

[REFERENCE TRANSLATION]

Please note that this translation is to be used solely as reference and the financial statements in this material are unaudited.

In case of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Consolidated Financial Results for the Six Months Ended September 30, 2021 [IFRS]

Company name Japan Airlines Co., Ltd November 2, 2021
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <https://www.jal.com>
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Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3121
 Scheduled date for filing of Quarterly Report: November 4, 2021
 Scheduled date for dividend payment: Not Applicable
 Supplementary explanations of the quarterly financial results: Yes
 Presentation for the quarterly financial results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Revenue		Profit before financing and income tax (Loss in brackets)		Profit before tax (Loss in brackets)		Profit attributable to owners of parent (Loss in brackets)		Comprehensive income (Loss in brackets)	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended September 30, 2021	290,647	49.2	(151,818)	—	(154,446)	—	(104,976)	—	(100,575)	—
Six months ended September 30, 2020	194,791	(74.0)	(223,972)	—	(228,252)	—	(161,226)	—	(145,404)	—

	Basic earnings per share (Loss in brackets)	Diluted earnings per share
Six months ended September 30, 2021	Yen (240.22)	Yen —
Six months ended September 30, 2020	(478.41)	—

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

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets (%)	Equity per share attributable to owners of the parent
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2021	2,154,240	878,889	847,115	39.3	1,938.45
As of March 31, 2021	2,107,279	981,535	947,459	45.0	2,168.06

2. Dividends

	Dividends per Share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ended March 31, 2021	—	0.00	—	0.00	0.00
Year Ending March 31, 2022	—	0.00	—	—	—
Year Ending March 31, 2022 (Forecast)	—	—	—	—	—

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

No interim dividends per share are paid for the fiscal year ending March 2022, considering the spread of COVID-19.

For the forecast of dividends per share for the fiscal year ending March 2022, it remains undetermined at this moment.

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2022

(Percentage compared to prior year)

	Revenue		Profit before financing and income tax (Loss in brackets)		Profit attributable to owners of parent (Loss in brackets)	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Entire						
Fiscal Year	766,000	59.2	(198,000)	—	(146,000)	—

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

Please refer to “1. Qualitative Information concerning Financial Results for the Second Quarter of FY 2021 (3) Explanations of Forecast of Consolidated Financial Results” in the Attachment.

Notes

(1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2021: None

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

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

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

3) Changes in accounting estimates: None

(3) Number of shares issued (common stock)

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

As of September 30, 2021 : 437,143,500

As of March 31, 2021 : 437,143,500

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

As of September 30, 2021 : 136,291

As of March 31, 2021 : 136,217

(c) Average number of shares outstanding

During the six months ended September 30, 2021 : 437,007,242

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

Indication of quarterly review procedure implementation status

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

Explanation for appropriate use of forecasts and other notes**(Remarks on the description on future forecast)**

The forward-looking statements such as operational forecasts contained in this statement summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate. However, it does not mean that we guarantee its achievement. Actual results may differ from such forward-looking statements for a variety of reasons. Please refer to “1. Qualitative Information concerning Financial Results for the Second Quarter of FY2021 (3) Explanations of Forecast of Consolidated Financial Results” in the Attachment for the assumptions used and other notes.

* The Company holds a presentation for institutional investors and analysts on November 2, 2021. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

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1. Qualitative Information concerning Financial Results for the Second Quarter of FY 2021

(1) Explanation of Operating Results

The revenue increased by 49.2% year on year to 290.6 billion yen, the operating expense increased by 5.6 % year on year to 442.9 billion yen, the loss/earning before financing and income tax (hereinafter referred as “EBIT”) was the loss of 151.8 billion yen (EBIT loss of 223.9 billion yen in the same period in the previous year). The loss attributable to owners of the parent for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021 hereinafter referred as the “Second Quarter Period”) was 104.9 billion yen (the loss attributable to owners of the parent of 161.2 billion yen in the same period in the previous year).

Consolidated financial results are as follows.

(JPY Bn)	Six months ended September 30, 2020	Six months ended September 30, 2021	% or points compared to prior period
Revenue	194.7	290.6	149.2%
International Passenger	9.1	29.8	325.0%
Domestic Passenger	69.6	89.9	129.1%
Cargo/Mail	53.4	98.3	184.0%
Others	62.5	72.5	116.0%
Operating Expense	419.4	442.9	105.6%
Fuel	44.6	58.9	132.0%
Excluding Fuel	374.7	383.9	102.4%
Profit or loss before financing and income tax (EBIT) (Loss in brackets)	(223.9)	(151.8)	—
EBIT Margin (%)	—	—	—
Profit or loss attributable to owners of the parent (Loss in brackets)	(161.2)	(104.9)	—

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

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

※: EBIT Margin=EBIT/Revenue.

To summarize the JAL Group’s business environments in the Second Quarter of FY2021, the prolonged COVID-19 still made the international passenger demand very limited as before yet, and the domestic passenger demand recovery was not clearly seen. Overall, the passenger demand remained to be in a tough circumstance. On the other hand, the air cargo demand remained to be in good situations due to an excessive-demand caused by the decrease of passenger flight capacity and the strong air cargo demands especially on international routes.

Hereby we summarize our business in the Second Quarter of FY2021 as below:

Amid this business environment, securing safety for our passengers and employees, which is our Group’s basic foundation, as the first priority, the JAL group has been seeking to fulfill its responsibilities by sustaining both international and domestic air transport network for passengers who needs to travel. We have been taking various safety measures to enable swift capacity recovery by maintaining safety awareness and operational quality in the changing business environments. For comfort measures, we have been working on various measures. For better hygiene and clean environments, we have completed a “contactless” touch-screen check-in kiosks project at all of 42 domestic airports and sustained antiviral and antibacterial coating to our flights and all of our domestic airports. Also, contactless “JAL SMART AIRPORT” has expanded to all of the airport facilities at Haneda Airport and Sapporo (New Chitose) Airport. Okinawa Naha Airport introduced automated baggage checkin machines. Moreover, a new boarding procedure with facial recognition called “Face Express” has been in full operation for all flights at Haneda Airport and international flights at Narita International Airport. Those measures were highly valued by SKYTRAX and newly-established “COVID-19 Excellence Award”, which is given to airlines with excellent prevention measures, was given to us, following the best rating by SKYTRAX in their COVID-19 Safety Rating and the highest Diamond rating by APEX in their Health Safety Powered by SimpliFlying Audit in the last year. In June, we started voluntary vaccination to all of our employees who wished to do so and expanded to their family members to secure their safety and health. In order to promote safe and comfort air travel in the post-COVID era, we started measures to provide benefits to those who present a vaccination certificate or a negative result certificate. We are participating in technical experiments of preventive measures that use a vaccine certificate or a negative result certificate as one of the initiatives to ease restrictions on travel or on other daily activities for pandemic prevention. Through those measures, we are cooperating with a travel industry.

As to “customer satisfaction” measures, we were awarded in the 2021 World Airline Awards by SKYTRAX. The following awards were given for our excellent services including economy class in-flight meal, staff service and seat quality:

No.5 Ranking, up from No.11 in the previous year ranking and nominated into TOP 10 airlines for the first time this year,

“World Best Economy Class” for two consecutive years, and

“Best Economy Class Airline Seat” for four consecutive years for the last five years

We will strive to provide comfortable air travel to all passengers to be “the world’s most preferred and valued airline group”

Then, the followings summarize our situation by business.

For International Passenger Business operations, border restrictions in many countries including Japan still continues, and consequently cross-border travel demand is very limited yet. We provided international route network for returnees, expats or transit passengers from Asia to North America. We contributed to the Olympic and Paralympic Games Tokyo 2020 by providing safe and comfort air transportation service through early preparation of thorough preventive measures at airports and various locations. Athletes and staff were required to move around with strict conditions especially on domestic flights. For Domestic Passenger Business, the demand remained low because of the declaration of a state of emergency or other preventive measures in April. The infection number stayed at a high level and a state of emergency declaration were extended so the business situation remained tough in the Second Quarter period as the peak-season August demand rapidly fell because of the prolonged COVID-19. However, we provided domestic air network for essential flights for the society such as remote island routes.

For International and Domestic Cargo operations, air cargo demand was very strong especially automobile or electric parts to North America during the limited capacity due to the reduction of passenger flights. We provided logistical network both domestic and to/from Japan by actively operating cargo flights using own passenger aircraft as well as chartering freighters to increase capacity to capture the strong cargo demand. Also, we cooperated to transport vaccine for COVID-19 with strict quality control

In LCC operations, our mid- and long-haul international low-cost carrier, ZIPAIR Tokyo (ZIPAIR), started Singapore flights from September 7. Spring Japan became our subsidiary in June. Together with Jetstar Japan, the three low cost carriers will establish useful network based at Narita Airport.

As a result of the above, in Full Service Carrier operations, the passenger traffic for International Passenger Business in the second quarter increased by 215.5% year over year, its revenue passenger kilometers (RPK) increased by 255.1% year over year, its the available seat kilometers (ASK) increased by 225.2% year over year, and the load factor was 22.7%. Likewise, the passenger traffic for Domestic Passenger Business increased by 32.5% year over year, its revenue passenger kilometers (RPK) increased by 28.9% year over year, its available seat kilometers (ASK) increased by 19.6% year over year, and the load factor was 42.9%. Revenue for Cargo Business increased by 87.4% year on year.

In LCC operations, the passenger traffic for International Passenger Business was 8,328 (number of passengers), its revenue passenger kilometers (RPK) was 18,818 (1,000 passenger-km), and its available seat kilometers (ASK) was 321,133 (thousands). Likewise, the passenger traffic for Domestic Passenger Business was 18,309 (number of passengers), its revenue passenger kilometers (RPK) was 14,206 (1,000 passenger-km), and its available seat kilometers (ASK) was 42,822 (thousands).

We responded to the decrease of demand by making continuous efforts of reducing our capacity to minimize our operating cost, together with fixed cost restructuring by in-sourcing operations instead of outsourcing, reducing IT expenditure and reducing personnel cost including executives’ salaries and employees’ bonus cut. As workloads for operation decreased, the JAL Group accepted vaccination-support or the Olympic/Paralympic related business and sent about 1,800 employees per day to various industries or municipalities. Also, demand-stimulating measures to improve our performance such as operation of scenic tours of Japan or training or consulting programs by cabin attendants were started to increase revenue. Through those measures, the JAL Group uses this occasion to train and develop our employees for capturing growth beyond COVID-19, while maintaining its flexibility to put back its human resources to our operation in a timely manner when demand comes back. The Japanese government is providing governmental supports including exemption of landing fees and jet fuel tax, or subsidies for employment to assist the airline industry. We would like to show our sincere gratitude for the support.

For our service and product improvement and new business expansion, we are combining our human resources with cutting-edge technology to realize innovation for new service, products or business. We introduced “Anytime Award Ticket” for domestic flights that enable our customers to make a booking with their miles even in a peak season. We will cooperate with local regions for sustainable regional revitalization through promotional programs commemorating the inclusion of Jomon Prehistoric Sites in Northern Japan and islands and forests in Kagoshima and Okinawa into UNESCO’s World Heritage. For mileage business, we started JAL mortgage loan. As a new business, we started experimental subscription service for creating a new air demand with a new lifestyle.

For next generation air mobility, we will start joint study using eVTOL ride sharing business using Vertical Aerospace’s zero-emissions eVTOL aircraft toward Expo 2025, Osaka, Kansai, Japan. Also, we are conducting experimental flying taxi flights, assisted by the Osaka Prefectural Government. Together with drone transportation among remote islands, we will strive to establish operational platform for next generation air mobility, using our operational know-how.

To achieve ESG goals, we are steadily taking initiatives to introduce fuel-efficient aircraft A350 or promote introduction of Sustainable Aviation Fuel (SAF) toward our goals of SDGs achievement by fiscal year 2030 and net-zero CO2 emission by fiscal year 2050. Also, jointly with All Nippon Airways (ANA), we developed a joint report on the promotion and viability of SAF toward CO2 net zero emissions by 2050 in air transport while maintaining sustainable air transport network as an essential infrastructure role. The both companies will promote SAF with various parties’ cooperation toward sustainable air transportation

to a future. With respect to TCFD, we expressed our support to TCFD in February, and we disclosed relevant information on Governance, Strategy, Risk Management and Metrics and Targets.

For financial policies, we issued 30 billion yen straight bonds and borrowed 24.4 billion yen bank loans based on our solid financial foundation. Then, we decided on September 10 hybrid financing of about 300 billion yen in order to achieve an aggressive goal of securing investment funds in advance for sustainable growth in the post-COVID business environment and a defensive goal of maintaining or improving financial ability for further financial foundation improvement just in case of a further-prolonged COVID effect. We achieve the two different goals at the same time without causing stock dilution by this hybrid financing. Also, we continue to maintain 300 billion yen of unused credit line to secure sufficient liquidity. We will conduct financial policies in a timely manner to stabilize our management.

The JAL Group has been striving to establish a good relationship with stakeholders by improving its disclosure quality and dialogues with them. This attitude was highly evaluated and awarded “Awards for Excellence in Corporate Disclosure” in Transportation by the Securities Analysts Association of Japan three times in the last four years since 2018. For further improvement, we will strive to enhance our disclosure and its quality.

The first half of fiscal year 2021 was very difficult for us because of the repeated declarations of a state of emergency caused by the prolonged COVID effect. However, vaccination has been advanced in Japan, and consequently the recent domestic demand recovery is gradually expected such as the passenger number has been increasing since October 2021. For International Passenger, ease of the current border restrictions such as shortening the current quarantine period of 14 days to 10 days are being discussed mainly with countries or regions in which vaccination has been advanced as well. We are conducting experimental tests to introduce digital certificates for vaccination or negative testing results with related organization toward safe travel to prepare for reopening of global interaction. Air demand is gradually recovering, however, it is expected to take for a while until a complete recovery. In the meantime, we will strive altogether for sustainable growth in the post-COVID era through enduring this hardship and achieving early recovery of solid financial foundation.

Financial results of each segment are as follows.

Air Transportation Segment

In the second quarter period, Revenue in Air Transportation Segment increased by 54.5% year on year to 273.8 billion yen and the loss before investing, financing and income tax (hereinafter referred as “Segment profit (or loss)”) was 152.6 billion yen (segment loss of 225.4 billion yen in the same period in the previous year).

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

Revenue for Full Service Carrier operations were as follows;

The international passenger revenue was 29.1 billion yen, or up 217.6 % year on year.

The domestic passenger revenue was 89.7 billion yen, or up 28.9 % year on year.

The cargo and mail revenue was 98.3 billion yen, or up 84.0 % year on year.

Revenue for LCC operations were as follows;

The international passenger revenue was 673 million yen.

The domestic passenger revenue was 153 million yen.

For SPRING JAPAN, as the results from acquisition of the subsidiary until the end of June are minor, passenger revenue from July is included as passenger revenue for LCC.

Traffic Results (Full Service Carrier)

	Six months ended September 30, 2020	Six months ended September 30, 2021	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	112,083	353,640	315.5 %
Revenue passenger km (1,000 passenger-km)	687,800	2,442,474	355.1%
Available seat km (thousands)	3,303,675	10,742,629	325.2%
Revenue passenger-load factor (%)	20.8	22.7	1.9
Revenue cargo ton-km (thousands)	775,661	1,509,101	194.6%
Mail ton-km (thousands)	66,097	86,008	130.1%
DOMESTIC			
Revenue passengers carried (number of passengers)	4,644,666	6,155,013	132.5%
Revenue passenger km (1,000 passenger-km)	3,555,825	4,582,713	128.9%
Available seat km (thousands)	8,938,383	10,694,521	119.6%
Revenue passenger-load factor (%)	39.8	42.9	3.1
Revenue cargo ton-km (thousands)	113,694	109,209	96.1%
Mail ton-km (thousands)	9,370	11,036	117.8%
TOTAL			
Revenue passengers carried (number of passengers)	4,756,749	6,508,653	136.8%
Revenue passenger km (1,000 passenger-km)	4,243,626	7,025,187	165.5%
Available seat km (thousands)	12,242,059	21,437,150	175.1%
Revenue passenger-load factor (%)	34.7	32.8	(1.9)
Revenue cargo ton-km (thousands)	889,356	1,618,311	182.0%
Mail ton-km (thousands)	75,467	97,044	128.6%

- Revenue Passenger Kilometers (RPK) is the number of fare-paying passengers multiplied by the distance flown (km). Available Seat Kilometers (ASK) is the number of available seats multiplied by the distance flown (km). Revenue Cargo Ton Kilometers (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
- The distance flown between two points, used for calculations of RPK, ASK and RCTK above is based on the great-circle distance and according to statistical data from IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization).
- International operations: Japan Airlines Co., Ltd.,
Domestic operations: Japan Airlines Co., Ltd., Japan Transocean Air Co., Ltd., Japan Air Commuter Co., Ltd., J-Air Co., Ltd., Ryukyu Air Commuter Co., Ltd., and Hokkaido Air System Co., Ltd.,
- Traffic results for ZIPAIR and SPRING JAPAN, which is classified in LCC business, are excluded from the traffic results above. Traffic results for LCCs were as follows; passenger traffic 8,328 (number of passengers), Revenue passenger km 18,818 (1,000 passenger-km), Available seat km 321,133 (thousands) and load factor 5.9% for International Passenger Business, and passenger traffic 18,309 (number of passengers), Revenue passenger km 14,206 (1,000 passenger-km), Available seat km 42,822 (thousands) and load factor 33.2% for Domestic Passenger Business. For SPRING JAPAN, as the results from acquisition of the subsidiary until the end of June are minor, traffic results from July are included as traffic results for LCC.
- Figures have been truncated and percentages are rounded off to the first decimal place.

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

The assets in second quarter period increased by 46.9 billion yen from the end of the previous consolidated fiscal year to 2 trillion and 154.2 billion yen. Current assets decreased by 17.5 billion yen from the end of the previous consolidated fiscal year to 550.2 billion yen mainly due to the decrease of Cash and Cash equivalents by 35.3 billion yen. Non-current assets increased by 64.4 billion yen to 1 trillion and 603.9 billion yen through the increase of Flight equipment and Deferred tax asset.

The liabilities increased by 149.6 billion yen from the end of the previous consolidated fiscal year to 1 trillion and 275.3 billion yen through hybrid financing which aimed to improve financial foundation and securing investment funds in advance for sustainable growth.

The equity decreased by 102.6 billion yen from the end of the previous consolidated fiscal year to 878.8 billion yen, as a result of loss attributable to owner of the parent of 104.9 billion yen.

(Outline of Cash Flows)

Cash and cash equivalents at end of first quarter period decreased by 35.3 billion yen from the end of the previous consolidated fiscal year to 372.9 billion yen.

① Cash Flows from Operating Activities

As a total of quarterly loss before tax of 154.4 billion yen, non-cash expenses like depreciation, and Trade and other payables and receivables, cash flow from operating activities (outflow) was 95.8 billion yen (cash outflow of 149.9 billion yen in the same period of the previous year).

② Cash Flows from Investing Activities

Cash flow from investing activities (outflow) was 104.0 billion yen mainly due to acquisition of Fixed assets (cash outflow of 39.2 billion yen in the same period of the previous year).

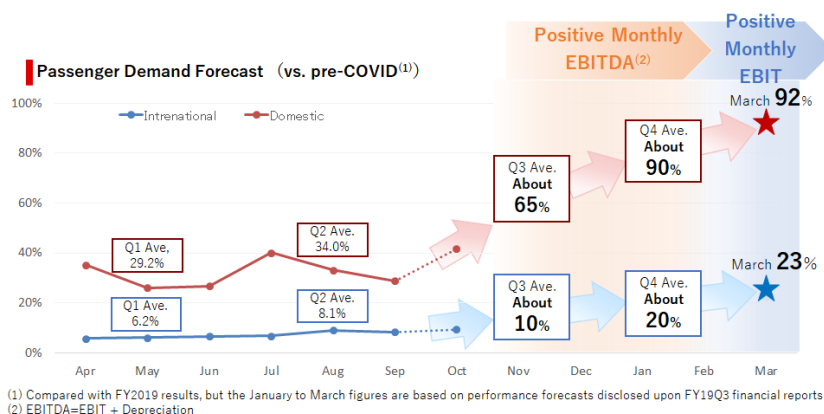
③ Cash Flows from Financing Activities

Cash flow from financing activities (inflow) was 163.9 billion yen mainly due to long term debts and straight bonds (cash inflow of 206.8 billion yen in the same period of the previous year).

(3) Explanations of Forecast of Consolidated Financial Results

The prolonged COVID effect is making a future air passenger demand unclear yet, and solid international passenger demand recovery is expected to take some more time because border restrictions are not likely to be lifted soon mainly in Asian countries, even though gradual recovery may be seen between Japan and some countries in which vaccination is being advanced. Contrary, the current domestic passenger demand is steadily recovering from October with the lift of the declaration of the state of emergency, together with the decreasing number of new infection and patients in serious condition.

Now it is expected that the recent domestic passenger demand will recover solidly toward the end of this fiscal year. Based on these business environments, we made certain assumptions on recovery of both domestic and international air passenger demands. In addition, we included into our assumptions further group-wide cost-cutting efforts and the current good cargo demand as well. Consequently, we disclose our consolidated financial performance forecast as follows: The full-year revenue will be 766 billion yen, the full-year EBIT will be a loss of 198 billion yen, and net loss attributable to owners of the parent will be 146 billion yen. Please note the above forecasts may vary due to future COVID infection situations, border restrictions or recovery of international or domestic air passenger demands.



Full-year Performance Forecast				
(Bn Yen)	FY2020	FY2021		y/y
	Result	Forecast	Diff.	
Revenue	481.2	766.0	+284.7	+59.2%
Int'l PAX	27.9	93.0	+65.0	+232.5%
Dom PAX	174.0	297.0	+122.9	+70.7%
Cargo / Mail	128.8	201.0	+72.1	+56.0%
Other Revenue ⁽¹⁾	150.4	175.0	+24.5	+16.3%
Operating Expense	885.0	974.0	+88.9	+10.1%
Others ⁽²⁾	5.5	10.0	+4.4	+81.6%
EBIT	▼398.3	▼198.0	+200.3	-
Profit or Loss	▼286.6	▼146.0	+140.6	-

(1) Other Revenue = Travel Agency, Mileage, Ground Handling or etc.
 (2) Others = Gain or Loss on Sales of Flight Equipment, Other Revenue, Share of Profit or Loss of Investment and Income/Expenses from Investment

(4) Dividends

As the spread of COVID-19 still continues, air transport industry including ourselves is being affected substantially. The JAL group recorded a huge loss of 151.8 billion yen as Second Quarter EBIT. Our full-year EBIT forecast is a loss of 198 billion yen, which is significantly improved from the last year, however, we believe it is our best interests to pursue liquidity at hand and financial robustness as our first priority.

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

For the forecast of the year-end dividends per share and the total dividends per share for the fiscal year ending March 2022, it will remain undetermined yet and will be decided later, depending on future COVID infection, recovery of domestic and international passenger demands and its impact on our future financial situations.

2. Condensed quarterly consolidated financial statement and primary notes
(1) Condensed quarterly consolidated statement of financial position

	As of March 31, 2021	As of September 30, 2021
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	408,335	372,970
Trade and other receivables	76,760	79,436
Other financial assets	14,133	19,615
Inventories	23,680	24,423
Other current assets	44,906	53,844
Total current assets	567,816	550,289
Non-current assets		
Tangible fixed assets		
Flight equipment	827,587	892,026
Advances on flight equipment	129,882	87,783
Other tangible fixed assets	87,942	84,648
Total tangible fixed assets	1,045,413	1,064,457
Intangible assets	89,662	86,572
Investments accounted for using equity method	24,232	24,047
Other financial assets	128,055	130,446
Deferred tax assets	225,886	273,926
Retirement benefit asset	3,176	3,430
Other non-current assets	23,036	21,069
Total non-current assets	1,539,462	1,603,950
Total assets	2,107,279	2,154,240

	As of March 31, 2021	As of September 30, 2021
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	97,185	90,398
Interest-bearing liabilities	69,621	66,254
Other financial liabilities	42,490	21,301
Income taxes payable	3,890	1,863
Contract liabilities	215,239	216,524
Provisions	3,750	5,066
Other current liabilities	44,714	27,025
Total current liabilities	476,893	428,434
Non-current liabilities		
Interest-bearing liabilities	445,525	635,023
Other financial liabilities	23,479	23,882
Deferred tax liabilities	108	160
Provisions	15,667	21,151
Retirement benefit liability	153,169	154,547
Other non-current liabilities	10,899	12,150
Total non-current liabilities	648,850	846,916
Total liabilities	1,125,744	1,275,351
Equity		
Share capital	273,200	273,200
Capital surplus	273,557	273,557
Retained earnings	352,965	247,989
Treasury shares	(408)	(408)
Accumulated other comprehensive income		
Financial assets measured at fair value through other comprehensive income	35,468	33,332
Effective portion of cash flow hedges	12,877	19,433
Exchange differences on translation of foreign operations	(201)	10
Total accumulated other comprehensive income	48,144	52,776
Total equity attributable to owners of parent	947,459	847,115
Non-controlling interests	34,075	31,774
Total equity	981,535	878,889
Total liabilities and equity	2,107,279	2,154,240

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

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Millions of yen	Millions of yen
Revenue		
International passenger revenue	9,173	29,810
Domestic passenger revenue	69,616	89,904
Other revenue	116,001	170,932
Total revenue	194,791	290,647
Other income	5,348	10,587
Operating expenses		
Personnel expenses	(130,863)	(122,527)
Aircraft fuel	(44,680)	(58,988)
Depreciation, amortization and impairment losses	(88,935)	(89,565)
Other operating expenses	(154,990)	(171,856)
Total operating expenses	(419,470)	(442,938)
Operating profit (Loss in brackets)	(219,330)	(141,703)
Share of profit of investments accounted for using equity method	(6,084)	(8,486)
Profit before investing, financing and income tax (Loss in brackets)	(225,414)	(150,190)
Income/expenses from investments		
Investing income	1,572	1,372
Investing expenses	(130)	(3,000)
Profit before financing and income tax (Loss in brackets)	(223,972)	(151,818)
Finance income/expenses		
Finance income	745	36
Finance expenses	(5,026)	(2,664)
Profit before tax (Loss in brackets)	(228,252)	(154,446)
Income tax expense	65,514	48,005
Profit (Loss in brackets)	(162,738)	(106,440)
Profit attributable to		
owners of parent	(161,226)	(104,976)
Non-controlling interests	(1,512)	(1,463)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,540	(2,158)
Share of other comprehensive income of investments accounted for using equity method	(7)	8
Total of items that will not be reclassified to profit or loss	3,532	(2,149)
Items that may be reclassified to profit or loss		
Effective portion of cash flow hedges	13,155	7,740
Exchange differences on translation of foreign operations	(115)	309
Share of other comprehensive income of investments accounted for using equity method	761	(35)
Total of items that may be reclassified to profit or loss	13,801	8,014
Other comprehensive income, net of taxes	17,334	5,865
Comprehensive income	(145,404)	(100,575)

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Millions of yen	Millions of yen
Comprehensive income attributable to		
Owners of parent	(143,897)	(99,211)
Non-controlling interests	(1,507)	(1,363)
Earnings per share		
Basic earnings per share (Loss in brackets) (Yen)	(478.41)	(240.22)
Diluted earnings per share (Yen)	—	—

(3) Condensed quarterly consolidated statement of changes in equity**Consolidated financial results for the second quarter of FY2020 (April 1, 2020 to September 30, 2020)**

Equity attributable to owners of parent

	Share capital	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income	
					Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2020	181,352	182,437	645,408	(408)	28,793	(23,146)
Profit (Loss in brackets)	—	—	(161,226)	—	—	—
Other comprehensive income	—	—	—	—	3,501	13,947
Comprehensive income	—	—	(161,226)	—	3,501	13,947
Transfer to non-financial assets	—	—	—	—	—	(48)
Transfer to retained earnings	—	—	(297)	—	297	—
Total transactions with owners	—	—	(297)	—	297	(48)
Balance as of September 30, 2020	181,352	182,437	483,883	(408)	32,593	(9,247)

Equity attributable to owners of parent

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

Consolidated financial results for the first quarter of FY2021 (April 1, 2021 to September 30, 2021)

Equity attributable to owners of parent

	Share capital	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income	
					Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2021	273,200	273,557	352,965	(408)	35,468	12,877
Profit (Loss in brackets)	—	—	(104,976)	—	—	—
Other comprehensive income	—	—	—	—	(2,135)	7,687
Comprehensive income	—	—	(104,976)	—	(2,135)	7,687
Transfer to non-financial assets	—	—	—	—	—	(1,132)
Purchase of treasury shares	—	—	—	(0)	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(0)	—	—	—	—
Total transactions with owners	—	(0)	—	(0)	—	(1,132)
Balance as of September 30, 2021	273,200	273,557	247,989	(408)	33,332	19,433

Equity attributable to owners of parent

	Accumulated other comprehensive income		Total Equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total accumulated other comprehensive income			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2021	(201)	48,144	947,459	34,075	981,535
Profit (Loss in brackets)	—	—	(104,976)	(1,463)	(106,440)
Other comprehensive income	212	5,764	5,764	100	5,865
Comprehensive income	212	5,764	(99,211)	(1,363)	(100,575)
Transfer to non-financial assets	—	(1,132)	(1,132)	—	(1,132)
Purchase of treasury shares	—	—	(0)	—	(0)
Acquisition of subsidiaries	—	—	—	(938)	(938)
Changes in ownership interest in subsidiaries	—	—	(0)	(0)	(0)
Total transactions with owners	—	(1,132)	(1,132)	(938)	(2,071)
Balance as of September 30, 2021	10	52,776	847,115	31,774	878,889

(4) Condensed quarterly consolidated statement of cash flows

	Six months ended September 30, 2020	Six months ended September 30, 2021
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax (Loss in brackets)	(228,252)	(154,446)
Depreciation, amortization and impairment losses	88,935	89,565
Loss (gain) on sale and retirement of fixed assets	679	(566)
Increase (decrease) in retirement benefit liability	986	1,377
Interest and dividend income	(1,664)	(1,194)
Interest expenses	1,300	1,943
Foreign exchange loss (gain)	(243)	(218)
Share of loss (profit) of investments accounted for using equity method	6,084	8,486
Decrease (increase) in trade and other receivables	16,662	(1,316)
Decrease (increase) in inventories	1,612	(1,426)
Increase (decrease) in trade and other payables	(34,099)	(2,616)
Increase (decrease) in contract liabilities	(36,593)	1,019
Other, net	22,274	(33,806)
Subtotal	(162,317)	(93,200)
Income taxes (paid) refund	12,363	(2,683)
Net cash provided by (used in) operating activities	(149,953)	(95,883)
Cash flows from investing activities		
Purchase of non-current assets	(38,468)	(98,851)
Proceeds from sales of non-current assets	600	2,944
Purchase of other financial assets	(6,147)	(12,587)
Proceeds from sale of other financial assets	493	—
Acquisition of subsidiaries	—	2,140
Payments for loans receivable	(130)	(3,807)
Collection of loans receivable	388	4,346
Interest received	283	155
Dividends received	1,657	942
Other, net	2,069	660
Net cash provided by (used in) investing activities	(39,254)	(104,055)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(63)	(2)
Proceeds from long-term borrowings	230,323	171,164
Repayments of long-term borrowings	(7,314)	(14,499)
Proceeds from issuance of bond	—	29,842
Interest paid	(480)	(1,014)
Dividends paid	(22)	(84)
Repayments of lease liabilities	(12,118)	(19,541)
Other, net	(3,426)	(1,902)
Net cash provided by (used in) financing activities	206,897	163,961
Effect of exchange rate changes on cash and cash equivalents	(152)	612
Net increase (decrease) in cash and cash equivalents	17,536	(35,364)
Cash and cash equivalents at beginning of period	329,149	408,335
Cash and cash equivalents at end of period	346,685	372,970

(5) Notes for Condensed quarterly consolidated financial statements

(Reporting company)

Japan Airlines Co., Ltd. (hereinafter the “Company”) is a stock company located in Japan. The registered address of its Head Office is 4-11, 2-chome Higashi-shinagawa, Shinagawa-ku, Tokyo. The Company’s condensed quarterly consolidated financial statements for the six months ended September 30, 2021 consists of the Company and its subsidiaries (the “JAL Group”) and interests in affiliates and jointly controlled entities.

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

(Basis of preparation)

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

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

2) Functional currency and presentation currency

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

(Going Concern Assumptions)

None

(Changes in the Accounting Estimates)

(Recognition of deferred tax assets)

The JAL Group recognizes deferred tax assets as deductible temporary differences and carried forward loss within the scope where there are expectations of future taxable income to utilize future deductible temporary differences and future taxable income. We carefully examined the expectations of future taxable income, considering our new mid-term management plan or other factors. As a result of the examination of the scope of the expectations of future taxable income to utilize future deductible temporary differences and future taxable income, we recorded 48,005 million yen of income tax expenses (increase of profit) and the loss attributable to the owners of the parent became 104,976 million yen.

Deferred tax assets and deferred tax liabilities increased by 48,039 million yen and 51 million yen respectively during the reporting period, and deferred tax assets and liabilities as of the end of the reporting period were 273,926 million yen and 160 million yen respectively.

(Revenue)**(1) Breakdown of revenue****Revenue and Segment Revenue****Consolidated financial results for the second quarter of FY2020 (April 1, 2020 to September 30, 2020)**

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

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

Consolidated financial results for the second quarter of FY2021 (April 1, 2021 to September 30, 2021)

	Segment				
	Air Transportation	Other	Sub-total	Internal transaction adjustment	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
International					
Passenger operations	29,810	—	29,810	—	—
Cargo and mail-service operation	85,883	—	85,883	—	—
Luggage operations	341	—	341	—	—
Sub-total	116,035	—	116,035	—	—
Domestic					
Passenger operations	89,904	—	89,904	—	—
Cargo and mail-service operation	12,491	—	12,491	—	—
Luggage operations	131	—	131	—	—
Sub-total	102,527	—	102,527	—	—
Total revenues from international and domestic operations	218,563	—	218,563	—	—
Other revenues					
Travel agency Revenue	—	16,063	16,063	—	—
Other	55,293	23,801	79,095	—	—
Total revenues	<u>273,857</u>	<u>39,865</u>	<u>313,722</u>	<u>(23,075)</u>	<u>290,647</u>

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

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

Revenues arising out of these businesses are recognized in accordance with contracts with customers, and there is no significant financing component in the contracts. None of consideration in contracts with customers is not reflected in transaction prices.

The JAL Group operates a customer loyalty program called “JAL Mileage Bank”. Members in the JAL Mileage Bank can collect miles through flights with the airlines in JAL Group or other services, and can redeem them for flights with JAL group or other partners' services. Miles that are expected to be redeemed are identified as performance obligations, and deferred on the statement of financial position as a contract liability. When miles are redeemed for services, revenue is recognized in the statement of profit or loss and other comprehensive income. A transaction value allocated as performance obligations of miles is deferred as contract liabilities in condensed quarterly consolidated statement of financial position, and revenue is recognized as miles are redeemed.

Air Transportation

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

Passenger operations

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

Cargo and mail-service operations

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

Luggage operations

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

Other

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.

Other

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

(Segment Information)

(1) Overview of segment reporting

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

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

(2) Information on reportable segment

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

Intersegment sales is based on the current market price.

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

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

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

2. Adjustment includes intersegment elimination.

3. Segment profit has been adjusted with profit before investing, financing and income tax on the condensed quarterly consolidated statement of profit or loss and other comprehensive income.

Consolidated financial results for the second quarter of FY2021 (April 1, 2021 to September 30, 2021)

	Reportable segment Air Transportation	Others (Note)1	Total	Adjustment (Note) 2	Consolidated Statement
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Revenue					
Sales to external	261,803	28,843	290,647	—	290,647
Intersegment	12,054	11,021	23,075	(23,075)	—
Total	273,857	39,865	313,722	(23,075)	290,647
Profit or loss before investing, financing and income tax	(152,609)	2,324	(150,284)	94	(150,190)
Investing income	—	—	—	—	1,372
Investing expenses	—	—	—	—	(3,000)
Finance income	—	—	—	—	36
Finance expenses	—	—	—	—	(2,664)
Profit or loss before tax	—	—	—	—	(154,446)

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

2. Adjustment includes intersegment elimination.

3. Segment profit has been adjusted with profit before investing, financing and income tax on the condensed quarterly consolidated statement of profit or loss and other comprehensive income.

(Subsequent Event)

(Issue of Hybrid Bonds (Public Subordinated Bonds))

JAL issued Hybrid Bonds (Public Subordinated Bonds) under the following conditions.

(1) Name of the Bonds

Japan Airlines Co., Ltd. 1st Series of Unsecured Interest Deferrable and Early Redeemable Subordinated Bonds

(2) Issue amount

JPY 150 billion

(3) Initial Interest Rate

1.600% annually

Fixed interest rate from the day after October 12, 2021 to October 12, 2028

Floating interest rate from the day after October 12, 2028 (interest rate shall step up on the day after October 12, 2028)

(4) Payment date

October 12, 2021

(5) Maturity date

October 11, 2058

JAL may, at its discretion, redeem the Bonds before maturity (i) on any interest payment date on or after October 12, 2028, or (ii) upon the occurrence and continuation of a tax event or an equity credit change event on or after the payment date.

(6) Use of Proceeds

Funds for investments or loans, repayment of interest-bearing debts or working capital, etc.

(7) Subordination or other clauses

In the event of liquidation, bankruptcy, corporate reorganization, and civil rehabilitation proceedings, or any proceedings that are equivalent thereto in a foreign country, the Hybrid Bonds shall have a subordination.

No provision of the agreement concerning the Hybrid Bond may be amended in any way that is disadvantageous to creditors other than the creditors of subordinated claims.

JAL may, at its discretion, defer all or some of the payment of interest on the Hybrid Bond.

(Tender offer for shares of an equity-method affiliate to be a consolidated subsidiary)

JAL and Sojitz Corporation (“Sojitz”) resolved, at their respective board of directors meeting held on November 2, 2021, to have SJ Future Holdings Corporation, in which JAL plans to hold 50.5% stake and Sojitz plans to hold 49.5% stake respectively (SJ Future Holdings corporation shall hereinafter be referred to as the “Tender Offeror”), to acquire the shares of common stock (the “Target Company Shares”) of JALUX Inc. (the “Target Company”) through a tender offer (the “Tender Offer”).

(1) Purposes of Tender Offer

By making Target Company JAL’s subsidiary, JAL aims the followings: JAL and Target Company’s joint use of JAL’s customer base and brand, retail business using Sojitz’s network and business investment know-how, aviation business related new business expansion, products and sales channel expansion and the improvement of management efficiency and elimination of structural conflicts of interest by the privatization of Target Company

(2) Share acquisition schedule and the ratio of voting rights in the shares of the Target Company after the Tender Offer

As a result of the Tender Offer that is being planned to commence in early February and the subsequent procedures, the ratio of voting rights in the shares of the Target Company held by JAL, Sojitz, the Tender Offeror, and Japan Airport Terminal will be 21.56%, 22.22%, 48.14%, and 8.08%, respectively.

In addition, since the ratio of voting rights in the shares of the Tender Offeror held by JAL and Sojitz will be 50.5% and 49.5%, respectively, and JAL will make the Tender Offeror its consolidated subsidiary,

(3) Tender Offer Price and Number of shares to be purchased

Price of Tender Offer: 2,560 yen per share of common stock

Number of shares to be purchased : 6,091,166

(the maximum number of shares of the Target Company that can be acquired through the Tender Offer)