

FY10 3rd Quarter Financial Result SK-Electronics Co., LTD.

August 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 3rd Quarter Review

(April – June 10)

LCD panel market Review

1st Half (October09 – March 10)

- *China's central government approved the investments of Gen8 line (including Gen7.5) to 3 companies.
- *Taiwanese panel makers CMO and Innolux merged on the 18th of March.
→ CMI(CMO and Innolux) became the biggest Taiwanese panel maker.
- *LCD technology penetrates TV market.
→LCD TV gained more than 50% of the market share in the most of the geographical area.
- Overall LCD panel demands increased.
- *3D TV and 4 Color TV were introduced to the market.

3rd Quarter (April – June 10)

- *Thanks to the release of iPad, sales is so huge, mid-size panel demand increased.
- *IPS alpha (Himeji, Hyogo Pref.) started the mass production of Gen8n from April.
- * Panel demands...
 - Panel demands slightly decreased.
 - Inventory adjustment and ASP of some panel size decreased
 - Big growth of large area panel production: The largest volume and sales.

SK-Electronics Review

1st Half (October 09 – March10)

<1st Quarter>--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.

<2nd Quarter> --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 demands under Gen8
 - Lower than expectation because of full utilization rate of production by panel makers
- *Revision of earning on the 9th of March, 2010
- *Continuous price down of photomask, but cost reduction activity and high yield were realized.

3rd Quarter (April – June 10)

--Continuously large photomask demands were low, slower than SKE's forecast--

- *Gen10 photomask demand
 - Start-up demands of photomask at Sharp Sakai plant settled down, and the plant is now in full utilization, photomask demands are very low.
 - Demands of photomask for new version/design and R&D was delayed.
- *photomask demands under Gen8
 - Korean market recovered because of additional lines of Gen8 and increase of R&D demands.
 - Taiwanese market also recovered (however, there is no additional lines so the impact is small)
- *Almost all the panel makers are continuously in full production → photomask demands were lower than our expectation.
- *Multi-tone photomask sales recovered.

Overview of FY10 Q3 Financial highlights

Unit: million yen

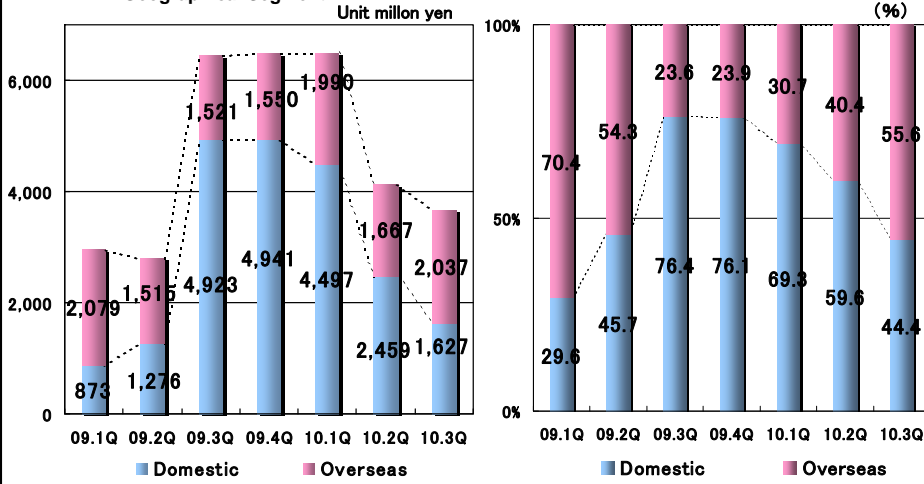
	FY10			FY10 3Q Cumulative total	FY09 3Q Cumulative total
	1Q	2Q	3Q		
Net Sales	6,488	4,127	3,664	14,279	12,190
Operating profit/loss	713	-454	-592	-333	-960
Ordinary profit/loss	682	-482	-609	-408	-1,104
Net profit/loss	637	-322	-555	-239	-2,211
Capex	11	10	29	50	13,818
Depreciation	1,373	1,371	1,375	4,119	3,695
R&D Expense	44	51	57	153	320

Change in Photomask sales by Geographical Segment (QonQ)

Trend: Gen10 photomask demands were low, overseas sees some recovery

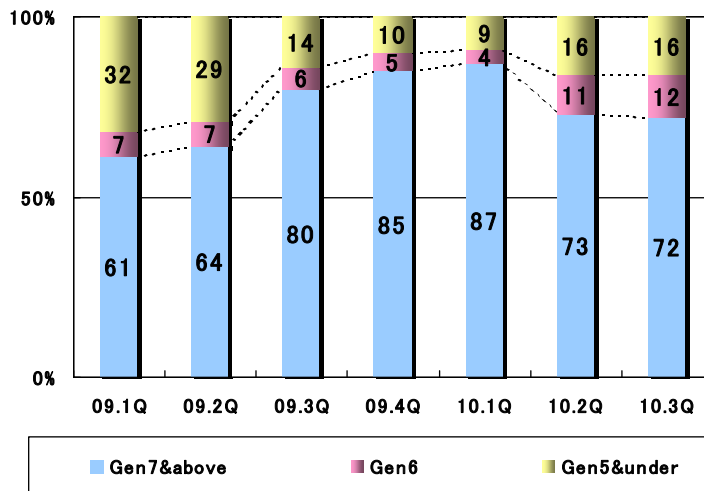
Change in Photomask sales by Geographical Segment

Proportion of Photomask sales by Geographical Segment



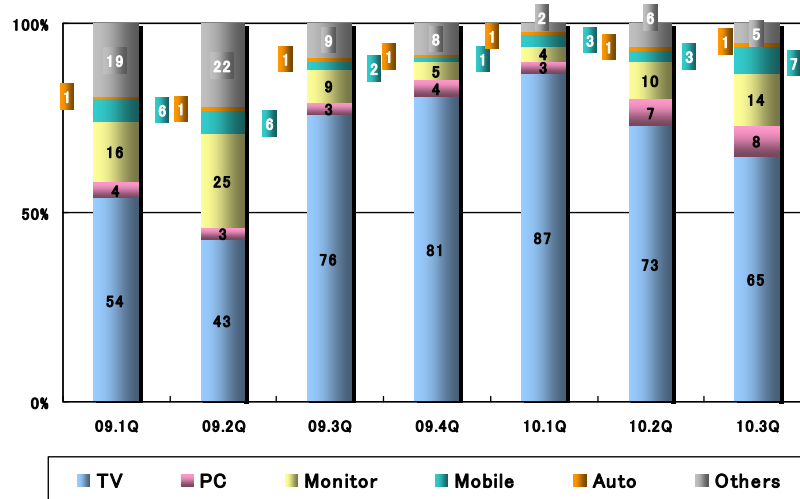
Change in Photomask sales by generations (QonQ)

Trend: Gen10 photomask demands were low, which makes Gen7&above ratio decreased.



Change in Photomask sales by applications (QonQ)

Trend: TV decreased because of Gen10 photomask demands were low, mobile (phone) recovered.



Consolidated Balance Sheet

Unit: million yen

Consolidated B/S	Jun.09	Sep.09	Jun.10	Difference from Sep.09
(Total Asset)	33,873	32,226	25,017	-7,209
Cash on hand and in banks	2,158	2,413	2,171	-242
Trade notes and account receivable	7,312	8,046	5,656	-2,390
Inventories	2,384	1,877	1,538	-339
Other(current assets)	1,281	1,017	863	-154
Fixed assets	20,165	18,337	14,317	-4,020
Intangible fixed assets	314	301	232	-69
Investment and other assets	258	231	236	5
(Total liabilities)	23,568	21,911	15,093	-6,817
Trade notes and account payable	4,538	4,958	3,035	-1,923
Short-term borrowings	778	500	-	-500
Current portion of long-term debt	15,844	14,549	11,051	-3,498
Other (liability)	2,407	1,903	1,006	-897
(Net assets total)	10,305	10,315	9,924	-391
Equity capital (Total of Shareholders' equity , Valuation and translation adjustments)	8,769	8,868	8,613	-255
Equity capital ratio(%)	25.9	27.5	34.4	6.9
Outstanding Interest-bearing debt	16,958	15,298	11,063	-4,233

Cash Flows		Unit: million yen	
	FY09 Q3 Cumulative total	FY10 Q3 Cumulative total	FY09 (reference)
CF from operating activities	-1,021	4,842	1,563
CF from Investing activities	-7,838	-831	-8,479
Free Cash Flows	-8,859	4,011	-6,916
CF from Financing activities	8,924	-4,231	7,272
Net change in cash and cash equivalents	-9	-241	245
Cash and cash equivalents at end of period	2,158	2,171	2,413

1. CF from Operating activities amounted 4,842million yen, mainly due to depreciation and amortization expense of 4,119million yen, a decrease in notes and accounts receivable-trade of 2,372million yen and a decrease in notes and accounts payable-trade of 1,999million yen.

2. CF used in Investing activities totaled 831million yen mainly due to 828million yen of funds used for the purchase of tangible fixed assets.

3. Free CF becomes 4,011million yen.

FY09 Q4 Forecast	
<u>LCD panel market trend</u>	
<p>*Korean panel makers are continuously discussing about Gen11 investment plan.</p> <p>*Panel (in general) → Even though there are National Day in China and X' mas at the latter half of 2010 which normally drives panel demands, shipment of panels will not be so high as expected in the beginning of the year, because inventory of panels and finished products is not yet adjusted.</p> <p>*TV panel → Introducing Smart/Internet Enabled TV, LED TV, 3D TV and some other new technology loaded TV, advanced countries have certain amount of demands, on the other hand, rising nations have some risk of not achieving the TV sales forecast made by the beginning of this year because of inventory adjustment.</p> <p>*Samsung Electronics has signed MOU with Chinese Panel maker, TCL. Possibility of capital investment and technology partnership?</p>	
<u>SKE Group trend</u>	
<p>*Demands of photomask for G8 and under</p> <ul style="list-style-type: none"> → Recovery of orders during 4Q by aggressive sales strategy → Sales and share should increase because demands are steady and aggressive sales activity will continue. <p>* Gen 10 photomask demands</p> <ul style="list-style-type: none"> → Expect big recovery of Gen10 photomask during Q4 since demand pick-up started from the very end of Q3. 	

Forecast of FY10 Financial highlights		Unit: million yen	
	FY09 Full year	FY10 Full year Previous forecast (May.)	FY10 Full year Revised forecast
Net Sales	18,682	21,300	21,300
Operating Income/loss	-675	350	350
Ordinary Income/loss	-872	250	250
Net Income/loss	-2,011	260	260
Capex	14,017	230	110
Depreciation	5,545	5,614	5,550
R&D	394	345	230
Divid per Share (Yen)	0.00	800.00	800.00

<TOPICS 2> LCD panel makers' investment plan

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

JAPAN
SHARP: July 2010 G10 72K start
IPS α: April 2010 G8 start

KOREA
Samsung: 2010 additional G8 2011-12 G11 planning
LGD: 2010 additional G8 invest for P9 factory

CHINA
BOE: 2010 G6 start G4.5 start 2011 G8 start (approved)
Tiama: 2010 G4.5 start
FVO(AUO): 2011-12 G8 start (approved)
TCL: 2011-12 G8 start (approved)
LGD: 2012 G8 MOU
Samsung: 2011 G7.5 MOU
CMO: 2012 G8 planning
CEC-PANDA(SHARP): 2011 G6 planning 2012 G8MOU
CENTURY(Innolux): 2011 G7 planning

TAIWAN
AUO: 2010 additional G8 start 2012? G11 planning
CMO: 2010 G8 re-start