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Consolidated Financial Statements

Japan Airlines Co.,Ltd. and Subsidiaries

For the Years ended March 31,
2021 and 2020
Together with Independent
Auditor's Report

KPMG AZSA LLC
June 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Japan Airlines Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to consolidated financial statements.

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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reliability of the IT systems providing information on which revenue recognition is based and the reasonableness of significant estimates related to the customer loyalty program</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 24, "Revenue" to the consolidated financial statements, Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as “the Group”) recognized revenue of JPY 431,821 million in the air transportation business segment for the current fiscal year. Of the revenue in the segment, passenger revenue was JPY 201,976 million (consisting of international passenger revenue of JPY 27,969 million and domestic passenger revenue of JPY 174,006 million), which represented approximately 42% of total revenue in the consolidated financial statements.
In addition, the Group recorded contract liabilities of JPY 215,239 million in the consolidated statement of financial position , that were recognized on the receipt of consideration from customers or were recognized as a deferred revenue when the award miles were earned by customers.

The Group recognizes a contract liability for passenger revenue on the receipt of consideration and then recognizes revenue at the time of completion of passenger air transportation services.

Japan Airlines Co., Ltd. (hereinafter collectively referred to as “the Company”) offers the customer loyalty program under which program members earn award miles through the use of passenger air transportation services or other means and can redeem them for services provided by the Group or its alliance partners. The Company recognizes a performance obligation for the award miles earned and defers related revenue as a contract liability, which is thereafter recognized as revenue once the award miles are redeemed. The transaction price for an air transportation ticket is allocated to performance obligations for the passenger air transportation services and the award miles earned on a relative stand-alone selling price basis.

(1) Reliability of the IT systems providing information on which revenue recognition is based
Information on air transportation tickets used in the process of recognizing passenger revenue is generated through the interfaces between different systems and the complex system processing to allocate the air transportation ticket price to each flight section, using a vast volume of transaction data including information obtained from several</td><td>The primary procedures we performed to assess the reliability of the IT systems providing information on which revenue recognition is based and the reasonableness of significant estimates related to the customer loyalty program included the following:

(1) Internal control testing
We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the IT systems providing information on which revenue recognition is based and the estimates related to the customer loyalty program, with a particular focus on the following:
● general IT controls over the relevant IT systems, including access controls and program change controls;
● controls to ensure the accuracy of data transfers between different systems through interfaces and the data processing to allocate the air transportation ticket price to each flight section; and
● controls to ensure that the expiration rates of award miles and the relative composition of services selected by program members when redeeming award miles are appropriately estimated.

(2) Assessment of the accuracy and appropriateness of the timing of revenue recognition
In order to assess the accuracy and appropriateness of the timing of revenue recognition, based on the results of our testing of internal controls described above, we primarily:
● estimated passenger revenue by using an estimated unit price considering the change in air transportation ticket prices reflecting demand fluctuations in the current fiscal year and compared the estimated amount with the amount reported in the consolidated statement of profit or loss and other comprehensive income , and then examined whether the reasons for the difference were reasonable;
● agreed the air ticket data used to recognize passenger revenue on the first day and last day of the current fiscal year with the information</td></tr>
</table>

alliance partners. Information on award miles is also generated through the complex IT system processing involving a wide variety of services for which award miles can be redeemed, including award flights and tours offered by the Group, or award miles can be exchanged, including points and electronic money offered by alliance partners. Accordingly, the entire process of passenger revenue recognition is highly dependent upon the automated controls within the operating systems and involves complex processing using a vast volume of data. Therefore, if data related to air transportation tickets and award miles is not processed accurately or completely by the IT systems, revenue may not be recognized accurately in the appropriate accounting period. (2) Reasonableness of significant estimates related to the customer loyalty program When allocating the transaction price for an air transportation ticket to performance obligations for the passenger air transportation services and the award miles earned, the Company needs to estimate the stand-alone selling price of the award miles, considering the estimated expiration rates of award miles and the relative composition of services selected by program members when redeeming award miles, as well as the impact of the spread of COVID-19 on air travel passenger demand and the utilization of award miles. The estimates of the expiration rates of award miles and the relative composition of services selected by program members included key assumptions requiring significant management judgment and involved a high degree of estimation uncertainty. We, therefore, determined that our assessment of the reliability of the IT systems providing information on which revenue recognition is based and the reasonableness of significant estimates related to the customer loyalty program were one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter .	on actual flights; ● independently extracted and aggregated the data of award mile balances and compared it with the data extracted and aggregated by management to evaluate the accuracy of the data used to calculate the contract liability; and ● evaluated the reasonableness of key assumptions adopted by management to estimate the expiration rates of award miles and the relative composition of services selected by program members when redeeming award miles by analyzing historical trends and the causes of their fluctuations. Especially, we analyzed the impact of the spread of COVID-19 on air travel passenger demand and the utilization of award miles and assessed whether the impact, if any, was appropriately reflected in the estimates of the expiration rates of award miles and the relative composition of services selected by program members when redeeming award miles.

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Appropriateness of management's judgment on the recoverability of deferred tax assets of Japan Airlines Co. Ltd.	
The key audit matter	**How the matter was addressed in our audit**
Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as "the Group") recognized deferred tax assets of JPY 225,886 million in the consolidated statement of financial position for the current fiscal year. As described in Note 15, "Income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to JPY 250,931 million. Of this amount, the gross deferred tax assets held by Japan Airlines Co., Ltd. (hereinafter collectively referred to as "the Company") accounted for JPY 200,447 million, representing approximately 9.5% of total assets in the consolidated financial statements. The amount includes deferred tax assets of JPY 127,951 million related to carryforward of unused tax losses. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and carryforward of unused tax losses can be utilized. In the air transportation business operated by the Company, a global pandemic of an infectious disease would decrease the air travel passenger demand significantly due to the implementation of government regulations on the movement of people including entry and travel restrictions and requests for self-restraint in each country, as well as the voluntary avoidance of air travel by companies and customers at large to prevent infection. Although the Company incurred a significant tax loss for the current fiscal year as a result of the spread of COVID-19, management determined that the above deferred tax assets of JPY 200,447 million would be recoverable on the basis of the forecast that it would be able to generate stable taxable profit in the future. The estimated future taxable profit, which was used to determine the recoverability of deferred tax assets, was based on the mid-term business plan prepared by management. The plan included key assumptions such as: ・The impact of the spread of COVID-19 on air travel passenger demand, the length of time until the recovery of demand, and the forecast of demand after recovery ・The forecast of changes in market conditions related to fuel prices and foreign exchanges	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets of the Company was appropriate included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of projecting future taxable profit, including the development of the mid-term business plan. In this assessment, we particularly focused our testing on controls over the projection of air travel passenger demand and changes in market conditions, which formed the basis for the development of the mid-term business plan. (2) Assessment of the reasonableness of the estimated future taxable profit We evaluated the consistency of the estimated future taxable profit used in determining the recoverability of deferred tax assets with the mid-term business plan, which formed the basis for the taxable profit projections. We then inquired of management and the personnel in charge of the relevant department regarding the basis for key assumptions adopted in preparing the plan, in order to assess the reasonableness of those assumptions. In addition, we primarily: ● compared the impact of the spread of COVID-19 on air travel passenger demand, the length of time until the recovery of demand, and the forecast of demand after recovery with the market forecast reports published by The International Air Transport Association (IATA) and similar demand forecasts announced by other companies in the same industry, for consistency;and ● compared the forecast of changes in market conditions related to fuel prices and foreign exchanges with forecast reports published by external research organizations and the market forecasts published by financial institutions, for consistency. In addition, we independently estimated future taxable profit by incorporating the effect of specific uncertainty into the mid-term business plan, after considering the results of our evaluation of the reasonableness of key assumptions as well as our

There was a high degree of estimation uncertainty because these assumptions included significant management judgment that air travel passenger demand would recover within a certain period and the profit would recover to the level before the spread of COVID-19 by the year ending March 31, 2024. We, therefore, determined that our assessment of the appropriateness of management's judgement on the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	assessment of the achievement of past business plans including the causes of variances with actual results. We then compared the future taxable profit independently estimated with management's estimate and evaluated the conclusion on the recoverability of deferred tax assets.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on non-current assets used in the air transportation business

The key audit matter	How the matter was addressed in our audit
Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as "the Group") recognized tangible fixed assets of JPY1,045,413 million and intangible assets of JPY 89,662 million in the consolidated statement of financial position for the current fiscal year. As described in Note 4, "Significant accounting estimates and judgments" to the consolidated financial statements, the majority of these assets were related to the air transportation business, included in the air transportation business segment. In the current fiscal year, the air transportation business incurred an operating loss due to the spread of COVID-19 and the impact is expected to continue. As result, management determined that there was an impairment indicator for the air transportation business and the Group performed an impairment test. In the impairment testing, the value in use, which was determined by discounting estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks inherent in the asset, was used as the recoverable amount of the air transportation business. The estimated future cash flows used for the impairment testing were based on the mid-term business plan prepared by management. The plan included key assumptions, such as: ・The impact of the spread of COVID-19 on air travel passenger demand, the length of time until the recovery of demand, and the forecast of demand after recovery	The primary procedures we performed to assess management's judgment as to whether an impairment loss should be recognized on non-current assets used in the air transportation business was appropriate, included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to determining whether an impairment loss should be recognized on non-current assets used in the air transportation business. In this assessment, we particularly focused our testing on controls over the projection of air travel passenger demand and changes in market conditions, which formed the basis for the development of the mid-term business plan. (2) Assessment of the reasonableness of the estimated value in use We compared the estimated future cash flows used in determining whether an impairment loss should be recognized on non-current assets with the mid-term business plan, which formed the basis for estimated future cash flows, for consistency. We then inquired of management and the personnel in charge of the relevant department regarding the basis for key assumptions used in the plan, in order to assess the reasonableness of those assumptions. In addition, we primarily: ● compared the impact of the spread of COVID-19 on air travel passenger demand, the length of time until the recovery of demand, and the

・The forecast of changes in market conditions related to fuel prices There was a high degree of estimation uncertainty because these assumptions included significant management judgment that air travel passenger demand would recover within a certain period and the profit would recover to the level before the spread of COVID-19 by the year ending March 31, 2024. In addition, selecting appropriate models and input data for estimating the discount rate, used to calculate the value in use, required a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on non-current assets used in the air transportation business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	forecast of demand after recovery with the market forecast reports published by The International Air Transport Association (IATA) and similar demand forecasts announced by other companies in the same industry, for consistency; and ●compared the forecast of changes in market conditions related to fuel prices with forecast reports published by external research organizations and the market forecasts published by financial institutions, for consistency. In addition, we performed the following procedures by involving valuation specialists within our network firms who assisted our evaluation of the discount rate: ●assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and ●assessment of the reasonableness of the input data through comparison with market data published by external organizations. Furthermore, we independently estimated the future cash flows by incorporating the effect of specific uncertainty into the mid-term business plan, after considering the results of our evaluation of the reasonableness of key assumptions as well as our assessment of the achievement of past business plans including the causes of variances with actual results. We then compared the future cash flows independently estimated with management's estimate and evaluated the impact on the amount of the value in use.

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 IFRS, 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 IFRS.

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

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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 IFRS, 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.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 2 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

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Designated Engagement Partner
Certified Public Accountant

井上智由

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KPMG AZSA LLC
Tokyo Office, Japan
June 18, 2021

1. Consolidated financial statements

(1) Consolidated statement of financial position

	Notes	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Assets					
Current assets					
Cash and cash equivalents	7,32	522,064	329,149	408,335	3,688,329
Trade and other receivables	8,32	144,053	94,071	76,760	693,342
Other financial assets	9,32	5,067	1,305	14,133	127,657
Inventories	10	23,682	28,409	23,680	213,892
Other current assets		46,442	55,500	44,906	405,618
Total current assets		741,309	508,435	567,816	5,128,859
Non-current assets					
Tangible fixed assets	11,18				
Flight equipment	17,35	795,439	894,835	827,587	7,475,268
Advances on flight equipment		138,569	102,519	129,882	1,173,173
Other tangible fixed assets		77,495	86,462	87,942	794,345
Total tangible fixed assets		1,011,504	1,083,817	1,045,413	9,442,805
Intangible assets	12	92,255	95,777	89,662	809,881
Investments accounted for using equity method	14	31,697	31,105	24,232	218,878
Other financial assets	9,17,32	119,515	120,218	128,055	1,156,670
Deferred tax assets	15	143,422	122,323	225,886	2,040,339
Retirement benefit asset	20	1,178	938	3,176	28,687
Other non-current assets		12,765	19,638	23,036	208,075
Total non-current assets		1,412,338	1,473,819	1,539,462	13,905,356
Total assets		2,153,648	1,982,254	2,107,279	19,034,224

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

	Notes	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	32	137,684	125,208	97,185	877,833
Interest-bearing liabilities	16,17,32	38,408	38,618	69,621	628,859
Other financial liabilities	16,32	39,108	51,065	42,490	383,795
Income taxes payable		19,192	2,824	3,890	35,136
Contract liabilities	24	294,663	251,809	215,239	1,944,169
Provisions	21	–	1,220	3,750	33,872
Other current liabilities		49,916	30,903	44,714	403,884
Total current liabilities		578,972	501,651	476,893	4,307,587
Non-current liabilities					
Interest-bearing liabilities	16,17,32	185,920	238,811	445,525	4,024,252
Other financial liabilities	16,32	8,771	13,913	23,479	212,076
Deferred tax liabilities	15	163	222	108	975
Provisions	21	14,594	14,645	15,667	141,513
Retirement benefit liability	20	256,305	151,330	153,169	1,383,515
Other non-current liabilities		13,243	12,062	10,899	98,446
Total non-current liabilities		478,999	430,985	648,850	5,860,807
Total liabilities		1,057,972	932,637	1,125,744	10,168,403
Equity					
Share capital		181,352	181,352	273,200	2,467,708
Capital surplus		182,437	182,437	273,557	2,470,933
Retained earnings		666,030	645,408	352,965	3,188,194
Treasury shares		(408)	(408)	(408)	(3,685)
Accumulated other comprehensive income					
Financial assets measured at fair value through other comprehensive income		31,097	28,793	35,468	320,368
Effective portion of cash flow hedges		1,837	(23,146)	12,877	116,312
Exchange differences on translation of foreign operations		–	(141)	(201)	(1,815)
Total accumulated other comprehensive income		32,934	5,506	48,144	434,865
Total equity attributable to owners of parent		1,062,345	1,014,295	947,459	8,558,025
Non-controlling interests		33,330	35,321	34,075	307,786
Total equity		1,095,675	1,049,617	981,535	8,865,820
Total liabilities and equity		2,153,648	1,982,254	2,107,279	19,034,224

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

(2) Consolidated statement of profit or loss and other comprehensive income

	Notes	FY2019 (April 1,2019 – March 31,2020)	FY2020 (April 1,2020 – March 31,2021)	FY2020 (April 1,2020 – March 31,2021)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Revenue	6,24			
International passenger revenue		486,217	27,969	252,633
Domestic passenger revenue		529,707	174,006	1,571,727
Other revenue		369,989	279,249	2,522,346
Total revenue		1,385,914	481,225	4,346,716
Other income	25	9,069	13,397	121,009
Operating expenses	26			
Personnel expenses		291,317	254,809	2,301,589
Aircraft fuel		243,420	96,788	874,248
Depreciation, amortization and impairment losses	11,12, 13,18	164,383	190,585	1,721,479
Other operating expenses		609,759	342,854	3,096,865
Total operating expenses		1,308,881	885,037	7,994,192
Operating profit (loss)		86,103	(390,414)	(3,526,456)
Share of profit (loss) of investments accounted for using equity method	14	1,396	(7,582)	(68,485)
Profit (loss) before investing, financing and income tax	6	87,500	(397,997)	(3,594,950)
Income/expenses from investments	27			
Investing income		2,399	2,694	24,333
Investing expenses		1,091	3,003	27,124
Profit (loss) before financing and income tax		88,807	(398,306)	(3,597,741)
Finance income/expenses	28			
Finance income		1,102	1,799	16,249
Finance expenses		1,760	7,570	68,376
Profit (loss) before tax	6	88,149	(404,078)	(3,649,878)
Income tax expense	15	36,137	(116,202)	(1,049,607)
Profit (loss)		52,012	(287,875)	(2,600,261)
Profit (loss) attributable to				
Owners of parent		48,057	(286,693)	(2,589,585)
Non-controlling interests		3,955	(1,182)	(10,676)
Other comprehensive income	29			
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income		(2,702)	3,284	29,663
Remeasurements of defined benefit plans		9,875	(2,394)	(21,624)
Share of other comprehensive income of investments accounted for using equity method		(171)	87	785
Total of items that will not be reclassified to profit or loss		7,001	977	8,824
Items that may be reclassified to profit or loss				
Effective portion of cash flow hedges		(23,250)	34,411	310,821
Exchange differences on translation of foreign operations		(162)	(138)	(1,246)
Share of other comprehensive income of investments accounted for using equity method		(1,302)	1,445	13,052
Total of items that may be reclassified to profit or loss		(24,714)	35,718	322,626
Other comprehensive income, net of tax		(17,713)	36,695	331,451
Comprehensive income		34,298	(251,179)	(2,268,801)

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

	Notes	FY2019 (April 1,2019 – March 31,2020)	FY2020 (April 1,2020 – March 31,2021)	FY2020 (April 1,2020 – March 31,2021)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Comprehensive income attributable to				
Owners of parent		30,430	(249,956)	(2,257,754)
Non-controlling interests		3,868	(1,223)	(11,046)
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings (loss) per share	30	140.04	(764.99)	(6.90)
Diluted earnings per share	30	–	–	–

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

(3) Consolidated statement of changes in equity
For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

	Notes	Equity attributable to owners of parent					
						Accumulated other comprehensive income	
		Share capital	Capital surplus	Retained earnings	Treasury shares	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)		–	–	48,057	–	–	–
Other comprehensive income		–	–	–	–	(2,813)	(24,560)
Comprehensive income		–	–	48,057	–	(2,813)	(24,560)
Dividends	23	–	–	(38,058)	–	–	–
Transfer to hedged non-financial assets		–	–	–	–	–	(422)
Purchase of treasury shares	22	–	–	–	(39,999)	–	–
Retirement of treasury shares	22	–	–	(39,999)	39,999		–
Acquisition of subsidiaries		–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	–	–	–	–	–
Change in ownership interest of investments accounted for using equity method		–	(0)	–	–	–	–
Transfer to retained earnings		–	–	9,378	–	509	–
Total transactions with owners and so forth		–	(0)	(68,679)	–	509	(422)
Balance as of March, 2020		181,352	182,437	645,408	(408)	28,793	(23,146)

	Notes	Equity attributable to owners of parent					
		Accumulated other comprehensive income					
		Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Millions of yen	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)		–	–	–	48,057	3,955	52,012
Other comprehensive income		(141)	9,888	(17,627)	(17,627)	(86)	(17,713)
Comprehensive income		(141)	9,888	(17,627)	30,430	3,868	34,298
Dividends	23	–	–	–	(38,058)	(2,376)	(40,435)
Transfer to hedged non-financial assets		–	–	(422)	(422)	–	(422)
Purchase of treasury shares	22	–	–	–	(39,999)	–	(39,999)
Retirement of treasury shares	22	–	–	–	–	–	–
Acquisition of subsidiaries		–	–	–	–	98	98
Changes in ownership interest in subsidiaries		–	–	–	–	401	401
Change in ownership interest of investments accounted for using equity method		–	–	–	(0)	0	–
Transfer to retained earnings		–	(9,888)	(9,378)	–	–	–
Total transactions with owners and so forth		–	(9,888)	(9,801)	(78,480)	(1,876)	(80,357)
Balance as of March 31, 2020		(141)	–	5,506	1,014,295	35,321	1,049,617

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

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

	Notes	Equity attributable to owners of parent					
						Accumulated other comprehensive income	
		Share capital	Capital surplus	Retained earnings	Treasury shares	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	(23,146)
Profit (loss)		–	–	(286,693)	–	–	–
Other comprehensive income		–	–	–	–	3,275	35,871
Comprehensive income		–	–	(286,693)	–	3,275	35,871
Issuance of new shares	22	91,848	91,120	–	–	–	–
Transfer to hedged non-financial assets		–	–	–	–	–	152
Purchase of treasury shares		–	–	–	(0)	–	–
Changes in ownership interest due to purchase of shares of consolidated subsidiaries		–	(0)	–	–	–	–
Transfer to retained earnings		–	–	(5,749)	–	3,399	–
Total transactions with owners and so forth		91,848	91,120	(5,749)	(0)	3,399	152
Balance as of March 31, 2021		273,200	273,557	352,965	(408)	35,468	12,877

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Accumulated other comprehensive income					
		Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total equity attributable to owners of parent		
		Millions of yen	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)		–	–	–	(286,693)	(1,182)	(287,875)
Other comprehensive income		(60)	(2,349)	36,736	36,736	(40)	36,695
Comprehensive income		(60)	(2,349)	36,736	(249,956)	(1,223)	(251,179)
Issuance of new shares	22	–	–	–	182,968	–	182,968
Transfer to hedged non-financial assets		–	–	152	152	–	152
Purchase of treasury shares		–	–	–	(0)	–	(0)
Changes in ownership interest due to purchase of shares of consolidated subsidiaries		–	–	–	(0)	(22)	(23)
Transfer to retained earnings		–	2,349	5,749	–	–	–
Total transactions with owners and so forth		–	2,349	5,901	183,121	(22)	183,098
Balance as of March 31, 2021		(201)	–	48,144	947,459	34,075	981,535

For the year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

	Notes	Equity attributable to owners of parent					
						Accumulated other comprehensive income	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges
		Thousands of U.S. dollars (Note 2)	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance as of April 1, 2020		1,638,081	1,647,881	5,829,717	(3,685)	260,075	(209,068)
Profit (loss)		–	–	(2,589,585)	–	–	–
Other comprehensive income		–	–	–	–	29,581	324,008
Comprehensive income		–	–	(2,589,585)	–	29,581	324,008
Issuance of new shares	22	829,626	823,051	–	–	–	–
Transfer to hedged non-financial assets		–	–	–	–	–	1,372
Purchase of treasury shares		–	–	–	(0)	–	–
Changes in ownership interest due to purchase of shares of consolidated subsidiaries		–	(0)	–	–	–	–
Transfer to retained earnings		–	–	(51,928)	–	30,701	–
Total transactions with owners and so forth		829,626	823,051	(51,928)	(0)	30,701	1,372
Balance as of March 31, 2021		2,467,708	2,470,933	3,188,194	(3,685)	320,368	116,312

	Notes	Equity attributable to owners of parent					
		Accumulated other comprehensive income					
		Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Thousands of U.S. dollars (Note 2)	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Balance as of April 1, 2020		(1,273)	–	49,733	9,161,728	319,040	9,480,778
Profit (loss)		–	–	–	(2,589,585)	(10,676)	(2,600,261)
Other comprehensive income		(541)	(21,217)	331,821	331,821	(361)	331,451
Comprehensive income		(541)	(21,217)	331,821	(2,257,754)	(11,046)	(2,268,801)
Issuance of new shares	22	–	–	–	1,652,678	–	1,652,678
Transfer to hedged non-financial assets		–	–	1,372	1,372	–	1,372
Purchase of treasury shares		–	–	–	(0)	–	(0)
Changes in ownership interest due to purchase of shares of consolidated subsidiaries		–	–	–	(0)	(198)	(207)
Transfer to retained earnings		–	21,217	51,928	–	–	–
Total transactions with owners and so forth		–	21,217	53,301	1,654,060	(198)	1,653,852
Balance as of March 31, 2021		(1,815)	–	434,865	8,558,025	307,786	8,865,820

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

(4) Consolidated statement of cash flows

	Notes	FY2019 (April 1,2019 – March 31,2020)	FY2020 (April 1,2020 – March 31,2021)	FY2020 (April 1,2020 – March 31,2021)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash flows from operating activities				
Profit (loss) before tax		88,149	(404,078)	(3,649,878)
Depreciation, amortization and impairment losses	11,12, 13,18	164,383	190,585	1,721,479
Loss (gain) on sale and retirement of non-current assets		2,691	2,150	19,420
Increase (decrease) in retirement benefit liability		(91,001)	(1,677)	(15,147)
Interest and dividend income		(3,018)	(2,313)	(20,892)
Interest expenses		1,332	2,927	26,438
Foreign exchange loss (gain)		785	(956)	(8,635)
Share of loss (profit) of investments accounted for using equity method		(1,396)	7,582	68,485
Decrease (increase) in trade and other receivables		64,529	2,597	23,457
Decrease (increase) in inventories		(4,695)	4,809	43,437
Increase (decrease) in trade and other payables		(15,282)	(27,036)	(244,205)
Increase (decrease) in contract liabilities		(43,043)	(36,705)	(331,541)
Other, net		(44,394)	32,550	294,011
Subtotal		119,039	(229,565)	(2,073,570)
Income taxes refunded (paid)		(38,181)	10,045	90,732
Net cash provided by (used in) operating activities		80,857	(219,519)	(1,982,829)
Cash flows from investing activities				
Purchase of non-current assets	11,12	(239,611)	(89,686)	(810,098)
Proceeds from sales of non-current assets	11,12	4,251	1,442	13,025
Purchase of other financial assets	32	(5,647)	(8,118)	(73,326)
Proceeds from sales and redemptions of other financial assets	32	1,671	2,254	20,359
Payments for loans receivable		(233)	(2,026)	(18,300)
Collection of loans receivable		837	746	6,738
Interest received		1,033	378	3,414
Dividends received		2,446	1,928	17,414
Other, net		1,526	2,069	18,688
Net cash provided by (used in) investing activities		(233,725)	(91,012)	(822,075)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	31	22	(54)	(487)
Proceeds from long-term borrowings	31	40,088	256,886	2,320,350
Repayments of long-term borrowings	31	(13,367)	(20,539)	(185,520)
Proceeds from issuance of bonds	31	39,750	–	–
Proceeds from issuance of shares	22	–	182,657	1,649,869
Interest paid		(831)	(1,412)	(12,754)
Dividends paid	23	(38,146)	(31)	(280)
Dividends paid to non-controlling interests		(2,384)	–	–
Repayments of lease liabilities	31	(24,625)	(24,501)	(221,307)
Other, net	31	(39,316)	(4,379)	(39,553)
Net cash provided by (used in) financing activities		(38,810)	388,624	3,510,288
Effect of exchange rate changes on cash and cash equivalents		(1,236)	1,094	9,881
Net increase (decrease) in cash and cash equivalents		(192,914)	79,186	715,256
Cash and cash equivalents at beginning of period		522,064	329,149	2,973,073
Cash and cash equivalents at end of period		329,149	408,335	3,688,329

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

Notes to consolidated financial statements

1. 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 consolidated financial statements for the year ended March 31, 2021 consist of financial statements for the Company and its subsidiaries (hereinafter collectively the “JAL Group”) and its interests in the Company’s associates and joint ventures. The Company is the ultimate parent company of the JAL Group.

The JAL Group’s main business is the air transportation business. Details of each business are described in Note “24. Revenue.”

2. Basis of preparation

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

As the Company satisfies the requirements of “Specified Company Complying with Designated International Accounting Standards” set forth in Article 1-2 of the “Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976), the JAL Group’s consolidated financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”), pursuant to the provisions set forth in Article 93 of the Regulation.

Issuance of these consolidated financial statements was approved by Yuji Akasaka, Representative Director, President on June 15, 2021.

The JAL Group has adopted IFRS since the current fiscal year (from April 1, 2020 to March 31, 2021). The date of transition to IFRS is April 1, 2019.

The consolidated financial statements for the current fiscal year will be the first consolidated financial statements prepared in accordance with IFRS. On transition to IFRS, the JAL Group applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”). Effects of the transition to IFRS on the JAL Group’s financial position, operating results and cash flows on the date of transition to IFRS and for the comparative year are described in Note “37 First-time adoption.”

The JAL Group’s accounting policy complies with IFRS effective as of March 31, 2021, excluding IFRS not adopted earlier and exemption rules recognized in IFRS 1.

Applied exemption rules are described in Note “37. First-time adoption.”

(2) Basis of measurement

The JAL Group’s consolidated financial statements are prepared by using a historical cost basis except for specific financial instruments and other items that are measured at their fair values.

(3) Functional currency and presentation currency

The JAL Group’s consolidated financial statements are stated in Japanese yen, the Company’s functional currency, rounded down to the nearest million yen.

(4) U.S. Dollar amount

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of ¥110.71 = US$1.00, the approximate exchange rate prevailing on March 31, 2021, has been used for conversion. The conversions made for convenience 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.

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity that is controlled by the JAL Group. The JAL Group considers that it has control over an entity when it has exposures to variable returns arising from its involvement with the entity, or when it has rights on the returns and has the ability to affect those returns through power over the entity.

As a general rule, financial statements of the subsidiaries are included into the JAL Group's consolidated financial statements from the date on which the JAL Group obtained control of the subsidiaries until the date on which the JAL Group loses their control.

In cases where the accounting policies applied by a subsidiary are different from those applied by the JAL Group, adjustments are made to the subsidiary's financial statements, if necessary. All intragroup balances of receivables and payables and transactions as well as unrealized gains or losses arising from intragroup transactions are eliminated in preparation of the consolidated financial statements.

Changes in the JAL Group's ownership interests in subsidiaries without a loss of control are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity as the equity attributable to owners of parent.

If the JAL Group loses control over a subsidiary, gains or losses derived from such loss of control of the subsidiary are recognized in profit or loss.

2) Associates

An associate is an entity over which the JAL Group has significant influence on the entity's financial and operational policies, but does not have control or joint control. Significant influence is presumed to exist when the JAL Group has at least 20% of the voting rights of the entity concerned.

As a general rule, investments in associates are accounted for using equity method from the date on which the JAL Group obtained the significant influence until the date on which it ceases to have the influence on them. Investments in associates include goodwill (net of any accumulated impairment loss) recognized on acquisition.

In cases where the accounting policies applied by an associate are different from those applied by the JAL Group, adjustments are made to the associate's financial statements, if necessary.

3) Joint ventures

A joint venture is an entity under a contractual agreement whereby two or more parties including the JAL Group undertake an economic activity that is subject to joint control and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The joint ventures held by the JAL Group are accounted for using equity method.

(2) Foreign currency translations

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of each entity of the JAL Group at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currencies at the exchange rates at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies to be measured at fair value are translated into the functional currencies at the exchange rates on the date when the fair value is measured.

Exchange differences arising from translation or settlement are recognized in profit or loss. However, exchange differences arising from the translation of financial assets measured at fair value through other comprehensive income (hereinafter "FVTOCI") and the effective portion of cash flow hedges are recognized in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rates at the end of the reporting period, whereas income and expenses are translated using the average exchange rate during the period unless there are significant fluctuations in the exchange rates. Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. When a foreign operation is disposed of, the cumulative amount of the exchange differences is recognized in profit or loss on disposal.

(3) Financial instruments

a Financial assets

(a) Initial recognition and measurement

The JAL Group classifies financial assets into financial assets measured at fair value through profit or loss (hereinafter "FVTPL"), financial assets measured at FVTOCI or financial assets measured at amortized cost. The classification is determined at the time of initial recognition.
The JAL Group recognizes these financial instruments on the transaction date when it becomes a party to the contractual provisions of the financial assets.
Non-derivative financial assets are measured at fair value plus transaction costs, unless the assets are classified as financial assets measured at FVTPL. However, trade receivables that do not contain a significant financing component are measured at the transaction price.

1) Financial assets that are debt instruments

Financial assets that are debt instruments are classified as financial assets measured at amortized cost if both of the following conditions are met:

・ the asset is held based on JAL Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
・ the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Meanwhile, financial assets that are debt instruments are classified as financial assets measured at FVTOCI if both of the following conditions are met, and are otherwise, classified as financial assets measured at FVTPL:

・ the financial asset is held based on JAL Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
・ the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The JAL Group held no debt instrument classified as financial assets measured at FVTOCI during the reporting period.

2) Financial assets that are equity instruments

Equity financial assets designated as those whose subsequent changes in fair value are recognized in other comprehensive income at initial recognition are classified as financial assets measured at FVTOCI, except for those held for trading that must be measured at FVTPL. Such designations are made for each equity financial asset and applied consistently assuming that they are irrevocable.
The JAL Group held no equity instruments classified as financial assets measured at FVTPL during the reporting period.

(b) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

1) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

2) Financial assets measured at fair value

Changes in fair value of financial assets measured at fair value are recognized in profit or loss.

However, changes in fair value of equity financial assets designated as measured at FVTOCI are recognized in other comprehensive income. Dividends from such financial assets are recognized as part of investing income in profit or loss for the current fiscal year.
If an equity instrument measured at FVTOCI is derecognized, or the fair value decreases significantly, the amount accumulated in other comprehensive income is reclassified to retained earnings.

(c) Derecognition of financial assets
The JAL Group derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or when the JAL Group transfers the financial assets and substantially all the risks and rewards of ownership.

(d) Impairment of financial assets
For financial assets measured at amortized cost, the JAL Group recognizes an allowance for doubtful accounts for expected credit losses.
The JAL Group assesses at the end of the reporting period whether the credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the amount equal to expected credit losses for 12 months is recognized as allowance for doubtful accounts. On the other hand, if the credit risk has increased significantly since initial recognition, the amount equal to lifetime expected credit losses is recognized as allowance for doubtful accounts. However, for trade receivables that do not contain a significant financing component, the allowance for doubtful accounts is always recognized at the amount equal to lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since initial recognition.
Expected credit losses are measured at the present value of the difference between the contractual cash flows that are due to the JAL Group under the contract and all the cash flows that the JAL Group expects to receive.
An allowance for doubtful accounts for financial assets is recognized in profit or loss. If an event occurs that reduces the allowance for doubtful accounts, the reversal of the allowance for doubtful accounts is recognized in profit or loss.

b Financial liabilities

(a) Initial recognition and measurement
The JAL Group classifies financial liabilities classified as held for trading or derivatives as financial liabilities measured at FVTPL. Other financial liabilities are classified as financial liabilities measured at amortized cost. The classification is determined at the time of initial recognition.
The JAL Group recognizes these financial instruments on the transaction date when it becomes a party to the contractual provisions of the financial liabilities.
All financial liabilities are initially measured at fair value. However, financial liabilities measured at amortized cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities.

(b) Subsequent measurement
After initial recognition, financial liabilities are measured based on the classification as follows:

1) Financial liabilities measured at FVTPL
Financial liabilities measured at FVTPL are measured at fair value after initial recognition, and the changes are recognized in profit or loss for the current fiscal year.

2) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured using the effective interest method after initial recognition.
Amortization under the effective interest method and gains or losses on derecognition are recognized as part of finance expenses in profit or loss for the current fiscal year.

(c) Derecognition of financial liabilities

The JAL Group derecognizes financial liabilities when they are extinguished, i.e., when the obligations specified in the contract are discharged or cancelled or expire.

c Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the JAL Group currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

d Derivatives and hedge accounting

The JAL Group utilizes currency option contracts, foreign exchange forward contracts and other contracts to avoid risk of future fluctuations in foreign exchange rate associated with liabilities denominated in specific foreign currencies. In addition, commodity derivative contracts are also used for the purpose of controlling the risk of fluctuations in prices of commodities including aircraft fuel and stabilizing costs. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and the relevant transaction costs are recognized as expense when incurred. After initial recognition, they are remeasured at fair value.

At the inception of a hedge, the JAL Group documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes specific hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the effectiveness of changes in the fair value of hedging instruments is assessed in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risks. Specifically, a hedge is considered to be effective if all of the following items are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge the quantity of hedged item.

The JAL Group sets appropriate hedge ratios in light of economic relationships such as the degree of price changes of the hedging instrument corresponding to the price changes of the hedged item as well as the risk management strategies.

The JAL Group assesses on an ongoing basis whether the hedging relationship is effective prospectively. Generally, no material hedge ineffectiveness is expected to arise as the JAL Group conducts highly effective hedging transactions. However, the value changes of the hedging instrument may exceed those of the hedged item since the JAL Group designated forecast transactions as hedged items. In such a case, hedge ineffectiveness will arise.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the JAL Group readjusts the hedging ratio to reestablish the effectiveness of the hedge relationship. Furthermore, the JAL Group discontinues hedge accounting in cases where there is a change in the risk management objective for the hedging relationship.

The JAL Group only uses cash flow hedges as a hedge accounting method.

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income while the ineffective portion is recognized immediately in profit or loss.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized in other

comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.
When forecast transactions are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity through other comprehensive income is reclassified to profit or loss. In cases where hedged forecast transactions become less likely to occur but are still expected to occur, the amounts that have been recognized in equity through other comprehensive income continue to be recognized in equity until such future cash flows occur.

(4) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand; demand deposits including time deposits maturing within one year; and short-term investments that are readily convertible to cash and subject to insignificant risk of change in value, and due within three months from the date of acquisition.

(5) Inventories
Inventories are measured at the lower of acquisition cost or net realizable value.
Net realizable value is measured as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The costs are measured by primarily using the moving-average method, and include costs of purchase and all other costs incurred in bringing the inventories to their present storage location and condition.

(6) Tangible fixed assets
1) Recognition and measurement
The JAL Group measures tangible fixed assets by using the cost model at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost include any costs directly attributable to the acquisition of the asset as well as the initially estimated costs for dismantlement, removal, and restoration of the site in which the asset has been located.

2) Depreciation and useful life
Depreciation is calculated on depreciable value mainly by the straight-line method over the estimated useful life of each component. Land and advances on flight equipment and other purchases are not depreciated.
The estimated useful lives of major tangible fixed assets are as follows:

Flight equipment: 8 to 20 years
Other: 2 to 65 years

The depreciation method, estimated useful lives, and residual values are reviewed every fiscal year, with the effect of any changes in estimates being accounted for on a prospective basis.

(7) Intangible assets

The JAL Group measures intangible assets by using the cost model, at cost less accumulated amortization and accumulated impairment losses.
Separately acquired intangible assets are measured at acquisition cost at initial recognition.
After the initial recognition, intangible assets, except those with indefinite useful lives, are amortized by using the straight-line method over their estimated useful lives. The estimated useful lives of major intangible assets are as follows:

Software: 5 years

The amortization method, estimated useful lives, and residual values are reviewed every fiscal year, with the effect of any changes in estimate being accounted for on a prospective basis.

(8) Leases

The JAL Group determines that a contract, or part of a contract, that in exchange for consideration transfers the right to control the use of a specified asset over a certain period of time constitutes a lease or includes a lease, and recognizes right-of-use assets and lease liabilities on the lease commencement date. However, for short-term leases and leases for which the underlying asset is of low value, the JAL Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.
The JAL Group measures lease liabilities at the present value of the total lease payments that are not paid at the commencement date of the lease based on the individual contract, and recognizes the repayments of the principal and the payment of interest on the lease liabilities by using the effective interest method over the lease term depending on the lease payments. The JAL Group generally uses the interest rate implicit in the lease or its incremental borrowing rate (if the lease or the interest rate implicit cannot be readily measured) as a discount rate.
The JAL Group recognizes the right-of-use asset at acquisition cost including the already paid consideration for the recorded amount of the lease liabilities and adjustment of the estimated amount of restoration cost to be incurred at the end of the lease, and depreciates the right-of-use asset using the straight-line method over the lease term.

(9) Impairment of non-financial assets

The JAL Group assesses at the end of each accounting period the carrying amount of non-financial assets, except inventories and deferred tax assets, for indications of impairment. When there is any indication of impairment, the recoverable amount of the assets is estimated. The JAL Group estimates the recoverable amount of intangible assets with indefinite useful lives or intangible assets not yet available for use at the same timing of every fiscal year regardless of any indication of impairment.
The recoverable amount of an asset or cash generating unit is measured at the higher of its value in use and its fair value less costs to dispose. In determining the value in use, estimated future cash flows are discounted to the present value, using pretax discount rates that reflect the time value of money and the risks specific to the asset. For impairment testing, assets on which an impairment testing is not performed individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.
The JAL Group’s corporate assets do not generate independent cash inflows. When there is any indication of impairment of corporate assets, the JAL Group measures the recoverable amount of the cash generating unit to which the corporate assets belong.
Any impairment loss is recognized in profit or loss if the carrying amount of an asset or cash generating unit exceeds the recoverable amount of the asset or cash generating unit. For such impairment loss recognized in association with the cash generating unit, the carrying amount of assets within the cash generating unit is reduced proportionally.
The JAL Group assesses at the end of the reporting period whether there is any indication that an impairment loss recognized in prior years for an asset may have decreased or may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to measure the asset’s

recoverable amount. An impairment loss is reversed to the asset's recoverable amount only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortization, had no impairment loss been recognized.

(10) Employee benefits

(a) Post-employment benefits

The JAL Group has adopted defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

1) Defined benefit plans

The JAL Group measures net retirement benefit liabilities (assets) of defined benefit plans at the present value of defined benefit obligations less fair value of plan assets. Independent actuaries measure every fiscal year the present value of defined benefit obligations, the relevant service cost for the current fiscal year, and the past service cost using the projected unit credit method.

The discount period is measured based on the estimated term of the retirement benefit obligations through the estimated dates of future benefit payments of each fiscal year. The discount rate is measured by reference to market yields of high-quality corporate bonds at the end of each reporting period consistent with the discount period.

Remeasurements of all net benefit liabilities (assets) arising from the defined benefit plans are recognized at once in other comprehensive income for the period of occurrence and are transferred to retained earnings immediately.

The past service cost is recognized immediately in profit or loss.

2) Defined contribution plans

The retirement benefit expenses of defined contribution plans are recognized as an expense during the period in which employees render the related service.

(b) Short-term employee benefit obligations

Short-term employee benefit obligations are measured on an undiscounted basis, and are recognized as an expense when the related services are rendered.

(11) Provisions

Provisions are recognized when the JAL Group has a present legal or constructive obligation as a result of past events, if it is likely that an outflow of economic resources will be required to settle the obligation, and if the amount can be reliably estimated. When the time value of money is material, provisions are measured at the present value by discounting the expected future cash flows at a pretax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

1) Asset retirement obligations

Asset retirement obligations recognize the amount expected to be paid in the future based on historical restoration track records, quotations, and others in preparation for the obligations to restore to their original condition of the rented offices, buildings, flight equipment, and so forth used by the JAL Group. These expenses are expected to be paid after the lapsing of an estimated period of use, measured based on the useful life of interior fixtures and fittings to its offices and buildings as well as the lease period, and are affected by future business plans.

2) Reserve for loss on antitrust litigation

To prepare for payment of court fees and compensation relating to a price cartel, the JAL Group has estimated, and recognized/measured an amount of future losses based on the amount of a payment order for penalties. The amount of such court fees and compensation, however, may differ from the estimated amount, depending on the judgement of antitrust authorities and/or the results of the litigation. An outflow of economic benefits is expected to take place one year after the end of the current fiscal year, but is affected by judgements of antitrust authorities in each country and the future course of the litigation.

(12) Revenue

The JAL Group recognizes revenue under the following five-step approach for contracts with customers, excluding interest and dividend income under IFRS 9 “Financial Instruments” and lease income under IFRS 16 “Leases.”

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Measure the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies performance obligations

For details of the criteria for revenue recognition, see Note “24. Revenue.”

(13) Government grants

Government grants are recognized at fair value when the conditions attached to them are met and there is reasonable assurance that the grants will be received.
Government grants related to revenue/expenses are recognized in profit or loss on a periodical basis over the periods in which the related costs that are intended to be compensated by the grants are recognized as expenses. Government grants related to assets are subtracted when calculating the carrying amount for the assets.

(14) Income taxes expenses

Income tax expenses consist of current income taxes and deferred taxes. Income tax expenses are recognized in profit and loss, except for items related to business combinations and items recognized directly in other comprehensive income or equity.
Current income taxes are measured at the estimated amount of income taxes payable to or receivable from taxing authorities. The tax rates and tax laws used to calculate tax amount have been enacted or substantially enacted at the end of reporting period in countries where the JAL Group operates business and earns taxable profits.
Deferred taxes are calculated based on the temporary differences between the carrying amount at the end of a reporting period and the tax base of assets and liabilities. Deferred tax assets are recognized to the extent that there will be sufficient taxable profits against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. The carrying value of deferred tax assets is recognized to the extent that it is highly probable that the JAL Group will earn taxable profits sufficient enough to realize the benefits of deferred tax assets. Deferred tax liabilities are in principle recognized for all taxable temporary differences.
Deferred tax assets and liabilities are not recognized for the following temporary differences:

・ Temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
・ Deductible temporary differences related to investments in subsidiaries and associates or equity interests in jointly controlled entities to the extent that the JAL Group will probably not reverse them in the foreseeable future or that the JAL Group will probably not earn taxable income against which the deductible temporary differences are utilized.
・ Taxable temporary differences related to investments in subsidiaries and associates, or equity interests in jointly controlled entities to the extent that the JAL Group is able to control the timing of the reversal of the temporary differences and that it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured by estimating the statutory effective tax rate expected to be applied in the period in which the assets are generated or liabilities are settled, based on the tax rate enacted or substantially enacted at end of the fiscal year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets and liabilities are related to income taxes levied on the same taxable entity by the same tax authority.

(15) Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the acquisition cost of the asset.

Other borrowing costs are recognized as an expense in profit or loss in the period they were incurred.

4. Significant accounting estimates and judgements

In preparing the consolidated financial statements, the management makes estimates and judgements based on assumptions that affect the application of the JAL Group's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These estimates and judgements are based on the management's best estimates and judgements reflecting historical experience and a variety of other factors that are considered to be reasonable at the end of the reporting period. However, actual future results may differ from these estimates and judgements.

These estimates and underlying assumptions are reviewed/revised on an ongoing basis. The impact of a revision is recognized in the accounting period in which the review was conducted and in future accounting periods.

The estimates of future business performance based on which deferred tax assets and impairment of non-current assets are recognized are based on the JAL Group's Medium-Term Management Plan and incorporates the following major assumptions: the impact of the COVID-19 pandemic on aviation demand, the period of time until demand recovers, demand forecasts for after the demand recovery, and forecasts of changes in market conditions in terms of fuel prices and foreign exchange rates.

Concerning the impact of the COVID-19 pandemic, the JAL Group predicts that as more people worldwide are vaccinated, the domestic and international flows of people will gradually resume. Referencing demand recovery scenarios developed by the International Air Transport Association (IATA) and other materials, the JAL Group has made accounting estimates based on the assumptions that aviation demand will recover within a certain period of time and that in the fiscal year ending March 31, 2024, earnings will return to pre-COVID-19 levels.

The impact of the COVID-19 pandemic is still uncertain in many ways, and may impact the JAL Group's future financial position and operating results.

(1) Estimates

The management's estimates that have a significant impact on the amounts recognized in the consolidated financial statements are as follows:

1) Recognition of revenues (Note "3. Significant accounting policies, (12) Revenue" and Note "24. Revenue")

Revenues from air transportation are recognized as contract liabilities when consideration is received, and are recognized as revenue at completion of air transportation services.

The sales of air tickets that will not be used for air transportation (unused air tickets that are about to expire) are recognized in revenue at an appropriate timing, given the contractual terms of air tickets and historical trends.

The JAL Group also operates a customer loyalty program called "JAL Mileage Bank." Members of the JAL Mileage Bank can earn miles through flights with the airlines or other services, and can redeem them with the JAL Group or other partners' services.

The JAL Group deems miles granted that are to be redeemed by customers in the future as performance obligations, estimates the stand-alone selling price of each service, taking into account the proportion of services chosen by customers to redeem miles, and allocates a transaction price to such performance obligations on the basis of a percentage of the stand-alone selling price of each service. The JAL Group recognizes the transaction price allocated to the performance obligations of the customer loyalty program in contract liabilities and recognizes revenue as customers redeem miles.

Such contract liabilities at the end of the current fiscal year amounted to ¥215,239 million ($1,944,169 thousands).

2) Depreciation of flight equipment (Note "3. Significant accounting policies, (6) Tangible fixed

assets")
Depreciation costs are calculated in consideration of the future economically expected usable period when determining the useful life of each component such as aircraft, aircraft engine parts, and cabin related assets.
The balance of the JAL Group's flight equipment at the end of the current fiscal year was ¥827,587 million ($7,475,268 thousands).

(Change in accounting estimate)
The Company has reviewed the estimated useful lives of some aircraft, aircraft engine components, and cabin related assets to be decommissioned, and has changed its determination of useful lives from the current fiscal year. Following this change, operating loss, loss before investing, financing and income tax, loss before financing and income tax, and loss before tax increased by ¥10,829 million ($97,814 thousands), respectively, for the current fiscal year. For the impact of this change on the JAL Group's reportable segments, please refer to Note"6. Segment information. "

3) Impairment of non-current assets (Note "3. Significant accounting policies, (9) Impairment of non-financial assets" and Note "13. Impairment of non-financial assets")
The JAL Group assesses whether there is any indication of impairment of assets at the end of the reporting period (the carrying amount of tangible fixed assets and intangible assets as of March 31, 2021 is ¥1,045,413 million ($9,442,805 thousands) and ¥89,662 million ($809,881 thousands), respectively). If such indication of impairment exists for any of the assets, the JAL Group considers the necessity of recognizing impairment losses of such assets.
For the current fiscal year, due to the impact of the COVID-19 pandemic, the JAL Group recognized an operating loss for air transportation business in the air transportation business segment, which accounts for most of the assets. As such impact is expected to continue, the JAL Group determined that an indication of impairment existed and considered the necessity of recognizing impairment losses.
The JAL Group then calculated the value in use as a recoverable amount by discounting the estimated future cash flows from the air transportation business to its present value using a pre-tax discount rate that reflects the time value of money and risks specific to the assets concerned. The JAL Group determined that the recoverable amount of the non-current assets exceeded their carrying amount and thus did not recognize impairment losses.

Notably, impairment losses in the current fiscal year consist of the reduction amount to fair value net of disposal costs with respect to aircraft in respect of whose sale agreement has been concluded or whose decommission has been determined following a change in cash generating units.

4) Recognition of deferred tax assets (Note "3. Significant accounting policies, (14) Income tax expenses" and Note "15. Income taxes")
Deferred tax assets are recognized to the extent that there will be sufficient taxable profits against which deductible temporary differences, unused tax credit carried forward and unused tax losses can be utilized.
Deferred tax assets and deferred tax liabilities at the end of the current fiscal year amounted to ¥225,886 million ($2,040,339 thousands) and ¥108 million ($975 thousands), respectively.

(2) Judgements
1) Scope of consolidation (Note "3. Significant accounting policies, (1) Basis of consolidation")
The JAL Group considers that it has control over an entity when it has exposures to or rights on variable returns arising from its involvement in the entity and has the ability to affect the returns through the exercise of its power over the entity.

5. Unapplied new accounting standards

There are no accounting standards and interpretation guidelines that have been newly established or revised by the approval date of the consolidated financial statements, which have a significant impact.

6. Segment information

(1) Overview of segment reporting

The reportable segments for the JAL Group are the components constituting the group about which separated information is available and evaluated regularly by the Board of Directors in deciding how to allocate management resources and evaluating business performance.

The main business operations of the JAL Group are international and domestic 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 the JAL Group’s reportable segment are as follows.

Intersegment sales are based on the prevailing market prices.

Year ended March 31, 2020

	Reportable segment	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Air transportation				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
Sales to external customers	1,166,462	219,451	1,385,914	–	1,385,914
Intersegment sales	95,420	26,488	121,908	(121,908)	–
Total	1,261,883	245,940	1,507,823	(121,908)	1,385,914
Profit (loss) before investing, financing and income tax	74,774	12,803	87,578	(78)	87,500
Investing income	–	–	–	–	2,399
Investing expenses	–	–	–	–	1,091
Finance income	–	–	–	–	1,102
Finance expenses	–	–	–	–	1,760
Profit (loss) before tax	–	–	–	–	88,149
Other items					
Depreciation, amortization and impairment losses	160,826	3,578	164,405	(21)	164,383
Share of profit (loss) of investments accounted for using equity method	(255)	1,658	1,402	(5)	1,396

(Notes)
1. Others” generally comprise planning and sales of travel packages.
2. Adjustment includes intersegment elimination.
3. Segment profit (loss) has been adjusted with profit (loss) before investing, financing and income tax on the consolidated statement of profit or loss and other comprehensive income.

Year ended March 31, 2021

	Reportable segment: Air transportation	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
Sales to external customers	395,584	85,641	481,225	–	481,225
Intersegment sales	36,237	21,988	58,225	(58,225)	–
Total	431,821	107,629	539,451	(58,225)	481,225
Profit (loss) before investing, financing and income tax	(403,374)	5,405	(397,968)	(28)	(397,997)
Investing income	–	–	–	–	2,694
Investing expenses	–	–	–	–	3,003
Finance income	–	–	–	–	1,799
Finance expenses	–	–	–	–	7,570
Profit (loss) before tax	–	–	–	–	(404,078)
Other items					
Depreciation, amortization and impairment losses	188,226	2,382	190,609	(24)	190,585
Share of profit (loss) of investments accounted for using equity method	(7,771)	185	(7,586)	3	(7,582)

Year ended March 31, 2021

	Reportable segment: Air transportation	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Revenue					
Sales to external customers	3,573,155	773,561	4,346,716	–	4,346,716
Intersegment sales	327,314	198,608	525,923	(525,923)	–
Total	3,900,469	972,170	4,872,649	(525,923)	4,346,716
Profit (loss) before investing, financing and income tax	(3,643,519)	48,821	(3,594,688)	(252)	(3,594,950)
Investing income	–	–	–	–	24,333
Investing expenses	–	–	–	–	27,124
Finance income	–	–	–	–	16,249
Finance expenses	–	–	–	–	68,376
Profit (loss) before tax	–	–	–	–	(3,649,878)
Other items					
Depreciation, amortization and impairment losses	1,700,171	21,515	1,721,696	(216)	1,721,479
Share of profit (loss) of investments accounted for using equity method	(70,192)	1,671	(68,521)	27	(68,485)

(Notes)
1. "Others" generally comprise planning and sales of travel packages.
2. Adjustment includes intersegment elimination.
3. Segment profit (loss) has been adjusted with profit (loss) before investing, financing and income tax on the consolidated statement of profit or loss and other comprehensive income.
4. As described in Note "4. Significant accounting estimates and judgements", the Company has reviewed the estimated useful lives of some aircrafts, aircraft engine components and cabin related assets to be decommissioned, and has changed its determination of useful lives from the year ended March 31, 2021.
   Following this change, loss before investing, financing, and income tax increased by ¥10,829 million ($97,814 thousands) in the air transportation segment for the current fiscal year.

(3) Information on products and services

This information is omitted because the classification of products and services is the same as the classification of reportable segments.

(4) Information on geographical areas

Revenue from external customers

Previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Japan	Asia and Oceania	North America	Europe	Total
826,573	239,384	228,974	90,982	1,385,914

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Japan	Asia and Oceania	North America	Europe	Total
348,262	55,939	50,798	26,226	481,225

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Thousands of U.S. dollars)

Japan	Asia and Oceania	North America	Europe	Total
3,145,714	505,275	458,838	236,889	4,346,716

(Notes) 1. Classification of countries or regions and major countries or regions belonging to each classification

1) Classification of countries or regions

Countries or regions are classified depending on geographical proximity.

2) Countries or regions belonging to each classification

Asia and Oceania: China, South Korea, Taiwan, India, Indonesia, Australia, Guam, Singapore, Thailand, the Philippines, Vietnam and Malaysia

North America : the United States of America (excluding Guam) and Canada

Europe: the United Kingdom, France, Germany, Finland and Russia

Non-current assets (excluding financial assets and deferred tax assets)

This information is omitted because the amount of non-current assets located in Japan accounts for the majority of non-current assets in the consolidated statement of financial position.

(5) Information on major customers

This information is omitted because none of the external customers accounts for 10% or more of the revenue presented in the consolidated statement of profit or loss and other comprehensive income.

7. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Cash and deposits (including time deposits maturing within one year)	462,064	329,149	408,335
Short-term investments	60,000	–	–
Total	522,064	329,149	408,335

	As of March 31, 2021
	Thousands of U.S. dollars
Cash and deposits (including time deposits maturing within one year)	3,688,329
Short-term investments	–
Total	3,688,329

All cash and deposits as well as short-term investments are classified as financial assets measured at amortized cost.

8. Trade and other receivables

The breakdown of trade and other receivables is as follows.

There is no materiality in the amount not expected to be collected within one year.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Notes and operating accounts receivable	129,981	68,250	62,625
Other	14,072	25,821	14,135
Total	144,053	94,071	76,760

	As of March 31, 2021
	Thousands of U.S. dollars
Notes and operating accounts receivable	565,667
Other	127,675
Total	693,342

Trade and other receivables are classified as financial assets measured at amortized cost.

9. Other financial assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Financial assets measured at FVTOCI (Note 1)			
Shares and so forth	78,643	76,450	83,913
Financial assets measured at amortized cost			
Guarantee deposits	25,646	28,321	21,651
Loans receivable	7,732	6,096	6,341
Bonds receivable	3,330	4,267	7,040
Other	225	666	501
Financial assets measured at FVTPL			
Derivative assets (Note 2)	5,459	1,032	17,233
Investments in investment limited partnerships	2,516	4,687	5,506
Other	1,027	–	–
Total	124,582	121,524	142,188
Current assets	5,067	1,305	14,133
Non-current assets	119,515	120,218	128,055
Total	124,582	121,524	142,188

	As of March 31, 2021
	Thousands of U.S. dollars
Financial assets measured at FVTOCI (Note 1)	
Shares and so forth	757,953
Financial assets measured at amortized cost	
Guarantee deposits	195,564
Loans receivable	57,275
Bonds receivable	63,589
Other	4,525
Financial assets measured at FVTPL	
Derivative assets (Note 2)	155,658
Investments in investment limited partnerships	49,733
Other	–
Total	1,284,328
Current assets	127,657
Non-current assets	1,156,670
Total	1,284,328

(Notes)

1. These financial assets are designated as those measured at FVTOCI because they are held for purposes other than pure investment.
2. Derivative assets are classified as financial assets measured at FVTPL. However, as the Company uses highly effective hedges, it recognizes almost all changes in the fair value of derivative assets as an effective portion of cash flow hedges in other comprehensive income.

(2) Financial assets measured at FVTOCI

The breakdown of equity financial assets measured at FVTOCI is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Marketable	44,036	40,584	50,340
Non-marketable	34,607	35,866	33,572
Total	78,643	76,450	83,913

	As of March 31, 2021
	Thousands of U.S. dollars
Marketable	454,701
Non-marketable	303,242
Total	757,953

The fair values of major marketable issues among the above are as follows. Such marketable issues are held for the purpose of building, maintaining and strengthening business relationships and partnerships.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Japan Airport Terminal Co., Ltd.	20,561	18,362	23,926
AEON Co., Ltd.	7,990	8,274	11,378
Oriental Land Co., Ltd.	4,726	5,196	6,251
East Japan Railway Company	5,881	4,502	4,316

	As of March 31, 2021
	Thousands of U.S. dollars
Japan Airport Terminal Co., Ltd.	216,114
AEON Co., Ltd.	102,773
Oriental Land Co., Ltd.	56,462
East Japan Railway Company	38,984

Non-marketable issues are mainly investments in business partners that manage and operate airport terminals, and are held for the purpose of building, maintaining and strengthening business relationships and partnerships.

(3) Derecognition of financial assets measured at FVTOCI

The JAL Group derecognizes some of financial assets measured at FVTOCI by selling them for the purposes of increasing asset efficiency, reviewing business relationships, and so forth.

The following are the fair values of financial assets measured at FVTOCI when they were sold and the associated accumulated gains or losses that have been recognized as other comprehensive income during each fiscal year:

Previous fiscal year (from April 1, 2019 to March 31, 2020)		Current fiscal year (from April 1, 2020 to March 31, 2021)	
Fair value	Accumulated gains (losses)	Fair value	Accumulated gains (losses)
Millions of yen	Millions of yen	Millions of yen	Millions of yen
1,298	301	689	285

Current fiscal year (from April 1, 2020 to March 31, 2021)	
Fair value	Accumulated gains (losses)
Thousands of U.S. dollars	Thousands of U.S. dollars
6,223	2,574

When financial assets measured at FVTOCI are derecognized or when their fair value decreases significantly, accumulated gains or losses that have been recognized as other comprehensive income are transferred to retained earnings. Accumulated losses of other comprehensive income (net of tax) transferred to retained earnings amounted to ¥509 million and ¥3,399 million ($30,701 thousands) for the previous and current fiscal years, respectively.

The following is the breakdown of dividend income recognized from equity financial instruments measured at FVTOCI:

Previous fiscal year (from April 1, 2019 to March 31, 2020)		Current fiscal year (from April 1, 2020 to March 31, 2021)	
Investments derecognized during the year	Investments held as of the year end	Investments derecognized during the year	Investments held as of the year end
Millions of yen	Millions of yen	Millions of yen	Millions of yen
9	1,571	30	1,320

Current fiscal year (from April 1, 2020 to March 31, 2021)	
Investments derecognized during the year	Investments held as of the year end
Thousands of U.S. dollars	Thousands of U.S. dollars
270	11,923

10. Inventories

The breakdown of inventories is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Flight equipment spare parts and supplies	21,923	26,489	22,020
Other	1,758	1,919	1,660
Total	23,682	28,409	23,680

	As of March 31, 2021
	Thousands of U.S. dollars
Flight equipment spare parts and supplies	198,898
Other	14,994
Total	213,892

Inventories recognized as expenses for the previous and current fiscal years amounted to ¥261,870 million and ¥105,849 million ($956,092 thousands), respectively.
Write-downs of inventories recognized as expenses for the previous and current fiscal years were ¥1,203 million and ¥2,058 million ($18,589 thousands), respectively.

11. Tangible fixed assets

(1) Changes

Changes in the carrying amounts, and cost, accumulated depreciation and accumulated impairment losses of tangible fixed assets are as follows:

Carrying amounts

	Flight equipment	Advances on flight equipment	Land	Buildings	Other construction in progress	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	733,961	138,569	861	29,584	3,206	18,263	924,447
Acquisition (Note 1)	17,637	168,209	–	2,571	15,140	4,500	208,060
Depreciation	(103,179)	–	–	(3,280)	–	(5,083)	(111,543)
Impairment losses	(523)	–	(2)	(77)	–	(33)	(636)
Transfer	204,188	(204,188)	–	4,394	(10,315)	5,921	–
Disposal	(8,526)	–	(5)	(886)	–	(191)	(9,609)
Exchange differences on translation of foreign operations	–	–	–	(1)	–	(1)	(3)
Other	64	(71)	–	358	(499)	(6)	(154)
As of March 31, 2020	843,623	102,519	853	32,663	7,531	23,369	1,010,559
Acquisition (Note 1)	2,539	86,315	–	1,037	5,904	1,390	97,186
Depreciation	(116,888)	–	–	(3,355)	–	(5,348)	(125,592)
Impairment losses	(7,835)	(249)	–	–	–	–	(8,085)
Transfer	58,702	(58,702)	–	2,738	(7,714)	4,976	–
Disposal	(2,035)	–	–	(206)	–	(284)	(2,526)
Exchange differences on translation of foreign operations	–	–	–	0	–	4	5
Other	(0)	–	–	234	(1,620)	12	(1,374)
As of March 31, 2021	778,104	129,882	853	33,112	4,099	24,120	970,173

Carrying amounts

	Flight equipment	Advances on flight equipment	Land	Buildings	Other construction in progress	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	7,620,115	926,013	7,704	295,032	68,024	211,083	9,127,983
Acquisition (Note 1)	22,933	779,649	–	9,366	53,328	12,555	877,843
Depreciation	(1,055,803)	–	–	(30,304)	–	(48,306)	(1,134,423)
Impairment losses	(70,770)	(2,249)	–	–	–	–	(73,028)
Transfer	530,232	(530,232)	–	24,731	(69,677)	44,946	–
Disposal	(18,381)	–	–	(1,860)	–	(2,565)	(22,816)
Exchange differences on translation of foreign operations	–	–	–	0	–	36	45
Other	(0)	–	–	2,113	(14,632)	108	(12,410)
As of March 31, 2021	7,028,308	1,173,173	7,704	299,087	37,024	217,866	8,763,192

(Notes) 1. Government grants received from the government and local municipalities associated with flight equipment renewals for operations to remote islands amounted to ¥2,448 million and ¥516 million ($4,660 thousands) for the previous and current fiscal years, respectively. The tax purpose reduction entry was applied for these government grants, and cost presented net of government grants. There are no unfulfilled conditions or other contingencies attaching to these government grants.

2. From the current fiscal year, the JAL Group capitalized borrowing costs that are attributable to the acquisition of tangible fixed assets as part of the cost of the assets. Capitalized borrowing costs for the current fiscal year amounted to ¥268 million ($2,420 thousands). The capitalization rate applied to determine this amount was 0.18%.

Cost

	Flight equipment	Advances on flight equipment	Land	Buildings	Other construction in progress	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	1,175,562	138,569	861	56,856	3,206	45,606	1,420,663
As of March 31, 2020	1,366,402	102,519	853	62,583	7,531	53,868	1,593,757
As of March 31, 2021	1,398,662	129,882	853	65,247	4,099	57,491	1,656,237

Cost

	Flight equipment	Advances on flight equipment	Land	Buildings	Other construction in progress	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	12,633,565	1,173,173	7,704	589,350	37,024	519,293	14,960,139

Accumulated depreciation and accumulated impairment losses

	Flight equipment	Advances on flight equipment	Land	Buildings	Other construction in progress	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	(441,600)	–	–	(27,272)	–	(27,343)	(496,216)
As of March 31, 2020	(522,778)	–	–	(29,920)	–	(30,498)	(583,197)
As of March 31, 2021	(620,557)	–	–	(32,135)	–	(33,370)	(686,064)

Accumulated depreciation and accumulated impairment losses

	Flight equipment	Advances on flight equipment	Land	Buildings	Other construction in progress	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	(5,605,247)	–	–	(290,262)	–	(301,418)	(6,196,946)

12. Intangible assets

(1) Changes

Changes in the carrying amounts, and cost, accumulated amortization and accumulated impairment losses of intangible assets are as follows:

Carrying amounts

	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	92,076	179	92,255
Increase (Note)	31,048	22	31,070
Amortization	(25,441)	(26)	(25,468)
Impairment losses	(1,190)	(5)	(1,196)
Disposal	(139)	(0)	(139)
Exchange differences on translation of foreign operations	(1)	0	(1)
Other	(708)	(33)	(742)
As of March 31, 2020	95,642	134	95,777
Increase (Note)	23,071	65	23,136
Amortization	(28,114)	(26)	(28,140)
Impairment losses	(11)	–	(11)
Disposal	(540)	–	(540)
Exchange differences on translation of foreign operations	1	(2)	(0)
Other	(517)	(40)	(557)
As of March 31, 2021	89,531	130	89,662

Carrying amounts

	Software	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	863,896	1,210	865,116
Increase (Note)	208,391	587	208,978
Amortization	(253,942)	(234)	(254,177)
Impairment losses	(99)	–	(99)
Disposal	(4,877)	–	(4,877)
Exchange differences on translation of foreign operations	9	(18)	(0)
Other	(4,669)	(361)	(5,031)
As of March 31, 2021	808,698	1,174	809,881

Cost

	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	216,733	227	216,960
As of March 31, 2020	238,366	193	238,559
As of March 31, 2021	256,269	193	256,463

Cost

	Software	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	2,314,777	1,743	2,316,529

Accumulated amortization and accumulated impairment losses

	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	(124,657)	(48)	(124,705)
As of March 31, 2020	(142,723)	(58)	(142,782)
As of March 31, 2021	(166,738)	(63)	(166,801)

Accumulated amortization and accumulated impairment losses

	Software	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	(1,506,078)	(569)	(1,506,647)

(Note) The increase in a cost of software is mainly due to internal development.

13. Impairment of non-financial assets

(1) Impairment losses

In determining impairment losses, the JAL Group classifies its assets into asset groups based on cash-generating units, which are the smallest identifiable groups of assets generating cash flows that are largely independent of cash inflows from other assets or groups of assets. In addition, assets to be sold or retired, or idle assets are grouped by individual property.

Impairment losses were recognized in “Depreciation, amortization and impairment losses” in the consolidated statement of profit or loss and other comprehensive income.

In the previous fiscal year, the carrying amounts of tangible fixed assets were reduced to their recoverable amount of ¥201 million, which was calculated by measuring the fair value net of disposal costs based on a sale agreement and other arrangement. This reduction was recognized as an impairment loss, mainly for flight equipment, because, among other reasons, the JAL Group changed the use of the asset and the grouping unit by concluding a sale contract or deciding to retire, but has no plan to make alternative investments while the estimated selling price of the assets is expected to be less than their carrying amount. The fair value hierarchy is classified as Level 3.

In addition, an impairment loss on intangible assets recognized was mainly due to the complete write-down of software associated with the decision to discontinue the operation of AXESS INTERNATIONAL NETWORK, INC. The carrying amount of the software was fully impaired since the value in use, which is the recoverable value, was zero yen, following changes in the use and grouping unit of the assets.

The breakdown of impairment losses recognized for the previous fiscal year is as follows:

(Millions of yen)

Segment	Usage	Type of assets	Amount
Air transportation business	Assets to be sold or retired, or idle assets	Flight equipment Other	523 16
Other	Assets to be sold or retired, or idle assets	Intangible assets Other	1,196 221
Total			1,959

In the current fiscal year, the carrying amount of tangible fixed assets was reduced to their recoverable amount of ¥1,735 million ($15,671 thousands), which was calculated by measuring the fair value net of disposal costs based on a sale agreement and other arrangement. This reduction was recognized as an impairment loss, because, among other reasons, the JAL Group changed the use of the asset and the grouping unit by concluding a sale contract or deciding to retire of flight equipment which will be retired early, mainly as part of business structural reforms. Also, the JAL Group has no plan on those assets to make alternative investments while its estimated selling price is expected to be less than their carrying amount. The fair value hierarchy is classified as Level 3.

The breakdown of impairment losses recognized for the current fiscal year is as follows:

(Millions of yen)

Segment	Usage	Type of assets	Amount
Air transportation business	Assets to be sold or retired, or idle assets	Flight equipment Advances on flight equipment	7,835 249
Other	Assets to be sold or retired, or idle assets	Intangible assets	11
Total			8,096

(Thousands of U.S. dollars)

Segment	Usage	Type of assets	Amount
Air transportation business	Assets to be sold or retired, or idle assets	Flight equipment Advances on flight equipment	70,770 2,249
Other	Assets to be sold or retired, or idle assets	Intangible assets	99
Total			73,127

14. Investments accounted for using equity method

(1) Investments in associates

The carrying amount of investments in individually immaterial associates is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Total carrying amount	28,756	27,695	21,558

	As of March 31, 2021
	Thousands of U.S. dollars
Total carrying amount	194,724

Equity share in comprehensive income of individually immaterial associates is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Equity share in profit	900	(7,327)
Equity share in other comprehensive income	(1,479)	1,545
Equity share in comprehensive income	(579)	(5,781)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Equity share in profit	(66,181)
Equity share in other comprehensive income	13,955
Equity share in comprehensive income	(52,217)

(2) Investments in joint ventures

The carrying amount of investments in individually immaterial joint ventures is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Total carrying amount	2,940	3,410	2,674

	As of March 31, 2021
	Thousands of U.S. dollars
Total carrying amount	24,153

Equity share in comprehensive income of individually immaterial joint ventures is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Equity share in profit	496	(255)
Equity share in other comprehensive income	5	(12)
Equity share in comprehensive income	501	(268)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Equity share in profit	(2,303)
Equity share in other comprehensive income	(108)
Equity share in comprehensive income	(2,420)

No individually material associates or joint ventures exist in the JAL Group.

(3) Unrecognized equity in losses of associates following discontinued recognition by JAL Group

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Unrecognized equity in losses of associates for the year	–	4,161
Accumulated unrecognized equity in losses of associates	–	4,161

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
Unrecognized equity in losses of associates for the year	37,584
Accumulated unrecognized equity in losses of associates	37,584

15. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of major factors for deferred tax assets and deferred tax liabilities and changes in these assets and liabilities are as follows:

Previous fiscal year (from April 1, 2019 to March 31, 2020)

	As of April 1, 2019	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Other	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Retirement benefit liability	78,082	(30,940)	(1,244)			45,896
Contract liabilities	48,619	4,156				52,775
Excess of maximum amount of tax deductible depreciation	4,827	(316)				4,510
Unrealized gains	3,397	231				3,628
Deferred liability on flight equipment	2,943	(193)				2,750
Impairment losses	2,274	1				2,276
Asset retirement obligations	1,510	29				1,539
Accrued bonuses	7,735	(6,925)				810
Effective portion of cash flow hedges	916		8,402			9,319
Unused tax losses	6,793	3,498				10,291
Other	5,328	(843)			(4)	4,479
Total	162,428	(31,303)	7,157	–	(4)	138,278
Deferred tax liabilities						
Financial assets measured at FVTOCI	13,206		(1,121)	217		12,302
Effective portion of cash flow hedges	1,722		(1,521)		(180)	20
Retirement benefit asset	385	(2,932)	2,851			304
Asset retirement obligations	629	62				692
Other	3,225	(367)				2,858
Total	19,169	(3,236)	208	217	(180)	16,177

Current fiscal year (from April 1, 2020 to March 31, 2021)

	As of April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Other	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Retirement benefit liability	45,896	(173)	853			46,576
Contract liabilities	52,775	(15,868)				36,907
Excess of maximum amount of tax deductible depreciation	4,510	(679)				3,831
Unrealized gains	3,628	(67)				3,561
Deferred liability on flight equipment	2,750	(70)				2,679
Impairment losses	2,276	15				2,291
Asset retirement obligations	1,539	(2)				1,536
Accrued bonuses	810	(452)				358
Effective portion of cash flow hedges	9,319		(9,109)		(65)	144
Unused tax losses	10,291	138,173				148,464
Other	4,479	(154)		310	(56)	4,579
Total	138,278	120,719	(8,256)	310	(121)	250,931
Deferred tax liabilities						
Financial assets measured at FVTOCI	12,302		3,094	(90)		15,305
Effective portion of cash flow hedges	20		5,584			5,604
Retirement benefit asset	304	1,047	(264)			1,086
Asset retirement obligations	692	101				794
Other	2,858	(496)				2,361
Total	16,177	651	8,414	(90)	–	25,153

	As of April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Other	As of March 31, 2021
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Deferred tax assets						
Retirement benefit liability	414,560	(1,562)	7,704			420,702
Contract liabilities	476,695	(143,329)				333,366
Excess of maximum amount of tax deductible depreciation	40,737	(6,133)				34,603
Unrealized gains	32,770	(605)				32,165
Deferred liability on flight equipment	24,839	(632)				24,198
Impairment losses	20,558	135				20,693
Asset retirement obligations	13,901	(18)				13,874
Accrued bonuses	7,316	(4,082)				3,233
Effective portion of cash flow hedges	84,174		(82,278)		(587)	1,300
Unused tax losses	92,954	1,248,062				1,341,017
Other	40,457	(1,391)		2,800	(505)	41,360
Total	1,249,010	1,090,407	(74,573)	2,800	(1,092)	2,266,561
Deferred tax liabilities						
Financial assets measured at FVTOCI	111,119		27,946	(812)		138,244
Effective portion of cash flow hedges	180		50,438			50,618
Retirement benefit asset	2,745	9,457	(2,384)			9,809
Asset retirement obligations	6,250	912				7,171
Other	25,815	(4,480)				21,325
Total	146,120	5,880	76,000	(812)	–	227,197

In recognizing deferred tax assets, the JAL Group considers the possibility that the deductible temporary differences and some or all of the unused tax losses will be available for future taxable profits. In respect to evaluation of the recoverability of deferred tax assets, the JAL Group considers scheduled reversal of deferred tax liabilities, expected future taxable profits and tax planning. The JAL Group believes that it is highly probable that tax benefits of the recognized deferred tax assets are to be realized based on the past taxable profits levels and future taxable profits expected to be earned during the deductible period of deferred tax assets.

Unused tax losses and deductible temporary differences for unrecognized deferred tax assets are as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Unused tax losses	567	1,744	3,273
Deductible temporary differences	4,593	6,736	13,865
Total	5,161	8,480	17,138

	As of March 31, 2021
	Thousands of U.S. dollars
Unused tax losses	29,563

Deductible temporary differences	125,237
Total	154,800

The expiration year of unused tax losses for unrecognized deferred tax assets is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Year 1	363	–	–
Year 2	–	–	–
Year 3	–	–	–
Year 4	–	–	–
Year 5 or later	204	1,744	3,273
Total	567	1,744	3,273

	As of March 31, 2021
	Thousands of U.S. dollars
Year 1	–
Year 2	–
Year 3	–
Year 4	–
Year 5 or later	29,563
Total	29,563

The aggregate amount of taxable temporary differences related to investments in subsidiaries and associates for unrecognized deferred tax liabilities as of April 1, 2019, March 31, 2020 and March 31, 2021 was ¥161,822 million, ¥ 171,054 million and ¥142,980 million ($1,291,482 thousands). The deferred tax liabilities associated with such temporary differences were not recognized because the JAL Group is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

The breakdown of income tax expenses for the previous and current fiscal years is as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Current tax expense	8,070	3,865
Deferred tax expense	28,066	(120,067)
Total	36,137	(116,202)

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
Current tax expense	34,911
Deferred tax expense	(1,084,518)
Total	(1,049,607)

Deferred tax expense is mainly related to the occurrence and elimination of temporary differences, except for the following.

Deferred tax expenses decreased by ¥10,291 million and ¥138,173 million ($1,248,062 thousands) for the previous and current fiscal years respectively, by recognizing deferred tax assets for unused tax losses incurred during the reporting period,

The amount of the benefit from a previously unrecognized tax loss or temporary difference of a prior period that is used to reduce deferred tax expense for the previous and current fiscal years was ¥622 million and ¥920 million ($8,309 thousands) included in deferred tax expense.

Deferred tax expense includes the amount of deferred tax expense arising from the write-down, or reversal of a previous write-down (a reassessment of the recoverability of deferred tax asset), of a deferred tax assets. Such deferred tax expense increased by ¥988 million for the previous fiscal year.

The statutory effective tax rate applied to the Company and its domestic consolidated subsidiaries for the previous and current fiscal years was 29.9% and 30.2%, respectively.

The factors of differences between the statutory effective tax rate and the average effective tax rate are as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	%	%
Statutory effective tax rate	29.9	30.2
Share of profit (loss) of investments accounted for using equity method	(0.5)	(0.6)
Changes in unrecognized deferred tax assets (including expired amounts of unused tax losses)	10.9	(1.3)
Other	0.7	0.5
Average effective tax rate after application of tax effect accounting	41.0	28.8

16. Interest-bearing liabilities and other financial liabilities

(1) Breakdown of interest-bearing liabilities

The breakdown of interest-bearing liabilities is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021	Average interest rate (Note 1)	Repayment schedule
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Current						
Short-term borrowings	65	87	33	298	0.0	–
Current portion of long-term borrowings	13,248	14,521	28,917	261,195	0.3	–
Current portion of bonds payable (Note 2)	–	–	9,991	90,244	0.2	–
Current portion of lease liabilities	24,903	23,813	30,578	276,199	0.6	–
Accounts payable – installment purchase	190	195	100	903	2.0	–
Non-current						
Long-term borrowings	71,568	97,461	320,711	2,896,856	0.3	January 25, 2023 through November 30, 2035
Bonds payable (Note 2)	49,716	89,509	79,598	718,977	0.4	March 17, 2023 through March 19, 2040
Lease liabilities	64,324	51,727	45,203	408,300	0.5	April 4, 2022 through July 19, 2033
Long-term accounts payable – installment purchase	312	113	12	108	1.8	September 26, 2026
Total	224,329	277,430	515,147	4,653,120	–	–
Current liabilities	38,408	38,618	69,621	628,859	–	–
Non-current liabilities	185,920	238,811	445,525	4,024,252	–	–
Total	224,329	277,430	515,147	4,653,120	–	–

Borrowings, bonds payable, and accounts payable – installment purchase are classified as financial liabilities measured at amortized cost.

(Notes) 1. The average interest rates are the weighted average interest rates on the outstanding liabilities as of March 31, 2021.

2. The summary of conditions to issue corporate bonds is as follows:

Company name	Issue	Date of issue	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2021	Interest rate	Collateral	Date of maturity
			Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	%		
Japan Airlines Co., Ltd.	Series 1 Unsecured Corporate Bond	Dec. 20, 2016	9,950	9,956	9,963	89,991	0.470	None	Dec. 18, 2026
Japan Airlines Co., Ltd.	Series 2 Unsecured Corporate Bond	Dec. 20, 2016	9,967	9,979	9,991 (9,991)	90,244 (90,244)	0.170	None	Dec. 20, 2021
Japan Airlines Co., Ltd.	Series 3 Unsecured Corporate Bond	Sept. 21, 2018	9,934	9,941	9,948	89,856	0.399	None	Sept. 21 2028
Japan Airlines Co., Ltd.	Series 4 Unsecured Corporate Bond	Sept. 21, 2018	9,922	9,926	9,930	89,693	0.960	None	Sept. 21 2038
Japan Airlines Co., Ltd.	Series 5 Unsecured Corporate Bond	Mar. 20, 2019	9,940	9,952	9,964	90,000	0.220	None	Mar. 19, 2024
Japan Airlines Co., Ltd.	Series 6 Unsecured Corporate Bond	Dec. 16, 2019	–	9,945	9,957	89,937	0.130	None	Dec. 16, 2024
Japan Airlines Co., Ltd.	Series 7 Unsecured Corporate Bond	Dec. 16, 2019	–	9,935	9,941	89,793	0.280	None	Dec. 14, 2029
Japan Airlines Co., Ltd.	Series 8 Unsecured Corporate Bond	Mar. 19, 2020	–	9,950	9,966	90,018	0.200	None	Mar. 17, 2023
Japan Airlines Co., Ltd.	Series 9 Unsecured Corporate Bond	Mar. 19, 2020	–	9,921	9,925	89,648	0.700	None	Mar. 19, 2040
Total			49,716	89,509	89,589 (9,991)	809,222 (90,244)			

(Note) ( ) is the amount to be redeemed within one year.

(2) Breakdown of other financial liabilities

The breakdown of other financial liabilities is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Financial liabilities measured at amortized cost			
Long-term notes payable on non-current assets	–	–	34,957
Deposits received	44,788	35,365	30,516
Other	31	22	15
Financial liabilities measured at FVTPL			
Derivative liabilities (Note 1)	3,060	29,591	480
Total	47,879	64,979	65,970
Current liabilities	39,108	51,065	42,490
Non-current liabilities	8,771	13,913	23,479
Total	47,879	64,979	65,970

	As of March 31, 2021
	Thousands of U.S. dollars
Financial liabilities measured at amortized cost	
Long-term notes payable on non-current assets	315,752
Deposits received	275,639
Other	135
Financial liabilities measured at FVTPL	
Derivative liabilities (Note 1)	4,335
Total	595,881
Current liabilities	383,795
Non-current liabilities	212,076
Total	595,881

(Note) 1. Derivative liabilities are classified as financial liabilities measured at FVTPL. However, as the Company uses highly effective hedges, it recognizes almost all changes in the fair value of derivative liabilities as an effective portion of cash flow hedges in other comprehensive income.

17. Assets pledged as collateral

Assets pledged as collateral and obligations secured by such collateral

Assets pledged as collateral are as follows.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Flight equipment	152,492	156,002	447,243
Others	10,245	13,176	14,208
Total	162,738	169,178	461,452

	As of March 31, 2021
	Thousands of U.S. dollars
Flight equipment	4,039,770
Others	128,335
Total	4,168,114

Obligations secured by such collateral are as follows.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Current portion of long-term borrowings	13,160	13,395	24,719
Long-term borrowings	73,460	82,128	266,859
Total	86,620	95,524	291,578

	As of March 31, 2021
	Thousands of U.S. dollars
Current portion of long-term borrowings	223,277
Long-term borrowings	2,410,432
Total	2,633,709

It is confirmed in each agreement in accordance with general arrangements with financial institutions that the financial institutions have the right to dispose of the assets pledged as collateral and appropriate the amount to or offset the amount with the amount to be repaid in cases where the principal and/or interest on past-due borrowings are not repaid, giving rise to a default.

The assets pledged as collateral include assets for which revolving pledges have been established to secure debts of the following three companies, under the syndicated loan agreements concluded between each company and financial institutions for the business that is the objective of each company’s establishment.

・ Tokyo International Air Terminal Corporation, the JAL Group’s associate
・ Kyushu Kumamoto International Airport Co., Ltd.
・ Hokkaido Airports Co., Ltd.

18. Leases

The JAL Group has entered into lease contracts for aircraft, real estate and other equipment for the primary purposes of managing funds efficiently, reducing administrative workloads associated with asset management, ensuring the flexibility of asset replacement, and so forth. Out of these contracts, the JAL Group determines that a contract, or part of a contracts, that in exchange for consideration transfers the right to control the use of a specified asset over a certain period of time constitutes a lease or includes a leases, and recognizes right-of-use assets and lease liabilities on the lease commencement date.

However, for short-term leases and leases for which the underlying asset is of low value, the JAL Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Some of the above lease contracts contain options for the lessee to extend or terminate the lease and an option for the lessee to purchase the underlying asset.

The JAL Group exercises these options to extend or terminate the lease and the option to purchase the underlying asset when it deems it necessary to do so, taking into comprehensive consideration such factors as the profitability of the underlying asset, changes in the neighboring markets, and conditions to exercise such options. However, if it is not reasonably certain to exercise such options at the commencement date of the lease, the JAL Group does not include the extension or termination period in the lease term or include lease payments during the lease term and the exercise price of the purchase option in the measurement of the lease liabilities.

The JAL Group reassesses whether it is reasonably certain to exercise any of the options to extend or terminate the lease and the option to purchase the underlying asset upon the occurrence of either a significant event or a significant change in circumstances. The JAL Group did not make such reassessment during the current fiscal year.

The JAL Group does not have any material leases including leases with variable lease payments, leases for which the underlying asset is of low value, leases with residual value guarantees, and leases not yet commenced to which the JAL Group is committed.

The breakdown of right-of-use assets as of April 1, 2019, March 31, 2020 and March 31, 2021 is as follows:

(Millions of yen)

	Type of underlying assets			Total
	Flight equipment	Buildings	Other	
As of April 1, 2019	61,478	16,821	8,758	87,057
As of March 31, 2020	51,211	13,022	9,022	73,257
As of March 31, 2021	49,482	17,379	8,377	75,240

(Thousands of U.S. dollar)

	Type of underlying assets			Total
	Flight equipment	Buildings	Other	
As of March 31, 2021	446,951	156,977	75,666	679,613

(Note) The right-of-use assets of flight equipment are included in “Flight equipment” in the consolidated statement of financial position. The right-of-use assets of buildings and other are included in “Other tangible fixed assets” in the consolidated statement of financial position.

The following tables show increases in right-of-use assets, and expenses and cash outflows associated with leases for the previous and current fiscal years:

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Depreciation for right-of-use assets		
Those with the underlying assets of flight equipment	11,230	13,747
Those with the underlying assets of buildings	10,382	11,003
Those with the underlying assets of other	3,799	4,003
Total depreciation for right-of-use assets	25,412	28,755
Interest expenses on lease liabilities	252	274
Expenses associated with short-term leases	7,255	5,566
Cash outflows associated with leases	34,537	32,358
Increase in right-of-use assets	13,121	30,715

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
Depreciation for right-of-use assets	
Those with the underlying assets of flight equipment	124,171
Those with the underlying assets of buildings	99,385
Those with the underlying assets of other	36,157
Total depreciation for right-of-use assets	259,732
Interest expenses on lease liabilities	2,474
Expenses associated with short-term leases	50,275
Cash outflows associated with leases	292,277
Increase in right-of-use assets	277,436

The maturity analysis of lease liabilities as of April 1, 2019, March 31, 2020, and March 31, 2021 is as follows.

In addition, the contractual cash flows are the cash flows before discount, including the amount of interest payments.

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	89,227	90,200	25,194	46,936	18,068
As of March 31, 2020	75,541	76,488	24,081	37,760	14,646
As of March 31, 2021	75,781	76,737	31,024	29,163	16,548
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	684,500	693,135	280,227	263,417	149,471

19. Trade and other payables

The breakdown of trade and other payables is as follows.

There is no materiality in the amount expected to be settled over a year.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Operating accounts payable	128,514	111,681	85,618
Other	9,169	13,526	11,566
Total	137,684	125,208	97,185

	As of March 31, 2021
	Thousands of U.S. dollars
Operating accounts payable	773,353
Other	104,471
Total	877,833

Trade and other payables are classified as financial liabilities measured at amortized cost.

20. Employee benefits

The Company and its major consolidated subsidiaries have adopted funded and non-funded defined benefit plans and defined contribution plans to fund post-employment benefits for employees, and almost all employees are eligible for these plans. When employees retire, and on other occasions, the Company and its major consolidated subsidiaries may also provide premium severance packages, which are not included in calculations of the actuarial difference for defined benefit obligations in accordance with IFRS. These pension plans are exposed to general investment risk, interest rate risk, life risk and other risks, but the employers deem these risks insignificant.

A pension fund that is legally separate from the JAL Group manages funded defined benefit plans. The board and trustee of the pension fund are required by law to act in the best interest of plan participants and are responsible for managing plan assets based on a prescribed policy.

As of March 31, 2021, the Company and 38 consolidated subsidiaries had lump-sum retirement plans. The JAL Group also had three corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain overseas subsidiaries had defined benefit plans.

The Japan Airlines Welfare Pension Fund also introduces an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which is used by some domestic consolidated subsidiaries, uses a cash balance pension plan.

(1) Defined benefit plans

1) Reconciliations of defined benefit obligations and plan assets

Defined benefit obligations and plan assets as well as the net defined benefit liability and asset recognized in the consolidated statement of financial position are as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Present value of funded defined benefit obligations	415,773	398,326	393,741
Fair value of plan assets	(261,405)	(345,577)	(344,426)
Subtotal	154,367	52,749	49,315
Present value of non-funded defined benefit obligations	100,759	97,643	100,677
Net defined benefit liability and asset	255,127	150,392	149,992
Amounts in the consolidated statement of financial position			
Retirement benefit liability	256,305	151,330	153,169
Retirement benefit asset	(1,178)	(938)	(3,176)
Net defined benefit liability and asset recognized in the consolidated statement of financial position	255,127	150,392	149,992

	As of March 31, 2021
	Thousands of U.S. dollars
Present value of funded defined benefit obligations	3,556,507
Fair value of plan assets	(3,111,064)
Subtotal	445,443
Present value of non-funded defined benefit obligations	909,375
Net defined benefit liability and asset	1,354,818
Amounts in the consolidated statement of financial position	
Retirement benefit liability	1,383,515
Retirement benefit asset	(28,687)
Net defined benefit liability and asset recognized in the consolidated statement of financial position	1,354,818

2) Reconciliations of the present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Present value of defined benefit obligations at the beginning of the year	516,533	495,969
Current service cost	15,378	15,127
Interest expense	1,615	2,411
Remeasurement		
Actuarial gains and losses arising from changes in financial assumptions	(9,553)	4,411
Actuarial gains and losses arising from experience adjustments	(2,078)	5,337
Payment of benefits	(25,675)	(28,856)
Other	(250)	17
Present value of defined benefit obligations at the end of the year	495,969	494,418

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Present value of defined benefit obligations at the beginning of the year	4,479,893
Current service cost	136,636
Interest expense	21,777
Remeasurement	
Actuarial gains and losses arising from changes in financial assumptions	39,842
Actuarial gains and losses arising from experience adjustments	48,207
Payment of benefits	(260,644)
Other	153
Present value of defined benefit obligations at the end of the year	4,465,883

The weighted average duration of defined benefit obligations as of April 1, 2019, March 31, 2020 and March 31, 2021 was 7.5 years, 7.4 years and 6.7 years, respectively.

3) Reconciliations of the fair value of plan assets

Changes in the fair value of plan assets are as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Fair value of plan assets at the beginning of the year	261,405	345,577
Interest income	1,430	2,157
Remeasurement		
Return on plan assets excluding interest income	2,340	6,237

Contributions by the employer	99,684	11,802
Contributions by plan participants	702	701
Payment of benefits	(19,846)	(21,766)
Other	(140)	(283)
Fair value of plan assets at the end of the year	345,577	344,426

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Fair value of plan assets at the beginning of the year	3,121,461
Interest income	19,483
Remeasurement	
Return on plan assets excluding interest income	56,336
Contributions by the employer	106,602
Contributions by plan participants	6,331
Payment of benefits	(196,603)
Other	(2,556)
Fair value of plan assets at the end of the year	3,111,064

The JAL Group plans to make contributions of ¥7,015 million ($63,363 thousands) in the next fiscal year ending March 31, 2022.

4) Breakdown of plan assets by class

The breakdown of plan assets by major class is as follows:

	As of April 1, 2019			As of March 31, 2020			As of March 31, 2021		
	With quoted price in an active market	With no quoted price in an active market	Total	With quoted price in an active market	With no quoted price in an active market	Total	With quoted price in an active market	With no quoted price in an active market	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Cash and cash equivalents	2,013	–	2,013	10,811	–	10,811	8,803	–	8,803
Equity instruments									
Shares issued by Japanese companies	1,803	–	1,803	2,266	–	2,266	3,850	–	3,850
Shares issued by foreign companies	3,686	–	3,686	6,350	–	6,350	9,258	–	9,258
Debt instruments									
Bonds issued by Japanese companies	6,599	–	6,599	11,794	–	11,794	10,309	–	10,309
Bonds issued by foreign companies	3,459	–	3,459	33,321	–	33,321	34,495	–	34,495
General accounts for life insurance	–	237,012	237,012	–	275,386	275,386	–	270,877	270,877
Other	–	6,829	6,829	–	5,646	5,646	–	6,830	6,830
Total	17,563	243,842	261,405	64,544	281,032	345,577	66,717	277,708	344,426

	As of March 31, 2021		
	With quoted price in an active market	With no quoted price in an active market	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Cash and cash equivalents	79,514	–	79,514
Equity instruments			
Shares issued by Japanese companies	34,775	–	34,775
Shares issued by foreign companies	83,623	–	83,623
Debt instruments			
Bonds issued by Japanese companies	93,117	–	93,117
Bonds issued by foreign companies	311,579	–	311,579
General accounts for life insurance	–	2,446,725	2,446,725
Other	–	61,692	61,692
Total	602,628	2,508,427	3,111,064

The JAL Group's policy for managing plan assets is to ensure stable returns in the medium and long-term so as to ensure payments of defined benefit obligations over future years in accordance with provisions. More specifically, the JAL Group manages plan assets by regularly setting a target

rate of return and a target asset allocation by investment asset within defined permissible risk parameters while maintaining the asset allocation. When revising the asset allocation, the JAL Group reviews the asset allocation and plan assets to invest in to ensure that the plan assets are better aligned with changes in the defined benefit obligations.
The JAL Group also regularly reviews the amount of contributions, for example, by recalculating the amount once every five years to balance the future financial position of the pension plan in compliance with the Defined-Benefit Corporate Pension Law.

5) Significant actuarial assumptions
Significant actuarial assumptions used are as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	%	%	%
Weighted average discount rate	Mainly 0.3	Mainly 0.5	Mainly 0.4

6) Sensitivity analysis
The following table shows the impact on the present value of the defined benefit obligations when the discount rate used for actuarial assumptions changes by 0.1 percentage point. This sensitivity analysis was performed based on the assumption that all other variables were constant. However, changes in other assumptions may affect the sensitivity analysis.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
In the event of 0.1 percentage point increase in the discount rate	(6,002)	(5,461)	(5,535)
In the event of 0.1 percentage point decrease in the discount rate	6,084	5,533	5,609

	As of March 31, 2021
	Thousands of U.S. dollars
In the event of 0.1 percentage point increase in the discount rate	(49,995)
In the event of 0.1 percentage point decrease in the discount rate	50,663

(2) Defined contribution plans

The amount of required contributions for the defined contribution plans made by the Company and its major consolidated subsidiaries for the previous and current fiscal years was ¥1,839 million and ¥1,971 million ($17,803 thousands), respectively.

21. Provisions

The breakdown of provisions and changes in them are as follows:

	Asset retirement obligations	Reserve for loss on antitrust litigation	Total
	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	10,049	5,816	15,865
Increase during the period	4,905	223	5,128
Interest expense during the discounting period	65	–	65
Decrease (intended use)	1,494	–	1,494
Decrease (reversal)	147	–	147
As of March 31, 2021	13,379	6,039	19,418

	Asset retirement obligations	Reserve for loss on antitrust litigation	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2020	90,768	52,533	143,302
Increase during the period	44,304	2,014	46,319
Interest expense during the discounting period	587	–	587
Decrease (intended use)	13,494	–	13,494
Decrease (reversal)	1,327	–	1,327
As of March 31, 2021	120,847	54,547	175,395

The breakdown of provisions in the consolidated statement of financial position is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Current liabilities	–	1,220	3,750
Non-current liabilities	14,594	14,645	15,667
Total	14,594	15,865	19,418

	As of March 31, 2021
	Thousands of U.S. dollars
Current liabilities	33,872
Non-current liabilities	141,513
Total	175,395

Provisions are described in Note “3. Significant accounting policies, (11) Provisions.”

22. Equity and other components of equity

(1) The number of shares authorized and the total number of shares issued

Changes in the number of shares authorized and the total number of shares issued are as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of shares	Thousands of shares
Number of shares authorized		
Common stock	700,000	700,000
Class 1 Preferred stock	12,500	12,500
Class 2 Preferred stock	12,500	12,500
Class 3 Preferred stock	12,500	12,500
Class 4 Preferred stock	12,500	12,500
Total	750,000	750,000
Total number of shares issued (Note 1)		
At the beginning of the year	349,028	337,143
Changes during the year (Note 2)	(11,885)	100,000
At the end of the year	337,143	437,143

(Notes) 1. All of the Company's shares issued are no-par value common stock without restriction on rights, and all of the shares issued are fully paid in.

2. The decrease in the number of shares issued during the previous fiscal year is due to the retirement of treasury shares. The increase in the number of shares issued during the current fiscal year is due to a public offering and a third-party allocation of shares.

(2) Treasury shares and the Company's shares held by its associates

The number of treasury shares held by the Company and the number of treasury shares held by its associates are as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Thousands of shares	Thousands of shares	Thousands of shares
Number of treasury shares held by the Company	136	136	136
Number of treasury shares held by the Company`s associates	294	294	294

(3) Details and purpose of surplus included in equity

(a) Capital surplus

1) Legal capital reserve

The Companies Act of Japan (hereinafter "the Companies Act") requires that at least half of paid-in capital be appropriated as share capital and the rest be appropriated as legal capital reserve. In addition, under the Companies Act, legal capital reserve can be transferred to share capital upon approval at the General Meeting of Shareholders.

2) Other capital surplus

Other capital surplus arises from certain equity transactions such as changes in ownership interest in subsidiaries that do not result in a loss of control.

(b) Retained earnings

Retained earnings consist of earnings recognized as profit or loss for prior periods and the current fiscal year and earnings transferred from accumulated other comprehensive income.

(4) Transaction costs accounted as a deduction from equity during the current fiscal year

Transaction costs accounted as a deduction from equity during the current fiscal year was ¥727 million ($6,566 thousands).

(5) Details and purpose of accumulated other comprehensive income

1) Financial assets measured at FVTOCI

There are valuation differences in fair value of financial assets measured at FVTOCI.

2) Effective portion of cash flow hedges

The JAL Group uses hedges to avoid the risk of change in future cash flows. The effective portion of cash flow hedges is the effective portion of any changes in the fair value of derivative transactions designated as cash flow hedges.

3) Exchange differences on translation of foreign operations

These are exchange differences arising from the translation of financial statements of foreign operations, which denominated in foreign currencies to prepare the consolidated financial statements.

4) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans comprise actuarial gains and losses on the defined benefit obligations, the return on plan assets, excluding amounts included in interest income, and any change in the effect of the asset ceiling, excluding amounts included in interest income.
Actuarial gains and losses are changes in the present value of the defined benefit obligations resulting from experience adjustments (the effects of differences between the actuarial assumptions as of the beginning of the year and actual occurrences) and the effects of changes in actuarial assumptions.
These actuarial gains and losses are recognized in other comprehensive income as incurred, and immediately transferred from accumulated other comprehensive income to retained earnings.

23. Dividends

(1) Dividends paid are as follows.

Previous fiscal year (from April 1, 2019 to March 31, 2020)

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 18, 2019	19,189	55.00	March 31, 2019	June 19, 2019
Board of Directors' Meeting on October 31, 2019	18,869	55.00	September 30, 2019	December 3, 2019

Current fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable

(2) Dividends whose record date is before the end of the reporting period and whose effective date is after the end of the reporting period.

Not applicable

24. Revenue

(1) Breakdown of revenue

Revenue and segment revenue

Previous fiscal year (from April 1, 2019 to March 31, 2020)

	Segment				
	Air transportation	Others	Sub-total	Internal transaction adjustment	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
International					
Passenger	486,217	–	486,217	–	–
Cargo and mail	67,306	–	67,306	–	–
Baggage	842	–	842	–	–
Sub-total	554,366	–	554,366	–	–
Domestic					
Passenger	529,707	–	529,707	–	–
Cargo and mail	24,352	–	24,352	–	–
Baggage	320	–	320	–	–
Sub-total	554,380	–	554,380	–	–
Total revenues from international and domestic operations	1,108,746	–	1,108,746	–	–
Travel agency	–	178,712	178,712	–	–
Other	153,136	67,227	220,364	–	–
Total revenue	1,261,883	245,940	1,507,823	(121,908)	1,385,914
Revenue recognized from contracts with customers					1,382,248
Revenue recognized from other sources					3,666

(Note) Segment revenue is stated before elimination of intersegment transactions.
Revenues recognized from other sources include lease revenues and so forth under IFRS 16.

Current fiscal year (from April 1, 2020 to March 31, 2021)

	Segment				
	Air transportation	Others	Sub-total	Internal transaction adjustment	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
International					
Passenger	27,969	–	27,969	–	–
Cargo and mail	103,898	–	103,898	–	–
Baggage	333	–	333	–	–
Sub-total	132,201	–	132,201	–	–
Domestic					
Passenger	174,006	–	174,006	–	–
Cargo and mail	24,928	–	24,928	–	–
Baggage	219	–	219	–	–
Sub-total	199,154	–	199,154	–	–
Total revenues from international and domestic operations	331,356	–	331,356	–	–
Travel agency	–	56,981	56,981	–	–
Other	100,465	50,648	151,113	–	–
Total revenue	431,821	107,629	539,451	(58,225)	481,225
Revenue recognized from contracts with customers					477,759
Revenue recognized from other sources					3,466

Current fiscal year (from April 1, 2020 to March 31, 2021)

	Segment				
	Air transportation	Others	Sub-total	Internal transaction adjustment	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
International					
Passenger	252,633	–	252,633	–	–
Cargo and mail	938,469	–	938,469	–	–
Baggage	3,007	–	3,007	–	–
Sub-total	1,194,119	–	1,194,119	–	–
Domestic					
Passenger	1,571,727	–	1,571,727	–	–
Cargo and mail	225,164	–	225,164	–	–
Baggage	1,978	–	1,978	–	–
Sub-total	1,798,879	–	1,798,879	–	–
Total revenues from international and domestic operations	2,993,008	–	2,993,008	–	–
Travel agency	–	514,687	514,687	–	–
Other	907,460	457,483	1,364,944	–	–
Total revenue	3,900,469	972,170	4,872,649	(525,923)	4,346,716
Revenue recognized from contracts with customers					4,315,409
Revenue recognized from other sources					31,307

(Note) Segment revenue is stated before elimination of intersegment transactions.
Revenues recognized from other sources include lease revenues and so forth under IFRS 16.

Business lines of the JAL Group comprise “air transportation business,” mainly involving passengers and baggage, as well as cargo and mail, on both international and domestic routes; and “other business.” Revenues arising from these businesses are recognized primarily in accordance with contracts with customers. There are no significant financing components in the contracts. All consideration from contracts with customers is reflected in transaction prices.

The JAL Group also operates a customer loyalty program called “JAL Mileage Bank.” Members of the JAL Mileage Bank can earn miles through flights with the airlines or other services, and can redeem the earned miles with the JAL Group or other partners’ services. Miles granted are deemed as performance obligations and recognized in contract liabilities. A transaction price is allocated to performance obligations on the basis of a ratio of the stand-alone selling price of each service, and reflecting the miles that will likely expire. A transaction price allocated to performance obligations of the mileage program is deferred on the consolidated statement of financial position as contract liabilities, and recognized in revenue when the miles are redeemed for services.

Air transportation

In the air transportation business segment, the JAL Group provides services related to the international and domestic transportation of “Passengers,” “Cargo and mail,” and “Baggage” by aircraft. The main revenues are recognized at a point in time when the performance obligations are satisfied, as follows.

Passengers

Passenger revenues are earned mainly 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 at completion of the passenger air transportation service. The transaction price may fluctuate due to potential discounts on sales or payment of incentives based on the amount of sales. In addition, consideration for transactions is generally received in advance before the performance obligation is satisfied.

Cargo and mail

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

Baggage

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

Other

Other revenues are earned mainly from mileage award services excluding award tickets, and business consignment services related to air transportation. The performance obligation is satisfied upon completion of the services.

<u>Other</u>

“Other businesses” include mainly planning and sales of air travel package tours and a credit card business. These revenues are mainly recognized over a certain period time as the service is provided. In addition, consideration for transaction is mainly received in advance at a certain point before the performance obligation is satisfied.

(2) Contract balances

The breakdown of receivables from contracts with customers and contract liabilities is as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Receivables from contracts with customers	129,981	68,250	62,625
Contract liabilities	294,663	251,809	215,239

	As of March 31, 2021
	Thousands of U.S. dollars
Receivables from contracts with customers	565,667
Contract liabilities	1,944,169

Contract liabilities mainly comprise those associated with advance consideration from customers for air transportation contracts and travel contracts and such consideration is recognized as revenue at the time such services are provided; and those associated with unredeemed miles granted to customers when they use the JAL Group’s air tickets, JAL credit cards, and services provided by partners of the JAL Group.

A decrease in contract liabilities balance for the previous and current fiscal years was mainly due to a decline in the balance of the JAL Group’s air tickets. The increased number of refunds for the JAL Group’s air tickets since February 2020 due to the COVID-19 pandemic resulted in a decrease in the sales of air tickets. The Company’s performance obligations were not satisfied for the amount of ¥40,509 million ($365,901 thousands) of the contract liabilities balance at the end of the previous fiscal year. Accordingly, the JAL Group's air tickets balance at the end of the current fiscal year decreased due to refunds. In addition, contract liabilities balance at the end of the current fiscal year decreased by ¥6,126 million ($55,333 thousands) due to a change in the estimate of the contract liabilities that would likely expire.

The following tables show the revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period	204,720	83,386

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Revenue recognized in the reporting period that was included in the contract liabilities balance at the beginning of the period	753,193

There is no significant revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

(3) Transaction price allocated to the remaining performance obligations

The following tables show the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied (or partially unsatisfied):

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied	251,809	215,239

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied	1,944,169

The amount of the transaction price allocated to the remaining performance obligations include contract liabilities associated with advance consideration received from customers who are expected to be provided with services in the future and those associated with miles expected to be redeemed by customers in the future. Revenue will be recognized primarily over a period of three years or less according to the progress of service provision to customers.

(4) Contract costs

The JAL Group does not have any assets recognized from the incremental costs of obtaining a contract with a customer and the costs incurred to fulfil a contract. The JAL Group has adopted a practical expedient described in paragraph 94 of IFRS 15, and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the JAL Group otherwise would have recognized is one year or less.

25. Other income

Components of other income are as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Subsidy income	5,047	11,721
Gain on disposal of non-current assets	1,722	656
Other	2,300	1,019
Total	9,069	13,397

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Subsidy income	105,871
Gain on disposal of non-current assets	5,925
Other	9,204
Total	121,009

(Note) Subsidy income mainly comprises of employment adjustment subsidies.

26. Operating expenses

The breakdown of operating expenses is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Personnel expenses	291,317	254,809
Aircraft fuel	243,420	96,788
Depreciation, amortization and impairment losses (Note 1)	164,383	190,585
Landing and navigation fees	84,833	38,490
Expenses of travel agency	77,979	22,113
Maintenance	74,046	58,197
Passenger and cargo services	44,461	11,015
Sales commissions (Air Transportation)	17,028	3,776
Other (Note 2)	311,411	209,262
Total	1,308,881	885,037

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Personnel expenses	2,301,589
Aircraft fuel	874,248
Depreciation, amortization and impairment losses (Note 1)	1,721,479
Landing and navigation fees	347,665
Expenses of travel agency	199,738
Maintenance	525,670
Passenger and cargo services	99,494
Sales commissions (Air Transportation)	34,107
Other (Note 2)	1,890,181
Total	7,994,192

(Notes)
1. Impairment losses for the previous and current fiscal years amounted to ¥1,959 million and ¥8,096 million ($73,127 thousands), respectively.
2. Other includes loss on disposal of non-current assets of ¥5,073 million and ¥3,048 million ($27,531 thousands) for the previous and current fiscal years, respectively.

27. Investment income and expenses

The breakdown of investment income is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Interest income		
Financial assets measured at amortized cost		
Loans receivable, bonds receivable, and so forth	489	578
Dividend income		
Financial assets measured at FVTOCI		
Shares	1,580	1,351
Other	328	764
Total	2,399	2,694

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Interest income	
Financial assets measured at amortized cost	
Loans receivable, bonds receivable, and so forth	5,220
Dividend income	
Financial assets measured at FVTOCI	
Shares	12,203
Other	6,900
Total	24,333

The breakdown of investment expenses is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Loss on valuation of other financial assets		
Financial assets measured at amortized cost		
Bonds receivable	–	2,999
Provision for doubtful accounts		
Financial assets measured at amortized cost		
Loans receivable	990	–
Other	101	3
Total	1,091	3,003

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Loss on valuation of other financial assets	
Financial assets measured at amortized cost	
Bonds receivable	27,088
Provision for doubtful accounts	
Financial assets measured at amortized cost	
Loans receivable	–
Other	27
Total	27,124

28. Finance income and expenses

The breakdown of finance income is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Interest income		
Financial assets measured at amortized cost		
Cash and cash equivalents	559	77
Other	389	306
Foreign exchange gain	154	1,414
Total	1,102	1,799

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Interest income	
Financial assets measured at amortized cost	
Cash and cash equivalents	695
Other	2,763
Foreign exchange gain	12,772
Total	16,249

The breakdown of finance expenses is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Interest expenses		
Lease liabilities	252	274
Financial liabilities measured at amortized cost		
Borrowings, bonds payable, and so forth	1,080	2,652
Commission fees and so forth	179	4,324
Other	247	318
Total	1,760	7,570

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Interest expenses	
Lease liabilities	2,474
Financial liabilities measured at amortized cost	
Borrowings, bonds payable, and so forth	23,954
Commission fees and so forth	39,056
Other	2,872
Total	68,376

29. Other comprehensive income

The following are amounts arising during the year by item of other comprehensive income, reclassification adjustments to profit or loss, and impact of tax effects:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Items that will not be reclassified to profit or loss			
Financial assets measured at FVTOCI			
Amount arising during the year	(3,833)	6,354	57,393
Tax effects	1,130	(3,069)	(27,721)
Financial assets measured at FVTOCI	(2,702)	3,284	29,663
Remeasurements of defined benefit plans			
Amount arising during the year	13,971	(3,511)	(31,713)
Tax effects	(4,096)	1,117	10,089
Remeasurements of defined benefit plans	9,875	(2,394)	(21,624)
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	(171)	87	785
Share of other comprehensive income of investments accounted for using equity method	(171)	87	785
Total of items that will not be reclassified to profit or loss	7,001	977	8,824
Items that may be reclassified to profit or loss			
Effective portion of cash flow hedges			
Amount arising during the year	(33,316)	32,289	291,653
Reclassification adjustments	141	16,815	151,883
Before tax effects	(33,174)	49,105	443,546
Tax effects	9,924	(14,693)	(132,716)
Effective portion of cash flow hedges	(23,250)	34,411	310,821
Exchange differences on translation of foreign operations			
Amount arising during the year	(162)	(138)	(1,246)
Reclassification adjustments	–	–	–
Before tax effects	(162)	(138)	(1,246)
Tax effects	–	–	–
Exchange differences on translation of foreign operations	(162)	(138)	(1,246)
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	(1,302)	1,445	13,052
Share of other comprehensive income of investments accounted for using equity method	(1,302)	1,445	13,052
Total of items that may be reclassified to profit or loss	(24,714)	35,718	322,626
Total other comprehensive income	(17,713)	36,695	331,451

30. Earnings per share

The calculation basis for basic earnings per share is as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Profit (loss) attributable to owners of parent (Millions of yen)	48,057	(286,693)
Profit (loss) not attributable to common shareholders of parent (Millions of yen)	–	–
Profit (loss) used to calculate basic earnings per share (Millions of yen)	48,057	(286,693)
Average number of common shares outstanding during the year (Thousands of shares)	343,167	374,766
Basic earnings (loss) per share (Yen)	140.04	(764.99)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	(2,589,585)
Profit (loss) not attributable to common shareholders of parent (Thousands of U.S. dollars)	–
Profit (loss) used to calculate basic earnings per share (Thousands of U.S. dollars)	(2,589,585)
Basic earnings (loss) per share (U.S. dollars)	(6.90)

(Note) Diluted earnings per share are not stated because there are no potential shares.

31. Cash flow information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Previous fiscal year (from April 1, 2019 to March 31, 2020)

	As of April 1, 2019	Changes with cash flows	Changes without cash flows				As of March 31, 2020
			Changes from business combinations	Exchange differences on translation	New leases	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	65	22	–	–	–	–	87
Long-term borrowings	84,816	26,721	–	–	–	444	111,982
Bonds payable	49,716	39,750	–	–	–	42	89,509
Lease liabilities	89,227	(24,625)	–	(307)	13,121	(1,875)	75,541
Accounts payable – installment purchase	503	(190)	–	–	–	(3)	309
Total	224,329	41,679	–	(307)	13,121	(1,391)	277,430

Current fiscal year (from April 1, 2020 to March 31, 2021)

	As of April 1, 2020	Changes with cash flows	Changes without cash flows				As of March 31, 2021
			Changes from business combinations	Exchange differences on translation	New leases	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	87	(54)	–	–	–	–	33
Long-term borrowings	111,982	236,346	–	–	–	1,300	349,629
Bonds payable	89,509	–	–	–	–	79	89,589
Lease liabilities	75,541	(24,501)	–	(28)	24,148	621	75,781
Accounts payable – installment purchase	309	(193)	–	–	–	(2)	113
Total	277,430	211,596	–	(28)	24,148	1,998	515,147

	As of April 1, 2020	Changes with cash flows	Changes without cash flows				As of March 31, 2021
			Changes from business combinations	Exchange differences on translation	New leases	Other	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	785	(487)	–	–	–	–	298
Long-term borrowings	1,011,489	2,134,820	–	–	–	11,742	3,158,061
Bonds payable	808,499	–	–	–	–	713	809,222
Lease liabilities	682,332	(221,307)	–	(252)	218,119	5,609	684,500
Accounts payable – installment purchase	2,791	(1,743)	–	–	–	(18)	1,020
Total	2,505,916	1,911,263	–	(252)	218,119	18,047	4,653,120

32. Financial instruments

(1) Capital management

The JAL Group manages capital, aiming to maximize corporate value through sustainable growth. The JAL Group's major indicators used for capital management are equity ratio, return on invested capital (ROIC), return on equity (ROE; calculated by dividing net profit attributable to owners of parent by the average of shareholder's equity at the beginning and end of a fiscal year), and basic earnings per share (EPS). From the current fiscal year, EPS has been newly added as an index to be used for capital management. The JAL Group's equity ratio, ROIC, ROE and EPS are as follows.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
Equity ratio (%)	49.3	51.2	45.0

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
ROIC (%)	4.7	(20.6)
ROE (%)	4.6	(29.2)
EPS (Yen)	140.04	(764.99)

	Current fiscal year (from April 1, 2020 to March 31, 2021)
EPS (U.S. dollars)	(6.90)

These indicators are regularly monitored and reported to the management.
The ROIC formula is as follows. The Company defines profit before financing and income tax as EBIT, which is profit less income tax expenses, interest, and other finance income and expenses. "Invested capital" in the ROIC formula is the sum of inventories and non-current assets less deferred tax assets and retirement benefit asset.

- ROIC = EBIT (after tax) / average invested capital at beginning and end of a fiscal year

(2) Financial risk management

The JAL Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, interest rate risk, and fuel price fluctuation risk) in the course of its operating activities, and has established risk management policies and frameworks to mitigate these financial risks. The JAL Group also enters into derivative transactions to avoid foreign currency risk or fuel price fluctuation risk, and does not carry out any speculative transactions.
The JAL Group holds marketable securities for the purpose of building, maintaining and strengthening business relationships and partnerships. Information on market price fluctuation risk is omitted because the risk is insignificant.

(3) Credit risk management

Credit risk is the risk that a counterparty to a financial asset will cause the JAL Group a financial loss by failing to discharge a contractual obligation.
Pursuant to its Credit Control Rules, the JAL Group regularly assesses the credit status of each major customer while managing the due dates and balances of receivables from them. The JAL Group determines whether or not a credit risk has increased significantly, taking into consideration the passage of time, adverse changes in the debtor's business circumstances or financial condition, and

other factors. Credit impaired financial assets include financial assets whose debtor is in default or in serious financial difficulties.
The impact of derivative transactions that the JAL Group has entered into on credit risk is limited because such transactions involve only highly creditworthy financial institutions.
The JAL Group has no credit risk excessively concentrated on a specific counterparty or a group to which the counterparty belongs.

The carrying amount of financial assets presented in the consolidated financial statements represents the maximum exposure to credit risk of financial assets held by the JAL Group.
The credit risk exposures for each category of the JAL Group's receivables (before deduction of allowances for doubtful accounts) are as follows.

- Category 1 : Receivables not applicable to Category 2 or Category 3
- Category 2 : Receivables from business partners and others whose payment is delayed for a considerable period of time
- Category 3 : Receivables of which delinquency of a debtor is caused not by temporary funding needs but primarily by significant financial difficulty of the debtor, and the collectability of receivables is considered to be of particular concern

As of April 1, 2019

	Trade and other receivables	Other financial assets
	Trade and other receivables on which allowances for doubtful accounts have been recorded at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets
	Millions of yen	Millions of yen
Category 1	144,215	–
Category 2	499	–
Category 3	–	276
Total	144,715	276

As of March 31, 2020

	Trade and other receivables	Other financial assets
	Trade and other receivables on which allowances for doubtful accounts have been recorded at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets
	Millions of yen	Millions of yen
Category 1	93,957	–
Category 2	1,063	–
Category 3	–	1,248
Total	95,021	1,248

As of March 31, 2021

	Trade and other receivables	Other financial assets
	Trade and other receivables on which allowances for doubtful accounts have been recorded at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets
	Millions of yen	Millions of yen
Category 1	76,631	–
Category 2	984	–
Category 3	3,976	1,355
Total	81,592	1,355

	Trade and other receivables	Other financial assets
	Trade and other receivables on which allowances for doubtful accounts have been recorded at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets
	Thousands of U.S. dollars	Thousands of U.S. dollars
Category 1	692,177	–
Category 2	8,888	–
Category 3	35,913	12,239
Total	736,988	12,239

In respect to guarantees, the total of the following guarantees outstanding represents the maximum exposure to credit risk of guarantees provided by the JAL Group. The breakdown of guarantees outstanding is as follows.

(Guarantees for bank loans)

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Jetstar Japan Co., Ltd.	–	–	9,000
Employees	81	60	44

	As of March 31, 2021
	Thousands of U.S. dollars
Jetstar Japan Co., Ltd.	81,293
Employees	397

The Company has been provided with a re-guarantee from another company for ¥4,500 million ($40,646 thousands) of its outstanding guarantee for bank loans to Jetstar Japan Co., Ltd.

(Guarantees for lease liabilities)

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Jetstar Japan Co., Ltd.	3,680	3,315	2,948

	As of March 31, 2021
	Thousands of U.S. dollars
Jetstar Japan Co., Ltd.	26,628

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 guarantee amounts at the end of the reporting period are as follows.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Fukuoka Airport Holdings Co., Ltd.	7,867	7,867	7,867

	As of March 31, 2021
	Thousands of U.S. dollars
Fukuoka Airport Holdings Co., Ltd.	71,059

The following are guarantee deposits that the JAL Group accepted and held for a credit enhancement purpose in order to reduce the exposure to credit risk:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Long-term deposits received	8,079	7,932	8,264

	As of March 31, 2021
	Thousands of U.S. dollars
Long-term deposits received	74,645

The JAL Group determines allowances for doubtful accounts based on customer creditworthiness and the collection status of receivables from customers.
The JAL Group records allowances for doubtful accounts on trade receivables that do not contain a significant financing component by category of similar credit risk at an amount equal to the lifetime expected credit losses. The amount is determined by multiplying the carrying amount of trade receivables by the provision rate, which reflects forecasts of future economic conditions and other

circumstances in the historical credit loss rate of such assets.
As a general rule, the JAL Group records allowances for doubtful accounts on other receivables in respect of which it determines that credit risk has not increased significantly at an amount equal to the 12-month expected credit losses. The amount is determined by multiplying the carrying amount of other receivables by the provision rate, which reflects forecasts of future economic conditions and other circumstances in the historical credit loss rate of such assets.
However, the JAL Group records allowances for doubtful accounts on assets and credit-impaired financial assets in respect of which it determines credit risk has increased significantly at an amount equal to the lifetime expected credit losses. The amount is determined by the difference between the carrying amount of such assets and the individually calculated recoverable amount of them after reflecting forecasts of future economic conditions in the counterparty's financial condition.

When the collection of all or a portion of a receivable is considered impossible or extremely difficult, the receivable is deemed to be in default.
When a delinquency of a debtor is caused not by a temporary funding requirement but primarily by significant financial difficulty of the debtor, and the collectability of receivables is considered to be of particular concern, such financial assets are deemed to be credit-impaired.
When it is evident that the amount of such financial assets cannot be collected in the future, the JAL Group writes it off and reduces the corresponding amount of the allowance for doubtful accounts.
Changes in allowances for doubtful accounts recorded by the JAL Group are as follows:

	Trade and other receivables	Other financial assets
	Trade and other receivables on which allowances for doubtful accounts have been recorded at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets
	Millions of yen	Millions of yen
As of April 1, 2019	661	275
Increase	333	1,026
Decrease	(44)	(54)
As of March 31, 2020	950	1,248
Increase	3,993	108
Decrease	(111)	(1)
As of March 31, 2021	4,831	1,354

	Trade and other receivables	Other financial assets
	Trade and other receivables on which allowances for doubtful accounts have been recorded at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets
	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	8,580	11,272
Increase	36,067	975
Decrease	(1,002)	(9)
As of March 31, 2021	43,636	12,230

The impact of significant changes in trade and other receivables during the fiscal year on changes in allowances for doubtful accounts is minimal.

(4) Liquidity risk management

Liquidity risk is the risk that the JAL Group becomes unable to repay financial liabilities for debts on the due date.

The JAL Group manages liquidity risk by preparing repayment funds in a timely manner and by continuously monitoring its cash flow plan and results. In addition, the Company has entered into commitment line agreements with counterparty financial institutions for the purpose of ensuring liquidity to brace itself for an emergency.

The balances of non-derivative financial liabilities by maturity are as follows. The table below does not include current liabilities whose maturity dates are within one year and whose carrying amounts align with contractual cash flows.

The contractual cash flows stated are the cash flows before discount, including the amount of interest payments.

As of April 1, 2019

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Bonds payable	49,716	52,745	221	20,834	31,689
Long-term borrowings	84,816	87,649	13,470	39,815	34,362
Long-term accounts payable – installment purchase	503	517	199	310	8
Long-term deposits received	8,079	8,079	–	–	8,079

As of March 31, 2020

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Bonds payable	89,509	94,297	352	41,262	52,682
Long-term borrowings	111,982	115,243	14,812	56,724	43,706
Long-term accounts payable – installment purchase	309	315	200	110	4
Long-term deposits received	7,932	7,932	–	–	7,932

As of March 31, 2021

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Bonds payable	89,589	93,944	10,344	31,199	52,401
Long-term borrowings	349,629	361,025	30,148	201,742	129,135
Long-term accounts payable – installment purchase	113	115	102	11	1
Long-term notes payable on non-current assets	34,957	34,957	19,845	15,112	–
Long-term deposits received	8,264	8,264	–	–	8,264

As of March 31, 2021

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Bonds payable	809,222	848,559	93,433	281,808	473,317
Long-term borrowings	3,158,061	3,260,997	272,315	1,822,256	1,166,425
Long-term accounts payable – installment purchase	1,020	1,038	921	99	9
Long-term notes payable on non-current assets	315,752	315,752	179,252	136,500	–
Long-term deposits received	74,645	74,645	–	–	74,645

The balances of derivative financial liabilities by maturity are as follows:

As of April 1, 2019

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Derivative financial liabilities	3,060	3,060	2,399	660	–

As of March 31, 2020

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Derivative financial liabilities	29,591	29,591	23,633	5,958	–

As of March 31, 2021

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Derivative financial liabilities	480	480	392	87	–

As of March 31, 2021

	Carrying amount	Contractual cash flows	One year or less	More than one year and less than five years	More than five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Derivative financial liabilities	4,335	4,335	3,540	785	–

The total commitment line amount and non-drawn down balance as of the reporting date are as follows:

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Total commitment line amount	50,000	50,000	300,000

Drawn down balance	–	–	–
Net total	50,000	50,000	300,000

	As of March 31, 2021
	Thousands of U.S. dollars
Total commitment line amount	2,709,782
Drawn down balance	–
Net total	2,709,782

(5) Foreign currency risk management

As the JAL Group operates in countries other than Japan, fluctuations in foreign exchange rates mainly those of the U.S. dollar significantly influence its operating performance.

To mitigate foreign currency risk, the JAL Group uses foreign currency revenues to offset foreign currency expenses, and enters into foreign currency hedging transactions to purchase aircraft fuel and flight equipment whose prices are closely linked to the U.S. dollar. As a result, the JAL Group deems its exposure to foreign currency risk to be minimal.

(6) Interest rate risk management

The JAL Group needs to make significant capital investments, such as the purchase of flight equipment. To meet funding needs for these investments, the JAL Group may procure funds from financial institutions or capital markets. The disclosure of a sensitivity analysis for interest rate risk is omitted because the impact of fluctuations in interest rates affect funding costs borne by the JAL Group is immaterial.

The JAL Group monitors interest rates in the market.

(7) Fuel price fluctuation risk management

The JAL Group is exposed to the risk of fluctuations in aircraft fuel payments arising from fuel price volatility.

To mitigate fuel price fluctuation risk, the JAL Group enters into commodity derivative transactions, and charges a fuel surcharge to partly cover the impact of higher fuel prices. As a result, the JAL Group deems its exposure to fuel price fluctuation risk to be minimal.

(8) Hedging activities

At inception of a hedging relationship and over the term of a hedging relationship, the Company assesses the existence of an economic relationship between a hedged item and the hedging instrument through the following two types of analyses in order to assess the existence of an economic relationship in which changes in cash flows from the transaction of the hedged item are offset by changes in cash flows of the hedging instrument.

- Qualitative analysis to evaluate whether the principal terms of the hedged item and those of the hedging instrument are matched or closely matched; or
- Quantitative analysis to evaluate the existence of a relationship in which changes in the value of the hedged item are offset by changes in the value of the hedging instrument with the same risk.

At inception of a hedging relationship, the Company also sets an appropriate hedge ratio based on the quantities of hedged items and hedging instruments. As a general rule, the hedge ratio is one to one. As the Company uses highly effective hedges, significant ineffectiveness is generally not expected to arise.

The details of hedging instruments designated as cash flow hedges are as follows:

As of April 1, 2019

	Contract amount	Of which, more than one year	Carrying amounts		Line item in the consolidated statement of financial position	Average rate
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Foreign currency risk						
Forward exchange contracts	61,129	3,286	788	229	Other financial assets/liabilities	107.7 yen per U.S. dollar 130.0 yen per euro and so forth
Purchased currency options	80,140	19,634	269	40	Other financial assets/liabilities	From 82.8 to 120.6 yen per U.S. dollar
Written currency options	69,040	15,702				
Fuel price fluctuation risk						
Commodity swaps	81,055	21,049	4,402	2,777	Other financial assets/liabilities	63.8 U.S. dollars per barrel

As of March 31, 2020

	Contract amount	Of which, more than one year	Carrying amounts		Line item in the consolidated statement of financial position	Average rate
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Foreign currency risk						
Forward exchange contracts	47,474	5,703	732	–	Other financial assets	105.9 yen per U.S. dollar 120.4 yen per euro and so forth
Purchased currency options	80,779	22,400	319	69	Other financial assets/liabilities	From 82.8 to 116.4 yen per U.S. dollar
Written currency options	69,125	18,332				
Fuel price fluctuation risk						
Commodity swaps	81,563	23,705	–	29,503	Other financial liabilities	58.1 U.S. dollars per barrel

As of March 31, 2021

	Contract amount	Of which, more than one year	Carrying amounts		Line item in the consolidated statement of financial position	Average rate
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Foreign currency risk						
Forward exchange contracts	58,030	2,545	2,866	–	Other financial assets	105.3 yen per U.S. dollar
Purchased currency options	68,359	21,138	1,673	–	Other financial assets	From 82.8 to 116.4 yen per U.S. dollar
Written currency options	60,956	18,826				
Fuel price fluctuation risk						
Commodity swaps	72,352	23,813	12,586	480	Other financial assets/liabilities	50.9 U.S. dollars per barrel

As of March 31, 2021

	Contract amount	Of which, more than one year	Carrying amounts		Line item in the consolidated statement of financial position	Average rate
			Assets	Liabilities		
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars		
Foreign currency risk						
Forward exchange contracts	524,162	22,987	25,887	–	Other financial assets	105.3 yen per U.S. dollar
Purchased currency options	617,460	190,931	15,111	–	Other financial assets	From 82.8 to 116.4 yen per U.S. dollar
Written currency options	550,591	170,047				
Fuel price fluctuation risk						
Commodity swaps	653,527	215,093	113,684	4,335	Other financial assets/liabilities	50.9 U.S. dollars per barrel

Foreign currency hedging transactions hedge the entire hedged items. There are no transactions to hedge partial risk components of an item.
As the JAL Group uses highly effective hedges in fuel price fluctuation hedging transactions, it calculates an oil price as a risk component by subtracting a refining margin and other cost from a fuel price and designates the oil price as a hedged item. The purchase price of fuel for the JAL Group is determined in a way that links to a product or oil price indicator. When exchange rate fluctuations are excluded from fuel price fluctuations, almost all fluctuations are oil price fluctuations.
The longest term during which changes in cash flows have been hedged is approximately 15 months for forward exchange contracts and approximately three years for currency options and commodity swaps.
Information on changes in the fair value of hedging instruments used as a basis to recognize hedge ineffectiveness is omitted because the amount of hedge ineffectiveness recognized in profit or loss is immaterial.

The details of hedged items designated as cash flow hedges are as follows:

Cash flow hedge reserve for continuous hedges

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Foreign currency risk	438	572	3,242
Fuel price fluctuation risk	1,399	(23,718)	9,635

	As of March 31, 2021
	Thousands of U.S. dollars
Foreign currency risk	29,283
Fuel price fluctuation risk	87,029

Information on changes in the fair value of hedged items used as a basis to recognize hedge ineffectiveness is omitted because the amount of hedge ineffectiveness recognized in profit or loss is immaterial.
There is no cash flow hedge reserve from the hedging relationships for which the JAL Group has discontinued hedge accounting.

The tables show the impact of the application of hedge accounting on the consolidated statement of profit or loss and other comprehensive income for the previous and current fiscal years:

Previous fiscal year (from April 1, 2019 to March 31, 2020)

	Changes in the value of hedging instruments recognized in other comprehensive income	Amount transferred from cash flow hedge reserve to profit or loss	Amount transferred to non-financial assets	Line item in profit or loss affected by the transfer
	Millions of yen	Millions of yen	Millions of yen	
Foreign currency risk				
Forward exchange contracts	743	(206)	(422)	Expenses of travel agency
Currency options	42	(42)	–	Aircraft fuel
Fuel price fluctuation risk				
Commodity swaps	(24,149)	362	–	Aircraft fuel

Current fiscal year (from April 1, 2020 to March 31, 2021)

	Changes in the value of hedging instruments recognized in other comprehensive income	Amount transferred from cash flow hedge reserve to profit or loss	Amount transferred to non-financial assets	Line item in profit or loss affected by the transfer
	Millions of yen	Millions of yen	Millions of yen	
Foreign currency risk				
Forward exchange contracts	1,344	92	152	Expenses of travel agency
Currency options	998	–	–	Aircraft fuel
Fuel price fluctuation risk				
Commodity swaps	20,213	11,682	–	Aircraft fuel

	Changes in the value of hedging instruments recognized in other comprehensive income	Amount transferred from cash flow hedge reserve to profit or loss	Amount transferred to non-financial assets	Line item in profit or loss affected by the transfer
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
Foreign currency risk				
Forward exchange contracts	12,139	830	1,372	Expenses of travel agency
Currency options	9,014	–	–	Aircraft fuel
Fuel price fluctuation risk				
Commodity swaps	182,576	105,518	–	Aircraft fuel

There is no reclassification adjustment due to the discontinued hedge accounting.
The amount of hedge ineffectiveness recognized in profit or loss is immaterial.

(9) Offsetting financial assets and financial liabilities

Derivative assets and derivative liabilities are subject to a master netting arrangement or similar arrangements. The right of set-off becomes enforceable only in the event of bankruptcy or other specific circumstances that result in a counterparty being unable to meet its obligations.
The following tables show the breakdown of financial instruments that are not offset because they do not meet all or part of the requirements for offsetting financial assets and financial liabilities recognized for the same counterparty although such financial assets and financial liabilities are subject to an enforceable master netting arrangement or similar arrangement.

As of April 1, 2019

	Derivatives of other financial assets	Derivatives of other financial liabilities
	Millions of yen	Millions of yen
Financial assets and financial liabilities on a net basis presented in the consolidated statement of financial position	5,459	3,060
Amounts not subject to offsetting in the consolidated statement of financial position	(2,884)	(2,884)
Exposure on a net basis	2,575	176

As of March 31, 2020

	Derivatives of other financial assets	Derivatives of other financial liabilities
	Millions of yen	Millions of yen
Financial assets and financial liabilities on a net basis presented in the consolidated statement of financial position	1,032	29,591
Amounts not subject to offsetting in the consolidated statement of financial position	(791)	(791)
Exposure on a net basis	240	28,799

As of March 31, 2021

	Derivatives of other financial assets	Derivatives of other financial liabilities
	Millions of yen	Millions of yen
Financial assets and financial liabilities on a net basis presented in the consolidated statement of financial position	17,233	480
Amounts not subject to offsetting in the consolidated statement of financial position	(480)	(480)
Exposure on a net basis	16,753	–

As of March 31, 2021

	Derivatives of other financial assets	Derivatives of other financial liabilities
	Thousands of U.S. dollars	Thousands of U.S. dollars
Financial assets and financial liabilities on a net basis presented in the consolidated statement of financial position	155,658	4,335
Amounts not subject to offsetting in the consolidated statement of financial position	(4,335)	(4,335)
Exposure on a net basis	151,323	–

(10) Fair value of financial instruments

The inputs to valuation techniques used to measure fair value are classified into either of the following in accordance with the observability in the markets.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices included in Level 1

Level 3: Inputs that are not based on observable market data

1) Method of fair value measurement

The methods of measurement of the fair value of financial instruments are as follows.

(Cash and cash equivalents, trade and other receivables, trade and other payables, and current interest-bearing liabilities)

Valuation at book value as short settlement dates render fair value almost equal to carrying amounts.

(Other financial assets and other financial liabilities)

The fair value of equity instruments traded in active markets is measured based on quoted prices at the end of reporting period. Meanwhile, the fair value of equity instruments for which an active market does not exist is measured using valuation techniques based on quoted prices of comparable companies. The fair value of investments in investment limited partnerships is measured at the amount equivalent to the equity interest in the assets of such partnerships.

The fair value of derivatives is measured based on observable inputs, such as exchange rates, obtained from counterparty financial institutions.

(Non-current interest-bearing liabilities)
Fair value is measured at the present value of future cash flows discounted at an interest rate assumed applicable if similar contracts were newly executed.

2) Financial instruments measured at amortized cost
The carrying amounts and fair value of financial instruments measured at amortized cost are as follows.
Financial instruments measured at fair value and those whose carrying amount closely approximates to the fair value are not included in the table below:

	As of April 1, 2019		As of March 31, 2020		As of March 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial liabilities measured at amortized cost						
Non-current						
Bonds payable	49,716	50,568	89,509	87,075	79,598	75,231
Long-term borrowings	71,568	73,524	97,461	99,452	320,711	326,923
Long-term accounts payable – installment purchase	312	312	113	113	12	12
Total	121,596	124,404	187,084	186,641	400,322	402,167

	As of March 31, 2021	
	Carrying amount	Fair value
	Thousands of U.S. dollars	Thousands of U.S. dollars
Financial liabilities measured at amortized cost		
Non-current		
Bonds payable	718,977	679,532
Long-term borrowings	2,896,856	2,952,967
Long-term accounts payable – installment purchase	108	108
Total	3,615,951	3,632,616

(Note) The fair values of bonds payable and other non-current interest-bearing liabilities are classified as Level 2 and Level 3, respectively.

3) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is as follows:

As of April 1, 2019

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at FVTOCI				
Shares and so forth	44,036	–	34,607	78,643
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	2,516	2,516
Derivative assets designated as hedges	–	5,459	–	5,459
Derivative assets not designated as hedges	–	–	–	–
Others	–	–	1,027	1,027
Total	44,036	5,459	38,151	87,648
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	3,047	–	3,047
Derivative liabilities not designated as hedges	–	12	–	12
Total	–	3,060	–	3,060

As of March 31, 2020

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at FVTOCI				
Shares and so forth	40,584	–	35,866	76,450
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	4,687	4,687
Derivative assets designated as hedges	–	1,013	–	1,013
Derivative assets not designated as hedges	–	18	–	18
Total	40,584	1,032	40,554	82,171
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	29,573	–	29,573
Derivative liabilities not designated as hedges	–	18	–	18
Total	–	29,591	–	29,591

As of March 31, 2021

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at FVTOCI				
Shares and so forth	50,340	–	33,572	83,913
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	5,506	5,506
Derivative assets designated as hedges	–	17,125	–	17,125
Derivative assets not designated as hedges	–	107	–	107
Total	50,340	17,233	39,078	106,653
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	480	–	480
Derivative liabilities not designated as hedges	–	–	–	–
Total	–	480	–	480

As of March 31, 2021

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at FVTOCI				
Shares and so forth	454,701	–	303,242	757,953
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	49,733	49,733
Derivative assets designated as hedges	–	154,683	–	154,683
Derivative assets not designated as hedges	–	966	–	966
Total	454,701	155,658	352,976	963,354
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	4,335	–	4,335
Derivative liabilities not designated as hedges	–	–	–	–
Total	–	4,335	–	4,335

Reclassification between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the reclassification. No significant reclassification between fair value Levels 1 and 2 was carried out for each fiscal year.

4) Valuation process

Financial instruments, such as equity instruments for which an active market does not exist, are classified into Level 3. For such financial instruments, a valuator decides on the valuation method for each issue to measure its fair value, in accordance with the valuation policy and procedures, including a valuation method for fair value measurement, approved by an appropriate authorized person. The results of such fair value measurements are reviewed and approved by an appropriate authorized person.

5) Valuation techniques and inputs for financial instruments classified as Level 3

The fair value of financial instruments, such as equity instruments for which an active market does not exist, classified as Level 3 is measured based on reasonably available inputs, using the comparable multiple valuation method and such other methods. The price-to-book ratios (PBR) ranged from 0.9 times to 1.3 times as of April 1, 2019, March 31, 2020, and March 31, 2021, respectively. The JAL Group also takes into account any necessary adjustments including certain illiquidity discounts. When the PBR increases, the fair value also increases.

6) Reconciliation of financial instruments classified as Level 3 from the beginning to the end of the period

Changes in financial instruments classified as Level 3 from the beginning to the end of the period are as follows:

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	38,151	40,554	366,308
Gains (losses)			
Profit (loss) (Note 1)	100	627	5,663
Other comprehensive income (Note 2)	(377)	(3,678)	(33,221)
Increase due to purchase	4,380	2,346	21,190
Decrease due to sale	(1,700)	(771)	(6,964)
Balance at end of period	40,554	39,078	352,976
Changes in unrealized gains (losses) relating to assets held at the end of the reporting period, which are recorded in profit or loss for the fiscal year (Note 1)	100	627	5,663

(Notes)
1. The amounts are included in “Investment income” and “Investment expenses” in the consolidated statement of profit or loss and other comprehensive income.
2. The amounts are included in “Financial assets measured at FVTOCI” in the consolidated statement of profit or loss and other comprehensive income.

33. Significant subsidiaries

Information on the JAL Group’s significant subsidiaries is as stated in “Financial Data/ Corporate Information, Consolidated Subsidiaries” in Integrated Report. The JAL Group has no subsidiaries with significant non-controlling interests.

34. Related parties

(1) Transactions with related parties

Previous fiscal year (from April 1, 2019 to March 31, 2020)
No significant transactions existed.

Current fiscal year (from April 1, 2020 to March 31, 2021)
No significant transactions existed.

(2) Compensation of main senior management personnel

The following tables show information on the compensation of main senior management personnel. Main senior management personnel refers to the Company's directors (including external directors).

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen
Short-term employee benefits	462	372
Share-based payment	49	–
Total	513	372

	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Thousands of U.S. dollars
Short-term employee benefits	3,360
Share-based payment	–
Total	3,360

Basic policies on compensation of main senior management personnel (including share-based payment) are disclosed in "JAL Group Sustainability, Governance, Remuneration of Directors" in Integrated Report.

35. Commitments

Commitments related to expenditures on and after the end of the reporting period are as follows.

	As of April 1, 2019	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen
Flight equipment	1,302,556	1,034,322	952,147
Other tangible fixed assets	–	–	2,000
Intangible assets	–	–	2,180
Total	1,302,556	1,034,322	956,327

	As of March 31, 2021
	Thousands of U.S. dollars
Flight equipment	8,600,370
Other tangible fixed assets	18,065
Intangible assets	19,691
Total	8,638,126

36. Subsequent events
    Not applicable

37. First-time adoption of IFRS

The JAL Group has disclosed its consolidated financial statements prepared in accordance with IFRS since the first quarter of the current fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP (hereinafter "JGAAP") relate to the fiscal year ended March 31, 2020. The date of transition to IFRS is April 1, 2019.

(1) Exemptions set out in IFRS 1

In principle, an entity that applies IFRS for the first-time (hereinafter "first-time adopter") is requested to apply IFRS retrospectively. However, IFRS 1 sets out standards to which exemptions have to be applied mandatorily and standards to which exemptions are applied optionally. The effects of the applied exemptions are adjusted by retained earnings or accumulated other comprehensive income on the date of transition to IFRS. When the JAL Group transited from JGAAP to IFRS, it applied the following exemptions:

・ Business combinations

The first-time adopter is allowed to choose not to retrospectively apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") to business combinations before the date of transition to IFRS. The JAL Group has applied the exemption and has chosen not to retrospectively apply IFRS 3 to business combinations before the date of transition.

・ Deemed cost

IFRS 1 allows entities to use the event-driven fair value measurement as of the date of measurement as deemed cost under IFRS. The JAL Group uses the fair value of certain tangible fixed assets as deemed cost under IFRS.

・ Cumulative translation differences for foreign operations

IFRS 1 allows entities to choose to deem cumulative translation differences for foreign operations as of the date of transition to IFRS to be zero. The JAL Group has chosen to deem cumulative translation differences for foreign operations to be zero as of the date of transition.

・ Leases

IFRS 1 allows a first-time adopter to determine whether contracts include leases as of the date of transition to IFRS. The JAL Group has applied this exemption and has determined whether contracts include leases based on facts and circumstances existing on the date of transition.

It also allows a first-time adopter to measure lease liabilities and right-of-use assets as of the date of transition to IFRS. The JAL Group has adopted this exemption and has measured lease liabilities and right-of-use assets as of the date of transition to IFRS.

IFRS 1 allows a first-time adopter to use practical expedients when it applies IFRS retrospectively in accordance with IFRS 16 "Leases" (hereinafter "IFRS 16"). When applying IFRS retrospectively for transactions that are deemed to include leases in accordance with IFRS 16, the JAL Group uses the following practical expedients:

Application of a single discount rate to a portfolio of leases with reasonably similar characteristics.

Non-application of the requirements concerning the recognition of right-of-use assets to leases for which the lease term ends within 12 months of the date of transition to IFRS.

Application of exemptions for leases of which the underlying asset is low in value, when the leases qualify for the exemption.

Measurement of a lease liability recognized in the consolidated statement of financial position, as of the date of transition to IFRS, at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

- Revenue

  A first-time adopter may apply the transition provisions in paragraph C5 of IFRS 15 “Revenue from Contracts with Customers” (hereinafter “IFRS 15”). The JAL Group has applied IFRS 15 retrospectively by using the practical expedients set out in C5(d) of IFRS 15, and has elected not to disclose the amount of consideration allocated to remaining performance obligations and the time when the Group expects to recognize the amount in revenue, for all reporting periods presented prior to the beginning of the first IFRS reporting period (the current fiscal year).

- Designation as previously recognized financial instruments

  IFRS 1 allows a first-time adopter to designate changes in the fair value of equity financial assets as financial assets measured through other comprehensive income, based on facts and circumstances existing as of the date of transition.
  For the classifications under IFRS 9 the JAL Group makes judgements based on facts and circumstances existing as of the date of transition, and thus, has designated equity financial assets as financial assets measured through other comprehensive income.

(2) Mandatory exceptions set out in IFRS 1

IFRS 1 prohibits retrospective application of IFRS in relation to “estimate,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets”. The JAL Group applies IFRS 1 for these items prospectively from the date of transition onwards.

(3) Reconciliations

The tables below show reconciliations required of first-time adopters.
The “Reclassification” column shows the figures for items that do not affect retained earnings or comprehensive income. The “Difference in recognition and measurement” column shows the figures for items that affect retained earnings or comprehensive income.

Reconciliation of equity as of the date of transition to IFRS (April 1, 2019)

Line item under JGAAP	JGAAP	Reclassi-fication	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	462,064	60,000	–	522,064	(A)	Cash and cash equivalents
Notes and operating accounts receivable	153,112	12,994	(22,052)	144,053	(B), (a)	Trade and other receivables
Securities	60,000	(60,000)	–	–		
	–	5,067	–	5,067	(C)	Other financial assets
Flight equipment spare parts and supplies	21,929	1,779	(26)	23,682	(D)	Inventories
Other	65,095	(20,502)	1,849	46,442		Other current assets
Allowance for doubtful accounts	(661)	661	–	–		
Total current assets	761,539	–	(20,229)	741,309		Total current assets
Non-current assets						Non-current assets
Tangible fixed assets, net						Tangible fixed assets
Flight equipment	733,961	–	61,478	795,439	(b)	Flight equipment
Advances on flight equipment and other purchases	141,776	(3,206)	–	138,569	(E)	Advances on flight equipment
Ground property and equipment	53,478	3,206	20,810	77,495	(b)	Other tangible fixed assets
Total tangible fixed assets	929,216	–	82,288	1,011,504		Total tangible fixed assets
Software	92,076	179	–	92,255		Intangible assets
	–	31,570	126	31,697	(F)	Investments accounted for using equity method
Investment securities	101,289	2,425	15,799	119,515	(C), (c)	Other financial assets
Long-term loans receivable	7,240	(7,240)	–	–		
Deferred tax assets	96,625	–	46,797	143,422	(d)	Deferred tax assets
Net defined benefit asset	2,486	–	(1,308)	1,178	(e)	Retirement benefit asset
Other	40,129	(27,210)	(154)	12,765		Other non-current assets
Allowance for doubtful accounts	(275)	275	–	–		
Total non-current assets	1,268,788	–	143,550	1,412,338		Total non-current assets
Total assets	2,030,328	–	123,320	2,153,648		Total assets

Line item under JGAAP	JGAAP	Reclassi-fication	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Operating accounts payable	185,650	9,169	(57,136)	137,684	(G), (a)	Trade and other payables
Short-term loans payable	65	15,939	22,403	38,408	(H), (b), (f)	Interest-bearing liabilities
Current portion of long-term loans payable	13,287	(13,287)	–	–		
Lease obligations	2,461	(2,461)	–	–		
Accounts payable – installment purchase	190	(190)	–	–		
	–	39,108	–	39,108	(I)	Other financial liabilities
Income taxes payable	21,738	(2,546)	–	19,192	(J)	Income taxes payable
Advances received	129,108	8,820	156,734	294,663	(I), (a)	Contract liabilities
Other	101,896	(54,552)	2,571	49,916		Other current liabilities
Total current liabilities	454,399	–	124,573	578,972		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	50,000	76,341	59,579	185,920	(H), (b), (f)	Interest-bearing liabilities
Long-term loans payable	73,524	(73,524)	–	–		
Lease obligations	2,504	(2,504)	–	–		
Long-term accounts payable – installment purchase	312	(312)	–	–		
	–	8,771	–	8,771	(I)	Other financial liabilities
Deferred tax liabilities	169	–	(6)	163	(d)	Deferred tax liabilities
Reserve for loss on antitrust litigation	5,936	8,657	–	14,594	(K)	Provisions
Net defined benefit liability	212,672	–	43,632	256,305	(e)	Retirement benefit liability
Asset retirement obligations	8,657	(8,657)	–	–		
Other	22,015	(8,771)	–	13,243		Other non-current liabilities
Total non-current liabilities	375,793	–	103,206	478,999		Total non-current liabilities
Total liabilities	830,192	–	227,779	1,057,972		Total liabilities
Net Assets						Equity
Common stock	181,352	–	–	181,352		Share capital
Capital surplus	183,050	–	(612)	182,437		Capital surplus
Retained earnings	822,554	–	(156,524)	666,030	(g)	Retained earnings
Treasury shares	(535)	–	126	(408)		Treasury shares
Accumulated other comprehensive income						Accumulated other comprehensive income
Valuation difference on available for sale securities	20,371	–	10,725	31,097	(c)	Financial assets measured at FVTOCI
Deferred losses on hedges	1,837	–	–	1,837		Effective portion of cash flow hedges
Foreign currency translation adjustment	99	–	(99)	–	(h)	Exchange differences on translation of foreign operations
Remeasurements of defined benefit plans	(43,596)	–	43,596	–	(i)	Remeasurements of defined benefit plans
Total accumulated other comprehensive income	(21,287)	–	54,222	32,934		Total accumulated other comprehensive income
	1,165,133	–	(102,787)	1,062,345		Total equity attributable to owners of parent
Non-controlling interests	35,001	–	(1,671)	33,330	(a)	Non-controlling interests
Total net assets	1,200,135	–	(104,459)	1,095,675		Total equity
Total liabilities and net assets	2,030,328	–	123,320	2,153,648		Total liabilities and equity

Notes on reconciliation of equity as of the date of transition to IFRS (April 1, 2019)

a Reclassification

(A) Cash and cash equivalents

Securities with maturities of three months or less from the date of acquisition, included in "Securities" presented under JGAAP, are now presented as "Cash and cash equivalents" under IFRS.

(B) Trade and other receivables

"Notes and operating accounts receivable" and "Allowance for doubtful accounts" (current) which were separately presented under JGAAP, and advances paid, included in "Other" (current), are now presented as "Trade and other receivables" under IFRS.

(C) Other financial assets

Derivative assets and loans receivable included in "Other" (current) under JGAAP are now presented as "Other financial assets" (current) under IFRS. In addition, "Investment securities" (excluding those falling under "Investments accounted for using equity method"), "Long-term loans receivable," and "Allowance for doubtful accounts," which were separately presented under JGAAP, and guarantee deposits, included in "Other" (non-current), are now presented as "Other financial assets" (non-current) under IFRS.

(D) Inventories

Merchandise included in "Other" (current) under JGAAP is now presented as "Inventories" under IFRS.

(E) Advances on flight equipment

Construction in progress not related to flight equipment included in "Advances on flight equipment and other purchases" under JGAAP is now included in and presented as "Other tangible fixed assets" under IFRS. In addition, construction in progress related to flight equipment included in "Advances on flight equipment and other purchases" under JGAAP is now presented as "Advances on flight equipment."

(F) Investments accounted for using equity method

"Investments accounted for using equity method" included in "Investment securities" under JGAAP is now separately presented under IFRS.

(G) Trade and other payables

"Operating accounts payable" which was separately presented under JGAAP and accounts payable – other included in "Other" (current) under JGAAP, are now presented as "Trade and other payables" under IFRS.

(H) Interest-bearing liabilities

"Short-term loans payable," "Current portion of long-term loans payable," "Lease obligations" (current) and "Accounts payable – installment purchase" (current), which were separately presented under JGAAP, are now presented as "Interest-bearing liabilities" (current) under IFRS. In addition, "Bonds payable," "Long-term loans payable," "Lease obligations" (non-current) and "Long-term accounts payable – installment purchase" (non-current), which were separately presented under JGAAP, are now presented as "Interest-bearing liabilities" (non-current) under IFRS.

(I) Other financial liabilities and contract liabilities

"Advances received," deposits received, and derivatives liabilities, included in "Other" (current), and "Other" (non-current) under JGAAP, are now presented as "Contract liabilities," "Other financial liabilities" (current), or "Other financial liabilities" (non-current) under IFRS.

(J) Income taxes payable

Enterprise tax payable (capital and value-added taxes of the size-based enterprise tax) included in “Income taxes payable” under JGAAP is now included in and presented as “Other current liabilities” under IFRS.

(K) Provisions

“Asset retirement obligations” and “Reserve for loss on antitrust litigation,” which were separately presented under JGAAP, are now presented as “Provisions” (non-current) under IFRS.

b Difference in recognition and measurement

(a) IFRS 15 “Revenue from Contracts with Customers”

Under JGAAP, expenses to be incurred as a result of redemption of miles awarded to customers were recorded as “Operating accounts payable.” Under IFRS, the mileage program is recognized as individual goods or services to be delivered to customers in the future. Accordingly, revenue based on transaction price allocated to performance obligations of mileage awards is deferred and recognized as “Contract liabilities” until such miles are redeemed by customers.

In addition, part of revenues from transactions that were recognized at a point in time under JGAAP are now recognized over certain period under IFRS according to the progress of service provision, which results in adjustments to “Contract liabilities.”

Part of trade receivables with corresponding trade payables presented on a gross basis under JGAAP are now presented on a net basis under IFRS.

(b) IFRS 16 “Leases”

Under JGAAP, lease contracts for aircraft and various equipment were accounted for as rental transactions. Under IFRS, a contract is, or contains, a lease if the contract transfers the right to control the use of a specified asset for a certain period of time in exchange for consideration, and the lessee shall recognize right-of-use assets and lease liabilities for such a contract.

(c) Measurement of financial instruments

Under JGAAP, equity financial instruments for which an active market does not exist were recognized and measured at cost because the determination of their fair values is deemed to be extremely difficult. Under IFRS, fair values of such equity financial instruments shall be measured by using appropriate valuation techniques.

(d) Tax effect

Changes in deferred tax amounts show the impact of adjustments made to deferred tax amounts that were required in the transition to IFRS. Under JGAAP, tax effects on elimination of unrealized gains were calculated based on the effective tax rates of the selling entities. Under IFRS, these are calculated based on the effective tax rates of the acquiring entities.

(e) Retirement benefit asset and liability

At the Company and its domestic consolidated subsidiaries that adopt the defined benefit plan, actuarial assumptions on mortality and discount rates used under IFRS are different from those used under JGAAP. As a result, the retirement benefit liability increased (and retirement benefit asset decreased) under IFRS.

(f) Interest-bearing liabilities

Under JGAAP, transaction costs directly attributable to the issuance of interest-bearing liabilities subsequently measured at amortized cost were expensed as incurred. Under IFRS, they are deducted from the initial measurement of the interest-bearing liabilities.

(g) Adjustments to retained earnings

	Date of transition to IFRS (April 1, 2019)
	Millions of yen
Adjustments related to contract liabilities	(83,626)
Adjustments related to retirement benefit accounting	(74,863)
Other	1,965
Total	(156,524)

(h) Transfer of cumulative translation differences of overseas subsidiaries
Upon the first-time adoption of IFRS, the JAL Group applied the exemption as set forth in IFRS 1, and transferred the total amount of cumulative translation differences on the date of transition to IFRS to retained earnings.

(i) Remeasurements of post-employment benefit plans
Under JGAAP, actuarial gains and losses were recognized as other comprehensive income as incurred, and amortized by the straight-line method over a certain period within the average remaining service years of employees, starting from the fiscal year following the respective fiscal year of occurrence. Under IFRS, these are recognized in other comprehensive income as incurred and immediately transferred to retained earnings.

Reconciliation of equity as of the end of the most recent fiscal year of consolidated financial statements under JGAAP (March 31, 2020)

Line item under JGAAP	JGAAP	Reclassi-fication	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	329,149	–	–	329,149		Cash and cash equivalents
Notes and operating account receivable	88,871	24,503	(19,303)	94,071	(A), (a)	Trade and other receivables
	–	1,305	–	1,305	(B)	Other financial assets
Flight equipment spare parts and supplies	26,491	1,953	(36)	28,409	(C)	Inventories
Other	82,432	(28,711)	1,779	55,500		Other current assets
Allowance for doubtful accounts	(950)	950	–	–		
Total current assets	525,995	–	(17,560)	508,435		Total current assets
Non-current assets						Non-current assets
Tangible fixed assets, net						Tangible fixed assets
Flight equipment	827,937	–	66,898	894,835	(b)	Flight equipment
Advances on flight equipment and other purchases	110,050	(7,531)	–	102,519	(D)	Advances on flight equipment
Ground property and equipment	59,820	7,531	19,111	86,462	(b)	Other tangible fixed assets
Total tangible fixed assets	997,807	–	86,009	1,083,817		Total tangible fixed assets
Software	95,642	134	–	95,777		Intangible assets
	–	30,979	126	31,105	(E)	Investments accounted for using equity method
Investment securities	100,117	3,407	16,693	120,218	(B), (c)	Other financial assets
Long-term loans receivable	6,691	(6,691)	–	–		
Deferred tax assets	84,632	–	37,691	122,323	(d)	Deferred tax assets
Net defined benefit asset	938	–	–	938		Retirement benefit asset
Other	48,785	(29,078)	(68)	19,638		Other non-current assets
Allowance for doubtful accounts	(1,248)	1,248	–	–		
Total non-current assets	1,333,367	–	140,452	1,473,819		Total non-current assets
Total assets	1,859,362	–	122,891	1,982,254		Total assets

Line item under JGAAP	JGAAP	Reclassi-fication	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Operating accounts payable	166,327	13,526	(54,645)	125,208	(F), (a)	Trade and other payables
Short-term loans payable	87	14,819	23,711	38,618	(G), (b), (e)	Interest-bearing liabilities
Current portion of long-term loans payable	13,556	(13,556)	–	–		
Lease obligations	1,067	(1,067)	–	–		
Accounts payable – installment purchase	195	(195)	–	–		
	–	51,065	–	51,065	(H)	Other financial liabilities
Income taxes payable	4,083	(1,258)	–	2,824	(I)	Income taxes payable
Advances received	72,423	9,694	169,691	251,809	(H), (a)	Contract liabilities
Asset retirement obligations	255	–	964	1,220	(f)	Provisions
Other	100,463	(73,028)	3,469	30,903		Other current liabilities
Total current liabilities	358,460	–	143,190	501,651		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	90,000	86,872	61,939	238,811	(G), (b), (e)	Interest-bearing liabilities
Long-term loans payable	84,770	(84,770)	–	–		
Lease obligations	1,988	(1,988)	–	–		
Long-term accounts payable – installment purchase	113	(113)	–	–		
	–	13,913	–	13,913	(H)	Other financial liabilities
Deferred tax liabilities	241	–	(19)	222	(d)	Deferred tax liabilities
Reserve for loss on antitrust litigation	5,816	8,829	–	14,645	(J)	Provisions
Net defined benefit liabilities	151,330	–	–	151,330		Retirement benefit liability
Asset retirement obligations	8,829	(8,829)	–	–		
Other	25,975	(13,913)	–	12,062		Other non-current liabilities
Total non-current liabilities	369,065	–	61,920	430,985		Total non-current liabilities
Total liabilities	727,525	–	205,111	932,637		Total liabilities
Net Assets						Equity
Common stock	181,352	–	–	181,352		Share capital
Capital surplus	183,049	–	(612)	182,437		Capital surplus
Retained earnings	797,911	–	(152,503)	645,408	(g)	Retained earnings
Treasury shares	(534)	–	126	(408)		Treasury shares
Accumulated other comprehensive income						Accumulated other comprehensive income
Valuation difference on available for sale securities	17,676	–	11,116	28,793	(c)	Financial assets measured at FVTOCI
Deferred losses on hedges	(23,146)	–	–	(23,146)		Effective portion of cash flow hedges
Foreign currency translation adjustment	(28)	–	(112)	(141)	(h)	Exchange differences on translation of foreign operations
Remeasurements of defined benefit plans	(61,467)	–	61,467	–	(i)	Remeasurements of defined benefit plans
Total accumulated other comprehensive income	(66,965)	–	72,471	5,506		Total accumulated other comprehensive income
	1,094,812	–	(80,517)	1,014,295		Total equity attributable to owners of parent
Non-controlling interests	37,023	–	(1,702)	35,321	(a)	Non-controlling interests
Total net assets	1,131,836	–	(82,219)	1,049,617		Total equity
Total liabilities and net assets	1,859,362	–	122,891	1,982,254		Total liabilities and equity

Notes on reconciliation of equity as of the end of the most recent fiscal year of consolidated financial statements under JGAAP (March 31, 2020)

a Reclassification

(A) Trade and other receivables

“Notes and operating accounts receivable” and “Allowance for doubtful accounts” (current), which were separately presented under JGAAP, and accounts receivable – other, included in “Other” (current), are now presented as “Trade and other receivables” under IFRS.

(B) Other financial assets

Derivative assets and loans receivable included in “Other” (current) under JGAAP are now presented as “Other financial assets” (current) under IFRS. In addition, “Investment securities” (excluding those falling under “Investments accounted for using equity method”), “Long-term loans receivable,” “Allowance for doubtful accounts” and guarantee deposits, included in “Other” (non-current), which were separately presented under JGAAP, are now presented as “Other financial assets” (non-current) under IFRS.

(C) Inventories

Merchandise included in “Other” (current) under JGAAP is now presented as “Inventories” under IFRS.

(D) Advances on flight equipment

Construction in progress not related to flight equipment included in “Advances on flight equipment and other purchases” under JGAAP is now included in and presented as “Other tangible fixed assets” under IFRS. In addition, construction in progress related to flight equipment included in “Advances on flight equipment and other purchases” under JGAAP is now presented as “Advances on flight equipment.”

(E) Investments accounted for using equity method

“Investments accounted for using equity method” included in “Investment securities” under JGAAP is now separately presented under IFRS.

(F) Trade and other payables

“Operating accounts payable” which was separately presented under JGAAP and accounts payable – other included in “Other” (current) under JGAAP, are now presented as “Trade and other payables” under IFRS.

(G) Interest-bearing liabilities

“Short-term loans payable,” “Current portion of long-term loans payable,” “Lease obligations” (current) and “Accounts payable – installment purchase” (current), all of which were separately presented under JGAAP are now presented as “Interest-bearing liabilities” (current) under IFRS. In addition, “Bonds payable,” “Long-term loans payable,” “Lease obligations” (non-current) and “Long-term accounts payable – installment purchase” (non-current), which were separately presented under JGAAP, are now presented as “Interest-bearing liabilities” (non-current) under IFRS.

(H) Other financial liabilities and contract liabilities

“Advances received,” deposits received, and derivatives liabilities, included in “Other” (current), and “Other” (non-current) under JGAAP, are now presented as “Contract liabilities,” “Other financial liabilities” (current) or “Other financial liabilities” (non-current).

(I) Income taxes payable

Enterprise tax payable (capital and value-added taxes of the size-based enterprise tax) included in “Income taxes payable” under JGAAP is now included in and presented as “Other current liabilities” under IFRS.

(J) Provisions
"Asset retirement obligations" (non-current) and "Reserve for loss on antitrust litigation" (non-current), which were separately presented under JGAAP, are now presented as "Provisions" (non-current) under IFRS.

b Difference in recognition and measurement

(a) IFRS 15 "Revenue from Contracts with Customers"
Under JGAAP, expenses to be incurred as a result of redemption of miles awarded to customers were recorded as "Operating accounts payable." Under IFRS, the mileage program is recognized as individual goods or services to be delivered to customers in the future. Accordingly, revenue based on transaction price allocated to performance obligations of mileage awards is deferred and recognized as "Contract liabilities" until such miles are redeemed by customers.
In addition, part of revenues from transactions that were recognized at a point in time under JGAAP are now recognized over certain period under IFRS according to the progress of service provision, which results in adjustments to "Contract liabilities."
Part of trade receivables with corresponding trade payable presented on a gross basis under JGAAP are now presented on a net basis under IFRS.

(b) IFRS 16 "Leases"
Under JGAAP, lease contracts for aircraft and various equipment were accounted for as rental transactions. Under IFRS, a contract is, or contains, a lease if the contract transfers the right to control the use of a specified asset for a certain period of time in exchange for consideration, and the lessee shall recognize right-of-use assets and lease liabilities for such a contract.
In addition, there are certain sales and leaseback transactions of aircraft that were accounted for as a sale under JGAAP while do not meet the requirements of IFRS15. The JAL Group does not account for such transfer of assets as a sale, and continues to recognize aircraft as an asset and recognizes borrowings in the same amount as the proceeds from the sale.

(c) Measurement of financial instruments
Under JGAAP, equity financial instruments for which an active market does not exist were recognized and measured at cost because the determination of their fair values is deemed to be extremely difficult. Under IFRS, fair values of such equity financial instruments shall be measured by using appropriate valuation techniques.

(d) Tax effect
Changes in deferred tax amounts show the impact of adjustments made to deferred tax amounts that were required in the transition to IFRS. Under JGAAP, tax effects on elimination of unrealized gains were calculated based on the effective tax rates of the selling entities. Under IFRS, these are calculated based on the effective tax rates of the acquiring entities.

(e) Interest-bearing liabilities
Under JGAAP, transaction costs directly attributable to the issuance of Interest-bearing liabilities subsequently measured at amortized cost were expensed as incurred. Under IFRS, they are deducted from the initial measurement of the Interest-bearing liabilities.

(f) Provisions
When aircraft leased under operating leases are returned, the estimate of cash outflows to satisfy contractual obligations, such as restoration of the asset resulting from the return, are not subject to accounting for asset retirement obligations under JGAAP. Under IFRS, such estimates are recognized as asset retirement obligations.

(g) Adjustments to retained earnings

	Previous fiscal year (March 31, 2020)
	Millions of yen
Adjustments related to contract liabilities	(93,432)
Adjustments related to retirement benefit accounting	(61,467)
Other	2,396
Total	(152,503)

(h) Transfer of cumulative translation differences of overseas subsidiaries
Upon the first-time adoption of IFRS, the Company applied the exemption as set forth in IFRS 1 and transferred the total amount of cumulative translation differences on the date of transition to IFRS to retained earnings.

(i) Remeasurements of post-employment benefit plans
Under JGAAP, actuarial gains and losses were recognized in other comprehensive income as incurred, and amortized by the straight-line method over a certain period within the average remaining service years of employees, starting from the fiscal year following the respective fiscal year of occurrence. Under IFRS, these actuarial gains and losses are recognized in other comprehensive income as incurred and immediately transferred to retained earnings.

Reconciliation of profit or loss and other comprehensive income for the previous fiscal year (from April 1, 2019 to March 31, 2020)

Line item under JGAAP	JGAAP	Reclassi-fication	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Operating revenue						Revenue
Passenger: International	476,230	–	9,987	486,217		International passenger revenue
Passenger: Domestic	514,619	–	15,088	529,707		Domestic passenger revenue
Incidental and other revenue	420,379	(3,751)	(46,639)	369,989		Other revenue
	–	1,407,478	(21,563)	1,385,914	(a)	Total revenue
	–	11,517	(2,448)	9,069	(b)	Other income
Operating expenses						Operating expenses
Wages, salaries and benefits	296,203	1,407	(6,293)	291,317	(c)	Personnel expenses
Aircraft fuel	243,420	–	–	243,420		Aircraft fuel
Depreciation and amortization	138,035	1,961	24,385	164,383	(d)	Depreciation, amortization and impairment losses
Landing fees and other rent	84,833	(84,833)	–	–		
Aircraft maintenance	75,011	(75,011)	–	–		
Aircraft rent	21,552	(21,552)	–	–		
Other	451,541	192,049	(33,831)	609,759	(a), (b), (d)	Other operating expenses
	–	1,324,620	(15,739)	1,308,881		Total operating expenses
	–	94,376	(8,272)	86,103		Operating profit (loss)
	–	1,381	15	1,396		Share of profit of investments accounted for using equity method
	–	95,757	(8,257)	87,500		Profit (loss) before investing, financing and income tax
	–	3,227	(828)	2,399	(e)	Investing income
	–	2,608	(1,517)	1,091	(e)	Investing expenses
	–	96,376	(7,568)	88,807		Profit (loss) before financing and income tax
	–	708	394	1,102	(f)	Finance income
	–	617	1,143	1,760	(g)	Finance expenses
Non-operating income(expenses)	(4,118)	4,118	–	–		
Profit before income taxes	96,513	(46)	(8,317)	88,149		Profit (loss) before tax
Total income taxes	39,072	(46)	(2,888)	36,137		Income tax expense
Profit	57,441	–	(5,428)	52,012		Profit (loss)
(Breakdown)						Profit attributable to
Profit attributable to owners of the parent	53,407	–	(5,350)	48,057		Owners of parent
Profit attributable to non-controlling interests	4,034	–	(78)	3,955		Non-controlling interests
Other comprehensive income						
Valuation difference on available－for－sale securities	(2,545)	2,545	–	–		
Deferred losses on hedges	(23,672)	23,672	–	–		
Foreign currency translation adjustment	(151)	151	–	–		
Remeasurements of defined benefit plans	(17,976)	17,976	–	–		
Share of other comprehensive income of entities accounted for using equity method	(1,466)	1,466	–	–		

Line item under JGAAP	JGAAP	Reclassi-fication	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Other comprehensive income
						Items that will not be reclassified to profit or loss
	–	(2,545)	(157)	(2,702)	(e)	Financial assets measured at FVTOCI
	–	(17,976)	27,852	9,875	(c)	Remeasurements of defined benefit plans
	–	(165)	(6)	(171)		Share of other comprehensive income of investments accounted for using equity method
	–	(20,687)	27,688	7,001		Total of items that will not be reclassified to profit or loss
						Items that may be reclassified to profit or loss
	–	(23,672)	422	(23,250)		Effective portion of cash flow hedges
	–	(151)	(11)	(162)		Exchange differences on translation of foreign operations
	–	(1,300)	(1)	(1,302)		Share of other comprehensive income of investments accounted for using equity method
	–	(25,124)	410	(24,714)		Total of items that may be reclassified to profit or loss
Total other comprehensive income	(45,812)	–	28,098	(17,713)		Other comprehensive income, net of tax
Comprehensive income	11,628	–	22,670	34,298		Comprehensive income
(Breakdown)						Comprehensive income attributable to
Comprehensive income attributable to owners of the parent	7,729	–	22,700	30,430		Owners of parent
Comprehensive income attributable to non-controlling interests	3,898	–	(30)	3,868		Non-controlling interests

Notes on reconciliation of profit or loss and other comprehensive income for the previous fiscal year (from April 1, 2019 to March 31, 2020)

a Reclassification

Under JGAAP, revenue, income and expenses were classified into operating revenue, operating expenses; non-operating income; and non-operating expenses. Under IFRS, these items are classified into revenue, operating expenses, investing income, investing expenses, finance income, and finance expenses.

b Difference in recognition and measurement

(a) Adjustments to revenue and operating expenses

Under JGAAP, expenses to be incurred as a result of redemption of miles awarded to customers were recorded as “Operating expenses.” Under IFRS, the mileage program is recognized as individual goods or services to be delivered to customers in the future. Accordingly, revenue based on transaction price allocated to performance obligations of mileage awards is deferred and revenue is recognized as such miles are redeemed by customers.

In addition, part of revenues from transactions that were recognized at a point in time under JGAAP are now recognized over a certain period under IFRS according to the progress of service provision.

(b) Adjustments to other revenues

For government grants related to assets, subsidy income and loss on tax purpose reduction entry of non-current fixed assets are recognized and presented as non-operating income(expenses), respectively, under JGAAP; however, such items are recognized on a net basis under IFRS.

(c) Adjustments to personnel expenses

Under JGAAP, actuarial gains and losses were recognized in other comprehensive income as incurred, and amortized using the straight-line method over a certain period within the average remaining service years of employees, starting from the fiscal year following the respective fiscal year of occurrence. Under IFRS, these are recognized in other comprehensive income as incurred, and immediately reclassified to retained earnings.

(d) Adjustments to depreciation, amortization and impairment losses

Under JGAAP, lease contracts for aircraft and various equipment were accounted for as rental transactions. Under IFRS, a contract is, or contains, a lease if the contract transfers the right to control the use of a specified asset for a certain period of time in exchange for consideration, and the lessee shall recognize right-of-use assets and depreciation expenses.

(e) Adjustments to investing income and investing expenses

Under JGAAP, gain or loss on sales of investment securities was recorded as profit or loss. Under IFRS, equity financial instruments are permitted to be designated as financial assets measured at FVTOCI, and a gain or loss on sales of such equity financial instruments is recognized as “Other comprehensive income.”

(f) Adjustments to finance income

Under JGAAP, operating leases were not recorded as assets or liabilities. Under IFRS, operating leases are recorded as assets or liabilities, and foreign exchange gain on lease liabilities are recognized as finance income.

(g) Adjustments to finance expenses

Under JGAAP, interest expenses calculated by multiplying retirement benefit obligations by a discount rate and expected investment income calculated by multiplying pension assets by the long-term expected rate of return were used. IFRS uses the net interest amount calculated by multiplying the present value of defined benefit obligations minus the fair value of institutional

assets by the discount rate and recognizes it as a financial expense.
The discount rate used to calculate defined benefit obligations, which under JGAAP did not need to be reviewed based on an assessment of whether or not a material impact is present, is under IFRS reviewed at the end of the period and financial expense is adjusted.
In addition, under JGAAP, operating leases were not recorded as assets or liabilities. Under IFRS, operating leases are recorded as assets or liabilities, and interest on lease liabilities are recognized as finance expenses.
Under JGAAP, transaction costs for interest-bearing liabilities were expensed as incurred. Under IFRS, transaction costs are deducted from the outstanding balance of interest-bearing liabilities as incurred, and recognized as finance expenses over the loan period of such interest-bearing liabilities.

Reconciliation of cash flows during the previous fiscal year (from April 1, 2019 to March 31, 2020)

Line item	JGAAP	Reclassification	IFRS	Notes
	Millions of yen	Millions of yen	Millions of yen	
(Consolidated statement of cash flows)				
Cash flows from operating activities	60,030	20,827	80,857	(a), (c)
Cash flows from investing activities	(221,573)	(12,152)	(233,725)	(b), (c)
Cash flows from financing activities	(30,135)	(8,674)	(38,810)	(a), (b), (c)

Notes to reconciliation of cash flows

a Reclassification

(a) Reclassification related to operating leases

Under JGAAP, operating leases were accounted for in the same manner as rental transactions, and thus, lease payments were classified as cash flows from operating activities. However, under IFRS, the lease payments are classified as cash flows from financing activities, since part of the payments are classified as repayment of lease liabilities, which are recognized together with right-of-use assets.

(b) Reclassification related to certain sale and leaseback transactions

Under JGAAP, out of the sales and leaseback transactions for aircraft that were treated in the same manner as ordinary sales transactions, sales proceeds from transactions where transfers of assets were not accounted for as sales and did not satisfy the requirements in IFRS 15 were classified as cash flows from investing activities. However, under IFRS, these proceeds are classified as cash flows from financing activities, since the aircraft continues to be recognized and the amount of borrowings equal to the sales proceeds is recognized.

(c) Reclassification related to interest received, dividends received, and interest expenses

Under JGAAP, interest received, dividends received, and interest expenses were classified as cash flows from operating activities. However, under IFRS, interest received and dividends received are classified as cash flows from investing activities, while interest expenses are classified as cash flows from financing activities, to more accurately reflect the reality.