

Summary Report of Consolidated Financial Statements for the Second Quarter of the Fiscal 2010

May 10, 2010

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, Administrative Division	Hidehiro Fujiwara TEL (075) 441-2333
Planned Quarterly Report Filing Date		May 14, 2010
Schedule Date for Commencement of Dividend Payments		--

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for the Second Quarter of Fiscal 2010 (October 1, 2009 through March 31, 2010)

(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	%
Second Quarter FYE 9/2010	10,615	84.8	259	—	200	—	315	—
Second Quarter FYE 9/2009	5,745	—	-1,574	—	-1,695	—	-1,793	—

	Quarter Net Income per Share	Diluted Quarter Net Income per Share
	Yen	Yen
Second Quarter FYE 9/2010	2,784.20	—
Second Quarter FYE 9/2009	-15,816.69	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Second Quarter FYE 9/2010	27,947	10,778	33.3	82,152.22
FYE 9/2009	32,226	10,315	27.5	78,226.39

(Reference) Owned Capital	Second Quarter, FYE 9/2010	9,313 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	—	0.00			
FYE 9/2010 (Projected)			—	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
Full Year	21,300	14.0	350	—	250	—	260	—	2,293.34

(Note) Change in consolidated earnings projections for the quarter: Yes

Please refer to "Announcement concerning Revision of Earnings Projections" announced today for more information.

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) | |
| Second Quarter, FYE 9/2010 | 113,684 shares |
| FYE 9/2009 | 113,684 shares |
| <2> Number of treasury shares at end of period | |
| Second Quarter, FYE 9/2010 | 312 shares |
| FYE 9/2009 | 312 shares |
| <3> Average number of shares during the period (cumulative, consolidated fiscal quarter) | |
| Second Quarter, FYE 9/2010 | 113,372 shares |
| Second Quarter, FYE 9/2009 | 113,398 shares |

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

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 consolidated cumulative second quarter of the 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 continues 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 and 3D TVs to the market and growth in the market for LCD TVs using LED backlights have helped spur demand for panels in nearly every application.

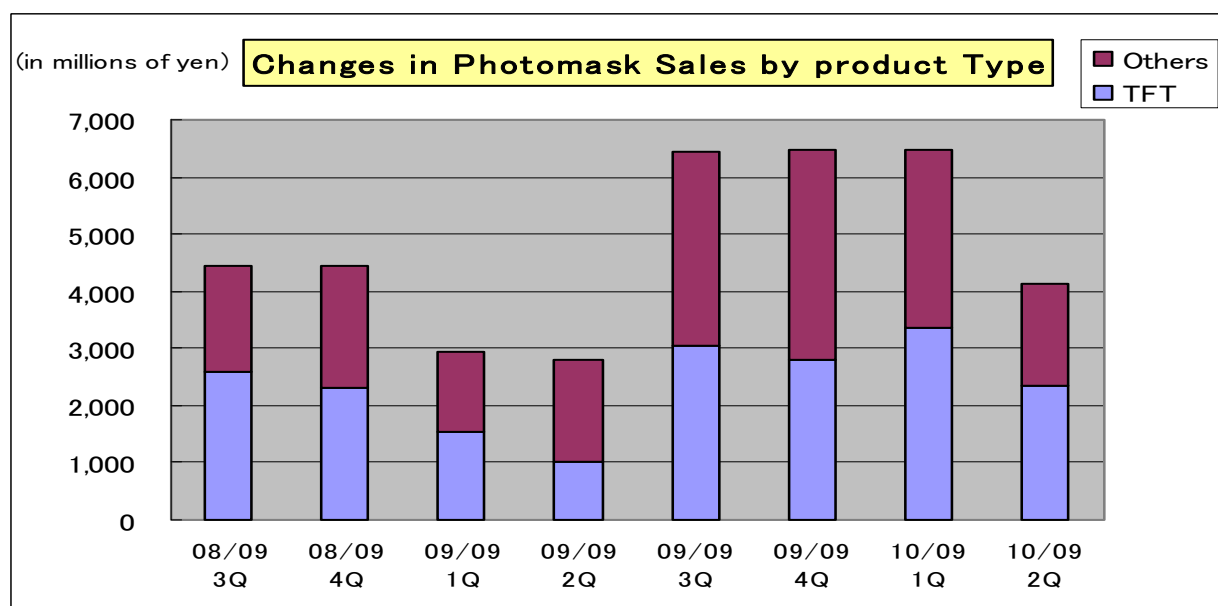
With the strong lead-out of the new Sharp Corporation Sakai Plant during the first quarter, demand for 10th-generation photomasks was higher. As a whole, demand for 8th-generation and earlier large-format photomasks has grown steadily, pushed by the resumption of operations in new lines that panel manufacturers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

However during the second quarter, a reversal of the initial demand for 10th-generation caused drastic decrease of its demand and the photomask demands under 8th-generation also dropped because of continuous high utilization rate by panel makers. As a result, overall demands for photomasks were less than initially predicted.

Price competition remains intense, and faced with ongoing difficult conditions, the SK-Electronics Group continues to engage in organization-wide initiatives to enhance product development and cut costs. As a result of these efforts, the SK-Electronics Group recorded net sales for the consolidated cumulative second quarter of the fiscal year under review in the amount of ¥10,615 million (84.8% year-on-year increase), operating income of ¥259 million (compared to a ¥1,574 million operating loss for the same period in the prior fiscal year), and ordinary income of ¥200 million (compared to a ¥1,695 million ordinary loss for the same period in the prior fiscal year). The Group recorded cumulative consolidated net income of ¥315 million for the second quarter (compared to a net loss of ¥1,793 million).

By product, net sales of TFT photomasks amounted to ¥5,721 million. This figure represents significant year-on-year growth for net sales propelled by strong first-quarter growth, despite a major decline in demand for next-generation photomasks from the Shiga Plant during the second quarter.

(Reference)

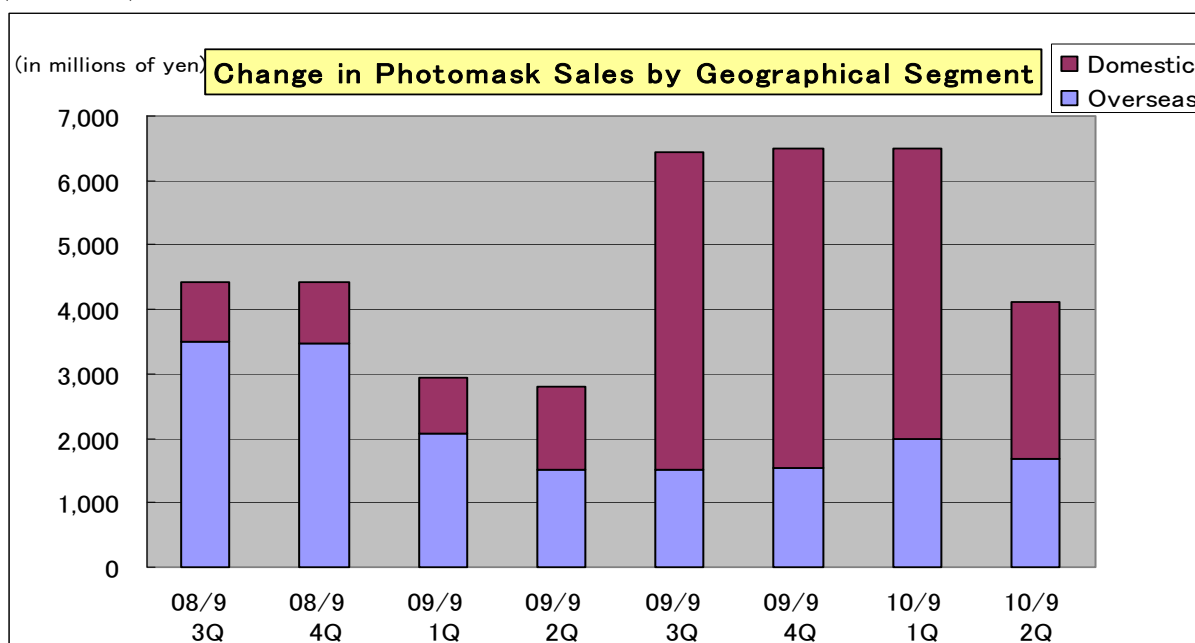


(Reference) Change in Photomask Sales by Product Type (Unit: Millions of yen)

	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q	09/09 3Q	09/09 4Q	10/09 1Q	10/09 2Q
TFT	2,577	2,310	1,549	1,032	3,062	2,789	3,374	2,346
Others	1,859	2,124	1,404	1,759	3,383	3,702	3,113	1,780
Total	4,437	4,434	2,953	2,792	6,445	6,491	6,488	4,126

By region, domestic net sales increased broadly year-on-year to ¥6,956 million, propelled by strong first-quarter growth, despite a major decline in demand for next-generation photomasks from the Shiga Plant during the second quarter. Overseas net sales remained on par with prior-year levels, at ¥3,658 million.

(Reference)



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

	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q	09/09 3Q	09/09 4Q	10/09 1Q	10/09 2Q
Overseas	3,511	3,482	2,079	1,515	1,521	1,550	1,990	1,667
Domestic	926	952	873	1,276	4,923	4,941	4,497	2,459
Total	4,437	4,434	2,953	2,792	6,445	6,491	6,488	4,126

2. Qualitative Information related to Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

Total assets at the end of the consolidated second quarter of the current fiscal year decreased by ¥4,279 million compared to the end of the prior consolidated fiscal year, amounting to ¥27,947 million. This decrease was mainly due to decreases in notes and accounts receivable, as well as depreciation related to machinery, equipment and vehicles.

Total liabilities decreased ¥4,742 million compared to the end of the prior consolidated fiscal year, amounting to ¥17,168 million. This decrease was mainly due to decreases in long-term loans payable and notes and accounts payable.

Total net assets increased by ¥463 million compared to the end of the prior consolidated fiscal year, amounting to ¥10,778 million. This increase was mainly due to an increase in retained earnings and foreign currency translation adjustments.

(2) Cash Flows

Cash and Cash Equivalents (“Cash”) at the end of the current interim consolidated accounting period increased by ¥579 million compared with the prior consolidated fiscal year end to ¥2,993 million.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated cumulative second quarter of the fiscal year under review amounted to ¥4,475 million. This was mainly due to depreciation and amortization expense of ¥2,744 million, and a decrease in notes and accounts receivable, trade of ¥1,331 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the current interim consolidated accounting period totaled ¥813 million. This mainly reflected ¥811 million of funds used for the purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Cash used in financing activities during the consolidated cumulative second quarter of the fiscal year under review amounted to ¥3,130 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 ¥2,455 million.

3. Qualitative Information on Consolidated Earnings Projections

Please refer to “Announcement concerning Revision of Earnings Projections” announced today for more information regarding consolidated earnings projections (full-year) for the fiscal year ending September 2010.

Earnings projections are determined based on information available at the time. Actual earnings may differ from projections due to various factors that may occur in the future.

4. Other

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

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

<1>Depreciation of Fixed Assets

1) Method for estimating doubtful accounts

There have been no material changes in the actual rate of defaults on accounts receivable during the second quarter of the current consolidated fiscal year compared to the end of the prior consolidated fiscal year. Accordingly, the Company has used the actual rate of default at the end of the prior consolidated fiscal year to calculate an estimate for doubtful accounts.

2) 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 second quarter As of March 31, 2010	Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2009
Assets		
Current assets		
Cash and deposits	2,993,094	2,413,547
Notes and accounts receivable-trade	6,782,480	8,046,444
Merchandise and finished goods	17,299	41,138
Work in process	120,933	470,657
Raw materials and supplies	1,207,617	1,365,386
Other	529,277	1,039,778
Allowance for doubtful accounts	-12,571	-21,834
Total Current assets	11,638,132	13,355,118
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,722,582	4,921,723
Machinery, equipment and vehicles, net	9,356,384	11,676,573
Land	1,607,750	1,607,750
Other, net	114,218	131,676
Property, plant and equipment	15,800,937	18,337,724
Intangible assets	254,784	301,816
Investments and other assets		
Other	278,347	255,688
Allowance for doubtful accounts	-25,119	-23,843
Investments and other assets	253,227	231,845
Total Noncurrent assets	16,308,950	18,871,385
Total Assets	27,947,082	32,226,503
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,995,444	4,958,142
Short-term loans payable	-	500,000
Current portion of long-term loans payable	4,337,734	4,585,413
Income taxes payable	19,000	5,000
Provision for directors' bonuses	35,000	-
Other	905,755	1,849,087
Current liabilities	9,292,934	11,897,644
Noncurrent liabilities		
Long-term loans payable	7,806,639	9,963,947
Other	68,649	49,464
Total Noncurrent liabilities	7,875,288	10,013,412
Total Liabilities	17,168,223	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	1,305,638	989,988
Treasury stock	-48,338	-48,338
Shareholders' equity	9,702,436	9,386,786
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	32,125	18,581
Foreign currency translation adjustment	-420,799	-536,685
Valuation and translation adjustments	-388,674	-518,103
Minority interests	1,465,096	1,446,764
Total Net assets	10,778,858	10,315,447
Total Liabilities and net assets	27,947,082	32,226,503

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

(Unit : thousand yen)

	Prior Cumulative Consolidated Second Quarter From October 1, 2008 To March 31, 2009	Consolidated accounting period as of second quarter From October 1, 2009 To March 31, 2010
Net sales	5,745,213	10,615,104
Cost of sales	6,104,667	9,468,758
Gross profit (loss)	-359,454	1,146,345
Selling, general and administrative expenses	1,214,752	887,203
Operating income	-1,574,206	259,142
Non-operating income		
Commission fee	15,454	15,454
Rent income of real estate	8,946	7,439
Foreign exchange gains	-	19,587
Other	7,109	10,350
Total Non-operating income	31,509	52,832
Non-operating expenses		
Interest expenses	72,882	79,923
Foreign exchange losses	49,562	-
Other	30,687	31,309
Total Non-operating expenses	153,132	111,233
Ordinary income	-1,695,829	200,741
Extraordinary income		
Subsidy	-	100,000
Extraordinary income	-	100,000
Extraordinary loss		
Loss on valuation of inventories	36,029	-
Loss on retirement of property, plant and equipment	89,047	127
Provision of allowance for doubtful accounts	20,999	-
Loss on valuation of investment securities	31,977	-
Loss on disaster	-	21,169
Total Extraordinary loss	178,054	21,296
Income (loss) before income taxes and minority interests	-1,873,883	279,444
Income taxes-current	30,986	24,396
Income taxes-deferred	26,098	-
Total Income taxes	57,084	24,396
Minority interests in income	-137,375	-60,601
Net income	-1,793,592	315,649

(3)Consolidated Statement of Cash Flows

(Unit : thousand yen)

	Prior Cumulative Consolidated Second Quarter From October 1, 2008 To March 31, 2009	Consolidated accounting period as of second quarter From October 1, 2009 To March 31, 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	-1,873,883	279,444
Depreciation and amortization	1,827,134	2,744,640
Increase (decrease) in allowance for doubtful accounts	27,932	-9,312
Increase (decrease) in provision for directors' bonuses	-28,000	35,000
Interest and dividends income	-2,085	-1,224
Interest expenses	72,882	79,923
Loss on retirement of property, plant and equipment	89,047	127
Loss on valuation of investment securities	31,977	-
Decrease (increase) in notes and accounts receivable-trade	-2,117	1,331,231
Decrease (increase) in inventories	-61,441	551,513
Increase (decrease) in notes and accounts payable-trade	-398,261	-1,000,203
Increase (decrease) in accounts payable-other	-193,883	-204,421
Increase (decrease) in accrued expenses	-131,540	87,408
Decrease (increase) in consumption taxes refund receivable	-	522,243
Other, net	-428,567	-18,517
Subtotal	<u>-1,070,809</u>	<u>4,397,854</u>
Interest and dividends income received	2,084	1,224
Interest expenses paid	-73,092	-78,271
Income taxes paid	-286,831	-7,817
Income taxes refund	-	162,688
Net cash provided by (used in) operating activities	<u>-1,428,648</u>	<u>4,475,679</u>
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	-2,869,037	-811,747
Purchase of intangible assets	-67,684	-1,150
Collection of loans receivable	485	385
Other, net	14,531	-658
Net cash provided by (used in) investment activities	<u>-2,921,705</u>	<u>-813,170</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	748,000	-500,000
Proceeds from long-term loans payable	5,300,000	-
Repayment of long-term loans payable	-887,092	-2,455,142
Payments for installment payables-property and equipment	-171,943	-175,694
Purchase of treasury stock	-565	-
Proceeds from sales of treasury stock	95	-
Cash dividends paid	-90,733	-
Net cash provided by (used in) financing activities	<u>4,897,760</u>	<u>-3,130,836</u>
Effect of exchange rate change on cash and cash equivalents	<u>-84,595</u>	<u>47,873</u>
Net increase (decrease) in cash and cash equivalents	<u>462,810</u>	<u>579,546</u>
Cash and cash equivalents in the beginning of period	<u>2,167,912</u>	<u>2,413,547</u>
Cash and cash equivalents at the end of period	<u>2,630,722</u>	<u>2,993,094</u>

(4) Note on assumptions of going concern : None.

(5) Segment Information

a. Business segment information

Prior Cumulative Consolidated Second Quarter (October 1, 2008 through March 31, 2009) and Cumulative Consolidated Second Quarter (October 1, 2009 through March 31, 2010)

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

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

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

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

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

2 Changes in accounting policies

The Company adopted “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9, July 5, 2006) during the consolidated first quarter. Compared to the previous accounting method, this change results in an increase in operating losses for Japan in the amount of ¥187,974 thousands.

Cumulative Consolidated Second Quarter (October 1, 2009 through March 31, 2010)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1)Net Sales to Outside Customers	8,755,188	1,859,915	10,615,104	—	10,615,104
(2)Inter-Segment Sales Transfers	1,029,133	16,740	1,045,873	(1,045,873)	—
Total	9,784,321	1,876,655	11,660,977	(1,045,873)	10,615,104
Operating Income (Loss)	490,128	— 117,876	372,251	(113,109)	259,142

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

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

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

c . Overseas Net Sales

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

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

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

2. Major countries and regions outside Japan

Asia: Taiwan, South Korea, China,Singapore

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

Cumulative Consolidated Second Quarter (October 1, 2009 through March 31, 2010)

	Asia	Other	Total
I.Overseas Net Sales (¥thousands)	3,658,498	—	3,658,498
II.Consolidated Net Sales (¥thousands)	10,615,104		
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	34.5	—	34.5

(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 The Company began disclosing indirect exports during the consolidated first quarter.

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

Non