



February 9, 2024

Financial Results for the Nine Months Ended December 31, 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)	February 9, 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 Nine months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Operating Results

Nine months Ended December 31 (Millions of Yen)	Operating Revenues		Operating Income		Ordinary Income		Net Income	
2023	¥78,210	25.0%	¥5,289	55.5 %	¥6,418	75.5 %	¥3,590	91.3 %
2022	62,577	—	3,401	—	3,656	—	1,876	—

Nine months Ended December 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2023	¥59.52	—
2022	38.95	—

(Note 1) The Company did not prepare quarterly financial statements for the nine months ended December 31, 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 (%)
December 31, 2023	¥105,925	¥27,658	26.1 %
March 31, 2023	107,837	23,917	22.2

(Note) Net worth

As of December 31, 2023:
As of March 31, 2023:

¥27,658 million
23,917 million

2. Dividends

Year Ended March 31	Dividend Per Share (Yen)					Total
	First Quarter End	Second Quarter End	Third Quarter End	Year End		
2023	—	0.00	—	5.00	5.00	
2024	—	0.00	—	N/A	N/A	
2024 (Projected)	N/A	N/A	N/A	21.00	21.00	

(Note 1) Change in dividend projection: Yes (see Note 2 below)

(Note 2) For details of the year-end dividend, please refer to "Notice Regarding the Revision of Dividend Forecast for the Fiscal Year Ended March 31, 2024" announced on February 9, 2024.

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:	December 31, 2023	60,329,400
	March 31, 2023	60,329,400
(b) Treasury stock as of:	December 31, 2023	—
	March 31, 2023	—
(c) Average number of common stock for the Nine months ended:	December 31, 2023	60,329,400
	December 31, 2022	48,187,180

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 Friday, February 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, 2023 to December 31, 2023)

During this nine-month period, the economy in Japan has continued a moderate recovery trend 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 global economic outlook remains uncertain due to the ongoing sharp rises in raw material and energy prices, the weakening of the yen affected by fluctuations in global financial and capital markets, as well as rising tensions in international relations.

In the environment surrounding the domestic airline industry in which the Company operates, passenger demand continues its recovery trend and has been robust. The strong passenger demand is expected to continue because of the shift of travelers to domestic travel, the increase in the number of tourists visiting Japan due to the weak yen, and, furthermore, new events and contents are scheduled to be held and started one after another in various areas in Japan.

In such a situation, the number of revenue passengers reached 5,997,330 (up 15.8 percentage points as compared to a year earlier), the highest ever for a nine-month period owing to many customers. On the cost front, although costs are on an increasing trend due to various circumstances surrounding the airline industry such as fluctuation of fuel prices and rising inflationary pressures worldwide, Skymark has further promoted cost containment measures by more thoroughly conducting efficient operations such as single aircraft operation that Skymark has continued to implement.

(Operating revenues and operating costs)

During this nine-month period, the Company recorded ¥78,210 million (up 25.0 percentage points as compared to a year earlier) of operating revenues due to the recovery in demand as discussed above. Operating costs amounted to ¥68,596 million (up 24.4 percentage points as compared to a year earlier). This was attributable to increase in the number of flights operated 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 ¥5,289 million of operating income (up 55.5 percentage points as compared to a year earlier). Ordinary income amounted to ¥6,418 million (up 75.5 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 ¥3,590 million (up 91.3 percentage points as compared to a year earlier).

2. Financial Position (As of December 31, 2023)

Total assets stood at ¥105,925 million, ¥1,911 million down from the previous fiscal year-end. This was mainly attributable to a combined effect of: (1) increase in cash and bank deposits by ¥3,348 million mainly 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); (2) decrease in deferred tax assets by ¥3,041 million; and (3) decrease in trade accounts receivable by ¥1,275 million.

Total liabilities stood at ¥78,267 million, ¥5,651 million down from the previous fiscal year-end. This was mainly attributable to: (1) decrease in contract liabilities by ¥1,682 million due to shorter advance sales periods for airline tickets as compared to the previous fiscal year-end; (2) decrease in provision for periodic maintenances of flight equipment related to the heavy maintenance of aircraft by ¥2,198 million; and (3) decrease in trade accounts payable by ¥1,217 million.

Equity stood at ¥27,658 million, ¥3,740 million up from the previous fiscal year-end. This was mainly attributable to increase in retained earnings by ¥3,288 million due to net income for the period.

3. 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	Third Quarter End- Current Year As of December 31, 2023
Assets		
Current Assets:		
Cash and bank deposits	¥22,519	¥25,867
Trade accounts receivable	5,062	3,786
Supplies	18	25
Other receivables	1,831	2,073
Prepaid expenses	3,619	5,111
Derivative receivables	183	155
Foreign exchange contracts	1,169	1,015
Other current assets	29	26
Total current assets	34,433	38,062
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	11,408	10,504
Other	3,421	3,297
Total property and equipment—net	14,829	13,802
Intangibles	376	361
Investments and Other		
Long-term prepaid expenses	173	142
Lease and guarantee deposits	3,979	4,176
Long-term deposits paid	31,102	29,413
Differed tax assets	22,897	19,855
Other	44	112
Total investments and other	58,197	53,699
Total non-current assets	73,403	67,863
Total assets	107,837	105,925

(Millions of Yen)

	Year End- Previous Year As of March 31, 2023	Third Quarter End- Current Year As of December 31, 2023
Liabilities		
Current Liabilities:		
Trade accounts payable	¥4,140	¥2,922
Short-term bank loans	30,000	20,000
Current portion of long-term bank loans	—	1,125
Income taxes payable	32	24
Contract liabilities	12,165	10,483
Provision for periodic maintenances of flight equipment	11,748	15,960
Accrued bonuses	1,014	1,220
Derivative liabilities	350	596
Other	1,926	2,623
Total current liabilities	61,378	54,956
Long-term Liabilities:		
Long-term bank loans	1,000	9,625
Provision for maintenance to return leased flight equipment	3,562	3,275
Provision for periodic maintenances of flight equipment	15,527	9,117
Asset retirement obligations	439	443
Derivative liabilities	1,009	160
Other	1,002	688
Total long-term liabilities	22,541	23,310
Total liabilities	83,919	78,267
Equity		
Shareholders' equity :		
Common stock	100	100
Capital surplus	18,353	18,353
Retained earnings	5,726	9,015
Total shareholders' equity	24,179	27,468
Remeasurement and adjustments:		
Deferred gain (loss) on derivatives under hedge accounting	(262)	189
Total remeasurement and adjustments	(262)	189
Total equity	23,917	27,658
Total liabilities and equity	107,837	105,925

Statements of Income

(Millions of Yen)

	Nine months Ended December 31, 2022	Nine months Ended December 31, 2023
Operating revenues	¥62,577	¥78,210
Operating costs	55,155	68,596
Gross profit	7,421	9,614
Selling, general and administrative expenses	4,020	4,324
Operating loss	3,401	5,289
Non-operating income:		
Penalty income	492	667
Subsidy income	122	7
Foreign exchange gain	745	1,077
Other	129	150
Total non-operating income	1,489	1,903
Non-operating expense:		
Interest expenses	354	340
Commissions and fees	336	392
Listing-related expenses	521	—
Other	21	42
Total non-operating expenses	1,234	775
Ordinary income	3,656	6,418
Special losses:		
Impairment loss of long-lived assets	1,212	—
Total special losses	1,212	—
Income before income taxes	2,444	6,418
Income taxes-current	25	24
Income taxes-deferred	542	2,803
Total income taxes	567	2,827
Net income	1,876	3,590

Notes to Financial Statements

Going Concern Issues

No items to report.

Significant Changes in Equity

No items to report.

Significant Subsequent Event

(Purchase of treasury stock)

On January 9, 2024, the Board of Directors resolved to purchase its treasury stock in accordance with Article 459-1 of the Companies Act and Article 42 of the Company's Articles of Incorporation. On January 10, 2024, the Company conducted and completed the purchase of treasury stock following the resolution.

1. Reasons of the purchase of treasury stock

Since the Company aims to (1) raise awareness of management participation by its employees thorough owning the company stock, aiming to continuously improve its corporate value and further promote sharing of value with shareholders; and (2) enable its employees to work for the Company over the long term and continue to contribute to its growth, the Company plans to grant restricted stock compensation to its employees by the end of fiscal year ending March 31, 2024. The majority of the treasury stock to be acquired through this purchase is scheduled to be used in the restricted stock compensation program.

2. Details of the resolution regarding the purchase of treasury stock

(1) Type of shares:	Common stock of the Company
(2) Total number of shares to be purchased:	1,380,000 shares—2.29% of the number of total issued shares (excluding treasury stock)
(3) Total purchase cost:	¥1,393,800,000
(4) Date of purchase:	January 10, 2024
(5) Method of purchase	Purchase through Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3)

3. Details of the purchase of treasury stock

(1) Type of shares:	Common stock of the Company
(2) Total number of shares purchased:	1,380,000 shares
(3) Total purchase cost:	¥1,393,800,000
(4) Date of purchase:	January 10, 2024
(5) Method of purchase	Purchase through Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3)

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.