

# Financial Results for the 1st Half Ended March 31, 2010 SK-Electronics CO., LTD.

May 10, 2010  
SK-Electronics Co.,LTD.

\*Note regarding forward-looking statements, Earnings projections are based on the information available at the time of this announcement. Actual earnings may differ from projections due to various possible factors.

## FY10 1st Half Review

(From Oct. 09 to Mar. 10)

### LCD Panel Market Review

#### <1st Quarter> ( October through December 2009)

\*Main panel makers announced to invest Gen8 LCD manufacturing lines in China.

\*Taiwanese panel maker, CMO re-started production of Gen8 lines.

\*Sales expansion of LCD TV using LED backlight, introduction of Windows 7 by Microsoft.

→Demand and Supply of panels for all the applications became tight.

→Most of panel makers showed recovery in terms of utilization rates and sales/profits

#### <2nd Quarter>(January through March 2010)

\*Most of panel makers kept full production.

\*Introduction of 3D TV to the market.

Samsung started to sell in Korea from February, Sony, sharp and Toshiba plan to sell from this summer. Sharp announced 4-color version of 3D TV.

**FY10 1st Half Review**

(From Oct. 09 to Mar. 10)

**SKE Group Review**

&lt;1st Quarter&gt; ( October through December 2009)

--Steady order from Sharp Sakai plant--

\*Gen10 photomask demands were good.

\*High demands for Gen8 photomask because of new additional LCD lines both in Korea and Taiwan.

\*Still continuous price down of photomask because of severe competitions among competitors both in domestic and overseas.

&lt;2nd Quarter&gt;(January through March 2010)

--Lower demands of large photomask than SKE's expectation--

\*Start-up demands of photomask at Sharp Sakai plant settled down

→ Drastic decrease of Gen10 photomask demands

\*Photomask business under Gen8

→ Lower than expectation because of full utilization rate of production by panel makers

 \*Revision of earning on the 9<sup>th</sup> of March, 2010

\*Continuous price down of photomask, but cost reduction activity and high yield were realized.

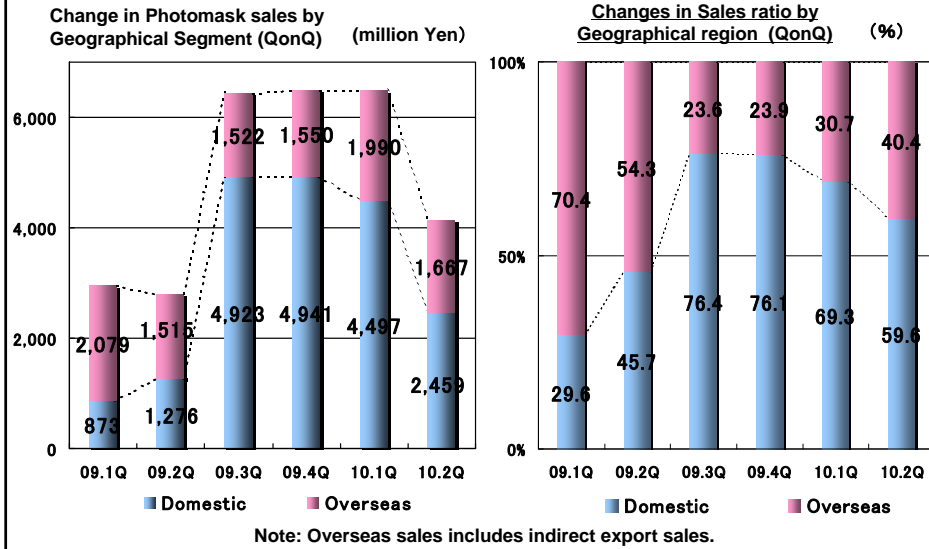
\*Earthquake in Taiwan → the impact was limited than our estimate.

**FY10 1st Half Consolidated Financial Results**

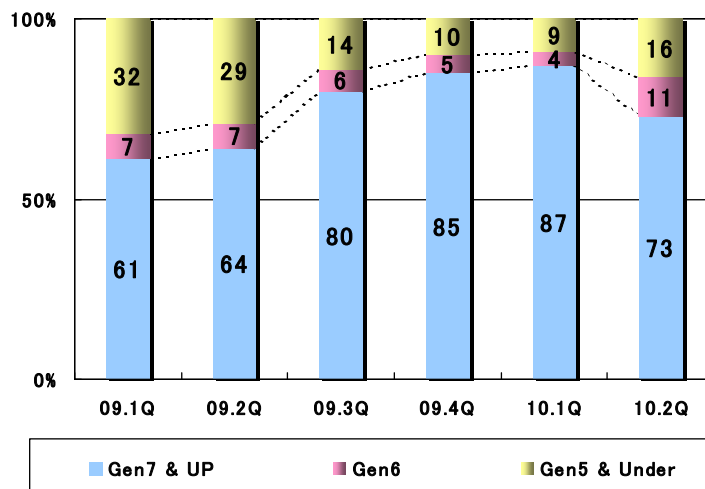
Unit: ¥1million

	1Q actual	2Q actual	FY10 1H		FY09 1H (Reference)
			planned	actual	
Net sales	6,488	4,127	10,300	10,615	5,745
Operating income/loss	713	-454	150	259	-1,574
Ordinary Income/loss	682	-482	100	200	-1,695
Net Income/loss	637	-322	250	315	-1,793
Capex	11		210		10,868
Depreciation	1,373		2,870		1,827
R&D expense	44		250		265

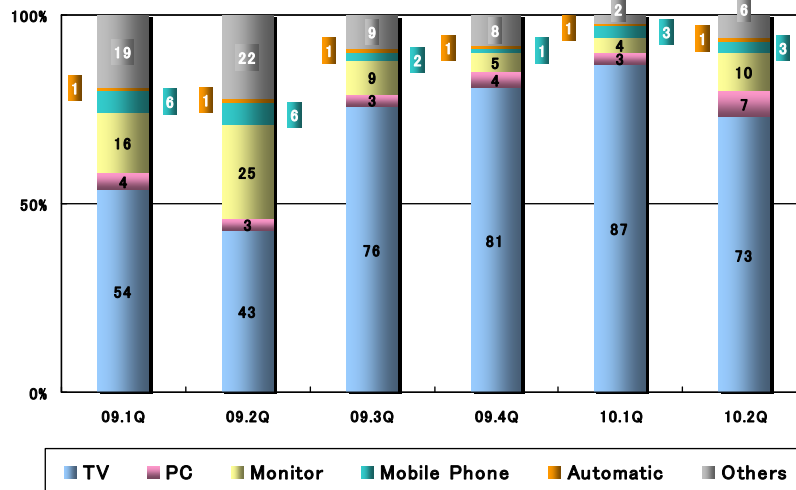
### Change in Photomask sales by Geographical Segment (QonQ)



### Changes in Sales ratio by Photomask generations (QonQ)



### Changes in Sales ratio by Photomask applications (QonQ)



### Consolidated Balance Sheet

(unit: million Yen)

items	March09	Sept.09	March10	Difference
(Total Asset)	31,415	32,226	27,947	-4,279
Cash on hand and in banks	2,630	2,413	2,993	580
Trade notes and account receivable	3,697	8,046	6,782	-1,264
Inventories	2,178	1,877	1,345	-532
Other (current assets)	1,295	1,017	516	-501
Fixed assets	20,945	18,337	15,800	-2,537
Intangible fixed assets	338	301	254	-47
Investments and other assets	329	231	253	22
(Total liabilities)	20,707	21,911	17,168	-4,743
Trade notes and account payable	2,790	4,958	3,995	-963
Short-term borrowings	1,348	500	—	-500
Current portion of long-term debt	11,160	14,549	12,144	-2,405
Other (liability)	5,408	1,903	959	-944
(Net assets total)	10,708	10,315	10,778	463
Equity capital (Total of Shareholders' equity, Valuation and translation adjustments)	9,150	8,868	9,313	445
Equity capital ratio (%)	29.1	27.5	33.3	5.8
Outstanding Interest-bearing debt	12,929	15,298	12,144	-3,154

<b>Consolidated Cash Flows</b>		(unit: million Yen)	
	FY09 1 <sup>st</sup> Half	FY10 1 <sup>st</sup> Half	Reference FY09
CF from operating activities	-1,428	4,475	1,563
CF from Investing activities	-2,921	-813	-8,479
Free Cash Flows	-4,350	3,662	-6,916
CF from Financing activities	4,897	-3,130	7,272
Net change in cash and cash equivalents	462	579	245
Cash and cash equivalents at end of period	2,630	2,993	2,413

\*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 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.  
 \*Free cash flows becomes ¥3,662 million.

<b>FY2010 LCD industry &amp; photomask trend (Apr. - Sept. 2010)</b>	
<b>LCD panel market trend</b>	
<ul style="list-style-type: none"> <li>*Gen10 Sharp Sakai plant phase 2 (36K) → 3months prior to the original operation, from October to July 2010.</li> <li>*IPS alpha technology Gen8 line (Himeji, Hyogo pref.) → Start production from April. Original plan was to start from summer 2010.</li> <li>*Korean panel makers: Samsung &amp; LGD, Taiwanese panel maker: AUO, → New additional Gen8 lines will gradually start-up during our 2<sup>nd</sup> half.</li> <li>*Chinese TV market and world IT environment will influence demand/supply balance of panels. → LCD market is still unforeseen.</li> </ul>	
<b>SKE photomask business trend</b>	
<ul style="list-style-type: none"> <li>*Gen10 photomask sales → Depend on main customer's utilization rates.</li> <li>*Expect continuous recovery of Gen8 photomask, but price pressure also continues.</li> <li>*Aggressive sales activity to potential new customers</li> <li>*New technological proposal to customers based on anticipation of customer needs.</li> <li>*Continuous cost-reduction.</li> </ul>	

**FY10 Financial forecast (Consolidated)** (unit: million Yen)

	FY2009 actual	FY2010		
		1H(actual)	2H(forecast)	Total(forecast)
Net sales	18,682	10,615	10,685	21,300
Operating income/loss	-675	259	91	350
Ordinary Income/loss	-872	201	49	250
Net Income/loss	-2,011	316	-56	260
Capex	14,017	21	209	230
Depreciation	5,545	2,744	2,870	5,614
R&D expense	394	95	405	500
Dividend	¥0Yen	—	—	¥800Yen

**<TOPICS> How we can see photomask demands & LCD panel makers' investment plan**

TOPICS 1

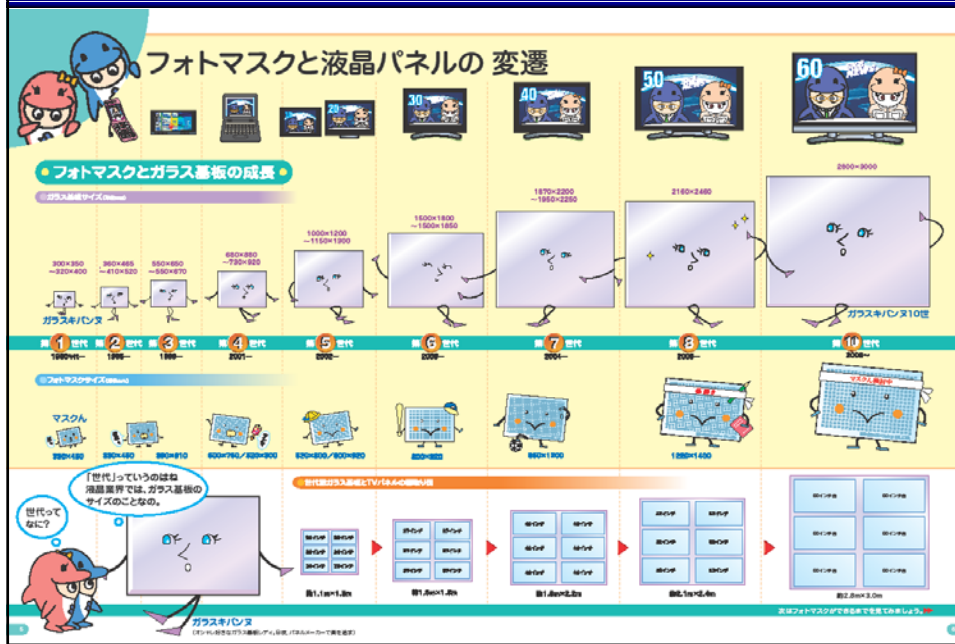
Introduce items which leads to photomask demands

1. Transition of Glass substrates size by generations
2. Diversity and enlargement of display panel size
3. Improvement of frequency, diversity of resolution and transition of aspect ratio of display panels

TOPICS 2

LCD panel makers' investment plan

<TOPIX1> 1. Transition of Glass substrates size by generations



<TOPIX 1> 2. Diversity and enlargement of display panel size

Diversity of display size (TV only. Notebook PC and monitors are not included)

TV Makers	Product line-ups of TV size (unit: inch)
A	13, 15, 20, 26, 32, 37, 40, 42, 46, 52, 60, 65
B	20, 22, 26, 32, 40, 46, 52, 55
C	22, 32, 40, 46, 52, 55
D	22, 26, 32, 37, 42, 47, 55

<TOPIX①> 3. Improvement of frequency, diversity of resolution and transition aspect ratio of display panels

Improvement of frequency of display

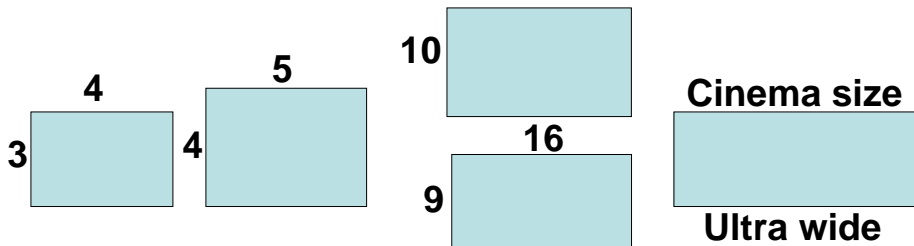
60 Hz → 120Hz → 240Hz → 480Hz

More vivid and reality of reproduction of the image and quick motion such as sports game and running a telop.

Diversity of resolution and transition of aspect ratio display panels

(unit: pixel)

XGA	WXGA	SXGA	UXGA	FHD	WUXGA	4Kx2K
1024x768	1280x768	1280x1024	1600x1200	1920x1080	1920x1200	3840x2160



<TOPICS 2 > LCD panel makers' investment plan

Chinese central government approved 3 companies to invest for G7 and above.

