Consolidated Financial Statements

Japan Airlines Co., Ltd. and Subsidiaries

For the Years ended March 31, 2023
Together with Independent
Auditors' Report

KPMG AZSA LLC
June 2023

<u>Independent Auditor's Report</u>

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, 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, 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.

We determined the key audit matters in our audit of the consolidated financial statement for the current fiscal year are as follows.

As for 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"a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, operating profit in the consolidated financial statements of the current year turned profitable and there is no indication of impairment.We determined that this matter was not a key audit matter in our audit of the consolidated financial statements for current fiscal year.

<table>
<tr><td colspan="2">Reliability of the IT systems providing information on which revenue recognition is based and the reasonableness of significant estimates related to the customer loyalty program</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 26, "Revenue" to the consolidated financial statements, Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as “the Group”) recognized revenue of JPY 1,261,052 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 868,654 million (consisting of international passenger revenue of JPY 417,526 million and domestic passenger revenue of JPY 451,127 million), which represented approximately 69% of total revenue in the consolidated financial statements.
In addition, the Group recorded contract liabilities of JPY316,873 million in the consolidated statement of financial position , that were recognized on the receipt of consideration from customers or were recognized as a deferred revenue when the award miles were earned by customers.

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

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

(1) Reliability of the IT systems providing information on which revenue recognition is based
Information on air transportation tickets used in the process of recognizing passenger revenue is generated through the interfaces between different systems and the complex system processing to</td>
<td>The primary procedures we performed to assess the reliability of the IT systems providing information on which revenue recognition is based and the reasonableness of significant estimates related to the customer loyalty program included the following:

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

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

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 air travel passenger demand and the utilization of award miles during the spread of COVID-19 and that impact on the recovery phase of aviation demand. 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.	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 COVID-19 which had spreaded on air travel passenger demand and the utilization of award miles and assessed whether the impact, if any, was appropriately reflected in the estimates, which mean in the future aviation demand recovery phase predicted by management, of the expiration rates of award miles and the relative composition of services selected by program members when redeeming award miles.

Appropriateness of management's judgment on the recoverability of deferred tax assets of Japan Airlines Co., Ltd.	
The key audit matter	How the matter was addressed in our audit
Japan Airlines Co., Ltd. and subsidiaries (hereinafter collectively referred to as "the Group") recognized deferred tax assets of JPY 278,655 million in the consolidated statement of financial position for the current fiscal year. As described in Note 17, "Income taxes" to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to JPY 309,442 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 248,420 million, representing approximately 10% of total assets in the consolidated financial statements. The amount includes deferred tax assets of JPY 202,478 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 as a result of the spread of COVID-19, management determined that the above deferred tax assets of JPY 248,420 million including the total amount of those related to carryforward of unused tax losses would be recoverable on the basis of the estimated future taxable profits and so forth within the carryforward period of up to 10 years from tax losses were incurred. 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 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 length of time until the recovery of demand level before the spread of COVID-19 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 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. In addition, we independently estimated future

・ The length of time until the recovery of demand level before the spread of COVID-19 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 nearly recover to the level before the spread of COVID-19 by the year ending March 31, 2026. 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.	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 on the recoverability of deferred tax assets considering whether there was any potential effect on the conclusion.

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.

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, 2023 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.

Toshihiro Otsuka
Designated Engagement Partner
Certified Public Accountant

Atsushi Tanaka
Designated Engagement Partner
Certified Public Accountant

Masaya Ariyoshi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 26, 2023

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

1. Consolidated financial statements

(1) Consolidated statement of financial position

	Notes	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Assets				
Current assets				
Cash and cash equivalents	8,34	494,226	639,247	4,787,291
Trade and other receivables	9,26,34	120,322	174,906	1,309,862
Other financial assets	10,20,34	43,359	11,202	83,891
Inventories	11	31,279	36,747	275,196
Other current assets		61,316	60,776	455,148
Total current assets		750,504	922,880	6,911,405
Non-current assets				
Property, plant and equipment	12,20			
Flight equipment	19	887,212	839,205	6,284,767
Advances on flight equipment		70,409	102,431	767,101
Other property, plant and equipment		92,250	86,158	645,233
Total property, plant and equipment		1,049,871	1,027,795	7,697,109
Goodwill and intangible assets	7,13	91,703	83,310	623,904
Investment property	14	2,915	3,296	24,683
Investments accounted for using equity method	16	19,664	20,200	151,276
Other financial assets	10,19,20,34	152,233	158,638	1,188,032
Deferred tax assets	17	284,287	278,655	2,086,834
Retirement benefit asset	22	4,496	8,522	63,820
Other non-current assets		20,046	17,303	129,581
Total non-current assets		1,625,219	1,597,722	11,965,266
Total assets		2,375,724	2,520,603	18,876,679

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

	Notes	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	21,34	94,046	136,138	1,019,531
Interest-bearing liabilities	18,19, 20,34	86,786	111,968	838,523
Other financial liabilities	18,34	16,564	58,749	439,968
Income taxes payable		3,602	2,642	19,785
Contract liabilities	26	240,224	316,873	2,373,047
Provisions	23	2,188	2,737	20,497
Other current liabilities		27,073	40,467	303,055
Total current liabilities		470,486	669,578	5,014,438
Non-current liabilities				
Interest-bearing liabilities	18,19, 20,34	841,677	813,535	6,092,526
Other financial liabilities	18,34	26,464	9,331	69,879
Deferred tax liabilities	17	4,108	3,505	26,248
Provisions	23	26,289	23,908	179,045
Retirement benefit liability	22	151,028	132,355	991,200
Other non-current liabilities		9,601	11,430	85,598
Total non-current liabilities		1,059,170	994,067	7,444,521
Total liabilities		1,529,657	1,663,645	12,458,960
Equity	24			
Share capital		273,200	273,200	2,045,982
Capital surplus		273,617	273,631	2,049,209
Retained earnings		176,406	225,644	1,689,837
Treasury shares		(408)	(408)	(3,055)
Accumulated other comprehensive income				
Financial assets measured at fair value through other comprehensive income		35,512	38,384	287,456
Effective portion of cash flow hedges		41,018	4,812	36,036
Exchange differences on translation of foreign operations		390	1,024	7,668
Total accumulated other comprehensive income		76,921	44,220	331,161
Total equity attributable to owners of parent		799,736	816,288	6,113,143
Non-controlling interests		46,330	40,669	304,568
Total equity		846,067	856,957	6,417,711
Total liabilities and equity		2,375,724	2,520,603	18,876,679

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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Revenue	6,26			
International passenger revenue		70,887	444,662	3,330,053
Domestic passenger revenue		235,736	454,665	3,404,965
Other revenue		376,089	476,261	3,566,696
Total revenue		682,713	1,375,589	10,301,722
Other income	27	22,745	34,157	255,800
Operating expenses	28			
Personnel expenses		(245,724)	(292,312)	(2,189,111)
Aircraft fuel		(145,456)	(323,353)	(2,421,575)
Depreciation, amortization and impairment losses	15	(178,785)	(158,197)	(1,184,730)
Other operating expenses		(370,259)	(570,823)	(4,274,867)
Total operating expenses		(940,226)	(1,344,686)	(10,070,291)
Operating profit (loss)		(234,767)	65,059	487,223
Share of profit (loss) of investments accounted for using equity method	16	(9,901)	(3,353)	(25,110)
Profit (loss) before investing, financing and income tax	6	(244,668)	61,706	462,113
Income/expenses from investments	29			
Investing income		10,878	3,970	29,731
Investing expenses		(5,708)	(1,112)	(8,327)
Profit (loss) before financing and income tax		(239,498)	64,563	483,509
Finance income/expenses	30			
Finance income		1,986	2,074	15,532
Finance expenses		(9,105)	(14,209)	(106,410)
Profit (loss) before income tax	6	(246,617)	52,429	392,638
Income tax expense	17	65,272	(18,553)	(138,942)
Profit (loss)		(181,345)	33,876	253,695
Profit (loss) attributable to				
Owners of parent		(177,551)	34,423	257,792
Non-controlling interests		(3,793)	(547)	(4,096)
Other comprehensive income	31			
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income		(2,817)	2,669	19,988
Remeasurements of defined benefit plans	22	3,876	15,130	113,307
Share of other comprehensive income of investments accounted for using equity method	16	(63)	32	239
Total of items that will not be reclassified to profit or loss		996	17,832	133,543
Items that may be reclassified to profit or loss				
Effective portion of cash flow hedges	34	30,710	(34,384)	(257,500)
Exchange differences on translation of foreign operations		672	923	6,912
Share of other comprehensive income of investments accounted for using equity method	16	(88)	10	74

	Note			
Total of items that may be reclassified to profit or loss		31,295	(33,450)	(250,505)
Other comprehensive income, net of tax		32,291	(15,618)	(116,962)
Comprehensive income		(149,054)	18,257	136,725
Comprehensive income attributable to				
Owners of parent		(145,405)	17,909	134,119
Non-controlling interests		(3,649)	348	2,606
Earnings per share	32	Yen	Yen	U.S. dollars
Basic earnings (loss) per share		(406.29)	78.77	0.58
Diluted earnings per share		—	—	—

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, 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	34	–	–	–	–	–	(2,377)
Purchase of treasury shares		–	–	–	(0)	–	–
Obtaining of control of subsidiaries	7	–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	59	–	–	–	–
Transfer to retained earnings	22,34	–	–	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	34	–	–	(2,377)	(2,377)	–	(2,377)
Purchase of treasury shares		–	–	–	(0)	–	(0)
Obtaining of control of subsidiaries	7	–	–	–	–	10,970	10,970
Changes in ownership interest in subsidiaries		–	–	–	59	8,010	8,070
Transfer to retained earnings	22,34	–	(3,903)	(992)	–	–	–
Total transactions with owners and so forth		–	(3,903)	(3,369)	(2,317)	15,903	13,586
Balance as of March 31, 2022		390	–	76,921	799,736	46,330	846,067

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

	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, 2022		273,200	273,617	176,406	(408)	35,512	41,018
Profit (loss)		–	–	34,423	–	–	–
Other comprehensive income		–	–	–	–	2,615	(34,835)
Comprehensive income		–	–	34,423	–	2,615	(34,835)
Dividends		–	–	–	–	–	–
Transfer to hedged non-financial assets	34	–	–	–	–	–	(1,371)
Obtaining of control of subsidiaries	7	–	–	–	–	–	–
Loss of control of subsidiaries		–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	14	–	–	–	–
Transfer to retained earnings	22,34	–	-	14,814	–	256	–
Total transactions with owners and so forth		–	14	14,814	–	256	(1,371)
Balance as of March 31, 2023		273,200	273,631	225,644	(408)	38,384	4,812

	Notes	Equity attributable to owners of parent					
		Accumulated other comprehensive income					
		Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2022		390	–	76,921	799,736	46,330	846,067
Profit (loss)		–	–	–	34,423	(547)	33,876
Other comprehensive income		633	15,071	(16,514)	(16,514)	896	(15,618)
Comprehensive income		633	15,071	(16,514)	17,909	348	18,257
Dividends		–	–	–	–	(2,798)	(2,798)
Transfer to hedged non-financial assets	34	–	–	(1,371)	(1,371)	(498)	(1,869)
Obtaining of control of subsidiaries	7	–	–	–	–	(2,653)	(2,653)
Loss of control of subsidiaries		–	–	–	–	(45)	(45)
Changes in ownership interest in subsidiaries		–	–	–	14	(14)	–
Transfer to retained earnings	22,34	–	(15,071)	(14,814)	–	–	–
Total transactions with owners and so forth		–	(15,071)	(16,186)	(1,357)	(6,009)	(7,367)
Balance as of March 31, 2023		1,024	–	44,220	816,288	40,669	856,957

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

	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, 2022		2,045,982	2,049,105	1,321,096	(3,055)	265,947	307,181
Profit (loss)		–	–	257,792	–	–	–
Other comprehensive income		–	–	-	–	19,583	(260,877)
Comprehensive income		–	–	257,792	–	19,583	(260,877)
Dividends		–	–	–	–	–	–
Transfer to hedged non-financial assets	34	–	–	–	–	–	(10,267)
Obtaining of control of subsidiaries	7	–	–	–	–	–	–
Loss of control of subsidiaries		–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	104	–	–	–	–
Transfer to retained earnings	22,34	–	–	110,941	–	1,917	–
Total transactions with owners and so forth		–	104	110,941	–	1,917	(10,267)
Balance as of March 31, 2023		2,045,982	2,049,209	1,689,837	(3,055)	287,456	36,036

	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, 2022		2,920	–	576,057	5,989,185	346,963	6,336,156
Profit (loss)		–	–	–	257,792	(4,096)	253,695
Other comprehensive income		4,740	112,866	(123,672)	(123,672)	6,710	(116,962)
Comprehensive income		4,740	112,866	(123,672)	134,119	2,606	136,725
Dividends		–	–	–	–	(20,954)	(20,954)
Transfer to hedged non-financial assets	34	–	–	(10,267)	(10,267)	(3,729)	(13,996)
Obtaining of control of subsidiaries	7	–	–	–	–	(19,868)	(19,868)
Loss of control of subsidiaries		–	–	–	–	(337)	(337)
Changes in ownership interest in subsidiaries		–	–	–	104	(104)	–
Transfer to retained earnings	22,34	–	(112,866)	(110,941)	–	–	–
Total transactions with owners and so forth		–	(112,866)	(121,216)	(10,162)	(45,001)	(55,171)
Balance as of March 31, 2023		7,668	–	331,161	6,113,143	304,568	6,417,711

(4) Consolidated statement of cash flows

	Notes	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
		Millions of yen	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash flows from operating activities				
Profit (loss) before income tax		(246,617)	52,429	392,638
Depreciation, amortization and impairment losses		178,785	158,197	1,184,730
Loss (gain) on sale and retirement of non-current assets		(727)	(7,386)	(55,313)
Increase (decrease) in retirement benefit liability		2,966	2,028	15,187
Interest and dividend income		(1,796)	(3,851)	(28,839)
Interest expenses		7,660	12,520	93,761
Foreign exchange loss (gain)		(1,921)	(1,431)	(10,716)
Share of loss (profit) of investments accounted for using equity method		9,901	3,353	25,110
Decrease (increase) in trade and other receivables		(26,844)	(55,997)	(419,358)
Decrease (increase) in inventories		(2,421)	(4,881)	(36,553)
Increase (decrease) in trade and other payables		(4,713)	42,240	316,333
Increase (decrease) in contract liabilities		24,103	76,640	573,953
Other, net		(36,579)	29,618	221,807
Subtotal		(98,203)	303,481	2,272,755
Income taxes paid		(5,342)	(10,572)	(79,173)
Net cash provided by (used in) operating activities		(103,545)	292,908	2,193,574
Cash flows from investing activities				
Purchase of non-current assets		(161,306)	(117,488)	(879,862)
Proceeds from sales of non-current assets		4,289	13,102	98,120
Purchase of other financial assets		(13,864)	(8,083)	(60,533)
Proceeds from sales and redemptions of other financial assets		1,226	1,685	12,618
Payments for acquisition of subsidiaries	7,33	(7,108)	(3,087)	(23,118)
Proceeds from acquisition of subsidiaries	7,33	2,140	-	-
Payments for loans receivable		(6,680)	(5,076)	(38,013)
Collection of loans receivable		4,657	779	5,833
Interest received		244	792	5,931
Dividends received		1,265	2,874	21,523
Other, net		1,366	1,735	12,993
Net cash provided by (used in) investing activities		(173,769)	(112,766)	(844,499)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	33	19	6,756	50,595
Proceeds from long-term borrowings	33	245,430	53,231	398,644
Repayments of long-term borrowings	33	(30,259)	(48,777)	(365,288)
Proceeds from issuance of bonds	33	188,475	-	-
Redemption of bonds	33	(10,000)	(10,000)	(74,889)
Capital contribution from non-controlling interests		8,077	-	-
Interest paid		(5,263)	(9,985)	(74,777)
Dividends paid		(7)	(2)	(14)

Dividends paid to non-controlling interests		(3,077)	(2,894)	(21,673)
Repayments of lease liabilities	33	(32,951)	(25,661)	(192,174)
Other, net		(1,163)	(1,132)	(8,477)
Net cash provided by (used in) financing activities		359,280	(38,465)	(288,062)
Effect of exchange rate changes on cash and cash equivalents		3,926	3,344	25,043
Net increase (decrease) in cash and cash equivalents		85,891	145,021	1,086,055
Cash and cash equivalents at beginning of period	8	408,335	494,226	3,701,235
Cash and cash equivalents at end of period	8	494,226	639,247	4,787,291

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, 2023 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 "26. 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 AKASAKA Yuji, Representative Director, President on June 23, 2023.

(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 ¥133.53 = US$1.00, the approximate exchange rate prevailing on March 31, 2023, 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 or rights to variable returns arising from its involvement with the entity, and when it 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 receivables and payables balances and intragroup transactions as well as profits or losses resulting from intragroup transactions 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 arising from 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 significant 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 share the control of an arrangement of an economic activity, and whose 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 in the reporting period unless there are significant changes 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.

(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 assets on the transaction date when it becomes a party to the contractual provisions of the financial instruments.
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 in 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 in 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 transferred 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 and derivatives that are liabilities 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 liabilities on the transaction date when it becomes a party to the contractual provisions of the financial instruments.
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 in fair value 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 at amortized cost 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 changes 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 changes in prices of commodities including aviation 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 subsequently measured 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 adjusts the hedging ratio to reestablish the effectiveness of the hedge relationship. 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 accumulated 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 accumulated in other comprehensive income are included directly in initial cost or other 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) Property, plant and equipment (excluding leases)
1) Recognition and measurement
The JAL Group measures property, plant and equipment 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, advances on flight equipment and other construction in progress are not depreciated are not depreciated.
The estimated useful lives of major property, plant and equipment are as follows:

Flight equipment: 8 to 20 years
Other: 2 to 60 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 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) Investment property

Investment property is property held to earn rental income. Investment property is measured by using the cost model, in accordance with the property, plant and equipment, and is disclosed at acquisition cost less accumulated depreciation and impairment losses.

Depreciation of an investment property is mainly recognized on a straight-line basis over their respective estimated useful lives of the asset. Land and construction in progress are not depreciated. The estimated useful lives of major investment property is as follows:

Investment property: 1-47 years

The depreciation method, 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.

(11) 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 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.

(12) 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 and 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.

(13) 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 determined 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 determined 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 in 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 recognized as an expense when the related services are rendered.

(14) 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 are recognized as 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 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.

(15) 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
The JAL Group mainly provides services related to the international and domestic transportation of passengers, cargo and mail, and baggage by aircraft.
Generally, revenue is recognized when the performance obligations are satisfied at the completion of air transportation services.
For details of the criteria for revenue recognition, see Note “26. Revenue.”

(16) 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.

(17) 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 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 realized 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.

(18) 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 which deferred tax assets and impairment of non-current assets are recognized based on are founded on the JAL Group's Medium-Term Management Plan and incorporates the following major assumptions: the period of time until demand recovers and demand forecasts for after recovery from the COVID-19 pandemic, and forecasts of changes in market conditions in terms of fuel prices and foreign exchange rates.
Referencing demand recovery scenarios developed by the International Air Transport Association (IATA) and other materials, the JAL Group has made accounting estimates for demand in the recovery period from the COVID-19 pandemic, based on the assumption that aviation demand will recover within a certain period of time and aviation demand in 2025 is expected to reach at pre COVID-19 levels.
The demand recovery scenario in the recovery phase from the COVID-19 pandemic is still uncertain, 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, (15) Revenue" and Note "26. Revenue")

   For revenues from air transportation, contract liabilities are recognized when consideration is received, and the revenues are recognized when air transportation service is completed. 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 ¥316,873 million ($2,373,047 thousands).

2) Depreciation of flight equipment (Note "3. Significant accounting policies, (7) Property, plant and equipment (excluding leases)")

   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 ¥839,205 million ($6,284,767 thousands).

3) Impairment of non-current assets (Note "3. Significant accounting policies, (12) Impairment of non-financial assets" and Note "15. 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 property, plant and equipment, goodwill, intangible assets and investment property as of March 31, 2023 is ¥1,027,795 million ($7,697,109 thousands), ¥83,310 million ($623,904 thousands) and ¥3,296 million ($24,683 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, since operating profit recorded and future earnings estimates continue to anticipate operating profit, the JAL Group determined that there is no indication of impairment.

   The impairment loss for the current fiscal year was mainly due to reduction to the estimated recoverable amount of flight equipment decided to be sold and airport building structures decided to be returned based on the change in the cash-generating unit.

4) Recognition of deferred tax assets (Note "3. Significant accounting policies, (17) Income tax expenses" and Note "17. 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 Japanese Group Relief System. For companies subject to the Japanese Group Relief System, the recoverability of deferred tax assets is determined based on the future taxable profits of a group corporation 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.

Deferred tax assets and deferred tax liabilities at the end of the current fiscal year amounted to ¥278,655 million ($2,086,834 thousands) and ¥3,505 million ($26,248 thousands), respectively.

(2) Judgements

1) Scope of consolidation (Note “3. Significant accounting policies, (1) Basis of consolidation”)

The JAL Group considers that it has control over an entity when it has exposures to or rights on variable returns arising from its involvement in the entity and has the ability to affect the returns through the exercise of its power over the entity.

5. Unapplied new accounting standards

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	The fiscal year ending March 2024	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, 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)

(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, 2023 (April 1, 2022 to March 31, 2023)

	Reportable segment Air transportation	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
Sales to external customers	1,191,091	184,497	1,375,589	–	1,375,589
Intersegment sales	69,960	28,893	98,854	(98,854)	–
Total	1,261,052	213,391	1,474,443	(98,854)	1,375,589
Profit before investing, financing and income tax	50,713	10,990	61,703	2	61,706
Investing income	–	–	–	–	3,970
Investing expenses	–	–	–	–	(1,112)
Finance income	–	–	–	–	2,074
Finance expenses	–	–	–	–	(14,209)
Profit before income tax	–	–	–	–	52,429
Other items					
Depreciation, amortization and impairment losses	(154,087)	(4,784)	(158,872)	675	(158,197)
Share of profit (loss) of investments accounted for using equity method	(4,775)	1,422	(3,353)	(0)	(3,353)

Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

	Reportable segment Air transportation	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Revenue					
Sales to external customers	8,920,025	1,381,689	10,301,722	–	10,301,722
Intersegment sales	523,927	216,378	740,313	(740,313)	–
Total	9,443,960	1,598,075	11,042,035	(740,313)	10,301,722
Profit before investing, financing and income tax	379,787	82,303	462,090	14	462,113
Investing income	–	–	–	–	29,731
Investing expenses	–	–	–	–	(8,327)
Finance income	–	–	–	–	15,532
Finance expenses	–	–	–	–	(106,410)
Profit before income tax	–	–	–	–	392,638
Other items					
Depreciation, amortization and impairment losses	(1,153,950)	(35,827)	(1,189,785)	5,055	(1,184,730)
Share of profit (loss) of investments accounted for using equity method	(35,759)	10,649	(25,110)	(0)	(25,110)

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

(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, 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, 2022 to March 31, 2023)

(Millions of yen)

Japan	Asia and Oceania	North America	Europe	Total
724,921	239,500	298,786	112,382	1,375,589

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Thousands of U.S. dollars)

Japan	Asia and Oceania	North America	Europe	Total
5,428,899	1,793,604	2,237,594	841,623	10,301,722

(Notes) 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, 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

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 previous fiscal year are not material. The impact of the business combination on the Group's financial results for the previous 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 (Note 2,3)	27,007
Current liabilities	21,089
Non-current liabilities (Note 2)	15,022
Fair value of assets acquired and liabilities assumed (net) (Note 2)	28,697
Non-controlling interests (Note 2)	11,908
Goodwill (Note 2)	2,733

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

2. In the previous fiscal year, a provisional accounting treatment was applied since purchase price allocation was not completed. As the purchase price allocation was completed in the current fiscal year, the consolidated financial statements of the previous fiscal year was restated retrospectively.
With the finalization of this provisional accounting treatment, there was a significant revision to the initial allocation of the purchase price allocation. The main effects on the assets acquired and liabilities assumed were an increase of ¥6,989 million in non-current assets, including identifiable intangible assets, and an increase of ¥2,140 million in non-current liabilities, including deferred tax liabilities. As a result, non-controlling interests increased by ¥1,926 million and goodwill decreased by ¥2,922 million.

3. Intangible assets of ¥6,989 million identified from business combinations are measured based on assumptions such as estimated future cash flow, discount rate, attrition rate of existing customers, future sales forecast generated by trademark rights, and royalty rate, which include ¥5,231 million of customer relationships and ¥1,758 million of trademark rights.
The estimated useful lives of customer relationships are 13 to 23 years, and trademark rights are classified as intangible assets with indefinite useful lives.

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 and are recognized in "Investing expenses " in the consolidated statement of profit or loss and other comprehensive income for the previous fiscal year.

(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 and a gain on step acquisition of ¥2,809 million 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 for the previous fiscal year.

(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 previous fiscal year are not material. The impact of the business combinations on the JAL Group's financial results for the previous 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.

Current fiscal year (from April 1, 2022 to March 31, 2023)

（Additional acquisition of JALUX Inc.）

In the current fiscal year, The JAL Group additionally acquired shares of JALUX Inc. which became a consolidated subsidiary in the previous fiscal year, through a squeeze-out procedure. The JAL Group determined that it is appropriate to account for this acquisition as a single transaction with take over bid in March 24, 2022.
As a result, percentage of voting equity interests in JALUX Inc. held by the JAL Group increased from 60.3% to 69.7%. The acquisition cost of the additional shares of JALUX Inc. acquired through a squeeze-out procedure was ¥3,087 million ($23,118 thousands), and the additional acquisition resulted in a decrease in non-controlling interest of ¥2,653 million ($19,868 thousands) and an increase in goodwill of ¥434 million ($3,250 thousands), which are presented in " Changes in ownership interest in subsidiaries" in the

consolidated statement of changes in equity and “Payments for acquisition of subsidiaries” in the consolidated statement of cash flows.
Acquisition-related costs for this business combination amounted to ¥68 million ($509 thousands) and are recognized in "Investing expenses " in the consolidated statement of profit or loss and other comprehensive income.
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8. Cash and cash equivalents
The breakdown of cash and cash equivalents is as follows:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits (including time deposits maturing within one year)	494,226	639,247	4,787,291
Total	494,226	639,247	4,787,291

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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes and operating accounts receivable	99,630	153,507	1,149,606
Lease receivable	1,326	1,577	11,810
Other	19,364	19,821	148,438
Total	120,322	174,906	1,309,862

Trade and other receivables, excluding lease receivable, 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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Financial assets measured at FVTOCI			
Shares and so forth (Note 1)	88,431	90,855	680,408
Financial assets measured at amortized cost			
Guarantee deposits	25,420	34,395	257,582
Loans receivable	7,418	7,254	54,324
Bonds receivable	6,317	5,720	42,836
Other	237	391	2,928
Financial assets measured at FVTPL			
Derivative assets (Note 2)	53,569	12,023	90,039
Investments in investment limited	12,107	12,777	95,686

partnerships			
Lease receivable	2,089	6,424	48,109
Total	195,593	169,841	1,271,931
Current assets	43,359	11,202	83,891
Non-current assets	152,233	158,638	1,188,032
Total	195,593	169,841	1,271,931

(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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Marketable	50,681	53,550	401,033
Non-marketable	37,750	37,304	279,367
Total	88,431	90,855	680,408

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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan Airport Terminal Co., Ltd.	24,586	29,028	217,389
AEON Co., Ltd.	9,000	8,850	66,277
Oriental Land Co., Ltd.	8,839	8,512	63,745

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 fair value at derecognition and the cumulative gains or losses recognized in other comprehensive income at the time of sale in each fiscal year are as follows:

Previous fiscal year (from April 1, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
Fair value	Accumulated gains (losses)	Fair value	Accumulated gains (losses)
Millions of yen	Millions of yen	Millions of yen	Millions of yen
1,203	(209)	1,332	611

Current fiscal year (from April 1, 2022 to March 31, 2023)	
Fair value	Accumulated gains (losses)
Thousands of U.S. dollars	Thousands of U.S. dollars
9,975	4,575

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 ¥(2,911) million and ¥(276) million ($(2,066) 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, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
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
4	994	47	2,468

Current fiscal year (from April 1, 2022 to March 31, 2023)	
Investments derecognized during the year	Investments held as of the year end
Thousands of U.S. dollars	Thousands of U.S. dollars
351	18,482

11. Inventories

The breakdown of inventories is as follows:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Flight equipment spare parts and supplies	24,436	27,010	202,276
Goods	6,843	9,737	72,919
Total	31,279	36,747	275,196

Inventories recognized as expenses for the previous and current fiscal years amounted to ¥155,772 million and ¥381,133 million ($2,854,287 thousands), respectively.

Write-downs of inventories recognized as expenses for the previous and current fiscal years were ¥59 million and ¥448 million ($3,355 thousands), respectively.

12. Property, plant and equipment

(1) Changes

Changes in the carrying amounts, and cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment 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, 2021	778,104	129,882	761	33,085	4,099	24,120	970,054
Acquisition (Note 1, 2)	5, 378	101,234	–	1,484	1,918	2,698	112,714
Acquisition through business combinations	–	–	–	708	2	241	952
Depreciation	(106,993)	–	–	(5,983)	–	(5,667)	(118,644)
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	761	35,203	1,898	23,844	966,405
Acquisition (Note 1, 2)	11, 178	75,433	–	1,124	7,040	1,941	96,716
Depreciation	(95,333)	–	–	(3,652)	–	(6,360)	(105,345)
Impairment losses	(293)	–	–	(421)	–	(23)	(738)
Transfer	43,410	(43,410)	–	1,384	(4,239)	2,854	–
Disposal	(5,257)	–	–	(123)	–	(152)	(5,533)
Exchange differences on translation of foreign operations	–	–	–	2	0	12	14
Other	95	—	–	368	(2,134)	(5)	(1,676)
As of March 31, 2023	788,087	102,431	761	33,886	2,565	22,109	949,842

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, 2022	6,247,936	527,289	5,699	263,633	14,214	178,566	7,237,362
Acquisition (Note 1, 2)	83,711	564,914	–	8,417	52,722	14,536	724,301
Depreciation	(713,944)	–	–	(27,349)	–	(47,629)	(788,923)
Impairment losses	(2,194)	–	–	(3,152)	–	(172)	(5,526)
Transfer	325,095	(325,095)	–	10,364	(31,745)	21,373	–
Disposal	(39,369)	–	–	(921)	–	(1,138)	(41,436)
Exchange differences on translation of foreign operations	–	–	–	14	0	89	104
Other	711	–	–	2,755	(15,981)	(37)	(12,551)
As of March 31, 2023	5,901,947	767,101	5,699	253,770	19,209	165,573	7,113,322

(Notes) 1. Government grants received from the government and local municipalities associated with flight equipment renewals for operations to remote islands amounted to ¥2,307 million and ¥174 million ($1,303 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 property, plant and equipment were capitalized as part of the cost of the assets. Borrowing costs capitalized in the previous and current fiscal years amounted to ¥726 million and ¥1,302 million ($9,750 thousands), respectively. The capitalization rates applied were 0.41% 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
April 1, 2021	1,398,662	129,882	761	65,011	4,099	57,489	1,655,906
March 31, 2022	1,517,344	70,409	761	73,699	1,898	61,913	1,726,027
March 31, 2023	1,446,708	102,431	761	75,930	2,565	63,086	1,691,484

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
March 31, 2023	10,834,329	767,101	5,699	568,636	19,209	472,448	12,667,445

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
April 1, 2021	(620,557)	–	–	(31,926)	–	(33,368)	(685,852)
March 31, 2022	(683,056)	–	–	(38,496)	–	(38,069)	(759,621)
March 31, 2023	(658,620)	–	–	(42,043)	–	(40,977)	(741,642)

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
March 31, 2023	(4,932,374)	–	–	(314,858)	–	(306,874)	(5,554,122)

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, 2021	–	89,531	130	89,662
Increase (Note 1)	–	22,519	0	22,519
Acquisition through business combinations (Note 2)	3,239	442	7,014	10,696
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	3,239	81,324	7,140	91,703
Increase (Note 1)		21,114	4	21,119
Acquisition through business combinations	434	–	–	434
Amortization	–	(27,964)	(328)	(28,293)
Impairment losses	–	(4)	–	(4)
Disposal	–	(201)	(2)	(204)
Exchange differences on translation of foreign operations	–	0	0	0
Other	–	(1,445)	–	(1,445)
As of March 31, 2023	3,673	72,822	6,814	83,310

The carrying amount of intangible assets with indefinite useful lives (excluding goodwill) are ¥1,758 million and ¥1,758 million ($13,165 thousands) for the previous and current fiscal years, respectively. These are trademark rights acquired in business combination. As these trademark rights exist as long as business is continued, useful lives of these intangible assets are assumed to be indefinite.

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, 2022	24,256	609,031	53,471	686,759
Increase (Note 1)	–	158,121	29	158,159
Acquisition through business combinations	3,250	–	–	3,250
Amortization	–	(209,421)	(2,456)	(211,884)
Impairment losses	–	(29)	–	(29)
Disposal	–	(1,505)	(14)	(1,527)
Exchange differences on translation of foreign operations	–	0	0	0
Other	–	(10,821)	–	(10,821)
As of March 31, 2023	27,506	545,360	51,029	623,904

Cost

	Goodwill	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2021	–	256,269	193	256,463
As of March 31, 2022 (Note 2)	3,239	271,389	7,205	281,833
As of March 31, 2023	3,673	259,177	7,214	270,065

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, 2023	27,506	1,940,964	54,025	2,022,504

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, 2021	–	(166,738)	(63)	(166,801)
As of March 31, 2022	–	(190,064)	(64)	(190,129)
As of March 31, 2023	–	(186,354)	(400)	(186,755)

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, 2023	–	(1,395,596)	(2,995)	(1,398,599)

(Notes) 1. The increase in a cost of software is mainly due to internal development.

2. In the current fiscal year, the provisional accounting treatment of the business combination in the previous fiscal year has been completed and accordingly the consolidated financial statement of the previous fiscal year have been restated.

14. Investment property

(1) Changes

Changes in the cost, accumulated depreciation and accumulated impairment losses of investment property are as follows:

Cost

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	330	3,154	23,620
Acquisition	–	1,431	10,716
Acquisition through business combinations	2,823	–	–
Disposal	–	(107)	(801)
Transfer to inventories	–	(472)	(3,534)
Other	–	–	–
Balance at end of period	3,154	4,005	29,993

Accumulated depreciation and accumulated impairment losses

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	(211)	(238)	(1,782)
Depreciation	(1)	(606)	(4,538)
Impairment losses	–	–	–
Acquisition through business combinations	(25)	–	–
Disposal	–	107	801
Transfer to inventories	–	28	209
Other	–	–	–
Balance at end of period	(238)	(709)	(5,309)

The carrying amounts and fair value are as follows:

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amounts	2,915	3,296	24,683
Fair values	2,858	3,245	24,301

The fair value of investment property is amounts that the JAL Group calculated based on the "real estate appraisal standards".
Upon an acquisition from a third party or at the time of the most recent appraisal, if there is no significant change in the index which is believed to reflect a certain appraised value (market or assessed price) or appropriate market value, the fair value is adjusted using such appraised value or index.

The level of the fair value hierarchy of investment property is level 3.
As set forth under Note “34. Financial instruments,” fair value is categorized into three levels in a fair value hierarchy based on the inputs used in the valuation techniques.

(2) Income and expense from investment property

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Rental income	20	783	5,863
Rental expenses	7	633	4,740
Profit or loss	13	150	1,123

Rental income from investment property is mainly recognized in “Other revenue” in the consolidated statement of profit or loss and other comprehensive income.
Rental expenses are the expenses corresponding to rental income (depreciation, repairs, insurance and tax and others.), and recognized in “Depreciation, amortization and impairment losses” and “Other operating expenses” in the consolidated statement of profit or loss and other comprehensive income.

15. Impairment of non-financial assets

(1) Impairment loss

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 property, plant and equipment recognized in the previous fiscal year mainly relates to flight equipment that have been decided to be retired. The use and grouping unit of such assets were changed. The carrying amount of such assets was reduced to their recoverable amount of ¥20 million, which was calculated by measuring the fair value net of disposal costs based on a sales agreement and other factors, because 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 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	255 28
Others	Assets for business use	Property, plant and equipment Intangible assets	6 4
Total			295

The impairment loss on property, plant and equipment recognized in the current fiscal year mainly relates to parts related to flight equipment that have been decided to be sold and airport building structures that have been decided to be returned. The use and grouping unit of such assets were changed. The carrying amount of such assets was reduced to their recoverable amount of ¥34 million ($254 thousands), which was calculated by measuring the fair value net of disposal costs based on a sales agreement and other factors, because 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	Buildings Flight equipment Other	381 293 17
Others	Assets for business use	Property, plant and equipment Intangible assets	50 0
Total			743

(Thousands of U.S. dollars)

Segment	Usage	Type of assets	Amount
Air transportation business	Assets to be sold or retired, or idle assets	Buildings Flight equipment Other	2,853 2,194 127
Others	Assets for business use	Property, plant and equipment Intangible assets	374 0
Total			5,564

(2) Goodwill and intangible assets with indefinite useful lives impairment test

The following table shows the segments and their carrying amounts to which goodwill and intangible assets with indefinite useful lives are allocated with respect to the impairment of non-financial assets.

In the current fiscal year, the provisional accounting treatment of the business combination in the previous fiscal year has been completed and accordingly the consolidated financial statement of the pervious fiscal year have been restated.

Goodwill

Segment	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Air transportation business	505	505	3,781
Others	2,733	3,167	23,717
Total	3,239	3,673	27,506

Intangible assets with indefinite useful lives

Segment	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Others	1,758	1,758	13,165
Total	1,758	1,758	13,165

The cash-generating units to which goodwill and intangible assets with indefinite useful lives are allocated are tested for impairment annually and whenever an indication of impairment exists.

The recoverable amount of a cash-generating unit to which goodwill and intangible assets with indefinite useful lives have 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 and intangible assets with indefinite useful lives were allocated, 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.

16. 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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	16,688	16,646	124,661

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

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Equity share in profit	(10,153)	(3,915)
Equity share in other comprehensive income	(255)	27
Equity share in comprehensive income	(10,409)	(3,888)

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Equity share in profit	(29,319)
Equity share in other comprehensive income	202
Equity share in comprehensive income	(29,117)

(2) Investments in joint ventures

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	2,976	3,553	26,608

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

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Equity share in profit	252	561
Equity share in other comprehensive income	103	15
Equity share in comprehensive income	356	577

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Equity share in profit	4,201
Equity share in other comprehensive income	112
Equity share in comprehensive income	4,321

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

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Unrecognized equity in losses of associates for the year	1,113	–
Accumulated unrecognized equity in losses of associates	1,113	1,050

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Unrecognized equity in losses of associates for the year	–
Accumulated unrecognized equity in losses of associates	7,863

17. 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, 2021 to March 31, 2022)

	As of April 1, 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 (Note)	2,361	3,515			2,171		8,048
Total	25,153	3,275	13,781	65	3,427	–	45,703

Current fiscal year (from April 1, 2022 to March 31, 2023)

	As of April 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Business combinations	Other	As of March 31, 2023
	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	44,864	1,177	(6,302)				39,739
Contract liabilities	21,869	(12,526)					9,342
Excess of maximum amount of tax deductible depreciation	3,066	(611)					2,454
Unrealized gains	3,308	(284)					3,024
Deferred liability on flight equipment	2,738	56					2,794
Impairment losses	2,330	(12)					2,317
Asset retirement obligations	2,962	452					3,415
Accrued bonuses	358	2,209					2,568
Effective portion of cash flow hedges	22		1,666				1,689
Unused tax losses	239,081	(8,749)					230,331
Other	5,280	6,337				148	11,766
Total	325,882	(11,951)	(4,636)	–	–	148	309,442
Deferred tax liabilities							
Financial assets measured at FVTOCI	16,526		1,164				17,690
Effective portion of cash flow hedges	17,697		(13,119)	(861)			3,716
Retirement benefit asset	1,558	859	386				2,805
Asset retirement obligations	1,871	(941)					929
Other (Note)	8,048	1,100					9,149
Total	45,703	1,018	(11,567)	(861)	–	–	34,292

Current fiscal year (from April 1, 2022 to March 31, 2023)

	As of April 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Business combinations	Other	As of March 31, 2023
	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	335,984	8,814	(47,195)				297,603
Contract liabilities	163,775	(93,806)					69,961
Excess of maximum amount of tax deductible depreciation	22,961	(4,575)					18,377
Unrealized gains	24,773	(2,126)					22,646
Deferred liability on flight equipment	20,504	419					20,924
Impairment losses	17,449	(89)					17,351
Asset retirement obligations	22,182	3,385					25,574
Accrued bonuses	2,681	16,543					19,231
Effective portion of cash flow hedges	164		12,476				12,648
Unused tax losses	1,790,466	(65,520)					1,724,938
Other	39,541	47,457				1,108	88,115
Total	2,440,515	(89,500)	(34,718)	−	−	1,108	2,317,396
Deferred tax liabilities							
Financial assets measured at FVTOCI	123,762		8,717				132,479
Effective portion of cash flow hedges	132,532		(98,247)	(6,447)			27,828
Retirement benefit asset	11,667	6,433	2,890				21,006
Asset retirement obligations	14,011	(7,047)					6,957
Other (Note)	60,271	8,237					68,516
Total	342,267	7,623	(86,624)	(6,447)	−	−	256,811

(Notes) In the current fiscal year, the provisional accounting treatment of the business combination in the previous fiscal year has been completed and accordingly the consolidated financial statement of the previous year have been restated.

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 in the deductible period of deferred tax assets.

Unused tax losses and deductible temporary differences for unrecognized deferred tax assets are as follows. The amounts below are presented on their tax base:

As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
Millions of yen	Millions of yen	Thousands of U.S. dollars

Unused tax losses	21,108	19,457	145,712
Deductible temporary differences	11,956	14,150	105,968
Total	33,064	33,607	251,681

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Year 1	1,567	1,610	12,057
Year 2	1,610	1,225	9,173
Year 3	1,225	1,369	10,252
Year 4	1,369	1,610	12,057
Year 5 or later	15,336	13,640	102,149
Total	21,108	19,457	145,712

The aggregate amount of taxable temporary differences related to investments in subsidiaries and associates for unrecognized deferred tax liabilities as of March 31, 2022 and March 31, 2023 was ¥158,566 million and ¥172,743 million ($1,293,664 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Current tax expense	5,581	5,582
Deferred tax expense	(70,853)	12,970
Total	(65,272)	18,553

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2022 to March 31, 2023)
Current tax expense	41,803
Deferred tax expense	97,131
Total	138,942

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

Deferred tax expenses decreased by ¥90,143 million and ¥879 million ($6,582 thousands) for the previous and current fiscal years respectively, by recognizing deferred tax assets for unused tax losses incurred in 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 ¥26 million and ¥1,404 million ($10,514 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 for the previous fiscal year.

The statutory effective tax rate applied to the Company and its domestic consolidated subsidiaries for the previous and current fiscal years was 30.1% and 29.9%, 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	%	%
Statutory effective tax rate	30.1	29.9
Share of profit (loss) of investments accounted for using equity method	(1.2)	1.9
Changes in unrecognized deferred tax assets	(2.9)	0.6
Correction of tax rate reduction	(0.2)	2.3
Other	0.7	0.7
Average effective tax rate after application of tax effect accounting	26.5	35.4

18. 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, 2022	As of March 31, 2023	As of March 31, 2023	Average interest rate (Note 1)	Repayment schedule
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Current					
Short-term borrowings	1,292	3,050	22,841	0.3	–
Commercial paper	2,598	7,597	56,893	0.2	
Current portion of long-term borrowings	48,437	70,456	527,641	0.5	–
Current portion of bonds payable (Note 3)	9,983	9,988	74,799	0.2	–
Current portion of lease liabilities	24,470	20,872	156,309	0.8	–
Accounts payable – installment purchase	2	2	14	1.8	–
Non-current					
Long-term borrowings (Note 2)	529,235	514,216	3,850,939	1.4	November 15, 2024 through November 30, 2057
Bonds payable (Note 3)	258,276	248,566	1,861,499	1.2	December 16, 2024 through October 11, 2058
Lease liabilities	54,154	50,744	380,019	0.9	April 30, 2024 through March 19, 2036
Long-term accounts payable – installment purchase	10	7	52	1.8	September 26, 2026
Total	928,463	925,504	6,931,056	—	–
Current liabilities	86,786	111,968	838,523	—	–
Non-current liabilities	841,677	813,535	6,092,526	—	–
Total	928,463	925,504	6,931,056	—	–

Borrowings, commercial paper, 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, 2023.
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, 2022	As of March 31, 2023	As of March 31, 2023	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	9,969	9,975	74,702	0.470	None	Dec. 18, 2026
Japan Airlines Co., Ltd.	Series 3 Unsecured Corporate Bond	Sep. 21, 2018	9,955	9,962	74,604	0.399	None	Sep. 21, 2028
Japan Airlines Co., Ltd.	Series 4 Unsecured Corporate Bond	Sep. 21, 2018	9,934	9,938	74,425	0.960	None	Sep. 21, 2038
Japan Airlines Co., Ltd.	Series 5 Unsecured Corporate Bond	Mar. 20, 2019	9,976	9,988 (9,988)	74,799 (74,799)	0.220	None	Mar. 19, 2024
Japan Airlines Co., Ltd.	Series 6 Unsecured Corporate Bond	Dec. 16, 2019	9,968	9,980	74,739	0.130	None	Dec. 16, 2024
Japan Airlines Co., Ltd.	Series 7 Unsecured Corporate Bond	Dec. 16, 2019	9,948	9,955	74,552	0.280	None	Dec. 14, 2029
Japan Airlines Co., Ltd.	Series 8 Unsecured Corporate Bond	Mar. 19, 2020	9,983 (9,983)	—	—	0.200	None	Mar. 17, 2023
Japan Airlines Co., Ltd.	Series 9 Unsecured Corporate Bond	Mar. 19, 2020	9,929	9,933	74,387	0.700	None	Mar. 19, 2040
Japan Airlines Co., Ltd.	Series 10 Unsecured Corporate Bond	Jun. 10, 2021	29,867	29,899	223,912	0.580	None	Jun. 10, 2026
Japan Airlines Co., Ltd.	Series 11 Unsecured Corporate Bond	Mar. 1, 2022	9,937	9,950	74,515	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	148,972	1,115,644	1.600	None	Oct. 11, 2058
Total			268,259 (9,983)	258,555 (9,988)	1,936,306 (74,799)			

(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, 2022	As of March 31, 2023	As of March 31, 2023
	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	16,706	18,227	136,501
Deposits received	26,215	44,154	330,667
Other	15	15	112
Financial liabilities measured at FVTPL			
Derivative liabilities (Note)	91	5,683	42,559
Total	43,028	68,081	509,855
Current liabilities	16,564	58,749	439,968
Non-current liabilities	26,464	9,331	69,879
Total	43,028	68,081	509,855

(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.

19. 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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Flight equipment	459,846	433,429	3,245,929
Others	9,779	8,520	63,805
Total	469,625	441,949	3,309,735

Obligations secured by such collateral are as follows.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current portion of long-term borrowings	42,286	56,192	420,819
Long-term borrowings	274,023	244,394	1,830,255
Total	316,309	300,586	2,251,074

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.

20. 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 in 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 in 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, 2022 and March 31, 2023 is as follows:

(Millions of yen)

	Type of underlying assets			Total
	Flight equipment	Buildings	Other	
As of March 31, 2022	52,924	23,336	7,205	83,466
As of March 31, 2023	51,117	18,120	8,715	77,953

(Thousands of U.S. dollar)

	Type of underlying assets			Total
	Flight equipment	Buildings	Other	
As of March 31, 2023	382,812	135,699	65,266	583,786

(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 property, plant and equipment” 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Depreciation for right-of-use assets		
Those with the underlying assets of flight equipment	15,864	11,950
Those with the underlying assets of buildings	10,343	6,673
Those with the underlying assets of other	3,558	2,811
Total depreciation for right-of-use assets	29,766	21,436
Interest expenses on lease liabilities	418	582
Expenses associated with short-term leases	6,617	6,811
Cash outflows associated with leases	41,595	35,606
Increase in right-of-use assets	38,109	15,853

(Thousands of U.S. dollars)

	Current fiscal year (from April 1, 2022 to March 31, 2023)
Depreciation for right-of-use assets	
Those with the underlying assets of flight equipment	89,492
Those with the underlying assets of buildings	49,973
Those with the underlying assets of other	21,051
Total depreciation for right-of-use assets	160,533
Interest expenses on lease liabilities	4,358
Expenses associated with short-term leases	51,007
Cash outflows associated with leases	266,651
Increase in right-of-use assets	118,722

The maturity analysis of lease liabilities as of March 31, 2022, and March 31, 2023 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, 2022	78,625	80,488	25,536	39,480	15,470
As of March 31, 2023	71,617	73,282	21,219	38,224	13,838
	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, 2023	536,336	548,805	158,908	286,257	103,632

(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 ¥62 million and ¥75 million ($561 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 (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Within 1 year	1,517	1,658
More than 1 year, but within 2 years	687	917
More than 2 years, but within 3 years	671	681
More than 3 years, but within 4 years	523	675
More than 4 years, but within 5 years	517	625
More than 5 years	3,072	4,024
Total	6,989	8,583
Unearned finance income	437	581
Net investment in the lease	6,551	8,002

(Thousands of U.S. dollars)

	Current fiscal year (As of March 31, 2023)
Within 1 year	12,416
More than 1 year, but within 2 years	6,867
More than 2 years, but within 3 years	5,099
More than 3 years, but within 4 years	5,055
More than 4 years, but within 5 years	4,680
More than 5 years	30,135
Total	64,227
Unearned finance income	4,351
Net investment in the lease	59,926

21. 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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Operating accounts payable	90,360	129,910	972,889
Other	3,686	6,228	46,641
Total	94,046	136,138	1,019,531

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

22. 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, 2023, 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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Present value of funded defined benefit obligations	390,172	364,694	2,731,176
Fair value of plan assets	(345,274)	(339,758)	(2,544,431)
Subtotal	44,898	24,935	186,737
Present value of non-funded defined benefit obligations	101,634	98,897	740,635
Net defined benefit liability and asset	146,532	123,833	927,379
Amounts in the consolidated statement of financial position			
Retirement benefit liability	151,028	132,355	991,200
Retirement benefit asset	(4,496)	(8,522)	(63,820)
Net defined benefit liability and asset recognized in the consolidated statement of financial position	146,532	123,833	927,379

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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Present value of defined benefit obligations at the beginning of the year	494,418	491,807
Current service cost	14,967	14,893
Interest expense	2,022	2,362
Remeasurement		
Actuarial gains and losses arising from changes in financial assumptions	(3,854)	(20,383)
Actuarial gains and losses arising from experience adjustments	2,608	(1,888)
Payment of benefits	(28,309)	(27,525)
Effect of business combinations	2,723	–
Other	7,229	4,326
Present value of defined benefit obligations at the end of the year	491,807	463,592

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Present value of defined benefit obligations at the beginning of the year	3,683,119
Current service cost	111,532
Interest expense	17,688
Remeasurement	
Actuarial gains and losses arising from changes in financial assumptions	(152,647)
Actuarial gains and losses arising from experience adjustments	(14,139)
Payment of benefits	(206,133)
Effect of business combinations	–
Other	32,397
Present value of defined benefit obligations at the end of the year	3,471,819

The weighted average duration of defined benefit obligations as of March 31, 2022 and 2023 was 11.5 years and 11.1 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Fair value of plan assets at the beginning of the year	344,426	345,274
Interest income	1,873	2,081
Remeasurement		
Return on plan assets excluding interest income	4,445	(451)
Contributions by the employer	6,832	6,938
Contributions by plan participants	700	706
Payment of benefits	(21,207)	(21,075)
Effect of business combinations	2,938	–
Other	5,264	6,284
Fair value of plan assets at the end of the year	345,274	339,758

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Fair value of plan assets at the beginning of the year	2,585,741
Interest income	15,584
Remeasurement	
Return on plan assets excluding interest income	(3,377)
Contributions by the employer	51,958
Contributions by plan participants	5,287
Payment of benefits	(157,829)
Effect of business combinations	–
Other	47,060
Fair value of plan assets at the end of the year	2,544,431

The JAL Group plans to make contributions of ¥7,193 million ($53,868 thousands) in the next fiscal year ending March 31, 2024.

4) Breakdown of plan assets by class

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

	As of March 31, 2022			As of March 31, 2023			As of March 31, 2023		
	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	9,567	—	9,567	10,724	—	10,724	80,311	—	80,311
Equity instruments									
Shares issued by Japanese companies	2,882	—	2,882	3,197	—	3,197	23,942	—	23,942
Shares issued by foreign companies	14,882	—	14,882	17,859	—	17,859	133,745	—	133,745
Debt instruments									
Bonds issued by Japanese companies	12,412	—	12,412	11,012	—	11,012	82,468	—	82,468
Bonds issued by foreign companies	29,635	—	29,635	28,012	—	28,012	209,780	—	209,780
General accounts for life insurance	—	267,470	267,470	—	258,542	258,542	—	1,936,209	1,936,209
Other	—	8,422	8,422	—	10,410	10,410	—	77,960	77,960
Total	69,381	275,893	345,274	70,806	268,952	339,758	530,262	2,014,169	2,544,431

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, 2022	As of March 31, 2023
	%	%
Weighted average discount rate	Mainly 0.5	Mainly 0.9

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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
If the discount rate increases by 0.1%	(5,563)	(4,689)	(35,115)
If the discount rate decreases by 0.1%	5,639	4,747	35,550

(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 ¥2,028 million and ¥2,202 million ($16,490 thousands), respectively.

23. 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, 2022	22,236	6,242	28,478
Increase during the period	1,629	—	1,629
Interest expense during the discounting period	70	—	70
Decrease (intended use)	1,575	—	1,575
Decrease (reversal)	—	1,958	1,958
As of March 31, 2023	22,361	4,284	26,645

	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, 2022	166,524	46,746	213,270
Increase during the period	12,199	—	12,199
Interest expense during the discounting period	524	—	524
Decrease (intended use)	11,795	—	11,795
Decrease (reversal)	—	14,663	14,663
As of March 31, 2023	167,460	32,082	199,543

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

	As of April 1, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current liabilities	2,188	2,737	20,497
Non-current liabilities	26,289	23,908	179,045
Total	28,478	26,645	199,543

Provisions are described in Note “3. Significant accounting policies, (14) Provisions.”

24. 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	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)		
At the beginning of the year	437,143	437,143
Changes during the year	—	—
At the end of the year	437,143	437,143

(Notes) 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) 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, 2022	As of March 31, 2023
	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.

25. Dividends

(1) Dividends paid are as follows.

Previous fiscal year (from April 1, 2021 to March 31, 2022)
Not applicable

Current fiscal year (from April 1, 2022 to March 31, 2023)
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.

Previous fiscal year (from April 1, 2021 to March 31, 2022)
Not applicable

Current fiscal year (from April 1, 2022 to March 31, 2023)

Resolution date	Type of shares	Source of dividends	Record date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2023	Common shares	Retained earnings	March 31, 2023	June 26, 2023

Total amount of dividends (Millions of yen)	Total amount of dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)
10,925	81,816	25.00	0.18

26. Revenue

(1) Breakdown of revenue

Revenue and segment revenue

Previous 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 (FSC)					
Passenger	68,785	—	68,785	—	—
Cargo and mail	193,967	—	193,967	—	—
Baggage	746	—	746	—	—
Sub-total	263,499	—	263,499	—	—
Domestic (FSC)					
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 (FSC)	523,316	—	523,316	—	—
Passenger (LCC)	2,738	—	2,738	—	—
Travel agency	—	47,383	47,383	—	—
Other	116,509	48,990	165,500	—	—
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					3,065

(Notes)
1. Segment revenue is stated before elimination of intersegment transactions.
2. FSC means Full Service Carrier.
3. Revenues recognized from other sources include lease revenues under IFRS 16 and so forth.

Current fiscal year (from April 1, 2022 to March 31, 2023)

	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 (FSC)					
Passenger	417,526	—	417,526	—	—
Cargo and mail	201,144	—	201,144	—	—
Baggage	1,766	—	1,766	—	—
Sub-total	620,437	—	620,437	—	—
Domestic (FSC)					
Passenger	451,127	—	451,127	—	—
Cargo and mail	23,649	—	23,649	—	—
Baggage	409	—	409	—	—
Sub-total	475,187	—	475,187	—	—

Total revenues from international and domestic operations (FSC)	1,095,624	—	1,095,624	—	—
Passenger (LCC)	30,674	—	30,674	—	—
Travel agency	—	112,670	112,670	—	—
Other	134,753	100,720	235,474	—	—
Total revenue	1,261,052	213,391	1,474,443	(98,854)	1,375,589
Revenue recognized from contracts with customers					1,371,684
Revenue recognized from other sources					3,905

Current fiscal year (from April 1, 2022 to March 31, 2023)

	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 (FSC)					
Passenger	3,126,832	–	3,126,832	–	–
Cargo and mail	1,506,358	–	1,506,358	–	–
Baggage	13,225	–	13,225	–	–
Sub-total	4,646,424	–	4,646,424	–	–
Domestic (FSC)					
Passenger	3,378,469	–	3,378,469	–	–
Cargo and mail	177,106	–	177,106	–	–
Baggage	3,062	–	3,062	–	–
Sub-total	3,558,653	–	3,558,653	–	–
Total revenues from international and domestic operations (FSC)	8,205,077	–	8,205,077	–	–
Passenger (LCC)	229,716	–	229,716	–	–
Travel agency	–	843,780	843,780	–	–
Other	1,009,158	754,287	1,763,453	–	–
Total revenue	9,443,960	1,598,075	11,042,035	(740,313)	10,301,722
Revenue recognized from contracts with customers					10,272,478
Revenue recognized from other sources					29,244

(Notes) 1. Segment revenue is stated before elimination of intersegment transactions.

2. FSC means Full Service Carrier.

3. Revenues recognized from other sources include lease revenues under IFRS 16 and so forth.

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 contract liabilities are recognized. 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.

<u>Air transportation</u>
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 consideration for transactions may include a variable amount 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.

<u>Others</u>
“Other businesses” include mainly planning and sales of air travel package tours, sales of goods through wholesale, retail and a credit card business.
These revenues of air travel package tours and credit card business 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.

Revenue from the sale of goods is recognized when the goods are delivered or upon a completion of acceptance inspection by the customer, consideration for transaction is mainly received at a certain point after 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, 2021	As of March 31, 2022	As of March 31, 2023
	Millions of yen	Millions of yen	Millions of yen
Receivables from contracts with customers	62,625	99,630	153,507
Contract liabilities	215,239	240,224	316,873

	As of March 31, 2023
	Thousands of U.S. dollars
Receivables from contracts with customers	1,149,606
Contract liabilities	2,373,047

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 increased by ¥24,985 million in the previous fiscal year, mainly due to an increase in the balance of the JAL Group's airline tickets.

The balance of contract liabilities increased by ¥76,649 million ($574,020 thousands) in the current fiscal year, mainly due to an increase in the balance of the JAL Group's airline tickets.

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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	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	84,995	144,582

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	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	1,082,767

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 (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
	Millions of yen	Millions of yen
Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied	240,224	316,873

	Current fiscal year (As of March 31, 2023)
	Thousands of U.S. dollars
Aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied	2,373,047

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.

27. Other income

Components of other income are as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Subsidy income (Note)	18,701	10,625
Gain on disposal of non-current assets	2,388	8,747
Compensation income	550	8,497
Other	1,106	6,286
Total	22,745	34,157

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Subsidy income (Note)	79,570
Gain on disposal of non-current assets	65,505
Compensation income	63,633
Other	47,075
Total	255,800

(Note) Subsidy income mainly includes domestic flight operation subsidies and employment adjustment subsidies.

28. Operating expenses

The breakdown of operating expenses is as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Personnel expenses	245,724	292,312
Aircraft fuel	145,456	323,353
Depreciation, amortization and impairment losses (Note 1)	178,785	158,197
Landing and navigation fees	34,572	52,640
Expenses of travel agency	18,689	45,776
Maintenance	69,153	100,354
Passenger and cargo services	14,854	32,953
Sales commissions (Air Transportation)	7,754	22,039
Other (Note 2)	225,234	317,060
Total	940,226	1,344,686

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Personnel expenses	2,189,111
Aircraft fuel	2,421,575
Depreciation, amortization and impairment losses (Note 1)	1,184,730
Landing and navigation fees	394,218
Expenses of travel agency	342,814
Maintenance	751,546
Passenger and cargo services	246,783
Sales commissions (Air Transportation)	165,049
Other (Note 2)	2,374,447
Total	10,070,291

(Notes)

1. Impairment losses for the previous and current fiscal years amounted to ¥295 million and ¥743 million ($5,564 thousands), respectively.
2. Other includes loss on disposal of non-current assets of ¥1,957 million and ¥1,443 million ($10,806 thousands) for the previous and current fiscal years, respectively.

29. Investment income and expenses

The breakdown of investment income is as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Interest income		
Lease receivable	62	75
Financial assets measured at amortized cost		
Loans receivable, bonds receivable, and so forth	667	588
Dividend income		
Financial assets measured at FVTOCI		
Shares	999	2,515
Gain on valuation of other financial assets		
Financial assets measured at FVTPL		
Investment in investment limited partnership	6,179	631
Other	2,969	159
Total	10,878	3,970

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Interest income	
Lease receivable	561
Financial assets measured at amortized cost	
Loans receivable, bonds receivable, and so forth	4,403
Dividend income	
Financial assets measured at FVTOCI	
Shares	18,834
Gain on valuation of other financial assets	
Financial assets measured at FVTPL	
Investment in investment limited partnership	4,725
Other	1,190
Total	29,731

The breakdown of investment expenses is as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	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	5,265	1,006
Other	442	106
Total	5,708	1,112

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	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	7,533
Other	793
Total	8,327

30. Finance income and expenses

The breakdown of finance income is as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Interest income		
Financial assets measured at amortized cost		
Cash and cash equivalents	61	661
Other	5	10
Foreign exchange gain	1,918	1,369
Other	－	33
Total	1,986	2,074

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Interest income	
Financial assets measured at amortized cost	
Cash and cash equivalents	4,950
Other	74
Foreign exchange gain	10,252
Other	247
Total	15,532

The breakdown of finance expenses is as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Interest expenses		
Lease liabilities	418	582
Financial liabilities measured at amortized cost		
Borrowings, bonds payable, and so forth	7,242	11,938
Commission fees and so forth	1,227	1,336
Other	216	351
Total	9,105	14,209

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Interest expenses	
Lease liabilities	4,358
Financial liabilities measured at amortized cost	
Borrowings, bonds payable, and so forth	89,403
Commission fees and so forth	10,005
Other	2,628
Total	106,410

31. Other comprehensive income

The following are amounts arising in 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	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	(2,797)	3,717	27,836
Tax effects	(19)	(1,048)	(7,848)
Financial assets measured at FVTOCI	(2,817)	2,669	19,988
Remeasurements of defined benefit plans			
Amount arising during the year	5,691	21,820	163,408
Tax effects	(1,814)	(6,689)	(50,093)
Remeasurements of defined benefit plans	3,876	15,130	113,307
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	(63)	32	239
Share of other comprehensive income of investments accounted for using equity method	(63)	32	239
Total of items that will not be reclassified to profit or loss	996	17,832	133,543
Items that may be reclassified to profit or loss			
Effective portion of cash flow hedges			
Amount arising during the year	70,176	4,431	33,183
Reclassification adjustments	(26,289)	(53,602)	(401,422)
Before tax effects	43,887	(49,170)	(368,231)
Tax effects	(13,176)	14,786	110,731
Effective portion of cash flow hedges	30,710	(34,384)	(257,500)
Exchange differences on translation of foreign operations			
Amount arising during the year	673	942	7,054
Reclassification adjustments	(0)	(19)	(142)
Before tax effects	672	923	6,912
Tax effects	–	–	–
Exchange differences on translation of foreign operations	672	923	6,912
Share of other comprehensive income of investments accounted for using equity method			
Amount arising during the year	(88)	10	74
Share of other comprehensive income of investments accounted for using equity method	(88)	10	74
Total of items that may be reclassified to profit or loss	31,295	(33,450)	(250,505)
Total other comprehensive income	32,291	(15,618)	(116,962)

32. Earnings per share

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

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Profit (loss) attributable to owners of parent (Millions of yen)	(177,551)	34,423
Profit (loss) not attributable to common shareholders of parent (Millions of yen)	–	–
Profit (loss) used to calculate basic earnings per share (Millions of yen)	(177,551)	34,423
Average number of common shares outstanding during the year (Thousands of shares)	437,007	437,007
Basic earnings (loss) per share (Yen)	(406.29)	78.77

	Current fiscal year (from April 1, 2022 to March 31, 2023)
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	257,792
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)	257,792
Basic earnings (loss) per share (U.S. dollars)	0.58

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

33. Cash flow information

(1) Payments for and proceeds from acquisition of subsidiaries

The total consideration paid for the acquisition of subsidiaries in the previous fiscal year was ¥12,533 million. The portion of the consideration paid that consists of cash and cash equivalents was ¥12,533 million.

In the current fiscal year, the JAL group purchased additional shares of a subsidiary, which was accounted for as a single transaction with the business combination in the previous fiscal year, and the total consideration paid amounted to ¥3,087 million ($23,118 thousands). The entire amount of the consideration paid consists of cash and cash equivalents.

Assets and liabilities of the subsidiaries acquired control through the acquisition are as follows:

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

	(Millions of yen)
Cash and cash equivalents	7,566
Other acquired assets	79,306
Liabilities assumed	59,619

Current fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Previous fiscal year (from April 1, 2021to 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

Current fiscal year (from April 1, 2022 to March 31, 2023)

	As of April 1, 2022	Changes with cash flows	Changes without cash flows				As of March 31, 2023
			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	1,292	1,758	—	—	—	—	3,050
Commercial paper	2,598	4,998	—	—	—	—	7,597
Long-term borrowings	577,673	4,453	—	—	—	2,546	584,672
Bonds payable	268,259	(10,000)	—	—	—	295	258,555
Lease liabilities	78,625	(25,661)	—	1,403	17,445	(194)	71,617
Accounts payable – installment purchase	12	(2)	—	—	—	—	10
Total	928,463	(24,453)	—	1,403	17,445	2,647	925,504

	As of April 1, 2022	Changes with cash flows	Changes without cash flows				As of March 31, 2023
			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	9,675	13,165	–	–	–	–	22,841

borrowings							
Commercial paper	19,456	37,429	–	–	–	–	56,893
Long-term borrowings	4,326,166	33,348	–	–	–	19,066	4,378,581
Bonds payable	2,008,979	(74,889)	–	–	–	2,209	1,936,306
Lease liabilities	588,818	(192,174)	–	10,507	130,644	(1,452)	536,336
Accounts payable – installment purchase	89	(14)	–	–	–	–	74
Total	6,953,216	(183,127)	–	10,507	130,644	19,823	6,931,056

34. 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, 2022	As of March 31, 2023
Equity ratio (%)	33.7	32.4

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
ROIC (%)	(12.4)	3.3
ROE (%)	(20.3)	4.3
EPS (Yen)	(406.29)	78.77

	Current fiscal year (from April 1, 2022 to March 31, 2023)
EPS (U.S. dollars)	0.58

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, 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, 2023

	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	175,259	－
Category 2	581	－
Category 3	5,201	12,207
Total	181,043	12,207

As of March 31, 2023

	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	1,312,506	−
Category 2	4,351	−
Category 3	38,950	91,417
Total	1,355,822	91,417

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 March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
B eleven LLC	―	16,863	126,286
Jetstar Japan Co., Ltd.	9,121	5,317	39,818
JRE DEVELOPMENT Co.,Ltd.	1,333	1,332	9,975
JALUX SINGAPORE PTE.LTD.	305	―	−
Employees	31	22	164
Other	―	13	97

The Company has been provided with a re-guarantee from another company for ¥2,658 million ($19,905 thousands) of its outstanding guarantee for bank loans to Jetstar Japan Co., Ltd.

(Guarantees for lease liabilities)

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Jetstar Japan Co., Ltd.	2,577	2,204	16,505

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 March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Fukuoka Airport Holdings Co., Ltd.	7,867	7,867	58,915

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 March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Long-term deposits received	9,716	6,885	51,561

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, 2021	4,831	1,354
Increase	1,797	2,496
Decrease	(2,519)	(58)
As of March 31, 2022	4,109	3,792
Increase	2,147	1,041
Decrease	(121)	(1,031)
As of March 31, 2023	6,136	3,803

	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, 2022	30,772	28,398
Increase	16,078	7,796
Decrease	(906)	(7,721)
As of March 31, 2023	45,952	28,480

The impact of significant changes in trade and other receivables in 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, 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, 2023

	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	258,555	392,378	12,948	71,269	308,159
Long-term borrowings	584,672	856,664	78,074	250,885	527,704
Long-term notes payable on non-current assets	18,227	18,227	18,227	—	—

Long-term deposits received	6,885	6,885	—	—	6,885

As of March 31, 2023

	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	1,936,306	2,938,500	96,966	533,730	2,307,788
Long-term borrowings	4,378,581	6,415,517	584,692	1,878,866	3,951,950
Long-term notes payable on non-current assets	136,501	136,501	136,501	–	–
Long-term deposits received	51,561	51,561	–	–	51,561

(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, 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, 2023

	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	5,683	5,683	3,252	2,430	–

As of March 31, 2023

	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	42,559	42,559	24,354	18,198	–

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023

	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total commitment line amount	308,000	258,000	1,932,150
Drawn down balance	–	–	–
Net total	308,000	258,000	1,932,150

(5) Foreign currency risk management

As the JAL Group operates in countries other than Japan, changes 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. The JAL Group also enters into hedging transactions to avoid foreign currency risk of receivables and payables denominated in foreign currencies related to import purchases and export sales of products. 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 changes 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 changes 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, 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, 2023

	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	36,763	—	371	850	Other financial assets/liabilities	131.3 yen/U.S. dollar 142.9 yen/Euro and so forth
Purchased currency options	101,653	41,574	4,297	493	Other financial assets/liabilities	96.0 yen to 150.9 yen/U.S. dollar
Written currency options	76,423	34,165				
Fuel price fluctuation risk						
Commodity swaps	93,628	43,016	6,923	4,339	Other financial assets/liabilities	73.6 U.S. dollars/barrel
Purchased commodity options	26,726	—	429	—	Other financial assets	99.1 U.S. dollars/barrel

As of March 31, 2023

	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	275,316	–	2,778	6,365	Other financial assets/liabilities	131.3 yen/U.S. dollar 142.9 yen/Euro and so forth
Purchased currency options	761,274	311,345	32,180	3,692	Other financial assets/liabilities	96.0 yen to 150.9 yen/U.S. dollar
Written currency options	572,328	255,860				
Fuel price fluctuation risk						
Commodity swaps	701,175	322,144	51,846	32,494	Other financial assets/liabilities	73.6 U.S. dollars/barrel
Purchased	200,149	–	3,212	–	Other financial assets	99.1 U.S.

commodity options	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. Almost all fuel price volatility excluding the effect of exchange rate arise from oil price changes.
The longest term in which changes in cash flows have been hedged is approximately 15 months for forward exchange contracts and approximately three years for currency options, commodity swaps and commodity options.
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, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Foreign currency risk	5,487	2,683	20,092
Fuel price fluctuation risk	35,531	2,128	15,936

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, 2021 to March 31, 2022)

	Changes in the value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Amount transferred to non-financial assets	Line item in profit or loss affected by the reclassification adjustment
	Millions of yen	Millions of yen	Millions of yen	
Foreign currency risk				
Forward exchange contracts	1,902	(208)	(2,377)	Other operating expenses
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, 2022 to March 31, 2023)

	Changes in the value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Amount transferred to non-financial assets	Line item in profit or loss affected by the reclassification adjustment
	Millions of yen	Millions of yen	Millions of yen	
Foreign currency risk				
Forward exchange contracts (Note)	1,818	(1,533)	(1,869)	Other income, Other revenue, Other operating expenses
Currency options	6,987	(8,259)	–	Aircraft fuel
Fuel price fluctuation risk				
Commodity swaps	(5,543)	(27,770)	–	Aircraft fuel
Commodity options	(84)	–	–	–

Current fiscal year (from April 1, 2022 to March 31, 2023)

	Changes in the value of hedging instruments recognized in other comprehensive income	Amount reclassified from cash flow hedge reserve to profit or loss	Amount transferred to non-financial assets	Line item in profit or loss affected by the reclassification adjustment
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
Foreign currency risk				
Forward exchange contracts (Note)	13,614	(11,480)	(13,996)	Other income, Other revenue, Other operating expenses
Currency options	52,325	(61,851)	–	Aircraft fuel
Fuel price fluctuation risk				
Commodity swaps	(41,511)	(207,968)	–	Aircraft fuel
Commodity options	(629)	–	–	–

(Note) Of the amount reclassified from cash flow hedge reserve to profit or loss, ¥(1,445) million ($(10,821) thousands) is a 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, 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, 2023

	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	12,023	5,683
Amounts not subject to offsetting in the consolidated statement of financial position	(4,733)	(4,733)
Exposure on a net basis	7,289	950

As of March 31, 2023

	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	90,039	42,559
Amounts not subject to offsetting in the consolidated statement of financial position	(35,445)	(35,445)
Exposure on a net basis	54,586	7,114

(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, 2022		As of March 31, 2023		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
Financial liabilities measured at amortized cost						
Non-current						
Bonds payable	258,276	256,524	248,566	238,157	1,861,499	1,783,546
Long-term borrowings	529,235	539,701	514,216	522,826	3,850,939	3,915,419
Total	787,512	796,225	762,783	760,983	5,712,446	5,698,966

(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, 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
Total	50,681	53,569	49,857	154,108
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	91	–	91
Total	–	91	–	91

As of March 31, 2023

	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	53,550	—	37,304	90,855
Financial assets measured at FVTPL				
Investments in investment limited partnerships	—	—	12,777	12,777
Derivative assets designated as hedges	—	12,023	—	12,023
Total	53,550	12,023	50,082	115,655
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	—	5,683	—	5,683
Total	—	5,683	—	5,683

As of March 31, 2023

	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	401,033	–	279,367	680,408
Financial assets measured at FVTPL				
Investments in investment limited partnerships	–	–	95,686	95,686
Derivative assets designated as hedges	–	90,039	–	90,039
Total	401,033	90,039	375,061	866,134
Liabilities:				
Financial liabilities measured at FVTPL				
Derivative liabilities designated as hedges	–	42,559	–	42,559
Total	–	42,559	–	42,559

Transfer between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the transfer. No significant transfer 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 1.0 times to 1.1 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	39,078	49,857	373,376
Gains (losses)			
Profit (loss) (Note 1)	6,175	592	4,433
Other comprehensive income (Note 2)	(3,032)	(310)	(2,321)
Increase due to purchase	8,597	—	–
Decrease due to sale	(962)	(57)	(426)
Balance at end of period	49,857	50,082	375,061
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)	6,175	592	4,433

(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.

35. 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, 2023

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	33,977	72.8	Air transportation business (FSC)
JAPAN AIR COMMUTER CO., LTD.	300	2,246	60.0	Air transportation business (FSC)
J-AIR CO., LTD.	100	748	100.0	Air transportation business (FSC)
ZIPAIR Tokyo Inc.	100	748	100.0	Air transportation business (LCC)
SPRING JAPAN Co., Ltd.	100	748	66.7	Air transportation business (LCC)
JALUX Inc.	2,558	19,156	*69.7	Wholesale business
JALCARD, INC.	360	2,696	50.6	Credit card business
JALPAK CO., LTD.	80	599	*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-aviation business domain.
2. * Percentage of voting rights includes those held by subsidiaries.

36. Related parties

(1) Transactions with related parties

Transactions with subsidiaries are not included as they are eliminated on consolidation.
Other transactions with related parties are as follows:

Previous fiscal year (from April 1, 2021 to March 31, 2022)
No significant transactions existed.

Current fiscal year (from April 1, 2022 to March 31, 2023)
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 and audit and supervisory board members (including outside directors and outside audit and supervisory board members).

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Millions of yen	Millions of yen
Short-term employee benefits	322	451
Share-based payment	—	32
Total	322	484

	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Thousands of U.S. dollars
Short-term employee benefits	3,377
Share-based payment	239
Total	3,624

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%

(Notes) The above ratios are only a guide and may change depending on changes in the Company's share price and other factors.

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 150, 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 "EBIT", "individual performance evaluation of each director" and so forth, and will be reviewed as appropriate according to changes in the management environment and the roles of each director.

b. The number of shares to be delivered each fiscal year as performance-linked share-based compensation varies between 0 and 150, 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 "TSR (in comparison with TOPIX including dividends)", "consolidated ROIC", "CO_2 emissions per revenue ton-kilometer", and "number of ESG stocks selected", 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.

37. Commitments

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

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Flight equipment	816,715	934,650	6,999,550
Intangible assets	1,360	372	2,785
Total	818,076	935,023	7,002,344

38. Subsequent events

Not applicable