



August 14, 2023

Financial Results for the Three Months Ended June 30, 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)	August 14, 2023
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, 2023 (April 1, 2023 to June 30, 2023)

(1) Operating Results

Three Months Ended June 30 (Millions of Yen)	Operating Revenues		Operating Income (Loss)		Ordinary Income		Net Income (Loss)	
2023	¥22,156	— %	¥(1,436)	— %	¥555	— %	¥(993)	— %
2022	—	—	—	—	—	—	—	—

Three Months Ended June 30 (Yen)	Net Income (Loss) Per Share-Basic	Net Income Per Share-Diluted
2023	¥(16.46)	—
2022	—	—

(Note 1) The Company did not prepare quarterly financial statements for the three months ended June 30, 2022; accordingly, operating results figures for the period then ended and the corresponding year-on-year percentage changes 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 (%)
June 30, 2023	¥110,954	¥24,000	21.6 %
March 31, 2023	107,837	23,917	22.2

(Note) Net worth

As of June 30, 2023:
As of March 31, 2023:

¥24,000 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	—	N/A	N/A	N/A	N/A
2024 (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 projected number of dividends for the year ending March 31, 2024 has not yet been determined.

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 1) Changes from the forecasts most recently announced: None

(Note 2) The forecasts for the six months period ending September 30, 2023 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, 2023	60,329,400
	March 31, 2023	60,329,400
(b) Treasury stock as of:	June 30, 2023	—
	March 31, 2023	—
(c) Average number of common stock for the three months ended:	June 30, 2023	60,329,400
	June 30, 2022	—

(Note) The Company did not prepare quarterly financial statements for the three months ended June 30, 2022; accordingly, the average number of common stock for the period then ended is not presented in the above table.

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 Monday, August 14, 2023. 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 June 30, 2023)

During this three-month period, the economy in Japan experienced a moderate recovery trend due to the recovery in economic and social activities led by relaxation of the mask-wearing rule and the shift of the classification of COVID-19 to "Class 5." On the other hand, the rises in raw material and energy prices, the weakening of the yen, and the resulting price hikes have restrained personal consumption, and the outlook still requires careful attention.

In the environment surrounding the domestic airline industry, passenger demand has been robust amid the normalization of social activities, and further demand expansion is expected because of a shift of travelers to domestic travel and increase in the number of tourists visiting Japan due to the weak yen.

In such a situation, the number of revenue passengers showed strong recovery reaching 1,890,170 (up 39.7 percentage points as compared to a year earlier), the highest ever for a first quarter period. In addition, as part of the Company's mid- to long-term growth strategy, 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 the on-time operation rate for the six consecutive years since 2017.

(Operational system)

During this three-month period, the Company strived to capture the robust demand by making maximum use of the Company's 29 aircraft in response to the recovery of passenger demand from the COVID-19 pandemic. As passenger demand, especially for leisure travel, has been steadily increasing, the Company strives to increase operating revenues by operating additional scheduled flights especially on the Haneda-Fukuoka routes, during periods of high demand such as weekend.

(Operating revenues and operating costs)

During this three-month period, the Company recorded ¥22,156 million of operating revenues as a result of steadily capturing demand. Operating costs amounted to ¥22,248 million and as a result, the Company recorded ¥1,436 million of operating loss. This was attributable to increase in variable costs such as aircraft fuels resulting from an increase in the number of flights operated (up 7.6 percentage points as compared to a year earlier) and the hike in the fuel prices, as well as outsourcing fees for equipment maintenance. Ordinary income amounted to ¥555 million due to foreign exchange gain associated with the assets denominated in foreign currencies resulting from the weaker yen. However, the Company recorded net loss amounting to ¥993 million due to the effect of recording ¥1,540 million of income taxes—deferred.

2. Financial Position (As of June 30, 2023)

Total assets stood at ¥110,954 million, ¥3,117 million up from the previous fiscal year-end. This was mainly attributable to increase in (1) long-term deposits paid denominated in foreign currencies by ¥2,084 million, and (2) other receivables including those denominated in foreign currencies by ¥1,200 million, both of which were due to the weaker yen as compared to the previous fiscal year-end.

Total liabilities stood at ¥86,954 million, ¥3,035 million up from the previous fiscal year-end. This was mainly attributable to increase in contract liabilities by ¥3,925 million corresponding to the increasing passenger demand.

Equity stood at ¥24,000 million, ¥82 million up from the previous fiscal year-end. This was mainly attributable to decrease in retained earnings by ¥1,294 million due to net loss for the period and increase in deferred gain on derivatives under hedge accounting by ¥1,377 million resulting from forward foreign exchange contracts and other derivative transactions.

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	First Quarter End- Current Year As of July 30, 2023
Assets		
Current Assets:		
Cash and bank deposits	¥22,519	¥21,479
Trade accounts receivable	5,062	5,538
Supplies	18	106
Prepaid expenses	1,831	3,032
Other receivables	3,619	4,833
Other current assets	1,382	2,434
Total current assets	34,433	37,424
Non-Current Assets:		
Property and equipment—net:		
Flight equipment	11,408	11,062
Other	3,421	3,394
Total property and equipment—net	14,829	14,456
Intangibles	376	351
Investments and Other		
Long-term prepaid expenses	173	159
Lease and guarantee deposits	3,979	4,274
Long-term deposits paid	31,102	33,186
Differed tax assets	2,897	20,628
Other	44	472
Total investments and other	58,197	58,721
Total non-current assets	73,403	73,529
Total assets	107,837	110,954

(Millions of Yen)

	Year End- Previous Year As of March 31, 2023	First Quarter End- Current Year As of July 30, 2023
Liabilities		
Current Liabilities:		
Trade accounts payable	¥4,140	¥3,473
Short-term bank loans	30,000	30,000
Income taxes payable	32	8
Contract liabilities	12,165	16,091
Provision for periodic maintenances of flight equipment	11,748	17,454
Accrued bonuses	1,014	—
Derivative liabilities	350	156
Other	1,926	2,130
Total current liabilities	61,378	69,314
Long-term Liabilities:		
Long-term bank loans	1,000	1,000
Provision for maintenance to return leased flight equipment	3,562	3,677
Provision for periodic maintenances of flight equipment	15,527	11,286
Asset retirement obligations	439	440
Other	2,011	1,235
Total long-term liabilities	22,541	17,639
Total liabilities	83,919	86,954
Equity		
Shareholders' equity :		
Common stock	100	100
Capital surplus	18,353	18,353
Retained earnings	5,726	4,431
Total shareholders' equity	24,179	22,885
Remeasurement and adjustments:		
Deferred gain on derivatives under hedge accounting	(262)	1,115
Total remeasurement and adjustments	(262)	1,115
Total equity	23,917	24,000
Total liabilities and equity	107,837	110,954

Statements of Income

(Millions of Yen)

Three Months Ended
June 30, 2023

Operating revenues	¥22,156
Operating costs	22,248
Gross profit	(92)
Selling, general and administrative expenses	1,344
Operating loss	(1,436)
Non-operating income:	
Subsidy income	4
Penalty income	178
Foreign exchange gain	1,905
Other	37
Total non-operating income	2,125
Non-operating expense:	
Interest expenses	106
Commissions and fees	3
Other	24
Total non-operating expenses	133
Ordinary income	555
Income before income taxes	555
Income taxes-current	8
Income taxes-deferred	1,540
Total income taxes	1,548
Net loss	(993)

Notes to Financial Statements

Going Concern Issues

No items to report.

Significant Changes in Equity

No items to report.

Significant Subsequent Event

Significant borrowings:

On July 27, 2023, 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, 2023, the Company executed the loan agreements with the following terms and conditions:

Borrowing (A):

(1) Total amount	¥10,000 million yen
(2) Interest rate	Base rate plus spread
(3) Execution date	July 31, 2023
(4) Repayment date	July 31, 2026
(5) Repayment method	(a) ¥4,500 million yen: Repayment in 3-year installments (b) ¥5,500 million yen: Lump-sum repayment on the repayment date

Borrowing (B):

(1) Total amount	¥20,000 million yen
(2) Interest rate	Base rate plus spread
(3) Execution date	July 31, 2023
(4) Repayment date	July 31, 2024
(5) Repayment method	Lump-sum repayment on the repayment date

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.