November 13, 2023

Financial Results for the Six Months Ended September 30, 2023 under Japanese GAAP

Company Name	Skymark Airlines Inc. (hereinafter referred to as "Skymark" or the "Company")
URL	https://www.skymark.co.jp/
Stock exchange listing	Tokyo Stock Exchange
Code number	9204
Representative	Hayao Hora, President and Representative Director
Contact	Kaoru Tagami, Executive Officer, General Manager of Finance and Accounting Department (Tel: +81-3-5708-8280)
Scheduled date of filing quarterly securities report (Japanese version only)	November 13, 2023
Scheduled starting date of dividend payment	N/A
Supplementary material on financial results	To be uploaded on "Investor Relations" of the Company's website
Quarterly financial results briefing:	To be held for institutional investors and analysts

1. Operating Results and Financial Position as of and for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Operating Results

Six Months Ended September 30 (Millions of Yen)	Operating Revenues		Operating Income		Ordinary Income		Net Income	
2023	¥52,035	28.3%	¥3,180	93.5 %	¥5,978	46.0 %	¥3,318	22.7 %
2022	40,568	—	1,643	—	4,096	—	2,704	—

Six Months Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2023	¥55.00	—
2022	57.19	—

(Note 1) The Company did not prepare quarterly financial statements for the six months ended September 30, 2021; accordingly, the corresponding year-on-year percentage changes for 2022 are not presented in the above table.

(Note 2) Net income per share-diluted is not presented because the Company does not have any kind of potentially dilutive shares.

(2) Financial Position

	Total Assets (Millions of Yen)	Equity (Millions of Yen)	Net Worth Ratio (%)
September 30, 2023	¥114,802	¥30,534	26.6 %
March 31, 2023	107,837	23,917	22.2

(Note) Net worth *As of September 30, 2023:* *¥30,534 million*
As of March 31, 2023: *23,917 million*

2. Dividends

Year Ended March 31	Dividend Per Share (Yen) First Quarter End	Second Quarter End	Third Quarter End	Year End	Total
2023	—	0.00	—	5.00	5.00
2024	—	0.00	N/A	N/A	N/A
2024 (Projected)	N/A	—	—	—	—

(Note 1) Change in dividend projection: None

(Note 2) The Company's Articles of Incorporation stipulate the end of the second quarter and the end of the fiscal year as the record dates for dividends. The projected amount of dividends for the year ending March 31, 2024 has not yet been determined.

3. Forecasts for the year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Operating Revenues (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income per Share (Yen)
Year ending March 31, 2024					
(amount)	¥102,300	¥5,600	¥5,600	¥5,800	¥96.14
(percentage)	20.8%	62.2%	50.8%	1.3%	N/A

(Note) Changes from the forecasts most recently announced: None

Notes

(1) Changes in accounting policy and estimates, and restatement due to:

(a)	Changes in accounting policy due to revision of accounting standards:	None
(b)	Changes in accounting policy other than (a) above:	None
(c)	Changes in accounting estimates:	None
(d)	Restatements:	None

(2) Number of shares

			(shares)
(a)	Common stock issued, including treasury stock, as of:	September 30, 2023	60,329,400
		March 31, 2023	60,329,400
(b)	Treasury stock as of:	September 30, 2023	—
		March 31, 2023	—
(c)	Average number of common stock for the Six Months ended:	September 30, 2023	60,329,400
		September 30, 2022	47,286,000

Other Information

(1) This financial report is not subject to review by certified public accountants or audit firms.

(2) Explanation regarding the appropriate use of earnings forecasts and other special notes

The forward-looking statements in this report, such as forecasts, are based on information currently available and certain assumptions that the Company believes to be reasonable and should not be construed as a guarantee that the Company will achieve these projections. Actual results may differ from the aforementioned forecasts depending on various factors.

(3) Access to the supplementary material on financial results

The Company plans to hold an online financial results presentation for institutional investors and analysts on Monday, November 13, 2023. The video of the presentation and supplementary materials on financial results will be promptly uploaded on "Investor Relations" of the Company's website.

Qualitative Information on Operating Results

1. Operating Results (April 1, 2023 to September 30, 2023)

During this six-month period, the economy in Japan has entered the post-COVID-19 era with the normalization of economic and social activities following the shift of the classification of COVID-19 to "Class 5." On the other hand, the outlook still requires careful attention due to the ongoing sharp rises in raw material and energy prices, as well as the weakening of the yen impacted by the global monetary tightening.

In the environment surrounding the domestic airline industry in which the Company operates, passenger demand has shown a full-fledged recovery along with the normalization of social activities, and has been robust mainly during the summer vacation period despite the impact of typhoons in some areas. The strong passenger demand is expected to continue because of the shift of travelers to domestic travel and the increase in the number of tourists visiting Japan due to the weak yen.

In such a situation, the number of revenue passengers reached 3,972,804 (up 23.4 percentage points as compared to a year earlier), the highest ever for a six-month period. In addition, as one of the measures to accomplish the Company's mid- to long-term management goals, the Company continued to improve the quality of its services pursuing better customer satisfaction. As a result of these efforts, Skymark was ranked number one in customer satisfaction in the domestic long-distance transportation category in the 2023 JCSI (Japanese Customer Satisfaction Index) survey conducted by the Service Productivity & Innovation for Growth of Japan Productivity Center for the two consecutive years.

(Operating revenues and operating costs)

During this six-month period, the Company recorded ¥52,035 million (up 28.3 percentage points as compared to a year earlier) of operating revenues as a result of steadily capturing the robust demand. Operating costs amounted to ¥45,905 million (up 26.3 percentage points as compared to a year earlier). This was attributable to increase in the number of flights operated (up 3.0 percentage points as compared to a year earlier) as well as increase in variable costs such as aircraft fuels resulting from the hike in the fuel prices and outsourcing fees for equipment maintenance. As a result, the Company recorded ¥3,180 million of operating income (up 93.5 percentage points as compared to a year earlier). Ordinary income amounted to ¥5,978 million (up 46.0 percentage points as compared to a year earlier) due to foreign exchange gain associated with the assets denominated in foreign currencies resulting from the weaker yen. Net income amounted to ¥3,318 million (up 22.7 percentage points as compared to a year earlier) due to the effect of recording ¥2,644 million of income taxes—deferred .

2. Financial Position (As of September 30, 2023)

Total assets stood at ¥114,802 million, ¥6,965 million up from the previous fiscal year-end. This was mainly attributable to increase in (1) cash and bank deposits by ¥4,699 million due to refund of long-term deposits paid from leasing companies associated with heavy maintenance of aircraft (including valuation gain due to the weak yen) and (2) derivative receivables by ¥1,826 million that commensurate with the unrealized gain on the derivative transactions.

Total liabilities stood at ¥84,267 million, ¥348 million up from the previous fiscal year-end. This was mainly attributable to a combined effect of increase in contract liabilities by ¥2,159 million corresponding to the increasing passenger demand that will continue after the fall and a decrease in derivative liabilities by ¥1,315 million resulting from a decrease in unrealized losses on the Company's interest in derivative transactions due to a sharp rise in crude oil prices.

Equity stood at ¥30,534 million, ¥6,616 million up from the previous fiscal year-end. This was mainly attributable to increase in retained earnings by ¥3,016 million due to net income for the period and increase in deferred gain on derivatives under hedge accounting by ¥3,600 million resulting from forward foreign exchange contracts and other derivative transactions.

3. Cash Flows (April 1, 2023 to September 30, 2023)

Cash and cash equivalents stood at ¥27,278 million, ¥4,758 million up from the previous fiscal year-end (¥22,519 million). Cash flows for the six-month period are summarized as follows:

(Cash flows from operating activities)

Net cash inflow from operating activities was ¥5,331 million (¥1,743 million in the previous fiscal year). The main components were income before income taxes of ¥5,978 million, increase in contract liabilities of ¥2,159 million, and increase in long-term deposits of ¥1,587 million.

(Cash flows from investing activities)

Net cash outflow from investing activities was ¥972 million (¥144 million in the previous year). The main components were purchases of property and equipment of ¥710 million and payments for lease and guarantee deposits of ¥240 million.

(Cash flows from financing activities)

Net cash outflow from financing activities was ¥351 million (¥2,074 million in the previous year). The main components were dividends paid of ¥275 million and repayments of lease obligations of ¥76 million.

4. Forecasts and Forward-Looking Statements

No revision has been made to the forecasts for the year ending March 31, 2024, which were announced in "Financial Results for the Fiscal Year Ended March 31, 2023 under Japanese GAAP" on May 15, 2023.

Financial Statements

Balance Sheets

(Millions of Yen)

	Year End-Previous Year As of March 31, 2023	Second Quarter End-Current Year As of September 30, 2023
Assets		
Current Assets:		
Cash and bank deposits	¥22,519	¥27,278
Trade accounts receivable	5,062	6,012
Supplies	18	25
Other receivables	1,831	1,732
Prepaid expenses	3,619	4,083
Derivative receivables	183	2,009
Other current assets	1,198	2,326
Total current assets	34,433	43,468
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	11,408	10,821
Other	3,421	3,344
Total property and equipment—net	14,829	14,166
Intangibles	376	356
Investments and Other		
Long-term prepaid expenses	173	144
Lease and guarantee deposits	3,979	4,394
Long-term deposits paid	31,102	32,689
Differed tax assets	22,897	18,349
Other	44	1,232
Total investments and other	58,197	56,810
Total non-current assets	73,403	71,333
Total assets	107,837	114,802

(Millions of Yen)

	Year End-Previous Year As of March 31, 2023	Second Quarter End-Current Year As of September 30, 2023
Liabilities		
Current Liabilities:		
Trade accounts payable	¥4,140	¥3,128
Short-term bank loans	30,000	20,000
Current portion of long-term bank loans	―	1,000
Income taxes payable	32	16
Contract liabilities	12,165	14,325
Provision for periodic maintenances of flight equipment	11,748	17,188
Accrued bonuses	1,014	1,363
Derivative liabilities	350	―
Other	1,926	2,412
Total current liabilities	61,378	59,434
Long-term Liabilities:		
Long-term bank loans	1,000	10,000
Provision for maintenance to return leased flight equipment	3,562	3,584
Provision for periodic maintenances of flight equipment	15,527	10,046
Asset retirement obligations	439	442
Derivative liabilities	1,009	44
Other	1,002	715
Total long-term liabilities	22,541	24,833
Total liabilities	83,919	84,267
Equity		
Shareholders' equity：		
Common stock	100	100
Capital surplus	18,353	18,353
Retained earnings	5,726	8,742
Total shareholders' equity	24,179	27,196
Remeasurement and adjustments：		
Deferred gain (loss) on derivatives under hedge accounting	(262)	3,338
Total remeasurement and adjustments	(262)	3,338
Total equity	23,917	30,534
Total liabilities and equity	107,837	114,802

Statements of Income

(Millions of Yen)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
Operating revenues	¥40,568	¥52,035
Operating costs	36,338	45,905
Gross profit	4,229	6,129
Selling, general and administrative expenses	2,586	2,949
Operating loss	1,643	3,180
Non-operating income:		
Penalty income	338	462
Foreign exchange gain	2,491	2,849
Other	204	126
Total non-operating income	3,034	3,438
Non-operating expense:		
Interest expenses	242	221
Commissions and fees	329	387
Other	9	31
Total non-operating expenses	581	640
Ordinary income	4,096	5,978
Special losses:		
Impairment loss of long-lived assets	1,212	—
Total special losses	1,212	—
Income before income taxes	2,883	5,978
Income taxes-current	16	16
Income taxes-deferred	162	2,644
Total income taxes	179	2,660
Net income	2,704	3,318

Statements of Cash Flows

(Millions of Yen)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
Cash flows from operating activities:		
Income before income taxes	¥2,883	¥5,978
Depreciation and amortization	1,195	1,222
Impairment loss of long-lived assets	1,212	—
Increase (decrease) in provision for periodic maintenances of flight equipment	4,111	(41)
Increase (decrease) in provision for maintenance to return leased flight equipment	636	22
Decrease (increase) in accrued bonuses	699	348
Interest and dividend income	(0)	(0)
Interest expenses	242	221
Foreign exchange loss (gain)	(463)	(1,154)
Decrease (increase) in trade accounts receivable	(1,266)	(713)
Decrease (increase) in supplies	(3)	(7)
Decrease (increase) in prepaid expenses	270	(464)
Decrease (increase) in other receivables	(737)	174
Decrease (increase) in long-term deposits paid	(7,394)	(1,587)
Increase (decrease) in trade accounts payable	(3,086)	(878)
Increase (decrease) in contract liabilities	4,138	2,159
Increase (decrease) in other payable	(1,114)	156
Decrease (increase) in consumption taxes receivable	184	(75)
Increase (decrease) in consumption taxes payable	42	204
Other	470	19
Subtotal	2,019	5,584
Interests and dividends received	0	0
Interests paid	(242)	(220)
Income taxes paid	(33)	(32)
Net cash flows from operating activities	1,743	5,331

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
Cash flows from investing activities:		
Purchases of property and equipment	¥(116)	¥(710)
Proceeds from sales of property and equipment	0	16
Purchases of intangible assets	—	(38)
Payments for lease and guarantee deposits	(33)	(240)
Proceeds from collection of lease and guarantee deposits	2	—
Proceeds from liquidation of an associated company	1	—
Net cash flows from investing activities	(144)	(972)
Cash flows from financing activities:		
Net increase (decrease) in short-term bank loans	(2,000)	—
Repayments of lease obligations	(74)	(76)
Dividends paid	—	(275)
Net cash flows from financing activities	(2,074)	(351)
Foreign currency translation adjustments on cash and cash equivalents	0	752
Net increase (decrease) in cash and cash equivalents	(475)	4,758
Cash and cash equivalents, beginning of period	9,282	22,519
Cash and cash equivalents, end of period	8,807	27,278

Notes to Financial Statements

Going Concern Issues

No items to report.

Significant Changes in Equity

No items to report.

Other Information

All the figures in this report except per share information are rounded down to the nearest million.

This information is summarized and translated from the original Japanese version submitted to the Tokyo Securities Exchange in accordance with its disclosure rules and presentation manners. This English translation is intended solely for the convenience of readers, and not intended in any way to substitute or replace the original Japanese version. If there is any discrepancy between the original Japanese version and this translation, the original Japanese version shall supersede all information in this translation. All the figures in this report are unaudited.