FYE September 2009 Financial Report

November 9, 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	
Contact	General Manager of Administrative Division	Hidehiro Fujiwara	TEL (075) 441-2333
Scheduled Date for Annual Shareholders' Meeting		December 18, 2009	
Scheduled Date for Submitting Annual Report		December 18, 2009	
Scheduled Dividend Payment Date		—	

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for FYE 9/2009 (October 1, 2008 through September 30, 2009)

(1) Consolidated Results of Operations

(% indicates increase/decrease vs. prior year)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 9/2009	18,682	8.9	–675	—	–872	—	–2,011	—
FYE 9/2008	17,161	–6.5	1,046	500.9	886	566.3	417	688.3

	Net Income Per Share	Diluted Net Income Per Share	Return on Equity	Ordinary Income to Total Assets Ratio	Operating Income to Net Sales Ratio
	Yen	Yen	%	%	%
FYE 9/2009	–17,738.78	—	–19.9	–3.0	–3.6
FYE 9/2008	3,677.92	—	3.7	3.5	6.1

(Reference) Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Affiliates FYE 9/30/2009 — million yen FYE 9/30/ 2008 — million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	¥ millions	¥ millions	%	Yen
FYE 9/2009	32,226	10,315	27.5	78,226.39
FYE 9/2008	25,709	13,209	44.0	99,845.41

(Reference) Owned Capital FYE 9/30/2009 8,868 million yen FYE 9/30/2008 11,324 million yen

(3) Consolidated Cash Flow

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	¥ millions	¥ millions	¥ millions	¥ millions
FYE 9/2009	1,563	–8,479	7,272	2,413
FYE 9/2008	4,568	–4,533	603	2,167

2. Dividends

	Dividend per Share					Total Cash Dividends (FY)	Dividend Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Full Year			
	Yen	Yen	Yen	Yen	Yen	¥ millions	%	%
FYE 9/2008	—	0.00	—	800.00	800.00	90	21.8	0.8
FYE 9/2009	—	0.00	—	0.00	0.00	—	—	—
FYE 9/2010 (Projected)	—	0.00	—	800.00	800.00		60.5	

3. Projected Consolidated Results of Operations for FYE 9/2010 (October 1, 2009 through September 30, 2010)

(% indicates increase/decrease compared to prior year or prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	12,850	123.7	550	—	450	—	500	—	4,410.26
Full Year	24,400	30.6	350	—	150	—	150	—	1,323.08

4. Other

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

(2) Changes in accounting principles, procedures or presentation methods with respect to preparation of consolidated financial statements (changes in important items used as the basis for preparing consolidated financial statements)

1) Changes associated with revisions in accounting standards, etc.: Yes

2) Changes other than those in 1): None

(Note) For further details see pages 19 through 21 "(6) Important Items Used as the Basis for Preparing Consolidated Financial Statements" and page 22 "(7)Changes in Important Items Used as the Basis for Preparing Consolidated Financial Statements".

(3) Number of shares issued and outstanding (common stock)

<1> Number of shares issued and outstanding at end of period (including treasury stock)

FYE 9/2009 113,684 shares FYE 9/2008 113,684 shares

<2> Number of treasury shares at end of period

FYE 9/2009 312 shares FYE 9/2008 268 shares

(Note) For the number of shares used as the basis for calculation of net income per share (consolidated) see page 31 "Per Share Information"

(Reference) Overview of Non-Consolidated Results of Operations

1. Non-Consolidated Results of Operations for FYE 9/2009 (October 1, 2008 through September 30, 2009)

(1) Non-Consolidated Results of Operations (% indicates increase/decrease compared to prior year)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 9/2009	17,254	22.7	–451	–	–493	–	–1,765	–
FYE 9/2008	14,063	–5.3	708	124.3	735	37.9	327	2.3

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FYE 9/2009	–15,567.36	–
FYE 9/2008	2,889.97	–

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	¥ millions	¥ millions	%	Yen
FYE 9/2009	29,262	8,848	30.2	78,045.38
FYE 9/2008	21,025	10,696	50.9	94,313.31

(Reference) Owned Capital FYE 9/30/2009 8,848 million yen FYE 9/30/2008 10,696 million yen

2. Projected Non-Consolidated Results of Operations for FYE 9/2010
(October 1, 2009 through September 30, 2010)

(% indicates increase/decrease compared to prior year or prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	11,750	128.6	500	–	400	–	450	–	3,969.23
Full Year	22,300	29.2	300	–	100	–	100	–	882.05

Explanation concerning appropriate use of projected operating results and other special remarks

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the company and on certain assumptions deemed to be reasonable. Actual business results may differ substantially due to a number of factors. For information concerning the assumptions used for the above projections and matters to note when using the projected operating results, please see pages 3 through 5, "1. Operating Results (1) Analysis concerning operating results."

1. Analysis of Results of Operations

(1) Overview of the Current Period

During the current consolidated period,

During the consolidated fiscal year under review, the economy of Japan experienced the first signs of relief from the dramatic recession since last year's global financial crisis. However, corporate capital investment declined significantly, and the economic outlook remains murky.

Demand for LCD panels in the LCD industry remained sluggish in the first half of the fiscal year, 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.

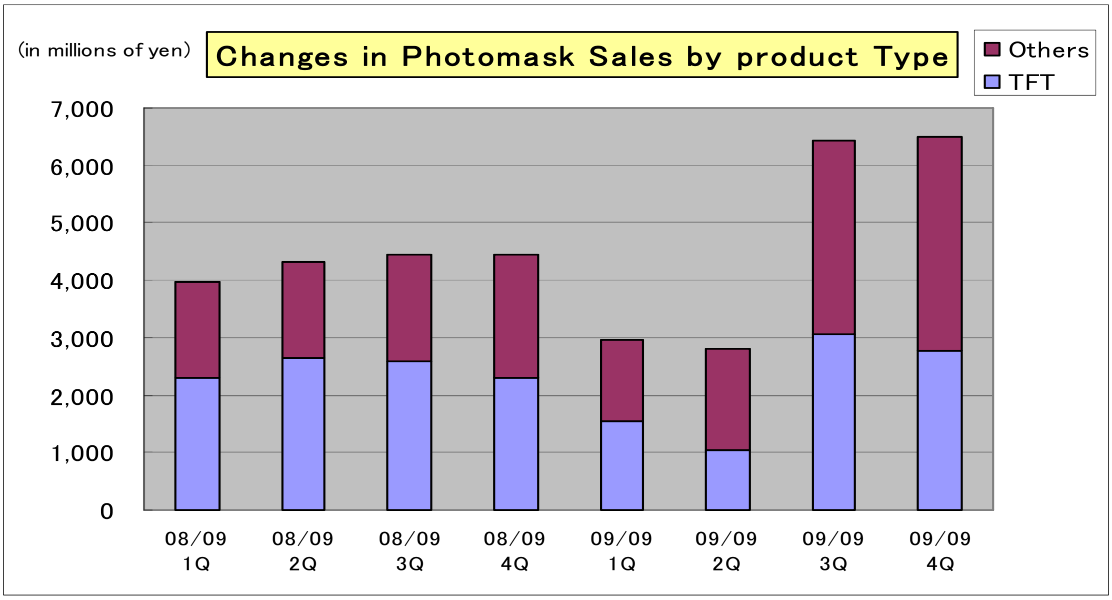
During the latter stages of the first half of the fiscal year, the government of China adopted a special "home appliance in the countryside" policy in that country. This led to a steady recovery in utilization rates for Taiwanese and Korean panel manufacturers. This also caused a sudden shortage in the supply of glass substrate, a key material in panel manufacturing, creating delivery delays for LCD panels.

Sharp Corporation started operations of its 10th generation LCD panel factory in Sakai, Osaka Prefecture about six months earlier than initially planned, beginning mass production from October 2009. The operations of other major panel manufacturers have likewise began a rapid recovery.

Given these market developments, the SK-Electronics Group began full-scale operations at our Shiga Plant (next-generation large-scale photomask manufacturing plant) in March 2009, continuing to ship 10th-generation photomasks in response to steady demand. However, demand for 8th-generation and earlier photomasks has remained weak, as panel manufacturers have limited or curtailed capital investment. We have also experienced a greater-than-expected decline in unit prices due to intensified competition both domestically and overseas. Because of the dramatic decrease in demand for small- and medium-sized photomasks in Japan over the past several years, the SK-Electronics Group has revised investment plans related to production for small- and medium-sized photomasks. We have recorded ¥306 million in loss on retirement of fixed assets as extraordinary losses. Furthermore, as a result of verifying the probability of recovery based on future received earnings from assets such as small and medium-sized photomask manufacturing facilities, we reduced the book value of certain assets including manufacturing facilities for some small and medium-sized type photomask production lines, including the Company's lease assets, to the recoverable value, and reported a ¥697 million extraordinary loss for the write-downs in question as an impairment loss. Finally, considering the change in operating results during the period, we also prudently examined the recoverability of deferred tax assets. Since we cannot expect a commensurate amount in taxable income, we have written off the entire amount of deferred tax assets, recording said amount as adjustments for corporate and other taxes.

As a result, the SK-Electronics Group experienced an increase in revenue and a decrease in profits compared to the prior fiscal year. Net sales amounted to ¥18.682 billion, while the Group recorded an operating loss of ¥675 million and an ordinary loss of ¥872 million. Net loss for the consolidated fiscal year under review amounted to ¥2.011 billion.

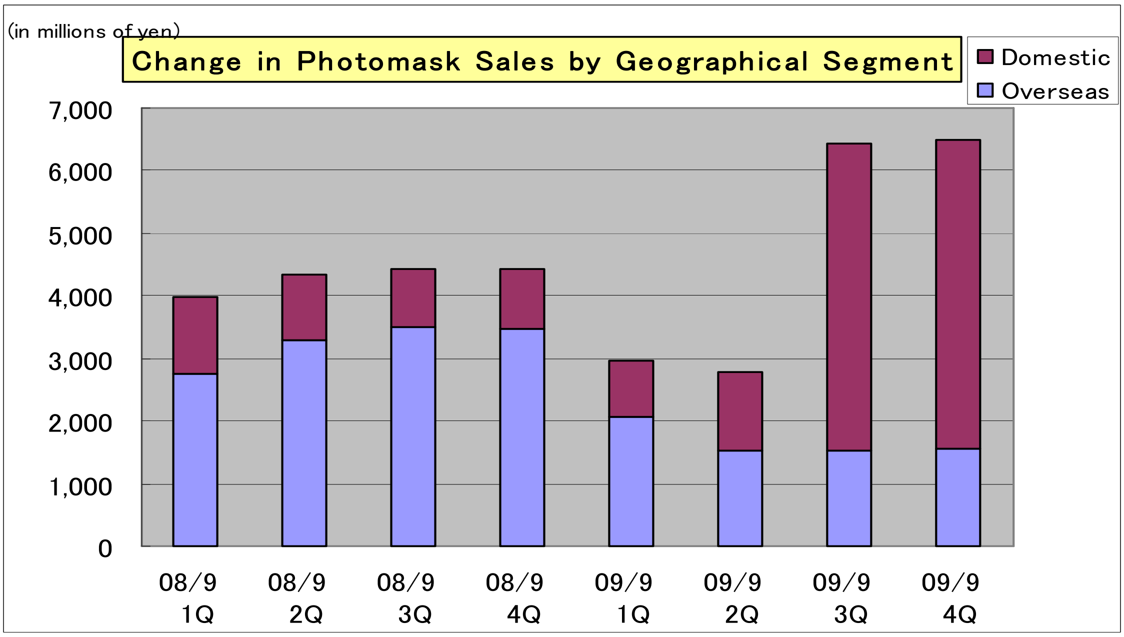
By product, net sales of TFT photomasks for the consolidated fiscal year under review amounted to ¥8.433 billion. Net sales of other photomasks experienced a marked increase, amounting to ¥10.248 billion. This was mainly due to increased test mask and CF photomask production associated with the utilization of the Shiga Plant.



(Reference) Change in Photomask Sales by Product Type (Unit: Millions of yen)

	08/09 1Q	08/09 2Q	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q	09/09 3Q	09/09 4Q
TFT	2,302	2,640	2,577	2,310	1,549	1,032	3,062	2,789
Others	1,662	1,684	1,859	2,124	1,404	1,759	3,383	3,702
Total	3,964	4,324	4,437	4,437	2,953	2,792	6,445	6,491

By geographic segment, domestic net sales for the consolidated fiscal year under review increased significantly to reach ¥12.014 billion—mainly due to strong demand for next-generation photomasks out of our Shiga Plant. Overseas, net sales were substantially lower than the prior fiscal year, amounting to ¥6.667 billion.



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

	08/9 1Q	08/9 2Q	08/9 3Q	08/9 4Q	09/9 1Q	09/9 2Q	09/9 3Q	09/9 4Q
Overseas	2,742	3,289	3,511	3,482	2,079	1,515	1,521	1,550
Domestic	1,222	1,035	926	952	873	1,276	4,923	4,941
Total	3,964	4,324	4,437	4,434	2,953	2,792	6,445	6,491

②Outlook for the Next Period

Looking over the mid- to long-term, we expect an increase in demand for large-format photomasks. This expectation is based on expanded demand in the market for LCD televisions from LCD panel manufacturers overseas, who will invest in new lines to handle requirements for larger panels. New uses and applications for LCD panels will continue to develop, also contributing to stronger demand.

We expect that there will be differences in the timing of new production line launches depending on LCD panel maker earnings. With the operation of the Sharp Corporation 10th-generation large-format panel plant, we believe that there will be an increase in the number of new 8th-generation lines and facilities at overseas manufacturers, and a general increase in call for large-format photomasks over the next fiscal year.

Given this environment, the SK-Electronics Group led the industry in building a next-generation (10th-generation and beyond) large-format photomask manufacturing plant ("Shiga Plant"), launching operations in March 2009, and establishing a position as a leading company in the photomask market. Projecting a further decline in consumer unit prices for LCD television sets, LCD panel manufacturers are pressuring suppliers to lower component costs—pressure that continues to affect unit prices for photomasks.

The SK-Electronics Group continues to adopt fundamental cost-cutting measures in response to this difficult operating environment. In addition, we are working to differentiate our offerings from our competitors, introducing technological proposals based on our understanding of customer needs, and increasing the speed with which we can react through the close coordination of sales, technology, production and management functions within the Group.

With the operation of our Shiga Plant, we project consolidated net sales for FY 2010 to reach ¥24.4 billion, representing a 30.6% year-on-year increase. We project non-consolidated net sales of ¥22.3 billion, representing a year-on-year increase of 29.2%. The Group forecasts consolidated ordinary income of ¥150 million, and non-consolidated ordinary income of ¥100 million.

We ask for your continued support as we continue to expand as a leading company in the LCD glass substrate photomask industry.

(2) Analysis of Financial Condition

1) Assets, Liabilities, and Net Assets

Total assets increased ¥6.516 billion compared with the end of previous consolidated fiscal year to ¥32.226 billion. This increase was mainly due to an increase in net sales associated with the full-scale operation of our Shiga Plant, resulting in an increase of notes and accounts receivable. In addition, we recorded an increase in assets for increase in buildings and structures, and machinery, equipment and vehicles related to construction of the Shiga Plant.

Total liabilities increased ¥9.41 billion compared to the end of the prior consolidated fiscal year to ¥21.911 billion. This mainly reflected a higher amount of long-term loans payable.

Total net assets decreased by ¥2.894 billion compared with the end of the prior consolidated fiscal year, to ¥10.315 billion. This was mainly because of a decrease in retained earnings and foreign currency translation adjustments.

2)Cash Flow

Cash and cash equivalents ("Cash") for the consolidated fiscal year under review increased by ¥245 million compared with the end of previous consolidated fiscal year to ¥2.413 billion.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated fiscal year under review totaled ¥1.563 billion (year-on-year decrease of ¥3.004 billion). This amount was mainly due to a loss before income taxes and minority interests of ¥1.921 billion (year-on-year decrease of ¥2.671 billion), depreciation and amortization expense of ¥5.545 billion (year-on-year increase of ¥2.879 billion) and an increase in accounts receivable of ¥4.372 billion (year-on-year increase of ¥5.060 billion).

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the consolidated fiscal year under review totaled ¥8.479 billion (year-on-year increase of ¥3.945 billion). This mainly reflected ¥8.472 billion of funds used for the purchase of tangible fixed assets (year-on-year increase of ¥4.281 billion).

(Cash Flows from Financing Activities)

Cash flows from financing activities during the consolidated fiscal year under review increased to ¥7.272 billion (year-on-year increase of ¥6.669 billion). This mainly reflected an increase in cash provided by long-term loans of ¥10.4 billion (year-on-year increase of 7.8 billion) and cash outlays of ¥2.588 billion (year-on-year increase of 909 million) in repayments of long-term loans.

(Reference)　Cash-Flow Ratio Trends

	FYE 9/2007	FYE 9/2008	FYE 9/2009
Equity Ratio (%)	44.4	44.0	27.5
Market Value Equity Ratio (%)	30.5	16.3	14.1
Interest-Bearing Liabilities to Cash Flow (%)	1.9	1.7	9.8
Interest Coverage Ratio (times)	25.6	33.6	9.2

※Equity Ratio:　Owned Capital / Total Assets
Market Value Equity Ratio:　Market Capitalization / Total Assets
Interest-Bearing Liabilities to Cash Flow:　Interest-Bearing Liabilities / Cash Flows
Interest Coverage Ratio:　Cash Flows / Interest Payments

(Note) 1. The above indices have been calculated using consolidated financial figures.

2. Market Capitalization: Closing Share Price at Year End × Total Shares Issued and Outstanding at Year End

3. Cash Flows used are Cash Flows from Operating Activities.

4. Interest-Bearing Liabilities are all consolidated liabilities from the Balance Sheet for which interest is being paid.

5. Interest Payments is the amount of interest paid from the Statement of Cash Flows.

(3) Our Basic Policy regarding Profit Distribution,Dividends for this current and next Period

The SK-Electronics Group believes that sharing Group profits with our shareholders is one of our most important management concerns, and our Basic Policy is to implement consistent profit distributions to our shareholders, in proper consideration of changes in the operating results of the Group. We will declare dividends in light of the availability of internal funds required for investment in equipment and research and development to expand our business, and our projections of future operating results, etc.

Given the precipitous decline in the business environment and a net loss recorded by the Group for the consolidated fiscal year under review, Group management has made the decision to suspend year-end dividend payments for this fiscal year.

Distribution of retained earnings for the next fiscal year (FYE September 2010) is expected to be 800 per share, in conformance to our Basic Policy regarding Profit Distribution.

3. Management policy

(1) Basic Company Management Policies

The guiding management policy of the Company is "Creation and Harmony." Our goal is to be a Company that pursues harmony among business, society, nature and people, contributing to an abundant society, both physically and spiritually, through the creation of beneficial products that meet society's needs.

Our Company aims to build a management structure capable of building continued growth and revenues through the effective utilization of internal and external management resources, responding quickly and appropriately to environmental changes in the rapidly growing Electronics Industry. At the same time, we also wish to contribute to society as a socially valuable technology company that plays a significant role in the fine-technology based electronics industry.

(2) Objectives and Management Performance Indicators

The main performance indicators targeted by the SK-Electronics Group are as follows:

	FYE 9/2007	FYE 9/2008	FYE 9/2009	Target
Net Sales to Ordinary Income Ratio <Profitability Indicator>	0.7%	5.2%	-4.7%	＜10.0%
Equity Ratio <Safety Indicator>	44.4%	44.0%	27.5%	＜40.0%
Net Sales to R&D Cost Ratio <New Development Indicator>	1.5%	1.4%	2.1%	5.0%

*The indicators above are calculated based on consolidated financial figures.

*Regarding "Net Sales to Ordinary Income Ratio" (a profitability indicator): While the SK-Electronics Group has not achieved its target due to intensified competition in the market and depreciation associated with Shiga Plant capital investment, we are focusing on profitability improvements through reductions in materials and other costs and improved added value through differentiation.

*Regarding "Equity Ratio" (a safety indicator): Although capital investment during FY 2009 and continued investment coordinated with market trends has resulted in our achieving target level in this category, we will continue to improve these figures through the repayment of interest-bearing debt from cash flow from operating activities, as well as by considering various capital procurement methods such as raising funds from capital markets, etc.

*We use the "Net Sales to R&D Cost Ratio" which is an indicator of new development, to determine whether we are actively developing new technology necessary for the continued growth of our company. At the present time, we have not yet reached the target level, but we will continue to focus our efforts to achieve the target level in the future.

(3) Mid- and Long-Term Management Strategy and Important Issues

The environment surrounding the Company Group's Comprehensive Large-Format Photomask Business is extremely difficult at present, with liquid crystal panel manufacturers demanding continued price cuts in photomask unit prices and increased price competition among Company competitors. Given this environment, the SK-Electronics Group has been the first in the world to put a next-generation large-format photomask manufacturing plant ("Shiga Plant") into full operation. To secure our standing among top manufacturers, the SK-Electronics Group has been practicing "Speedy Management," as well as coming together in a united front to address the following three issues, guided by our mantra to "create future value through wisdom and passion."

(1) Rapid Build-Up of our Next-Generation Large-Format Photomask Business

As indicated by the full-scale mass production beginning in October 2009 at the Sharp Corporation 10th-generation large-format panel plant (Sakai City, Osaka) and other developments, demand for large-format panels by LCD panel makers is expected to increase. To respond to this demand, the SK-Electronics Group will make the most of our first-mover advantage offered by our next-generation large-format photomask manufacturing plant ("Shiga Plant"), which began full operations in March 2009. We plan to reach profitability well in excess of our competition, realizing a rapid build-up in our next-generation large-format photomask business.

(2)Profitability Improvements in the Comprehensive Large-Format Photomask Business

In our current comprehensive large-format photomask business (8th-generation and older photomasks), we will be incorporating stronger marketing that responds quickly to capital investment and production trends among LCD panel manufacturers, including those in the Chinese market—expected to be a growth market in the future. Internally, we are promoting stronger profitability through productivity improvements, fixed cost reductions, and materials procurement cost reductions—all areas that will help us meet demands for lower photomask unit costs and increased price competition.

(3)Early Commercialization of New Business Segments

Projections indicate that the Comprehensive Large-Format Photomask Business will experience increased demand for large-format panels, driven by the liquid crystal television market; however, it appears from a long-term perspective that the market is steadily reaching a stage of maturity, with slowing growth rates. For the Company Group to achieve continuing growth, we must construct business segments that will become new pillars of revenue in as early a time frame as possible. The Company is studying internal research and development, the adoption of external technologies, and other initiatives across a wide range, aiming for early business commercialization by engaging in the efficient focus of management resources.

(4) Internal Management Structure Development/ Operations

A discussion of this topic can be found in our corporate governance report, "Basic Philosophies regarding Internal Control Systems and the State of their Effectiveness."

4. Consolidated Financial Statements

(1) 【Consolidated Balance Sheets 】

(¥thousands)

	Prior Consolidated Fiscal Year (FYE 9/2008)	Prior Consolidated Fiscal Year (FYE 9/2009)
Assets		
Current assets		
Cash and deposits	2,167,912	2,413,547
Notes and accounts receivable-trade	3,942,992	8,046,444
Merchandise and finished goods	—	41,138
Work in process	—	470,657
Raw materials and supplies	—	1,365,386
Inventories	2,180,209	—
Deferred tax assets	227,673	—
Accounts receivable-other	492,978	—
Income taxes receivable	—	187,212
Consumption taxes receivable	—	522,243
Others	63,018	330,322
Allowance for doubtful accounts	-471	-21,834
Current assets	9,074,314	13,355,118
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,535,995	4,921,723
Machinery, equipment and vehicles, net	6,934,315	11,676,573
Land	1,607,750	1,607,750
Construction in progress	4,761,140	—
Other, net	146,176	131,676
Property, plant and equipment	15,985,378	18,337,724
Intangible assets		
Software	316,879	301,816
Total Property, plant and equipment	316,879	301,816
Investments and other assets		
Investment securities	125,296	103,879
Long-term loan receivable	1,636	765
Deferred tax asset	28,605	—
Other	205,908	151,043
Allowance for doubtful accounts	-28,136	-23,843
Investments and other assets	333,310	231,845
Noncurrent assets	16,635,567	18,871,385
Assets	25,709,881	32,226,503
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,336,202	4,958,142
Short-term loans payable	600,000	500,000
Current portion of long-term loans payable	1,954,410	4,585,413
Accrued liability	331,937	—
Accrued expense	327,555	—
Income taxes payable	338,943	5,000
Provision for directors' bonuses	28,000	—
Notes payable-facilities	3,351	624,853
Current portion of long-term accounts payable	345,752	247,661
Others	123,986	976,572
Current liabilities	7,390,141	11,897,644

(¥thousands)

	Prior Consolidated Fiscal Year (FYE 9/2008)	Prior Consolidated Fiscal Year (FYE 9/2009)
Noncurrent liabilities		
Long-term loans payable	4,802,784	9,963,947
Long-term accounts payable-facilities	249,396	—
Deferred tax liabilities	—	12,647
Other	57,880	36,816
Total Noncurrent liabilities	5,110,061	10,013,412
Total Liabilities	12,500,203	21,911,056
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,335,413	4,335,413
Retained earnings	3,092,458	989,988
Treasury stock	-48,116	-48,338
Shareholders' equity	11,489,478	9,386,786
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,513	18,581
Foreign currency translation adjustment	-175,980	-536,685
Valuation and translation adjustments	-165,466	-518,103
Minority interests	1,885,667	1,446,764
Total Net assets	13,209,678	10,315,447
Total Liabilities and net assets	25,709,881	32,226,503

(2)【Consolidated Statements of Income】

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2007 To September 30,2008)	Current Consolidated Fiscal Year (From October 1, 2008 To September 30, 2009)
Net sales	17,161,200	18,682,226
Cost of sales	13,808,277	17,245,121
Gross profit	3,352,922	1,437,105
Selling,general and administrative expenses	2,306,420	2,112,882
Operating income/loss (-)	1,046,502	-675,777
Non-operating expenses		
Interest income	2,705	2,584
Dividends income	2,823	—
Real estate rent	24,152	15,927
Commission fee	31,365	30,909
Others	69,050	9,513
Total Non-operating income	130,096	58,936
Non-operating expenses		
Interest expenses	136,567	170,743
Rent cost of real estate	12,160	—
Foreign exchange losses	57,361	—
LeaseExpenses	29,460	29,460
Others	54,694	55,006
Total Non-operating expenses	290,243	255,209
Ordinary income/loss (-)	886,355	-872,051
Extraordinary income		
Subsidy	6,174	—
Gain on sales of noncurrent assets	—	46,106
Reversal of allowance for doubtful accounts	35,632	—
Total Extraordinary income	41,806	46,106
Extraordinary loss		
Loss on valuation of investment securities	87,132	—
Loss on abolishment of retirement benefit plan	44,369	—
Loss on retirement of noncurrent assets	46,761	306,116
Provision of allowance for doubtful accounts	—	—
Impairment loss	—	697,270
Others	—	92,006
Total Extraprdinary loss	178,263	1,095,393
Income before income taxes and minority interests(-)	749,898	-1,921,338
Income taxes current	424,791	36,677
Income taxes deferred	-190,126	237,398
Income taxes	234,665	274,075
Minority interests in income (—)	98,061	-184,161
Net income (—)	417,171	-2,011,253

③【Consolidated Statements of Changes in Stockholders' Equity】

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2007 To September 30,2008)	Current Consolidated Fiscal Year (From October 1, 2008 To September 30, 2009)
Shareholders' equity		
Capital stock		
Balance at September 30, 2008	4,109,722	4,109,722
Balance at September 30, 2009	4,109,722	4,109,722
Capital surplus		
Balance at September 30, 2008	4,335,413	4,335,413
Balance at September 30, 2009	4,335,413	4,335,413
Retained earnings		
Balance at September 30, 2008	2,761,112	3,092,458
Balance at September 30, 2009		
Dividends from surplus	-85,070	-90,733
Net income/loss (-)	417,171	-2,011,253
Disposal of treasury stock	-754	-484
Total changes of items during the period	331,346	-2,102,470
Balance at September 30, 2009	3,092,458	989,988
Treasury stock		
Balance at September 30, 2008	-48,390	-48,116
Changes of items during the period		
Purchase of treasury stock	-706	-801
Disposal of treasury stock	980	579
Total changes of items during the period	274	-221
Balance at September 30, 2009	-48,116	-48,338
Total shareholders' equity		
Balance at September 30, 2008	11,157,857	11,489,478
Changes of items during the period		
Dividends from surplus	-85,070	-90,733
Net income/loss(-)	417,171	-2,011,253
Purchase of treasury stock	-706	-801
Disposal of treasury stock	226	95
Total changes of items during the period	331,620	-2,102,692
Balance at September 30, 2009	11,489,478	9,386,786

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1, 2007 To September 30, 2008)	Current Consolidated Fiscal Year (From October 1, 2008 To September 30, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at September 30, 2008	45,540	10,513
Changes of items during the period		
Net changes of items other than shareholders' equity	-35,027	8,068
Total changes of items during the period	-35,027	8,068
Balance at September 30, 2009	10,513	18,581
Foreign currency translation adjustment		
Balance at September 30, 2008	68,052	-175,980
Changes of items during the period		
Net changes of items other than shareholders' equity	-244,032	-360,705
Total changes of items during the period	-244,032	-360,705
Balance at September 30, 2009	-175,980	-536,685
Total valuation and translation adjustments		
Balance at September 30, 2008	113,592	-165,466
Changes of items during the period		
Net changes of items other than shareholders' equity	-279,059	-352,637
Total changes of items during the period	-279,059	-352,637
Balance at September 30, 2009	-165,466	-518,103
Minority interests		
Balance at September 30, 2009	1,955,362	1,885,667
Changes of items during the period		
Net changes of items other than shareholders' equity	-69,695	-438,902
Total changes of items during the period	-69,695	-438,902
Balance at September 30, 2009	1,885,667	1,446,764
Total Net assets		
Balance at September 30, 2008	13,226,812	13,209,678
Changes of items during the period		
Dividends from surplus	-85,070	-90,733
Net income/loss (-)	417,171	-2,011,253
Purchase of treasury stock	-706	-801
Disposal of treasury stock	226	95
Net changes of items other than shareholders' equity	-348,754	-791,539
Total changes of items during the period	-17,133	-2,894,231
Net assets	13,209,678	10,315,447

(4)【Consolideted Statement of Cash Frows)

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2007 To September 30,2008)	Current Consolidated Fiscal Year (from October 1,2008 To September 30,2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests/loss(-)	749,898	-1,921,338
Depreciation and amortization	2,665,463	5,545,270
Increase (decrease) in allowance for doubtful accounts(-)	-31,402	21,084
Increase (decrease) in provision for directors' bonuses(-)	28,000	-28,000
Interest and dividends income	-5,528	-3,445
Interest expenses	136,567	170,743
Loss on retirement of property, plant and equipment	46,761	306,116
Loss (gain) on sales of noncurrent assets (-)	—	-46,106
Impairment loss-OpeCF	—	697,270
Loss on abolishment of retirement benefit plan	44,369	—
Loss (gain) on valuation of investment securities((-)is gain)	87,132	—
Decrease (increase) in notes and accounts receivable-trade	687,984	-4,372,715
Decrease (increase) in inventories	96,551	222,171
Increase (decrease) in notes and accounts payable-trade	-401,713	1,790,627
Increase (decrease) in accounts payable-other	196,397	-64,677
Increase (decrease) in accrued expenses	—	-95,131
Other, net	447,103	-44,294
Subtotal	4,747,585	2,177,575
Interest and dividends income received	5,706	3,451
Interest expenses paid	-135,888	-169,712
Income taxes paid	-88,555	-447,985
Income taxes refund	39,330	—
Net cash provided by (used in) operating activities	4,568,178	1,563,327
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	-4,190,548	-8,472,236
Proceeds from sales of property, plant and equipment	—	46,106
Purchase of intangible assets	-298,987	-81,152
Payments of loans receivable	-1,700	—
Collection of loans receivable	797	870
Other, net	-42,870	27,231
Net cash provided by (used in) investment activities	-4,533,309	-8,479,180
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	105,780	-100,000
Proceeds from long-term loans payable	2,600,000	10,400,000
Repayment of long-term loans payable	-1,678,434	-2,588,401
Payments for installment payables-property and equipment	-338,374	-345,752
Purchase of treasury stock	-706	-801
Proceeds from sales of treasury stock	226	95
Cash dividends paid	-85,070	-90,733
Cash dividends paid	—	-1,525
Net cash provided by (used in) financing activities	603,421	7,272,881
Effect of exchange rate change on cash and cash equivalents	-69,827	-111,393
Net increase (decrease) in cash and cash equivalents(-)	568,462	245,635
Cash and cash equivalents	1,599,449	2,167,912
Cash and cash equivalents	2,167,912	2,413,547

2 Segment Information by Geographical Location

Prior Consolidated Fiscal Year (From October 1, 2007 to September 30, 2008)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
I Net Sales and Operating Income					
Net Sales					
(1) Net Sales to Outside Customers	11,457,491	5,703,708	17,161,200	—	17,161,200
(2) Inter-Segment Sales/ Transfers	2,605,665	293,410	2,899,075	(2,899,075)	—
Total	14,063,156	5,997,118	20,060,275	(2,899,075)	17,161,200
Operating Expenses	13,168,553	5,772,362	18,940,915	(2,826,217)	16,114,698
Operating Income/loss	894,602	224,756	1,119,359	(72,857)	1,046,502
II Assets	19,261,534	7,322,258	26,583,792	(873,910)	25,709,881

(Note) 1. Basis for geographic segmentation of countries or regions and major components of each segment

(1) Countries and regions are segmented by geographical proximity.

(2) Major components Asia: Taiwan, Korea

2 2. Unallocated operating expenses included in the "Elimination or Corporate" category totaled ¥6,241 thousand the majority of which are the costs for the Company's administrative functions.

3. The amount of total Company assets included in the "Elimination or Corporate" category amounted to ¥2,621,872thousand, the majority of which consisted of surplus funds (cash), long-term investment funds (Investment Securities), and assets in the Administrative and Property Management divisions.

Current Consolidated Fiscal Year (From October 1, 2008 to September 30, 2009)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
I Net Sales and Operating Income					
Net Sales					
(1) Net Sales to Outside Customers	15,727,225	2,955,000	18,682,226	—	18,682,226
(2) Inter-Segment Sales/ Transfers	1,527,106	418,410	1,945,516	(1,945,516)	—
Total	17,254,332	3,373,411	20,627,743	(1,945,516)	18,682,226
Operating Expenses	17,568,930	3,695,538	21,259,469	(1,901,494)	19,358,004
Operating Income	-314,628	-322,127	-636,455	(39,021)	-675,777
II Assets	27,494,772	4,825,896	32,320,668	(94,165)	32,226,503

(Note) 1. Basis for geographic segmentation of countries or regions and major components of each segment

(1) Countries and regions are segmented by geographical proximity.

(2) Major components Asia: Taiwan, Korea

2. Unallocated operating expenses included in the "Elimination or Corporate" category totaled ¥141,719 thousand, the majority of which are the costs for the Company's administrative functions.

3. The amount of total Company assets included in the "Elimination or Corporate" category amounted to ¥2,693,885 thousand, the majority of which consisted of surplus funds (cash), long-term investment funds (Investment Securities), and assets in the Administrative and Property Management divisions.

4 Changes in Accounting Procedures

As noted in "Changes in Important Items Used as the Basis for Preparing Consolidated Financial Statements," the SK-Electronics Group has adopted "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). In connection with this change, operating loss for the consolidated fiscal year under review has increased by ¥27,524 thousand compared to the operating loss as calculated under the prior method.

3 Overseas Net Sales

Prior Consolidated Fiscal Year (From October 1, 2007 to September 30, 2008)

	Asia	Other	Total
I Overseas Net Sales (¥thousands)	5,788,785	—	5,788,785
II Consolidated Net Sales (¥thousands)			17,161,200
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	33.7	—	33.7

(Note) 1. Segmentation of countries and regions is based on geographical proximity.
2. Major countries and regions outside Japan
Asia: Taiwan, South Korea, China, Singapore
3. Overseas sales represent sales of the Company and its consolidated subsidiaries in the countries and regions outside Japan.

Current Consolidated Fiscal Year (From October 1, 2008 to September 30, 2009)

	Asia	Other	Total
I Overseas Net Sales (¥thousands)	3,094,550	—	3,094,550
II Consolidated Net Sales (¥thousands)			18,682,226
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	16.6	—	16.6

(Note) 1. Segmentation of countries and regions is based on geographical proximity.
2. Major countries and regions outside Japan
Asia: Taiwan, South Korea, China, Singapore
3. Overseas sales represent sales of the Company and its consolidated subsidiaries in the countries and regions outside Japan.

5.Non-Consolidated Financial Statements

(1)【Balance Sheet】

(¥thousands)

	Prior Consolidated Fiscal Year (FYE 9/2008)	Prior Consolidated Fiscal Year (FYE 9/2009)
Assets		
Current assets		
Cash and deposits	1,372,083	1,525,221
Notes receivable-trade	53,996	267,667
accounts receivable-trade	3,102,374	7,146,086
Merchandise and finished goods	—	41,138
Work in process	108,536	435,338
Raw materials	1,323,990	—
Supplies	139,584	—
Raw materials and supplies	—	959,294
Advance payment	34,185	52,723
Deferred tax assets	178,074	—
Accounts receivable-other	606,598	256,219
Income taxes receivable	—	158,677
Consumption taxes receivable	—	522,243
Other	5,909	13,200
Allowance for doubtful accounts	-377	-16,300
Current assets	6,924,955	11,361,509
Noncurrent assets		
Property, plant and equipment		
Buildings,net	2,241,936	4,552,793
Structures,net	39,980	154,534
Machinery, equipment,net	2,652,606	8,901,281
Vehicles, net	119	89
Tool and materials,net	134,895	126,068
Land	1,607,750	1,607,750
Construction in progress	4,760,142	—
Property, plant and equipment	11,437,431	15,342,516
Intangible assets		
Software	315,982	296,397
Intangible assets	315,982	296,397
Investments and other assets		
Investment securities	125,296	103,879
Investment in stocks of affiliated company	2,078,169	2,078,169
Long-term loans receivable	1,636	765
Guarantee money paid	33,380	—
Deferred tax assets	28,605	—
Others	80,296	79,386
Allowance for doubtful accounts	-1	-100
Investments and other assets	2,347,383	2,262,101
Noncurrent assets	14,100,797	17,901,016
Assets	21,025,753	29,262,526

(¥thousands)

	Prior Consolidated Fiscal Year (FYE 9/2008)	Prior Consolidated Fiscal Year (FYE 9/2009)
Liabilities		
Current liabilities		
Notes payable-trade	2,640,253	3,793,400
Accounts payable-trade	574,598	1,027,512
Short-term loans payable	600,000	500,000
Current portion of long-term loans payable	1,134,748	3,985,768
Accounts payable-other	484,462	366,064
Accrued expenses	239,749	186,825
Income taxes payable	319,000	5,000
Deposits payable	21,715	21,129
Provision for directors' bonuses	28,000	—
Notes payable-facilities	3,351	624,853
Current portion of long-term accounts payable	345,752	247,611
Others	96,981	309,174
Current liabilities	6,488,613	11,067,390
Noncurrent liabilities		
Long-term loans payable	3,533,278	9,297,510
Long-term accounts payable-facilities	249,396	—
Deferred tax liabilities	—	12,647
Others	57,880	36,816
Noncurrent liabilities	3,840,554	9,346,974
Liabilities	10,329,167	20,414,365
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus		
Capital appropriation	4,335,413	4,335,413
Total Capital surplus	4,335,413	4,335,413
Retained earnings		
Earned reserve	21,500	21,500
Retained earnings, Others		
Other reserve	1,500,000	1,700,000
Earned surplus carried forward	767,553	-1,288,718
Total Retained earnings	2,289,053	432,781
Treasury stock	-48,116	-48,338
Shareholders' equity	10,686,072	8,829,579
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,513	18,581
Valuation and translation adjustments	10,513	18,581
Net assets	10,696,586	8,848,160
Liabilities and net assets	21,025,753	29,262,526

(2)【Non-Consolidated Statements of Income】

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2007 To September	Current Consolidated Fiscal Year (From October 1, 2008 To September 30, 2009)
Net sales		
Net sales of finished goods	11,847,914	15,913,074
Sales of raw materials	2,048,833	1,245,868
Other sales	166,408	95,388
Net sales	14,063,156	17,254,332
Cost of sales		
Cost of products manufactured	9,227,597	14,540,818
Purchase of finished goods	152,646	108,729
Total	9,380,243	14,649,548
Ending finished goods	—	41,138
Cost of finished goods sold	9,380,243	14,608,410
Cost of raw material sales	1,982,621	1,190,898
Cost of sales	11,362,864	15,799,308
Gross profit	2,700,291	1,455,023
Selling, general and administrative expenses	1,991,930	1,906,341
Operating income/loss(-)	708,361	-451,318
Non-operating income		
Interest income	1,319	735
Dividends income	2,823	3,010
Real estate rent	24,152	15,927
Technical advisory fee	119,139	91,443
Commission fee	31,365	30,909
Other	23,753	15,947
Total Non-operating income	202,553	157,974
Non-operating expenses		
Interest expenses	81,212	140,126
Rent cost of real estate	12,160	—
LeaseExpenses	29,460	29,460
Others	52,944	30,461
Non-operating expenses	175,777	200,048
Ordinary income/loss(-)	735,136	-493,392
Extraordinary income		
Gain on sales of property, plant and equipment	—	46,106
Reversal of allowance for doubtful accounts	35,632	—
Subsidy	6,174	—
Extraordinary income	41,806	46,106
Extraordinary loss		
Loss on valuation of investment securities	87,132	—
Loss on abolishment of retirement benefit plan	44,369	—
Loss on retirement of noncurrent assets	35,707	277,981
Impairment loss	—	697,270
Others	—	92,006
Extraordinary loss	167,209	1,067,259
Income before income taxes/loss (-)	609,733	-1,514,544
Income taxes-current	407,085	36,673
Income taxes-deferred	△125,150	213,836
Income taxes	281,935	250,509
Net income/loss (-)	327,797	-1,765,054

Schedule of Cost of Goods Manufactured

		Period 6 (From October 1, 2007 To September 30, 2008)		Period 7 (From October 1, 2008 To September 30, 2009)	
Accounts	Note	Amount (¥thousands)	Ratio (%)	Amount (¥thousands)	Ratio (%)
Ⅰ Materials Cost		4,752,012	50.9	7,126,404	47.4
Ⅱ Labor Cost		971,486	10.4	898,131	6.0
Ⅲ Overhead Expenses	*1	3,620,381	38.7	7,006,628	46.6
Total Manufacturing Expenses		9,343,881	100.0	15,031,165	100.0
Work in Progress Inventory, Beginning of Period		157,876		108,536	
Total		9,501,757		15,139,702	
Work in Progress Inventory, End of Period		108,536		435,338	
Transfer to Other Accounts	*2	165,623		163,545	
Cost of Goods Manufactured		9,227,597		14,540,818	

Cost Calculation Method

Under a job-order costing system, Raw Materials Expense is calculated at actual cost, while the manufacturing cost for other expenses is calculated according to projected costs, with the difference between actual cost and projected cost allocated to Inventory and/ or Cost of Sales at the end of the period.

(Note)

Period 6 (From October 1, 2007 To September 30, 2008)	Period 7 (From October 1, 2008 To September 30, 2009)
*1 Major components of Manufacturing Expenses (¥thousand) Depreciation Expense 1,272,914 Repairs Expense 604,088 ProcessingCosts Paid to Subcontractors 291,444 ProcessingCosts Paid to Subcontractor 421,757	*1 Major components of Manufacturing Expenses (¥thousand) Depreciation Expense 4,399,870 Repairs Expense 555,612
*2 Major Components of Transfer to Other Accounts Presentation Expenses 155,807	**2 Major Components of Transfer to Other Accounts Presentation Expenses 118,250