



February 10, 2023

Notice Regarding Partial Correction of "Financial Results for the Nine Months Ended December 31, 2022 under Japanese GAAP"

Company Name : Skymark Airlines Inc.
(hereinafter referred to as "Skymark" or the "Company")
Representative : Hayao Hora, President and Representative Director
Code number : 9204 (Tokyo Stock Exchange Growth Market)
Contact : Kaoru Tagami, General Manager of Finance and Accounting Department
(Tel: +81-3-5708-8280)

Skymark hereby announces that Skymark made corrections of "Financial Results for the Nine Months Ended December 31, 2022 under Japanese GAAP" disclosed on February 3, 2023.

1. Reasons for the correction

Corrections were made because the following errors were found in accounting treatments of listing-related costs (¥521 million) that are associated with the listing of Skymark shares on Tokyo Stock Exchange Growth Market on December 14, 2022: (a) a part of listing-related costs (¥282 million) had not been recognized; and (b) a part of listing-related costs (¥238 million) had been recorded as operating costs, not as non-operating expenses that listing-related costs should be recorded. In relation to the corrections, accrued bonuses and the corresponding tax effects have also been revised.

2. Corrections

Since a large number of corrections have been made, the entire file of the corrected "Financial Results for the Nine Months Ended December 31, 2022 under Japanese GAAP" is attached. The corrected portions are underlined.



February 3, 2023

Financial Results for the Nine Months Ended December 31, 2022 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, General Manager of Finance and Accounting Department (Tel: +81-3-5708-8280)
Scheduled date of filing quarterly securities report (Japanese version only)	February 10, 2023
Scheduled date of commencing dividend payments	N/A
Supplementary material on quarterly financial results:	To be uploaded on "Investor Relations" of the Company's website
Scheduled date of quarterly financial results briefing:	N/A

1. Operating Results and Financial Position as of and for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(1) Operating Results

Nine Months Ended December 31 (Millions of Yen)	Operating Revenue		Operating Income		Ordinary Income		Net Income	
2022	¥62,577	— %	¥3,401	— %	¥3,656	— %	¥1,876	— %
2021	—	—	—	—	—	—	—	—

Nine Months Ended December 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2022	¥38.95	¥ —
2021	—	—

(Note 1) The Company has not prepared quarterly financial statements for the nine months ended December 31, 2021; accordingly, operating results figures for 2021 and the year-on-year percentage changes for 2022 and 2021 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, 2022	¥101,777	¥20,653	20.3 %
March 31, 2022	93,559	9,299	9.9

(Note) Net worth

As of December 31, 2022:

As of March 31, 2022:

¥20,653 million

9,299 million

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End as of June 30	Second Quarter End as of September 30	Third Quarter End as of December 31	Year end	Total
2022 (Actual)	—	0.00	—	0.00	0.00
2023 (Actual)	—	0.00	—	N/A	N/A
2023 (Projected)	N/A	N/A	N/A	0.00	0.00

(Note) Change in dividend projection: None

3. Forecasts for the year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

	Operating Revenue (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, 2023					
(amount)	¥84,808	¥3,141	¥4,446	¥9,013	¥176.11
(percentage)	79.9%	—%	—%	—%	N/A

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

Notes

(1) Simplified or particular accounting treatment for quarterly financial statements: None

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

- | | |
|---|--|
| (a) Changes in accounting policy due to revision of accounting standards: | Please refer to "Change in Accounting Policies" in "Notes to Quarterly Financial Statements" |
| (b) Changes in accounting policy other than (a) above: | None |
| (c) Changes in accounting estimates: | None |
| (d) Restatements: | None |

(3) Number of shares

		(shares)
(a) Common stock issued, including treasury stock, as of:	December 31, 2022	60,329,400
	March 31, 2022	47,286,000
(b) Treasury stock as of:	December 31, 2022	—
	March 31, 2022	—
(c) Average number of common stock for the nine months ended:	December 31, 2022	48,187,180
	December 31, 2021	—

(Note 1) The Company has not prepared quarterly financial statements for the nine months ended December 31, 2021; accordingly, average number of common stock for the nine-month period is not presented.

(Note 2) Number of issued shares of common stock increased by 13,043,400 shares due to issuance of new shares through a public offering of which payment date was December 13, 2022.

Other Information

(1) This quarterly 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 quarterly financial results

The supplementary material on quarterly financial results will be uploaded on "Investor Relations" of the Company's website on February 3, 2023.

Qualitative Information on Operating Results

1. Operating Results (April 1, 2022 to December 31, 2022)

During this nine-month period, the economy showed a gradual recovery trend due to the effects of various countermeasures against the COVID-19 pandemic and other factors. However, amid the continued global monetary tightening, the outlook remains uncertain due to the record weak yen and the hike in the resource prices. On the other hand, passenger demand for Skymark's business has been steadily increasing, driven by the progress of vaccinations and the National Travel Assistance Program.

In such a situation, Skymark has built a reliable supply system in preparation for a recovery in passenger demand, and successfully captured the increasing passenger demand by operating all flights without having flight reduction due to the COVID-19 pandemic. As a result, the load factor in the third quarter period showed a strong recovery and recorded 81.2%, up 16.5 points as compared to a year earlier, when the load factor significantly declined due to the COVID-19 pandemic. The load factor recovered to 97.6% as compared to that in the same quarter period of 2019, before the outbreak of the COVID-19 pandemic.

Skymark has committed to its business model of "providing high operational quality and simple, yet thoughtful service at an affordable fares, with safety as bedrock." As a result of these efforts, during the nine-month period ended December 31, 2022, Skymark was ranked number one in the on-time operation rate for the five consecutive years and number one in customer satisfaction in the domestic long-distance transportation sector of the JCSI (Japanese Customer Satisfaction Index) for 2022. In addition, Skymark won the Minister of Land, Infrastructure, Transport and Tourism Award at the 4th Japan Service Awards.

On December 14, 2022, Skymark listed its shares on the Tokyo Stock Exchange Growth Market. In association with this listing, the company raised approximately ¥14,200 million through a public offering. Skymark plans to utilize the funds mainly for renewing and upgrading aircraft and repayments of bank loans.

Skymark will continue to refine its business model aiming to become the first choice of as many customers as possible, and strive to increase sales and profits.

(Operational system)

During the first quarter period, when the COVID-19 pandemic significantly affected the Company's operation, the Company made efforts to contain variable costs by flexibly adjusting the number of flights in operation; however, in the third quarter period, all flights were operated due to a recovery in passenger demand. In addition, the Company strived to increase operating revenues by making maximum use of the Company's 29 aircraft to operate additional scheduled flights especially on the Haneda-Fukuoka and Haneda-New Chitose routes, during periods of particularly high demand. As a result, the number of flights for the nine-month period ended December 31, 2022 was 40,608, up 18.4 percentage point, as compared to a year earlier that was affected by the COVID-19 pandemic.

(Operating revenues and operating costs)

In this nine-month period, the number of paid passengers increased to 5,181,147, up 59.5% as compared to a year earlier, resulting in operating revenues amounting to ¥62,577 million. Operating costs amounted to ¥55,155 million, which was higher than the figure a year earlier, due to increase in variable costs such as aircraft fuels and airport fees resulting from an increase in the number of flights operated; however, the Company recorded ¥3,401 million of operating income because of the increased operating revenues. Ordinary income amounted to ¥3,656 million due to foreign exchange gain associated with the assets denominated in foreign currencies resulting from the weaker yen and the listing-related costs. Net income amounted to ¥1,876 million due to loss on impairment of long-lived assets associated with impairment of software in progress.

2. Financial Position (As of December 31, 2022)

Total assets stood at ¥101,777 million, ¥8,217 million up from the previous fiscal year-end. This was attributable to increase in long-term deposits paid denominated in foreign currencies by ¥3,535 million and other receivables including those denominated in foreign currencies by ¥1,224 million, which were due to the weaker yen as compared to the previous fiscal year-end.

Total liabilities stood at ¥81,123 million, ¥3,136 million down from the previous fiscal year-end. This was attributable to repayments of short-term bank loans by ¥2,000 million and long-term bank loans by ¥2,000 million.

Equity stood at ¥20,653 million, ¥11,354 million up from the previous fiscal year-end. This was mainly attributable to a combined effect of increase in capital surplus by ¥7,453 million in relation to issuance of new shares through a public offering, increase in retained earnings (turnaround from the deficit position) by ¥8,692 million due to disposition of deficits and net income for the period, and decrease in deferred gain on derivatives under hedge accounting by ¥4,791 million resulting from forward foreign exchange contracts and other derivative transactions.

3. Forecast for the fiscal year ending March 31, 2023

No revision has been made to the forecasts for the year ending March 31, 2023, which were announced in "Notice Regarding Financial Information in Relation to Listing on the Tokyo Stock Exchange Growth Market" dated December 14, 2022.

Financial Statements

Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2022	Third Quarter End -Current Year As of December 31, 2022
Assets		
Current Assets:		
Cash and bank deposits	¥9,282	¥18,258
Trade accounts receivable	3,480	3,232
Supplies	18	22
Prepaid expenses	3,519	4,720
Other receivables	647	1,872
Other current assets	6,827	1,715
Total current assets	23,776	29,821
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	12,802	11,720
Other	2,712	2,586
Total property and equipment—net	15,514	14,306
Intangibles	1,736	387
Investments and Other		
Long-term deposits paid	30,781	34,317
Lease and guarantee deposits	3,241	3,960
Differed tax assets	16,795	18,787
Long-term prepaid expenses	220	188
Other	1,492	6
Total investments and other	52,532	57,260
Total non-current assets	69,782	71,955
Total assets	93,559	101,777

(Millions of Yen)

	Year End -Previous Year As of March 31, 2022	Third Quarter End -Current Year As of December 31, 2022
Liabilities		
Current Liabilities:		
Short-term bank loans	¥32,000	¥30,000
Trade accounts payable	6,165	<u>3,256</u>
Contract liabilities	6,664	8,124
Income taxes payable	33	25
Provision for periodic maintenances of flight equipment	10,479	13,322
Accrued bonuses	—	<u>991</u>
Other	5,247	<u>3,754</u>
Total current liabilities	<u>60,590</u>	<u>59,474</u>
Long-term Liabilities:		
Long-term bank loans	3,000	1,000
Provision for periodic maintenances of flight equipment	16,305	15,030
Provision for maintenance to return leased flight equipment	2,967	3,204
Asset retirement obligations	433	437
Other	962	1,976
Total long-term liabilities	<u>23,669</u>	<u>21,648</u>
Total liabilities	<u>84,259</u>	<u>81,123</u>
Equity		
Shareholders' equity :		
Common stock	100	100
Capital surplus	10,900	18,353
Retained earnings (accumulated deficit)	<u>(6,815)</u>	<u>1,876</u>
Total shareholders' equity	<u>4,184</u>	<u>20,330</u>
Remeasurement and adjustments:		
Deferred gain on derivatives under hedge accounting	5,114	323
Total remeasurement and adjustments	<u>5,114</u>	<u>323</u>
Total equity	<u>9,299</u>	<u>20,653</u>
Total liabilities and equity	<u>93,559</u>	<u>101,777</u>

Statement of Income

(Millions of Yen)

Nine Months Ended
December 31, 2022

Operating revenues	¥62,577
Operating costs	<u>55,155</u>
Gross profit	<u>7,421</u>
Selling, general and administrative expenses	<u>4,020</u>
Operating income	<u>3,401</u>
Non-operating income:	
Penalty income	492
Subsidy income	122
Foreign exchange gain	745
Other	<u>129</u>
Total non-operating income	<u>1,489</u>
Non-operating expense:	
Interest expenses	354
Commissions and fees	336
Listing-related costs	<u>521</u>
Other	<u>21</u>
Total non-operating expenses	<u>1,234</u>
Ordinary income	<u>3,656</u>
Special losses:	
Impairment loss of long-lived assets	<u>1,212</u>
Total special losses	<u>1,212</u>
Income before income taxes	<u>2,444</u>
Income taxes-current	25
Income taxes-deferred	<u>542</u>
Total income taxes	<u>567</u>
Net income	<u>1,876</u>

Notes to Quarterly Financial Statements

Going Concern Issues:

Not applicable.

Significant Change in Shareholders' Equity

Following the approval of the annual shareholders' meeting held on June 27, 2022, the Company carried out a disposition of accumulated deficit by appropriating a part of other capital surplus. As a result, other capital surplus and accumulated deficit were reduced by ¥6,815 million each.

Following the resolution made at the Board of Directors' meeting held on November 10, 2022, the Company issued new shares of its common stock. As a result, common stock and capital surplus increased by ¥7,134 million each. Immediately after the new share issuance, the increased portion of common stock and capital surplus were transferred to other capital surplus.

As a result, common stock and capital surplus as of December 31, 2022 were ¥100 million and ¥18,353 million, respectively.

Changes in Accounting Policies

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from April 1, 2022, the Company adopted Accounting Standards Board of Japan Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" (issued on June 17, 2021, hereinafter, the "Guidance"). In accordance with the transitional treatment provided in Section 27-2 of the Guidance, the Company will prospectively apply the new accounting policies as stipulated by the Guidance. The adoption of the Guidance did not have a significant impact on the Company's quarterly financial statements.

Significant Subsequent Event

(Purchase of non-current assets (aircraft))

On January 18, 2023, the Board of Directors resolved to order Boeing 737-8 and Boeing 737-10 aircraft of the Boeing 737 MAX series, the next-generation aircraft. The Company and The Boeing Company has entered into a contract on the same date. The details are as follows:

(1) Purposes:	To renew and upgrade aircraft and increase the number of aircraft for further growth of the Company's air transportation business
(2) Outline of assets	(a) Boeing 737-8: three aircraft (two confirmed and one optional) (b) Boeing 737-10: three aircraft (two confirmed and one optional)
(3) Projected acquisition price	Not presented due to confidentiality obligations
(4) Estimated time of acquisition	In Fiscal 2026-2027 (fiscal year ended March 31, 2027-2028)
(5) Significant effects on the Company's business	The purchase of the aircraft is conducted to realize the mid- to long-term business plan stably, and is not expected to have any impact on the operating results for the current fiscal year.

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.