

# Summary Report of Consolidated Financial Statements for the First Quarter of the Fiscal 2010

February 8, 2010

Company Name	SK-Electronics Co., Ltd.	Listed Exchange JASDAQ
Code No.	6677	URL <a href="http://www.sk-el.co.jp">http://www.sk-el.co.jp</a>
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Planned Quarterly Report Filing Date		February 12, 2010
Schedule Date for Commencement of Dividend Payments		--

(Rounded down to the nearest ¥ million)

## 1. Consolidated Results of Operations for the First Quarter of Fiscal 2010 (October 1, 2009 through December 31, 2009)

### (1) Consolidated Results of Operations (cumulative)

(% indicates increase/decrease vs. prior year)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
First Quarter FYE 9/2010	6,488	119.7	713	—	682	—	637	—
First Quarter FYE 9/2009	2,953	—	-627	—	-712	—	-690	—

	Quarter Net Income per Share	Diluted Quarter Net Income per Share
	Yen	Yen
First Quarter FYE 9/2010	5,624.95	—
First Quarter FYE 9/2009	-6,091.42	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
First Quarter FYE 9/2010	31,881	11,056	30.0	84,500.45
FYE 9/2009	32,226	10,315	27.5	78,226.39

(Reference) Owned Capital	First Quarter, FYE 9/2010	9,579 million yen
	FYE 9/2009	8,868 million yen

## 2. Dividends

	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 9/2009	—	0.00	—	0.00	0.00
FYE 9/2010	—				
FYE 9/2010 (Projected)		0.00	—	800.00	800.00

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

## 3. Projected Consolidated Results of Operations for FYE 9/2010

(October 1, 2009 through September 30, 2010)

(% indicates increase/decrease compared to prior year)

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

(Note) Change in consolidated earnings projections for the quarter: No.  
Currently under consideration.

#### 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 to 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.: None  
2) Changes other than those in 1): None

(4) Number of shares issued and outstanding (common stock)  
<1> Number of shares issued and outstanding at end of period (including treasury stock)  
First Quarter, FYE 9/2010 113,684 shares  
FYE 9/2009 113,684 shares  
<2> Number of treasury shares at end of period  
First Quarter, FYE 9/2010 312 shares  
FYE 9/2009 312 shares  
<3> Average number of shares during the period (cumulative, consolidated fiscal quarter)  
First Quarter, FYE 9/2010 113,372 shares  
First Quarter, FYE 9/2009 113,414 shares

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

Projections of Results of Operations for “FYE September 2010 Financial Report” dated on Nov.9, 2009 are NOT revised. 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.

[Qualitative Information/ Financial Statements, etc.]

## 1. Qualitative Information related to Consolidated Results of Operations

During the first quarter of the consolidated fiscal year under review, the Japanese economy showed some signs of making a recovery, mainly due to emergency economic measures introduced by the government. However, with no developments that could be called an independent recovery, employment continued to deteriorate, the risk of deflation remains high, and the future of the economy in Japan continues to be uncertain.

The LCD panel industry welcomed several announcements regarding investment in LCD panel manufacturing lines in China, indicating another growth stage fueled by a recovery among panel manufacturers. The introduction of Microsoft Windows 7 to the market and growth in the market for LCD TVs using LED backlights have helped spur demand for panels in nearly every application.

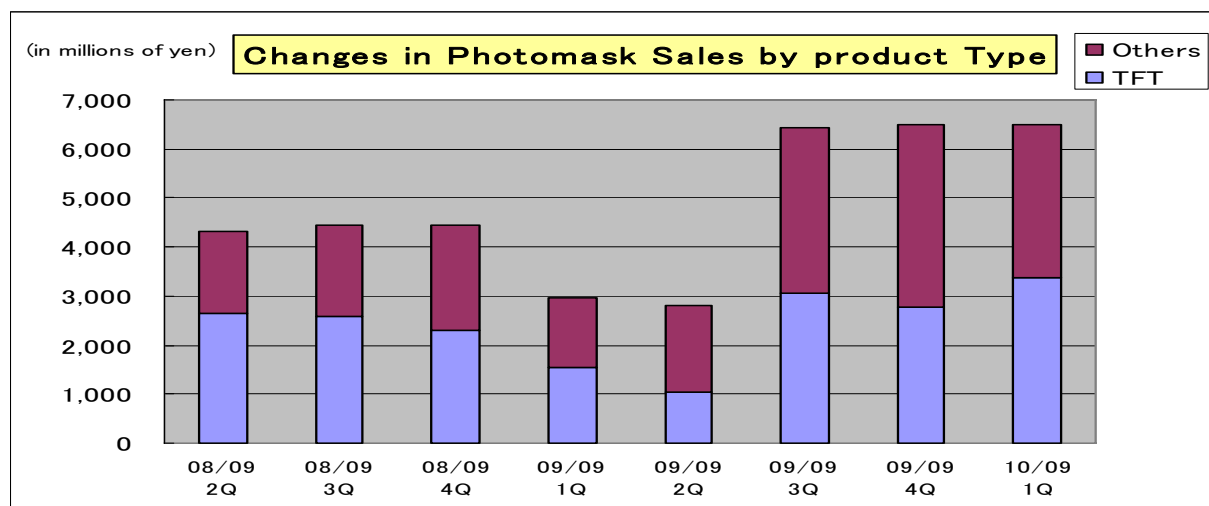
With the strong lead-out of the new Sharp Corporation Sakai Plant, demand for 10<sup>th</sup>-generation photomasks is higher. As a whole, demand for 8<sup>th</sup>-generation and earlier large-format photomasks has grown steadily, pushed by the resumption of operations in new lines that panel manufacturers had been postponing.

The SK-Electronics Group expects a continued challenge in the operating environment, due to downward pressure on unit prices caused by intensified competition among domestic and international photomask firms. The Group remains engaged in organization-wide initiatives to enhance product development capacity and to cut costs.

As a result, both revenue and profit experienced year-on-year increases. Net sales amounted to ¥6,488 million (119.7% year-on-year increase). Operating income amounted to ¥713 million (compared to a ¥627 million loss for the same period in the prior fiscal year), and ordinary income amounted to ¥682 million (compared to ordinary loss of ¥712 million). The Group recorded quarterly net income of ¥637 million (compared to net loss of ¥690 million).

By product, net sales of TFT photomasks amounted to ¥3,374 million. While the segment's share of total sales remained nearly unchanged compared to the prior fiscal year, there was a significant increase in net sales overall.

(Reference)

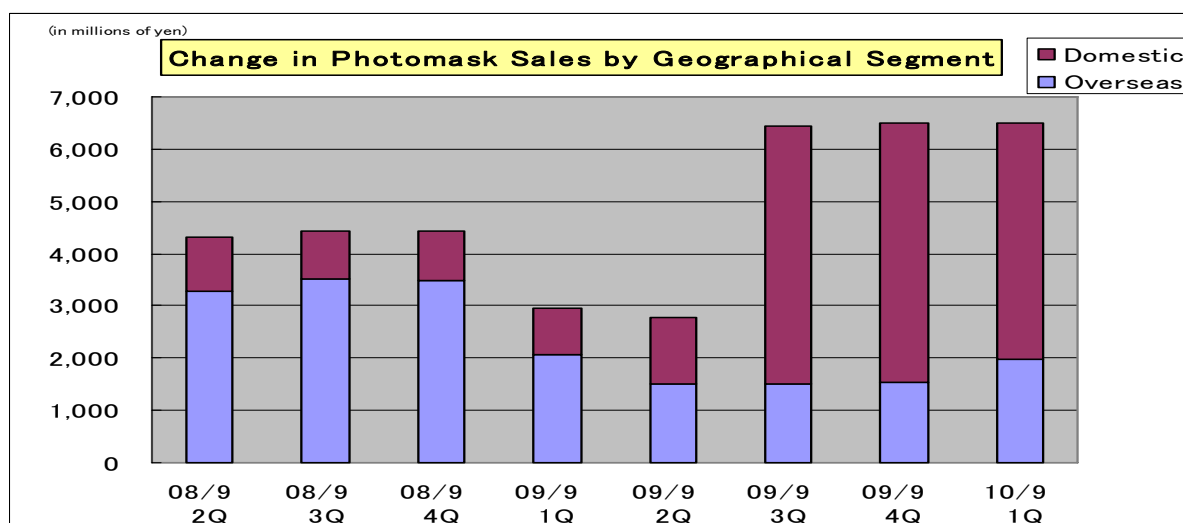


(Reference) Change in Photomask Sales by Product Type (Unit: Millions of yen)

	08/09 2Q	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q	09/09 3Q	09/09 4Q	10/09 1Q
TFT	2,640	2,577	2,310	1,549	1,032	3,062	2,789	3,374
Others	1,684	1,859	2,124	1,404	1,759	3,383	3,702	3,113
Total	4,324	4,437	4,437	2,953	2,792	6,445	6,491	6,488

By region, domestic net sales increased broadly year-on-year to ¥4,497 million, fueled by strong growth in next-generation photomasks from the Shiga Plant. Overseas net sales remained nearly the same as the prior fiscal year, amounting to ¥1,990 million.

(Reference)



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

	08/9 2Q	08/9 3Q	08/9 4Q	09/9 1Q	09/9 2Q	09/9 3Q	09/9 4Q	10/9 1Q
Overseas	3,289	3,511	3,482	2,079	1,515	1,521	1,550	1,990
Domestic	1,035	926	952	873	1,276	4,923	4,941	4,497
Total	4,324	4,437	4,434	2,953	2,792	6,445	6,491	6,488

## 2. Qualitative Information related to Consolidated Financial Position

### (1) Assets, Liabilities and Net Assets

Total assets at the end of the consolidated first quarter of the current fiscal year decreased by ¥344 million compared to the end of the prior consolidated fiscal year, amounting to ¥31,881 million. This decrease was mainly due to decreases in notes and accounts receivable, trade, as well as depreciation related to machinery, equipment, and vehicles.

Total liabilities decreased ¥1,085 million compared to the end of the prior consolidated fiscal year to ¥20,825 million. This decrease was mainly due to decreases in short-term loans payable and long-term loans payable.

Total net assets increased by ¥740 million compared to the end of the prior consolidated fiscal year to ¥11,056 million. This increase was mainly due to an increase in retained earnings.

### (2) Cash Flows

Cash and cash equivalents (“Cash”) at the end of the consolidated first quarter of the current fiscal year increased by ¥2,641 million compared to the end of the previous consolidated fiscal year, amounting to ¥5,055 million in total.

#### (Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated first quarter of the current fiscal year were ¥5,014 million. This was mainly due to quarterly net income before income taxes and minority interest of ¥782 million, depreciation and amortization expense of ¥1,373 million, a decrease in notes and accounts receivable, trade of ¥1,165 million, and an increase in notes and accounts payable, trade of ¥1,182 million.

#### (Cash Flows from Investing Activities)

Cash used in investing activities during the first quarter of the current consolidated fiscal year amounted to ¥590 million. This was mainly due to outlays of ¥590 million in acquisitions of tangible fixed assets.

#### (Cash Flows from Financing Activities)

Cash used in financing activities during the consolidated first quarter of the current fiscal year amounted to ¥1,813 million. This was mainly due to a net decrease in short-term loans payable of ¥500 million, and repayments of long-term loans in the amount of ¥1,225 million.

## 3. Qualitative Information on Consolidated Earnings Projections

Projections of Results of Operations for “Second Quarter and Full year of FYE September 2010 Financial Report” dated on Nov.9, 2009 are NOT revised.

#### 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

##### ①Adoption of Simplified Accounting Policies

###### 1) Allowance for Doubtful Accounts

Management did not note any significant changes in actual percentages for uncollectible accounts as of the end of the consolidated first quarter of the current fiscal year. Accordingly, allowances for doubtful accounts have been calculated using the actual uncollectible account percentages as of the end of the prior consolidated fiscal year.

###### 2) Inventory Valuation

Management did not conduct a physical inventory count as of the last day of consolidated first quarter of the current fiscal year. Accordingly, the calculation for inventory as of the end of the consolidated first quarter has been calculated using a rational method based on the physical inventory count conducted at the end of the prior consolidated fiscal year.

###### 3) Depreciation of Fixed Assets

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 : None.

5. Quarterly Consolidated Financial Statements  
(1) Quarterly Consolidated Balance Sheets

(Unit : thousand yen)

	Consolidated accounting period as of end of first quarter As of December 31, 2009	Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,055,029	2,413,547
Notes and accounts receivable-trade ※2	6,919,097	8,046,444
Raw materials and supplies	1,158,735	1,365,386
Merchandise and finished goods	23,447	41,138
Work in process	464,687	470,657
Other	666,377	1,039,778
Allowance for doubtful accounts	-11,998	-21,834
<b>Total Current assets</b>	<b>14,275,375</b>	<b>13,355,118</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	4,825,372	4,921,723
Machinery, equipment and vehicles, net	10,533,307	11,676,573
Land	1,607,750	1,607,750
Other, net	121,347	131,676
<b>Total Property, plant and equipment</b> ※1	<b>17,087,778</b>	<b>18,337,724</b>
<b>Intangible assets</b>	<b>278,629</b>	<b>301,816</b>
<b>Investments and other assets</b>		
Other	264,748	255,688
Allowance for doubtful accounts	-24,609	-23,843
Investments and other assets	240,139	231,845
<b>Total Noncurrent assets</b>	<b>17,606,546</b>	<b>18,871,385</b>
<b>Assets</b>	<b>31,881,922</b>	<b>32,226,503</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	6,166,692	4,958,142
Short-term loans payable	-	500,000
Current portion of long-term loans payable	4,445,594	4,585,413
Income taxes payable	165,000	5,000
Provision for directors' bonuses	58,000	-
Other ※2	1,059,432	1,849,087
<b>Current liabilities</b>	<b>11,894,718</b>	<b>11,897,644</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	8,879,520	9,963,947
Other	51,473	49,464
<b>Noncurrent liabilities</b>	<b>8,930,993</b>	<b>10,013,412</b>
<b>Liabilities</b>	<b>20,825,712</b>	<b>21,911,056</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,109,722	4,109,722
Capital surplus	4,335,413	4,335,413
Retained earnings	1,627,699	989,988
Treasury stock	-48,338	-48,338
<b>Shareholders' equity</b>	<b>10,024,497</b>	<b>9,386,786</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	24,080	18,581
Foreign currency translation adjustment	-468,593	-536,685
Valuation and translation adjustments	-444,512	-518,103
<b>Minority interests</b>	<b>1,476,224</b>	<b>1,446,764</b>
<b>Net assets</b>	<b>11,056,210</b>	<b>10,315,447</b>
<b>Total Liabilities and net assets</b>	<b>31,881,922</b>	<b>32,226,503</b>

(2) Quarterly Consolidated Statements of Income  
【Cumulative Consolidated First Quarter】

	(Unit : thousand yen)	(Unit : thousand yen)
	Prior First Quarter Consolidated fiscal year From October 1, 2008 To December 31, 2008	For the first quarter of the current consolidated fiscal year From October 1, 2009 To December 31, 2009
Net sales	2,953,076	6,488,113
Cost of sales	2,852,384	5,233,495
Gross profit	<u>100,691</u>	<u>1,254,618</u>
Selling, general and administrative expenses	* 727,895	* 540,766
Operating income/loss	<u>-627,204</u>	<u>713,851</u>
Non-operating income		
Commission fee	7,727	7,727
Real estate rent	6,101	3,873
Foreign exchange gains	-	14,129
Other	11,531	4,114
Non-operating income	<u>25,360</u>	<u>29,845</u>
Non-operating expenses		
Interest expenses	35,078	44,124
Foreign exchange losses	58,195	-
Other	17,862	16,739
Total Non-operating expenses	<u>111,135</u>	<u>60,864</u>
Ordinary income/loss	<u>-712,979</u>	<u>682,832</u>
Extraordinary income		
Subsidy	-	100,000
Total Extraordinary income	<u>-</u>	<u>100,000</u>
Extraordinary loss		
Loss on valuation of inventories	36,029	-
Loss on retirement of property, plant and equipment	155	7
Provision of allowance for doubtful accounts	24,391	-
Total Extraordinary loss	<u>60,577</u>	<u>7</u>
Income/loss before income taxes and minority interests	<u>-773,556</u>	<u>782,825</u>
Income taxes-current	18,720	162,722
Income/loss taxes-deferred	-4,119	-
Total Income taxes	<u>14,601</u>	<u>162,722</u>
Minority interests in loss	-97,299	-17,608
Net income/loss	<u>-690,858</u>	<u>637,711</u>



## (3) Consolidated Statement of Cash Flows

(Unit : thousand yen)

	Prior First Quarter Consolidated fiscal year From October 1, 2008 To December 31, 2008	For the first quarter of the current consolidated fiscal year From October 1, 2009 To December 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	-773,556	782,825
Depreciation and amortization	628,470	1,373,757
Increase (decrease) in allowance for doubtful accounts	24,379	-9,812
Increase (decrease) in provision for directors' bonuses	-28,000	58,000
Interest and dividends income	-1,394	-585
Interest expenses	35,078	44,124
Loss on retirement of property, plant and equipment	155	7
Decrease (increase) in notes and accounts receivable-trade	579,243	1,165,782
Decrease (increase) in inventories	155,128	243,319
Increase (decrease) in notes and accounts payable-trade	547,107	1,182,985
Increase (decrease) in accounts payable-other	-221,191	-135,870
Increase (decrease) in accrued expenses	-98,150	6,500
Decrease (increase) in consumption taxes refund received	-	522,243
Other, net	404,503	-171,705
Subtotal	1,251,771	5,061,573
Interest and dividends income received	1,401	589
Interest expenses paid	-34,742	-42,276
Income taxes paid	-286,831	-5,372
Net cash provided by (used in) operating activities	931,599	5,014,513
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-2,082,476	-590,161
Proceeds from sales of property, plant and equipment	-	140
Purchase of intangible assets	-14,395	-1,150
Collection of loans receivable	252	192
Other, net	14,670	91
Net cash provided by (used in) investment activities	-2,081,948	-590,886
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-30,000	-500,000
Proceeds from long-term loans payable	2,000,000	-
Repayment of long-term loans payable	-414,690	-1,225,731
Payments for installment payables-property and equipment	-85,740	-87,610
Purchase of treasury stock	-128	-
Proceeds from sales of treasury stock	95	-
Cash dividends paid	-90,733	-
Net cash provided by (used in) financing activities	1,378,803	-1,813,341
Effect of exchange rate change on cash and cash equivalents	-129,208	31,196
Net increase (decrease) in cash and cash equivalents	99,245	2,641,481
Cash and cash equivalents	2,167,912	2,413,547
Cash and cash equivalents	2,267,158	※ 5,055,029

(4) Note on assumptions of going concern  
None.

(5) Segment Information

a. Business segment information

Consolidated first quarter for the prior fiscal year (October 1, 2008 through December 31, 2008) and consolidated first quarter for the current fiscal year (October 1, 2009 through December 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

Prior First Quarter Consolidated fiscal year (From October 1, 2008 To December 31, 2008)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1)Net Sales to Outside Customers	2,401,355	551,720	2,953,076	—	2,953,076
(2)Inter-Segment Sales Transfers	263,477	226,850	490,328	(490,328)	—
Total	2,664,833	778,570	3,443,404	(490,328)	2,953,076
Operating loss	—427,717	—178,074	—605,792	(21,411)	—627,204

(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, Korea

2 Changes in accounting policies

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 ¥86,821,000 compared to the prior policy.

For the first quarter of the current consolidated fiscal year

(From October 1, 2009 To December 31, 2009)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1)Net Sales to Outside Customers	5,502,227	985,885	6,488,113		6,488,113
(2)Inter-Segment Sales Transfers	540,283	—	540,283	(540,283)	—
Total	6,042,511	985,885	7,028,396	(540,283)	6,488,113
Operating income/loss	854,948	—48,130	806,818	(92,966)	713,851

(Note) 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, Korea

c. Overseas Net Sales

Prior First Quarter Consolidated fiscal year (From October 1, 2008 To December 31, 2008)

	Asia	Other	Total
I. Overseas Net Sales (¥thousands)	574,012	—	574,012
II. Consolidated Net Sales (¥thousands)	2,953,076		
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	19.4	—	19.4

(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.

For the first quarter of the current consolidated fiscal year

(From October 1, 2009 to December 31, 2009)

	Asia	Other	Total
I. Overseas Net Sales (¥thousands)	1,990,767	—	1,990,767
II. Consolidated Net Sales (¥thousands)	6,488,113		
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	30.7	—	30.7

(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.

4. Overseas sales includes indirect export sales, from the first quarter FYE 9/2010.

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

None.