November 11, 2024

Financial Results for the Six Months Ended September 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 date of filing quarterly securities report (Japanese version only)	November 11, 2024
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, 2024 (April 1, 2024 to September 30, 2024)

(1) Operating Results

Six Months Ended September 30 (Millions of Yen)	Operating Revenues		Operating Income		Ordinary Income		Net Income (Loss)	
2024	¥54,488	4.7%	¥2,324	(26.9) %	¥95	(98.4) %	¥(590)	― %
2023	52,035	28.3	3,180	93.5	5,978	46.0	3,318	22.7

Six Months Ended September 30 (Yen)	Net Income (Loss) Per Share-Basic	Net Income (Loss) Per Share-Diluted
2024	¥(10.02)	―
2023	55.00	―

(Note) 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, 2024	¥101,631	¥22,304	21.9 %
March 31, 2024	110,790	27,857	25.1

(Note) Net worth *As of September 30, 2024:* *¥22,304 million*
As of March 31, 2024: *27,857 million*

2. Dividends

Year Ended March 31	Dividend Per Share (Yen) First Quarter End	Second Quarter End	Third Quarter End	Year End	Total
2024	—	0.00	—	29.00	29.00
2025	—	0.00	N/A	N/A	N/A
2025 (Projected)	N/A	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, 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) 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, 2024	60,329,400
		March 31, 2024	60,329,400
(b)	Treasury stock as of:	September 30, 2024	1,363,830
		March 31, 2024	1,380,014
(c)	Average number of common stock for the Six Months ended:	September 30, 2024	58,953,444
		September 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 Monday, November 11, 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 September 30, 2024)

During this six-month period, the economy in Japan was in a moderate recovery trend due to an improvement in the employment and income environment and the increased inbound demand. On the other hand, the outlook still requires careful attention due to soaring raw material and energy prices caused by the unstable global conditions, significant foreign exchange rate fluctuations, and rising prices affected by global inflation.

In the domestic market of the airline industry in which the Company operates, passenger demand for domestic travel in summer holidays and inbound tourism remained robust.

In such a situation, the number of revenue passengers during the period reached 4,149,627 (up 4.5% as compared to a year earlier), a record high for a six-month period of a fiscal year, as the Company steadily captured leisure and VFR* demand, its main customer base. On the other hand, operating costs, which are significantly affected by exchange rate fluctuations, increased as compared to a year earlier due to soaring prices and inflation overseas. Despite the Company's self-reliant cost containment efforts, including a review of operational tasks and thorough cost control, operating income decreased as compared to a year earlier.

As one of the key factors 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 2024 JCSI (Japanese Customer Satisfaction Index) survey conducted by the Service Productivity & Innovation for Growth of Japan Productivity Center for the three consecutive years.

*VFR: Visit Friends and Relatives

(Operating revenues and operating costs)

During this six-month period, the Company recorded operating revenues of ¥54,488 million, up 4.7% as compared to a year earlier, due to the increase in passenger demand as discussed above. Operating costs amounted to ¥48,731 million, up 6.2% as compared to a year earlier, due to higher prices for fuel and others caused by the global inflation. As a result, operating income amounted ¥2,324 million, down 26.9% as compared to a year earlier.

The Company recorded ordinary income of ¥95 million, down 98.4% as compared to a year earlier, due mainly to ¥2,252 million of foreign exchange loss associated with assets denominated in foreign currencies resulting from the appreciation of the yen, which was recorded in the non-operating loss section. Net loss amounted to ¥590 million (¥3,318 million of net income a year earlier) due to the effect of recording ¥670 million of income taxes—deferred.

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

Total assets stood at ¥101,631 million, ¥9,159 million down from the previous fiscal year-end. This was mainly attributable to decrease in cash and bank deposits by ¥1,583 million, other receivables by ¥3,301 million, and long-term deposits paid by ¥4,310 million.

Total liabilities stood at ¥79,327 million, ¥3,605 million down from the previous fiscal year-end. This was mainly attributable to a combined effect of increase in (1) contract liabilities by ¥1,146 million and (2) derivative liabilities by ¥1,481 million and decrease in provision for periodic maintenances of flight equipment by ¥5,449 million.

Equity stood at ¥22,304 million, ¥5,553 million down from the previous fiscal year-end. This was mainly attributable to decrease in retained earnings by ¥2,300 million due to dividends paid and net loss for the period and decline in deferred gain (loss) on derivatives under hedge accounting by ¥3,265 million.

3. Cash Flows (April 1, 2024 to September 30, 2024)

Cash and cash equivalents stood at ¥25,326 million, ¥1,583 million down from the previous fiscal year-end (¥26,909 million). Cash flows for the six-month period are summarized as follows:

(Cash flows from operating activities)

Net cash inflow from operating activities was ¥3,820 million (¥5,331 million a year earlier). The main component was decrease in long-term deposits of ¥4,310 million.

(Cash flows from investing activities)

Net cash outflow from investing activities was ¥2,723 million (¥972 million a year earlier). The main component was purchases of property and equipment of ¥2,563 million.

(Cash flows from financing activities)

Net cash outflow from financing activities was ¥2,134 million (¥351 million a year earlier). The main components were repayments of long-term bank loans of ¥500 million and dividends paid of ¥1,550 million.

4. Forecasts and Forward-Looking Statements

Although operating revenues and operating income for this six-month period generally were in line with expectations, ordinary income and net loss were below expectations due to the impact of foreign exchange losses arising from foreign currency denominated assets caused by the appreciation of the yen.

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 have not been revised due to the difficulty in predicting future changes in foreign exchange rates.

If it should become necessary to revise the forecasts in accordance with the future business performance, such revisions will be announced promptly.

Financial Statements

Balance Sheets

(Millions of Yen)

	Year End-Previous Year As of March 31, 2024	Second Quarter End-Current Year As of September 30, 2024
Assets		
Current Assets:		
Cash and bank deposits	¥26,909	¥25,326
Trade accounts receivable	5,752	6,061
Supplies	70	29
Other receivables	4,267	966
Prepaid expenses	4,234	5,704
Derivative receivables	1,298	―
Foreign exchange contracts	1,905	656
Other current assets	32	56
Total current assets	44,473	38,801
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	10,226	9,530
Others	3,673	5,334
Total property and equipment—net	13,899	14,864
Intangible assets	281	174
Investments and other assets:		
Long-term prepaid expenses	141	122
Lease and guarantee deposits	4,155	3,900
Long-term deposits paid	29,932	25,621
Deferred tax assets	17,067	18,123
Derivative receivables	297	―
Forward foreign exchange contracts	540	21
Other assets	0	0
Total investments and other assets	52,136	47,791
Total non-current assets	66,317	62,829
Total assets	110,790	101,631

(Millions of Yen)

	Year End-Previous Year As of March 31, 2024	Second Quarter End-Current Year As of September 30, 2024
Liabilities		
Current Liabilities:		
Trade accounts payable	¥4,050	¥4,297
Short-term bank loans	20,000	20,000
Current portion of long-term bank loans	1,250	1,500
Income taxes payable	32	16
Contract liabilities	13,688	14,834
Provision for periodic maintenances of flight equipment	14,743	8,498
Accrued bonuses	962	996
Derivative liabilities	—	925
Forward exchange contracts	—	33
Other	2,291	1,944
Total current liabilities	57,019	53,046
Long-term Liabilities:		
Long-term bank loans	9,250	8,500
Provision for maintenance to return leased flight equipment	3,236	2,724
Provision for periodic maintenances of flight equipment	12,328	13,124
Asset retirement obligations	445	447
Derivative liabilities	—	555
Forward exchange contracts	—	305
Other	653	622
Total long-term liabilities	25,913	26,280
Total liabilities	82,932	79,327
Equity		
Shareholders' equity:		
Common stock	100	100
Capital surplus	18,353	18,349
Retained earnings	8,421	6,121
Treasury stock	(1,393)	(1,377)
Total shareholders' equity	25,481	23,192
Remeasurement and adjustments:		
Deferred gain (loss) on derivatives under hedge accounting	2,376	(888)
Total remeasurement and adjustments	2,376	(888)
Total equity	27,857	22,304
Total liabilities and equity	110,790	101,631

Statements of Income

(Millions of Yen)

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
Operating revenues	¥52,035	¥54,488
Operating costs	45,905	48,731
Gross profit	6,129	5,757
Selling, general and administrative expenses	2,949	3,432
Operating loss	3,180	2,324
Non-operating income:		
Interest income	0	128
Penalty income	462	477
Foreign exchange gain	2,849	—
Other	126	79
Total non-operating income	3,438	685
Non-operating expense:		
Interest expenses	221	255
Foreign exchange loss	—	2,252
Commissions and fees	387	213
Loss on disposal of property and equipment	6	137
Other	24	55
Total non-operating expenses	640	2,914
Ordinary income	5,978	95
Income before income taxes	5,978	95
Income taxes-current	16	16
Income taxes-deferred	2,644	670
Total income taxes	2,660	686
Net income (loss)	3,318	(590)

Statements of Cash Flows

(Millions of Yen)

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
Cash flows from operating activities:		
Income before income taxes	¥5,978	¥95
Depreciation and amortization	1,222	1,435
Increase (decrease) in provision for periodic maintenances of flight equipment	(41)	(5,449)
Increase (decrease) in provision for maintenance to return leased flight equipment	22	(512)
Decrease (increase) in accrued bonuses	348	34
Interest and dividend income	(0)	(128)
Interest expenses	221	255
Foreign exchange loss (gain)	(1,154)	766
Loss on disposal of property and equipment	6	137
Decrease (increase) in trade accounts receivable	(713)	(309)
Decrease (increase) in supplies	(7)	41
Decrease (increase) in prepaid expenses	(464)	(1,465)
Decrease (increase) in other receivables	174	3,247
Decrease (increase) in long-term deposits paid	(1,587)	4,310
Increase (decrease) in trade accounts payable	(878)	297
Increase (decrease) in contract liabilities	2,159	1,146
Increase (decrease) in other payable	156	(10)
Decrease (increase) in consumption taxes receivable	(75)	53
Increase (decrease) in consumption taxes payable	204	―
Other	12	33
Subtotal	5,584	3,980
Interests and dividends received	0	128
Interests paid	(220)	(255)
Income taxes paid	(32)	(32)
Net cash flows from operating activities	5,331	3,820

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
Cash flows from investing activities:		
Purchases of property and equipment	¥(710)	¥(2,563)
Proceeds from sales of property and equipment	16	0
Purchases of intangible assets	(38)	—
Payments for lease and guarantee deposits	(240)	(160)
Net cash flows from investing activities	(972)	(2,723)
Cash flows from financing activities:		
Repayments of long-term bank loans	—	(500)
Purchases of treasury stock	—	(0)
Repayments of lease obligations	(76)	(83)
Dividends paid	(275)	(1,550)
Net cash flows from financing activities	(351)	(2,134)
Foreign currency translation adjustments on cash and cash equivalents	752	(545)
Net increase (decrease) in cash and cash equivalents	4,758	(1,583)
Cash and cash equivalents, beginning of period	22,519	26,909
Cash and cash equivalents, end of period	27,278	25,326

Notes to Semiannual Financial Statements

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.

Independent Accountant's Review Report on the Semiannual Financial Statements

The financial statements in the original Japanese version were reviewed by Deloitte Touche Tohmatsu LLC whose report, dated November 11, 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. All the figures in this report are unaudited.