February 10, 2025

Financial Results for the Nine Months Ended December 31, 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 Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Operating Results

Nine Months Ended December 31 (Millions of Yen)	Operating Revenues		Operating Income		Ordinary Income		Net Income	
2024	¥81,736	4.5%	¥1,695	(68.0) %	¥2,038	(68.2) %	¥2,663	(25.8) %
2023	78,210	25.0	5,289	55.5	6,418	75.5	3,590	91.3

Nine Months Ended December 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2024	¥45.07	—
2023	59.52	—

(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 (%)
December 31, 2024	¥103,988	¥29,220	28.1 %
March 31, 2024	110,790	27,857	25.1

(Note) Net worth *As of December 31, 2024:* *¥29,220 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	—	0.00	—	N/A	N/A
March 31, 2025 (Projected)	N/A	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 year-end 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)	¥107,500	¥600	¥1,500	¥1,500	¥25.44
(percentage)	3.3%	(87.1)%	(79.9)%	(50.0)%	N/A

(Note) Changes from the forecasts most recently announced: The forecasts have been revised to as in the above table. For details, please refer to "Notice Regarding Revision of Earnings Forecast," which was announced today, February 10, 2025.

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:	December 31, 2024	60,329,400
		March 31, 2024	60,329,400
(b)	Treasury stock as of:	December 31, 2024	91,330
		March 31, 2024	1,380,014
(c)	Average number of common stock for the nine months ended:	December 31, 2024	59,096,593
		December 31, 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, February 10, 2025. 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 December 31, 2024)

During this nine-month period, the economy in Japan was in a moderate recovery trend mainly 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 energy prices caused by the unstable global conditions, significant foreign exchange rate fluctuations, and rising prices affected by such factors.

In the domestic market of the airline industry in which the Company operates, passenger demand remained robust, mainly due to solid domestic travel demand and continued growth in inbound, despite the soaring cost of travel due to high prices.

In such a situation, the number of revenue passengers during the period reached 6,195,436 (up 3.3% as compared to the figure a year earlier), marking the Company's seventh consecutive quarter of record quarterly operating revenues.

In terms of operating expenses, the continued depreciation of the yen, the rising cost of aviation fuel and the impact of global inflation, as well as additional investments in human resources, resulted in an increase in operating expenses as compared to the figure a year earlier. In response to these cost increases, the Company raised the unit fare per passenger on the premise of improving service quality and worked to contain expenses through self-help measures such as reviewing operational tasks and thorough cost control; however, operating income decreased as compared to the figure 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.

(Operating revenues and operating costs)

During this nine-month period, the Company recorded operating revenues of ¥81,736 million, up 4.5% as compared to the figure a year earlier, due to the increase in passenger demand as discussed above. Operating costs amounted to ¥74,880 million, up 9.2% as compared to the figure a year earlier, due to depreciation of the yen and higher purchase prices caused by the global inflation, despite continued efforts to restrain controllable expenses. As a result, operating income amounted to ¥1,695 million, down 68.0% as compared to the figure a year earlier. The Company recorded ordinary income of ¥2,038 million, down 68.2% as compared to the figure a year earlier. Net income for the period amounted to ¥2,663 million, down 25.8% as compared to the figure a year earlier, due to the effect of recording ¥(582) million of income taxes—deferred.

2. Financial Position (As of December 31, 2024)

Total assets stood at ¥103,988 million, ¥6,802 million down from the previous fiscal year-end. This was mainly attributable to decrease in cash and bank deposits by ¥4,269 million associated with capital investments and dividends paid and decrease in other receivables by ¥2,966 million.

Total liabilities stood at ¥74,768 million, ¥8,164 million down from the previous fiscal year-end. This was mainly attributable to decrease in contract liabilities by ¥2,354 million due to a shorter period of advance sales of airline tickets compared to the end of the previous fiscal year, decrease in provision for periodic maintenances of flight equipment by ¥3,535 million due to the implementation of heavy maintenance of aircraft, and decrease in trade accounts payable by ¥705 million.

Equity stood at ¥29,220 million, ¥1,362 million up from the previous fiscal year-end. This was mainly attributable to a combined effect of ¥1,304 million increase due to disposal of treasury stock associated with the restricted stock compensation granted to employees, decrease in deferred gain on derivatives under hedge accounting by ¥508 million, and increase in retained earnings by ¥953 million due to net income for the period.

3. Forecasts and Forward-Looking Statements

Considering the actual operating results for the nine-month period ended December 31, 2024, the Company revised 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. For details, please refer to "Notice Regarding Revision of Earnings Forecast," which was announced today.

Financial Statements

Balance Sheets

(Millions of Yen)

	Year End-Previous Year As of March 31, 2024	Third Quarter End-Current Year As of December 31, 2024
Assets		
Current Assets:		
Cash and bank deposits	¥26,909	¥22,640
Trade accounts receivable	5,752	3,750
Supplies	70	46
Other receivables	4,267	1,301
Prepaid expenses	4,234	5,981
Derivative receivables	1,298	657
Foreign exchange contracts	1,905	2,228
Other current assets	32	62
Total current assets	44,473	36,668
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	10,226	9,096
Others	3,673	6,666
Total property and equipment—net	13,899	15,763
Intangible assets	281	177
Investments and other assets:		
Long-term prepaid expenses	141	489
Lease and guarantee deposits	4,155	4,296
Long-term deposits paid	29,932	27,971
Deferred tax assets	17,067	17,919
Derivative receivables	297	28
Forward foreign exchange contracts	540	672
Other assets	0	0
Total investments and other assets	52,136	51,378
Total non-current assets	66,317	67,319
Total assets	110,790	103,988

	Year End- Previous Year As of March 31, 2024	Third Quarter End- Current Year As of December 31, 2024
Liabilities		
Current Liabilities:		
Trade accounts payable	¥4,050	¥3,345
Short-term bank loans	20,000	20,000
Current portion of long-term bank loans	1,250	1,625
Income taxes payable	32	24
Contract liabilities	13,688	11,334
Provision for periodic maintenances of flight equipment	14,743	7,568
Accrued bonuses	962	356
Derivative liabilities	—	51
Other	2,291	2,441
Total current liabilities	57,019	46,746
Long-term Liabilities:		
Long-term bank loans	9,250	8,000
Provision for maintenance to return leased flight equipment	3,236	2,982
Provision for periodic maintenances of flight equipment	12,328	15,967
Asset retirement obligations	445	378
Derivative liabilities	—	92
Other	653	601
Total long-term liabilities	25,913	28,021
Total liabilities	82,932	74,768
Equity		
Shareholders' equity:		
Common stock	100	100
Capital surplus	18,353	17,966
Retained earnings	8,421	9,375
Treasury stock	(1,393)	(89)
Total shareholders' equity	25,481	27,352
Remeasurement and adjustments:		
Deferred gain on derivatives under hedge accounting	2,376	1,867
Total remeasurement and adjustments	2,376	1,867
Total equity	27,857	29,220
Total liabilities and equity	110,790	103,988

Statements of Income

(Millions of Yen)

	Nine Months Ended December 31, 2023	Nine Months Ended December 31, 2024
Operating revenues	¥78,210	¥81,736
Operating costs	68,596	74,880
Gross profit	9,614	6,855
Selling, general and administrative expenses	4,324	5,160
Operating income	5,289	1,695
Non-operating income:		
Interest income	0	174
Penalty income	667	701
Subsidy income	7	—
Foreign exchange gain	1,077	195
Other	150	120
Total non-operating income	1,903	1,192
Non-operating expense:		
Interest expenses	340	391
Commissions and fees	392	221
Loss on disposal of property and equipment	17	177
Other	25	59
Total non-operating expenses	775	849
Ordinary income	6,418	2,038
Special gains:		
Gain on reversal of asset retirement obligations	—	66
Total special gains	—	66
Income before income taxes	6,418	2,105
Income taxes-current	24	24
Income taxes-deferred	2,803	(582)
Total income taxes	2,827	(558)
Net income	3,590	2,663

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

In accordance with the resolution made at the Board of Directors meeting held on June 20, 2024, the Company disposed 1,275,100 shares of treasury stock as restricted stock compensation for employees. Subsequently, in accordance with the resolution made at the Board of Directors meeting held on July 18, 2024, the Company disposed 16,200 shares of treasury stock as restricted stock compensation for directors. As a result, capital surplus and treasury stock decreased by ¥387 million and ¥1,304 million, respectively.

In addition, the Company purchased less-than-one-trading-unit treasury stock during the nine-month period. As a result, capital surplus and treasury stock amounted to ¥17,966 million and ¥89 million, respectively, as of December 31, 2024.

Going Concern Issues

No items to report.

Cash Flow Statements

The Company did not prepare the cash flow statements for the nine months ended December 31, 2024. Depreciation and amortization for the nine months ended December 31, 2023 and 2024, were as follows:

(Millions of Yen)

	Nine months Ended December 31, 2023	Nine months Ended December 31, 2024
Depreciation and amortization	¥1,840	¥2,073

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 February 7, 2025, 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.