

[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 Six Months Ended September 30, 2019 (Japanese GAAP)

October 31, 2019

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <http://www.jal.com>
Representative Yuji Akasaka, President
Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3121
 Scheduled date for filing of quarterly report: November 1, 2019
 Scheduled date for dividend payment: December 3, 2019
 Supplementary explanations of quarterly financial results: Yes
 Presentation for the quarterly financial results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended September 30, 2019	759,844	1.3	81,316	(16.0)	82,550	(12.5)	51,203	(30.2)
Six months ended September 30, 2018	750,179	8.4	96,831	(2.3)	94,289	(3.5)	73,398	(5.9)

*Comprehensive income for the period April 1, 2019 - September 30, 2019: 49,146 Millions of Yen (Δ 49.5%), April 1, 2018 - September 30, 2018: 97,279 Millions of Yen (9.5%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	147.87	-
Six months ended September 30, 2018	210.21	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2019	1,928,864	1,208,146	60.8	3,417.86
As of March 31, 2019	2,030,328	1,200,135	57.4	3,340.15

(Reference) Shareholder's equity: Six months ended September 30, 2019: 1,172,355 Millions of Yen, Year ended March 31, 2019: 1,165,133 Millions of Yen

2. Dividends

	Dividends per Share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ended March 31, 2019	-	55.00	-	55.00	110.00
Year Ending March 31, 2020	-	55.00	-	-	-
Year Ending March 31, 2020 (Forecast)	-	-	-	55.00	110.00

Note: Revisions to the most recently disclosed dividends forecast: None

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2020

(Percentage compared to prior year)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire Fiscal Year	1,516,000	1.9	170,000	(3.5)	171,000	3.4	114,000	(24.4)	329.21

Note: Revisions to the most recently disclosed earnings forecasts: Yes

Notes

- (1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2019: None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
- 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: None
 - 2) Changes in accounting policies other than 1): Yes
 - 3) Changes in accounting estimates: Yes
 - 4) Restatement of corrections: None
- (4) Number of shares issued (common stock)
- (a) Total number of shares issued at the end of the period (including treasury stock)
 - As of September 30, 2019 : 349,028,700
 - As of March 31, 2019 : 349,028,700
 - (b) Number of treasury stock at the end of the period
 - As of September 30, 2019 : 6,019,978
 - As of March 31, 2019 : 201,957
 - (c) Average number of shares outstanding
 - During the six months ended September 30, 2019 : 346,278,420
 - During the six months ended September 30, 2018 : 349,160,043

Indication of quarterly review procedure implementation status

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

Explanation for appropriate use of forecasts and other notes

Remarks on the description on future forecast

The forward-looking statements such as operational forecasts contained in this statements summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from such forward-looking statements for a variety of reasons. Please refer to “1. Qualitative Information concerning Financial Results for the Second Quarter of FY2019” (2) Explanations of Forecast of Consolidated Financial Results” in the Attachment for the assumptions used and other notes.

* The Company will hold a presentation for institutional investors and analysts on October 31, 2019. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

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1. Qualitative Information concerning Financial Results for the Second Quarter of FY2019

The JAL Group has taken company-wide prevention measures and reconstructed its safety management system after receiving the Business Improvement Order by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) last year related to pilots' alcoholic matters. However, we were unable to prevent inappropriate alcohol-related cases and as the result, JAL was issued a second Business Improvement Order on October 8, 2019.

As an air transportation company, in which safety is essential for its business, it is extremely serious and critical that JAL undermined the trust of customers and society, for which we sincerely regret with apology.

The JAL Group will, with every one of us altogether, to re-scrutinize the root problem of the alcohol-related matters and its preventive measures. It will determinedly advance a fundamental mindset reform and alcohol control in order to achieve to “rebuild safety and sense of security” and to “restore public trust and increase corporate value.”

(1) Explanation of Operating Results

The consolidated operating revenue increased by 1.3% year on year to 759.8 billion yen, the operating expense increased by 3.9 % year on year to 678.5 billion yen, the operating profit decreased by 16.0 % year on year to 81.3 billion yen and the ordinary profit decreased by 12.5 % year on year to 82.5 billion yen. The profit attributable to owners of parent for the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019 hereinafter referred as the “Second Quarter Period”) was 51.2 billion yen, down 30.2% year on year.

(JPY Bn)	Six months ended September 30, 2018	Six months ended September 30, 2019	% or points compared to prior period
Operating Revenue	750.1	759.8	101.3%
International Passenger	269.2	266.0	98.8%
Domestic Passenger	268.1	276.8	103.3%
Cargo / Mail	49.7	45.1	90.7%
Other	163.0	171.7	105.4%
Operating Expense	653.3	678.5	103.9%
Fuel	125.3	127.7	101.9%
Excluding Fuel	527.9	550.7	104.3%
Operating Profit	96.8	81.3	84.0%
Operating Profit Margin (%)	12.9	10.7	(2.2)
Ordinary Profit	94.2	82.5	87.5%
Profit attributable to owners of parent	73.3	51.2	69.8%

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

To summarize the business environment in the Second Quarter Period, amid rising uncertainties from U.S.-China trade frictions and other factors in the global economy, the Japanese economy made a moderate recovery in general. For the air transportation demand, while the international passenger demand was not very strong, the domestic passenger demand remained strong backed by the 10-consecutive-day holidays of so-called Golden Week due to the new Reiwa era change.

International Cargo demand was slack globally.

Crude oil prices, which affect our fuel costs, international passenger and international cargo revenues, remained less fluctuated in general, although impacted by geopolitical risks from uncertain international affairs. The JAL Group will do its best to mitigate the negative impacts of oil price volatility on its financial performance through the collection of fuel surcharge or appropriate hedging. Also, the JAL Group will continue to closely monitor the impacts of oil price on economic trends and the Group's financial performance.

To "expand networks" and "innovate better products and services", the JAL Group will take actions to improve customer service through new route inauguration, cabin configuration optimization, introduction of new aircraft and partnerships with partner airlines.

On September 2, MLIT disclosed additional slot allocations at Tokyo (Haneda) International Airport in accordance with its capacity expansion in 2020. Of the countries with increased slot allocation, JAL received all of the slots that it had requested. We will fully utilize those additional slots, allocated through the understanding of many parties concerned. Also, we will maintain and expand flights to/from Narita as well and create the optimal network out of Haneda and Narita airports in accordance with their respective roles.

On September 1, JAL launched operations of the state-of-the-art Airbus A350-900 starting from the Tokyo (Haneda) = Fukuoka route, and will progressively expand services to other major destinations in Japan. On October 27, JAL started to operate Boeing 787-8 as well. The aircraft's new seats, personal monitors and power outlets will improve customer services and comfort.

JAL won the World's Best Economy Class Award in the World Airline Awards by SKYTRAX in June 2019. It also won the award for the Best Economy Class Airline Seat for the fourth time for three consecutive years. Further, JAL was named Japan's best airline for the third consecutive year and 3 more awards including the Best First Class in Asia in the 2019 TripAdvisor® Travelers' Choice™ awards for Airlines were given. The JAL Group is aggressively challenging toward "the world's most and preferred and valued airline" to provide comfortable air travel to every customer.

In international passenger operations, the Japan-outbound leisure demand showed robust growth, while the business demand from Japan weakened along with the global economic slowdown. In addition, the supply-demand imbalance became clear especially on the European routes due to oversupply by competitors, and the declining demand was observed on the Hong Kong and Korean routes due to political uncertainty or the worsened relationship between Japan and South Korea. On the other hand, with the launches of the Tokyo (Narita)=Seattle route and Tokyo (Haneda)=Manila route last fiscal year and cabin configuration optimization to meet demand, the available seat kilometers (ASK) increased by 2.5% year on year. The passenger traffic decreased by 0.5 % year on year, the revenue passenger kilometers (RPK) grew by 0.9 % year on year, and the load factor became 81.1%.

In route operations, JAL disclosed the launch of the Tokyo (Narita)=Vladivostok route from February 28, 2020, and strengthened and expanded partnerships with other airlines such as the expansion of codeshare flights with Garuda Indonesia (from May 8, 2019), Cathay Dragon (from May 29, 2019) and Xiamen Airlines (from June 3, 2019). To promote joint businesses with partner airlines, JAL disclosed an application for antitrust immunity with Malaysia Airlines on May 27, 2019.

For the products and services, at Narita airport, JAL opened the renovated JAL First class lounges on April 1 and Sakura Lounge on August 9. JAL partnered with Didi Chuxing of China and launched the JAL×DiDi Airport Pickup and Taxi Arrangement Campaign on September 1. On the Hawaii routes, the special painted-aircraft of the most popular

Japanese pop idol group, the “ARASHI HAWAII JET,” has been in operation from May 22 to strengthen our competitive advantage.

In international cargo operations, Japan-outbound demand slowed down rapidly along with U.S.-China trade frictions. As a result, cargo revenue decreased by 8.9% year on year.

In domestic passenger operations, both leisure and business demand remained strong especially on the Okinawa routes. Although it was affected by the typhoon, together with competitive products and services, JAL’s extra flights on high-demand routes such as Tokyo (Haneda) = Okinawa (Naha) and Tokyo (Haneda) = Hokkaido (New-Chitose) during peak seasons further increased the available seat kilometers (ASK) by 1.7%, the passenger traffic grew by 3.4% year on year, increased the revenue passenger kilometers (RPK) by 4.4%, and the load factor reached to 74.0%.

In route operations, JAL strengthened and expanded partnerships with other airlines such as codesharing with Amakusa Airlines and Fuji Dream Airlines.

For the products and services, the JAL Group redesigned its domestic reservation webpage on May 14 and improved its smartphone app on July 22 to enable passengers to purchase a domestic ticket more smoothly. Further, the JAL Group started to accept reservations and purchases 330 days prior to departure from the reservation date of September 10. The state-of-the-art Airbus A350-900 was put into service on the Tokyo (Haneda) = Fukuoka route from September 1, the Boeing 787-8 aircraft started to be in service on the Tokyo (Haneda) = Osaka (Itami) route from October 27.

For the new business domains, the JAL Group is working to generate innovations for new products, services and businesses by combining its strong human resources and advanced technologies. The medium- and long-haul international low cost carrier, ZIPAIR Tokyo, was granted an Air Operator Certificate on July 5. Its preparation for launching in 2020 has been advancing smoothly. For rapidly growing e-commerce business, JAL established “JAL Hongyuan Co., Ltd. (JAL Hongyuan)” on July 1. On September 24, JAL Business Aviation Co., Ltd. completed registration as a travel business provider, and started services such as arrangements of charter flights, operational support of business jets and arrangement of maintenance services.

For the use of technologies, initiatives at “JAL Innovation Lab” advanced various projects such as demonstration of an avatar robot at Haneda Airport for better customer guidance and services and better working environments at the same time, or research, development and commercial use of next-generation services using next-generation mobile communication standard “5G” and IoT in collaboration with “KDDI DIGITAL GATE” produced by KDDI Corporation.

The JAL group aims to fulfill its social mission as a public transportation provider, we are working to revitalize regional communities and increase the number of world visitors to Japan. In the Second Quarter Period, natural disasters such as the 2019 Yamagata earthquake and Typhoon Faxai occurred in various regions. The JAL group supported affected areas by providing urgent carriage of relief supplies and implementation of tourism support campaigns. On July 3, “Hokkaido Airport Group,” a consortium in which JAL participates, was given a first refusal right in the “Hokkaido Bundled 7 Airport Concession Project” by MLIT, Asahikawa City, Obihiro City, and Hokkaido Government.

On July 23, we released a new uniform design to be used from April 2020. The new design has the quality and functions necessary for safe and secure services. It also follows the Tokyo 2020 Olympic and Paralympic Games Sustainable Sourcing Code.

For financial strategies, aiming to improve capital efficiency and stable shareholder return, JAL completed the repurchase of 5,818,100 shares, equivalent for 20 billion yen, by September 20. The cancellation of all repurchased shares

was resolved at the board meeting held on October 23. In addition, the board meeting held on October 31, resolved to repurchase up to 8 million shares or 20 billion yen of the Company's common stock and to cancel all of them. On September 13, in order to mitigate future financial risks, JAL injected 82.7 billion yen to the Corporate Pension Fund and reduced net defined benefit liability. On May 17, 2019, JAL's credit rating outlook was improved to A- (positive) from A- (stable) by Rating and Investment Information, Inc. (R&I). We will continue to establish a stable financial structure with high capital efficiency at the same time.

Based on the "FY2017 to FY2020 JAL Group Medium Term Management Plan – Rolling Plan 2019," the JAL group will take firm actions to prepare for the airport capacity expansion at Tokyo metropolitan airports in 2020. The JAL group will contribute to achieving the government target of 40 million world visitors to Japan annually and the success of the Olympic and Paralympic Games Tokyo 2020. Further, the JAL group will aggressively take measures toward new value creation, human resource development and solution of social issues.

Financial results of each segment are as follows.

Air Transportation Segment

The operating revenue increased by 1.0% year on year to 689.8 billion yen and the operating profit decreased by 17.7 % year on year to 72.8 billion yen. (The operating revenue and the operating profit are before elimination of transactions between segments.)

The international passenger revenue was 266.0 billion yen, or down 1.2 % year on year.

The domestic passenger revenue was 276.8 billion yen, or up 3.3 % year on year.

The cargo and mail revenue was 45.1 billion yen, or down 9.3 % year on year.

Consolidated Traffic Results

	Six months ended September 30, 2018	Six months ended September 30, 2019	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	4,605,384	4,582,231	99.5%
Revenue passenger km (1,000 passenger-km)	22,572,916	22,768,481	100.9%
Available seat km (thousands)	27,399,486	28,072,233	102.5%
Revenue passenger-load factor (%)	82.4	81.1	(1.3)
Revenue cargo ton-km (thousands)	1,233,546	1,212,362	98.3%
Mail ton-km (thousands)	114,650	82,852	72.3%
DOMESTIC			
Revenue passengers carried (number of passengers)	17,408,061	18,006,267	103.4%
Revenue passenger-km (1,000 passenger-km)	13,037,001	13,609,444	104.4%
Available seat km (thousands)	18,076,780	18,387,206	101.7%
Revenue passenger-load factor (%)	72.1	74.0	1.9
Revenue cargo ton-km (thousands)	173,812	165,648	95.3%
Mail ton-km (thousands)	12,141	12,068	99.4%
TOTAL			
Revenue passengers carried (number of passengers)	22,013,445	22,588,498	102.6%
Revenue passenger-km (1,000 passenger-km)	35,609,917	36,377,926	102.2%
Available seat km (thousands)	45,476,267	46,459,440	102.2%
Revenue passenger-load factor (%)	78.3	78.3	(0.0)
Revenue cargo ton-km (thousands)	1,407,358	1,378,010	97.9%
Mail ton km (thousands)	126,791	94,921	74.9%

- Revenue Passenger Kilometers (RPK) is the number of fare-paying passengers multiplied by the distance flown (km).
Available Seat Kilometers (ASK) is the number of available seats multiplied by the distance flown (km).
Revenue Cargo Ton Kilometers (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
- The distance flown between two points, used for calculations of RPK, ASK and RCTK above is based on the great-circle distance and according to statistical data from IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization).
- International operations: Japan Airlines Co., Ltd.
Domestic operations: Japan Airlines Co., Ltd., Japan Transocean Air Co., Ltd., Japan Air Commuter Co., Ltd., J-Air Co., Ltd., Ryukyu Air Commuter Co., Ltd., and Hokkaido Air System Co., Ltd.,
- Figures have been truncated and percentages are rounded off to the first decimal place.

(2) Explanations of Forecast of Consolidated Financial Results

a. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2020

	Operating Revenue	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Earnings per share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous Forecast (A)	1,563,000	170,000	171,000	114,000	326.81
New Forecast (B)	1,516,000	170,000	171,000	114,000	329.21
Change (B-A)	▲47,000	—	—	—	—
Change (%)	▲3.0	—	—	—	—
Ref.) Consolidated Financial Results of the Fiscal Year Ended March 31, 2019	1,487,261	176,160	165,360	150,807	432.10

b. Reasons for Revisions of Financial Forecast for the Fiscal Year Ending March 31, 2020

We have revised market preconditions to reflect the recent market as follows.

	Exchange Rate (JPY/USD)	Singapore Kerosene (USD/BBL)	Dubai Crude Oil (USD/BBL)
Previous Forecast	115.0	90.0	70.0
New Forecast	109.6 (2 nd half:110.0)	76.8 (2 nd half:75.0)	62.1 (2 nd half:59.0)

As shown in the table above, we have revised the full-year consolidated revenue forecast in our earnings forecast for the fiscal year ending March 2020.

Full-year consolidated revenue is expected to decrease by 47.0 billion yen from the previously announced forecast, reflecting changes in fuel price and foreign exchange rate assumptions and the first-half results and the latest demand outlook for the second-half. On the other hand, the full-year consolidated operating profit, consolidated ordinary profit and net profit belonging to shareholders has not been revised from the previously announced forecast.

It is difficult to foresee the future trends of the international passenger demand. Although the outlook for revenue from international passenger business is not good, the JAL group will strive to achieve the expected profits by implementing company-wide measures to improve profitability, mainly by reducing cost, and responds to the revenue decline risk.

Our shareholder return policy for the fiscal year ending March 31, 2020 and the following years is as follows:

In order to maintain a stable dividend level despite the upcoming effective tax rate increase, JAL will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. In addition, JAL will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, JAL seeks to achieve a total payout ratio, which combines the total dividends paid out and the total amounts of the share repurchases, of an approximately 35% to 50% range through appropriately sharing periodic profits and allocating capitals among all of its stakeholders.

At the same time, JAL continuously strives to improve capital efficiency through monitoring a total return on equity ratio, which is calculated by dividing the sum of total dividends paid out and share repurchases by shareholders' equity. JAL makes its efforts to maintain this ratio at approximately 3% or above.

2. Consolidated Financial Statements with Some Notes

(1) Consolidated Balance Sheets as of March 31, 2019 and as of September 30, 2019

(Millions of Yen)

	FY2018 As of March 31, 2019	FY2019 As of September 30, 2019
(Assets)		
Current assets		
Cash and deposits	462,064	365,988
Notes and operating account receivable	153,112	159,993
Securities	60,000	30,000
Flight equipment spare parts and supplies	21,929	25,842
Other	65,095	66,895
Allowance for doubtful accounts	(661)	(638)
Total current assets	761,539	648,081
Non-current assets		
Tangible fixed assets, net		
Flight equipment	733,961	751,913
Other tangible fixed assets	195,254	209,802
Total tangible fixed assets	929,216	961,716
Intangible assets	92,255	93,046
Investments and other assets	247,317	226,020
Total non-current assets	1,268,788	1,280,783
Total assets	2,030,328	1,928,864
(Liabilities)		
Current liabilities		
Operating accounts payable	185,650	177,790
Short-term loans payable	65	35
Current portion of long-term loans payable	13,287	11,573
Lease obligations	2,461	1,120
Accounts payable-installment purchase	190	193
Other	252,743	244,061
Total current liabilities	454,399	434,775
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	73,524	68,649
Lease obligations	2,504	2,118
Long-term accounts payable-installment purchase	312	212
Provision	5,936	5,913
Net defined benefit liability	212,672	125,015
Other non-current liabilities	30,842	34,034
Total non-current liabilities	375,793	285,943
Total liabilities	830,192	720,718
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,050	183,049
Retained earnings	822,554	854,572
Treasury shares	(535)	(20,534)
Total shareholders' equity	1,186,421	1,198,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,371	20,232
Deferred gains (losses) on hedges	1,837	(5,407)
Foreign currency translation adjustment	99	(148)
Remeasurements of defined benefit plans	(43,596)	(40,760)
Total accumulated other comprehensive income	(21,287)	(26,083)
Non-controlling interests	35,001	35,790
Total net assets	1,200,135	1,208,146
Total liabilities and net assets	2,030,328	1,928,864

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Operating revenue	750,179	759,844
Operating cost	537,818	557,995
Operating gross profit	212,361	201,848
Selling, general and administrative expenses	115,530	120,532
Operating profit	96,831	81,316
Non-operating income		
Interest and dividend income	1,355	1,961
Share of profit of entities accounted for using equity method	1,304	2,078
Other	2,885	1,284
Total non-operating income	5,545	5,324
Non-operating expenses		
Interest expense	470	339
Loss on sales and disposal of flight equipment	6,755	1,387
Foreign exchange losses	-	1,781
Other	860	581
Total non-operating expenses	8,086	4,090
Ordinary profit	94,289	82,550
Extraordinary income		
Subsidy income for aircraft purchase	-	1,025
Other	72	194
Total extraordinary income	72	1,220
Extraordinary losses		
Impairment loss	-	1,377
Loss on valuation of investment securities	16	1,151
Loss on reduction of aircraft	-	1,025
Other	779	1,411
Total extraordinary losses	796	4,966
Profit before income taxes	93,565	78,803
Income taxes	17,268	24,816
Profit	76,296	53,987
Breakdown		
Profit attributable to owners of the parent	73,398	51,203
Profit attributable to non-controlling interests	2,898	2,784
Other comprehensive income		
Valuation difference on available-for-sale securities	6,778	(111)
Deferred gains (losses) on hedges	11,146	(6,804)
Foreign currency translation adjustment	98	(264)
Remeasurements of defined benefit plans, net of tax	2,528	2,840
Share of other comprehensive income of entities accounted for using equity method	430	(501)
Total other comprehensive income	20,982	(4,841)
Comprehensive income	97,279	49,146
Breakdown		
Comprehensive income attributable to owners of the parent	94,409	46,407
Comprehensive income attributable to non-controlling interests	2,869	2,739

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	93,565	78,803
Depreciation	61,848	67,865
Loss (gain) on sales and disposal of noncurrent assets and impairment loss	4,695	2,900
Increase (decrease) in net defined benefit liability	(295)	(83,827)
Interest and dividend income	(1,355)	(1,961)
Interest expenses	470	339
Foreign exchange losses (gains)	(281)	(352)
Share of (profit) loss of entities accounted for using equity method	(1,304)	(2,078)
Decrease (increase) in notes and operating account receivable -trade	(8,344)	(6,904)
Decrease (increase) in supplies	(1,254)	(3,899)
Increase (decrease) in operating accounts payable-trade	5,981	(7,794)
Other, net	10,112	6,589
Subtotal	163,838	49,681
Interest and dividend income received	1,804	2,533
Interest expenses paid	(447)	(333)
Income taxes paid	(14,903)	(23,144)
Net cash provided by (used in) operating activities	150,291	28,736
Cash flows from investing activities		
Purchase of non-current assets	(125,456)	(108,162)
Proceeds from sales of non-current assets	4,603	1,375
Purchase of investment securities	(3,024)	(1,799)
Proceeds from sales and redemption of investment securities	22	324
Payments of loans receivable	(124)	(105)
Collection of loans receivable	360	338
Other, net	5,595	1,569
Net cash provided by (used in) investing activities	(118,024)	(106,457)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,131)	(29)
Proceeds from long-term loans payable	—	255
Repayments of long-term loans payable	(11,823)	(6,843)
Proceeds from issuance of bonds	19,859	-
Purchase of treasury shares	(10,024)	(20,006)
Repayments of lease obligations	(1,904)	(717)
Cash dividends paid	(20,187)	(19,180)
Dividends paid to non-controlling interests	(3,534)	(2,384)
Other, net	236	426
Net cash provided by (used in) financing activities	(30,510)	(48,480)
Effect of exchange rate change on cash and cash equivalents	626	125
Net increase (decrease) in cash and cash equivalents	2,383	(126,075)
Cash and cash equivalents at beginning of period	448,842	522,064
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(44)	—
Cash and cash equivalents at end of period	*1 451,181	*1 395,988

(4) Notes for Consolidated Financial Statements

Going Concern Assumptions

None

Consolidated Statement of Cash Flows

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

(Millions of Yen)

	FY2018 April 1, 2018 to September 30, 2018	FY2019 April 1, 2019 to September 30, 2019
Cash and deposits	386,181	365,988
Securities	65,000	30,000
Cash and cash equivalents	451,181	395,988

Explanatory Note in case of Remarkable Changes in Shareholders' Equity

The Company resolved to repurchase shares at the meeting of the Board of Directors held on April 26, 2019, in accordance with the Companies Act Article 156, Paragraph 1, applied by replacement under Article 165, Paragraph 3 of the same Act, and repurchased shares. As a result, treasury stock increased by 19,999 million yen in the six months of consolidated financial results.

As a result of the above, the treasury stock was 20,534 million yen at the end of the six months of consolidated financial statements.

Changes in Accounting Policies

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

Up till now, time deposits with a maturity of more than three months were not included within cash equivalents. However, from this First Quarter Period, time deposits with a maturity of up to one year will be included.

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

This change in the accounting policy has been retroactively applied. The amount after retroactive application is indicated also in the previous Second Quarter Period.

As a result, Cash flows from investing activities decreased by 28,364 million yen, Net increase (decrease) in cash and cash equivalents decreased by 28,394 million yen and Cash and cash equivalents at end of period increased by 237,576 million yen in the Second Quarter Period.

Changes in the Accounting Estimates

(Change in duration)

The JAL Group has improved its accounting system to reflect more properly a durable period of each asset such as engines and cabin interiors of some aircrafts. As a result, the estimated useful lives of these assets have been changed since the First Quarter Period. Accordingly, the operating profit decreased by 5,207 million yen, and the ordinary profit and the profit before income taxes decreased by 3,654 million yen in the Second Quarter Period.

Its impact on the segment is shown in the "Segment Information".

Segment Information, etc.

Segment information

a. Consolidated financial results for the Second quarter of FY2018 (April 1, 2018 to September 30, 2018)

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

(millions of yen)

	Reportable segment	Others (Note)1	Total	Adjustment (Note) 2	Consolidated Statement (Note) 3
	Air transportation				
Operating revenue					
1. Sales to external	619,262	130,916	750,179	—	750,179
2. Intersegment	63,625	17,336	80,962	(80,962)	—
Total	682,888	148,253	831,142	(80,962)	750,179
Segment profit	88,556	8,281	96,837	(6)	96,831

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

2. Adjustment includes intersegment elimination.

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

b. Consolidated financial results for the Second quarter of FY2019 (April 1, 2019 to September 30, 2019)

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

(millions of yen)

	Reportable segment	Others (Note) 1	Total	Adjustment (Note) 2	Consolidated Statement (Note) 3
	Air transportation				
Operating revenue					
1. Sales to external	626,773	133,070	759,844	—	759,844
2. Intersegment	63,068	18,393	81,462	(81,462)	—
Total	689,841	151,464	841,306	(81,462)	759,844
Segment profit	72,840	8,490	81,331	(14)	81,316

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

2. Adjustment includes intersegment elimination.

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

2) Information regarding changes to reported segments

(Change in duration)

As described in "Changes in the Accounting Estimates", the JAL Group has improved its accounting system to reflect more properly a durable period of each asset such as engines and cabin interiors of some aircrafts. As a result, the estimated useful lives of these assets have been changed since the First Quarter Period. Accordingly, the segment profit decreased by 5,207 million yen in the Second Quarter Period.

(Significant Subsequent Event)

Cancellation of treasury stock

The Company resolved to cancel treasury stock at the meeting of the Board of Directors held on October 23, 2019 in accordance with the Companies Act Article 178.

1. Overview of cancellation of treasury stock

- (1) Type of shares to be retired: Common shares of JAL
- (2) Number of shares to be retired: 5,818,100 shares (1.67% of total number of issued shares)
- (3) Scheduled date of cancellation: November 8, 2019

2. Total number of issued shares after cancellation above will be 343,210,600 shares.

Share repurchase and Cancellation of treasury stock

The Company resolved at the meeting of the Board of Directors held on October 31, 2019 the repurchase of shares of its common stock pursuant to Paragraph 1, Article 156 of Companies Act, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and has resolved to cancel treasury stock pursuant to Article 178 of the Companies Act.

1. Reason for the share repurchases

To increase capital efficiency and improve returns to shareholders

2. Content of acquisition

- (1) Type of shares acquired: Common shares of JAL
- (2) Total number of shares acquired: 8 million shares (maximum)
Percentage against total number of issued shares (excluding own shares): 2.3%
- (3) Total price of shares acquired: 20 billion yen (maximum)
- (4) Period of acquisition: November 1, 2019 to February 28, 2020

3. Overview of cancellation of treasury stock

- (1) Type of shares to be retired: Common shares of JAL
- (2) Number of shares to be retired: Total number of treasury stock acquired in 2 above
- (3) Scheduled date of cancellation: March 13, 2020