

Summary Report of Consolidated Financial Statements for the Second Quarter of
Fiscal 2009

May 11, 2009

Company Name	SK-Electronics Co., Ltd.	Listed Exchange	JASDAQ
Code No.	6677	URL	http://www.sk-el.co.jp
Representative	(Title) President	Yoshitada Nogami	
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Planned Quarterly Financial Report Filing Date		May 14, 2009	
Scheduled Date for Commencement of Dividend Payments		--	

(Rounded down to the nearest ¥million)

1. Consolidated Results of Operations for the Second Quarter of Fiscal 2009

(October 1, 2008 through March 31, 2009)

(1) Consolidated Results of Operations (% indicates increase/decrease vs. Prior Year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Second Quarter FYE 9/2009	5,745	—	-1,574	—	-1,695	—	-1,793	—
Second Quarter FYE 9/2008	8,289	-15.1	469	264.6	343	156.7	163	79.6

	Quarter (Current) Net Income Per Share	Diluted Quarter (Current) Net Income Per Share
	Yen	Yen
Second Quarter FYE 9/2009	-15,816.69	—
Second Quarter FYE 9/2008	-1,444.62	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	¥ millions	¥ millions	%	Yen
Second Quarter FYE 9/2009	31,415	10,708	29.1	80,709.99
FYE 9/2008	25,709	13,209	44.0	99,845.41

(Reference) Owned capital:	Second Quarter of fiscal year ending Sep. 30, 2009	9,150 million yen
	Fiscal year ended Sep. 30, 2008	11,324 million yen

2. Dividends

(Date of Record)	Dividend Per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 9/2008	—	0.00	—	800.00	800.00
FYE 9/2009	—	—	—	—	—
FYE 9/2009 (Projected)	—	0.00	—	0.00	0.00

(Note) Change in projected dividends for the quarter: No

3. Projected Consolidated Results of Operations for FYE 9/2009

(October 1, 2008 - September 30, 2009)

(% indicates increase/decrease compared to Prior Year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Full Year	17,000	-0.9	-1,600	—	-1,800	—	-1,540	—	-13,578.58

(Note) Change in consolidated earnings projections for the quarter: No

4. Other

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries due to changes in the scope of consolidation)
- (2) Adoption of simplified accounting policies or accounting policies specific to the preparation of quarterly consolidated financial statements: Yes
[(Note) See page 6 [Qualitative Information/Financial Statements] “4. Other” for further details]
- (3) Changes in accounting principles, procedures, and the presentation methods etc. of quarterly consolidated financial statements (items that are included in changes to important matters that will be the basis for preparing quarterly consolidated financial statements)
- 1) Changes associated with revisions in accounting standards, etc.: Yes
- 2) Changes other than those in 1): Yes
[(Note) See page 6 [Qualitative Information/Financial Statements] “4. Other” for further details]
- (4) Number of shares issued (common stock)
- | | | | | |
|--|----------------|------------|----------------|--|
| <1> Number of shares issued at end of period (including treasury stock) | | | | |
| FYE September 2009 Second Quarter | 113,684 shares | FYE 9/2008 | 113,684 shares | |
| <2> Number of treasury shares at end of period | | | | |
| FYE September 2009 Second Quarter | 312 shares | FYE 9/2008 | 268 shares | |
| <3> Average number of shares during the period (cumulative, consolidated fiscal quarter) | | | | |
| FYE September 2009 Second Quarter | 113,398 shares | | | |
| FYE September 2008 Second Quarter | 113,427 shares | | | |

*Explanation of the appropriate use of projected operating results and other special remarks

1. The projections shown above are based on information available at the time this document was prepared, and may include elements of uncertainty. Actual operating results could differ significantly from these projections due to changes in circumstances. See page 5 [Qualitative Information/Financial Statements] “3. Qualitative Information on Consolidated Earnings Projections” for more information regarding the above projections.
2. Beginning from the current consolidated accounting fiscal year, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting” (ASB Japan Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Implementation Guidance No. 14). Furthermore, the quarterly consolidated financial statements have been prepared in accordance with the “Quarterly Consolidated Financial Statement Regulations.”

[Qualitative Information/ Financial Statements, etc.]

1. Qualitative Information related to Consolidated Results of Operations

During the second quarter of the current consolidated fiscal year, since the global financial crisis began last year, Japan's economy has continued to deteriorate rapidly, and is expected to shrink for the first time in the postwar era.

In the LCD panel industry, demand for LCD panels was weak throughout the first quarter because of deterioration in the external environment surrounding the market, which was affected by the global economic downturn. This created difficult conditions in which panel manufacturers significantly curtailed output and overseas panel manufacturers reduced, postponed or cancelled plans for new manufacturing lines.

These severe conditions continued during the second quarter. Although plant utilization rates at panel manufacturers in Taiwan and South Korea recovered gradually because of special procurements for televisions in China, compared with the previous year demand has still not recovered completely.

The photomask industry also is experiencing sluggish demand for all photomasks, including photomasks for new lines, mass production and development, and intensified competition has resulted in significant unit price reductions.

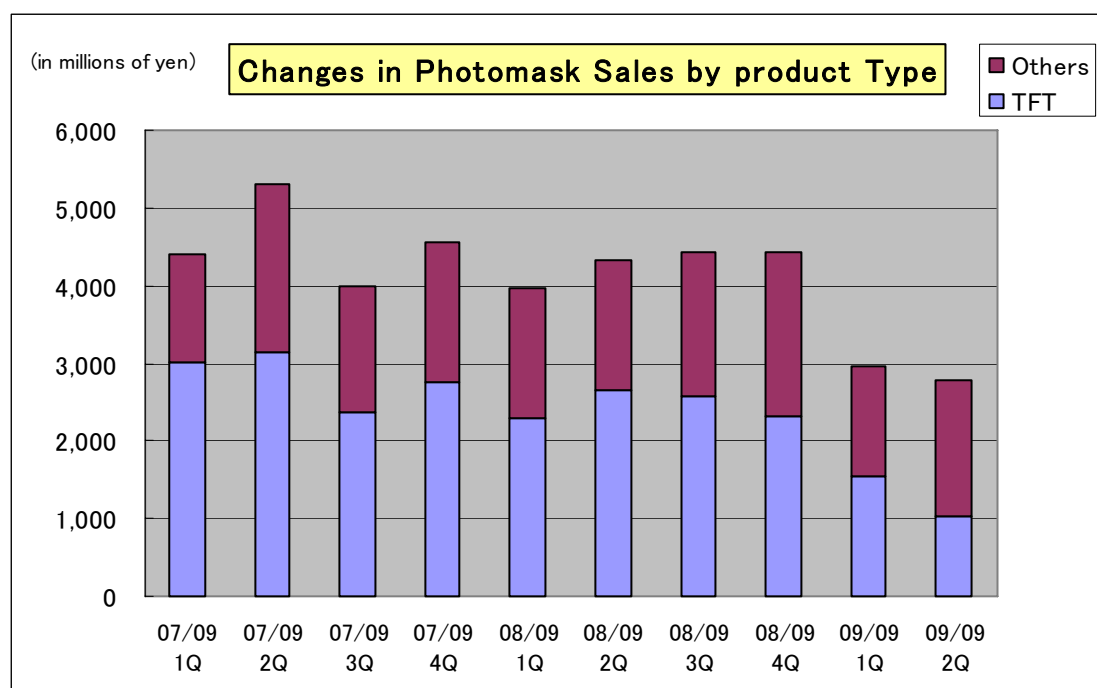
Faced with these difficult circumstances, the SK-Electronics Group continued to pursue activities to further improve product capabilities and lower costs for the entire group in existing 8th generation and earlier photomasks. Severe conditions continued, however, under the influence of greater than anticipated unit price reductions resulting from intensified competition both within Japan and overseas.

On the other hand the Shiga Plant, the Company's next-generation photomask plant, began operation in March and commenced shipments of next-generation photomasks.

As a result of the above factors, for the second quarter under review Net Sales for the Company Group decreased 30.7% compared with the same period of the previous year to ¥5,745 million. The Company reported an Operating Loss of ¥1,574 million, an Ordinary Loss of ¥1,695 million and a Net Loss of ¥1,793 million, compared with Operating Income, Ordinary Income and Net Income of ¥469 million, ¥343 million and ¥163 million, respectively, in the same period of the previous consolidated fiscal year.

By product, Net Sales for TFT photomasks declined significantly, falling 47.8% year-on-year to ¥2,581 million.

(Reference)

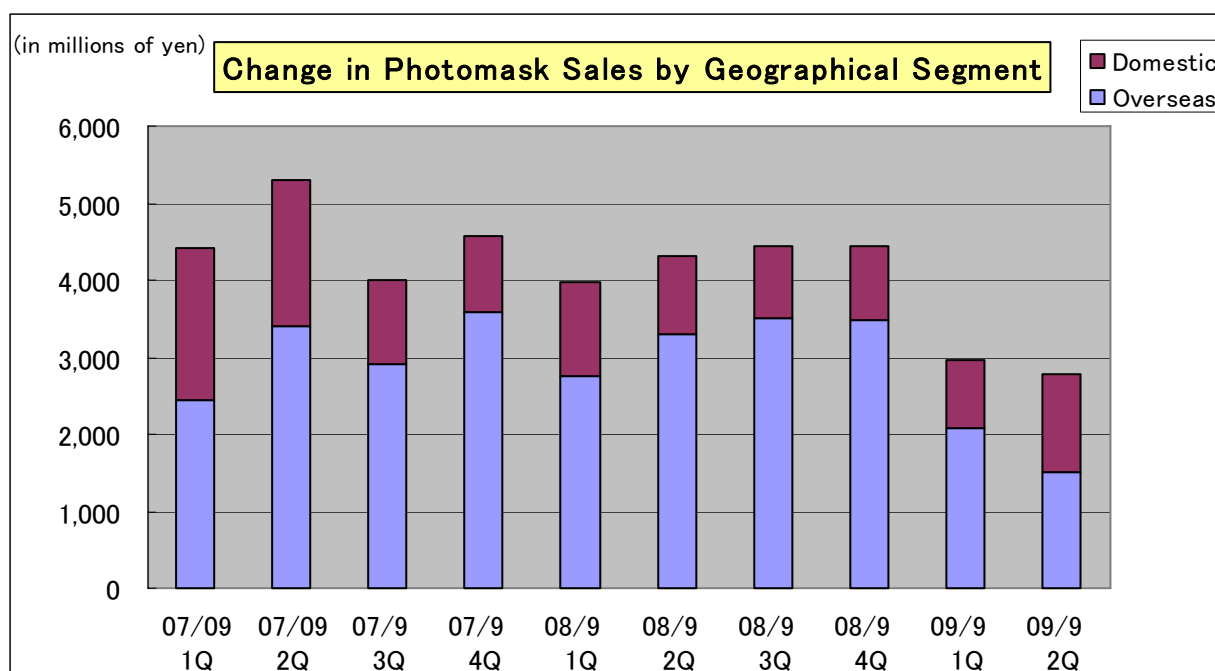


(Reference) Change in Photomask Sales by Product Type

	07/09 1Q	07/09 2Q	07/09 3Q	07/09 4Q	08/09 1Q	08/09 2Q	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q
TFT	3,012	3,144	2,371	2,759	2,302	2,640	2,577	2,310	1,549	1,032
Others	1,400	2,154	1,628	1,802	1,662	1,684	1,859	2,124	1,404	1,759
Total	4,412	5,298	4,000	4,562	3,964	4,324	4,437	4,437	2,953	2,792

By region, domestic Net Sales slipped 4.8% compared with the same period of the previous consolidated fiscal year to ¥2,150 million, while overseas Net Sales were down 40.4% year-on-year to ¥3,595 million.

(Reference)



(Reference) Change in Photomask Sales by Geographical Segment (Unit: Millions of yen)

	07/09 1Q	07/09 2Q	07/09 3Q	07/09 4Q	08/09 1Q	08/09 2Q	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q
Overseas	2,429	3,393	2,899	3,574	2,742	3,289	3,511	3,482	2,079	1,515
Domestic	1,982	1,905	1,100	987	1,222	1,035	926	952	873	1,276
Total	4,412	5,299	4,000	4,562	3,964	4,324	4,437	4,434	2,953	2,792

2. Qualitative Information related to Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

Total assets at the end of the current interim consolidated accounting period increased ¥5,705 million compared with the end of prior consolidated fiscal year to ¥31,415 million. This increase was mainly due to increases in buildings and structures, and machinery, equipment and vehicles related to construction of the Shiga Plant.

Total liabilities increased by ¥8,207 million yen from the end of the prior consolidated fiscal year and reached ¥20,707 million. This mainly reflected an increase in long-term debt and equipment notes payable.

Total Net Assets decreased by ¥2,501 million compared with the prior consolidated fiscal year end to ¥10,708 million. This was mainly due to decreases in retained earnings, minority interest in consolidated subsidiaries and foreign exchange translation adjustment.

(2) Cash Flows

Cash and Cash Equivalents (“Cash”) at the end of the current interim consolidated accounting period increased by ¥462 million compared with the prior consolidated fiscal year end to ¥2,630 million.

(Cash Flows from Operating Activities)

Cash flows used in operating activities during the current interim consolidated accounting period amounted to ¥1,428 million. This amount was mainly due to a loss before income taxes and minority interests of ¥1,873 million, depreciation and amortization expense of ¥1,827 million, a decrease of ¥398 million in notes and accounts payable-trade and income taxes paid of ¥286 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the current interim consolidated accounting period totaled ¥2,921 million. This mainly reflected ¥2,869 million of funds used for the purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities for the current interim consolidated accounting period increased by ¥4,897 million. This primarily reflected cash provided by long-term loans of ¥5,300 million and funds used to repay long-term loans of ¥887 million.

3. Qualitative Information on Consolidated Earnings Projections

The Company has not made any revisions to the full year operating results projection provided in the press release “Announcement of Revised Earnings and Dividend Projections; Reduction in Director Compensation” dated February 9, 2009.

The operating results projections were prepared based upon information available to the Company at the time the projections were announced. Actual operating results may differ from the projected figures depending upon various factors that might occur in the future.

4. Other

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries due to changes in the scope of consolidation) : None.

(2) Adoption of simplified accounting policies or accounting policies specific to the preparation of quarterly consolidated financial statements

<1> Depreciation of Fixed Assets

1) With respect to assets depreciated according to the declining balance method, the Company calculates the amount of depreciation expense related to the consolidated fiscal year proportionately throughout the period.

(3) Changes in accounting principles, procedures, and the presentation methods etc. of quarterly consolidated financial statements

<1> Accounting Standards for Quarterly Financial Reporting

The Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Implementation Guidance for Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). Further, the quarterly consolidated financial statements have been prepared in accordance with "Quarterly Consolidated Financial Statement Regulations."

<2> Adoptions of Accounting Standards related to Inventory Valuation

Historically, the Company valued inventory according to the cost method; however, beginning with the first quarter of the current consolidated fiscal period, the Company has adopted "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). In connection with this change, the Company now calculates inventory based on the cost method (write-down of book value based on decline in profitability for balance sheet presentation).

As a result of this change, During the second quarter of the current consolidated gross loss, operating loss and ordinary loss has increased by ¥187,974,000, and net loss before taxes and other adjustments has increased by ¥224,003,000 compared to the previously used method.

The effect of this change on segment information is noted in the respective sections of this report

<3> Adoption of "Practical Solution on Unification of Accounting Policies applied to Foreign Subsidiaries for Consolidated Financial Statements"

Beginning with first quarter of the current consolidated fiscal year, the Company has adopted "Practical Solution on Unification of Accounting Policies applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006)

This change will have no significant effect on Company profit and loss.

<4> Adoption of Accounting Standards for Lease Transactions

In the past, the Company accounted for non-transfer finance lease transactions via methods related to lease transactions. However, beginning with the current consolidated first quarter, the Company has elected the early adoption of "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (the First Committee. of the Business Accounting Council), revised on March 30, 2007)) and "Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (the JICPA Accounting Committee), revised on March 30, 2007)). Accordingly, such lease transactions are now subject to accounting policies for ordinary trading transactions.

For depreciating lease assets related to non-transfer finance lease transactions, the Company uses the lease term as the service life, and the straight line method of depreciation, assuming zero residual value.

The Company will continue accounting for non-transfer finance lease transactions whose original lease transaction date falls prior to the first fiscal year of the adoption of this accounting standard using accounting methods in accordance with normal lease transactions.

This change will have no significant effect on Company profit and loss.

Beginning with the current consolidated fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). Further, the quarterly consolidated financial statements have been prepared in accordance with “Quarterly Consolidated Financial Statement Regulations.”

(4) Note on assumptions of going concern
None.

(5) Segment Information

a. Business segment information

Cumulative Consolidated Second Quarter (October 1, 2008 through March 31, 2009)

The Company and consolidated subsidiaries are engaged in the singular business of the design, production, and sales of large-format photomasks. Accordingly, the Company has omitted this disclosure as it does not have significant underlying business segments.

b. Geographical segment information

Cumulative Consolidated Second Quarter (October 1, 2008 through March 31, 2009)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1) Net Sales to Outside Customers	4,595,063	1,150,150	5,745,213	—	5,745,213
(2) Inter-Segment Sales Transfers	545,857	305,257	851,114	(851,114)	—
Total	5,140,920	1,455,407	6,596,328	(851,114)	5,745,213
Operating loss	1,268,361	275,675	1,544,036	(30,170)	1,574,206

(Note)1 Country and region segmentation methods; major countries and regions

(1) Country and region segmentation method...according to geographic proximity

(2) Major countries and regions...Asia: Taiwan, South Korea

2 Changes in accounting policies

As discussed in 4. (3) <2> of “Qualitative Information/Financial Statements,” the Company adopted “Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) during the first quarter of the current consolidated fiscal period. With this change in accounting policy, Operating Loss in Japan increased by ¥187,974,000 compared to the prior policy.

c. Overseas Net Sales

Cumulative Consolidated Second Quarter (October 1, 2008 through March 31, 2009)

	Asia	Other	Total
I. Overseas Net Sales (¥thousands)	1,210,977	—	1,210,977
II. Consolidated Net Sales (¥thousands)			5,745,213
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	21.1	—	21.1

(Note) 1. Segmentation of countries and regions is based on geographical proximity.

2. Major countries and regions outside Japan

Asia: Taiwan, South Korea, Singapore

3. Overseas sales represent sales of the Company and its consolidated subsidiaries in the countries and regions outside Japan.

(6) Note on significant changes in shareholder’s equity

Non

(Reference)

Previous consolidated accounting period as of end of second quarter
 (1) (Summary) Quarterly Consolidated Statements of Income

Category	Previous consolidated Interm Period From October 1, 2008 To March 31, 2009		
	(Unit: thousand yen)		(%)
I Net sales		8,289,175	100.0
II Cost of sales		6,686,182	80.7
Gross profit		1,602,992	19.3
III Selling, general and administrative expenses		1,133,313	13.6
Operating income		469,679	5.7
IV Non-operating income			
1 Interest income	883		
2 Dividends income	296		
3 Real Estate Rental income	12,059		
4 Commission fee	15,454		
5 Other	39,200	67,894	0.8
V Non-operating expenses			
1 Interest expenses	69,250		
2 Cost of real estate rentals	6,211		
4 Lease Payments	14,730		
5 Foreign exchange losses	82,132		
6 Other	22,231	194,556	2.4
Ordinary income		343,016	4.1
VI Extraordinary Income			
1 Subsidies	6,174		
2 Reversal of allowance for doubtful accounts	35,633	41,807	0.5
VII Extraordinary loss			
1 Loss on disposal of fixed Assets	12,249		
2 Investment securities appraisal loss	49,999	62,249	0.7
Income before income taxes and minority interests		322,574	3.9
Income taxes-current	236,937		
Income taxes-deferred	-94,583	142,353	1.7
Minority interests in income		16,360	0.2
Net income		163,859	2.0

(2) (Summary) Quarterly Consolidated Statement of Cash Flows

Category	Previous consolidated Interim Period From October 1, 2008 To March 31, 2009
	(Unit: thousand yen)
I Net cash provided by (used in) operating activities—abstract	
1 Income before income taxes and minority interests	322,574
2 Depreciation and amortization	1,301,273
3 Increase (decrease) in allowance for doubtful accounts	-25,085
4 Increase (decrease) in provision for directors' bonuses	14,000
5 Interest and dividends income	-1,179
6 Interest expenses	69,250
7 Loss on Disposal of Fixed Assets	12,249
8 Loss (gain) on valuation of investment securities	49,999
9 Decrease (increase) in notes and accounts receivable—trade	645,326
10 Decrease (increase) in inventories	-250,797
11 Increase (decrease) in notes and accounts payable—trade	-262,185
12 Increase (decrease) in accounts payable—other	-25,909
13 Other, net	191,410
Subtotal	2,040,926
14 Interest and dividends income received	1,350
15 Interest expenses paid	-67,741
16 Income taxes paid	-2,764
17 Income by refund corporate and Other Taxes Paid	39,330
Net cash provided by (used in) operating activities	2,011,101
II Net cash provided by (used in) investment activities	
1 Purchase of property, plant and equipment	-2,372,879
2 Purchase of intangible assets	-267,182
3 Expenditures for the Acquisition of Intangible Fixed Assets	-1,700
4 Expenditures for the Acquisition of Investment Securities	311
5 Other	-20,033
Net cash provided by (used in) investment activities	-2,661,482

Category	Previous consolidated Interim Period From October 1, 2008 To March 31, 2009
	(Unit: thousand yen)
III Net cash provided by (used in) financing activities	
1 Net increase (decrease) in short-term loans payable)	-494,017
2 Proceeds from long-term loans payable	2,500,000
3 Repayment of long-term loans payable	-756,251
4 Repayment of Long-Term Equipment Accounts Payable	-168,275
5 Proceeds from the Sale of Treasury Stock	21
6 Expenditure for the Purchase of Treasury Stock	-20
7 Cash dividends paid	-85,070
Net cash provided by (used in) financing activities	996,386
IV Effect of exchange rate change on cash and cash equivalents	-36,868
V Net increase (decrease) in cash and cash equivalents	309,136
VI Cash and cash equivalents in the beginning of period	1,599,449
VII Cash and cash equivalents at the end of period	1,908,586