FYE September 2010 Financial Report

November 8, 2010

Company Name	SK-Electronics Co., Ltd.	Listed Exchange	OSE-JASDAQ
Code No.	6677	URL	http://www.sk-el.co.jp
Representative	(Title) President	YoshitadaNogami	
Contact	(Title) General Manager, AdministrativeDivision	Hidehiro Fujiwara	TEL (075) 441-2333

Scheduled Date for Annual Shareholders' Meeting	December 17, 2010
Scheduled Date for Submitting Annual Security Report	December 17, 2010
Scheduled Dividend Payment Date	December 20, 2010

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for FYE 9/2010 (October 1, 2009 through September 30, 2010)

(1) Consolidated Results of Operations

(% indicates increase/decrease vs. prior year)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 9/2010	20,155	7.9	279	—	187	—	277	—
FYE 9/2009	18,682	8.9	–675	—	–872	—	–2,011	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets Ratio	Operating Income to Net Sales Ratio
	Yen	Yen	%	%	%
FYE 9/2010	2,448.58	—	3.1	0.6	1.4
FYE 9/2009	–17,738.78	—	–19.9	–3.0	–3.6

(Reference) Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Affiliates FYE 9/30/2010 — million yen FYE 9/30/2009 — million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
FYE 9/2010	25,380	10,409	35.8	80,215.94
FYE 9/2009	32,226	10,315	27.5	78,226.39

(Reference) Owned Capital FYE 9/2010 9,094 million yen FYE 9/2009 8,868 million yen

(3) Consolidated Cash Flow

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	¥ millions	¥ millions	¥ millions	¥ millions
FYE 9/2010	6,684	–881	–5,303	2,838
FYE 9/2009	1,563	–8,479	7,272	2,413

2. Dividends

	Dividend per Share					Total Cash Dividends (FY)	Dividend Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Full Year			
	Yen	Yen	Yen	Yen	Yen	¥ millions		
FYE 9/2009	—	0.00	—	0.00	0.00	—	—	—
FYE 9/2010	—	0.00	—	1,000.00	1,000.00	113	40.8	1.3
FYE 9/2011 (Projected)	—	0.00	—	1,000.00	1,000.00		29.1	

3. Projected Consolidated Results of Operations for FYE 9/2011
(October 1, 2010 through September 30, 2011)

(% indicates increase/decrease compared to prior year or prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	9,100	–14.3	210	–19.0	160	–20.3	220	–30.3	1,940.51
Full Year	18,200	–9.7	450	61.1	350	87.0	390	40.5	3,440.00

4. Other

(1) Changes in significant subsidiaries during the period: None

(Changes in specified subsidiaries due to changes in the scope of consolidation during the consolidated fiscal year)

(2) Changes in accounting principles, procedures or presentation methods with respect to preparation of consolidated financial statements (changes in important items used as the basis for preparing consolidated financial statements)

1) Changes associated with revisions in accounting standards, etc.: None

2) Changes other than those in 1): None

(Note) For further details see pages 19 through 21 "(6) Important Items Used as the Basis for Preparing Consolidated Financial Statements" and page 22 "(7) Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements".

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

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

FYE 9/2010 113,684 shares

FYE 9/2009 113,684 shares

<2> Number of treasury shares at end of period

FYE 9/2010 312 shares

FYE 9/2009 312 shares

(Reference) Overview of Non-Consolidated Results of Operations

1. Non-Consolidated Results of Operations for FYE 9/2010 (October 1, 2009 through September 30, 2010)

(1) Non-Consolidated Results of Operations (% indicates increase/decrease compared to prior year)

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
FYE 9/2010	18,411	6.7	398	–	347	–	377	–
FYE 9/2009	17,254	22.7	–451	–	–493	–	–1,765	–

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
FYE 9/2010	3,326.26	–
FYE 9/2009	–15,567.36	–

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
FYE 9/2010	23,277	9,256	39.8	81,650.90
FYE 9/2009	29,262	8,848	30.2	78,045.38

(Reference) Owned Capital FYE 9/2010 9,256 million yen
FYE 9/2009 8,848 million yen

2. Projected Non-Consolidated Results of Operations for FYE 9/2011
(October 1, 2010 through September 30, 2011)

(% indicates increase/decrease compared to prior year or prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	8,200	–16.2	240	–33.1	220	–31.1	270	–33.1	2,381.54
Full Year	16,400	–10.9	450	12.9	410	18.0	450	19.3	3,969.23

* Explanation concerning appropriate use of the projected operating results and other special remarks
The forward-looking statements, including the operating 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. Please see Pages 4-7 "Operating Results (1) Analysis of Operating Results" concerning the assumptions used as the basis for the projected operating results and matters to note before using the projected operating results.

1. Operating Results

(1) Analysis of Operating Results

<1> Overview of the current period

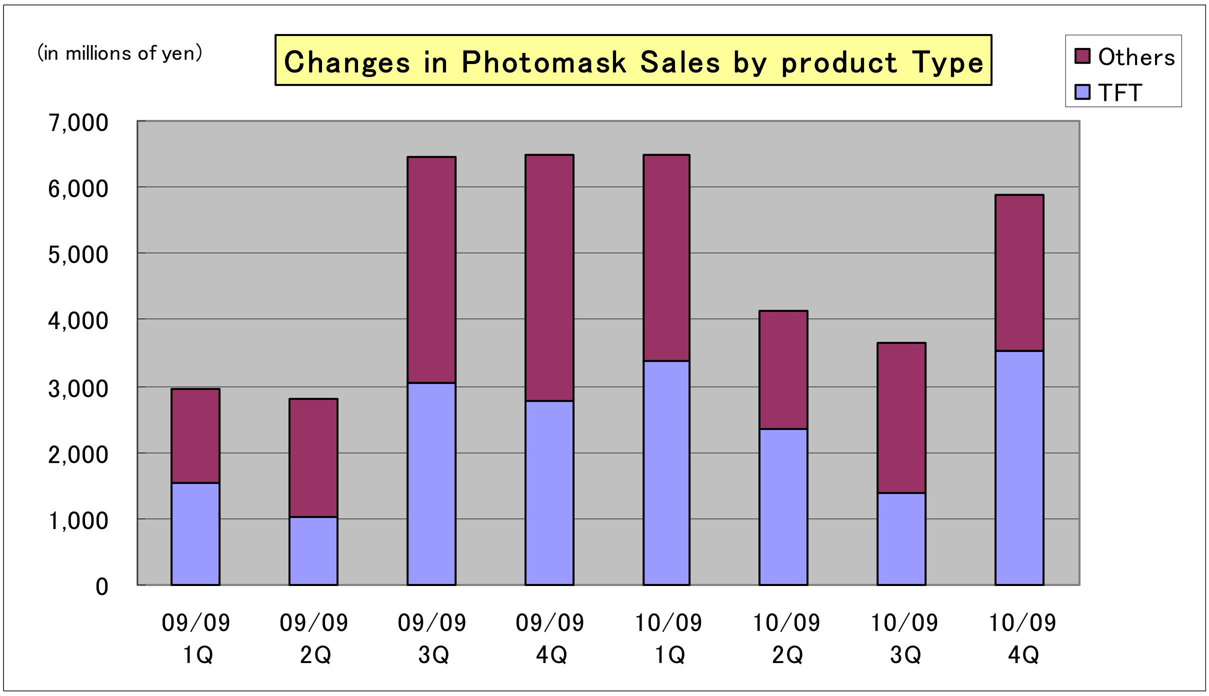
During the consolidated fiscal year under review, Corporate earnings, continued to strengthen against the backdrop of an improved economic picture overseas and the effects of government policies, including emergency economic measures.On the other hand, concerns of a downturn in overseas business conditions, particularly in Europe and the United States, and the effects of the yen's sharp appreciation against the dollar and the impact of deflation lingered, as did the risk of an economic slowdown and deterioration in the employment situation, and conditions that make forecasting a tenuous exercise are expected to continue in the future.

In the LCD panel industry, panel manufacturers generally maintained high capacity utilization rates, despite a drop in panel prices from May and production adjustments since June aimed at reducing inventories, as stringent panel supply and demand conditions resulted from the introduction of high added value products, including 3D televisions and the iPhone and iPad and the debut of four-color pixel television panels, and the effects of government measures in Japan and China to stimulate demand.

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

On the other hand, 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, but, as the initial demand had been satisfied and the demand for R&D photomasks was also substantially lower than projections, the demand for photomasks contracted sharply in the second and third quarters. Demand recovered and expanded steadily during the fourth quarter, driven by next-model development. As a result, for the consolidated fiscal year under review the SK-Electronics Group recorded net sales of ¥20,155 million (7.9% year-on-year increase). With regard to earnings, the Group reported a large loss in the previous consolidated fiscal year that reflected the Shiga Plant depreciation burden and an impairment loss related to certain production facilities for the small and medium-sized photomask production lines, and although this large depreciation burden continued during the consolidated fiscal year under review, about 5.5billion yen same as the previous year,SK-Electronics Groups achieved a return to profitability because of higher net sales, a higher percentage of sales of high-value-added products and cost reduction activities. For the full year, operating income was ¥279 million (compared with an operating loss of ¥675 million in the prior consolidated fiscal year), ordinary income was ¥187 million (compared with an ordinary loss of ¥872 million in the prior consolidated fiscal year) and net income was ¥277 million (compared with a net loss of ¥2,011 million in the prior consolidated fiscal year).

By product, TFT photomask net sales rose 26.2% year-on-year to reach ¥10,643 million. Although the demand for next-generation photomasks from the Shiga Plant was sharply lower in the second and third quarters, net sales were driven by strong first quarter and fourth quarter growth in demand.

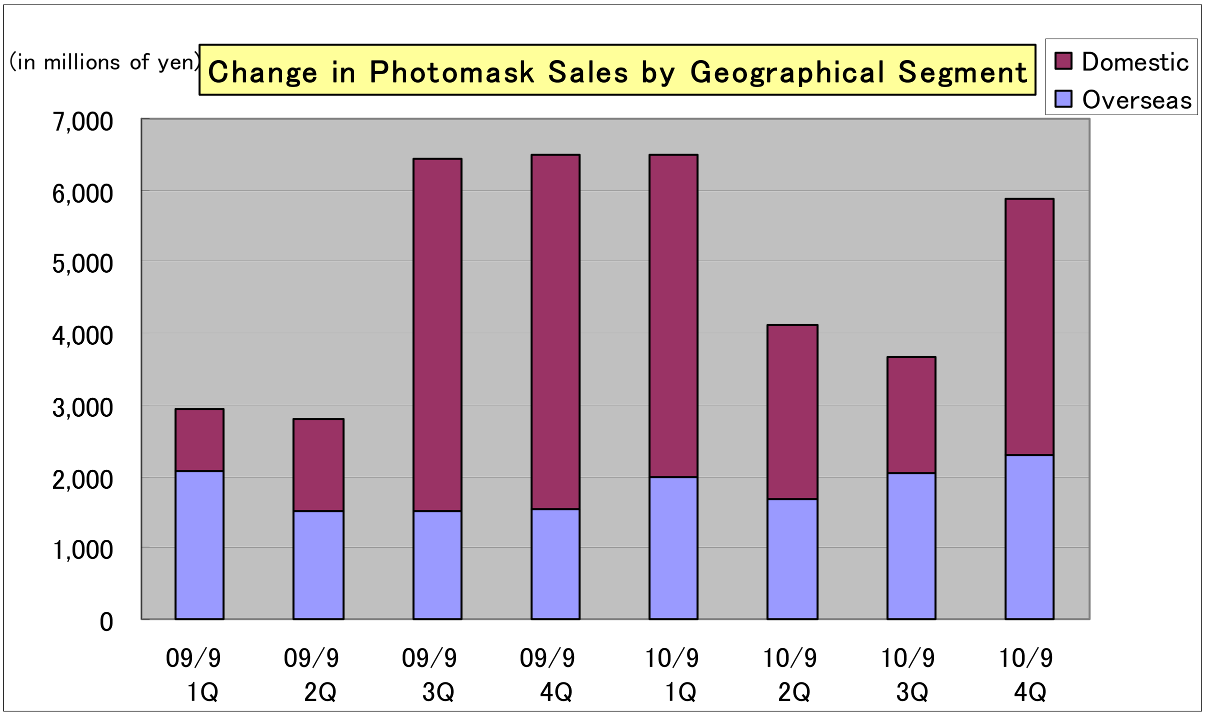


(Reference) Change in Photomask Sales by Product Type

(Unit: Millions of yen)

	09/09 1Q	09/09 2Q	09/09 3Q	09/09 4Q	10/09 1Q	10/09 2Q	10/09 3Q	10/09 4Q
TFT	1,549	1,032	3,062	2,789	3,374	2,346	1,394	3,528
Others	1,404	1,759	3,383	3,702	3,113	1,780	2,270	2,347
Total	2,953	2,792	6,445	6,491	6,488	4,126	3,664	5,876

By region, domestic net sales increased 1.1% year-on-year to ¥12,149 million. Despite a sharp contraction in demand in the second and third quarters, the higher sales reflected steady growth in demand for next-generation photomasks from the Shiga Plant during the first and fourth quarters. Overseas net sales expanded 20.1% compared with the prior consolidated fiscal year to ¥8,006 million, reflecting brisk demand for photomasks from Korean, Taiwanese and Chinese manufacturers, and growth in demand in the fourth quarter for the multi-tone photomasks.



(Reference) Change in Photomask Sales by Geographical Segment

(Unit: Millions of yen)

	09/9 1Q	09/9 2Q	09/9 3Q	09/9 4Q	10/9 1Q	10/9 2Q	10/9 3Q	10/9 4Q
Overseas	2,079	1,515	1,521	1,550	1,990	1,667	2,037	2,310
Domestic	873	1,276	4,923	4,941	4,497	2,459	1,627	3,565
Total	2,953	2,792	6,445	6,491	6,488	4,126	3,664	5,876

<2> Outlook for the Next Period

Over the medium to long-term, the demand for large-format photomasks is expected to expand steadily. This projected growth reflects demand growth centered on LCD TVs at LCD panel manufacturers in foreign countries, increased demand from investment in new lines to support larger panels and higher demand from investments in new production lines in China, plus the ongoing development of new applications for LCD panels such as digital signage (electronic signboards).

In its outlook for the next consolidated fiscal year, the SK-Electronics Group expects photomask unit prices to continue dropping. While overseas manufacturers are expected to start up and expand new lines, and large-format photomask demand overall is envisaged to grow steadily, the final prices of products such as LCD TVs are expected to decline further and suppliers will be asked by LCD panel manufacturers to further reduce materials costs.

The SK-Electronics Group continues to adopt cost-cutting measures in response to this difficult operating environment. In addition, we are working to differentiate our offerings from our competitors, introducing technological proposals by proactively understanding of customer needs, and increasing the speed with which we can react through the close coordination of sales, technology, production and management functions within the Group.

For the next fiscal period, SK-Electronics projects consolidated net sales will decrease 9.7% compared with the prior consolidated fiscal year to ¥18,200 million, and non-consolidated net sales will shrink 10.9% year-on-year to ¥16,400 million. With regard to earnings, consolidated ordinary income is projected to climb 87.2% year-on-year to ¥350 million, and non-consolidated ordinary income is projected to increase 18.0% compared with the prior fiscal period to ¥410 million.

We ask for your continued support as we continue to expand as a leading company in the LCD photomask industry.

(2) Analysis of Financial Position

<1> Assets, Liabilities and Net Assets

Total assets at the end of the consolidated fiscal year under review decreased ¥6,845 million compared with the end of the previous consolidated fiscal year to ¥25,380 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 ¥6,939 million compared to the end of the prior consolidated fiscal year to ¥14,971 million. This mainly reflected a lower amount of long-term loans payable.

Total net assets increased ¥93 million compared to the end of the prior consolidated fiscal year to ¥10,409 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 fiscal year under review increased by ¥424 million compared with the prior consolidated fiscal year end to ¥2,838 million.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated fiscal year under review totaled amounted to ¥6,648 million. This was mainly due to income before taxes and minority interests of ¥229 million, depreciation and amortization expense of ¥5,481 million, a decrease in notes and accounts receivable-trade of ¥1,092 million and a decrease in notes and accounts payable-trade of ¥958 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the consolidated fiscal year under review totaled ¥881 million. This mainly reflected ¥855 million of funds used for the purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Cash used in financing activities during the consolidated fiscal year under review totaled ¥5,330 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 ¥4,556 million.

(Reference) Cash Flow Indicator Trends

	FYE 9/2007	FYE 9/2008	FYE 9/2009	FYE 9/2010
Equity ratio (%)	44.4	44.4	27.5	35.8
Market value equity ratio (%)	30.5	16.3	14.1	17.3
Interest-Bearing Liabilities to Cash Flow (times)	1.9	1.7	9.8	1.5
Interest coverage ratio (times)	25.6	33.6	9.2	48.2

Notes Equity ratio: Owned Capital/Total Assets
Market Value Equity Ratio: Market Capitalization/Total assets
Interest-Bearing Liabilities to Cash Flow: Interest-Bearing Liabilities/Cash Flows
Interest Coverage Ratio: Cash flows/Interest Payments

(Notes) 1. The above indicators have been calculated using consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing share price at year end × Total shares issued and outstanding at year end.
3. Cash flows used are Cash Flows from Operating Activities.
4. Interest-Bearing Liabilities are all consolidated liabilities from the balance sheet for which interest is being paid.
5. Interest Payments is the amount of interest paid from the Statement of Cash Flows.

(3) Basic Policy Regarding Profit Distribution and Dividends for the Consolidated Fiscal Year under Review and Next Period

The SK-Electronics Group believes that sharing Group profits with our shareholders is one of our most important management concerns, and our Basic Policy is to implement consistent profit distributions to our shareholders, in proper consideration of changes in the operating results of the Group. We will declare dividends in light of the availability of internal funds required for investment in equipment and research and development to expand our business, and our projections of future operating results, etc.

With regard to the distribution of profits at the end of the current consolidated fiscal year, the SK-Electronics Group plans to apportion a dividend of ¥1,000 per share in conformance with our basic policy regarding profit distribution.

Furthermore, the distribution of retained earnings for the next fiscal year (FYE September 2011) is expected to be 1,000 per share, in conformance with our basic policy regarding profit distribution.

3. Management Policies

(1) Basic Company Management Policies

The guiding management policy of the Company is “Creation and Harmony.” Our goal is to be a Company that pursues harmony among business, society, nature and people and contributes to an abundant society, both physically and spiritually, through the creation of beneficial products that meet society’s needs.

Our Company aims to build a management structure capable of realizing continued growth and earnings by effectively utilizing internal and external management resources and responding quickly and appropriately to environmental changes in the rapidly growing electronics industry. At the same time, we also wish to contribute to society as a socially valuable technology company that plays a significant role in the fine-technology based electronics industry.

(2) Objectives and Management Performance Indicators

The main performance indicators targeted by the SK-Electronics Group are as follows.

	FYE 9/2008	FYE 9/2009	FYE 9/2010	Target
Ordinary Income to Net Sales Ratio <Profitability Indicator>	5.2%	−4.7%	0.9%	10.0% or higher
Equity Ratio <Safety Indicator>	44.0%	27.5%	35.8%	40.0% or higher
R&D Cost to Net Sales Ratio <New Development Indicator>	1.4%	2.1%	1.2%	5.0%

* The above indicators have been calculated using consolidated financial figures.

* Ordinary Income to Net Sales Ratio (a profitability indicator): While the SK-Electronics Group has not yet achieved its target because of intensified competition in the market, we are focusing on profitability improvements based on reductions in materials and other costs and increased added value through differentiation.

* Equity Ratio (a safety indicator): Although we nearly achieved our target level in this category as a result of the implementation of continued capital investment coordinated with market trends, we will continue to improve this figure through the repayment of interest-bearing debt from cash flow from operating activities and considering various capital procurement methods in addition to raising funds from capital markets.

* R&D Cost to Net Sales Ratio (an indicator of new development): We use this indicator to evaluate whether we are actively developing the new technologies necessary for the continued growth of the Company. Although we have not yet reached the target level, we will continue to focus our efforts to achieve the target level in the future.

(3) Medium to Long-term Corporate Management Strategy and Issues to be addressed by the Company

The environment surrounding the SK-Electronics Group’s Comprehensive Large-Format Photomask Business is extremely difficult at present, with LCD panel manufacturers demanding continued price cuts in photomask unit prices and increased price competition among Company competitors. Given this environment, the SK-Electronics Group has been the first in the world to put a next-generation large-format photomask manufacturing plant (“Shiga Plant”) into full operation. To secure its standing among top manufacturers, the SK-Electronics Group has been practicing “Speedy Management,” as well as working in a uniform manner to address the following three issues, guided by our mantra to “create future value through wisdom and passion.”

<1> Stable operation of the next-generation comprehensive large-format photomask business

As indicated by the start of full-scale mass production in October 2009 at Sharp Corporation's 10th-generation LCD panel plant (Sakai City, Osaka) and other developments, demand for large-format panels by LCD panel manufacturers is expected to increase. To respond to this demand, the SK-Electronics Group will make the most of the first-mover advantage offered by our next-generation large-format photomask manufacturing plant ("Shiga Plant"), which began full operations in March 2009. We plan to reach profitability well in excess of our competition and realize stable operation of our next-generation large-format photomask business.

<2> Profitability Improvements in the Current Comprehensive Large-Format Photomask Business

In our current comprehensive large-format photomask business (8th-generation and earlier photomasks), we will be incorporating stronger marketing that responds quickly to capital investment and production trends among LCD panel manufacturers, including those in the Chinese market, which is expected to be a large growth market in the future. Internally, we are promoting stronger profitability through productivity improvements, fixed cost reductions and materials procurement cost reductions, all areas that will help us meet demands for lower photomask unit costs and increased price competition.

<3> Early Commercialization of New Business Segments

Projections indicate that the comprehensive large-format photomask business will continue to experience increased demand for large-format panels, driven by the LCD television market. From a long-term perspective, however, the market appears to be steadily reaching a stage of maturity, with slowing growth rates. For the Company Group to achieve continuing growth, we must construct business segments that will become new pillars of revenues and earnings in as early a time frame as possible. The Company is studying a wide range of initiatives, including internal research and development and the adoption of external technologies, aimed at early commercialization through the efficient utilization of management resources.

(4) Internal Management Structure Development/Operations

A discussion of this topic can be found in our corporate governance report "Basic Philosophies regarding Internal Control Systems and the State of their Effectiveness."

4.Consolidated Financial Statements

(1)【Consolidated Balance Sheets 】

(¥thousands)

	Prior Consolidated Fiscal Year (FYE 9/2009)	Prior Consolidated Fiscal Year (FYE 9/2010)
Assets		
Current assets		
Cash and deposits	2,413,547	2,838,214
Notes and accounts receivable-trade	8,046,444	6,885,741
Merchandise and finished goods	41,138	-
Work in process	470,657	139,595
Raw materials and supplies	1,365,386	1,320,669
Income taxes receivable	187,212	-
Consumption taxes receivable	522,243	-
Other	330,322	758,695
Allowance for doubtful accounts	-21,834	-12,129
Total current assets	13,355,118	11,930,787
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,921,723	4,494,031
Machinery, equipment and vehicles, net	11,676,573	6,745,865
Land	1,607,750	1,607,750
Other, net	131,676	107,442
Total property, plant and equipment	18,337,724	12,955,090
Intangible assets		
Software	301,816	210,340
Total intangible assets	301,816	210,340
Investments and other assets		
Investment securities	103,879	117,317
Investments in capital of subsidiaries and affiliates	-	50,000
Long-term loans receivable	765	-
Other	151,043	139,833
Allowance for doubtful accounts	-23,843	-22,822
Total investments and other assets	231,845	284,328
Total noncurrent assets	18,871,385	13,449,759
Total assets	32,226,503	25,380,546
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,958,142	3,965,878
Short-term loans payable	500,000	-
Current portion of long-term loans payable	4,585,413	4,130,937
Income taxes payable	5,000	24,000
Provision for directors' bonuses	-	30,000
Notes payable-facilities	624,853	-
Current portion of long-term accounts payable	247,661	1,734
Other	976,572	934,888
Total current liabilities	11,897,644	9,087,438
Noncurrent liabilities		
Long-term loans payable	9,963,947	5,834,428
Deferred tax liabilities	12,647	2,479
Other	36,816	46,782
Total noncurrent liabilities	10,013,412	5,883,690
Total liabilities	21,911,056	14,971,128
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,335,413	4,335,413
Retained earnings	989,988	1,267,588
Treasury stock	-48,338	-48,338
Total shareholders' equity	9,386,786	9,664,386
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	18,581	50,242
Foreign currency translation adjustment	-536,685	-620,387
Total valuation and translation adjustments	-518,103	-570,145
Minority interests	1,446,764	1,315,176
Total net assets	10,315,447	10,409,417
Total liabilities and net assets	32,226,503	25,380,546

(2)【Consolidated Statements of Income】

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2008 To September 30,2009)	Current Consolidated Fiscal Year (From October 1, 2009 To September 30, 2010)
Net sales	18,682,226	20,155,885
Cost of sales	17,245,121	18,051,918
Gross profit	1,437,105	2,103,967
Selling, general and administrative expenses	2,112,882	1,824,650
Operating income (loss)	-675,777	279,316
Non-operating income		
Interest income	2,584	2,407
Real estate rent	15,927	22,113
Commission fee	30,909	30,909
Foreign exchange gains	-	36,229
Other	9,513	11,773
Total non-operating income	58,936	103,433
Non-operating expenses		
Interest expenses	170,743	139,854
LeaseExpenses	29,460	29,460
Other	55,006	26,291
Total non-operating expenses	255,209	195,605
Ordinary income (loss)	-872,051	187,144
Extraordinary income		
Subsidy	-	100,000
Gain on sales of noncurrent assets	46,106	25,398
Reversal of allowance for doubtful accounts	-	9,730
Total extraordinary income	46,106	135,128
Extraordinary loss		
Loss on retirement of noncurrent assets	306,116	68,083
Loss on disaster	-	16,565
Impairment loss	697,270	-
Other	92,006	8,055
Total extraordinary losses	1,095,393	92,703
Income (loss) before income taxes and minority intere	-1,921,338	229,569
Income taxes-current	36,677	26,179
Income taxes-deferred	237,398	-
Total income taxes	274,075	26,179
Minority interests in loss	-184,161	-74,209
Net income (loss)	-2,011,253	277,600

(3)【Consolidated Statements of Changes in Stockholders' Equity】

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2008 To September 30,2009)	Current Consolidated Fiscal Year (From October 1, 2009 To September 30, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	4,109,722	4,109,722
Balance at the end of current period	4,109,722	4,109,722
Capital surplus		
Balance at the end of previous period	4,335,413	4,335,413
Balance at the end of current period	4,335,413	4,335,413
Retained earnings		
Balance at the end of previous period	3,092,458	989,988
Changes of items during the period		
Dividends from surplus	-90,733	-
Net income (loss)	-2,011,253	277,600
Disposal of treasury stock	-484	-
Total changes of items during the period	-2,102,470	277,600
Balance at the end of current period	989,988	1,267,588
Treasury stock		
Balance at the end of previous period	-48,116	-48,338
Changes of items during the period		
Purchase of treasury stock	-801	-
Disposal of treasury stock	579	-
Total changes of items during the period	-221	-
Balance at the end of current period	-48,338	-48,338
Total shareholders' equity		
Balance at the end of previous period	11,489,478	9,386,786
Changes of items during the period		
Dividends from surplus	-90,733	-
Net income (loss)	-2,011,253	277,600
Purchase of treasury stock	-801	-
Disposal of treasury stock	95	-
Total changes of items during the period	-2,102,692	277,600
Balance at the end of current period	9,386,786	9,664,386
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	10,513	18,581
Changes of items during the period		
Net changes of items other than shareholders' equity	8,068	31,661
Total changes of items during the period	8,068	31,661
Balance at the end of current period	18,581	50,242
Foreign currency translation adjustment		
Balance at the end of previous period	-175,980	-536,685
Changes of items during the period		
Net changes of items other than shareholders' equity	-360,705	-83,702
Total changes of items during the period	-360,705	-83,702
Balance at the end of current period	-536,685	-620,387
Total valuation and translation adjustments		
Balance at the end of previous period	-165,466	-518,103
Changes of items during the period		
Net changes of items other than shareholders' equity	-352,637	-52,041
Total changes of items during the period	-352,637	-52,041
Balance at the end of current period	-518,103	-570,145
Minority interests		
Balance at the end of previous period	1,885,667	1,446,764
Changes of items during the period		
Net changes of items other than shareholders' equity	-438,902	-131,588
Total changes of items during the period	-438,902	-131,588
Balance at the end of current period	1,446,764	1,315,176
Total net assets		
Balance at the end of previous period	13,209,678	10,315,447
Changes of items during the period		
Dividends from surplus	-90,733	-
Net income (loss)	-2,011,253	277,600
Purchase of treasury stock	-801	-
Disposal of treasury stock	95	-
Net changes of items other than shareholders' equity	-791,539	-183,629
Total changes of items during the period	-2,894,231	93,970
Balance at the end of current period	10,315,447	10,409,417

(4)【Consolideted Statement of Cash Frows)

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1,2008 To September 30,2009)	Current Consolidated Fiscal Year (from October 1,2009 To September 30,2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	-1,921,338	229,569
Depreciation and amortization	5,545,270	5,481,667
Increase (decrease) in allowance for doubtful accounts	21,084	-9,730
Increase (decrease) in provision for directors' bonuses	-28,000	30,000
Interest and dividends income	-3,445	-3,096
Interest expenses	170,743	139,854
Loss on retirement of noncurrent assets	306,116	68,083
Loss (gain) on sales of noncurrent assets	-46,106	-25,398
Impairment loss	697,270	-
Decrease (increase) in notes and accounts receivable-trade	-4,372,715	1,092,427
Decrease (increase) in inventories	222,171	402,708
Increase (decrease) in notes and accounts payable-trade	1,790,627	-958,683
Increase (decrease) in accounts payable-other	-64,677	83,440
Increase (decrease) in accrued expenses	-95,131	85,076
Decrease (increase) in consumption taxes refund receivable	-	522,243
Other, net	-44,294	-496,859
Subtotal	2,177,575	6,641,301
Interest and dividends income received	3,451	3,102
Interest expenses paid	-169,712	-137,861
Income taxes paid	-447,985	-20,535
Income taxes refund	-	162,688
Net cash provided by (used in) operating activities	1,563,327	6,648,696
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-8,472,236	-855,176
Proceeds from sales of property, plant and equipment	46,106	25,540
Purchase of intangible assets	-81,152	-1,921
Payments for investments in capital of subsidiaries and affiliates	-	-50,000
Collection of loans receivable	870	681
Other, net	27,231	-600
Net cash provided by (used in) investing activities	-8,479,180	-881,475
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-100,000	-500,000
Proceeds from long-term loans payable	10,400,000	-
Repayment of long-term loans payable	-2,588,401	-4,556,016
Payments for installment payables-property and equipment	-345,752	-247,661
Purchase of treasury stock	-801	-
Proceeds from sales of treasury stock	95	-
Cash dividends paid	-90,733	-
Cash dividends paid to minority shareholders	-1,525	-
Net cash provided by (used in) financing activities	7,272,881	-5,303,678
Effect of exchange rate change on cash and cash equivalents	-111,393	-38,875
Net increase (decrease) in cash and cash equivalents	245,635	424,666
Cash and cash equivalents at beginning of period	2,167,912	2,413,547
Cash and cash equivalents at end of period	2,413,547	2,838,214

Segment Information)

1 Segment Information by Type of Business

The Company and its 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.

2 Segment Information by Geographical Location

Prior Consolidated Fiscal Year (From October 1, 2008 to September 30, 2009)

	Japan (¥ thousands)	Asia (¥ thousands)	Total (¥ thousands)	Elimination or Corporate (¥ thousands)	Consolidated (¥ thousands)
I Net Sales and Operating Income					
Net Sales					
(1) Net Sales to Outside Customers	15,727,225	2,955,000	18,682,226	−	18,682,226
(2) Inter-Segment Sales/Transfers	1,527,106	418,410	1,945,516	(1,945,516)	−
Total	17,254,332	3,373,411	20,627,743	(1,945,516)	18,682,226
Operating Expenses	17,568,960	3,695,538	21,264,498	(1,906,494)	19,358,004
Operating Income/Loss	–314,628	–322,127	–636,755	(39,021)	–675,777
II Assets	27,494,772	4,825,896	32,320,668	(94,165)	32,226,503

(Notes) 1. Basis for geographic segmentation of countries or regions and major components of each segment

(1) Countries and regions are segmented by geographical proximity.

(2) Major components Asia: Taiwan, Korea

2. Unallocated operating expenses included in the "Elimination or Corporate" category totaled ¥141,719 thousand, the majority of which are costs for the Company's administrative functions.

3. The amount of total Company assets included in the "Elimination or Corporate" category amounted to ¥2,693,885 thousand, the majority of which consisted of surplus funds (cash), long-term investment funds (Investment Securities) and assets in the Administrative and Property Management divisions.

4. Changes in accounting method

As described in "Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements," beginning from the consolidated fiscal year under review the Company has applied the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Accounting Standard Statement No. 9 dated July 5, 2006). In conjunction with this change, the operating loss for the consolidated fiscal year under review increased by ¥27,524 thousand in Japan compared with what it otherwise would have been had the accounting standard used in prior fiscal years been applied.

Current consolidated fiscal year (From October 1, 2009 to September 30, 2010)

	Japan (¥ thousands)	Asia (¥ thousands)	Total (¥ thousands)	Elimination or Corporate (¥ thousands)	Consolidated (¥ thousands)
I Net Sales and Operating Income					
Net Sales					
(1) Net Sales to Outside Customers	16,420,545	3,735,340	20,155,885	–	20,155,885
(2) Inter-Segment Sales/Transfers	1,991,195	57,636	2,048,831	(2,048,831)	–
Total	18,411,741	3,792,976	22,204,717	(2,048,831)	20,155,885
Operating Expenses	17,812,044	3,967,877	21,779,921	(1,903,352)	19,876,569
Operating Income/Loss	599,696	–174,901	424,795	(145,478)	279,316
II Assets	20,891,185	4,023,365	24,914,550	465,996	25,380,546

(Notes) 1. Basis for geographic segmentation of countries or regions and major components of each segment
(1) Countries and regions are segmented by geographical proximity.
(2) Major components Asia: Taiwan, Korea
2. Unallocated operating expenses included in the "Elimination or Corporate" category totaled ¥201,214 thousand, the majority of which are costs for the Company's administrative functions.
3. The amount of total Company assets included in the "Elimination or Corporate" category amounted to ¥3,297,650 thousand, the majority of which consisted of surplus funds (cash), long-term investment funds (Investment Securities) and assets in the Administrative and Property Management divisions.

3 Overseas Net Sales

Prior Consolidated Fiscal Year (From October 1, 2008 to September 30, 2009)

	Asia	Other	Total
I Overseas Net Sales (¥ thousands)	3,094,550	–	3,094,550
II Consolidated Net Sales (¥ thousands)			18,682,226
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	16.6	–	16.6

(Notes) 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.

Current consolidated fiscal year (From October 1, 2009 to September 30, 2010)

	Asia	Other	Total
I Overseas Net Sales (¥ thousands)	8,006,337	–	8,006,337
II Consolidated Net Sales (¥ thousands)			20,155,855
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	39.7	–	39.7

(Notes) 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. Beginning from the first quarter of the consolidated fiscal year under review the figures include the amounts for indirect exports.

5.Non-Consolidated Financial Statements

(1)【Balance Sheet】

(¥thousands)

	Prior Consolidated Fiscal Year (FYE 9/2009)	Prior Consolidated Fiscal Year (FYE 9/2010)
Assets		
Current assets		
Cash and deposits	1,525,221	1,969,141
Notes receivable-trade	267,667	1,158,304
Accounts receivable-trade	7,146,086	4,895,767
Merchandise and finished goods	41,138	-
Work in process	435,338	111,860
Raw materials and supplies	959,294	1,005,755
Prepaid expenses	52,723	68,451
Accounts receivable-other	256,219	641,143
Income taxes receivable	158,677	-
Consumption taxes receivable	522,243	-
Other	13,200	52,329
Allowance for doubtful accounts	-16,300	-13,600
Total current assets	11,361,509	9,889,153
Noncurrent assets		
Property, plant and equipment		
Buildings, net	4,552,793	4,169,974
Structures, net	154,534	126,636
Machinery and equipment, net	8,901,281	4,855,255
Vehicles, net	89	59
Tools, furniture and fixtures, net	126,068	98,921
Land	1,607,750	1,607,750
Construction in progress	-	5,250
Total property, plant and equipment	15,342,516	10,863,847
Intangible assets		
Software	296,397	207,449
Total intangible assets	296,397	207,449
Investments and other assets		
Investment securities	103,879	117,317
Stocks of subsidiaries and affiliates	2,078,169	2,078,169
Investments in capital of subsidiaries and affiliates	-	50,000
Long-term loans receivable from employees	765	-
Other	79,386	71,204
Allowance for doubtful accounts	-100	-100
Total investments and other assets	2,262,101	2,316,591
Total noncurrent assets	17,901,016	13,387,889
Total assets	29,262,526	23,277,043
Liabilities		
Current liabilities		
Notes payable-trade	3,793,400	3,099,415
Accounts payable-trade	1,027,512	673,292
Short-term loans payable	500,000	-
Current portion of long-term loans payable	3,985,768	3,610,010
Accounts payable-other	366,064	432,144
Accrued expenses	186,825	327,863
Income taxes payable	5,000	24,000
Deposits received	21,129	22,426
Notes payable-facilities	624,853	-
Current portion of long-term accounts payable	247,661	1,734
Provision for directors’ bonuses	-	30,000
Other	309,174	62,467
Total current liabilities	11,067,390	8,283,355
Noncurrent liabilities		
Long-term loans payable	9,297,510	5,687,500
Deferred tax liabilities	12,647	2,479
Other	36,816	46,782
Total noncurrent liabilities	9,346,974	5,736,761
Total liabilities	20,414,365	14,020,116
Net assets		
Shareholders’ equity		
Capital stock	4,109,722	4,109,722
Capital surplus		
Legal capital surplus	4,335,413	4,335,413
Total capital surpluses	4,335,413	4,335,413
Retained earnings		
Legal retained earnings	21,500	21,500
Other retained earnings		
General reserve	1,700,000	200,000
Retained earnings brought forward	-1,288,718	588,385
Total retained earnings	432,781	809,885
Treasury stock	-48,338	-48,338
Total shareholders’ equity	8,829,579	9,206,683
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	18,581	50,242
Total valuation and translation adjustments	18,581	50,242
Total net assets	8,848,160	9,256,926
Total liabilities and net assets	29,262,526	23,277,043

(2)【Non-Consolidated Statements of Income】

(Unit:¥thousands)

	Prior Consolidated Fiscal Year (from October 1, 2008 To September 30, 2009)	Current Consolidated Fiscal Year (From October 1, 2009 To September 30, 2010)
Net sales		
Net sales of finished goods	15,913,074	16,856,858
Sales of raw materials	1,245,868	1,472,717
Other sales	95,388	82,165
Total net sales	17,254,332	18,411,741
Cost of sales		
Cost of purchased merchandise and finished goods	-	41,138
Purchase of finished goods	108,729	24,144
Cost of products manufactured	14,540,818	14,957,634
Subtotal	14,649,548	15,022,916
Ending merchandise and finished goods	41,138	-
Cost of finished goods sold	14,608,410	15,022,916
Cost of raw material sales	1,190,898	1,373,064
Total cost of sales	15,799,308	16,395,980
Gross profit	1,455,023	2,015,760
Selling, general and administrative expenses	1,906,341	1,617,278
Operating income (loss)	-451,318	398,481
Non-operating income		
Interest income	735	421
Dividends income	3,010	689
Real estate rent	15,927	22,113
Technical advisory fee	91,443	75,738
Commission fee	30,909	30,909
Other	15,947	10,521
Total non-operating income	157,974	140,393
Non-operating expenses		
Interest expenses	140,126	125,227
LeaseExpenses	29,460	29,460
Other	30,461	36,611
Total non-operating expenses	200,048	191,299
Ordinary income (loss)	-493,392	347,576
Extraordinary income		
Subsidy	-	100,000
Gain on sales of property, plant and equipment	46,106	25,398
Reversal of allowance for doubtful accounts	-	2,700
Total extraordinary income	46,106	128,098
Extraordinary loss		
Loss on valuation of investment securities	-	8,055
Loss on retirement of noncurrent assets	277,981	68,083
Impairment loss	697,270	-
Other	92,006	-
Total extraordinary losses	1,067,259	76,138
Income (loss) before income taxes	-1,514,544	399,536
Income taxes-current	36,673	22,432
Income taxes-deferred	213,836	-
Total income taxes	250,509	22,432
Net income (loss)	-1,765,054	377,104

Schedule of Cost of Goods Manufactured

		Prior Consolidated Fiscal Year (From October 1, 2008 To September 30, 2009)		Prior Consolidated Fiscal Year (From October 1, 2009 To September 30, 2010)	
Accounts	Note	Amount (¥thousands)	Ratio (%)	Amount (¥thousands)	Ratio (%)
I Materials Cost		7,126,404	47.4	6,893,758	46.8
II Labor Cost		898,131	6.0	948,165	6.4
III Overhead Expenses	*1	7,006,628	46.6	6,894,075	46.8
Total Manufacturing Expenses		15,031,165	100.0	14,736,000	100.0
Work in Progress Inventory, Beginning of Period		108,536		435,338	
Total		15,139,702		15,171,338	
Work in Progress Inventory, End of Period		435,338		111,860	
Transfer to Other Accounts	*2	163,545		101,843	
Cost of Goods Manufactured		14,540,818		14,957,634	

Cost Calculation Method

Under a job-order costing system, Raw Materials Expense is calculated at actual cost, while the manufacturing cost for other expenses is calculated according to projected costs, with the difference between actual cost and projected cost allocated to Inventory and/ or Cost of Sales at the end of the period.

(Note)

Prior Consolidated Fiscal Year (From October 1, 2008 To September 30, 2009)		Prior Consolidated Fiscal Year (From October 1, 2009 To September 30, 2010)	
*1 Major components of Manufacturing Expenses		*1 Major components of Manufacturing Expenses	
	(¥thousands)		(¥thousands)
Depreciation Expense	4,399,870	Depreciation Expense	4,556,670
		Repairs Expense	560,496
Lease Expense	555,612	Lease Expense	499,902
*2 Major Components of Transfer to Other Accounts		**2 Major Components of Transfer to Other Accounts	
Presentation Expenses	118,250	Presentation Expenses	89,172