

Summary Report of Financial Statements for the Third Quarter of Fiscal 2010 [Japan GAAP] (Consolidated)

August 9, 2010

Company Name	SK-Electronics Co., Ltd.	Listed Exchange	JASDAQ
Code No.	6677	URL	http://www.sk-el.co.jp
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Planned Quarterly Report Filing Date		August 13, 2010	
Scheduled Date for Commencement of Dividend Payments		--	
Preparation of Quarterly Summary Supplementary Explanatory Materials:	Yes		
Quarterly Earnings Presentations:	No		

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for the Third Quarter of Fiscal 2010 (October 1, 2009 through June 30, 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	%
Third Quarter FYE 9/2010	14,279	17.1	-333	—	-408	—	-239	—
Third Quarter FYE 9/2009	12,190	—	-960	—	-1,104	—	-2,211	—

	Quarter Net Income per Share	Diluted Quarter Net Income per Share
	Yen	Yen
Third Quarter FYE 9/2010	-2,111.60	—
Third Quarter FYE 9/2009	-19,504.57	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Third Quarter FYE 9/2010	25,017	9,924	34.4	75,975.38
FYE 9/2009	32,226	10,315	27.5	78,226.39

(Reference) Owned Capital	Third Quarter, FYE 9/2010	8,613 million yen
	FYE 9/2009	8,868 million yen

2. Dividends

	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Total
	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 vs. 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: No

4. Other (See [Attachments] Page 5 “Other Information” for further details.)

(1) Changes in significant subsidiaries during the period: No

(Note) Changes in specified subsidiaries due to changes in the scope of consolidation during the quarterly accounting period)

(2) Application of simplified accounting methods or specific accounting methods: Yes

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

(3) Changes in accounting principles, procedures, and the presentation methods etc. of quarterly consolidated financial statements

<1> Changes associated with revisions in accounting standards etc.: No

<2> Changes other than those in <1>: No

(Note) Items that are changes in the accounting principles, procedures and presentation methods pertaining to preparation of quarterly consolidated financial statements as described in “Changes in Important Matters Used as the Basis for Preparation of the Quarterly Consolidated Financial Statements.”

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

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

Third Quarter, FYE 9/2010 113,684 shares

FYE 9/2009 113,684 shares

<2> Number of treasury shares at end of period

Third Quarter, FYE 9/2010 312 shares

FYE 9/2009 312 shares

<3> Average number of shares during the period (cumulative, consolidated fiscal quarter)

Third Quarter, FYE 9/2010 113,372 shares

Third Quarter, FYE 9/2009 113,389 shares

(* Indication of implementation status of quarterly reviews)

This quarterly earnings report is exempt from quarterly review procedures based upon the Financial Instruments and Exchange Act. As of the time of disclosure of this quarterly earnings report, the Company has not implemented review procedures for quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

(* Explanation of the 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. See Page 4 “Qualitative Information on Consolidated Earnings Projections” of the quarterly summary report of financial statements (Attachments) for the conditions used as assumptions and matters to note when using the projected operating results.

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1. Qualitative Information on Consolidated Operating Results for the Third Quarter

(1) Qualitative Information on Consolidated Results of Operations

During the consolidated cumulative third quarter of the fiscal year under review, the Japanese economy continued to labor under difficult conditions, including a high unemployment rate. Nevertheless, corporate earnings continued to improve, and business conditions are expected to move toward a self-sustaining recovery based on the strengthening economies in other countries and the effects of central government policies, including emergency economic measures.

At the same time, however, there remained worries about the possibility of a slump in business conditions overseas, particularly in Europe, as well as risks such as fluctuations in the financial and capital markets and the effects of deflation, which are putting downward pressure on the economy. Coupled with lingering concerns about the deteriorating employment situation, the result is a situation in which unpredictable conditions are likely to continue in the future.

In the LCD panel industry, panel manufacturers maintained high capacity utilization rates and production, propelled by the sales launch of 3D televisions and the iPhone and iPad and the introduction of high added value products, including the debut of four color pixel television panels, and panel supply and demand conditions remained tight.

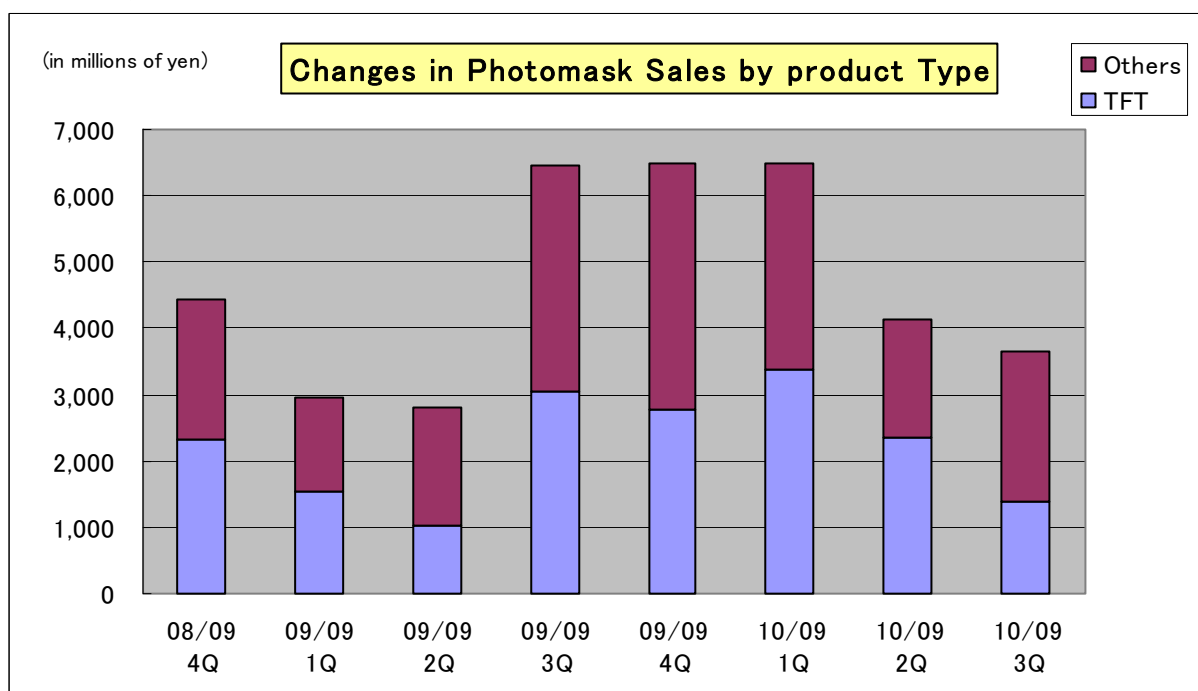
Under such conditions, the SK-Electronics Group implemented further cost reduction measures at its existing plants, as well as activities to boost orders. As a result, sales of 8th generation and earlier photomasks overall remained stable.

Demand for 10th generation photomasks expanded steadily in the first quarter, thanks to the smooth start of operations at Sharp Corporation's new Sakai Plant, however, a reversal of the initial demand caused drastic decrease since the second quarter. In addition, the Sakai Plant was in full utilization which delayed R&D photomask demands very much.

As a result, The SK-Electronics Group recorded net sales for the consolidated cumulative third quarter of the fiscal year under review of ¥14,279 million (17.1% year-on-year increase), an operating loss of ¥333 million (compared with a ¥960 million operating loss for the same period of the prior fiscal year) and an ordinary loss of ¥408 million (compared with a ¥1,104 million ordinary loss for the same period of the prior fiscal year). The Group recorded a cumulative consolidated net loss for the quarter of ¥239 million (compared with a ¥2,211 million net loss one year earlier).

By product, TFT photomask net sales rose 26.1% over the same period of the previous consolidated fiscal year to reach ¥7,115 million. Net sales were driven by strong first quarter growth in demand for next-generation photomasks from the Shiga Plant, although demand declined sharply from the second quarter.

(Reference)

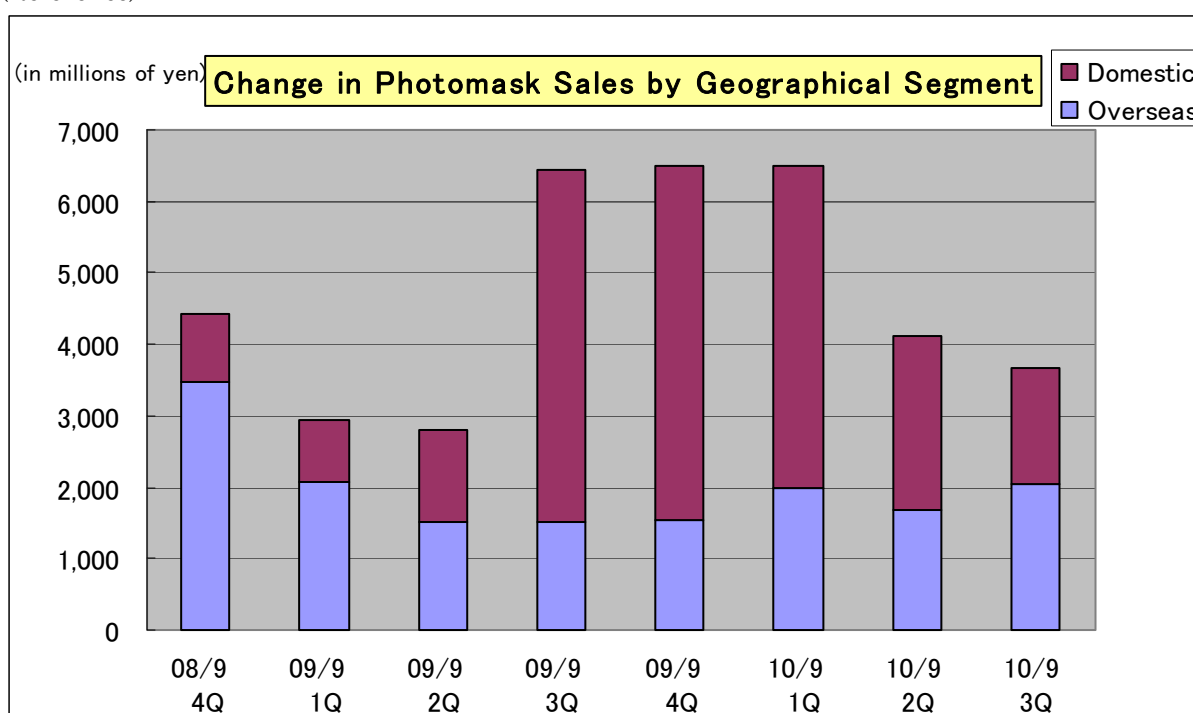


(Reference) Change in Photomask Sales by Product Type

	08/09 4Q	09/09 1Q	09/09 2Q	09/09 3Q	09/09 4Q	10/09 1Q	10/09 2Q	10/09 3Q
TFT	2,310	1,549	1,032	3,062	2,789	3,374	2,346	1,394
Others	2,124	1,404	1,759	3,383	3,702	3,113	1,780	2,270
Total	4,437	2,953	2,792	6,445	6,491	6,488	4,126	3,664

By region, domestic net sales increased 21.4% year-on-year to ¥8,583 million, despite a sharp contraction in demand from the second quarter, reflecting strong demand for next-generation photomasks from the Shiga Plant during the first quarter. Overseas net sales expanded 11.3% compared with the same period of the prior consolidated fiscal year to ¥5,695 million, reflecting brisk demand from Korean manufacturers for photomasks.

(Reference)



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

	08/9 4Q	09/9 1Q	09/9 2Q	09/9 3Q	09/9 4Q	10/9 1Q	10/9 2Q	10/9 3Q
Overseas	3,482	2,079	1,515	1,521	1,550	1,990	1,667	2,037
Domestic	952	873	1,276	4,923	4,941	4,497	2,459	1,627
Total	4,434	2,953	2,792	6,445	6,491	6,488	4,126	3,664

(2) Qualitative Information on Consolidated Financial Position

<1> Assets, Liabilities and Net Assets

Total assets at the end of the consolidated third quarter of the fiscal year under review decreased by ¥7,208 million compared to the end of the prior consolidated fiscal year, amounting to ¥25,017 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 ¥6,817 million compared to the end of the prior consolidated fiscal year, amounting to ¥15,093 million. This decrease was mainly due to decreases in notes and accounts payable and long-term loans payable.

Total net assets decreased by ¥390 million compared to the end of the prior consolidated fiscal year, amounting to ¥9,924 million. This decrease was mainly due to a decrease in retained earnings.

<2> Cash Flows

Cash and cash equivalents (“Cash”) at the end of the third quarter consolidated accounting period decreased by ¥241 million compared with the end of the prior consolidated fiscal year to ¥2,171 million.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated cumulative third quarter of the fiscal year under review amounted to ¥4,842 million. This was mainly due to depreciation and amortization expense of ¥4,119 million, a decrease in notes and accounts receivable-trade of ¥2,372 million and a decrease in notes and accounts payable-trade of ¥1,909 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the consolidated cumulative third quarter of the fiscal year under review totaled ¥831 million. This mainly reflected ¥828 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 third quarter of the fiscal year under review amounted to ¥4,231 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 ¥3,494 million.

(3) Qualitative Information on Consolidated Earnings Projections

There is no change in the consolidated earnings projections announced on May 10, 2010.

2. Other Information

- (1) Change in significant subsidiaries (changes in specified subsidiaries due to changes in the scope of consolidation)

The Company had no material items to report.

- (2) Simplified accounting methods and specific accounting methods

«Simplified accounting methods»

- 1) Method of calculating estimated balance of doubtful accounts for normal accounts

There were no material changes in the actual rate of defaults on accounts receivable during the third 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) Depreciation Method for 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) Evaluation method for inventory assets

With respect to calculation of inventory assets during third quarter of the current consolidated fiscal year, the company omitted a physical inventory check of inventory assets, and calculated inventory amounts based on book inventory, using actual inventory at the end of the second quarter consolidated accounting period as a base.

«Specific accounting method»

The Company had no material items to report.

- (3) Changes in accounting principles, procedures and presentation methods

The Company had no material items to report.

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

(Unit : thousand yen)

	Consolidated accounting period as of end of Third Quarter As of June 31, 2010	Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2009
Assets		
Current assets		
Cash and deposits	2,171,924	2,413,547
Notes and accounts receivable-trade	5,656,534	8,046,444
Merchandise and finished goods	-	41,138
Work in process	233,738	470,657
Raw materials and supplies	1,304,952	1,365,386
Other	874,647	1,039,778
Allowance for doubtful accounts	-10,985	-21,834
Total Current assets	<u>10,230,812</u>	<u>13,355,118</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,606,039	4,921,723
Machinery, equipment and vehicles, net	7,988,270	11,676,573
Land	1,607,750	1,607,750
Other, net	115,443	131,676
Property, plant and equipment	<u>14,317,504</u>	<u>18,337,724</u>
Intangible assets	232,745	301,816
Investments and other assets		
Other	260,407	255,688
Allowance for doubtful accounts	-23,503	-23,843
Investments and other assets	<u>236,904</u>	<u>231,845</u>
Total Noncurrent assets	<u>14,787,153</u>	<u>18,871,385</u>
Total Assets	<u>25,017,965</u>	<u>32,226,503</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,035,148	4,958,142
Short-term loans payable	-	500,000
Current portion of long-term loans payable	4,231,375	4,585,413
Income taxes payable	12,000	5,000
Other	928,106	1,849,087
Current liabilities	<u>8,206,631</u>	<u>11,897,644</u>
Noncurrent liabilities		
Long-term loans payable	6,820,050	9,963,947
Other	66,452	49,464
Total Noncurrent liabilities	<u>6,886,502</u>	<u>10,013,412</u>
Total Liabilities	<u>15,093,133</u>	<u>21,911,056</u>
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,335,413	4,335,413
Retained earnings	750,591	989,988
Treasury stock	-48,338	-48,338
Shareholders' equity	<u>9,147,389</u>	<u>9,386,786</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	28,898	18,581
Foreign currency translation adjustment	-562,807	-536,685
Valuation and translation adjustments	<u>-533,909</u>	<u>-518,103</u>
Minority interests	1,311,351	1,446,764
Total Net assets	<u>9,924,832</u>	<u>10,315,447</u>
Total Liabilities and net assets	<u>25,017,965</u>	<u>32,226,503</u>

(2)Quarterly Consolidated Statements of Income
(Cumulative Consolidated Third Quarter)

(Unit : thousand yen)

	Prior Cumulative Consolidated Third Quarter From October 1, 2008 To June 30, 2009	Consolidated accounting period as of Third Quarter From October 1, 2009 To June 30, 2010
Net sales	12,190,442	14,279,811
Cost of sales	11,407,511	13,305,319
Gross profit (loss)	782,931	974,491
Selling, general and administrative expenses	1,743,486	1,307,628
Operating income	-960,555	-333,137
Non-operating income		
Commission fee	23,182	23,182
Rent income of real estate	12,462	14,789
Foreign exchange gains	-	30,054
Other	9,438	12,288
Total Non-operating income	45,083	80,314
Non-operating expenses		
Interest expenses	119,929	112,005
Other	68,741	44,021
Total Non-operating expenses	188,671	156,026
Ordinary income	-1,104,143	-408,848
Extraordinary income		
Subsidy	-	100,000
Extraordinary income	-	100,000
Extraordinary loss		
Loss on retirement of property, plant and equipment	203,876	127
Loss on valuation of investment securities	-	5,434
Loss on disaster	-	21,180
Impairment loss	697,270	-
Other	89,006	-
Total Extraordinary loss	990,154	26,742
Income before income taxes and minority interests	-2,094,298	-335,591
Income taxes-current	41,061	24,385
Income taxes-deferred	240,121	-
Total Income taxes	281,183	24,385
Minority interests in income	-163,862	-120,580
Net income	-2,211,619	-239,396

(3) Consolidated Statement of Cash Flows

(Unit : thousand yen)

	Prior Cumulative Consolidated Third Quarter From October 1, 2008 To June 30, 2009	Consolidated accounting period as of Third Quarter From October 1, 2009 To June 30, 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	-2,094,298	-335,591
Depreciation and amortization	3,695,879	4,119,745
Increase (decrease) in allowance for doubtful accounts	35,963	-10,972
Increase (decrease) in provision for directors' bonuses	-28,000	-
Interest and dividends income	-3,137	-2,380
Interest expenses	119,929	112,005
Loss on retirement of property, plant and equipment	203,876	127
Impairment loss	697,270	-
Loss on valuation of investment securities	31,977	5,434
Decrease (increase) in notes and accounts receivable-trade	-3,599,567	2,372,238
Decrease (increase) in inventories	-264,344	335,026
Increase (decrease) in notes and accounts payable-trade	1,336,228	-1,909,904
Increase (decrease) in accounts payable-other	-	-57,483
Increase (decrease) in accrued expenses	-	190,852
Decrease (increase) in consumption taxes refund receivable	-	522,243
Other, net	-589,348	-533,143
Subtotal	-457,569	4,808,198
Interest and dividends income received	3,132	2,386
Interest expenses paid	-118,588	-110,191
Income taxes paid	-447,985	-20,444
Income taxes refund	-	162,688
Net cash provided by (used in) operating activities	-1,021,012	4,842,637
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	-7,786,386	-828,993
Purchase of intangible assets	-67,749	-1,921
Collection of loans receivable	677	555
Other, net	14,960	-970
Net cash provided by (used in) investment activities	-7,838,497	-831,329
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	178,000	-500,000
Proceeds from long-term loans payable	10,400,000	-
Repayment of long-term loans payable	-1,302,355	-3,494,612
Payments for installment payables-property and equipment	-258,613	-237,208
Purchase of treasury stock	-596	-
Proceeds from sales of treasury stock	95	-
Cash dividends paid	-90,733	-
Cash dividends paid for minority shareholders	-1,525	-
Net cash provided by (used in) financing activities	8,924,271	-4,231,820
Effect of exchange rate change on cash and cash equivalents	-74,079	-21,110
Net increase (decrease) in cash and cash equivalents	-9,317	-241,623
Cash and cash equivalents in the beginning of period	2,167,912	2,413,547
Cash and cash equivalents at the end of period	2,158,594	2,171,924

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

(5) Segment Information

a. Business segment information

Prior Cumulative Consolidated Third Quarter (October 1, 2008 through June 30, 2009) and Current Cumulative Consolidated Third Quarter (October 1, 2009 through June 30, 2010)

The Company and its consolidated subsidiaries are engaged in the singular business of the design, production and sale 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 third Quarter (October 1, 2008 through June 30, 2009)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1)Net Sales to Outside Customers	10,127,388	2,063,053	12,190,442	—	12,190,442
(2)Inter-Segment Sales Transfers	1,040,220	411,149	1,451,369	(1,451,369)	—
Total	11,167,608	2,474,203	13,641,811	(1,451,369)	12,190,442
Operating loss	-609,492	-300,535	-910,027	(50,528)	-960,555

(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 the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9, July 5, 2006) during the consolidated first quarter. This change resulted in an increase in operating losses for Japan in the amount of ¥278,310 thousands, compared to what the Company would have reported had the previous accounting method been applied.

Cumulative Consolidated third Quarter (October 1, 2009 through June 30, 2010)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1)Net Sales to Outside Customers	11,588,585	2,691,226	14,279,811	—	14,279,811
(2)Inter-Segment Sales Transfers	1,534,557	57,636	1,592,193	(1,592,193)	—
Total	13,123,142	2,748,862	15,872,004	(1,592,193)	14,279,811
Operating Income (Loss)	25,186	-269,401	-244,214	(88,922)	-333,137

(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

Prior Cumulative Consolidated Third Quarter (October 1, 2008 through June 30, 2009)

	Asia	Other	Total
I.Overseas Net Sales (¥thousands)	2,178,845	—	2,178,845
II.Consolidated Net Sales (¥thousands)	12,190,442		
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	17.9	—	17.9

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

2. Major countries and regions outside Japan

Asia: Taiwan, South Korea, Singapore

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

Cumulative Consolidated third Quarter (October 1, 2009 through June 30, 2010)

	Asia	Other	Total
I.Overseas Net Sales (¥thousands)	5,695,969	—	5,695,969
II.Consolidated Net Sales (¥thousands)	14,279,811		
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	39.9	—	39.9

(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