



SK-Electronics CO., LTD.

Fiscal 2009 Interim Business Report

October 1, 2008 – March 31, 2009

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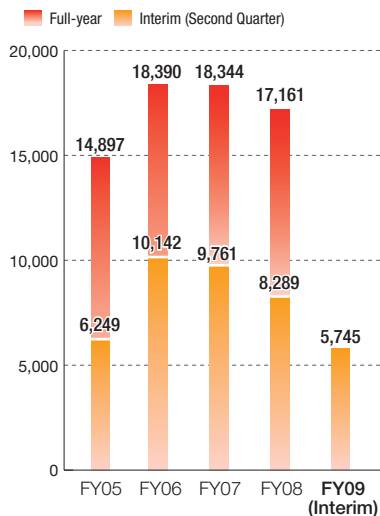
SK-Electronics CO., LTD.

JASDAQ: 6677

Consolidated Financial Highlights

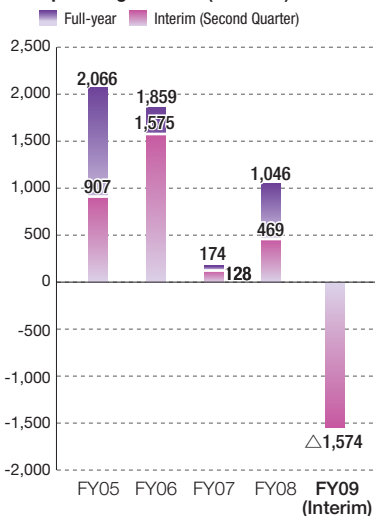
Net Sales

(¥ million)



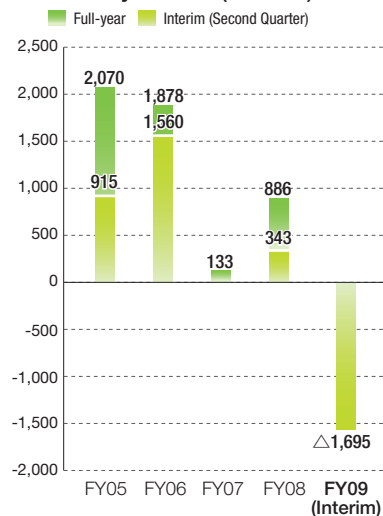
Operating Income (Loss) △

(¥ million)



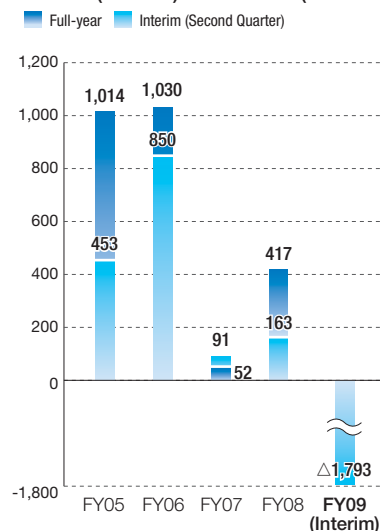
Ordinary Income (Loss) △

(¥ million)



Interim (Current) Net Income (Loss) △

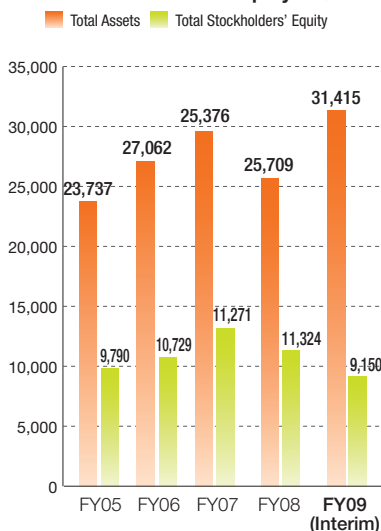
(¥ million)



Total Assets

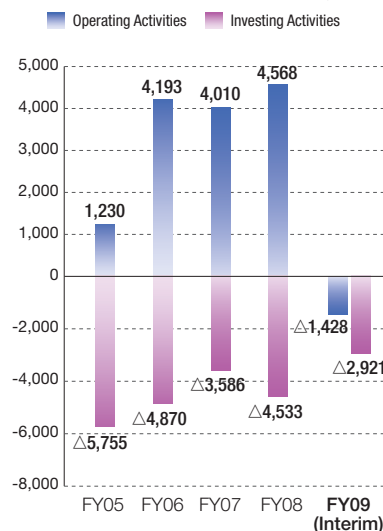
Total Stockholders' Equity

(¥ million)



Cash Flows

(¥ million)



Message from the President

I hope this message finds all of our stockholders in the best of health. Thank you for your continued support. It gives me great pleasure to provide you with a report of our operating results for interim fiscal 2009 (October 1, 2008 through March 31, 2009).

During the current interim consolidated period, Japan's economy deteriorated rapidly in the aftermath of the global financial crisis, and is expected to register negative growth for the first in the postwar era.

Faced with these circumstances, the SK-Electronics Group continued to devote its efforts to further enhancing the product capabilities of the entire group, and to implementing cost reduction measures. The impact of price reductions caused by increasingly severe competition in both Japan and other countries was greater than anticipated, and the severe environment remains unchanged.

Moreover, because the timing of a recovery in the LCD panel industry and photomask business remains uncertain, given the rapid deterioration of the business climate, when we released our Summary Report of Consolidated Financial Statements for the First Quarter period of Fiscal 2009 on February 9, 2009 we significantly lowered our projected operating results for the fiscal year ending September 2009. In light of the present situation, we will eliminate the projected year-end dividend of ¥400 for the current consolidated fiscal year and not pay a year-end dividend. We truly regret having to take this step, and I apologize deeply and sincerely to our shareholders for this decision. Because the deterioration in earnings has been greater than anticipated, we have declared a state of emergency within the Company, and we are now implementing cost reduction actions across the entire firm, including reductions in executive compensation and salaries and a partial shutdown of plant production lines.

SK-Electronics Group Net Sales during the current interim consolidated accounting period amounted to ¥5.745 billion (30.7% year-on-year decrease), with an Operating Loss of ¥1.574 billion (compared with Operating Income of ¥469 million for the same period one year earlier), and an Ordinary Loss of ¥1.695 billion (compared with Ordinary Income of ¥343 million in the same period of the previous

consolidated fiscal year). The Group recorded an Interim Net Loss of ¥1.793 billion (compared with Net Income of ¥163 million in the same period one year earlier), resulting in a period of declining revenues and lower earnings compared to the prior period.

Shiga Plant Began Operations in March 2009

The Company's Shiga Plant, which manufactures the next-generation liquid crystal glass substrate photomasks that will be the source of SK-Electronics' future growth, began operating in March and shipped its first photomasks for 10th-generation liquid crystal glass substrates.

Going forward, SK-Electronics will aim at supplying comprehensive large-format photomasks for the next-generation glass substrates of overseas LCD panel manufacturers and achieving stable operations at the Shiga Plant, and will aspire to further development in its quest to become the leading company in the industry. Although the severe operating climate will continue throughout the current fiscal year, we will seek an early business recovery and strive to improve earnings. We look forward to receiving your understanding and support for this effort.

May 2009



野上良忠

Yoshitada Nogami
President

Photomasks for 10th -Generation Liquid Crystal Glass Substrates Shipped

Shiga Plant began operations in March!

The Shiga Plant located in Koka City in Shiga Prefecture, which SK-Electronics built to manufacture next-generation liquid crystal glass substrate photomasks, began operations in March 2009.

The comprehensive large-format photomasks produced at the Shiga Plant for 10th-generation and later liquid crystal glass substrates are ultra-large-format sizes that no other company in the world can manufacture. With the plant now on-line, SK-Electronics will continue its drive to develop further as we seek to become the leading company in the industry, by ensuring sufficient photomask production capacity to meet the expected future growth in demand for larger LCD panels offering higher definition and greater efficiency, and by achieving stable supply of these products to panel manufacturers in Japan, South Korea, Taiwan and other countries.

Shiga Plant Overview

Location	38, Hinokigaoka, Minakuchi-cho, Koka City, Shiga Prefecture, Japan 528-0068
Total site area	42,907.35m ²
Total floor area	8,540.24m ²
Main equipment and facilities	Pattern generators (two systems), inspection equipment, etc.



Pattern Generator Precision-10 Delivery of No. 1, No. 2 Machines completed

A "pattern generator" is one of the most critical mechanical devices for the comprehensive large-format photomask manufacturing process.

The Precision-10 pattern generator manufactured by world-renowned Micronic Laser Systems of Sweden is the standard for photomask pattern generators for large-scale liquid crystal glass substrates.

While SK-Electronics also uses pattern generators for existing scale photomask fabrication (8th-generation and earlier), SK-Electronics was ahead of the industry in being the first company in the world to develop and introduce the photomask pattern generator used at the Shiga Plant for next-generation glass substrates.

With a main device unit measuring 6.0 x 2.7 x 2.3m, and total of weight of 20 tons, the Precision-10 was transported from Sweden by ultra-large-scale chartered aircraft. The generator was met by about 30 company employees at the site, and was safely delivered to the Shiga Plant clean room using a large-scale crane.



Delivery of the Precision-10 pattern generator



Precision-10 pattern generator

Thoughts on the Photomasks for Next-Generation Glass Substrates (Shiga Plant Operations)

Our Shiga Plant, the industry's first manufacturing plant for next-generation liquid crystal glass substrate photomasks, has finally begun operations.

We initially scheduled the start of operations from January 2009. Because of the rapid deterioration of the global economy and change in the business environment surrounding SK-Electronics, however, we reviewed our schedule and postponed the start of operations by about two months. Although the start-up was a bit later than we had planned, we are all very pleased that we were able to initiate operations without any difficulties.

With LCD TVs now the main product as flat-panel televisions replace conventional cathode ray tube (CRT) televisions in the television industry (See Fig. 1 on Page 6), we can without a doubt say this sector will be growing as a market. Although the LCD panel industry including the photomask industry now faces an extremely

difficult operating climate because of the decrease in demand and intense cost competition resulting from the deterioration of the world economy, I am convinced that by improving our competitiveness through further cost reductions and differentiation, and operating the Shiga Plant successfully SK-Electronics will lead the industry and become the top company in the photomask industry in the near future.



Director, Member of
the Board Sales and Production
(C.E.O., Finex Co., Ltd.)
Kazuomi Furuta

First photomask for 10th-generation liquid crystal glass substrates shipped in March



10th-generation

The world's largest liquid crystal glass substrate, which Sharp Corporation plans to manufacture at its "manufacturing complex for the 21st Century" (Sakai City, Osaka Prefecture) when that site begins operations in October 2009, will have a size of 2.8m x 3.1m.

The photomask as well will be about 1.5 times larger than the photomask for 8th-generation substrates. (The 10th-generation glass substrate photomask size is secret)

Comprehensive Large-Format Photomask Business

The Comprehensive Large-Format Photomask Business develops, designs, manufactures and sells photomasks, an essential component of the manufacturing process for the LCD panels used primarily in products such as LCD TVs, personal computers and cellular phones.

During the first quarter of the current interim consolidated accounting period, the LCD panel industry was confronted with difficult conditions. This included sluggish demand for LCD panels due to deterioration of the external environment surrounding the market as a result of the global economic downturn, large reductions in output by panel manufacturers, and cutbacks, postponements and cancellations of plans for new lines by overseas panel manufacturers.

These severe conditions continued during the second quarter. Although the utilization ratios of panel manufacturers in Taiwan and South Korea recovered gradually because of special procurement for televisions by China, this improvement could not be deemed a full recovery when compared with the same period of the previous year.

In the photomask industry as well, demand slumped for all photomasks, including those for new lines, mass production lines and development lines, while unit prices fell sharply because of intensified competition.

Faced with these circumstances, in its existing business for 8th-generation and earlier photomasks the SK-Electronics Group continued to pursue further improvements to the product capabilities of the entire group, and engaged in cost reduction activities. Because of the negative impact of unit price declines that were greater than anticipated due to increasingly severe competition both in Japan and in other countries, however, difficult conditions continued.

On the other hand, in March the Company started full-scale operations at the Shiga Plant, its photomask manufacturing plant for next-generation glass substrates, and began shipping next-generation photomasks.

Demand for high value-added multi-tone photomasks (See Fig. 2 on Page 6) remained steady.

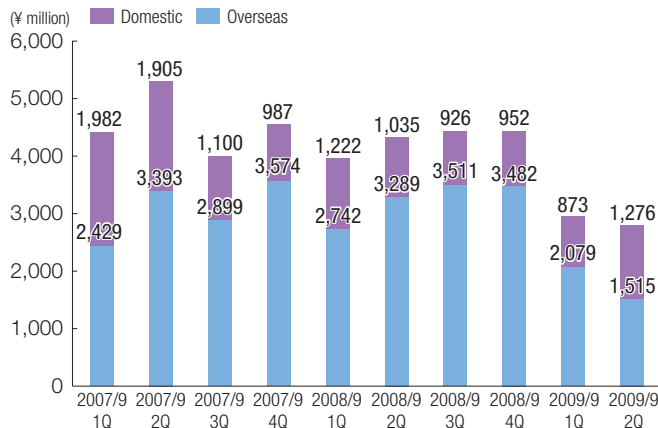
By product, net sales of TFT photomasks experienced a 47.8% year-on-year decline, falling to ¥2.581 billion.

By geographical segment, domestic sales slipped by 4.8% compared with the prior year to ¥2.150 billion, while overseas sales dropped 40.4% year-on-year to ¥3.595 billion.



Photomask

Change in Photomask Sales by Region

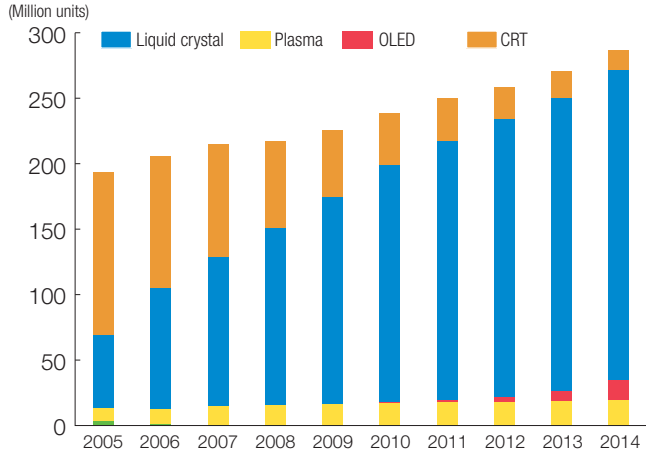


As a result, for the current interim consolidated accounting period, the Comprehensive Large-Format Photomask Business posted net sales of ¥5.745 billion (30.7% year-on-year decrease) and an operating loss of ¥1.574 billion (compared to operating income of ¥469 million in the same period one year earlier).

Television Display Panel Market

(Fig. 1)

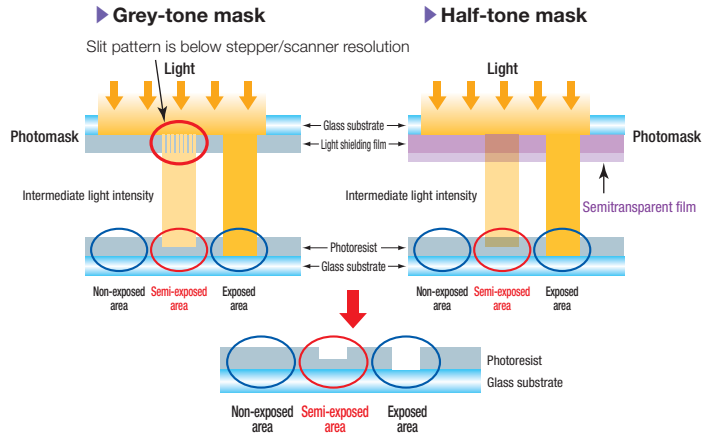
Demand for LCD TVs will expand gradually in the future.



Source: DisplaySearch (2009.01)

Multi-tone Photomasks

(Fig. 2)



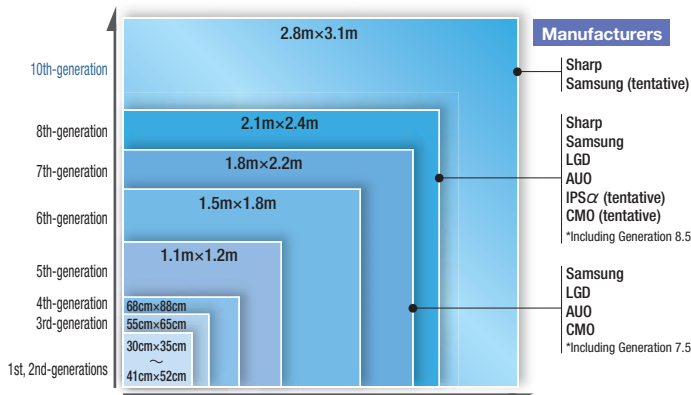
Multi-tone photomasks have increased pattern formation efficiency by newly adding a “semi-exposed area” to photomasks, which traditionally created only “exposed areas” and “non-exposed areas.” This enables process reduction in the LCD panel production process because TFT LCD panels that previously required five masks can now be manufactured using only four masks.

Glass Substrates for Large-format Liquid Crystals

(Fig. 3)

The size of glass substrates has been gradually enlarged.

This requires advanced technology because photomasks also must be enlarged and greater definition achieved.

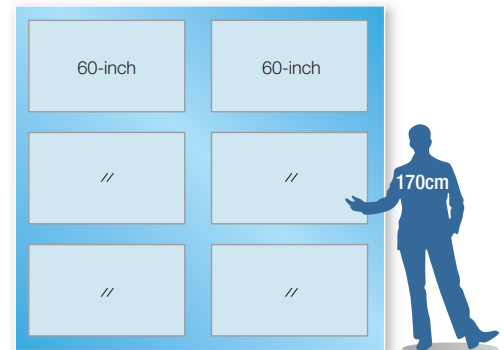


Source: Company data

Example of 10th-Generation Glass Substrate and Television Size

(Fig. 4)

10-generation
Roughly
2.8m x 3.1m



Source: Company data

Summary of Interim (Second Quarter) Consolidated Financial Statements

▶ Interim (Second Quarter) Consolidated Balance Sheets

Category	1H/FY09 (As of March 31, 2009)	1H/FY08 (As of March 31, 2008)	FY08 (As of September 30, 2008)
Assets			
Current assets	9,801	9,284	9,074
Fixed assets 1	21,613	16,671	16,635
Property, plant and equipment	20,945	15,944	15,985
Intangible fixed assets	338	333	316
Investments and other assets	329	393	333
Total assets	31,415	25,956	25,709

(¥ millions)

Category	1H/FY09 (As of March 31, 2009)	1H/FY08 (As of March 31, 2008)	FY08 (As of September 30, 2008)
Liabilities			
Current liabilities	12,596	6,746	7,390
Long-term liabilities	8,110	6,262	5,110
Total liabilities 2	20,707	13,009	12,500
Net assets			
Stockholders' equity	9,604	11,236	11,489
Common stock	4,109	4,109	4,109
Capital surplus	4,335	4,335	4,335
Retained earnings	1,207	2,839	3,092
Treasury stock	△ 48	△ 48	△ 48
Valuation and translation adjustments	△ 454	△ 125	△ 165
Net unrealized holding gains on other marketable securities	△ 1	1	10
Foreign currency translation adjustments	△ 452	△ 126	△ 175
Minority interests	1,557	1,835	1,885
Total net assets	10,708	12,946	13,209
Total liabilities and net assets	31,415	25,956	25,709

Point 1 Fixed assets

The increase in fixed assets is primarily due to the acquisition of the building and machinery and equipment for the Shiga Plant.

Point 2 Total liabilities

The increase in total liabilities is primarily due to an increase in long-term debt and an increase in notes payable-equipment.

Point 3 Operating income (loss)

The large decrease in operating income (deficit) is due to the large decrease in net sales and the increase in depreciation burden in conjunction with the start of operations at the Shiga Plant.

▶ Interim (Second Quarter) Consolidated Statements of Income (¥ millions)

Category	1H/FY09 (From October 1, 2008 to March 31, 2009)	1H/FY08 (From October 1, 2007 to March 31, 2008)	FY08 (From October 1, 2007 to September 30, 2008)
Net sales	5,745	8,289	17,161
Cost of sales	6,104	6,686	13,808
Gross profit (loss△)	△ 359	1,602	3,352
Selling, general and administrative expenses	1,214	1,133	2,306
Operating income (loss△) 3	△ 1,574	469	1,046
Other income	31	67	130
Other expenses	153	194	290
Ordinary income (loss△)	△ 1,695	343	886
Extraordinary gains	–	41	41
Extraordinary losses	178	62	178
Interim (current) net income (loss) before taxes	△ 1,873	322	749
Corporate, residence and business taxes	30	236	424
Adjustments for corporate and other taxes	26	△ 94	△ 190
Minority interests in consolidated subsidiaries (loss△)	△ 137	16	98
Interim (current) net income (loss△)	△ 1,793	163	417

▶ Interim (Second Quarter) Consolidated Statements of Cash Flows (¥ millions)

Category	1H/FY09 (From October 1, 2008 to March 31, 2009)	1H/FY08 (From October 1, 2007 to March 31, 2008)	FY08 (From October 1, 2007 to September 30, 2008)
Cash flows from operating activities 4	△ 1,428	2,011	4,568
Cash flows from investing activities 5	△ 2,921	△ 2,661	△ 4,533
Cash flows from financing activities 6	4,897	996	603
Effect of foreign exchange rate changes on cash and cash equivalents	△ 84	△ 36	△ 69
Increase (decrease) in cash and cash equivalents	462	309	568
Cash and cash equivalents at beginning of period	2,167	1,599	1,599
Cash and cash equivalents at end of period	2,630	1,908	2,167

Point 4 Cash flows from operating activities

Cash flows used in operating activities totaled ¥1.428 billion. This was mainly due to decreases in accounts payable and accrued liabilities.

Point 5 Cash flows from investing activities

Cash flows used in investing activities totaled ¥2.921 billion. Funds were used primarily for acquisitions of property, plant and equipment (Shiga Plant).

Point 6 Cash flows from financing activities

Cash flows from financing activities totaled ¥4.897 billion. Funds were provided primarily from proceeds from long-term loans payable and the repayment of long-term loans payable.

IR-related Topics

This page reports some of the IR activities SK-Electronics implemented during the first half of the consolidated fiscal year.

Participated in Company Briefings for Individual Investors. ■ Other activities



SK-Electronics president Yoshitada Nogami provided background information on the company, our products and our strengths. (Kyoto, November)

Analyst, Institutional Investor Briefings (quarterly); media interviews (upon request), etc.

Launch of our "IR E-mail Service"

We introduced a service to inform investors of the latest information on SK-Electronics by e-mail.

[Register here](http://www.sk-el.co.jp/IR/mail.html)

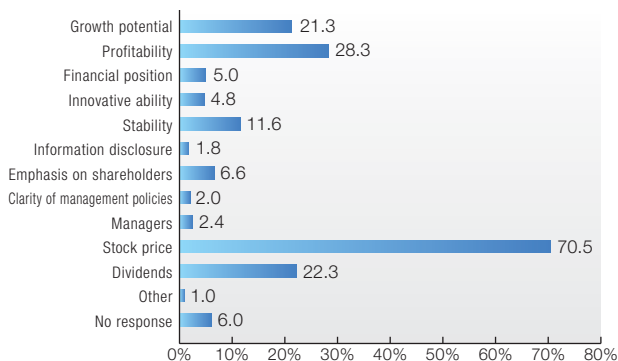
"IR E-mail Service" for shareholder and investor information
<http://www.sk-el.co.jp/IR/mail.html>



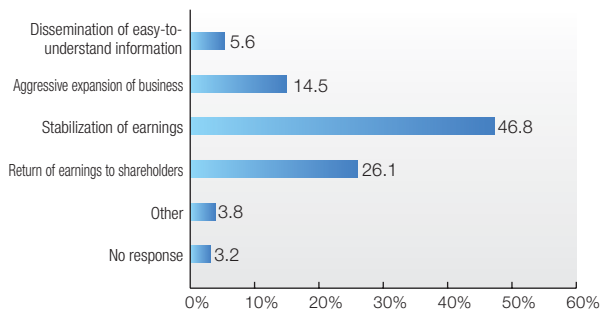
E-mail registration screen for "IR E-mail Service"

Survey Results

Please choose the items you are most dissatisfied with concerning SK-Electronics. (Select all that apply)



Please select the items you most expect from SK-Electronics in the future. (Select one)



Comments and Opinions (Excerpt)

Number of shareholders who responded: 498 (6.7% response rate)

- I hope the company will use the economic crisis as an opportunity for improvement and revitalize its business in conjunction with operation of the new plant.
- The recession is a chance to move forward quickly. I want SK-Electronics to hire the best human resources and increase the firm's capabilities.
- I'd like to see the company active in other sectors because of the high risk when you're in one business. Even though times are tough right now, please continue making your best effort. I support you.
- Please try to get the stock price up, even if only a little.
- I want material that will cause a recovery of the share price. I thought the price would grow more, and I'm disappointed.
- Please give your shareholders some sense of security.

■ Company Profile

Company Name	SK-Electronics Co., Ltd.
Established	October 1, 2001
Capital Stock	¥4,109,722,000
Headquarters	436-2, Tatetomita-cho, Ichijo-agaru, Higashi Horikawa-dori Kamigyo-ku, Kyoto 602-0955, Japan
	Phone: +81-75-441-2333 (Rep.) Fax: +81-75-441-4291
Employees	178
Business Lines	Comprehensive large-format photomask business

■ Offices and Plants

Tokyo Business Office	(Minato-ku, Tokyo)
Kyoto Plant	(Kuse-gun, Kyoto)
Shiga Plant	(Koka City, Shiga Prefecture)

■ Overseas Subsidiaries

Finex Co., Ltd. (Taiwan)	
	Manufacture and sale of comprehensive large-format photomasks
SKE KOREA Co., Ltd. (South Korea)	
	Sale of large-format photomasks

■ Directors and Corporate Auditors

Chairman of the Board	Keisuke Ishida	Director	Hidehiro Fujiwara
President	Yoshitada Nogami	Corporate Auditor (Standing)	Yosuke Tsuji
Senior Managing Director	Masanori Ishida	Corporate Auditor	Kazuhiro Egawa
Managing Director	Kazuomi Furuta	Corporate Auditor	Shushi Hori
Director	Hideaki Horiuchi		

■ Stock Data

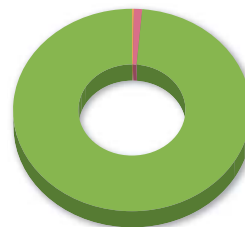
Authorized Stock	327,600 shares
Issued Stock	113,684 shares
No. of Stockholders	7,232

■ Major Stockholders

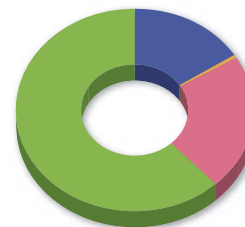
Keisuke Ishida	9,133 shares (8.03%)
Shashin Kagaku Co., Ltd.	7,301 shares (6.42%)
Nikon Corporation	5,684 shares (4.99%)
The Bank of Kyoto, Ltd.	3,562 shares (3.13%)
Mizuho Bank, Ltd.	3,262 shares (2.86%)
Dainippon Screen Mfg. Co., Ltd.	3,150 shares (2.77%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,512 shares (2.20%)
Resona Bank, Ltd.	2,512 shares (2.20%)
Nippon Life Insurance Company	2,512 shares (2.20%)
The Fuji Fire and Marine Insurance Company, Ltd.	2,437 shares (2.14%)

■ Stock Distribution

(By Number of Stockholders)



(By Number of Shares Held)



Financial Institutions	11 / 0.15%
Securities Companies	15 / 0.21%
Other Domestic Corporations	83 / 1.15%
Foreign Institutions, Etc.	9 / 0.12%
Individuals and Others	7,114 / 98.37%

Financial Institutions	18,051 shares / 15.88%
Securities Companies	704 shares / 0.62%
Other Domestic Corporations	24,742 shares / 21.76%
Foreign Institutions, Etc.	72 shares / 0.06%
Individuals and Others	70,115 shares / 61.68%

Reference Data at a Glance

Fiscal Year End	September 30
Annual General Meeting of Shareholders	December
Dividend Record Date	September 30 (March 31 for interim dividend payments)
Record Date	September 30 for attendance at Annual General Meeting of Shareholders (Other record dates shall be announced as necessary)
Method of Notification	Electronic notification If the electronic public notice should fail due to accident or other unavoidable circumstances, the Company shall post a public notice in the Nihon Keizai Shimbun. (Public notices will be posted at: http://www.sk-el.co.jp/top.html)
Stock Transfer Agent and Administration Institution for Special Accounts	The Sumitomo Trust & Banking Co., Ltd. 4-5-33, Kitahama, Chuo-ku, Osaka, Japan
Stock Transfer Agent Agency Administration Office	Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. 4-5-33, Kitahama, Chuo-ku, Osaka, Japan
(Postal Address)	Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd. 1-10, Nikko-cho, Fuchu, Tokyo, 183-8701, Japan
(Telephone Inquiries)	0120-176-417 (Toll-free in Japan)
(Website)	http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html
Listing Exchange	JASDAQ

Inquiries and notices concerning change of address or other details pertaining to stock shares

For inquiries and notices concerning procedures pertaining to stock shares (change of notification address, name, etc., change of dividend transfer method, change of bank account, etc.), please contact either of following institutions depending on whether you have established an account at a securities company.

[Shareholders who have an account at a securities company]: Please contact your securities company.

[Shareholders who do not have an account at a securities company]: Please contact The Sumitomo Trust & Banking Co., Ltd.

Special Accounts

Shares owned by shareholders who had not used Hofuri (Japan Securities Depository Center, Inc.) before the dematerialization of stock certificates have been recorded in an account (Special Account) established at The Sumitomo Trust & Banking Co., Ltd.

For details concerning the Special Account, please contact The Sumitomo Trust & Banking Co., Ltd. using the telephone number for Telephone Inquiries shown above.