

[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, 2020 [IFRS]

Company name	Japan Airlines Co., Ltd	October 30, 2020
Stock Listing	Tokyo Stock Exchange	
Code No.	9201	URL: http://www.jal.com
Representative	Yuji Akasaka, President	
Contact	Yuichiro Kito, General Manager, Finance	Phone: +81-3-5460-3121
Scheduled date for filing of Quarterly Report:	November 2, 2020	
Scheduled date for dividend payment:	Not Applicable	
Supplementary explanations of the 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, 2020 (April 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Revenue		Profit before financing and income tax (Loss in brackets)		Profit before tax (Loss in brackets)		Profit attributable to owners of parent (Loss in brackets)		Comprehensive income (Loss in brackets)	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended September 30, 2020	194,791	(74.0)	(223,972)	—	(228,252)	—	(161,226)	—	(145,404)	—
Six months ended September 30, 2019	748,923	—	82,943	—	82,247	—	54,163	—	51,325	—

	Basic earnings per share (Loss in brackets)	Diluted earnings per share
Six months ended September 30, 2020	Yen (478.41)	Yen —
Six months ended September 30, 2019	156.39	—

(Note) Profit before financing and income tax represents as index to monitor, compare and evaluate the JAL Group's performance continuously. Profit before financing and income tax is Profit from which Income tax expense, Interest, and Finance income and expense are deducted.

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets (%)	Equity per share attributable to owners of the parent
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2020	1,994,361	904,163	870,348	43.6	2,582.58
As of March 31, 2019	1,982,254	1,049,617	1,014,295	51.2	3,009.71

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, 2020	—	55.00	—	0.00	55.00
Year Ending March 31, 2021	—	0.00	—	—	—
Year Ending March 31, 2021 (Forecast)	—	—	—	—	—

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

No interim dividends per share are paid for the fiscal year ending March 2021, considering the spread of COVID-19.

For the forecast of dividends per share for the fiscal year ending March 2021, it remains undetermined at this moment.

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

(Percentage compared to prior year)

	Revenue		Profit before financing and income tax (Loss in brackets)		Profit attributable to owners of parent (Loss in brackets)	
	Millions of Yen	%	Millions of Yen		Millions of Yen	
Entire	530,000	(61.8)	(380,000)	—	(270,000)	—
Fiscal Year	—600,000	—(56.7)	—(330,000)		—(240,000)	

(Note)Revisions to the most recently disclosed earnings forecast: Yes

Notes

(1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2020: None

(2) Changes in accounting policies/changes in accounting estimates

1) Changes in accounting policies due to revisions in accounting standards under IFRS: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: Yes

(Note) For details, please refer to “2. Condensed quarterly consolidated financial statement and primary notes (5) Notes for Condensed Quarterly Consolidated Financial Statements (Changes in Accounting Estimates)” in p.15 of the Attachment.

(3) Number of shares issued (common stock)

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

As of September 30, 2020 : 337,143,500

As of March 31, 2020 : 337,143,500

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

As of September 30, 2020 : 136,157

As of March 31, 2020 : 136,157

(c) Average number of shares outstanding

During the six months ended September 30, 2020 : 337,007,343

During the six months ended September 30, 2019 : 346,278,420

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. However it does not mean that we guarantee its achievement. Actual results may differ from such forward-looking statements for a variety of reasons. Please refer to “1. Qualitative Information concerning Financial Results for the Second Quarter of FY2020 (3) Explanations of Forecast of Consolidated Financial Results” in the Attachment for the assumptions used and other notes.

(Adoption of International Financial Reporting Standards (IFRS))

IFRS is applied from the fiscal year ending March 31, 2021, instead of the Japanese standard. Accordingly, the figures in the previous cumulative quarterly consolidated fiscal year and the previous consolidated fiscal year are also calculated in IFRS as well for comparison analysis.

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

Attachment

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1. Qualitative Information concerning Financial Results for the Second Quarter of FY 2020

(1) Explanation of Operating Results

The revenue decreased by 74.0% year on year to 194.7 billion yen, the operating expense decreased by 37.5 % year on year to 419.4 billion yen, the loss/earning before financing and income tax (hereinafter referred as “EBIT”) was the loss of 223.9 billion yen (EBIT 82.9 billion yen in the same period in the previous year). The loss attributable to owners of the parent for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020 hereinafter referred as the “Second Quarter Period”) was 161.2 billion yen (the profit attributable to owners of the parent 54.1 billion yen in the same period in the previous year) partly affected by the decrease in Income tax expense by 65.5 billion yen.

Consolidated financial results are as follows.

(JPY Bn)	Six months ended September 30, 2019	Six months ended September 30, 2020	% or points compared to prior period
Revenue	748.9	194.7	26.0%
International Passenger	272.9	9.1	3.4%
Domestic Passenger	285.8	69.6	24.4%
Cargo/Mail	45.1	53.4	118.4%
Others	145.0	62.5	43.1%
Operating Expense	671.5	419.4	62.5%
Fuel	127.7	44.6	35.0%
Excluding Fuel	543.7	374.7	68.9%
Profit or loss before financing and income tax (EBIT) (Loss in brackets)	82.9	(223.9)	—
EBIT Margin (%)	11.1	(115.0)	(126.1)
Profit or loss attributable to owners of the parent (Loss in brackets)	54.1	(161.2)	—

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

※: Profit before financing and income tax is defined as EBIT for the JAL Group. EBIT is calculated as Profit excluding Income tax expense, Interest, and Finance income and expense.

※: EBIT Margin=EBIT/Revenue.

The world and Japanese economy have rapidly deteriorated, with the spread of COVID-19 and have stagnated globally in the Second Quarter period of FY2020.

The airline industry has been also unprecedentedly affected to fall into very difficult circumstances. The worldwide spread of COVID-19 infection has imposed severe restriction on international travel globally, continuing to cause the international passenger demand to almost disappear except for demand of returnees and correspondents in locations abroad. The domestic passenger demand also fell rapidly and unprecedentedly as people avoid unnecessary inter-prefecture travel.

In some countries and areas, the spread of COVID-19 infection has weakened, and relaxation of restriction on international travel between these countries and Japan under certain conditions has been discussed and agreed. However, many countries and areas still show no sign of slowing down of the spread, which makes the recovery of international passenger demand unforeseeable. On the other hand, the domestic passenger demand which had gradually recovered since late June experienced severe downturn in August, the season when high demand is usually expected, due to the resurgence of COVID-19 cases around Japan. Japan is still struggling to find how to resume economic activities with infection prevention measures, thus it is expected to take more time for the domestic passenger demand to make a full recovery. Under the uncertainty of business environment, the JAL Group regretfully suspended the hiring process of new graduates for FY2021.

Amid this business environment, putting infection prevention for passengers and employees and infection prevention aircraft as the first priority, the JAL Group has been seeking to fulfill its responsibilities as public transportation operator by sustaining domestic air transport network for passengers who need to travel. Also, it operated chartered rescue flights between Thailand, India, Russia, the United States, China and Japan for those who wanted to return to their homelands, and offered transportation service of daily necessities for correspondents and their families abroad of Japanese companies and of foreign companies that have a branch in Japan. To ensure safety and security, the JAL Group has implemented hygiene measures recommended by the guidance of International Civil Aviation Organization (ICAO) such as asking for cooperation from passengers to take temperature check before boarding, to keep social distances and to wear masks on board, regular and frequent disinfecting of airport facilities and aircrafts and setting partition to prevent infection.

To weather this rapidly-decreasing demand, we are making continuous efforts of reducing our capacity to minimize our variable expense such as operating cost, together with fixed cost reduction by in-sourcing operations instead of outsourcing, reducing IT expenditure and reducing personnel cost including voluntary return of executive officer's compensation, cancellation of stock-linked compensation and employee bonus cut. We will make a further fixed cost reduction to cover the effect on our performance of slow demand recovery.

As the passenger and flight number decreases, the workload of employees that are closely related to flight operation also decreases. The JAL Group uses this occasion to capture growth beyond COVID-19, by reviewing operation manuals or enhancing training to improve each employee's ability. Also, we have been actively leveraging our human resources in various fields by assisting testing and quarantine capacity expansion at airports through or by sending employees to various industries around airports.

In the current unprecedented situation, the Japanese government assists the airline industry with public support including deferral or exemption of landing fees and jet fuel tax. Also, we utilized extension of the special measures for employment adjustment grants and applied for the subsidy for its educational training. We would like to show our sincere gratitude for the support.

We will ensure flight safety and prevention of further spread of COVID-19. With those supports, we will pursue further cost reduction and then survive this hardship and prepare for recovery. The JAL Group will continue to increase its revenue as much as possible with keeping a close eye on the spread of COVID-19 in Japan and the world, the outlook of the world and Japanese economy, and the passenger travel demand, by collaborating with the central and municipal governments in the initiatives for demand recovery and by implementing appropriate measures to increase sales in a timely manner.

Hereinafter our business in the second quarter period is summarized as below:

Regarding "Safety", the fundamental of our business and our management goal, we have maintained a high standard in our mindset on aviation safety, sustained knowledge and skills for the operation of safe flight. We have taken various measures for safety that supports our quick recovery. In order to provide a safe and secure flight experience, we are taking infection prevention measures in the airports and aircrafts. We have started to trial touchless check-in kiosks, facial recognition payment system and avatar type remote guidance service. In order to improve "Customer Satisfaction", another management goal, JAL refreshed its domestic and global website in this April. By this renovation, customers now can search and book both domestic and international flight tickets more smoothly.

Then, each business domain's situation in the second quarter is summarized below:

In international passenger operations, there was a limited demand for travel by returnees and correspondents transferring to their locations abroad and by transit passengers from Asia to North America. As a result, the available seat kilometers (ASK) decreased by 88.1% year on year, the passenger traffic decreased by 97.7% year on year, the revenue passenger kilometers (RPK) decreased by 97.2% year on year, and the load factor resulted in 20.8%.

In domestic passenger operations, both business travel and leisure demand had shown recovery since May, when demand bottomed out, while demand plunged again from July to August due to resurgence of the COVID-19 cases. Leisure demand, however, has indicated increasing recovery trend in September, when the passenger demand marked about 60% of the same period of the previous year during the long weekend. We started to offer new travel packages such as a tour that secures customers' social distance, round charter tour to and from Narita and tour that can be used for "workation", the concept that satisfies needs both for work and vacation at the same time. We made our best efforts to stimulate demand and improve earnings. As a result, the available seat kilometers (ASK) decreased by 51.4% year on year, the passenger traffic decreased by 76.1% year on year, the revenue passenger kilometers (RPK) decreased by 75.8% year on year, and the load factor resulted in 39.8%.

In cargo operations, most of airlines reduced their cargo capacity by cancellation of flights and the demand-supply situation became tightened. In such circumstances, the JAL Group has been striving to support logistics domestically and globally by operating passenger aircraft for cargo flights to carry medical supplies such as medical masks or protective clothing. As a result of our active operation of cargo flights and change in the supply-demand situation by reduced passenger flights, cargo revenue increased by 21.9% year on year.

Despite this severe market environment, the JAL Group is thriving to generate new products, services and businesses. During this second quarter period, ZIPAIR Tokyo, the JAL Group's international mid and long-haul low-cost carrier, started its operation to Bangkok and Seoul as a cargo flight and will advance to launch passenger flight service. We have advanced our efforts in air mobility area as well. It is expected that there will be an increasing usage of Unmanned Aerial Vehicle (UAV) such as drone, and we launched a training program for UAV pilots, utilizing the know-how of pilot training of the JAL Group. In addition, we entered into a cooperation agreement with Volocopter, which develops eVTOL (electric Vertical Take-Off and Landing) to provide new transportation service for passengers and goods. To fulfill its social mission as a public transportation provider, the JAL Group is working to revitalize regional communities. We started offering "JAL Online Trip", combining digital contents and material products such as local specialties and providing them as one package that allows customers to have

a simulated travel experience. In addition, the JAL Group introduced “home ambassador”, the system that distributes flight attendants to various areas in Japan and helps revitalization of local communities.

Financial results of each segment are as follows.

Air Transportation Segment

In the second quarter period, Revenue in Air Transportation Segment decreased by 73.9% year on year to 177.2 billion yen and the loss before investing, financing and income tax (hereinafter referred as “Segment profit (or loss)”) was 225.4 billion yen (segment profit 75.6 billion yen in the same period in the previous year).

(Revenue and Segment profit (or loss) are before elimination of transactions between segments.)

The international passenger revenue was 9.1 billion yen, or down 96.6 % year on year.

The domestic passenger revenue was 69.6 billion yen, or down 75.6 % year on year.

The cargo and mail revenue was 53.4 billion yen, or up 18.4 % year on year.

Consolidated Traffic Results

	Six months ended September 30, 2019	Six months ended September 30, 2020	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	4,946,343	112,083	2.3%
Revenue passenger km (1,000 passenger-km)	24,716,502	687,800	2.8%
Available seat km (thousands)	27,835,150	3,303,675	11.9%
Revenue passenger-load factor (%)	88.8	20.8	(68.0)
Revenue cargo ton-km (thousands)	1,212,362	775,661	64.0%
Mail ton-km (thousands)	82,852	66,097	79.8%
DOMESTIC			
Revenue passengers carried (number of passengers)	19,409,148	4,644,666	23.9%
Revenue passenger km (1,000 passenger-km)	14,703,494	3,555,825	24.2%
Available seat km (thousands)	18,387,206	8,938,383	48.6%
Revenue passenger-load factor (%)	80.0	39.8	(40.2)
Revenue cargo ton-km (thousands)	165,648	113,694	68.6%
Mail ton-km (thousands)	12,068	9,370	77.6%
TOTAL			
Revenue passengers carried (number of passengers)	24,355,491	4,756,749	19.5%
Revenue passenger km (1,000 passenger-km)	39,419,997	4,243,626	10.8%
Available seat km (thousands)	46,222,356	12,242,059	26.5%
Revenue passenger-load factor (%)	85.3	34.7	(50.6)
Revenue cargo ton-km (thousands)	1,378,010	889,356	64.5%
Mail ton-km (thousands)	94,921	75,467	79.5%

- Revenue Passenger Kilometers (RPK) is the number of fare-paying passengers multiplied by the distance flown (km).
Available Seat Kilometers (ASK) is the number of available seats multiplied by the distance flown (km).
Revenue Cargo Ton Kilometers (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
- The distance flown between two points, used for calculations of RPK, ASK and RCTK above is based on the great-circle distance and according to statistical data from IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization).
- 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.
- From FY2020, upon the application of IFRS, passengers flying with mileage award tickets are included as fare-paying passengers, and those passengers are included in Revenue passenger carried, Revenue passenger km and Revenue passenger-load factor. These changes are reflected in the corresponding figures in FY2019.
- For International Revenue passenger carried and International Revenue passenger km, Japan Airline's sales with codeshare flights operated by oneworld alliance member carriers except joint venture partners is excluded from FY2020. This change is also reflected in the corresponding figures in FY2019.

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

The assets in second quarter period increased by 12.1 billion yen from the end of the previous consolidated fiscal year to 1 trillion and 994.3 billion yen. Out of the current assets, Cash and Cash equivalents increased by 17.5 billion yen to 346.6 billion yen due to swift financing. Trade and other receivables decreased by 30.8 billion yen due to the decrease of International Passenger Revenue. Then, Current assets decreased by 22.5 billion yen from the end of the previous consolidated fiscal year to 485.9 billion yen. Non-current assets increased by 34.6 billion yen to 1 trillion and 508.4 billion yen through the increase of Deferred tax assets and the decreased of Flight equipment.

The liabilities increased by 157.5 billion yen from the end of the previous consolidated fiscal year to 1 trillion and 90.1 billion yen due to the financing of approximately 230.0 billion yen to ensure enough liquidity at hand.

The equity decreased by 145.4 billion yen from the end of the previous consolidated fiscal year to 904.1 billion yen, as a result of loss attributable to owner of the parent of 161.2 billion yen.

The JAL Group has taken steps to raise fund backed by its strong financial position, and has borrowed, as of date, an additional approximately 300 billion yen from financial institutions since February 2020 when the spread of COVID-19 became apparent, in several countries. We have also secured a 200 billion yen credit line that remains unused as of today. As result, we have nimbly raised fund totaling approximately 500 billion yen. In addition, we are reducing monthly cash burn (sum of operating cash flow and repayment of interest-bearing debts) to below 20 billion yen from approximately 45 billion yen to 50 billion yen during the first quarter period through the efforts to reduce cost and minimize investment. Through these efforts, we have secured necessary liquidity at hand to prepare for the possibility where effect of the spread of COVID-19 infection is prolonged.

We will continue to make every effort to secure liquidity at hand and promptly implement financial policies that contribute to the stabilization of management.

(Outline of Cash Flows)

Cash and cash equivalents at end of first quarter period increased by 17.5 billion yen from the end of the previous consolidated fiscal year to 346.6 billion yen.

① Cash Flows from Operating Activities

As a total of quarterly loss before tax of 228.2 billion yen, non-cash expenses like depreciation, and Trade and other payables and receivables, cash flow from operating activities (outflow) was 149.9 billion yen (cash inflow of 38.1 billion yen in the same period of the previous year).

② Cash Flows from Investing Activities

Cash flow from investing activities (outflow) was 39.2 billion yen mainly due to acquisition of Fixed assets (cash outflow of 103.9 billion yen in the same period of the previous year).

③ Cash Flows from Financing Activities

Cash flow from financing activities (inflow) was 206.8 billion yen mainly due to long term debts (cash outflow of 60.3 billion yen in the same period of the previous year).

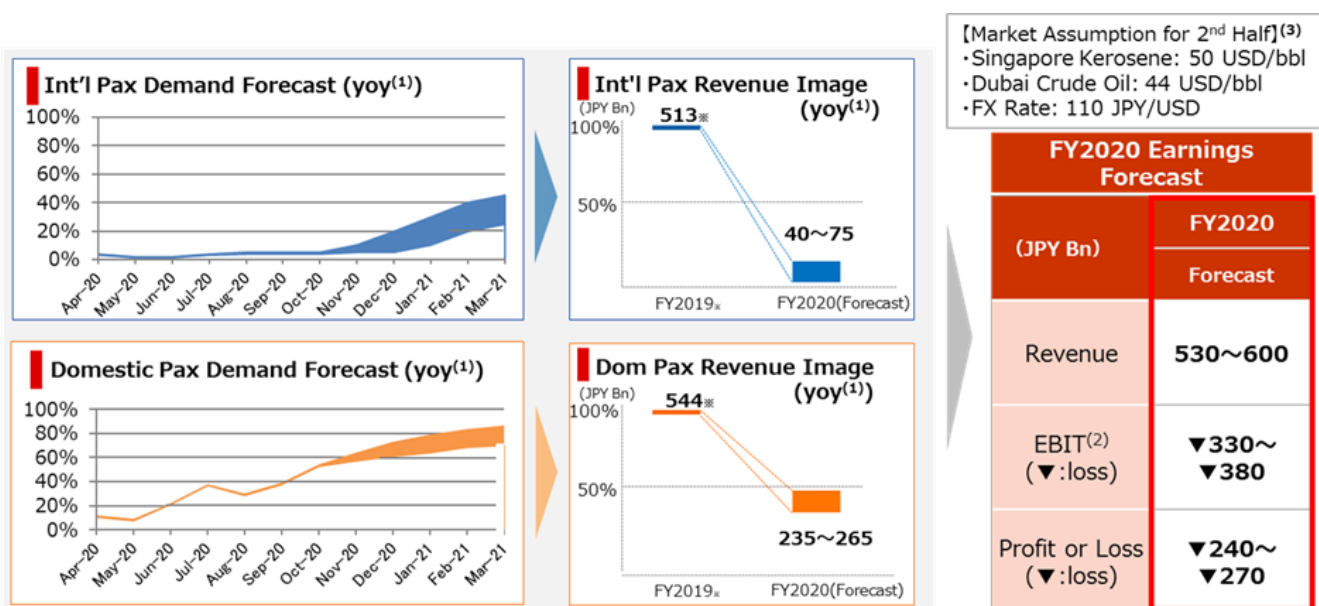
(3) Explanations of Forecast of Consolidated Financial Results

At present, it is difficult to foresee a recovery of international passenger demand while the decrease of domestic passenger demand due to the spread of COVID-19 infection bottomed out and domestic passenger demand has been showing a certain recovery.

It is extremely difficult to disclose a certain forecast of a recovery of international and domestic passenger demand at present because these figures may significantly fluctuate depending on circumstances surrounding COVID-19 and on situations of border closure and travel restrictions by governments. However, we would like to show our estimates on recovery of international and domestic passenger demand with a certain range, considering the latest circumstances and recent events toward relaxation of restrictions on international travel, taking into account various factors including recent demand trend together with the IATA forecast, the spread of COVID-19 situation and the ease of travel restrictions by governments. We added our assumption of further cost reduction to the demand recovery estimates, resulting in our estimate revenue for this fiscal year to be between 530.0 billion yen to 600.0 billion yen, EBIT to be between (330.0) billion yen to (380.0) billion yen, and the loss attributable to owners of parent to be between (240.0) billion yen to (270.0) billion yen.

From now on, despite the uncertainty of the environment, we will try to reduce loss by reducing as much fixed cost as possible and by increasing as much revenue as possible as we cope with the demand supply situation flexibly.

Our forecast of EBIT for the fiscal year ending March, 2021 includes impairment losses due to early retirement of aircraft. It is expected that change in price of aircraft fuel and exchange rate will have a limited impact on earnings since hedge rate of second half is just over approximately 60% due to rapid downsizing of business.



- (1) FY2019 numbers are based on the revised forecast that was disclosed at FY19Q3 Financial Results announced on January 31, 2020
- (2) EBIT includes impairment loss
- (3) Even if the assumptions remain unchanged, the actual passenger revenue results may not fall within the range described above

(4) Dividends

Due to the spread of COVID-19 since February 2020, the airline industry including the JAL Group has been severely affected. In this second quarter period, EBIT decreased to loss of 223.9 billion yen and is forecasted to be between (330.0) billion yen to (380.0) billion yen for the fiscal year ending March, 2021.

Considering the above, we determined to pursue liquidity at hand and to prevent current financial status from becoming worse as our first priority.

Therefore, we regret that we determined at the Board meeting on August 3, 2020 not to pay interim dividends. We sincerely apologize to our shareholders and investors and would like to ask for their understanding amid the very difficult situation that we are currently in.

For the forecast of the year-end dividends per share and the total dividends per share for the fiscal year ending March 2021, it will be undetermined because we will examine again with the latest circumstances surrounding COVID-19, the timing and level of recovery of international passenger demand, and our financial situation by then.

2. Condensed quarterly consolidated financial statement and primary notes

(1) Condensed quarterly consolidated statement of financial position

	The date of transition to IFRS (April 1,2019)	As of March 31, 2020	As of September 30, 2020
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	522,064	329,149	346,685
Trade and other receivables	144,053	94,071	63,249
Other financial assets	5,067	1,305	4,288
Inventories	23,682	28,409	27,619
Other current assets	46,442	55,500	44,061
Total current assets	741,309	508,435	485,904
Non-current assets			
Tangible fixed assets			
Flight equipment	795,439	894,835	857,006
Advances on flight equipment	138,569	102,519	117,405
Other tangible fixed assets	77,495	86,462	90,031
Total tangible fixed assets	1,011,504	1,083,817	1,064,443
Intangible assets	92,255	95,777	94,073
Investments accounted for using equity method	31,697	31,105	25,055
Other financial assets	119,515	120,218	123,228
Deferred tax assets	143,422	122,323	182,165
Retirement benefit asset	1,178	938	972
Other non-current assets	12,765	19,638	18,518
Total non-current assets	1,412,338	1,473,819	1,508,457
Total assets	2,153,648	1,982,254	1,994,361

	The date of transition to IFRS (April 1,2019)	As of March 31, 2020	As of September 30, 2020
	Millions of yen	Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	137,684	125,208	86,050
Interest-bearing liabilities	38,408	38,618	50,900
Other financial liabilities	39,108	51,065	40,468
Income taxes payable	19,192	2,824	2,602
Contract liabilities	294,663	251,809	215,213
Provisions	—	1,220	1,502
Other current liabilities	49,916	30,903	39,709
Total current liabilities	578,972	501,651	436,448
Non-current liabilities			
Interest-bearing liabilities	185,920	238,811	450,250
Other financial liabilities	8,771	13,913	21,013
Deferred tax liabilities	163	222	119
Provisions	14,594	14,645	17,570
Retirement benefit liability	256,305	151,330	152,319
Other non-current liabilities	13,243	12,062	12,474
Total non-current liabilities	478,999	430,985	653,749
Total liabilities	1,057,972	932,637	1,090,197
Equity			
Share capital	181,352	181,352	181,352
Capital surplus	182,437	182,437	182,437
Retained earnings	666,030	645,408	483,883
Treasury shares	(408)	(408)	(408)
Accumulated other comprehensive income			
Financial assets measured at fair value through other comprehensive income	31,097	28,793	32,593
Effective portion of cash flow hedges	1,837	(23,146)	(9,247)
Exchange differences on translation of foreign operations	—	(141)	(261)
Total accumulated other comprehensive income	32,934	5,506	23,083
Total equity attributable to owners of parent	1,062,345	1,014,295	870,348
Non-controlling interests	33,330	35,321	33,814
Total equity	1,095,675	1,049,617	904,163
Total liabilities and equity	2,153,648	1,982,254	1,994,361

(2) Condensed quarterly consolidated statement of profit or loss and other comprehensive income

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Millions of yen	Millions of yen
Revenue		
International passenger revenue	272,916	9,173
Domestic passenger revenue	285,803	69,616
Other revenue	190,203	116,001
Total revenue	748,923	194,791
Other income	2,909	5,348
Operating expenses		
Personnel expenses	(151,139)	(130,863)
Aircraft fuel	(127,759)	(44,680)
Depreciation, amortization and impairment losses	(81,134)	(88,935)
Other operating expenses	(311,472)	(154,990)
Total operating expenses	(671,505)	(419,470)
Operating profit (Loss in brackets)	80,326	(219,330)
Share of profit of investments accounted for using equity method	2,084	(6,084)
Profit before investing, financing and income tax (Loss in brackets)	82,411	(225,414)
Income/expenses from investments		
Investing income	1,590	1,572
Investing expenses	(1,059)	(130)
Profit before financing and income tax (Loss in brackets)	82,943	(223,972)
Finance income/expenses		
Finance income	514	745
Finance expenses	(1,209)	(5,026)
Profit before tax (Loss in brackets)	82,247	(228,252)
Income tax expense	(25,346)	65,514
Profit (Loss in brackets)	56,900	(162,738)
Profit attributable to		
owners of parent	54,163	(161,226)
Non-controlling interests	2,737	(1,512)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		
Share of other comprehensive income of investments accounted for using equity method	2,066	3,540
Total of items that will not be reclassified to profit or loss	(27)	(7)
Other comprehensive income	2,038	3,532
Other comprehensive income		
Items that will not be reclassified to profit or loss	(6,855)	13,155
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(279)	(115)
Share of other comprehensive income of investments accounted for using equity method	(478)	761
Total of items that will not be reclassified to profit or loss	(7,614)	13,801
Other comprehensive income	(5,575)	17,334
Items that will not be reclassified to profit or loss	51,325	(145,404)

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Millions of yen	Millions of yen
Comprehensive income attributable to		
Owners of parent	48,617	(143,897)
Non-controlling interests	2,708	(1,507)
Earnings per share		
Basic earnings per share		
Diluted earnings per share (Loss in brackets)	156.39	(478.41)
Comprehensive income attributable to		

(3) Condensed quarterly consolidated statement of changes in equity

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

Equity attributable to owners of parent

	Share capital	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income	
					Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2019	181,352	182,437	666,030	(408)	31,097	1,837
Profit (Loss in brackets)	—	—	54,163	—	—	—
Other comprehensive income	—	—	—	—	2,014	(7,296)
Comprehensive income	—	—	54,163	—	2,014	(7,296)
Dividends	—	—	(19,189)	—	—	—
Transfer to non-financial assets	—	—	—	—	—	51
Purchase of treasury shares	—	—	—	(19,999)	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Increase (decrease) by change in equity in affiliates accounted for by equity method	—	(0)	—	—	—	—
Transfer to retained earnings	—	—	(611)	—	611	—
Total transactions with owners	—	(0)	(19,801)	(19,999)	611	51
Balance as of September 30, 2019	181,352	182,437	700,392	(20,407)	33,722	(5,407)

Equity attributable to owners of parent

	Accumulated other comprehensive income		Total Equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total accumulated other comprehensive income			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2019	—	32,934	1,062,345	33,330	1,095,675
Profit (Loss in brackets)	—	—	54,163	2,737	56,900
Other comprehensive income	(263)	(5,546)	(5,546)	(29)	(5,575)
Comprehensive income	(263)	(5,546)	48,617	2,708	51,325
Dividends	—	—	(19,189)	(2,376)	(21,566)
Transfer to non-financial assets	—	51	51	—	51
Purchase of treasury shares	—	—	(19,999)	—	(19,999)
Acquisition of subsidiaries	—	—	—	98	98
Changes in ownership interest in subsidiaries	—	—	—	328	328
Increase (decrease) by change in equity in affiliates accounted for by equity method	—	—	(0)	0	—
Transfer to retained earnings	—	611	—	—	—
Total transactions with owners	—	663	(39,136)	(1,950)	(41,087)
Balance as of September 30, 2019	(263)	28,051	1,071,825	34,088	1,105,913

Consolidated financial results for the first quarter of FY2020 (April 1, 2020 to September 30, 2020)

Equity attributable to owners of parent

	Share capital	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income	
					Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2020	181,352	182,437	645,408	(408)	28,793	Δ23,146
Profit (Loss in brackets)	—	—	(161,226)	—	—	—
Other comprehensive income	—	—	—	—	3,501	13,947
Comprehensive income	—	—	(161,226)	—	3,501	13,947
Dividends	—	—	—	—	—	—
Transfer to non-financial assets	—	—	—	—	—	Δ48
Purchase of treasury shares	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Increase (decrease) by change in equity in affiliates accounted for by equity method	—	—	—	—	—	—
Transfer to retained earnings	—	—	(297)	—	297	—
Total transactions with owners	—	—	(297)	—	297	Δ48
Balance as of September 30, 2019	181,352	182,437	483,883	Δ408	32,593	Δ9,247

Equity attributable to owners of parent

	Accumulated other comprehensive income		Total Equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total accumulated other comprehensive income			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2020	(141)	5,506	1,014,295	35,321	1,049,617
Profit (Loss in brackets)	—	—	(161,226)	(1,512)	(162,738)
Other comprehensive income	(120)	17,328	17,328	5	17,334
Comprehensive income	(120)	17,328	(143,897)	(1,507)	(145,404)
Dividends	—	—	—	—	—
Transfer to non-financial assets	—	(48)	(48)	—	(48)
Purchase of treasury shares	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—
Increase (decrease) by change in equity in affiliates accounted for by equity method	—	—	—	—	—
Transfer to retained earnings	—	297	—	—	—
Total transactions with owners	—	249	(48)	—	(48)
Balance as of September 30, 2019	(261)	23,083	870,348	33,814	904,163

(4) Condensed quarterly consolidated statement of cash flows

	Six months ended September 30, 2019	Six months ended September 30, 2020
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax (Loss in brackets)	82,247	(228,252)
Depreciation, amortization and impairment losses	81,134	88,935
Loss (gain) on sale and retirement of fixed assets	1,522	679
Increase (decrease) in retirement benefit liability	(86,451)	986
Interest and dividend income	(1,966)	(1,664)
Interest expenses	672	1,300
Foreign exchange loss (gain)	(865)	(243)
Share of loss (profit) of investments accounted for using equity method	(2,084)	6,084
Decrease (increase) in trade and other receivables	(3,038)	16,662
Decrease (increase) in inventories	(4,067)	1,612
Increase (decrease) in trade and other payables	(9,271)	(34,099)
Increase (decrease) in contract liabilities	13,295	(36,593)
Other, net	(9,882)	22,274
Subtotal	61,244	(162,317)
Income taxes paid	(23,122)	12,363
Net cash provided by (used in) operating activities	38,122	(149,953)
Cash flows from investing activities		
Purchase of non-current assets	(108,162)	(38,468)
Proceeds from sales of non-current assets	1,375	600
Purchase of other financial assets	(1,799)	(6,147)
Proceeds from sale of other financial assets	504	493
Payments for loans receivable	(105)	(130)
Collection of loans receivable	339	388
Interest received	550	283
Dividends received	1,780	1,657
Other, net	1,527	2,069
Net cash provided by (used in) investing activities	(103,987)	(39,254)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(29)	(63)
Proceeds from long-term borrowings	255	230,323
Repayments of long-term borrowings	(6,843)	(7,314)
Purchase of treasury shares	(20,006)	—
Interest paid	(426)	(480)
Dividends paid	(19,180)	(22)
Dividends paid to non-controlling interests	(2,384)	—
Repayments of lease liabilities	(12,357)	(12,118)
Other, net	633	(3,426)
Net cash provided by (used in) financing activities	(60,338)	206,897
Effect of exchange rate changes on cash and cash equivalents	127	(152)
Net increase (decrease) in cash and cash equivalents	(126,075)	17,536
Cash and cash equivalents at beginning of period	522,064	329,149
Cash and cash equivalents at end of period	395,988	346,685

(5) Notes for Condensed quarterly consolidated financial statements

(Reporting company)

Japan Airlines Co., Ltd. (hereinafter the “Company”) is a stock company located in Japan. The registered address of its Head Office is 4-11, 2-chome Higashi-shinagawa, Shinagawa-ku, Tokyo. The Company’s condensed quarterly consolidated financial statements for the six months ended September 30, 2020 consists of the Company and its subsidiaries (the “JAL Group”) and interests in affiliates and jointly controlled entities.

The Company’s main business is the air transportation business. Details of each business are described in Note “5. Segment Information.”

(Basis of preparation)

1) Matters concerning compliance with IFRS and first-time adoption

As the condensed quarterly consolidated financial statements of the JAL Group fulfills requirements of Specified Companies Complying with Designated International Accounting Standards set forth in Article 1-2 of Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, it was prepared in compliance with IAS No. 34 Interim Financial Reporting in accordance with Article 93 of the Regulations.

This condensed quarterly consolidated financial statements were approved by the Board of Directors on August 3, 2020.

The JAL Group adopted International Financial Reporting Standards (hereinafter “IFRS”) from this consolidated fiscal year (April 1, 2020 to March 31, 2021). The consolidated financial statements for this consolidated fiscal year will be the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2019.

On shifting to IFRS, the JAL Group applied IFRS No. 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS No. 1”).

JAL Group’s accounting policy complies with IFRS effective as of September 30, 2020, excluding IFRS not adopted earlier and exemption rules recognized in IFRS No. 1.

2) Functional currency and presentation currency

The JAL Group’s condensed quarterly consolidated financial statements are expressed in Japanese yen, our functional currency, as the presentation currency, and are rounded off to the nearest million yen.

(Going Concern Assumptions)

None

(Changes in the Accounting Estimates)

(Change in duration)

The JAL Group has changed duration for some of its aircrafts to be retired, engines and cabin interiors as a result of the revision in economically usable forecast period.

As a result, the estimated useful lives of these assets have been changed since the first half of the Consolidated Fiscal Year. Accordingly, the operating loss, the loss before investing, financing and income tax, the loss before financing and income tax, and the loss before tax increased by 3,255 million yen in the first half of the Consolidated Fiscal Year.

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

(Revenue)**(1) Breakdown of revenue****Revenue and Segment Revenue****Consolidated financial results for the second quarter of FY2019 (April 1, 2019 to September 30, 2019)**

	Segment				
	Air Transportation	Other	Sub-total	Internal transaction adjustment	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
International					
Passenger operations	272,916	—	272,916	—	—
Cargo and mail-service operation	33,041	—	33,041	—	—
Luggage operations	429	—	429	—	—
Sub-total	306,387	—	306,387	—	—
Domestic					
Passenger operations	285,803	—	285,083	—	—
Cargo and mail-service operation	12,123	—	12,123	—	—
Luggage operations	161	—	161	—	—
Sub-total	298,088	—	298,088	—	—
Total revenues from international and domestic operations	604,476	—	604,476	—	—
Other revenues					
Travel agency Revenue	—	102,986	102,986	—	—
Other	75,948	32,030	107,979	—	—
Total revenues	680,424	135,017	815,442	(66,518)	748,923

(Note) Figures of Segment revenue are before elimination of intra-segment transactions.

Consolidated financial results for the second quarter of FY2020 (April 1, 2020 to September 30, 2020)

	Segment				
	Air Transportation	Other	Sub-total	Internal transaction adjustment	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
International					
Passenger operations	9,173	—	9,173	—	—
Cargo and mail-service operation	41,708	—	41,708	—	—
Luggage operations	113	—	113	—	—
Sub-total	50,995	—	50,995	—	—
Domestic					
Passenger operations	69,616	—	69,616	—	—
Cargo and mail-service operation	11,762	—	11,762	—	—
Luggage operations	90	—	90	—	—
Sub-total	81,469	—	81,469	—	—
Total revenues from international and domestic operations	132,465	—	132,465	—	—
Other revenues					
Travel agency Revenue	—	15,096	15,096	—	—
Other	44,816	24,007	68,823	—	—
Total revenues	177,281	39,104	216,386	(21,594)	194,791

(Note) Figures of Segment revenue are before elimination of intra-segment transactions.

The JAL Group operates “Air Transportation”, mainly in passenger and baggage carriage or mail and cargo handling in both international and domestic routes, and “Other” business.

Revenues arising out of these businesses are recognized in accordance with contracts with customers, and there is no significant financing component in the contracts. None of consideration in contracts with customers is not reflected in transaction prices. The JAL Group operates a customer loyalty program called “JAL Mileage Bank”. Members in the JAL Mileage Bank can collect miles through flights with the airlines in JAL Group or other services, and can redeem them for flights with JAL group or other partners' services. Miles that are expected to be redeemed are identified as performance obligations, and deferred on the statement of financial position as a contract liability. When miles are redeemed for services, revenue is recognized in the statement of profit or loss and other comprehensive income. A transaction value allocated as performance obligations of miles is deferred as contract liabilities in condensed quarterly consolidated statement of financial position, and revenue is recognized as miles are redeemed.

Air Transportation

In the air transportation business segment, the JAL Group provides services related to the international and domestic transportation of passengers, cargo & mail and baggage on aircraft. The main revenues are recognized as follows.

Passenger operations

Passenger revenue is mainly revenue earned from passenger transportation services using aircraft. The JAL Group has the obligation to provide customers with international and domestic air transportation services according to the Conditions of Carriage. The performance obligation is satisfied upon completion of the passenger's air transportation service. The transaction price may fluctuate because we may offer discounts when selling tickets or pay incentives based on the amount of sales. In addition, consideration for a transaction is generally received in advance at a point in time before the performance obligation is satisfied.

Cargo and mail-service operations

Cargo and mail revenues are mainly revenues earned from air cargo and air mail handling operations. The JAL Group has the obligation to provide international and domestic cargo and mail transportation services. The performance obligation is satisfied upon completion of cargo and mail air transportation. The amount of variable consideration including revenue is not significant. Consideration for a transaction is generally received after the completion of cargo and mail air transportation.

Luggage operations

Baggage revenue is mainly revenue earned from baggage transportation services that accompany passenger transportation on aircraft. The JAL Group has the obligation to provide customers with international and domestic air transportation services. The performance obligation is satisfied upon completion of baggage air transportation. Sales including variable consideration is the amount of variable consideration including revenue is not significant. Consideration for a transaction is generally received on the day of baggage transportation.

Other

In “Other” businesses, we are mainly engaged in planning and sales of air travel package tour and a credit card business.

(Segment Information)

(1) Overview of segment reporting

The reportable segments of the JAL Group are components of the Company about which separate financial information is available and evaluated regularly by the Board of Directors in deciding how to allocate resources and evaluating business performance.

The main business operations of the JAL Group are scheduled and nonscheduled international and domestic air transportation services. Therefore, the JAL Group recognizes the “air transportation business” as the reportable segment.

(2) Information on reportable segment

Revenue and business performance by JAL Group’s reportable segment are as follows.

Intersegment sales is based on the current market price.

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

	Reportable segment Air Transportation	Others (Note)1	Total	Adjustment (Note) 2	Consolidated Statement
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue					
Sales to external	626,638	122,284	748,923	—	748,923
Intersegment	53,786	12,732	66,518	(66,518)	—
Total	680,424	135,017	815,442	(66,518)	748,923
Profit or loss before investing, financing and income tax	75,614	6,835	82,450	(38)	82,411
Investing income	—	—	—	—	1,590
Investing expenses	—	—	—	—	(1,059)
Finance income	—	—	—	—	514
Finance expenses	—	—	—	—	(1,209)
Profit before tax	—	—	—	—	82,247

(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 profit before investing, financing and income tax on the condensed quarterly consolidated statement of profit or loss and other comprehensive income.

Consolidated financial results for the second quarter of FY2020 (April 1, 2020 to September 30, 2020)

	Reportable segment Air Transportation	Others (Note)1	Total	Adjustment (Note) 2	Consolidated Statement
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue					
Sales to external	166,493	28,297	194,791	—	194,791
Intersegment	10,787	10,806	21,594	(21,594)	—
Total	177,281	39,104	216,386	(21,594)	194,791
Profit or loss before investing, financing and income tax	(225,421)	8	(225,413)	(1)	(225,414)
Investing income	—	—	—	—	1,572
Investing expenses	—	—	—	—	(130)
Finance income	—	—	—	—	745
Finance expenses	—	—	—	—	(5,026)
Profit before tax	—	—	—	—	(228,252)

(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 profit before investing, financing and income tax on the condensed quarterly consolidated statement of profit or loss and other comprehensive income.

4. The JAL Group has changed duration for some of its aircrafts to be retired, engines and cabin interiors as a result of the revision in economically usable forecast period. Accordingly, the loss before investing, financing and income tax in Air Transportation segment increased by 3,255 million yen in the first half of the Consolidated Fiscal Year.