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Consolidated Financial Statements

Japan Airlines Co.,Ltd. and Subsidiaries

For the Year ended March 31, 2022
Together with Independent
Auditor's Report

KPMG AZSA LLC
June 2022

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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, 2022, 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 of March 31, 2022, 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.

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	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 25, "Revenue" to the consolidated financial statements, Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as “the Group”) recognized revenue of JPY 642,565 million in the air transportation business segment for the current fiscal year. Of the revenue of full service carrier in the segment, passenger revenue was JPY 303,885 million (consisting of international passenger revenue of JPY 68,785 million and domestic passenger revenue of JPY 235,100 million), which represented approximately 44% of total revenue in the consolidated financial statements. In addition, the Group recorded contract liabilities of JPY 240,224 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	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;

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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 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.	● 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 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 appropriateness 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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<table>
<tr><td colspan="2">Appropriateness of management's judgment on the recoverability of deferred tax assets of Japan Airlines Co. Ltd.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as "the Group") recognized deferred tax assets of JPY 284,287 million in the consolidated statement of financial position for the current fiscal year. As described in Note 16, "Income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to JPY 325,882 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 266,722 million, representing approximately 11% of total assets in the consolidated financial statements. The amount includes deferred tax assets of JPY 210,486 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 266,722 million including the total amount of those related to carryforward of unused tax losses within the carryforward period of up to 10 years on the basis of the estimated future taxable profits and so forth would be recoverable.

The estimated future taxable profit, which was used to determine the recoverability of deferred tax assets, was based on the business plan prepared by management. The plan included key assumptions such as:
・ The impact of the spread of COVID-19 on</td><td>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 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 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 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 appropriateness 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), similar demand forecasts announced by other companies in the same industry, and past data related to the speed of recovery during the recovery temporary period of demand, for consistency; and
● compared the forecast of changes in market conditions related to fuel prices and foreign exchanges with the current market conditions, forecast reports published by external research organizations, and the market forecasts published by financial institutions, for consistency.</td></tr>
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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 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.	In addition, we independently estimated future taxable profit by incorporating the effect of specific uncertainty into the business plan, after considering the results of our evaluation of the appropriateness 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 taxable profit independently estimated with management's estimate and evaluated the conclusion, which includes whether there was any margin on the conclusion, on the recoverability of deferred tax assets .

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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 JPY1,052,787 million and goodwill and intangible assets of JPY 87,637 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, except the individual assets that will be sold or retired, 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 over the remaining useful life of Flight equipment which is the main asset 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. Management determined that the recoverable amount of the non-current assets used in the air transportation business exceeded their carrying amount and thus did not recognize an impairment loss. The estimated future cash flows used for the impairment testing were based on the 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 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	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 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 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 appropriateness 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), similar demand forecasts announced by other companies in the same industry, and past data related to the speed of recovery during the temporary recovery period of demand, for consistency; and ● compared the forecast of changes in market conditions related to fuel prices with the current market conditions, forecast reports published by external research organizations, and the market forecasts published by financial institutions, for consistency.

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 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.	In addition, we primarily performed the following procedures in order to assess 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 business plan, after considering the results of our evaluation of the appropriateness 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 , which includes whether there was any margin on the determining whether an impairment loss should be recognized, on the amount of the value in use.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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, 2022 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
Toshihiro Otsuka
Designated Engagement Partner
Certified Public Accountant

井上智由
Tomoyoshi Inoue
Designated Engagement Partner
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有吉真哉
Masaya Ariyoshi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 22, 2022

1. Consolidated financial statements

(1) Consolidated statement of financial position

	Notes	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Assets				
Current assets				
Cash and cash equivalents	8,33	408,335	494,226	4,038,124
Trade and other receivables	9,33	76,760	120,322	983,103
Other financial assets	10,33	14,133	43,359	354,269
Inventories	11	23,680	31,279	255,568
Other current assets		44,906	61,316	500,988
Total current assets		567,816	750,504	6,132,069
Non-current assets				
Tangible fixed assets	12,19			
Flight equipment	18,36	827,587	887,212	7,249,056
Advances on flight equipment		129,882	70,409	575,283
Other tangible fixed assets		87,942	95,165	777,555
Total tangible fixed assets		1,045,413	1,052,787	8,601,903
Goodwill and intangible assets	13	89,662	87,637	716,047
Investments accounted for using equity method	15	24,232	19,664	160,666
Other financial assets	10,18,33	128,055	152,233	1,243,835
Deferred tax assets	16	225,886	284,287	2,322,795
Retirement benefit asset	21	3,176	4,496	36,735
Other non-current assets		23,036	20,046	163,787
Total non-current assets		1,539,462	1,621,153	13,245,796
Total assets		2,107,279	2,371,658	19,377,874

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

	Notes	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	20,33	97,185	94,046	768,412
Interest-bearing liabilities	17,18,33	69,621	86,786	709,093
Other financial liabilities	17,33	42,490	16,564	135,337
Income taxes payable		3,890	3,602	29,430
Contract liabilities	25	215,239	240,224	1,962,774
Provisions	22	3,750	2,188	17,877
Other current liabilities		44,714	27,073	221,202
Total current liabilities		476,893	470,486	3,844,153
Non-current liabilities				
Interest-bearing liabilities	17,18,33	445,525	841,677	6,877,007
Other financial liabilities	17,33	23,479	26,464	216,226
Deferred tax liabilities	16	108	1,968	16,079
Provisions	22	15,667	26,289	214,796
Retirement benefit liability	21	153,169	151,028	1,233,989
Other non-current liabilities		10,899	9,601	78,445
Total non-current liabilities		648,850	1,057,030	8,636,571
Total liabilities		1,125,744	1,527,517	12,480,733
Equity				
Share capital		273,200	273,200	2,232,208
Capital surplus		273,557	273,617	2,235,615
Retained earnings		352,965	176,406	1,441,343
Treasury shares		(408)	(408)	(3,333)
Accumulated other comprehensive income				
Financial assets measured at fair value through other comprehensive income		35,468	35,512	290,154
Effective portion of cash flow hedges		12,877	41,018	335,141
Exchange differences on translation of foreign operations		(201)	390	3,186
Total accumulated other comprehensive income		48,144	76,921	628,490
Total equity attributable to owners of parent		947,459	799,736	6,534,324
Non-controlling interests		34,075	44,404	362,807
Total equity		981,535	844,141	6,897,140
Total liabilities and equity		2,107,279	2,371,658	19,377,874

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

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

	Notes	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2021 to March 31, 2022)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Revenue	6,25			
International passenger revenue		27,969	70,887	579,189
Domestic passenger revenue		174,006	235,736	1,926,105
Other revenue		279,249	376,089	3,072,873
Total revenue		481,225	682,713	5,578,176
Other income	26	13,397	22,745	185,840
Operating expenses	27			
Personnel expenses		(254,809)	(245,724)	(2,007,713)
Aircraft fuel		(96,788)	(145,456)	(1,188,463)
Depreciation, amortization and impairment losses	12,13, 14,19	(190,585)	(178,785)	(1,460,781)
Other operating expenses		(342,854)	(370,259)	(3,025,238)
Total operating expenses		(885,037)	(940,226)	(7,682,212)
Operating profit (loss)		(390,414)	(234,767)	(1,918,187)
Share of profit (loss) of investments accounted for using equity method	15	(7,582)	(9,901)	(80,897)
Profit (loss) before investing, financing and income tax	6	(397,997)	(244,668)	(1,999,084)
Income/expenses from investments	28			
Investing income		2,694	10,878	88,879
Investing expenses		(3,003)	(5,708)	(46,637)
Profit (loss) before financing and income tax		(398,306)	(239,498)	(1,956,842)
Finance income/expenses	29			
Finance income		1,799	1,986	16,226
Finance expenses		(7,570)	(9,105)	(74,393)
Profit (loss) before income tax	6	(404,078)	(246,617)	(2,015,009)
Income tax expense	16	116,202	65,272	533,311
Profit (loss)		(287,875)	(181,345)	(1,481,697)
Profit (loss) attributable to				
Owners of parent		(286,693)	(177,551)	(1,450,698)
Non-controlling interests		(1,182)	(3,793)	(30,991)
Other comprehensive income	30			
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income		3,284	(2,817)	(23,016)
Remeasurements of defined benefit plans		(2,394)	3,876	31,669
Share of other comprehensive income of investments accounted for using equity method		87	(63)	(514)
Total of items that will not be reclassified to profit or loss		977	996	8,137
Items that may be reclassified to profit or loss				
Effective portion of cash flow hedges		34,411	30,710	250,919
Exchange differences on translation of foreign operations		(138)	672	5,490
Share of other comprehensive income of investments accounted for using equity method		1,445	(88)	(719)

Total of items that may be reclassified to profit or loss		35,718	31,295	255,698
Other comprehensive income, net of tax		36,695	32,291	263,836
Comprehensive income		(251,179)	(149,054)	(1,217,860)

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

	Notes	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2021 to March 31, 2022)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Comprehensive income attributable to				
Owners of parent		(249,956)	(145,405)	(1,188,046)
Non-controlling interests		(1,223)	(3,649)	(29,814)
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings (loss) per share	31	(764.99)	(406.29)	(3.31)
Diluted earnings per share	31	–	–	–

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, 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	23	91,848	91,120	–	–	–	–
Transfer to hedged non-financial assets		–	–	–	–	–	152
Purchase of treasury shares		–	–	–	(0)	–	–
Changes in ownership interest in 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	23	–	–	–	182,968	–	182,968
Transfer to hedged non-financial assets		–	–	152	152	–	152
Purchase of treasury shares		–	–	–	(0)	–	(0)
Changes in ownership interest in 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

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

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

	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, 2021		273,200	273,557	352,965	(408)	35,468	12,877
Profit (loss)		–	–	(177,551)	–	–	–
Other comprehensive income		–	–	–	–	(2,867)	30,518
Comprehensive income		–	–	(177,551)	–	(2,867)	30,518
Dividends		–	–	–	–	–	–
Transfer to hedged non-financial assets		–	–	–	–	–	(2,377)
Purchase of treasury shares		–	–	–	(0)	–	–
Obtaining of control of subsidiaries	7	–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	59	–	–	–	–
Transfer to retained earnings		–	–	992	–	2,911	–
Total transactions with owners and so forth		–	59	992	(0)	2,911	(2,377)
Balance as of March 31, 2022		273,200	273,617	176,406	(408)	35,512	41,018

	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, 2021		(201)	–	48,144	947,459	34,075	981,535
Profit (loss)		–	–	–	(177,551)	(3,793)	(181,345)
Other comprehensive income		591	3,903	32,146	32,146	144	32,291
Comprehensive income		591	3,903	32,146	(145,405)	(3,649)	(149,054)
Dividends		–	–	–	–	(3,077)	(3,077)
Transfer to hedged non-financial assets		–	–	(2,377)	(2,377)	–	(2,377)
Purchase of treasury shares		–	–	–	(0)	–	(0)
Obtaining of control of subsidiaries	7	–	–	–	–	9,044	9,044
Changes in ownership interest in subsidiaries		–	–	–	59	8,010	8,070
Transfer to retained earnings		–	(3,903)	(992)	–	–	–
Total transactions with owners and so forth		–	(3,903)	(3,369)	(2,317)	13,977	11,660
Balance as of March 31, 2022		390	–	76,921	799,736	44,404	844,141

For the year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

	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, 2021		2,232,208	2,235,125	2,883,936	(3,333)	289,794	105,212
Profit (loss)		–	–	(1,450,698)	–	–	–
Other comprehensive income		–	–	–	–	(23,425)	249,350
Comprehensive income		–	–	(1,450,698)	–	(23,425)	249,350
Dividends		–	–	–	–	–	-
Transfer to hedged non-financial assets		–	–	–	–	–	(19,421)
Purchase of treasury shares		–	–	–	(0)	–	–
Obtaining of control of subsidiaries	7	–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	482	–	–	–	–
Transfer to retained earnings		–	–	8,105	–	23,784	–
Total transactions with owners and so forth		–	482	8,105	(0)	23,784	(19,421)
Balance as of March 31, 2022		2,232,208	2,235,615	1,441,343	(3,333)	290,154	335,141

	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, 2021		(1,642)	–	393,365	7,741,310	278,413	8,019,732
Profit (loss)		–	–	–	(1,450,698)	(30,991)	(1,481,697)
Other comprehensive income		4,828	31,889	262,652	262,652	1,176	263,836
Comprehensive income		4,828	31,889	262,652	(1,188,046)	(29,814)	(1,217,860)
Dividends		–	–	–	–	(25,140)	(25,140)
Transfer to hedged non-financial assets		–	–	(19,421)	(19,421)	–	(19,421)
Purchase of treasury shares		–	–	–	(0)	–	(0)
Obtaining of control of subsidiaries	7	–	–	–	–	73,894	73,894
Changes in ownership interest in subsidiaries		–	–	–	482	65,446	65,936
Transfer to retained earnings		–	(31,889)	(8,105)	–	–	–
Total transactions with owners and so forth		–	(31,889)	(27,526)	(18,931)	114,200	95,269
Balance as of March 31, 2022		3,186	–	628,490	6,534,324	362,807	6,897,140

(4) Consolidated statement of cash flows

	Notes	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2021 to March 31, 2022)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash flows from operating activities				
Profit (loss) before income tax		(404,078)	(246,617)	(2,015,009)
Depreciation, amortization and impairment losses	12,13, 14,19	190,585	178,785	1,460,781
Loss (gain) on sale and retirement of non-current assets		2,150	(727)	(5,940)
Increase (decrease) in retirement benefit liability		(1,677)	2,966	24,234
Interest and dividend income		(2,313)	(1,796)	(14,674)
Interest expenses		2,927	7,660	62,586
Foreign exchange loss (gain)		(956)	(1,921)	(15,695)
Share of loss (profit) of investments accounted for using equity method		7,582	9,901	80,897
Decrease (increase) in trade and other receivables		2,597	(26,844)	(219,331)
Decrease (increase) in inventories		4,809	(2,421)	(19,781)
Increase (decrease) in trade and other payables		(27,036)	(4,713)	(38,508)
Increase (decrease) in contract liabilities		(36,705)	24,103	196,936
Other, net		32,550	(36,579)	(298,872)
Subtotal		(229,565)	(98,203)	(802,377)
Income taxes refunded (paid)		10,045	(5,342)	(43,647)
Net cash provided by (used in) operating activities		(219,519)	(103,545)	(846,025)
Cash flows from investing activities				
Purchase of non-current assets	12,13	(89,686)	(161,306)	(1,317,967)
Proceeds from sales of non-current assets	12,13	1,442	4,289	35,043
Purchase of other financial assets	33	(8,118)	(13,864)	(113,277)
Proceeds from sales and redemptions of other financial assets	33	2,254	1,226	10,017
Payments for acquisition of subsidiaries	7,32	–	(7,108)	(58,076)
Proceeds from acquisition of subsidiaries	7,32	–	2,140	17,485
Payments for loans receivable		(2,026)	(6,680)	(54,579)
Collection of loans receivable		746	4,657	38,050
Interest received		378	244	1,993
Dividends received		1,928	1,265	10,335
Other, net		2,069	1,366	11,161
Net cash provided by (used in) investing activities		(91,012)	(173,769)	(1,419,797)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	32	(54)	19	155
Proceeds from long-term borrowings	32	256,886	245,430	2,005,310
Repayments of long-term borrowings	32	(20,539)	(30,259)	(247,234)
Proceeds from issuance of bonds	32	–	188,475	1,539,954
Redemption of bonds	32	–	(10,000)	(81,706)
Proceeds from issuance of shares	23	182,657	–	–
Capital contribution from non-controlling interests		–	8,077	65,993

Interest paid		(1,412)	(5,263)	(43,001)
Dividends paid		(31)	(7)	(57)
Dividends paid to non-controlling interests		–	(3,077)	(25,140)
Repayments of lease liabilities	32	(24,501)	(32,951)	(269,229)
Other, net		(4,379)	(1,163)	(9,502)
Net cash provided by (used in) financing activities		388,624	359,280	2,935,533
Effect of exchange rate changes on cash and cash equivalents		1,094	3,926	32,077
Net increase (decrease) in cash and cash equivalents		79,186	85,891	701,781
Cash and cash equivalents at beginning of period		329,149	408,335	3,336,342
Cash and cash equivalents at end of period		408,335	494,226	4,038,124

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, 2022 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 “25. Revenue.”

2. Basis of preparation

(1) Consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter “IFRS”)

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 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 19, 2022.

(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 amounts

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of ¥122.39 = US$1.00, the approximate exchange rate prevailing on March 31, 2022, 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) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the JAL Group. Identifiable assets and liabilities of the acquiree are generally measured at fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred in a business combination, the amount of non-controlling interests in the acquiree, and the fair value of the JAL Group's previously held equity interests in the acquiree over the net value of identifiable assets and liabilities in the acquiree at the acquisition date.

The choice of whether to measure non-controlling interests at fair value or as a proportionate share of the recognized amount of identifiable net assets is made for each business combination.

If the initial accounting for a business combination has not been completed by the end of the period in which the business combination occurred, the business combination is accounted for using provisional amounts. For measurement periods within one year from the acquisition date, provisional amounts are retrospectively adjusted when new information becomes available about facts and circumstances that existed at the acquisition date.

(3) 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.

(4) 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 rates 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.

(5) 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.

(6) 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.

(7) 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.

(8) Goodwill

Goodwill arising from business combinations is stated at cost less accumulated impairment losses. Goodwill is not amortized, but is allocated to cash-generating units or groups of cash-generating units and tested for impairment annually and whenever there is an indication of impairment. Goodwill impairment losses are recognized in profit or loss and are not subsequently reversed.

The measurement of goodwill on initial recognition is described in "(2) Business combinations".

(9) 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.

(10) 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.

(11) 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 goodwill, 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, except for goodwill, 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.

(12) 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.

(13) 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.

(14) 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 “25. Revenue.”

(15) 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.

(16) 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 it is highly probable that taxable profits will be available 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 profits 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.

(17) Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be 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, vaccination has progressed in Japan and around the world, and the movement of people in and out of Japan is gradually recovering. 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, (14) Revenue” and Note “25. 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 ¥240,224 million ($1,962,774 thousands).

2) Depreciation of flight equipment (Note "3. Significant accounting policies, (7) 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 ¥887,212 million ($7,249,056 thousands).

3) Impairment of non-current assets (Note "3. Significant accounting policies, (11) Impairment of non-financial assets" and Note "14. 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, goodwill and intangible assets as of March 31, 2022 is ¥1,052,787 million ($8,601,903 thousands) and ¥87,637 million ($716,047 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.
In the current fiscal year, the air transportation business in the air transportation business segment, which accounts for the most of the subject assets, continued to record an operating loss due to the impact of the COVID-19 pandemic as in the previous year, and the JAL Group determined that an indication of impairment existed and considered the necessity of recognizing impairment losses.
Regarding the estimated future cash flows of the air transportation business, considering the impact of the COVID-19 pandemic, the JAL Group calculated and reviewed the estimated recoverable amount, which is the value in use obtained by discounting the cash flows corresponding to the estimated useful life of aircraft which is the main asset used in the business, to the present value using the pre-tax discount rate that reflects the time value of money and the inherent risks of the asset. As a result, no impairment loss was recognized because the estimated recoverable amount was determined to exceed the carrying amount of the non-current assets.
The impairment loss for the current fiscal year was mainly due to a reduction to the estimated recoverable amount of components related to aircraft whose cash generating units were changed following the decision to be retired.

4) Recognition of deferred tax assets (Note "3. Significant accounting policies, (16) Income tax expenses" and Note "16. Income taxes")
Deferred tax assets are recognized to the extent that it is highly probable that taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized.
The Company and some of its domestic consolidated subsidiaries use the consolidated tax payment system. For companies subject to the consolidated tax payment system, the recoverability of deferred tax assets is determined based on the future taxable profits of the consolidated tax payment group for corporate tax purposes and on the future taxable profits of each company for local tax purposes. Unused tax losses are recognized as deferred tax assets in the amount expected to be recovered by scheduling the expected years and amounts of unused tax losses deduction based on the estimated future taxable profits and so forth within the carryforward period of up to 10 years, while reflecting the impact of the COVID-19 pandemic.

Deferred tax assets and deferred tax liabilities at the end of the current fiscal year amounted to ¥ 284,287 million ($2,322,795 thousands) and ¥ 1,968 million ($16,079 thousands), respectively.

(2) Change in accounting estimates

In the current fiscal year, the Company changed its estimate and recognized a provision (asset retirement obligation) of ¥ 4,767 million ($38,949 thousands) in accordance with new information regarding the restoration obligation based on the future facility development plan for Tokyo International Airport presented by the government.

Following this change, operating loss, loss before investing, financing and income tax, loss before financing and income tax, and loss before income tax increased by ¥2,645 million ($21,611 thousands), respectively, for the current fiscal year.

The effect of this change on the segments are described in Note "6. Segment information".

(3) 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

Among new or revised standards and interpretations issued by the date of approval of the consolidated financial statements, the following is the main standard which has not been early adopted by the JAL Group. The impact of the adoption of the new IFRS on the JAL Group is under consideration.

Standards	Standards name	Mandatory application period (Fiscal year starting after)	Application period for the JAL Group	Overview of new and revised standards
IAS 12	Income Taxes	January 1, 2023	Undecided	To clarify the accounting treatment of deferred taxes on assets and liabilities arising from a single transaction

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, 2021 (April 1, 2020 to March 31, 2021)

	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	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 income 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)

(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, 2022 (April 1, 2021 to March 31, 2022)

	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	609,291	73,422	682,713	–	682,713
Intersegment sales	33,274	22,950	56,225	(56,225)	–
Total	642,565	96,373	738,939	(56,225)	682,713
Profit (loss) before investing, financing and income tax	(250,185)	5,683	(244,502)	(166)	(244,668)
Investing income	–	–	–	–	10,878
Investing expenses	–	–	–	–	(5,708)
Finance income	–	–	–	–	1,986
Finance expenses	–	–	–	–	(9,105)
Profit (loss) before income tax	–	–	–	–	(246,617)
Other items					
Depreciation, amortization and impairment losses	(176,864)	(1,945)	(178,810)	24	(178,785)
Share of profit (loss) of investments accounted for using equity method	(10,011)	189	(9,822)	(79)	(9,901)

Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

	Reportable segment	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Air transportation				
	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	4,978,274	599,901	5,578,176	–	5,578,176
Intersegment sales	271,868	187,515	459,392	(459,392)	–
Total	5,250,142	787,425	6,037,576	(459,392)	5,578,176
Profit (loss) before investing, financing and income tax	(2,044,162)	46,433	(1,997,728)	(1,356)	(1,999,084)
Investing income	–	–	–	–	88,879
Investing expenses	–	–	–	–	(46,637)
Finance income	–	–	–	–	16,226
Finance expenses	–	–	–	–	(74,393)
Profit (loss) before income tax	–	–	–	–	(2,015,009)
Other items					
Depreciation, amortization and impairment losses	(1,445,085)	(15,891)	(1,460,985)	196	(1,460,781)
Share of profit (loss) of investments accounted for using equity method	(81,795)	1,544	(80,251)	(645)	(80,897)

(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", in the current fiscal year, the Company changed its estimate and recognized a provision (asset retirement obligation) of ¥ 4,767 million ($38,949 thousands) in

accordance with new information regarding the restoration obligation based on the future facility development plan for Tokyo International Airport presented by the government. Following this change, loss before investing, financing and income taxes increased by ¥ 2,645 million ($21,611 thousands) in the air transportation business 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 those of the reportable segments.

(4) Information on geographical areas

Revenue from external customers

Previous 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, 2021 to March 31, 2022)

(Millions of yen)

Japan	Asia and Oceania	North America	Europe	Total
416,053	96,325	126,609	43,726	682,713

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

Japan	Asia and Oceania	North America	Europe	Total
3,399,403	787,033	1,034,471	357,267	5,578,176

(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 by 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. Business combinations

Previous fiscal year (from April 1, 2020 to March 31, 2021)
There were no individually significant business combinations in the previous fiscal year.

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Acquisition of Spring Airlines Japan Co., Ltd.)

(1) Overview of business combination

1. Overview of the acquiree

Name of the acquiree	Spring Airlines Japan Co., Ltd. (renamed Spring Japan Co., Ltd. on November 1, 2021)
Description of business	China-specific LCC business

2. Acquisition date
June 28, 2021

3. Percentage of voting equity interests acquired

Percentage of voting equity interests prior to the acquisition	5.5%
Percentage of additional voting equity interests acquired at the acquisition date	61.2%
Percentage of voting equity interests after the acquisition	66.7%

4. Reason for business combination
The JAL Group has been working to strengthen its LCC business in order to respond to the tourism and other markets that are expected to recover and grow in the future. The Company believes that making Spring Airlines Japan Co., Ltd. a consolidated subsidiary and jointly managing it with the Spring Group, including Spring Travel, will help the JAL Group to gain profits by multiplying the strengths of the both companies and leading the Chinese inbound market, which is expected to grow in the future.

5. Method of obtaining control of the acquiree
Acquisition of new shares by contribution in kind of bonds

(2) Fair value of consideration for the acquisition, assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

Fair value of consideration for acquisition	
Fair value at the acquisition date of the shares of the acquiree held immediately prior to the acquisition date	0
Fair value of additional shares of the acquiree acquired at the acquisition date	0
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	2,140
Other current assets	859
Non-current assets	19,062
Current liabilities	7,506
Non-current liabilities	16,000
Fair value of assets acquired and liabilities assumed (net)	(1,444)
Non-controlling interests	(938)
Goodwill	505

	(Thousands of U.S. dollars)
Fair value of consideration for acquisition	
Fair value at the acquisition date of the shares of the acquiree held immediately prior to the acquisition date	0
Fair value of additional shares of the acquiree acquired at the acquisition date	0
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	17,485
Other current assets	7,018
Non-current assets	155,748
Current liabilities	61,328
Non-current liabilities	130,729
Fair value of assets acquired and liabilities assumed (net)	(11,798)
Non-controlling interests	(7,664)
Goodwill	4,126

Non-controlling interests are measured as the non-controlling shareholder's proportionate share of the recognized amount of the acquiree's identifiable net assets. Goodwill consists primarily of synergies with existing operations and excess earning power expected to arise from the acquisition that do not individually qualify for recognition. None of the recognized goodwill is expected to be deductible for tax purposes.

(3) Impact on the Group’s results

The amounts of revenue and profit or loss of the acquiree since the acquisition date recognized in the consolidated statement of profit or loss and other comprehensive income for the reporting period are not material. The impact of the business combination on the Group's financial results for the current fiscal year, assuming that the business combination had been implemented at the beginning of the fiscal year, is not disclosed because it is not material.

（Acquisition of JALUX Inc.）

(1) Overview of business combination

1. Overview of the acquiree

Name of the acquiree	JALUX Inc.
Description of business	Wholesale (trading and distribution)

2. Acquisition date

March 24, 2022

3. Percentage of voting equity interests acquired

Percentage of voting equity interests prior to the acquisition	21.6%
Percentage of additional voting equity interests acquired at the acquisition date	38.7%
Percentage of voting equity interests after the acquisition	60.3%

4. Reason for business combination

The JAL Group has been working to create new products, services, and businesses in the non-aeronautical business domain. JALUX Inc. is positioned as a core company in this area, and the Company believes that making JALUX Inc. a consolidated subsidiary will help the JAL Group to expand its non- aeronautical business domain and contribute to earnings by proceeding with future initiatives in unison with JALUX Inc.

5. Method of obtaining control of the acquiree

Acquisition of shares for cash consideration

(2) Fair value of consideration for the acquisition, assets acquired and liabilities assumed as of the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition	
Fair value at the acquisition date of the shares of the acquiree held immediately prior to the acquisition date	6,988
Fair value of additional shares of the acquiree acquired at the acquisition date	12,533
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	5,425
Other current assets (Note 1)	32,377
Non-current assets	20,018
Current liabilities	21,089
Non-current liabilities	12,882
Fair value of assets acquired and liabilities assumed (net)	23,848
Non-controlling interests	9,982
Goodwill	5,656

	(Thousands of U.S. dollars)
Fair value of consideration for acquisition	
Fair value at the acquisition date of the shares of the acquiree held immediately prior to the acquisition date	57,096
Fair value of additional shares of the acquiree acquired at the acquisition date	102,402
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	44,325
Other current assets (Note 1)	264,539
Non-current assets	163,559
Current liabilities	172,309
Non-current liabilities	105,253
Fair value of assets acquired and liabilities assumed (net)	194,852
Non-controlling interests	81,558
Goodwill	46,212

(Note 1) The total contractual amount of "trade and other receivables" acquired was ¥13,934 million ($113,849 thousands) and its fair value as of the date of the business combination was ¥13,877 million ($113,383 thousands).

The amount of goodwill incurred and the amount of assets acquired and liabilities assumed as of the date of the business combination are provisionally accounted for since the identification of identifiable assets and liabilities as of the date of the business combination is still under scrutiny and the allocation of the acquisition price has not been completed.

Non-controlling interests are measured as the non-controlling shareholder's proportionate share of the recognized amount of the acquiree's identifiable net assets. Goodwill consists primarily of synergies with existing operations and excess earning power expected to arise from the acquisition that do not individually qualify for recognition. None of the recognized goodwill is expected to be deductible for tax purposes.

(3) Acquisition-related costs

Acquisition-related costs for this business combination amounted to ¥400 million ($3,268 thousands) and are recognized in "Investing expenses " in the consolidated statement of profit or loss and other comprehensive income.

(4) Gain on step acquisitions

The equity interests in JALUX Inc. held by the JAL Group prior to the acquisition date was remeasured at its acquisition-date fair value of ¥6,988 million ($57,096 thousands), and a gain on step acquisition of ¥2,809 million ($22,951 thousands) was identified as a result of this business combination and recognized in "Investing income" in the consolidated statement of profit or loss and other comprehensive income.

(5) Impact on the Group's results

The amounts of revenue and profit or loss of the acquiree since the acquisition date recognized in the consolidated statement of profit or loss and other comprehensive income for the reporting period are not material. The impact of the business combinations on the JAL Group's financial results for the current fiscal year, assuming that the business combination had been implemented at the beginning of the fiscal year, is not disclosed because it is not material.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits (including time deposits maturing within one year)	408,335	494,226	4,038,124
Total	408,335	494,226	4,038,124

Both cash and deposits are classified as financial assets measured at amortized cost.

9. 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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes and operating accounts receivable	62,625	99,630	814,037
Other	14,135	20,691	169,057
Total	76,760	120,322	983,103

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

10. Other financial assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial assets measured at FVTOCI (Note 1)			
Shares and so forth	83,913	88,431	722,534
Financial assets measured at amortized cost			
Guarantee deposits	21,651	25,420	207,696
Loans receivable	6,341	7,418	60,609
Bonds receivable	7,040	6,317	51,613

Other	501	2,326	19,004
Financial assets measured at FVTPL			
Derivative assets (Note 2)	17,233	53,569	437,690
Investments in investment limited partnerships	5,506	12,107	98,921
Total	142,188	195,593	1,598,112
Current assets	14,133	43,359	354,269
Non-current assets	128,055	152,233	1,243,835
Total	142,188	195,593	1,598,112

(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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Marketable	50,340	50,681	414,094
Non-marketable	33,572	37,750	308,440
Total	83,913	88,431	722,534

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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan Airport Terminal Co., Ltd.	23,926	24,586	200,882
AEON Co., Ltd.	11,378	9,000	73,535
Oriental Land Co., Ltd.	6,251	8,839	72,219

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, 2020 to March 31, 2021)		Current fiscal year (from April 1, 2021 to March 31, 2022)	
Fair value	Accumulated gains (losses)	Fair value	Accumulated gains (losses)
Millions of yen	Millions of yen	Millions of yen	Millions of yen
689	285	1,203	(209)

Current fiscal year (from April 1, 2021 to March 31, 2022)	
Fair value	Accumulated gains (losses)
Thousands of U.S. dollars	Thousands of U.S. dollars
9,829	(1,707)

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 ¥3,399 million and ¥2,911 million ($23,784 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, 2020 to March 31, 2021)		Current fiscal year (from April 1, 2021 to March 31, 2022)	
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
30	1,320	4	994

Current fiscal year (from April 1, 2021 to March 31, 2022)	
Investments derecognized during the year	Investments held as of the year end
Thousands of U.S. dollars	Thousands of U.S. dollars
32	8,121

11. Inventories

The breakdown of inventories is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Flight equipment spare parts and supplies	22,020	24,436	199,656
Other	1,660	6,843	55,911
Total	23,680	31,279	255,568

Inventories recognized as expenses for the previous and current fiscal years amounted to ¥105,849 million and ¥155,772 million ($1,272,751 thousands), respectively.
Write-downs of inventories recognized as expenses for the previous and current fiscal years were ¥2,058 million and ¥59 million ($482 thousands), respectively.

12. 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, 2020	843,623	102,519	853	32,663	7,531	23,369	1,010,559
Acquisition (Note 1, 2)	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
Acquisition (Note 1, 2)	5, 378	101,234	–	1,484	1,918	2,698	112,714
Acquisition through business combinations	–	–	549	1,458	89	241	2,338
Depreciation	(106,993)	–	–	(5,985)	–	(5,667)	(118,646)
Impairment losses	(255)	–	–	(19)	–	(15)	(290)
Transfer	160,707	(160,707)	–	1,090	(3,658)	2,568	–
Disposal	(2,653)	–	–	(92)	–	(113)	(2,859)
Exchange differences on translation of foreign operations	–	–	–	2	0	12	15
Other	(0)	–	–	4,927	(462)	0	4,465
As of March 31, 2022	834,287	70,409	1,402	35,978	1,986	23,844	967,908

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, 2021	6,357,578	1,061,214	6,969	270,544	33,491	197,074	7,926,897
Acquisition (Note 1, 2)	43,941	827,142	–	12,125	15,671	22,044	920,941
Acquisition through business combinations	–	–	4,485	11,912	727	1,969	19,102
Depreciation	(874,197)	–	–	(48,901)	–	(46,302)	(969,409)
Impairment losses	(2,083)	–	–	(155)	–	(122)	(2,369)
Transfer	1,313,072	(1,313,072)	–	8,905	(29,888)	20,982	–
Disposal	(21,676)	–	–	(751)	–	(923)	(23,359)
Exchange differences on translation of foreign operations	–	–	–	16	0	98	122
Other	(0)	–	–	40,256	(3,774)	0	36,481
As of March 31, 2022	6,816,627	575,283	11,455	293,961	16,226	194,819	7,908,391

(Notes) 1. Government grants received from the government and local municipalities associated with flight equipment renewals for operations to remote islands amounted to ¥516 million and ¥2,307 million ($18,849 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 associated with these government grants.

2. In the previous and current fiscal years, borrowing costs attributable to the acquisition of tangible fixed assets were capitalized as part of the cost of the assets. Borrowing costs capitalized in the previous and current fiscal years amounted to ¥268 million and ¥726 million ($5,931 thousands), respectively. The capitalization rates applied were 0.18% and 0.41%, respectively.

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 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
As of March 31, 2022	1,517,344	70,409	1,402	74,711	1,986	61,915	1,727,769

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, 2022	12,397,614	575,283	11,455	610,433	16,226	505,882	14,116,913

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 March 31, 2020	(522,778)	–	–	(29,920)	–	(30,498)	(583,197)
As of March 31, 2021	(620,557)	–	–	(32,135)	–	(33,370)	(686,064)
As of March 31, 2022	(683,056)	–	–	(38,732)	–	(38,071)	(759,860)

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, 2022	(5,580,978)	–	–	(316,463)	–	(311,062)	(6,208,513)

13. Goodwill and intangible assets

(1) Changes

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

Carrying amounts

	Goodwill	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 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
Increase (Note)	–	22,519	0	22,519
Acquisition through business combinations	6,162	442	25	6,630
Amortization	–	(30,073)	(3)	(30,077)
Impairment losses	–	(4)	–	(4)
Disposal	–	(599)	(1)	(601)
Exchange differences on translation of foreign operations	–	0	0	0
Other	–	(491)	–	(491)
As of March 31, 2022	6,162	81,324	151	87,637

Carrying amounts

	Goodwill	Software	Other	Total
	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	–	731,522	1,062	732,592
Increase (Note)	–	183,993	0	183,993
Acquisition through business combinations	50,347	3,611	204	54,171
Amortization	–	(245,714)	(24)	(245,747)
Impairment losses	–	(32)	–	(32)
Disposal	–	(4,894)	(8)	(4,910)
Exchange differences on translation of foreign operations	–	0	0	0
Other	–	(4,011)	–	(4,011)
As of March 31, 2022	50,347	664,466	1,233	716,047

Cost

	Goodwill	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	–	238,366	193	238,559
As of March 31, 2021	–	256,269	193	256,463
As of March 31, 2022	6,162	271,389	216	277,767

Cost

	Goodwill	Software	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	50,347	2,217,411	1,764	2,269,523

Accumulated amortization and accumulated impairment losses

	Goodwill	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	–	(142,723)	(58)	(142,782)
As of March 31, 2021	–	(166,738)	(63)	(166,801)
As of March 31, 2022	–	(190,064)	(64)	(190,129)

Accumulated amortization and accumulated impairment losses

	Goodwill	Software	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	–	(1,552,937)	(522)	(1,553,468)

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

14. 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.

The impairment loss on tangible fixed assets recognized in the previous fiscal year mainly relates to flight equipment that have been decided to be retired early as part of business restructuring. The carrying amount of such assets was reduced to their recoverable amount of ¥1,735 million, which was calculated by measuring the fair value net of disposal costs based on a sales agreement and other factors. This reduction was due to the fact that the use and grouping unit of such assets have changed as a result of the conclusion of a sales agreement or the decision to retire the flight equipment, no replacement investment is planned, and the estimated sales price is expected to be less than the carrying amount of the asset. The fair value hierarchy is classified as Level 3.

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	7,835 249
Other	Assets to be sold or retired, or idle assets	Intangible assets	11
Total			8,096

The impairment loss on tangible fixed assets recognized in the current fiscal year mainly relates to parts related to flight equipment that have been decided to be retired. The carrying amount of such assets was reduced to their recoverable amount of ¥20 million ($163 thousands), which was calculated by measuring the fair value net of disposal costs based on a sales agreement and other factors, because the use and grouping unit of such assets were changed. 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 Other	255 28
Other	Assets for business use	Tangible fixed assets Intangible assets	6 4
Total			295

(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 Other	2,083 228
Other	Assets for business use	Tangible fixed assets	49

		Intangible assets	32
Total			2,410

(2) Goodwill impairment test

The following table shows the segments to which goodwill was allocated and their carrying amounts with respect to the impairment of non-financial assets.

(Millions of yen)

Segment	Carrying amounts
Air transportation business	505
Other	5,656

(Thousands of U.S. dollars)

Segment	Carrying amounts
Air transportation business	4,126
Other	46,212

The cash-generating units to which goodwill is allocated are tested for impairment annually and whenever an indication of impairment exists.

The recoverable amount of a cash-generating unit to which goodwill has been allocated is the greater of its value in use and its fair value less costs to dispose of.

Estimated future cash flows are calculated by reflecting historical experience and external information. The calculation of cash flows is based on a business plan approved by management for a period of five years or less, and for periods beyond the period covered by the business plan, the calculation is based on projected cash flows with a growth rate of zero for each period.

Regarding the estimated future cash flows of the business of the cash-generating unit to which goodwill was allocated, considering the impact of the COVID-19 pandemic, the JAL Group calculated and reviewed the estimated recoverable amount, which is the value in use obtained by discounting the cash flows corresponding to the estimated useful life of the main asset used in the business, to the present value using the pre-tax discount rate that reflects the time value of money and the inherent risks of the asset. As a result, no impairment loss was recognized because the estimated recoverable amount was determined to exceed the carrying amount.

Since the estimated recoverable amount is well in excess of the carrying amount, it is considered unlikely that a material impairment loss would be recognized even if the key assumptions used in the impairment assessment were to change within a reasonably foreseeable range.

15. Investments accounted for using equity method

(1) Investments in associates

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

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	21,558	16,688	136,351

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

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Equity share in profit	(7,327)	(10,153)
Equity share in other comprehensive income	1,545	(255)
Equity share in comprehensive income	(5,781)	(10,409)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Equity share in profit	(82,956)
Equity share in other comprehensive income	(2,083)
Equity share in comprehensive income	(85,047)

(2) Investments in joint ventures

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

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	2,674	2,976	24,315

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

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Equity share in profit	(255)	252
Equity share in other comprehensive income	(12)	103
Equity share in comprehensive income	(268)	356

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Equity share in profit	2,058
Equity share in other comprehensive income	841
Equity share in comprehensive income	2,908

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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Unrecognized equity in losses of associates for the year	4,161	1,113
Accumulated unrecognized equity in losses of associates	4,161	1,113

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
Unrecognized equity in losses of associates for the year	9,093
Accumulated unrecognized equity in losses of associates	9,093

16. 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, 2020 to March 31, 2021)

	As of April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Business combinations	Other	As of March 31, 2021
	Millions of yen	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

Current fiscal year (from April 1, 2021 to March 31, 2022)

	As of March 31, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Business combinations	Other	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets							
Retirement benefit liability	46,576	(1,624)	(87)				44,864
Contract liabilities	36,907	(15,037)					21,869
Excess of maximum amount of tax deductible depreciation	3,831	(764)					3,066
Unrealized gains	3,561	(252)					3,308
Deferred liability on flight equipment	2,679	58					2,738
Impairment losses	2,291	3			34		2,330
Asset retirement obligations	1,536	1,425					2,962
Accrued bonuses	358	(45)			45		358
Effective portion of cash flow hedges	144		(1,144)			1,021	22
Unused tax losses	148,464	89,758			857		239,081
Other	4,579	608			176	(83)	5,280
Total	250,931	74,129	(1,231)	–	1,114	938	325,882
Deferred tax liabilities							
Financial assets measured at FVTOCI	15,305		21	65	1,133		16,526
Effective portion of cash flow hedges	5,604		12,031		60		17,697
Retirement benefit asset	1,086	(1,255)	1,727				1,558
Asset retirement obligations	794	1,016			61		1,871
Other	2,361	3,515			31		5,908
Total	25,153	3,275	13,781	65	1,287	–	43,563

Current fiscal year (from April 1, 2021 to March 31, 2022)

	As of March 31, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Business combinations	Other	As of March 31, 2022
	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
Deferred tax assets							
Retirement benefit liability	380,553	(13,269)	(710)				366,565
Contract liabilities	301,552	(122,861)					178,682
Excess of maximum amount of tax deductible depreciation	31,301	(6,242)					25,051
Unrealized gains	29,095	(2,058)					27,028
Deferred liability on flight equipment	21,889	473					22,371
Impairment losses	18,718	24			277		19,037
Asset retirement obligations	12,550	11,643					24,201
Accrued bonuses	2,925	(367)			367		2,925
Effective portion of cash flow hedges	1,176		(9,347)			8,342	179
Unused tax losses	1,213,040	733,376			7,002		1,953,435
Other	37,413	4,967			1,438	(678)	43,140
Total	2,050,257	605,678	(10,058)	–	9,102	7,664	2,662,652
Deferred tax liabilities							
Financial assets measured at FVTOCI	125,051		171	531	9,257		135,027
Effective portion of cash flow hedges	45,788		98,300		490		144,595
Retirement benefit asset	8,873	(10,254)	14,110				12,729
Asset retirement obligations	6,487	8,301			498		15,287
Other	19,290	28,719			253		48,271
Total	205,515	26,758	112,599	531	10,515	–	355,935

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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	3,273	20,998	171,566
Deductible temporary differences	13,865	11,956	97,687

Total	17,138	32,955	269,262

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

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Year 1	–	1,544	12,615
Year 2	–	1,586	12,958
Year 3	–	1,207	9,861
Year 4	–	1,349	11,022
Year 5 or later	3,273	15,312	125,108
Total	3,273	20,998	171,566

The aggregate amount of taxable temporary differences related to investments in subsidiaries and associates for unrecognized deferred tax liabilities as of March 31, 2021 and March 31, 2022 was ¥142,980 million and ¥158,566 million ($1,295,579 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Current tax expense	3,865	5,581
Deferred tax expense	(120,067)	(70,853)
Total	(116,202)	(65,272)

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
Current tax expense	45,600
Deferred tax expense	(578,911)
Total	(533,311)

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

Deferred tax expenses decreased by ¥138,173 million and ¥90,143 million ($736,522 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 ¥920 million and ¥26 million ($212 thousands) included in deferred tax expense.

Deferred tax expenses include the amount of expenses resulting from write-down of deferred tax assets or the reversal of previously recognized write-downs (evaluation of the recoverability of deferred tax assets). As a result, deferred tax expenses increased by ¥812 million ($6,634 thousands) for the current fiscal year.

The statutory effective tax rate applied to the Company and its domestic consolidated subsidiaries for the previous and current fiscal years was 30.2% and 30.1%, 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	%	%
Statutory effective tax rate	30.2	30.1
Share of profit (loss) of investments accounted for using equity method	(0.6)	(1.2)
Changes in unrecognized deferred tax assets (including expired amounts of unused tax losses)	(1.3)	(2.9)
Other	0.5	0.5
Average effective tax rate after application of tax effect accounting	28.8	26.5

17. Interest-bearing liabilities and other financial liabilities

(1) Breakdown of interest-bearing liabilities

The breakdown of interest-bearing liabilities is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022	Average interest rate (Note 1)	Repayment schedule
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Current					
Short-term borrowings	33	1,292	10,556	0.3	–
Commercial paper	–	2,598	21,227	0.2	
Current portion of long-term borrowings	28,917	48,437	395,759	0.3	–
Current portion of bonds payable (Note 2)	9,991	9,983	81,567	0.2	–
Current portion of lease liabilities	30,578	24,470	199,934	0.7	–
Accounts payable – installment purchase	100	2	16	1.8	–
Non-current					
Long-term borrowings	320,711	529,235	4,324,168	1.3	December 15, 2023 through November 30, 2057
Bonds payable (Note 2)	79,598	258,276	2,110,270	1.1	March 19, 2024 through October 11, 2058
Lease liabilities	45,203	54,154	442,470	0.9	April 28, 2023 through July 19, 2033
Long-term accounts payable – installment purchase	12	10	81	1.8	September 26, 2026
Total	515,147	928,463	7,586,101	–	–
Current liabilities	69,621	86,786	709,093	–	–
Non-current liabilities	445,525	841,677	6,877,007	–	–
Total	515,147	928,463	7,586,101	–	–

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, 2022.

2. Some long-term borrowings are subject to interest rate step-up after a certain period of time. The contract also allows early repayment on each interest payment date after a certain period.

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

Company name	Issue	Date of issue	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022	Interest rate	Collateral	Date of maturity
			Millions of yen	Millions of yen	Thousands of U.S. dollars	%		
Japan Airlines Co., Ltd.	Series 1 Unsecured Corporate Bond	Dec. 20, 2016	9,963	9,969	81,452	0.470	None	Dec. 18, 2026
Japan Airlines Co., Ltd.	Series 2 Unsecured Corporate Bond	Dec. 20, 2016	9,991 (9,991)	–	–	0.170	None	Dec. 20, 2021
Japan Airlines Co., Ltd.	Series 3 Unsecured Corporate Bond	Sep. 21, 2018	9,948	9,955	81,338	0.399	None	Sep. 21, 2028
Japan Airlines Co., Ltd.	Series 4 Unsecured Corporate Bond	Sep. 21, 2018	9,930	9,934	81,166	0.960	None	Sep. 21, 2038
Japan Airlines Co., Ltd.	Series 5 Unsecured Corporate Bond	Mar. 20, 2019	9,964	9,976	81,509	0.220	None	Mar. 19, 2024
Japan Airlines Co., Ltd.	Series 6 Unsecured Corporate Bond	Dec. 16, 2019	9,957	9,968	81,444	0.130	None	Dec. 16, 2024
Japan Airlines Co., Ltd.	Series 7 Unsecured Corporate Bond	Dec. 16, 2019	9,941	9,948	81,281	0.280	None	Dec. 14, 2029
Japan Airlines Co., Ltd.	Series 8 Unsecured Corporate Bond	Mar. 19, 2020	9,966	9,983 (9,983)	81,567 (81,567)	0.200	None	Mar. 17, 2023
Japan Airlines Co., Ltd.	Series 9 Unsecured Corporate Bond	Mar. 19, 2020	9,925	9,929	81,125	0.700	None	Mar. 19, 2040
Japan Airlines Co., Ltd.	Series 10 Unsecured Corporate Bond	Jun. 10, 2021	–	29,867	244,031	0.580	None	Jun. 10, 2026
Japan Airlines Co., Ltd.	Series 11 Unsecured Corporate Bond	Mar. 1, 2022	–	9,937	81,191	0.700	None	Mar. 1, 2027
Japan Airlines Co., Ltd.	Series 1 Unsecured subordinated bond with interest payment deferrable clause and optional early redemption conditions (Note 2)	Oct. 12, 2021	–	148,788	1,251,687	1.600	None	Oct. 11, 2058
Total			89,589 (9,991)	268,259 (9,983)	2,191,837 (81,567)			

(Notes) 1. ( ) is the amount to be redeemed within one year.

2. The interest rate step-up will occur on or after the day following the interest payment date in October 2028. The contract also allows early redemption on each interest payment date on or after October 2028.

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(2) Breakdown of other financial liabilities

The breakdown of other financial liabilities is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial liabilities measured at amortized cost			
Long-term notes payable on non-current assets	34,957	16,706	136,498
Deposits received	30,516	26,215	214,192
Other	15	15	122
Financial liabilities measured at FVTPL			
Derivative liabilities (Note)	480	91	743
Total	65,970	43,028	351,564
Current liabilities	42,490	16,564	135,337
Non-current liabilities	23,479	26,464	216,226
Total	65,970	43,028	351,564

(Note) 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.

18. Assets pledged as collateral

Assets pledged as collateral and obligations secured by such collateral

Assets pledged as collateral are as follows.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Flight equipment	447,243	459,846	3,757,218
Others	14,208	9,779	79,900
Total	461,452	469,625	3,837,119

Obligations secured by such collateral are as follows.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current portion of long-term borrowings	24,719	42,286	345,502
Long-term borrowings	266,859	274,023	2,238,932
Total	291,578	316,309	2,584,435

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.

19. Leases

(1) Lessees

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 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.

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 March 31, 2021 and March 31, 2022 is as follows:

(Millions of yen)

	Type of underlying assets			Total
	Flight equipment	Buildings	Other	
As of March 31, 2021	49,482	17,379	8,377	75,240
As of March 31, 2022	52,924	24,748	7,205	84,878

(Thousands of U.S. dollar)

	Type of underlying assets			Total
	Flight equipment	Buildings	Other	
As of March 31, 2022	432,420	202,206	58,869	693,504

(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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Depreciation for right-of-use assets		

Those with the underlying assets of flight equipment	13,747	15,864
Those with the underlying assets of buildings	11,003	10,343
Those with the underlying assets of other	4,003	3,558
Total depreciation for right-of-use assets	28,755	29,766
Interest expenses on lease liabilities	274	418
Expenses associated with short-term leases	5,566	6,617
Cash outflows associated with leases	32,358	41,595
Increase in right-of-use assets	30,715	39,521

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
Depreciation for right-of-use assets	
Those with the underlying assets of flight equipment	129,618
Those with the underlying assets of buildings	84,508
Those with the underlying assets of other	29,071
Total depreciation for right-of-use assets	243,206
Interest expenses on lease liabilities	3,415
Expenses associated with short-term leases	54,064
Cash outflows associated with leases	339,856
Increase in right-of-use assets	322,910

The maturity analysis of lease liabilities as of March 31, 2021, and March 31, 2022 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 March 31, 2021	75,781	76,737	31,024	29,163	16,548
As of March 31, 2022	78,625	80,488	25,536	39,480	15,470
	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, 2022	642,413	657,635	208,644	322,575	126,399

(2) Lessors

The JAL group leases real estate and machinery and equipment classified as finance leases. Finance income on net investment in the leases amounted to ¥67 million and ¥62 million ($506 thousands) for the previous and current fiscal years, respectively. The maturity analysis of lease payments receivable (undiscounted) under finance leases is as follows.

(Millions of yen)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Within 1 year	308	814
More than 1 year, but within 2 years	308	687
More than 2 years, but within 3 years	308	671
More than 3 years, but within 4 years	308	523
More than 4 years, but within 5 years	308	517
More than 5 years	1,595	2,109
Total	3,135	5,323
Unearned finance income	433	452
Net investment in the lease	2,701	4,870

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
Within 1 year	6,650
More than 1 year, but within 2 years	5,613
More than 2 years, but within 3 years	5,482
More than 3 years, but within 4 years	4,273
More than 4 years, but within 5 years	4,224
More than 5 years	17,231
Total	43,492
Unearned finance income	3,693
Net investment in the lease	39,790

20. 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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Operating accounts payable	85,618	90,360	738,295
Other	11,566	3,686	30,116
Total	97,185	94,046	768,412

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

21. 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, 2022, 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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Present value of funded defined benefit obligations	393,741	390,172	3,187,940
Fair value of plan assets	(344,426)	(345,274)	(2,821,096)
Subtotal	49,315	44,898	366,843
Present value of non-funded defined benefit obligations	100,677	101,634	830,410
Net defined benefit liability and asset	149,992	146,532	1,197,254
Amounts in the consolidated statement of financial position			
Retirement benefit liability	153,169	151,028	1,233,989
Retirement benefit asset	(3,176)	(4,496)	(36,735)
Net defined benefit liability and asset recognized in the consolidated statement of financial position	149,992	146,532	1,197,254

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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Present value of defined benefit obligations at the beginning of the year	495,969	494,418
Current service cost	15,127	16,216
Interest expense	2,411	2,022
Remeasurement		
Actuarial gains and losses arising from changes in financial assumptions	4,411	(3,854)
Actuarial gains and losses arising from experience adjustments	5,337	2,608
Payment of benefits	(28,856)	(28,309)
Effect of business combinations	–	2,723
Other	17	5,980
Present value of defined benefit obligations at the end of the year	494,418	491,807

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Present value of defined benefit obligations at the beginning of the year	4,039,692
Current service cost	132,494
Interest expense	16,520
Remeasurement	
Actuarial gains and losses arising from changes in financial assumptions	(31,489)
Actuarial gains and losses arising from experience adjustments	21,308
Payment of benefits	(231,301)
Effect of business combinations	22,248
Other	48,860
Present value of defined benefit obligations at the end of the year	4,018,359

The weighted average duration of defined benefit obligations as of March 31, 2021 and March 31, 2022 was 6.7 years and 7.1 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Fair value of plan assets at the beginning of the year	345,577	344,426
Interest income	2,157	1,873
Remeasurement		
Return on plan assets excluding interest income	6,237	4,445
Contributions by the employer	11,802	6,832
Contributions by plan participants	701	700
Payment of benefits	(21,766)	(21,207)
Effect of business combinations	–	2,938
Other	(283)	5,264
Fair value of plan assets at the end of the year	344,426	345,274

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Fair value of plan assets at the beginning of the year	2,814,167
Interest income	15,303
Remeasurement	
Return on plan assets excluding interest income	36,318
Contributions by the employer	55,821
Contributions by plan participants	5,719
Payment of benefits	(173,273)
Effect of business combinations	24,005
Other	43,010
Fair value of plan assets at the end of the year	2,821,096

The JAL Group plans to make contributions of ¥7,141 million ($58,346 thousands) in the next fiscal year ending March 31, 2023.

4) Breakdown of plan assets by class

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

	As of March 31, 2021			As of March 31, 2022			As of March 31, 2022		
	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	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Cash and cash equivalents	8,803	–	8,803	9,567	–	9,567	78,168	–	78,168
Equity instruments									
Shares issued by Japanese companies	3,850	–	3,850	2,882	–	2,882	23,547	–	23,547
Shares issued by foreign companies	9,258	–	9,258	14,882	–	14,882	121,594	–	121,594
Debt instruments									
Bonds issued by Japanese companies	10,309	–	10,309	12,412	–	12,412	101,413	–	101,413
Bonds issued by foreign companies	34,495	–	34,495	29,635	–	29,635	242,135	–	242,135
General accounts for life insurance	–	270,877	270,877	–	267,470	267,470	–	2,185,390	2,185,390
Other	–	6,830	6,830	–	8,422	8,422	–	68,812	68,812
Total	66,717	277,708	344,426	69,381	275,893	345,274	566,884	2,254,211	2,821,096

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 March 31, 2021	As of March 31, 2022
	%	%
Weighted average discount rate	Mainly 0.4	Mainly 0.5

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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
If the discount rate increases by 0.1%	(5,535)	(5,563)	(45,453)
If the discount rate decreases by 0.1%	5,609	5,639	46,074

(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 ¥1,971 million and ¥2,028 million ($16,569 thousands), respectively.

22. 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, 2021	13,379	6,039	19,418
Increase during the period (Note 1)	12,548	202	12,750
Interest expense during the discounting period	67	–	67
Decrease (intended use)	3,486	–	3,486
Decrease (reversal)	271	–	271
As of March 31, 2022	22,236	6,242	28,478

	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, 2021	109,314	49,342	158,656
Increase during the period (Note 1)	102,524	1,650	104,175
Interest expense during the discounting period	547	–	547
Decrease (intended use)	28,482	–	28,482
Decrease (reversal)	2,214	–	2,214
As of March 31, 2022	181,681	51,000	232,682

(Note 1) As described in Note “4. Significant accounting estimates and judgements”, in the current fiscal year, the Company changed its estimate and recognized a provision (asset retirement obligation) of ¥ 4,767 million ($38,949 thousands) in accordance with new information regarding the restoration obligation based on the future facility development plan for Tokyo International Airport presented by the government.

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

	As of April 1, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current liabilities	3,750	2,188	17,877
Non-current liabilities	15,667	26,289	214,796
Total	19,418	28,478	232,682

Provisions are described in Note “3. Significant accounting policies, (13) Provisions.”

23. 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	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	337,143	437,143
Changes during the year (Note 2)	100,000	–
At the end of the year	437,143	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 increase in the number of shares issued during the previous fiscal year was 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 March 31, 2021	As of March 31, 2022
	Thousands of shares	Thousands of shares
Number of treasury shares held by the Company	136	136
Number of treasury shares held by the Company`s associates	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) 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.

24. Dividends

(1) Dividends paid are as follows.

Previous fiscal year (from April 1, 2020 to March 31, 2021)
Not applicable

Current fiscal year (from April 1, 2021 to March 31, 2022)
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

25. Revenue

(1) Breakdown of revenue

Revenue and segment revenue

Previous 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					
(Full service carrier)					
Passenger	27,917	–	27,917	–	–
Cargo and mail	103,898	–	103,898	–	–
Baggage	333	–	333	–	–
Sub-total	132,149	–	132,149	–	–
Domestic					
(Full service carrier)					
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	331,304	–	331,304	–	–
Travel agency	–	56,981	56,981	–	–
Other (Note 3)	100,517	50,648	151,165	–	–
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 (Note 2)					3,466

(Notes)
1. Segment revenue is stated before elimination of intersegment transactions.
2. Revenues recognized from other sources include lease revenues and so forth under IFRS 16.
3. Other (Air transportation) includes ¥51 million of international passenger revenue from LCC business.

Current fiscal year (from April 1, 2021 to March 31, 2022)

	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					
(Full service carrier)					
Passenger	68,785	–	68,785	–	–
Cargo and mail	193,967	–	193,967	–	–
Baggage	746	–	746	–	–
Sub-total	263,499	–	263,499	–	–
Domestic					
(Full service carrier)					
Passenger	235,100	–	235,100	–	–
Cargo and mail	24,404	–	24,404	–	–
Baggage	312	–	312	–	–

Sub-total	259,817	–	259,817	–	–
Total revenues from international and domestic operations	523,316	–	523,316	–	–
					–
Travel agency	–	47,383	47,383	–	–
Other (Note 3)	119,248	48,990	168,239	–	–
Total revenue	642,565	96,373	738,939	(56,225)	682,713
Revenue recognized from contracts with customers					679,648
Revenue recognized from other sources (Note 2)					3,065

Current fiscal year (from April 1, 2021 to March 31, 2022)

	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					
(Full service carrier)					
Passenger	562,014	–	562,014	–	–
Cargo and mail	1,584,827	–	1,584,827	–	–
Baggage	6,095	–	6,095	–	–
Sub-total	2,152,945	–	2,152,945	–	–
Domestic					
(Full service carrier)					
Passenger	1,920,908	–	1,920,908	–	–
Cargo and mail	199,395	–	199,395	–	–
Baggage	2,549	–	2,549	–	–
Sub-total	2,122,861	–	2,122,861	–	–
Total revenues from international and domestic operations	4,275,806	–	4,275,806	–	–
Travel agency	–	387,147	387,147	–	–
Other (Note 3)	974,327	400,277	1,374,613	–	–
Total revenue	5,250,142	787,425	6,037,576	(459,392)	5,578,176
Revenue recognized from contracts with customers					5,553,133
Revenue recognized from other sources (Note 2)					25,042

(Notes)
1. Segment revenue is stated before elimination of intersegment transactions.
2. Revenues recognized from other sources include lease revenues and so forth under IFRS 16.
3. Other (Air transportation) includes ¥2,102 million ($17,174 thousands) of international passenger revenue and ¥636 million ($5,196 thousands) of domestic passenger revenue from LCC business.

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 primarily within two months after completion of cargo or mail air transportation services.

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.

Other

“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, 2020	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen
Receivables from contracts with customers	68,250	62,625	99,630
Contract liabilities	251,809	215,239	240,224

	As of March 31, 2022
	Thousands of U.S. dollars
Receivables from contracts with customers	814,037
Contract liabilities	1,962,774

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.

The balance of contract liabilities decreased by ¥36,570 million in the previous fiscal year, mainly due to a decrease in the balance of the JAL Group's airline 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 did not satisfy its performance obligation for ¥40,509 million of the contract liability balance at the beginning of the previous fiscal year, and the balance was reduced by the refund of the JAL Group's airline tickets. In addition, the balance of contract liabilities decreased by ¥6,126 million in the previous fiscal year due to a change in the estimate of the contract liabilities that would likely expire.

The balance of contract liabilities increased by ¥24,985 million ($204,142 thousands) during the current fiscal year, mainly due to an increase in the balance of the JAL Group's airline tickets. The change in the balance of contract liabilities due to a change in the estimate of the contract liabilities that would likely expire in the current fiscal year was not material.

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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	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	83,386	84,995

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	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	694,460

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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied	215,239	240,224

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied	1,962,774

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.

26. Other income

Components of other income are as follows:

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Subsidy income	11,721	18,701
Gain on disposal of non-current assets	656	2,388
Other	1,019	1,656
Total	13,397	22,745

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Subsidy income	152,798
Gain on disposal of non-current assets	19,511
Other	13,530
Total	185,840

(Note) Subsidy income mainly includes employment adjustment subsidies.

27. Operating expenses

The breakdown of operating expenses is as follows:

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Personnel expenses	254,809	245,724
Aircraft fuel	96,788	145,456
Depreciation, amortization and impairment losses (Note 1)	190,585	178,785
Landing and navigation fees	38,490	34,572
Expenses of travel agency	22,113	18,689
Maintenance	58,197	69,153
Passenger and cargo services	11,015	14,854
Sales commissions (Air Transportation)	3,776	7,754
Other (Note 2)	209,262	225,234
Total	885,037	940,226

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Personnel expenses	2,007,713
Aircraft fuel	1,188,463
Depreciation, amortization and impairment losses (Note 1)	1,460,781
Landing and navigation fees	282,474
Expenses of travel agency	152,700
Maintenance	565,021
Passenger and cargo services	121,366
Sales commissions (Air Transportation)	63,354
Other (Note 2)	1,840,297
Total	7,682,212

(Notes)

1. Impairment losses for the previous and current fiscal years amounted to ¥8,096 million and ¥295 million ($2,410 thousands), respectively.
2. Other includes loss on disposal of non-current assets of ¥3,048 million and ¥1,957 million ($15,989 thousands) for the previous and current fiscal years, respectively.

28. Investment income and expenses

The breakdown of investment income is as follows:

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Interest income		
Financial assets measured at amortized cost		
Loans receivable, bonds receivable, and so forth	578	729
Dividend income		
Financial assets measured at FVTOCI		
Shares	1,351	999
Gain on valuation of other financial assets		
Financial assets measured at FVTPL		
Investment in investment limited partnership	631	6,179
Other	133	2,969
Total	2,694	10,878

	Current fiscal year (from April 1, 2021 to March 31, 2022)
Interest income	
Financial assets measured at amortized cost	
Loans receivable, bonds receivable, and so forth	5,956
Dividend income	
Financial assets measured at FVTOCI	
Shares	8,162
Gain on valuation of other financial assets	
Financial assets measured at FVTPL	
Investment in investment limited partnership	50,486
Other	24,258
Total	88,879

The breakdown of investment expenses is as follows:

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Loss on valuation of other financial assets		
Financial assets measured at amortized cost		
Loans receivable, bonds receivable, and so forth	2,999	5,265
Other	3	442
Total	3,003	5,708

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Loss on valuation of other financial assets	
Financial assets measured at amortized cost	
Loans receivable, bonds receivable, and so forth	43,018
Other	3,611
Total	46,637

29. Finance income and expenses

The breakdown of finance income is as follows:

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Interest income		
Financial assets measured at amortized cost		
Cash and cash equivalents	77	61
Other	306	5
Foreign exchange gain	1,414	1,918
Total	1,799	1,986

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Interest income	
Financial assets measured at amortized cost	
Cash and cash equivalents	498
Other	40
Foreign exchange gain	15,671
Total	16,226

The breakdown of finance expenses is as follows:

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Interest expenses		
Lease liabilities	274	418
Financial liabilities measured at amortized cost		
Borrowings, bonds payable, and so forth	2,652	7,242
Commission fees and so forth	4,324	1,227
Other	318	216
Total	7,570	9,105

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Interest expenses	
Lease liabilities	3,415
Financial liabilities measured at amortized cost	
Borrowings, bonds payable, and so forth	59,171
Commission fees and so forth	10,025
Other	1,764
Total	74,393

30. 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	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	6,354	(2,797)	(22,853)
Tax effects	(3,069)	(19)	(155)
Financial assets measured at FVTOCI	3,284	(2,817)	(23,016)
Remeasurements of defined benefit plans			
Amount arising during the year	(3,511)	5,691	46,498
Tax effects	1,117	(1,814)	(14,821)
Remeasurements of defined benefit plans	(2,394)	3,876	31,669
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	87	(63)	(514)
Share of other comprehensive income of investments accounted for using equity method	87	(63)	(514)
Total of items that will not be reclassified to profit or loss	977	996	8,137
Items that may be reclassified to profit or loss			
Effective portion of cash flow hedges			
Amount arising during the year	32,289	70,176	573,380
Reclassification adjustments	16,815	(26,289)	(214,796)
Before tax effects	49,105	43,887	358,583
Tax effects	(14,693)	(13,176)	(107,655)
Effective portion of cash flow hedges	34,411	30,710	250,919
Exchange differences on translation of foreign operations			
Amount arising during the year	(138)	673	5,498
Reclassification adjustments	–	(0)	(0)
Before tax effects	(138)	672	5,490
Tax effects	–	–	–
Exchange differences on translation of foreign operations	(138)	672	5,490
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	1,445	(88)	(719)
Share of other comprehensive income of investments accounted for using equity method	1,445	(88)	(719)
Total of items that may be reclassified to profit or loss	35,718	31,295	255,698
Total other comprehensive income	36,695	32,291	263,836

31. Earnings per share

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

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Profit (loss) attributable to owners of parent (Millions of yen)	(286,693)	(177,551)
Profit (loss) not attributable to common shareholders of parent (Millions of yen)	–	–
Profit (loss) used to calculate basic earnings per share (Millions of yen)	(286,693)	(177,551)
Average number of common shares outstanding during the year (Thousands of shares)	374,766	437,007
Basic earnings (loss) per share (Yen)	(764.99)	(406.29)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	(1,450,698)
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)	(1,450,698)
Basic earnings (loss) per share (U.S. dollars)	(3.31)

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

32. Cash flow information

(1) Payments for and proceeds from acquisition of subsidiaries

The total consideration paid for the acquisition of subsidiaries in the current fiscal year was ¥12,533 million ($102,402 thousands). The portion of the consideration paid that consisted of cash and cash equivalents was ¥12,533 million ($102,402 thousands).

Assets and liabilities of the subsidiaries acquired through the acquisition of shares at the time of acquisition are as follows.

Current fiscal year (from April 1, 2021 to March 31, 2022)

	(Millions of yen)
Cash and cash equivalents	7,566
Other acquired assets	72,317
Liabilities assumed	57,479

	(Thousands of U.S. dollars)
Cash and cash equivalents	61,818
Other acquired assets	590,873
Liabilities assumed	469,638

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Previous 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

Current fiscal year (from April 1, 2021 to March 31, 2022)

	As of April 1, 2021	Changes with cash flows	Changes without cash flows				As of March 31, 2022
			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	33	19	1,240	–	–	–	1,292
Commercial Paper	–	–	2,598	–	–	–	2,598
Long-term borrowings	349,629	215,171	10,749	–	–	2,123	577,673
Bonds payable	89,589	178,475	–	–	–	195	268,259
Lease liabilities	75,781	(32,951)	15,748	1,631	18,472	(57)	78,625
Accounts payable – installment purchase	113	(100)	–	–	–	–	12
Total	515,147	360,612	30,337	1,631	18,472	2,261	928,463

	As of April 1, 2021	Changes with cash flows	Changes without cash flows				As of March 31, 2022
			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	269	155	10,131	–	–	–	10,556
Commercial Paper	–	–	21,227	–	–	–	21,227
Long-term	2,856,679	1,758,076	87,825	–	–	17,346	4,719,936

borrowings							
Bonds payable	731,996	1,458,248	–	–	–	1,593	2,191,837
Lease liabilities	619,176	(269,229)	128,670	13,326	150,927	(465)	642,413
Accounts payable – installment purchase	923	(817)	–	–	–	–	98
Total	4,209,061	2,946,417	247,871	13,326	150,927	18,473	7,586,101

33. 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). The JAL Group's equity ratio, ROIC, ROE and EPS are as follows.

	As of March 31, 2021	As of March 31, 2022
Equity ratio (%)	45.0	33.7

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
ROIC (%)	(20.6)	(12.4)
ROE (%)	(29.2)	(20.3)
EPS (Yen)	(764.99)	(406.29)

	Current fiscal year (from April 1, 2021 to March 31, 2022)
EPS (U.S. dollars)	(3.31)

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 of 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 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 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

As of March 31, 2022

	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	119,819	–
Category 2	1,772	–
Category 3	2,840	10,603
Total	124,432	10,603

As of March 31, 2022

	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	978,993	–
Category 2	14,478	–
Category 3	23,204	86,632
Total	1,016,684	86,632

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, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Jetstar Japan Co., Ltd.	9,000	9,121	74,524
JRE DEVELOPMENT Co.,Ltd.	–	1,333	10,891
JALUX SINGAPORE PTE.LTD.	–	305	2,492
Employees	44	31	253

The Company has been provided with a re-guarantee from another company for ¥4,560 million ($37,257 thousands) of its outstanding guarantee for bank loans to Jetstar Japan Co., Ltd.

(Guarantees for lease liabilities)

	As of April 1, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Jetstar Japan Co., Ltd.	2,948	2,577	21,055

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, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Fukuoka Airport Holdings Co., Ltd.	7,867	7,867	64,278

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, 2021	As of March 31, 2022	As of March 31, 2022

	Millions of yen	Millions of yen	Thousands of U.S. dollars
Long-term deposits received	8,264	9,716	79,385

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, 2020	950	1,248
Increase	3,993	108
Decrease	(111)	(1)
As of March 31, 2021	4,831	1,354
Increase	1,797	2,496
Decrease	(2,519)	(58)
As of March 31, 2022	4,109	3,792

	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, 2021	39,472	11,062
Increase	14,682	20,393
Decrease	(20,581)	(473)
As of March 31, 2022	33,573	30,982

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 securing liquidity in the event of emergencies, and certain consolidated subsidiaries have also entered into commitment line agreements.

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 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 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, 2022

	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	268,259	410,523	12,969	81,584	315,968
Long-term borrowings	577,673	855,972	55,670	251,468	548,832
Long-term notes payable on non-current assets	16,706	16,706	–	16,706	–
Long-term deposits received	9,716	9,716	–	–	9,716

As of March 31, 2022

	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	2,191,837	3,354,220	105,964	666,590	2,581,648
Long-term borrowings	4,719,936	6,993,806	454,857	2,054,644	4,484,287
Long-term notes payable on non-current assets	136,498	136,498	–	136,498	–
Long-term deposits received	79,385	79,385	–	–	79,385

(Note) Certain bonds payable and long-term borrowings have contracts that allow for early redemption and early repayment.
The above contractual cash flows are based on the contractual redemption and repayment dates for such bonds payable and long-term borrowings, but there is a possibility of earlier redemption and repayment than the contractual maturities.

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

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, 2022

	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	91	91	66	25	–

As of March 31, 2022

	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	743	743	539	204	–

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

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S.
Total commitment line amount	300,000	308,000	2,516,545
Drawn down balance	–	–	–

Net total	300,000	308,000	2,516,545

(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 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/U.S. dollar
Purchased currency options	68,359	21,138	1,673	–	Other financial assets	82.8 yen to 116.4 yen/U.S. dollar

	Contract amount	Of which, more than one year	Assets	Liabilities	Line item in the consolidated statement of financial position	Average rate
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/barrel

As of March 31, 2022

	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	21,611	–	1,762	17	Other financial assets/liabilities	112.4 yen/U.S. dollar 131.4 yen/Euro and so forth
Purchased currency options	90,345	27,642	5,646	32	Other financial assets/liabilities	84.8 yen to 125.8 yen/U.S. dollar
Written currency options	83,339	25,223				
Fuel price fluctuation risk						
Commodity swaps	102,004	33,356	46,161	41	Other financial assets/liabilities	64.3 U.S. dollars/barrel

As of March 31, 2022

	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	176,574	–	14,396	138	Other financial assets/liabilities	112.4 yen/U.S. dollar 131.4 yen/Euro and so forth
Purchased currency options	738,173	225,851	46,131	261	Other financial assets/liabilities	84.8 yen to 125.8 yen/U.S. dollar
Written currency options	680,929	206,087				
Fuel price fluctuation risk						
Commodity swaps	833,434	272,538	377,163	334	Other financial assets/liabilities	64.3 U.S. dollars/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 March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Foreign currency risk	3,242	5,487	44,832
Fuel price fluctuation risk	9,635	35,531	290,309

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, 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	–	–	–
Fuel price fluctuation risk				
Commodity swaps	20,213	11,682	–	Aircraft fuel

Current fiscal year (from April 1, 2021 to March 31, 2022)

	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	1,902	(208)	(2,377)	Other operating expenses, expenses of travel agency
Currency options	3,738	(773)	–	Aircraft fuel
Fuel price fluctuation				

risk				
Commodity swaps	43,457	(17,405)	–	Aircraft fuel

Current fiscal year (from April 1, 2021 to March 31, 2022)

	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	15,540	(1,699)	(19,421)	Other operating expenses, expenses of travel agency
Currency options	30,541	(6,315)	–	Aircraft fuel
Fuel price fluctuation risk				
Commodity swaps	355,069	(142,209)	–	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 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, 2022

	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	53,569	91
Amounts not subject to offsetting in the consolidated statement of financial position	(91)	(91)

Exposure on a net basis	53,478	–

As of March 31, 2022

	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	437,690	743
Amounts not subject to offsetting in the consolidated statement of financial position	(743)	(743)
Exposure on a net basis	436,947	–

(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 interests 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, those whose carrying amount closely approximates to the fair value and those with immateriality are not included in the table below:

	As of March 31, 2021		As of March 31, 2022		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of	Millions of	Millions of	Millions of	Thousands of	Thousands of

	yen	yen	yen	yen	U.S. dollars	U.S. dollars
Financial liabilities measured at amortized cost						
Non-current						
Bonds payable	79,598	75,231	258,276	256,524	2,110,270	2,095,955
Long-term borrowings	320,711	326,923	529,235	539,701	4,324,168	4,409,682
Total	400,309	402,154	787,512	796,225	6,434,447	6,505,637

(Note) The fair values of bonds payable and long-term borrowings 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 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, 2022

	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	50,681	–	37,750	88,431
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	12,107	12,107
Derivative assets designated as hedges	–	53,569	–	53,569

	Level 1	Level 2	Level 3	Total
Derivative assets not designated as hedges	–	–	–	–
Total	50,681	53,569	49,857	154,108
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	91	–	91
Derivative liabilities not designated as hedges	–	–	–	–
Total	–	91	–	91

As of March 31, 2022

	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	414,094	–	308,440	722,534
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	98,921	98,921
Derivative assets designated as hedges	–	437,690	–	437,690
Derivative assets not designated as hedges	–	–	–	–
Total	414,094	437,690	407,361	1,259,155
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	743	–	743
Derivative liabilities not designated as hedges	–	–	–	–
Total	–	743	–	743

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 1.1 times to 1.2 times in the previous and current fiscal years. 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	40,554	39,078	319,290
Gains (losses)			
Profit (loss) (Note 1)	627	6,175	50,453
Other comprehensive income (Note 2)	(3,678)	(3,032)	(24,773)
Increase due to purchase	2,346	8,597	70,242
Decrease due to sale	(771)	(962)	(7,860)
Balance at end of period	39,078	49,857	407,361
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)	627	6,175	50,453

(Notes)
1. The amounts are included in “Investing income” and “Investing 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.

34. Significant subsidiaries

Information on the JAL Group's significant subsidiaries is as follows. The JAL Group has no subsidiaries with significant non-controlling interests.

As of March 31, 2022

Company name	Paid-in capital	Paid-in capital	Percentage of voting rights	Main businesses
	Millions of yen	Thousands of U.S. dollars	Total (%)	
JAPAN TRANSOCEAN AIR CO., LTD.	4,537	37,070	72.8	Air transportation business
JAPAN AIR COMMUTER CO., LTD.	300	2,451	60.0	Air transportation business
J-AIR CO., LTD.	100	817	100.0	Air transportation business
ZIPAIR Tokyo Inc.	100	817	100.0	Air transportation business
SPRING JAPAN Co., Ltd.	100	817	66.7	Air transportation business
JALUX Inc.	2,558	20,900	*60.3	Wholesale business
JALCARD, INC.	360	2,941	50.6	Credit card business
JALPAK CO., LTD.	80	653	*97.8	Travel services

(Notes)
1. ZIPAIR Tokyo Inc. and SPRING JAPAN Co., Ltd. are positioned as LCC business domain companies, and JALUX Inc. is positioned as a core company in the non-aeronautical domain.
2. * Percentage of voting rights includes those held by subsidiaries.

35. Related parties

(1) Transactions with related parties

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

Current fiscal year (from April 1, 2021 to March 31, 2022)
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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen
Short-term employee benefits	372	322
Total	372	322

	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Thousands of U.S. dollars
Short-term employee benefits	2,630
Total	2,630

Basic policies and other details of main senior management personnel are as follows.

Basic policy

a. To achieve sustainable and steady growth of the Company and JAL Group, and to enhance the corporate value over the medium- to long-term, the Company promotes business execution in accordance with the corporate policy and management strategies, and strongly motivate directors to achieve specific management goals.
b. The Company appropriately sets the ratio of performance-linked bonus, which is linked to annual business performance, and performance-linked share-based compensation, which is linked to corporate value based on medium- to long-term business performance with the aim of further promoting the sharing of interests with shareholders, thereby contributing to the exercise of sound entrepreneurial spirit.
c. The Company provides compensation that is appropriate to management in accordance with the Company's business performance.

Compensation levels and compensation composition ratios

a. The Company sets appropriate compensation levels with reference to the business environment and objective compensation data in the marketplace.
b. Considering the business characteristics of the Company and the effectiveness of performance-linked compensation, the ratios of (1) "fixed compensation" (Note), (2) "performance-linked bonus to be paid based on the degree of achievement against targets", (3) "performance-linked share-based compensation to be delivered based on the degree of achievement against targets" are set as follows:
If the degree of achievement against the target is 100%: (1): (2): (3) = 50%: 30%: 20%
The above ratios are only a guide and may change depending on fluctuations in the Company's

share price and other factors.

(Note) The amount of the allowance for an executive director who concurrently serves as a director and the amount of the allowance for an executive director who has the right to represent the Company shall be excluded.

Framework for performance-linked compensation

a. The amount of performance-linked bonuses to be paid each fiscal year varies between 0 and 200 until fiscal year 2021, and will vary between 0 and 150 from fiscal year 2022, depending on the degree of achievement of the performance targets, with 100 being the amount to be paid if the performance targets are met. Performance evaluation indicators are "profit attributable to owners of parent", "indicators related to safe operations", "individual performance evaluation of each director", and so forth until fiscal year 2021, and "EBIT", "individual performance evaluation of each director" and so forth from fiscal year 2022, and will be reviewed as appropriate according to changes in the management environment and the roles of each director.
In addition, the Company's compensation committee discussed and resolved to uniformly disallow performance-linked bonuses for fiscal year 2021 in light of the Company's business performance and other factors. (Resolution of the Company's Board of Directors meeting held on February 17, 2022)

b. The number of shares to be delivered each fiscal year as performance-linked share-based compensation varies between 0 and 220 until fiscal year 2021, and will vary between 0 and 150 from fiscal year 2022, depending on the degree of achievement of the performance targets, with 100 being the number of shares to be delivered if the performance targets are met. The performance evaluation period is three years, and the performance of three consecutive fiscal years will be evaluated each year. Performance indicators are the indicators emphasized in the mid-term management plan, such as "consolidated operating profit margin", "consolidated ROIC", and "customer satisfaction" until fiscal year 2021, and "TSR (in comparison with TOPIX including dividends)", "consolidated ROIC", "CO2 emissions per revenue ton-kilometer", and "number of ESG stocks selected" from fiscal year 2022, and will be reviewed each mid-term management plan period.
In addition, with respect to the common stock issued under the share-based compensation plan, the target number of shares to be held by each director and executive director is set and certain restrictions are imposed on the sale of such shares in order to further promote the sharing of interests with the shareholders.
All performance-linked share-based compensation beginning in fiscal years 2019, 2020, and 2021 will not be paid in light of the Company's business performance and other factors.

36. Commitments

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

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Flight equipment	952,147	816,715	6,673,053
Other tangible fixed assets	2,000	–	–
Intangible assets	2,180	1,360	11,112
Total	956,327	818,076	6,684,173

37. Subsequent events

Not applicable