



Consolidated Financial Statements

Japan Airlines Co.,Ltd. and Subsidiaries

For the Years ended March 31,
2020 and 2019
Together with Independent
Auditor's Report

KPMG AZSA LLC
June 2020



Independent Auditor's Report

To the Board of Directors of Japan Airlines Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 3 to the consolidated financial statements. The Group changed the scope of cash equivalents in consolidated statements of cash flows from the year ended March 31, 2020. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.




Interest required to be disclosed by the Certified Public Accountants Act of Japan


We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

大塚 敏弘 

Toshihiro Otsuka
Designated Engagement Partner
Certified Public Accountant

井上 智由 

Tomoyoshi Inoue
Designated Engagement Partner
Certified Public Accountant

比留間 郁夫 

Ikuo Hiruma
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 22, 2020

CONSOLIDATED BALANCE SHEETS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

[As of March 31, 2020 and 2019]

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 5)
	2020	2019	2020
ASSETS			
Current assets:			
Cash and deposits (Notes 6, 8 and 11)	¥ 329,149	¥ 462,064	\$ 3,024,432
Notes and operating accounts receivable (Note 8)	88,871	153,112	816,603
Securities (Notes 6, 8 and 9)	—	60,000	—
Flight equipment spare parts and supplies	26,491	21,929	243,416
Other	82,432	65,095	757,438
Allowance for doubtful accounts	(950)	(661)	(8,729)
Total current assets	525,995	761,539	4,833,180
Non-current assets:			
Investment securities (Notes 7, 8, 9 and 11)	100,117	101,289	919,939
Tangible fixed assets, net:			
Flight equipment (Notes 11 and 17)	827,937	733,961	7,607,617
Ground property and equipment (Note 17)	59,820	53,478	549,664
Advances on flight equipment and other purchases	110,050	141,776	1,011,210
Total tangible fixed assets	997,807	929,216	9,168,492
Software	95,642	92,076	878,820
Long-term loans receivable (Note 11)	6,691	7,240	61,481
Deferred tax assets (Note 13)	84,632	96,625	777,653
Net defined benefit asset (Note 12)	938	2,486	8,618
Other	48,785	40,129	448,267
Allowance for doubtful accounts	(1,248)	(275)	(11,467)
Total non-current assets	1,333,367	1,268,788	12,251,833
Total assets	¥ 1,859,362	¥ 2,030,328	\$ 17,085,013

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 5)
	2020	2019	2020
LIABILITIES			
Current liabilities:			
Operating accounts payable (Note 8)	¥ 166,327	¥ 185,650	\$ 1,528,319
Short-term loans payable (Notes 8 and 11)	87	65	799
Current portion of long-term loans payable (Notes 8 and 11)	13,556	13,287	124,561
Lease obligations (Notes 8 and 11)	1,067	2,461	9,804
Accounts payable—installment purchase (Notes 8 and 11)	195	190	1,791
Income taxes payable	4,083	21,738	37,517
Advances received	72,423	129,108	665,469
Asset retirement obligations (Note 20)	255	—	2,343
Other	100,463	101,896	923,118
Total current liabilities	358,460	454,399	3,293,760
Non-current liabilities:			
Bonds payable (Notes 8 and 11)	90,000	50,000	826,977
Long-term loans payable (Notes 8 and 11)	84,770	73,524	778,921
Lease obligations (Notes 8 and 11)	1,988	2,504	18,267
Long-term accounts payable—installment purchase (Notes 8 and 11)	113	312	1,038
Deferred tax liabilities (Note 13)	241	169	2,214
Reserve for loss on antitrust litigation	5,816	5,936	53,441
Net defined benefit liability (Note 12)	151,330	212,672	1,390,517
Asset retirement obligations (Note 20)	8,829	8,657	81,126
Other	25,975	22,015	238,674
Total non-current liabilities	369,065	375,793	3,391,206
Total liabilities	727,525	830,192	6,684,967
Contingent liabilities (Note 18)			
NET ASSETS (Note 14)			
Shareholders' equity:			
Common stock:			
Authorized: 700,000,000 shares in 2020 and 2019			
Issued: 337,143,500 shares in 2020 and			
349,028,700 shares in 2019			
	181,352	181,352	1,666,378
Capital surplus	183,049	183,050	1,681,971
Retained earnings	797,911	822,554	7,331,719
Treasury shares, at cost:			
201,851 shares in 2020 and 201,957 shares in 2019			
	(534)	(535)	(4,906)
Total shareholders' equity	1,161,778	1,186,421	10,675,163
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 9)	17,676	20,371	162,418
Deferred gains (losses) on hedges (Note 10)	(23,146)	1,837	(212,680)
Foreign currency translation adjustment	(28)	99	(257)
Remeasurements of defined benefit plans (Note 12)	(61,467)	(43,596)	(564,798)
Total accumulated other comprehensive income	(66,965)	(21,287)	(615,317)
Non-controlling interests	37,023	35,001	340,191
Total net assets	1,131,836	1,200,135	10,400,036
Total liabilities and net assets	¥ 1,859,362	¥ 2,030,328	\$ 17,085,013

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

[For the years ended March 31, 2020 and 2019]

	Millions of yen		Thousands of U.S. dollars (Note 5)
Years ended March 31	2020	2019	2020
Operating revenue:			
Passenger:			
Domestic	¥ 514,619	¥ 528,098	\$ 4,728,650
International	476,230	530,679	4,375,907
Incidental and other revenue	420,379	428,483	3,862,712
Total operating revenue	1,411,230	1,487,261	12,967,288
Operating expenses:			
Wages, salaries and benefits	296,203	302,156	2,721,703
Aircraft fuel	243,420	251,223	2,236,699
Landing fees and other rent	84,833	86,383	779,500
Aircraft maintenance	75,011	72,926	689,249
Aircraft rent	21,552	19,918	198,033
Depreciation and amortization	138,035	124,104	1,268,354
Other	451,541	454,389	4,149,048
Total operating expenses	1,310,597	1,311,101	12,042,607
Operating profit	100,632	176,160	924,671
Non-operating income (expenses):			
Interest income	1,437	1,068	13,204
Dividend income	1,582	1,376	14,536
Interest expenses	(658)	(803)	(6,046)
Gain on sales of flight equipment	1,710	1,494	15,712
Loss on sales and disposal of flight equipment	(2,901)	(14,474)	(26,656)
Loss on sales and disposal of non-current assets	(2,172)	(1,030)	(19,957)
Loss on valuation of flight equipment spare parts and supplies	(1,031)	(1,668)	(9,473)
Share of profit of entities accounted for using equity method	1,381	1,317	12,689
Foreign exchange losses	(1,241)	(486)	(11,403)
Gain on sales of investments in securities	673	103	6,183
Loss on valuation of investment securities	(1,151)	(119)	(10,576)
Provision of allowance for doubtful accounts	(990)	—	(9,096)
Subsidy income for aircraft purchase	2,414	2,548	22,181
Loss on reduction of aircraft	(2,401)	(2,548)	(22,061)
Subsidy income	1,219	630	11,200
Impairment loss (Note 16)	(1,959)	(7,898)	(18,000)
Other	(29)	570	(266)
Total non-operating income (expenses)	(4,118)	(19,920)	(37,838)
Profit before income taxes	96,513	156,240	886,823
Income taxes—current (Note 13)	7,898	33,223	72,571
Income taxes—deferred (Note 13)	31,173	(32,127)	286,437
Total income taxes	39,072	1,096	359,018
Profit	57,441	155,144	527,804
Profit attributable to:			
Owners of parent	53,407	150,807	490,737
Non-controlling interests	4,034	4,337	37,066
Other comprehensive income (Note 15):			
Valuation difference on available-for-sale securities	(2,545)	3,868	(23,385)
Deferred losses on hedges	(23,672)	(4,505)	(217,513)
Foreign currency translation adjustment	(151)	25	(1,387)
Remeasurements of defined benefit plans, net of tax	(17,976)	3,845	(165,175)
Share of other comprehensive income of entities accounted for using equity method	(1,466)	71	(13,470)
Total other comprehensive income	(45,812)	3,305	(420,950)
Comprehensive income	11,628	158,449	106,845
Comprehensive income attributable to:			
Owners of parent	7,729	154,156	71,019
Non-controlling interests	¥ 3,898	¥ 4,292	\$ 35,817

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

[For the years ended March 31, 2020 and 2019]

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	¥ 181,352	¥ 183,049	¥ 731,106	¥ (10,535)	¥ 1,084,972
Changes of items during period					
Dividends of surplus			(39,377)		(39,377)
Profit attributable to owners of parent			150,807		150,807
Purchase of treasury shares				(9,999)	(9,999)
Retirement of treasury shares			(19,999)	19,999	—
Change of scope of consolidation, etc.		0	17		18
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	91,447	9,999	101,448
Balance as of March 31, 2019	¥ 181,352	¥ 183,050	¥ 822,554	¥ (535)	¥ 1,186,421

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2018	¥ 16,469	¥ 6,360	¥ (30)	¥ (47,436)	¥ (24,637)	¥ 33,792	¥ 1,094,127
Changes of items during period							
Dividends of surplus							(39,377)
Profit attributable to owners of parent							150,807
Purchase of treasury shares							(9,999)
Retirement of treasury shares							—
Change of scope of consolidation, etc.							18
Net changes of items other than shareholders' equity	3,902	(4,522)	130	3,839	3,349	1,209	4,559
Total changes of items during period	3,902	(4,522)	130	3,839	3,349	1,209	106,007
Balance as of March 31, 2019	¥ 20,371	¥ 1,837	¥ 99	¥ (43,596)	¥ (21,287)	¥ 35,001	¥ 1,200,135

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	¥ 181,352	¥ 183,050	¥ 822,554	¥ (535)	¥ 1,186,421
Changes of items during period					
Dividends of surplus			(38,050)		(38,050)
Profit attributable to owners of parent			53,407		53,407
Purchase of treasury shares				(39,999)	(39,999)
Retirement of treasury shares			(39,999)	39,999	—
Change in equity in entities accounted for using equity method, etc.		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	(24,642)	0	(24,642)
Balance as of March 31, 2020	¥ 181,352	¥ 183,049	¥ 797,911	¥ (534)	¥ 1,161,778

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	¥ 20,371	¥ 1,837	¥ 99	¥ (43,596)	¥ (21,287)	¥ 35,001	¥ 1,200,135
Changes of items during period							
Dividends of surplus							(38,050)
Profit attributable to owners of parent							53,407
Purchase of treasury shares							(39,999)
Retirement of treasury shares							—
Change in equity in entities accounted for using equity method, etc.							0
Net changes of items other than shareholders' equity	(2,694)	(24,983)	(128)	(17,870)	(45,677)	2,022	(43,655)
Total changes of items during period	(2,694)	(24,983)	(128)	(17,870)	(45,677)	2,022	(68,298)
Balance as of March 31, 2020	¥ 17,676	¥ (23,146)	¥ (28)	¥ (61,467)	¥ (66,965)	¥ 37,023	¥ 1,131,836

Thousands of U.S. dollars (Note 5)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	\$ 1,666,378	\$ 1,681,981	\$ 7,558,154	\$ (4,915)	\$ 10,901,598
Changes of items during period					
Dividends of surplus			(349,627)		(349,627)
Profit attributable to owners of parent			490,737		490,737
Purchase of treasury shares				(367,536)	(367,536)
Retirement of treasury shares			(367,536)	367,536	—
Change in equity in entities accounted for using equity method, etc.		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	(226,426)	0	(226,426)
Balance as of March 31, 2020	\$ 1,666,378	\$ 1,681,971	\$ 7,331,719	\$ (4,906)	\$ 10,675,163

	Accumulated other comprehensive income					Non-controlling interests	Total net Assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	\$ 187,181	\$ 16,879	\$ 909	\$ (400,588)	\$ (195,598)	\$ 321,611	\$ 11,027,611
Changes of items during period							
Dividends of surplus							(349,627)
Profit attributable to owners of parent							490,737
Purchase of treasury shares							(367,536)
Retirement of treasury shares							—
Change in equity in entities accounted for using equity method, etc.							0
Net changes of items other than shareholders' equity	(24,754)	(229,559)	(1,176)	(164,201)	(419,709)	18,579	(401,130)
Total changes of items during period	(24,754)	(229,559)	(1,176)	(164,201)	(419,709)	18,579	(627,565)
Balance as of March 31, 2020	\$ 162,418	\$ (212,680)	\$ (257)	\$ (564,798)	\$ (615,317)	\$ 340,191	\$ 10,400,036

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

[For the years ended March 31, 2020 and 2019]

	Millions of yen		Thousands of U.S. dollars (Note 5)
Years ended March 31	2020	2019	2020
Cash flows from operating activities			
Profit before income taxes	¥ 96,513	¥ 156,240	\$ 886,823
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	138,035	124,104	1,268,354
Loss on sales and disposal of non-current assets and impairment loss	4,650	19,271	42,727
Decrease in net defined benefit liability	(85,775)	(12,157)	(788,155)
Interest and dividend income	(3,019)	(2,445)	(27,740)
Interest expenses	658	803	6,046
Foreign exchange losses	1,092	266	10,033
Share of profit of entities accounted for using equity method	(1,381)	(1,317)	(12,689)
Decrease (increase) in notes and operating accounts receivable	64,256	(1,852)	590,425
Decrease (increase) in flight equipment spare parts and supplies	(4,522)	188	(41,551)
Increase (decrease) in operating accounts payable	(19,288)	7,707	(177,230)
Increase (decrease) in advances received	(56,874)	21,957	(522,594)
Other, net	(39,307)	7,865	(361,177)
Subtotal	95,038	320,632	873,270
Interest and dividend income received	3,870	3,005	35,560
Interest expenses paid	(650)	(802)	(5,972)
Income taxes paid	(38,227)	(26,117)	(351,254)
Net cash provided by operating activities	60,030	296,717	551,594
Cash flows from investing activities			
Purchase of non-current assets	(239,611)	(222,126)	(2,201,699)
Proceeds from sales of non-current assets	20,023	33,390	183,984
Purchase of investment securities	(5,647)	(4,153)	(51,888)
Proceeds from sales and redemption of investment securities	1,465	247	13,461
Payments of loans receivable	(233)	(314)	(2,140)
Collection of loans receivable	837	833	7,690
Other, net	1,592	5,730	14,628
Net cash used in investing activities	(221,573)	(186,392)	(2,035,955)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	22	(3,085)	202
Proceeds from long-term loans payable	24,882	10,800	228,631
Repayments of long-term loans payable	(13,367)	(19,439)	(122,824)
Repayments for lease obligations	(1,376)	(2,649)	(12,643)
Proceeds from issuance of bonds	39,750	29,796	365,248
Purchase of treasury shares	(40,015)	(10,024)	(367,683)
Cash dividends paid	(38,146)	(39,347)	(350,509)
Dividends paid to non-controlling interests	(2,384)	(3,534)	(21,905)
Other, net	499	447	4,585
Net cash used in financing activities	(30,135)	(37,037)	(276,899)
Effect of exchange rate change on cash and cash equivalents	(1,236)	(21)	(11,357)
Net increase (decrease) in cash and cash equivalents	(192,914)	73,265	(1,772,617)
Cash and cash equivalents at beginning of period	522,064	448,842	4,797,059
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(44)	—
Cash and cash equivalents at end of period (Note 6)	¥ 329,149	¥ 522,064	\$ 3,024,432

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Japan Airlines Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan and include certain additional financial information for the convenience of readers outside Japan. Some supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on the equity basis.

The balance sheet date of three of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period between the balance sheet date of each subsidiary and the consolidated balance sheet date have been adjusted, if necessary. The differences between the acquisition and the fair value of the net assets at the respective dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are recorded as goodwill amortized by the straight-line method over a period of five years.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions are eliminated in consolidation.

b. Securities

Securities, except for investment securities of non-consolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. 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 or amortized cost. Cost of securities sold is determined principally by the moving-average method.

Investments in investment limited partnership and similar associations (those deemed as securities under Paragraph 2 of Article 2 of the Financial Instruments and Exchange Act of Japan) are stated at net amount equivalent to the Company's equity on the basis of the most recent financial statements available as of the financial reporting date stipulated in respective partnership contracts.

c. Inventories

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

d. Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets, excluding leased assets, are stated at cost, net of accumulated depreciation, and accumulated impairment loss, if any, except as indicated in the following paragraph.

Accumulated depreciation of tangible fixed assets on March 31, 2020 and 2019 amounted to ¥589,316 million (\$5,415,014 thousand) and ¥500,827 million, respectively.

Depreciation of tangible fixed assets is computed as follows:

Flight equipment: The straight-line method based on its estimated useful life

Other: Principally the straight-line method based on the estimated useful lives of the respective assets

The estimated useful lives are principally as follows:

Flight equipment: From 8 to 20 years

Other: From 2 to 65 years

The Company has modified systems related to some aircraft engine parts and cabin assets in order to ensure depreciation more precisely reflecting the estimated periods over which an asset is expected to be economically usable. As a result, the determination of the useful life of some aircraft engine parts and cabin assets has been changed from the fiscal year ended March 31, 2020.

Following this change, operating profit decreased by ¥8,060 million (\$74,060 thousand), and profit before income taxes decreased by ¥5,543 million (\$50,932 thousand) for the fiscal year ended March 31, 2020.

For details of the impact on individual business segments arising from this change, please refer to "Note 21. SEGMENT INFORMATION."

e. Software (excluding leased assets)

Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life, which is principally five years.

f. Leased Assets

Depreciation of leased assets is computed as follows:

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.

g. 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.

h. Accounting Method for Retirement Benefits

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

Actuarial gain and loss are amortized by the straight-line method over a period ranging from 5 to 17 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 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.

i. Reserve for Loss on Antitrust Litigation

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

j. Foreign Currency Translation

Revenues and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in "k. Derivatives and Hedge Accounting," 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.

Differences arising from the translation of assets, liabilities, revenues and expenses of foreign consolidated subsidiaries and entities accounted for using the equity method into yen at the applicable exchange rates at the year-end are presented as foreign currency translation adjustment and non-controlling interests in a component of net assets.

k. Derivatives and Hedge Accounting

Derivatives positions are stated at fair value.

Gains or losses on derivatives designated as hedging instruments are deferred until the gains or losses on the underlying hedged items are recognized with any unrealized gains or losses reported as a separate component of net assets, net of taxes. Foreign currency receivables and payables are translated at the applicable forward foreign currency exchange rates if certain conditions are met.

l. Revenue Recognition

Passenger and cargo revenues are recognized when the transportation services are rendered.

m. Income Taxes

Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. Valuation allowance is recorded to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company and certain domestic consolidated subsidiaries file tax returns under the Japanese consolidated corporate tax system.

n. Adoption of Tax Effect Accounting for the Transition from the Japanese Consolidated Corporate Tax System to the Group Tax Sharing System

The Company and its domestic consolidated subsidiaries do not adopt paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but adopt rules of tax laws before amendments for the amounts of deferred tax assets and liabilities, regarding the transition to the group tax sharing system established by "Act on Partial Amendment of the Income Tax Act and Others" (Act No. 8 of 2020) and related revisions to the single tax payment system, due to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

o. Cash Equivalents

Cash equivalents are defined as time deposits with an original maturity of a year or less and highly liquid, short-term investments with an original maturity of three months or less that are exposed to insignificant risk of changes in value.

3. CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION

For the year ended March 31, 2019

(Changes due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company and its domestic subsidiaries adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year and changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of "non-current assets" and "non-current liabilities," respectively.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation allowance) and 9 of the "Accounting Standard for Tax Effect Accounting," which are required in paragraphs 3 to 5 of Statement No. 28.

For the year ended March 31, 2020

(Change in Scope of Cash Equivalents in Consolidated Statements of Cash Flows)

Cash equivalents did not previously include time deposits with an original maturity of longer than three months. However, cash equivalents have included time deposits with an original maturity of a year or less from the year ended March 31, 2020.

The change is due to the actual condition that the Company operates time deposits with an original maturity of longer than three months but not exceeding a year integrating with time deposits with an original maturity of three months or less, and clarification of internal regulations considering this condition from the year ended March 31, 2020. Therefore, the Company has decided to include these time deposits in cash equivalents in order to present the actual cash flows more accurately.

This change in the accounting policy has been applied retrospectively, and consolidated statements of cash flows for the year ended March 31, 2019 consist of the figures after the retrospective application. Following this change, for the year ended March 31, 2019, "Cash flows from investing activities" increased by ¥3,321 million (\$30,515 thousand), "Net increase (decrease) in cash and cash equivalents" increased by ¥3,297 million (\$30,294 thousand) and "Cash and cash equivalents at end of period" increased by ¥269,268 million (\$2,474,207 thousand), respectively, compared with those before the retrospective application.

Accounting Standards Issued but Not Yet Effective

The following standard and guidance were issued but not yet adopted.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

(1) Overview

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

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

(2) Effective date and effects of the application of the standards

Because the Company is applying IFRS from the first quarter of the year ending March 31, 2021, the Company is not applying these ASBJ accounting standards, and will not evaluate their impact on the consolidated financial statements.

The following standards and guidance were issued but not yet adopted.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The ASBJ has promoted an initiative to enhance the comparability of the requirements of Japanese and international accounting standards, primarily in the areas of guidance on the fair value of financial instruments and their disclosure. To this end, the ASBJ has issued the "Accounting Standard for Fair Value Measurement," etc., in consideration of the fact that the IASB and the FASB have prescribed similarly detailed guidance (IFRS No. 13 "Fair Value Measurement" issued by IASB and Accounting Standard Codification Topic 820 "Fair Value Measurement" issued by FASB).

The ASBJ's fundamental policies for developing the "Accounting Standard for Fair Value Measurement," etc. are (1) to include all requirements of IFRS No. 13 so as to enhance the comparability of financial statements of domestic and overseas companies by prescribing uniform measurement methods, and (2) to allow for exceptional treatments in consideration of established accounting conventions in Japan without compromising the comparability of financial statements.

(2) Effective date and effects of the application of the standards

Because the Company is applying IFRS from the first quarter of the year ending March 31, 2021, the Company is not applying these ASBJ accounting standards, and will not evaluate their impact on the consolidated financial statements.

4. ADDITIONAL INFORMATION

The airline industry including the JAL Group has been significantly affected by the outbreak of the novel coronavirus since January 2020. Global infections triggered worldwide travel restrictions, which eliminated international travel demand. In Japan, a state of emergency was declared and domestic travel is discouraged, causing plummeting demand for domestic air travel.

The JAL Group has therefore prepared its accounting estimates, including those for the recoverability of deferred tax assets, etc., assuming that this crisis, unprecedented in the airline industry, will continue for an indeterminate part of the fiscal year ending March 31, 2021.

The impact arising from the spread of the novel coronavirus includes various uncertainties which may affect the JAL Group's consolidated financial position and operating results for the year ending March 31, 2021.

5. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of ¥108.83 = US\$1.00, the approximate exchange rate prevailing on March 31, 2020, has been used in translation. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

6. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents in the accompanying consolidated statements of cash flows on March 31, 2020 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥ 329,149	¥ 462,064	\$ 3,024,432
Securities	—	60,000	—
Cash and cash equivalents	¥ 329,149	¥ 522,064	\$ 3,024,432

7. INVESTMENT SECURITIES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investment securities of non-consolidated subsidiaries and affiliates which were included in "investment securities" in the consolidated balance sheets on March 31, 2020 and 2019 amounted to ¥37,598 million (\$345,474 thousand) and ¥39,210 million, respectively. Bonds of affiliates which were included in "investment securities" in the consolidated balance sheets of March 31, 2020 and 2019 amounted to ¥3,330 million (\$30,598 thousand) and ¥3,330 million, respectively. Investments in other securities of non-consolidated subsidiaries and affiliates which were included in "investment securities" in the consolidated balance sheets on March 31, 2020 and 2019 amounted to ¥3,554 million (\$32,656 thousand) and ¥1,679 million, respectively.

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company and its consolidated subsidiaries (the "JAL Group") manage its financial instruments to raise funds, principally for the purpose of flight equipment and facilities in accordance with management plans for air transportation, utilizing loans from financial institutions, issuance of bonds, finance lease transactions and derivatives. Funds from short-term loans payable are utilized for ordinary operations. Funds from long-term loans payable and finance lease transactions are utilized for flight equipment and facilities. Derivatives are utilized for the purpose of reducing the risk of fluctuations of interest rates and foreign currency exchange rates, and not for the purpose of speculation.

With respect to operating accounts receivable, the JAL Group exercises due date management and outstanding balance management in accordance with internal policies. The JAL Group makes best efforts to identify and mitigate risks of bad debt when major customers experience financial difficulties by periodically monitoring their creditworthiness. Securities and investment securities are composed mainly of shares of companies with which the JAL Group has business relationships. The JAL Group reviews the fair values of such financial instruments and the financial position of the issuers periodically in order to identify and mitigate risks of impairment. Most operating accounts payable are due within one year. As for derivatives, the JAL Group believes that the credit risks are extremely low, as it enters into derivative transactions only with reputable financial institutions with a sound credit profile.

The Company utilizes derivatives in order to mitigate the risks of fluctuations in interest rates and foreign currency exchange rates on receivables and payables. The JAL Group utilizes currency options to reduce the risk of foreign currency exchange rate fluctuations for specific foreign currency-denominated receivables and payables, mainly for fuel purchase payables.

The JAL Group also utilizes commodity derivatives in order to mitigate the risk of fluctuations in commodity prices of fuel and to stabilize such fuel costs.

There are internal policies for derivative transactions which set forth authorization levels and upper limits on transaction volumes, and the JAL Group enters into derivative transactions in accordance with such policies. Moreover, monthly meetings are attended by board members responsible for derivatives to determine methods and ratios for minimizing risks as well as to report and confirm results of derivative transactions.

The fair value of financial instruments is based on quoted market prices where available. When there is no market price available, fair value is reasonably estimated. Since various assumptions and factors

are reflected in estimating fair value, different assumptions and factors could result in different fair values.

The book value of financial instruments stated in the consolidated balance sheets, their fair value and the differences as of March 31, 2020 and 2019 were as follows:

As of March 31, 2020	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 329,149	¥ 329,149	¥ —
(2) Notes and operating accounts receivable	88,871	88,871	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	17,929	10,007	(7,922)
(ii) Other investment securities	40,584	40,584	—
Total	476,534	468,612	(7,922)
Liabilities			
(1) Operating accounts payable	166,327	166,327	—
(2) Short-term loans payable	87	87	—
(3) Bonds payable	90,000	87,075	(2,925)
(4) Long-term loans payable	98,326	98,290	(35)
(5) Lease obligations	3,055	3,055	—
(6) Long-term accounts payable—installment purchase	309	309	—
Total	358,107	355,146	(2,960)
Derivatives*	¥ (28,522)	¥ (28,523)	¥ (0)

* Derivative assets and liabilities are stated on a net basis, and net liabilities are enclosed in parentheses.

Transactions for which hedge accounting has not been applied are omitted due to being insignificant.

As of March 31, 2020	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 3,024,432	\$ 3,024,432	\$ —
(2) Notes and operating accounts receivable	816,603	816,603	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	164,743	91,950	(72,792)
(ii) Other investment securities	372,911	372,911	—
Total	4,378,700	4,305,908	(72,792)
Liabilities			
(1) Operating accounts payable	1,528,319	1,528,319	—
(2) Short-term loans payable	799	799	—
(3) Bonds payable	826,977	800,101	(26,876)
(4) Long-term loans payable	903,482	903,151	(321)
(5) Lease obligations	28,071	28,071	—
(6) Long-term accounts payable—installment purchase	2,839	2,839	—
Total	3,290,517	3,263,309	(27,198)
Derivatives*	\$ (262,078)	\$ (262,087)	\$ (0)

* Derivative assets and liabilities are stated on a net basis, and net liabilities are enclosed in parentheses.

Transactions for which hedge accounting has not been applied are omitted due to being insignificant.

As of March 31, 2019	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 462,064	¥ 462,064	¥ —
(2) Notes and operating accounts receivable	153,112	153,112	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	17,145	16,075	(1,069)
(ii) Other investment securities	104,036	104,036	—
Total	736,358	735,288	(1,069)
Liabilities			
(1) Operating accounts payable	185,650	185,650	—
(2) Short-term loans payable	65	65	—
(3) Bonds payable	50,000	50,568	568
(4) Long-term loans payable	86,811	86,811	—
(5) Lease obligations	4,966	4,966	—
(6) Long-term accounts payable—installment purchase	503	503	—
Total	327,997	328,565	568
Derivatives*	¥ 2,412	¥ 2,419	¥ 7

* Derivative assets and liabilities are stated on a net basis, and net liabilities are enclosed in parentheses.
Transactions for which hedge accounting has not been applied are omitted due to being insignificant.

(i) Methods of calculating the fair value of financial instruments, including securities and derivatives transactions

Assets

(1) Cash and deposits and (2) Notes and operating accounts receivable

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Securities and investment securities

The fair value of securities is determined mainly based on the market price. These investment securities are described further in "Note 9. INVESTMENT SECURITIES."

Liabilities

(1) Operating accounts payable and (2) Short-term loans payable

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Bonds payable

The fair value of bonds payable is determined based on the market price.

(4) Long-term loans payable, (5) Lease obligations and (6) Long-term accounts payable—installment purchase

The fair value of long-term loans payable, lease obligations and long-term accounts payable—installment purchase with fixed interest rates is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivatives

Derivatives are described further in "Note 10. DERIVATIVES AND HEDGING ACTIVITIES."

(ii) Financial instruments for which the fair value is impracticable to measure

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investment securities of non-consolidated subsidiaries and affiliates	¥ 19,669	¥ 22,065	\$ 180,731
Held-to-maturity securities	4,267	3,330	39,207
Other securities	17,666	14,711	162,326

The above are not included in "(3) (ii) Other investment securities" in the fair value of financial instruments because there is no market value and it is impracticable to measure the fair value.

(iii) Redemption schedule for monetary claims and securities with maturity dates subsequent to the consolidated balance sheet date

	Millions of yen			
	Within one year	More than one year, within five years	More than five years, within 10 years	More than 10 years
As of March 31, 2020				
Cash and deposits	¥ 329,149	¥ —	¥ —	¥ —
Notes and operating accounts receivable	88,871	—	—	—
Investment securities:				
Held-to-maturity securities	—	—	—	4,267

	Thousands of U.S. dollars			
	Within one year	More than one year, within five years	More than five years, within 10 years	More than 10 years
As of March 31, 2020				
Cash and deposits	\$ 3,024,432	\$ —	\$ —	\$ —
Notes and operating accounts receivable	816,603	—	—	—
Investment securities:				
Held-to-maturity securities	—	—	—	39,207

	Millions of yen			
	Within one year	More than one year, within five years	More than five years, within 10 years	More than 10 years
As of March 31, 2019				
Cash and deposits	¥ 462,064	¥ —	¥ —	¥ —
Notes and operating accounts receivable	153,112	—	—	—
Investment securities:				
Short-term investments	60,000	—	—	—
Held-to-maturity securities	—	—	—	3,330
Other securities with maturity date	—	1,027	—	—

The redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 11. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT."

9. INVESTMENT SECURITIES

No trading securities were held on March 31, 2020 and 2019. Securities classified as other securities are included in "investment securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities on March 31, 2020 and 2019 were summarized as follows:

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
As of March 31, 2020			
Unrealized gain:			
Stocks	¥ 15,095	¥ 40,106	¥ 25,010
	15,095	40,106	25,010
Unrealized loss:			
Stocks	815	478	(337)
	815	478	(337)
Total	¥ 15,910	¥ 40,584	¥ 24,673

	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
As of March 31, 2020			
Unrealized gain:			
Stocks	\$ 138,702	\$ 368,519	\$ 229,807
	138,702	368,519	229,807
Unrealized loss:			
Stocks	7,488	4,392	(3,096)
	7,488	4,392	(3,096)
Total	\$ 146,191	\$ 372,911	\$ 226,711

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
As of March 31, 2019			
Unrealized gain:			
Stocks	¥ 15,095	¥ 43,294	¥ 28,199
	15,095	43,294	28,199
Unrealized loss:			
Stocks	815	742	(72)
Short-term investments	60,000	60,000	—
	60,815	60,742	(72)
Total	¥ 75,910	¥ 104,036	¥ 28,126

Proceeds from sales of securities classified as other securities for the year ended March 31, 2020 amounted to ¥626 million (\$5,752 thousand). For the year ended March 31, 2020, the aggregate gain realized on those sales totaled ¥593 million (\$5,448 thousand), and the aggregate loss realized on those sales totaled ¥1 million (\$9 thousand). Neither was applicable to the year ended March 31, 2019.

For the year ended March 31, 2020, ¥1,151 million (\$10,576 thousand) of impairment loss on other securities was recognized.

With respect to impairment loss on securities for which fair value is impracticable to measure, if the disposal value of the shares falls by 50% or more in comparison to the acquisition cost due to deterioration in the issuing company's financial position, impairment loss is recognized unless there is sufficient evidence for their recoverability.

For the year ended March 31, 2019, significant impairment loss on securities was not recognized.

10. DERIVATIVES AND HEDGING ACTIVITIES

Certain consolidated subsidiaries utilize forward foreign currency exchange contracts and currency options on a consistent basis to hedge certain foreign currency transactions related to foreign-denominated purchase commitments, principally for flight equipment and foreign-denominated accounts payable, and other items. The Company also enters into a variety of options in its management of risk exposure related to the commodity prices of fuel.

The Company and its 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. Gains and losses 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.

The contract amount and the estimated fair value of the open derivatives positions on March 31, 2020 and 2019, which met the criteria required for the application of hedge accounting, are summarized as follows:

As of March 31, 2020		Millions of yen			Thousands of U.S. dollars		
		Contract amount			Contract amount		
Type of derivative	Major hedged items	Total	Maturing after one year	Estimated fair value	Total	Maturing after one year	Estimated fair value
Forward foreign currency exchange contracts:							
Buy:							
USD	Operating accounts payable	¥ 44,048	¥ 5,664	¥ 799	\$404,741	\$ 52,044	\$ 7,341
EUR	Operating accounts payable	2,028	38	(18)	18,634	349	(165)
Others	Operating accounts payable	996	0	(48)	9,151	0	(441)
Currency options:							
Buy:							
Call option	Operating accounts payable	80,779	22,400	701	742,249	205,825	6,441
Sell:							
Put option	Operating accounts payable	69,125	18,332	(451)	635,164	168,446	(4,144)
Commodity swaps:							
Received variable/pay fixed	Aircraft fuel	81,563	23,705	(29,503)	749,453	217,816	(271,092)

Method of hedge accounting: Special treatment ("Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – k. Derivatives and Hedge Accounting")

Forward foreign currency exchange contracts:

Buy:							
USD	Operating accounts payable	307	—	5	2,820	—	45
EUR	Operating accounts payable	71	—	(4)	652	—	(36)
Others	Operating accounts payable	22	—	(2)	202	—	(18)
Total		¥(28,523)			\$ (262,087)		

All derivative transactions were conducted as over-the-counter (OTC) transactions. Fair value is estimated based on prices quoted by financial institutions and others.

As of March 31, 2019		Contract amount		Millions of yen
Type of derivative	Major hedged items	Total	Maturing after one year	Estimated fair value
Forward foreign currency exchange contracts:				
Buy:				
USD	Operating accounts payable	¥ 55,926	¥ 3,252	¥ 687
EUR	Operating accounts payable	2,513	34	(102)
Others	Operating accounts payable	1,287	—	(27)
Currency options:				
Buy:				
Call option	Operating accounts payable	80,140	19,634	363
Sell:				
Put option	Operating accounts payable	69,040	15,702	(134)
Commodity swaps:				
Received variable/pay fixed	Aircraft fuel	81,055	21,049	1,624

Method of hedge accounting: Special treatment ("Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – k. Derivatives and Hedge Accounting")

Forward foreign currency exchange contracts:

Buy:				
USD	Operating accounts payable	919	—	29
EUR	Operating accounts payable	259	—	(17)
Others	Operating accounts payable	223	—	(5)
Total				¥ 2,419

All derivative transactions were conducted as OTC transactions. Fair value is estimated based on prices quoted by financial institutions and others.

11. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

The weighted-average interest rate for short-term loans payable outstanding on March 31, 2020 was 1.0%. Long-term debt on March 31, 2020 and 2019 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2020	2019	2020	2020
Long-term loans:				
Current portion of long-term loans payable	¥ 13,556	¥ 13,287	\$ 124,561	0.2%
Long-term loans payable (excluding current portion) due 2023 to 2035	84,770	73,524	778,921	0.2%
Lease obligations:				
Current portion of lease obligations	1,067	2,461	9,804	1.4%
Lease obligations (excluding current portion) due 2021 to 2032	1,988	2,504	18,267	1.1%
Long-term accounts payable—installment purchase:				
Current portion of long-term accounts payable—installment purchase	195	190	1,791	2.0%
Long-term accounts payable—installment purchase (excluding current portion) due 2021 to 2026	113	312	1,038	2.0%
Bonds payable:				
Bonds payable due 2021 to 2040	90,000	50,000	826,977	0.4%
Total	¥ 191,691	¥ 142,281	\$ 1,761,380	

The aggregate annual maturities of long-term debt due within five years subsequent to March 31, 2020 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 14,819	\$ 136,166
2022	24,385	224,065
2023	23,963	220,187
2024	22,651	208,131
2025	22,610	207,755
2026 and thereafter	83,260	765,046
Total	¥ 191,691	\$ 1,761,380

Assets pledged as collateral as of March 31, 2020 for long-term and short-term debt of ¥95,524 million (\$877,735 thousand) are flight equipment and others totaling ¥169,178 million (\$1,554,516 thousand). Assets pledged as collateral as of March 31, 2019 for long-term and short-term debt of ¥86,620 million are flight equipment and others totaling ¥162,738 million.

Assets pledged as collateral include certain assets set aside for revolving pledges on each company's obligations accompanying syndicated loans taken out by the following three companies with financial institutions, for the core business purposes of each company.

- Tokyo International Airport Terminal Corporation, an affiliate
- Kyushu Kumamoto International Airport Co., Ltd.
- Hokkaido Airports Co., Ltd.

The Company entered into loan commitment agreements amounting to ¥50,000 million (\$459,432 thousand) with three banks. There were no loan payables outstanding under these loan commitment agreements.

12. RETIREMENT BENEFIT PLANS

Outline of Current Retirement Benefit System

An employee whose employment is terminated is entitled, in most cases, to pension annuity payments or to a lump-sum severance payment determined by reference to the employee's basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and certain significant domestic consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum severance indemnity plans. In certain cases, additional severance payments may be provided.

As of March 31, 2020, the Company and 38 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were three 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, which was established by certain consolidated subsidiaries, introduced a cash-balance plan option.

Some of the consolidated subsidiaries use the simplified method for the calculation of retirement benefit obligations.

For the years ended March 31, 2020 and 2019

a. Defined Benefit Plans

(1) Balances of retirement benefit obligations, excluding plans adopting the simplified method

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 465,816	¥ 471,248	\$ 4,280,216
Service cost	13,437	13,131	123,467
Interest cost	3,445	3,482	31,654
Actuarial loss	33,055	2,280	303,730
Benefit paid	(25,519)	(24,323)	(234,484)
Reclassification of retirement benefit obligations due to the change from the simplified method	393	—	3,611
Other	2	(1)	18
Balance at end of period	¥ 490,630	¥ 465,816	\$ 4,508,223

(2) Balances of plan assets, excluding plans adopting the simplified method

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 257,847	¥ 245,430	\$ 2,369,263
Expected return on plan assets	4,550	3,749	41,808
Actuarial gain (loss)	(778)	185	(7,148)
Contributions paid by the employer	100,258	28,194	921,234
Benefit paid	(19,846)	(19,712)	(182,357)
Balance at end of period	¥ 342,030	¥ 257,847	\$ 3,142,791

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 2,216	¥ 2,146	\$ 20,362
Retirement benefit cost	506	400	4,649
Contributions paid by the employer	(128)	(124)	(1,176)
Benefit paid	(155)	(169)	(1,424)
Decrease due to partial termination of retirement benefit plans	(352)	(31)	(3,234)
Reclassification of retirement benefit obligations due to the change from the simplified method	(291)	—	(2,673)
Other	(2)	(4)	(18)
Balance at end of period	¥ 1,792	¥ 2,216	\$ 16,466

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligations	¥ 398,326	¥ 373,012	\$ 3,660,075
Plan assets	(345,577)	(261,405)	(3,175,383)
	52,749	111,606	484,691
Unfunded retirement benefit obligations	97,643	98,579	897,206
Total net defined benefit liability (asset)	150,392	210,186	1,381,898
Net defined benefit liability	151,330	212,672	1,390,517
Net defined benefit asset	(938)	(2,486)	(8,618)
Total net defined benefit liability (asset)	¥ 150,392	¥ 210,186	\$ 1,381,898

(5) Retirement benefit costs

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 13,437	¥ 13,131	\$ 123,467
Interest cost	3,445	3,482	31,654
Expected return on plan assets	(4,550)	(3,749)	(41,808)
Past service costs amortization	(60)	(60)	(551)
Net actuarial loss amortization	7,968	7,713	73,215
Retirement benefit cost based on the simplified method	506	400	4,649
Other	(698)	(697)	(6,413)
Subtotal	20,048	20,221	184,213
Reclassification of retirement benefit obligations due to the change from the simplified method	101	—	928
Loss on partial termination of defined benefit plans, net	63	—	578
Total	¥ 20,214	¥ 20,221	\$ 185,739

(6) Remeasurements of defined benefit plans in other comprehensive income

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service costs	¥ (60)	¥ (60)	\$ (551)
Actuarial gains (losses)	(25,865)	5,619	(237,664)
Total	¥ (25,925)	¥ 5,558	\$ (238,215)

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service costs that are yet to be recognized	¥ (199)	¥ (259)	\$ (1,828)
Actuarial losses that are yet to be recognized	88,404	62,538	812,312
Total	¥ 88,204	¥ 62,278	\$ 810,475

(8) Plan assets

Years ended March 31	2020		2019
	%		%
General insurance fund	80		91
Bond	13		4
Other	7		5
Total	100		100

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

Years ended March 31	2020		2019
	%		%
Discount rate	0.3–0.7		0.4–1.2
Long-term expected rate of return	1.0–2.0		1.0–2.0

b. Defined Contribution Plans

The Company and its consolidated subsidiaries contributed a total of ¥1,839 million (\$16,897 thousand) and ¥1,629 million for the years ended March 31, 2020 and 2019, respectively.

13. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances on March 31, 2020 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liability	¥ 46,846	¥ 64,380	\$ 430,451
Operating accounts payable	10,781	11,020	99,062
Deferred losses on hedges	9,616	880	88,357
Non-recurring depreciation	4,510	4,827	41,440
Deferred liability on flight equipment	2,750	2,943	25,268
Asset retirement obligations	2,637	2,482	24,230
Impairment loss	2,276	2,274	20,913
Reserve for loss on antitrust litigation	1,741	1,776	15,997
Accrued bonuses	811	7,735	7,451
Tax loss carryforwards*2	12,035	7,360	110,585
Other	10,340	9,728	95,010
Subtotal of deferred tax assets	104,347	115,411	958,807
Valuation allowance for tax loss carryforwards*2	(1,744)	(567)	(16,024)
Valuation allowance for deductible temporary differences	(6,736)	(4,605)	(61,894)
Subtotal of valuation allowances*1	(8,480)	(5,173)	(77,919)
Total deferred tax assets	95,867	110,238	880,887
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	7,479	8,548	68,721
Asset retirement obligations	692	629	6,358
Deferred gains on hedges	20	1,722	183
Other	3,284	2,882	30,175
Total deferred tax liabilities	11,476	13,782	105,448
Net deferred tax assets	¥ 84,390	¥ 96,455	\$ 775,429

*1 The main reason for the increase in valuation allowances is an increase in the valuation allowance for tax loss carryforwards at consolidated subsidiaries.

*2 Tax loss carryforwards and associated deferred tax assets by deadline of carry forward:

As of March 31, 2020	Millions of yen						
	2021	2022	2023	2024	2025	2026 and beyond	Total
Tax loss carryforwards (a)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 12,035	¥ 12,035
Valuation allowance	—	—	—	—	—	(1,744)	(1,744)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 10,291	¥ 10,291 (b)

							Thousands of U.S. dollars
As of March 31, 2020	2021	2022	2023	2024	2025	2026 and beyond	Total
Tax loss carryforwards (a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 110,585	\$ 110,585
Valuation allowance	—	—	—	—	—	(16,024)	(16,024)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 94,560	\$ 94,560 (b)

(a) Tax loss carryforwards reflect the amounts resulting from multiplying the statutory tax rate.

(b) Of the total tax loss carryforwards of ¥12,035 million (\$110,585 thousand), ¥10,291 million (\$94,560 thousand) has been determined to be recoverable based on the taxable income that the Company and its domestic consolidated subsidiaries expect in the future.

							Millions of yen
As of March 31, 2019	2020	2021	2022	2023	2024	2025 and beyond	Total
Tax loss carryforwards (a)	¥ 7,156	¥ —	¥ —	¥ —	¥ —	¥ 204	¥ 7,360
Valuation allowance	(363)	—	—	—	—	(204)	(567)
Deferred tax assets	¥ 6,792	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 6,792 (b)

(a) Tax loss carryforwards reflect the amounts resulting from multiplying the statutory tax rate.

(b) Taxable income against which tax loss carryforwards can be utilized is likely to be earned in the next year. The Company has therefore determined that the deferred tax assets for the tax loss carryforwards are recoverable.

The reconciliation between the Japanese statutory income tax rate and the Company's and the consolidated subsidiaries' effective tax rates for the years ended March 31, 2020 and 2019 was as follows:

Years ended March 31	2020	2019
	%	%
Statutory rate	29.9	29.9
Share of loss of entities accounted for using equity method	(0.4)	(0.3)
Changes in valuation allowance (including the tax loss carryforwards expired)	10.0	(30.8)
Other	1.0	1.9
Effective tax rate	40.5	0.7

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax. Income taxes of foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

14. NET ASSETS

The Companies Act of Japan (the "Act") provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (except for distributions of additional paid-in capital) and retained earnings (except for distributions of the legal reserve) be appropriated to additional paid-in capital and the legal reserve, respectively, until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by a resolution of the shareholders or by the board of directors if certain conditions are met, but neither additional paid-in capital nor the legal reserve is available for distribution by resolution of the board of directors.

A company may, by a resolution of its board of directors, designate an amount not exceeding half of the price of new shares as additional paid-in capital, which is included in capital surplus. The maximum amount that a company can distribute as dividends is calculated based on its unconsolidated financial statements in accordance with the Act.

The total number and changes in the total number of shares of stock authorized and in issue and common stock in treasury for the year ended March 31, 2020 were as follows:

Year ended March 31, 2020	Thousands of shares			
	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Number of shares of stock authorized:				
Common stock	700,000	—	—	700,000
Preferred stock	50,000	—	—	50,000
Total	750,000	—	—	750,000
Number of shares of stock in issue:				
Common stock	349,028	—	11,885	337,143
Total	349,028	—	11,885	337,143
Number of shares of common stock in treasury:				
Common stock	201	11,885	11,885	201
Total	201	11,885	11,885	201

The increase in common stock in treasury of 11,885 thousand shares is due to a share repurchase. The decrease in common stock in issue and common stock in treasury of 11,885 thousand shares is due to the retirement of treasury shares.

The total number and changes in the total number of shares of stock authorized and in issue and common stock in treasury for the year ended March 31, 2019 were as follows:

Year ended March 31, 2019	Thousands of shares			
	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Number of shares of stock authorized:				
Common stock	700,000	—	—	700,000
Preferred stock	50,000	—	—	50,000
Total	750,000	—	—	750,000
Number of shares of stock in issue:				
Common stock	353,715	—	4,687	349,028
Total	353,715	—	4,687	349,028
Number of shares of common stock in treasury:				
Common stock	2,555	2,333	4,687	201
Total	2,555	2,333	4,687	201

15. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2020 and 2019 were as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities, net of taxes:			
Unrealized holding gains (losses) arising during the period	¥ (3,613)	¥ 5,562	\$ (33,198)
Less: Reclassification adjustment included in profit	—	—	—
Pre-tax amount	(3,613)	5,562	(33,198)
Tax expense (benefit)	1,068	(1,693)	9,813
Valuation difference on available-for-sale securities, net of taxes	(2,545)	3,868	(23,385)
Deferred gains (losses) on hedges, net of taxes:			
Deferred gains (losses) arising during the period	(33,919)	5,835	(311,669)
Less: Reclassification adjustment included in profit	141	(12,252)	1,295
Pre-tax amount	(33,777)	(6,417)	(310,364)
Tax expense (benefit)	10,104	1,912	92,842
Deferred gains (losses) on hedges, net of taxes	(23,672)	(4,505)	(217,513)
Foreign currency translation adjustment:			
Translation adjustment arising during the period	(151)	25	(1,387)
Less: Reclassification adjustment included in profit	—	(0)	—
Foreign currency translation adjustment	(151)	25	(1,387)
Remeasurements of defined benefit plans:			
Remeasurements of defined benefit plans arising during the period	(33,834)	(2,094)	(310,888)
Less: Reclassification adjustment included in profit	7,908	7,653	72,663
Pre-tax amount	(25,925)	5,558	(238,215)
Tax expense (benefit)	7,949	(1,712)	73,040
Remeasurements of defined benefit plans	(17,976)	3,845	(165,175)
Share of other comprehensive income of entities accounted for using equity method:			
Share of other comprehensive income of entities accounted for using equity method arising during the period	(1,466)	71	(13,470)
Total other comprehensive income	¥ (45,812)	¥ 3,305	\$ (420,950)

16. IMPAIRMENT LOSS ON NON-CURRENT ASSETS

Assets are attributed or allocated to cash-generating units which generated largely independent cash flows for calculating impairment loss. Assets to be sold and idle assets are written down to their respective recoverable amounts.

The Company and its consolidated subsidiaries estimated recoverable amounts at the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amounts of sales for the years ended March 31, 2020 and 2019, respectively.

The Company and certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2020:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold or disposed of	Flight equipment	—
Assets to be disposed of	Software	Shinagawa-ku, Tokyo

An impairment loss of ¥1,959 million (\$18,000 thousand) was recognized in non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2020. The main breakdown is flight equipment of ¥523 million (\$4,805 thousand) and software of ¥1,190 million (\$10,934 thousand) due to the decision to cease the operations of AXESS INTERNATIONAL NETWORK, INC. at the end of March, 2021.

The recoverable amount of assets to be sold or disposed of is measured by the net realizable value based on sales agreements (the value of assets that cannot be sold is evaluated as zero).

In addition, some associated companies accounted for by the equity method recognized an impairment loss using the same methodology. An impairment loss of ¥279 million (\$2,563 thousand) was recognized as "share of profit of entities accounted for using equity method."

The Company and certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2019:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold or disposed of	Flight equipment	—
Assets to be disposed of	Equipment (Including asset retirement obligation)	Narita International Airport Maintenance district

An impairment loss of ¥7,898 million was recognized in non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2019. The main breakdown is flight equipment of ¥477 million and other equipment including removal costs corresponding to asset retirement obligations in the Narita International Airport Maintenance district scheduled for reorganization of ¥7,421 million. The recoverable amount of assets to be sold or disposed of is measured by the net realizable value based on sales agreements (the value of assets that cannot be sold is evaluated as zero), or calculated by discounting future cash flows measured by value in use at a discount rate of 5.0%.

17. LEASES

As Lessee

The depreciation equivalent is calculated by the straight-line method on the assumption that the useful lives of the related assets are the same as the lease term and that the residual value is zero.

The interest expenses equivalent is calculated on the assumption that the difference between aggregate lease rentals and the acquisition cost of leased assets is deemed to be the interest portion and is apportioned over the term of the lease by the interest method.

Future rental expenses under non-cancelable operating leases outstanding on March 31, 2020 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within one year	¥ 15,239	¥ 14,368	\$ 140,025
Over one year	66,305	66,802	609,252
Total	¥ 81,545	¥ 81,170	\$ 749,287

18. CONTINGENT LIABILITIES

As of March 31, 2020 and 2019, contingent liabilities for guarantees for bank loans of employees amounted to ¥60 million (\$551 thousand) and ¥81 million, respectively.

As of March 31, 2020 and 2019, contingent liabilities for guarantees for lease obligations of Jetstar Japan Co., Ltd. amounted to ¥3,315 million (\$30,460 thousand) and ¥3,680 million, respectively.

The Company provides guarantees for damages resulting from breach of an obligation, assertion or guarantee under the stock transfer reservation agreement concluded between Fukuoka Airport Holdings Co., Ltd. (transferor), in which the Company holds an investment, and the Ministry of Land, Infrastructure, Transport and Tourism Civil Aviation Bureau (transferee), capped at ¥7,867 million (\$72,287 thousand) on March 31, 2020 and 2019.

19. AMOUNTS PER SHARE

Basic earnings per share is computed based on the earnings available for distribution to or allocable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share are computed based on earnings available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to potentially dilutive securities to be issued upon the conversion of convertible bonds. However, diluted earnings per share have not been stated for the years ended March 31, 2020 and 2019 since the Company had issued no equity instruments with a dilutive effect on earnings per share.

Years ended March 31	Yen		U.S. dollars
	2020	2019	2020
Earnings per share of common stock:			
Basic	¥ 155.66	¥ 432.10	\$ 1.43

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2020 and 2019:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Earnings (allocable to) available for shareholders of common stock:			
Profit attributable to owners of parent	¥ 53,407	¥ 150,807	\$ 490,737
Appropriations for payment of preferred dividends	—	—	—
	¥ 53,407	¥ 150,807	\$ 490,737

Years ended March 31	Thousands of shares	
	2020	2019
Weighted-average number of shares of common stock outstanding	343,101	349,006

Net assets per share are computed based on the net assets available for distribution to the shareholders of common stock and the number of shares of common stock outstanding on each balance sheet date.

As of March 31	Yen		U.S. dollars
	2020	2019	2020
Net assets per share of common stock	¥ 3,249.27	¥ 3,340.15	\$ 29.85

20. ASSET RETIREMENT OBLIGATIONS

a. Asset Retirement Obligations Recognized in the Consolidated Balance Sheets on March 31, 2020 and 2019

The Company and its consolidated subsidiaries have, in connection with some buildings and land, entered into real estate lease contracts with terms ranging from 5 to 46 years for the years ended March 31, 2020 and 2019. Asset retirement obligations have been recognized in light of the obligation of the Company and its consolidated subsidiaries to the owners of the buildings and land to remove facilities from the leased real estate at the end of those contracts. The obligations as of March 31, 2020 and 2019 have been calculated with expected useful lives ranging from 5 to 46 years with discount rates ranging from Δ 0.2% to 2.5%.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2020 and 2019:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 8,657	¥ 3,988	\$ 79,546
Increase due to purchases of tangible fixed assets	3	2	27
Increase due to changes in estimated obligations	360	5,031	3,307
Accretion due to the passage of time	63	58	578
Decrease due to settlement	(0)	(423)	(0)
Balance at end of period	¥ 9,084	¥ 8,657	\$ 83,469

b. Asset Retirement Obligations Not Recognized in the Consolidated Balance Sheets as of March 31, 2020 and 2019

The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on permission for national property use and based on a real estate rental contract for national property, and have an obligation to remove their facilities from the leased real estate. The Company and its consolidated subsidiaries have an important role in public traffic, and depend on the trends at the aviation administrations of each country. For this reason, with regard to rented airport-related facilities, the time of building removal and withdrawal cannot be determined at the discretion of the Company and its consolidated subsidiaries alone. Moreover, since there is also no schedule for building removal and withdrawal at present, asset retirement obligations cannot be reasonably estimated. Therefore, the resulting asset retirement obligations have not been calculated.

21. SEGMENT INFORMATION

The reportable segments of the Company and its consolidated subsidiaries comprise components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors for decisions about resource allocation and performance assessments. Air transportation includes international and domestic passenger operations, cargo operations and other transportation services.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in "Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." Inter-group sales are recorded under the same conditions used in transactions with third parties.

Millions of yen					
Year ended March 31, 2020	Air transportation	Other	Total	Eliminations	Consolidated
Operating revenue:					
External	¥ 1,172,684	¥ 238,545	¥ 1,411,230	¥ —	¥ 1,411,230
Intersegment	112,115	36,952	149,067	(149,067)	—
Total	1,284,800	275,497	1,560,298	(149,067)	1,411,230
Segment profit	85,936	15,066	101,003	(370)	100,632
Assets	1,791,385	172,515	1,963,901	(104,538)	1,859,362
Depreciation and amortization	136,226	1,821	138,047	(11)	138,035
Impairment loss	543	1,416	1,959	—	1,959
Investments in entities accounted for using equity method	6,756	24,222	30,979	—	30,979
Increase in tangible fixed assets and intangible assets	¥ 238,643	¥ 2,921	¥ 241,564	¥ (59)	¥ 241,504

Thousands of U.S. dollars					
Year ended March 31, 2020	Air transportation	Other	Total	Eliminations	Consolidated
Operating revenue:					
External	\$ 10,775,374	\$ 2,191,904	\$ 12,967,288	\$ —	\$ 12,967,288
Intersegment	1,030,184	339,538	1,369,723	(1,369,723)	—
Total	11,805,568	2,531,443	14,337,021	(1,369,723)	12,967,288
Segment profit	789,635	138,436	928,080	(3,399)	924,671
Assets	16,460,396	1,585,178	18,045,584	(960,562)	17,085,013
Depreciation and amortization	1,251,732	16,732	1,268,464	(101)	1,268,354
Impairment loss	4,989	13,011	18,000	—	18,000
Investments in entities accounted for using equity method	62,078	222,567	284,654	—	284,654
Increase in tangible fixed assets and intangible assets	\$ 2,192,805	\$ 26,840	\$ 2,219,645	\$ (542)	\$ 2,219,093

	Millions of yen				
Year ended March 31, 2019	Air transportation	Other	Total	Eliminations	Consolidated
Operating revenue:					
External	¥ 1,234,497	¥ 252,764	¥ 1,487,261	¥ —	¥ 1,487,261
Intersegment	123,105	35,425	158,531	(158,531)	—
Total	1,357,603	288,190	1,645,793	(158,531)	1,487,261
Segment profit	162,316	13,880	176,196	(36)	176,160
Assets	1,971,986	189,582	2,161,569	(131,240)	2,030,328
Depreciation and amortization	121,863	2,249	124,113	(9)	124,104
Impairment loss	7,898	—	7,898	—	7,898
Investments in entities accounted for using equity method	8,246	23,323	31,570	—	31,570
Increase in tangible fixed assets and intangible assets	¥ 221,708	¥ 1,768	¥ 223,477	¥ —	¥ 223,477

Information Related to Changes in the Reportable Segments, etc.

(Change of the Useful Life)

As described in “Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,” the Company has modified systems related to some aircraft engine parts and cabin assets in order to ensure depreciation more precisely reflecting the estimated periods over which an asset is expected to be economically usable. As a result, the determination of the useful life of some aircraft engine parts and cabin assets has been changed from the year ended March 31, 2020.

Following this change, segment profit decreased by ¥8,060 million (\$74,060 thousand) in the air transportation business segment.

Information by Geographical Area

Operating revenue from overseas operations, which include international passenger and cargo services of domestic consolidated airline subsidiaries rendered during the years ended March 31, 2020 and 2019, export sales of domestic consolidated subsidiaries and sales of consolidated subsidiaries outside Japan for the years ended March 31, 2020 and 2019 were as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Asia and Oceania	¥ 233,760	¥ 274,167	\$ 2,147,937
North America	225,151	236,802	2,068,832
Europe	90,593	100,944	832,426
Total	¥ 549,505	¥ 611,914	\$ 5,049,205

22. RELATED-PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2020 and 2019.

23. SUBSEQUENT EVENTS

Borrowing of Significant Funds

Based on the resolution of the board of directors held on April 22, 2020, the Company borrowed funds as summarized below.

(1) Purpose for funding	Capital expenditures
(2) Lending institutions	MUFG Bank, Ltd., Mizuho Bank, Ltd. and two other banks
(3) Loan amount	¥88,479 million (\$813,001 thousand)
(4) Interest rate	Base interest rate plus the spread
(5) Date of borrowing	June 9, 2020
(6) Repayment due dates	From December 9, 2020 to June 9, 2030
(7) Assets pledged as collateral	Flight equipment