, by utilizing IT and communication tools, e.g. mobile devices and virtual desktop (VDI).

As a result of the above, our forecast of consolidated financial results for the fiscal year ending March 31, 2018 are operating revenue of 1 trillion 339 billion yen (up 3.9% y-o-y), operating expenses of 1 trillion 197 billion yen (up 7.0% y-o-y), operating profit of 142 billion yen (down 16.6% y-o-y) , and net profit attributable to owners of parent of 100 billion yen (down 39.1% y-o-y) . We estimate lower earnings of 28.3 billion yen in operating profit compared to results for the fiscal year ended March 31, 2017, but we will do our utmost to improve profitability through innovation and ingenuity of every staff in every division.

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

The Company regards shareholder returns as one of our most important management issues. Our fundamental policy is to actively implement shareholder returns based on continuous and stable dividends, while securing internal reserves for making investments for corporate growth in the future and changing business environments and to build a strong financial structure.

The Company plans to amend the Articles of Incorporation by a resolution of the General Meeting of Shareholders on June 22, 2017 to allow the Board of Directors to make a resolution to pay interim dividends, with September 30 each year as the record date.

The Company's dividend policy for this fiscal year is to pay 94 yen per share by allotting roughly 25% of net profit attributable to owners of parent before income tax deferred, and from next fiscal year roughly 30% of the same, as dividends to shareholders. In the next fiscal year, the year-end dividend is expected to be 90 yen per share, with the interim dividend at 45 yen per share.

Taking into consideration the economic environment and the Company's financial position, we will implement additional shareholder returns such as a share repurchase, or review financial targets in the future as necessary, and flexibly consider further improvement of shareholder returns.

(6)Business risks

Taking into account the content of its business centering on the scheduled and unscheduled air transportation business, the JAL Group is exposed to the following risks, or items with possible major effects on investors' investment decisions. This does not cover all risks which the JAL Group is exposed to, as risks exist other than those below which are unpredictable. The following includes forward-looking matters, but these items were determined as of March 31, 2017.

- Risks concerning the external management environment such as international affairs and economic trends
- Risks concerning introduction of aircraft
- Risks concerning changes in market environments such as jet fuel and exchange rates
- Risks concerning disasters
- Risks concerning air safety
- Risks concerning legal regulations and litigations
- Risks concerning handling of IT (information system) and customer information
- Risks concerning human resources and industrial affairs

2. Basic policy concerning the selection of accounting standards

The JAL Group creates consolidated financial statements based on Japanese standards, but to improve international comparability of financial information in capital markets and communication with our stakeholders, we are considering applying International Financial Reporting Standards (IFRS) at our discretion.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2016 and as of March 31, 2017-1

(Millions of Yen)

Account	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
(Assets)		
Current assets		
Cash and deposits	420,333	392,075
Notes and operating account receivable	128,148	142,745
Securities	—	12,000
Flight equipment spare parts and supplies	20,314	21,118
Deferred tax assets	16,725	7,436
Other	44,429	51,450
Allowance for doubtful accounts	(709)	(493)
Total current assets	629,242	626,332
Non-current assets		
Tangible fixed assets, net		
Buildings and structures	32,720	33,090
Machinery, equipment and vehicles	9,105	9,611
Flight equipment	560,601	671,387
Land	1,330	879
Advances on flight equipment and other purchases	116,929	101,832
Other tangible fixed assets	7,985	8,126
Total tangible fixed assets	728,673	824,928
Intangible assets		
Software	79,866	95,738
Other intangible fixed assets	651	174
Total intangible assets	80,518	95,913
Investments		
Investment securities	84,931	82,680
Long-term loans receivable	8,169	7,303
Deferred tax assets	6,172	61,457
Net defined benefit asset	1,090	1,240
Other investments	40,376	29,185
Allowance for doubtful accounts	(245)	(264)
Total investments	140,494	181,602
Total non-current assets	949,686	1,102,444
Total assets	1,578,928	1,728,777

(1) Consolidated Balance Sheets as of March 31, 2016 and as of March 31, 2017-2

(Millions of Yen)

Account	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
(Liabilities)		
Current liabilities		
Operating accounts payable	145,413	159,218
Short-term loans payable	5,792	5,372
Current portion of long-term loans payable	10,851	13,037
Lease obligations	13,254	5,712
Accounts payable-installment purchase	178	181
Income taxes payable	19,333	10,829
Advances received	83,365	96,453
Deferred tax liabilities	0	173
Asset retirement obligations	234	249
Other	90,128	73,372
Total current liabilities	368,552	364,601
Non-current liabilities		
Bonds payable	—	20,000
Long-term loans payable	51,331	65,802
Lease obligations	10,373	5,300
Long-term accounts payable-installment purchase	847	666
Deferred tax liabilities	358	353
Reserve for loss on antitrust litigation	6,294	5,965
Net defined benefit liabilities	236,310	238,481
Asset retirement obligations	3,723	3,538
Other	30,578	20,676
Total non-current liabilities	339,818	360,783
Total liabilities	708,371	725,384
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,042	183,047
Retained earnings	557,905	647,701
Treasury shares	(538)	(531)
Total shareholders' equity	921,761	1,011,569
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,767	13,828
Deferred losses on hedges	(24,777)	(667)
Foreign currency translation adjustment	427	232
Remeasurements of defined benefit plans	(69,079)	(52,898)
Total accumulated other comprehensive income	(78,662)	(39,504)
Non-controlling interests	27,457	31,328
Total net assets	870,557	1,003,393
Total liabilities and net assets	1,578,928	1,728,777

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

(Millions of Yen)

Account	FY2015	FY2016
	(April 1, 2015– March 31, 2016)	(April 1, 2016– March 31, 2017)
Operating revenues	1,336,661	1,228,967
Operating cost	931,902	926,936
Operating gross profit	404,759	362,030
Selling, general and administrative expenses		
Personnel expenses	65,348	65,602
Retirement benefit expenses	3,627	4,581
Purchased services	19,207	19,630
Other	107,383	101,884
Total selling, general and administrative expenses	195,567	191,698
Operating profit	209,192	170,332
Non-operating income		
Interest income	887	874
Dividend income	1,556	979
Gain on sales of flight equipment	5,798	1,875
Share of profit of entities accounted for using equity method	651	2,180
Compensation income	994	1,381
Other	2,762	1,641
Total non-operating income	12,651	8,934
Non-operating expenses		
Interest expenses	1,172	843
Loss on sales and disposal of flight equipment	3,978	8,458
Loss on disposal of supplies	1,121	1,837
Foreign exchange losses	3,837	—
Other	2,515	3,114
Total non-operating expenses	12,624	14,252
Ordinary profit	209,219	165,013

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

(Millions of Yen)

Account	FY2015 (April 1, 2015– March 31, 2016)	FY2016 (April 1, 2016– March 31, 2017)
Extraordinary income		
Subsidy income for aircraft purchase	7,063	6,692
Settlement of facility restitution	2,201	—
Compensation income	1,198	—
Other	716	882
Total extraordinary income	11,179	7,574
Extraordinary losses		
Loss on reduction of aircraft	6,972	6,959
Compensation payments	—	1,285
Other	6,044	1,565
Total extraordinary losses	13,017	9,809
Profit before income taxes	207,381	162,778
Income taxes-current	26,834	23,570
Income taxes-deferred	(436)	(31,657)
Total income taxes	26,398	(8,087)
Profit	180,983	170,865
<u>Breakdown</u>		
Profit attributable to owners of parent	174,468	164,174
Profit attributable to non-controlling interests	6,514	6,690
Other comprehensive income		
Valuation differences on available-for-sale securities	(9,461)	(971)
Deferred losses on hedges	(9,005)	23,923
Foreign currency translation adjustment	4,588	(257)
Remeasurements of defined benefit plans	(55,877)	16,152
Share of other comprehensive income of entities accounted for using equity method	(453)	308
Total other comprehensive income	(70,209)	39,155
Comprehensive income	110,773	210,021
<u>Breakdown</u>		
Comprehensive income attributable to owners of parent	104,323	203,331
Comprehensive income attributable to non-controlling interests	6,449	6,689

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

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

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	181,352	183,042	421,137	(538)	784,992
Changes of items during period					
Dividends of surplus			(37,700)		(37,700)
Profit attributable to owners of the parent			174,468		174,468
Net changes of items other than shareholders's equity					
Total changes of items during period	—	—	136,768	—	136,768
Balance at end of current period	181,352	183,042	557,905	(538)	921,761

(Millions of Yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deffered losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	24,334	(15,612)	(4,101)	(13,136)	(8,516)	24,275	800,751
Changes of items during period							
Dividends of surplus							(37,700)
Profit attributable to owners of the parent							174,468
Net changes of items other than shareholders's equity	(9,566)	(9,165)	4,529	(55,942)	(70,145)	3,182	(66,962)
Total changes of items during period	(9,566)	(9,165)	4,529	(55,942)	(70,145)	3,182	69,805
Balance at end of current period	14,767	(24,777)	427	(69,079)	(78,662)	27,457	870,557

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

FY2016(April 1, 2016 – March 31, 2017)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	181,352	183,042	557,905	(538)	921,761
Changes of items during period					
Dividends of surplus			(43,500)		(43,500)
Profit attributable to owners of the parent			164,174		164,174
Purchase of treasury shares				(29,944)	(29,944)
Retirement of treasury shares			(29,944)	29,444	—
Change of scope of equity method, etc.		4	(934)	7	(922)
Net changes of items other than shareholders's equity					
Total changes of items during period	—	4	89,795	7	89,808
Balance at end of current period	181,352	183,047	647,701	(531)	1,011,569

(Millions of Yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	14,767	(24,777)	427	(69,079)	(78,662)	27,457	870,557
Changes of items during period							
Dividends of surplus							(43,500)
Profit attributable to owners of the parent							164,174
Purchase of treasury shares							(29,944)
Retirement of treasury shares							—
Change of scope of equity method, etc.							(922)
Net changes of items other than shareholders's equity	(938)	24,110	(195)	16,181	39,157	3,870	43,027
Total changes during the period	(938)	24,100	(195)	16,181	39,157	3,870	132,835
Balance at the end of the period	13,828	(667)	232	(52,898)	(39,504)	31,328	1,003,393

(4) Consolidated Statement of Cash flows

(Millions of Yen)

Account	FY2015 (April 1, 2015 – March 31, 2016)	FY2016 (April 1, 2016 – March 31, 2017)
Cash flows from operating activities:		
Profit before income taxes	207,381	162,778
Depreciation and amortization	88,528	95,777
Loss on sales and disposal of non-current assets and impairment loss	3,526	6,459
Decrease in net defined benefit liability	(10,741)	(3,589)
Interest and dividend income	(2,444)	(1,854)
Interest expenses	1,172	843
Foreign exchange gains	(421)	(8)
Share of profit of entities accounted for using equity method	(651)	(2,180)
Decrease (increase) in notes and operating accounts receivable	14,193	(14,609)
Increase in flight equipment spare parts and supplies	(449)	(801)
Increase in operating accounts payable	731	13,952
Other, net	21,152	27,974
Subtotal	321,977	284,742
Interest and dividends income received	2,975	2,312
Interest expenses paid	(1,259)	(862)
Proceeds from settlement of facility reconstitution	2,190	—
Income taxes paid	(13,489)	(33,039)
Net cash provided by operating activities	312,394	253,153
Cash flows from investing activities:		
Payments into time deposits	(400,309)	(363,892)
Proceeds from withdrawal of time deposits	318,607	411,381
Purchase of non-current assets	(210,660)	(233,125)
Proceeds from sales of non-current assets	7,642	8,427
Purchase of investment securities	(6,345)	(342)
Proceeds from sales and redemption of investment securities	273	1,134
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	39	—
Payments of loans receivable	(319)	(386)
Collection of loans receivable	1,669	1,485
Other, net	486	7,239
Net cash used in investing activities	(288,915)	(168,077)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	5,686	(360)
Proceeds from long-term loans payable	19,002	27,895
Repayments of long-term loans payable	(7,952)	(11,169)
Proceeds from issuance of bonds	—	19,875
Purchase of treasury shares	—	(29,992)
Cash dividends paid	(37,695)	(43,481)
Dividends paid to non-controlling interests	(3,264)	(2,807)
Repayments of lease obligations	(25,411)	(13,491)
Net cash used in financing activities	(49,636)	(53,531)
Effect of exchange rate changes on cash and cash equivalents	(141)	(292)
Net increase (decrease) in cash and cash equivalents	(26,299)	31,251
Cash and cash equivalents at beginning of period	119,287	92,951
Increase in cash and cash equivalents resulting from merger	—	58
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(36)	—
Cash and cash equivalents at end of period	*1 92,951	*1 124,261

(5) Notes to Consolidated Financial Statements

(Going Concern Assumptions)

None.

(Changes in Accounting Policy)

Effective from the fiscal year beginning on or after April 1, 2016, some of the domestic consolidated subsidiaries have adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (PITF No.32 of June 17, 2016)," following the revision of the Corporation Tax Act. Accordingly, the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 was changed from declining-balance method to straight-line method.

As a result, the effects of this change on operating profit, ordinary profit and profit before income taxes for the fiscal year ended March 31, 2017 were immaterial.

(Notes to consolidated statements of cash flows)

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

	(Millions of Yen)	
	FY2015 April 1, 2015 to March 31, 2016	FY2016 April 1, 2016 to March 31, 2017
Cash and time deposits	420,333	392,075
Securities	—	12,000
Time deposits with a maturity of more than three months	(327,382)	(279,813)
Cash and cash equivalents	92,951	124,261

(Segment Information, etc.)

a. Segment Information

1. Overview of reportable segments

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

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

2. Calculation method of reportable segment

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

Profit of reporting segments is based on operating profit.

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

3. Segment Information

FY2015 April 1, 2015 to March 31, 2016

(Millions of Yen)

	Reportable segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1. Operating revenues					
(1) Sales to external	1,090,787	245,874	1,336,661	—	1,336,661
(2) Intersegment	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. 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
Investments in entities accounted for using equity method	7,229	24,871	32,100	—	32,100
Increase in tangible fixed assets and intangible assets	208,925	3,510	212,435	—	212,435

(Note) 1. "Others" refers to a segment which is not included in a reportable segment. It includes the travel planning and sales business.

2. The adjusted amounts of segment profit and segment assets represent elimination inter-segment transactions.

3. Segment profit has been adjusted with operating profit on consolidated financial statements.

	Reportable segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1.Operating revenues					
(1)Sales to external	1,044,915	244,051	1,288,967	—	1,288,967
(2)Intersegment	114,476	29,440	143,917	(143,917)	—
Total	1,159,392	273,491	1,432,884	(143,917)	1,288,967
Segment profit	153,191	17,400	170,591	(259)	170,332
2.Assets	1,673,011	167,188	1,840,199	(111,422)	1,728,777
Others					
Depreciation and amortization	93,397	2,386	95,784	(7)	95,777
Impairment loss	505		505	—	505
Investments in entities accounted for using equity method	7,820	20,510	28,331	—	28,331
Increase in tangible fixed assets and intangible assets	231,562	1,633	233,196	—	233,196

(Note) 1. "Others" refers to a segment which is not included in a reportable segment. It includes the travel planning and sales business.

2. The adjusted amounts of segment profit and segment assets represent elimination inter-segment transactions.

3. Segment profit has been adjusted with operating profit on consolidated financial statements.

(Per share information)

	FY2015 April 1, 2015 to March 31, 2016	FY2016 April 1, 2016 to March 31, 2017
Net assets per share	2,325.79 yen	2,749.71yen
Earnings per share	481.29 yen	456.56yen

(Note) 1. Earnings per share (diluted) have not been shown because potential shares do not exist.

2. The basis for calculating is follows:

(1) Net assets per share

	FY2015 As of March 31, 2016	FY2016 As of March 31, 2017
Total net assets (Millions of yen)	870,557	1,003,393
Amounts deducted from total net assets (Millions of yen)	27,457	31,328
(Non-controlling interests) (Millions of yen)	(27,457)	(31,328)
Net assets at the balance sheet related to common stock (Millions of yen)	843,099	972,064
The year-end number of common stock used for the calculation of net assets per share (Thousand shares)	362,500	353,515

(2) Earnings per share

	FY2015 April 1, 2015 to March 31, 2016	FY2016 April 1, 2016 to March 31, 2017
Profit attributable to owners of the parent (Millions of yen)	174,468	164,174
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of the parent in accordance with the common stock (Millions of yen)	174,468	164,174
Average number of shares outstanding during the period (Thousand shares)	362,500	359,594

(Significant Subsequent Event)

None.