August 9, 2024

Financial Results for the Three Months Ended June 30, 2024 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	Manabu Motohashi, Representative Director, President and Executive Officer
Contact	Kaoru Tagami, Executive Officer, General Manager of Finance and Accounting Department (Tel: +81-3-5708-8280)
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 Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Operating Results

Three Months Ended June 30 (Millions of Yen)	Operating Revenues		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
2024	¥23,542	6.3%	¥(2,182)	― %	¥(1,024)	― %	¥(1,516)	― %
2023	22,156	―	(1,436)	―	555	―	(993)	―

Three Months Ended June 30 (Yen)	Net Income (Loss) Per Share-Basic	Net Income (loss) Per Share-Diluted
2024	¥(25.73)	―
2023	(16.46)	―

(Note 1) *The Company did not prepare quarterly financial statements for the three months ended June 30, 2022; accordingly, the year-on-year percentage changes for three months ended June 30, 2023 are not presented in the above table.*

(Note 2) *Net income (loss) 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 (%)
June 30, 2024	¥112,953	¥25,951	23.0 %
March 31, 2024	110,790	27,857	25.1

(Note) Net worth *As of June 30, 2024:* *¥25,951 million*
As of March 31, 2024: *27,857 million*

2. Dividends

Year Ended	Dividend Per Share (Yen) First Quarter End	Second Quarter End	Third Quarter End	Year/Period End	Total
March 31, 2023	—	0.00	—	29.00	29.00
March 31, 2024	—	N/A	N/A	N/A	N/A
March 31, 2025 (Projected)	N/A	0.00	—	—	—

(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 dividends for the year ending March 31, 2025 has not yet been determined.

3. Forecasts for the year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

	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, 2025					
(amount)	¥112,200	¥3,500	¥3,600	¥4,200	¥71.25
(percentage)	7.8%	(25.0)%	(51.8)%	40.1%	N/A

(Note 1) Changes from the forecasts most recently announced: None

(Note 2) The forecasts for the six months period ending September 30, 2024 have been omitted because the Company manages its operations on an annual basis.

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:	June 30, 2024	60,329,400
		March 31, 2024	60,329,400
(b)	Treasury stock as of:	June 30, 2024	1,380,030
		March 31, 2024	1,380,014
(c)	Average number of common stock for the nine months ended:	June 30, 2024	58,949,373
		June 30, 2023	60,329,400

Other Information

(1) Review on the accompanying financial statements by certified public accountants or audit firms

The original Japanese version of the financial statements have been reviewed on a voluntary basis. This English translation is not subject to review.

(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 Friday, August 9, 2024. 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, 2024 to June 30, 2024)

During this three-month period, the economy in Japan was in a moderate recovery trend due to an improvement in the employment and income environment, an increase in capital investment backed by robust corporate earnings, and further expansion of inbound consumption. On the other hand, the outlook still requires careful attention due to such factors as the stagnation of personal consumption caused by price hikes as a result of the ongoing depreciation of the yen and soaring raw material and energy prices, the impact of continued high interest rates in Europe and the U.S., and concerns about geopolitical risks.

In the domestic market of the airline industry in which the Company operates, passenger demand was robust due to the shift to domestic travel owing to the weak yen and the continued strong inbound demand.

In such a situation, the number of revenue passengers during the period reached 1,993,237 (up 5.5% as compared to a year earlier), a record high for the first quarter period of a fiscal year, while maintain a high load factor of 80.7%. However, costs increased due to the impact of the depreciation of the yen and rising global inflationary pressures overseas, and as a result, Skymark recorded an operating loss.

Skymark has positioned the current fiscal year as "Year of preparation for takeoff for dramatic growth in the fiscal year ending March 31, 2026 and beyond," and is preparing to introduce new equipment in preparation for business scale expansion planned for the next fiscal year and beyond. Preparations for the launch, including system development and various training and personnel development activities, have been progressing smoothly.

(Operating revenues and operating costs)
In this three-month period, operating revenues amounted to ¥23,542 million, up 6.3% as compared to a year earlier, due to the increase in passenger demand as discussed above. Operating costs amounted to ¥24,097 million, up 8.3% as compared to a year earlier, due to an increase in aviation fuel costs caused by soaring fuel prices and outsourcing expenses for aircraft maintenance. As a result, Skymark recorded an operating loss of ¥2,182 million (¥1,436 million a year earlier).

Skymark recorded ordinary loss of ¥1,024 million (ordinary income of ¥555 million a year earlier) due mainly to ¥1,101 million of foreign exchange gain associated with assets denominated in foreign currencies resulting from the weaker yen, which was recorded in the non-operating income section. Net loss amounted to ¥1,516 million (¥993 million a year earlier) due to the effect of recording ¥483 million of income taxes—deferred.

2. Financial Position (As of June 30, 2024)

Total assets stood at ¥112,953 million, ¥2,163 million up from the previous fiscal year-end. Total current assets increased by ¥2,163 million due to a combined effect of decrease in cash and deposits by ¥4,632 million and increase in (1) prepaid expenses by ¥3,575 million and (2) long-term deposits paid by ¥1,792 million.

Total liabilities stood at ¥87,002 million, ¥4,070 million up from the previous fiscal year-end. This was mainly attributable to increase in contract liabilities by ¥4,205 million.

Equity stood at ¥25,951 million, ¥1,906 million down from the previous fiscal year-end. This was mainly attributable to decrease in retained earnings by ¥3,226 million due to dividends paid and net loss for the period.

3. Forecasts and Forward-Looking Statements

No revision has been made to the forecasts for the year ending March 31, 2025, which were announced in "Financial Results for the Fiscal Year Ended March 31, 2024 under Japanese GAAP" on May 15, 2024.

Financial Statements

Balance Sheets

(Millions of Yen)

	Year End-Previous Year As of March 31, 2024	Year End-Current Year As of June 30, 2024
Assets		
Current Assets:		
Cash and bank deposits	¥26,909	¥22,277
Trade accounts receivable	5,752	5,817
Supplies	70	58
Other receivables	4,267	2,924
Prepaid expenses	4,234	7,810
Derivative receivables	1,298	2,119
Foreign exchange contracts	1,905	2,900
Other current assets	32	37
Total current assets	44,473	43,946
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	10,226	9,974
Others	3,673	5,296
Total property and equipment—net	13,899	15,271
Intangible assets	281	254
Investments and other assets:		
Long-term prepaid expenses	141	130
Lease and guarantee deposits	4,155	4,361
Long-term deposits paid	29,932	31,724
Deferred tax assets	17,067	15,886
Derivative receivables	297	483
Forward foreign exchange contracts	540	894
Other assets	0	0
Total investments and other assets	52,136	53,481
Total non-current assets	66,317	69,007
Total assets	110,790	112,953

	Year End- Previous Year As of March 31, 2024	Year End- Current Year As of June 30, 2024
Liabilities		
Current Liabilities:		
Trade accounts payable	¥4,050	¥4,112
Short-term bank loans	20,000	20,000
Current portion of long-term bank loans	1,250	1,375
Income taxes payable	32	8
Contract liabilities	13,688	17,894
Provision for periodic maintenances of flight equipment	14,743	14,058
Accrued bonuses	962	―
Other	2,291	2,531
Total current liabilities	57,019	59,979
Long-term Liabilities:		
Long-term bank loans	9,250	8,875
Provision for maintenance to return leased flight equipment	3,236	3,395
Provision for periodic maintenances of flight equipment	12,328	13,682
Asset retirement obligations	445	446
Other	653	623
Total long-term liabilities	25,913	27,022
Total liabilities	82,932	87,002
Equity		
Shareholders' equity:		
Common stock	100	100
Capital surplus	18,353	18,353
Retained earnings	8,421	5,195
Treasury stock	(1,393)	(1,393)
Total shareholders' equity	25,481	22,255
Remeasurement and adjustments:		
Deferred gain (loss) on derivatives under hedge accounting	2,376	3,695
Total remeasurement and adjustments	2,376	3,695
Total equity	27,857	25,951
Total liabilities and equity	110,790	112,953

Statements of Income

(Millions of Yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Operating revenues	¥22,156	¥23,542
Operating costs	22,248	24,097
Gross profit	(92)	(554)
Selling, general and administrative expenses	1,344	1,628
Operating loss	(1,436)	(2,182)
Non-operating income:		
Foreign exchange gain	1,905	1,101
Penalty income	178	205
Other	42	62
Total non-operating income	2,125	1,368
Non-operating expense:		
Interest expenses	106	123
Commissions and fees	3	4
Loss on disposal of property and equipment	1	81
Other	22	0
Total non-operating expenses	133	210
Ordinary income (loss)	555	(1,024)
Income (loss) before income taxes	555	(1,024)
Income taxes-current	8	8
Income taxes-deferred	1,540	483
Total income taxes	1,548	491
Net income (loss)	(993)	(1,516)

Notes to Financial Statements

Significant Items That Formulate the Basis for Preparing Quarterly Financial Statements

The accompanying quarterly financial statements of the Company have been prepared in accordance with Article 4-1 of the Standards for Preparation of Quarterly Financial Statements issued by Tokyo Stock Exchange (the "TSE Quarterly Standard") and Japanese GAAP for the quarterly financial statements (applying the omissions set forth in Article 4-2 of the TSE Quarterly Standard).

Segment Information

As the Company engages in a single segment, namely, the air transportation business, segment information is not presented.

Significant Changes in Equity

No items to report.

Going Concern Issues

No items to report.

Cash Flow Statements

The Company did not prepare the cash flow statements for the three months ended June 30, 2023 and 2024. Depreciation and amortization for the three months ended June 30, 2023 and 2024, were as follows:

(Millions of Yen)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Depreciation and amortization	¥616	¥621

Significant Subsequent Event

Significant refinancing of funds:

On July 26, 2024, the Company has entered into syndicated loan (refinancing) agreements of which arrangers are Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited., and Development Bank of Japan Inc. On July 31, 2024, the Company executed the loan agreements with the following terms and conditions:

(1) Total amount	¥20,000 million
(2) Interest rate	Base rate plus spread
(3) Execution date	July 31, 2024
(4) Repayment date	July 31, 2025
(5) Repayment method	Lump-sum repayment on the repayment date

Independent Accountant's Review Report on the Quarterly Financial Statements

The financial statements in the original Japanese version were reviewed by Deloitte Touche Tohmatsu LLC whose report, dated August 9, 2024, issued a negative assurance on the financial statements.

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.