

Summary Report of Financial Statements for the First Quarter of Fiscal 2011 [Japan GAAP] (Consolidated)

February 9, 2011

Company Name	SK-Electronics Co., Ltd.	Listed Exchange	OSE-JASDAQ
Code No.	6677	URL	http://www.sk-el.co.jp
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Planned Quarterly Report Filing Date		February 14, 2011	
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 First Quarter of Fiscal 2011

(October 1, 2010 through December 31, 2010)

(1) Consolidated Results of Operations (cumulative)

(% indicates increase/decrease vs. prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
First Quarter FYE 9/2011	5,404	-16.7	778	9.0	756	10.8	609	-4.4
First Quarter FYE 9/2010	6,488	119.7	713	—	682	—	637	—

	Quarter Net Income per Share	Diluted Quarter Net Income per Share
	Yen	Yen
First Quarter FYE 9/2011	5,379.90	—
First Quarter FYE 9/2010	5,624.95	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
First Quarter FYE 9/2011	26,146	11,116	37.1	85,616.30
FYE 9/2010	25,380	10,409	35.8	80,215.94

(Reference) Owned Capital	First Quarter, FYE 9/2011	9,706 million yen
	FYE 9/2010	9,094 million yen

2. Dividends

	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 9/2010	—	0.00	—	1,000.00	1,000.00
FYE 9/2011	—				
FYE 9/2011 (Projected)		0.00	—	1,000.00	1,000.00

(Note) Change in projected dividends for the quarter: No

3. Projected Consolidated Results of Operations for FYE 9/2011

(October 1, 2010 through September 30, 2011)

(% indicates increase/decrease compared to prior year)

	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

(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 quarter: None

(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

<1> Changes associated with revisions in accounting standards, etc.: Yes

<2> Changes other than those in 1): None

(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)

First Quarter, FYE 9/2011 113,684 shares

FYE 9/2010 113,684 shares

<2> Number of treasury shares at end of period

First Quarter, FYE 9/2011 312 shares

FYE 9/2010 312 shares

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

First Quarter, FYE 9/2011 113,372 shares

First Quarter, FYE 9/2010 113,372 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 Company has not revised the Projected Consolidated Results of Operations for Fiscal Year Ending September 30, 2011 that was released on November 8, 2010. 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 4 “1. Qualitative Information on Consolidated Operating Results for the First Quarter (3) Qualitative Information on Consolidated Earnings Projections” for more information regarding the above projections.

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

(1) Qualitative Information on Consolidated Results of Operations

During the first quarter consolidated accounting period under review, corporate earnings maintained their recovery trend and the business environment continued to improve. Nevertheless, Japan's economy remained mired in conditions under which the future outlook remained uncertain, including concerns of a possible economic slowdown overseas, a sense of wariness regarding the exchange rate trend and appreciation of the yen, and the severe domestic employment situation.

In the LCD panel industry, the situation in general improved steadily. Although sales of LCD TVs remained lackluster because of the economic slump in Europe and the US, sales in Japan were driven by a spurt in demand for LCD TVs ahead of changes to the home electrical appliance "ecopoint" system, and by robust demand for smartphones (high-performance mobile phones) and tablet PCs, including the iPad from US tablet manufacturer Apple Computer, Inc.

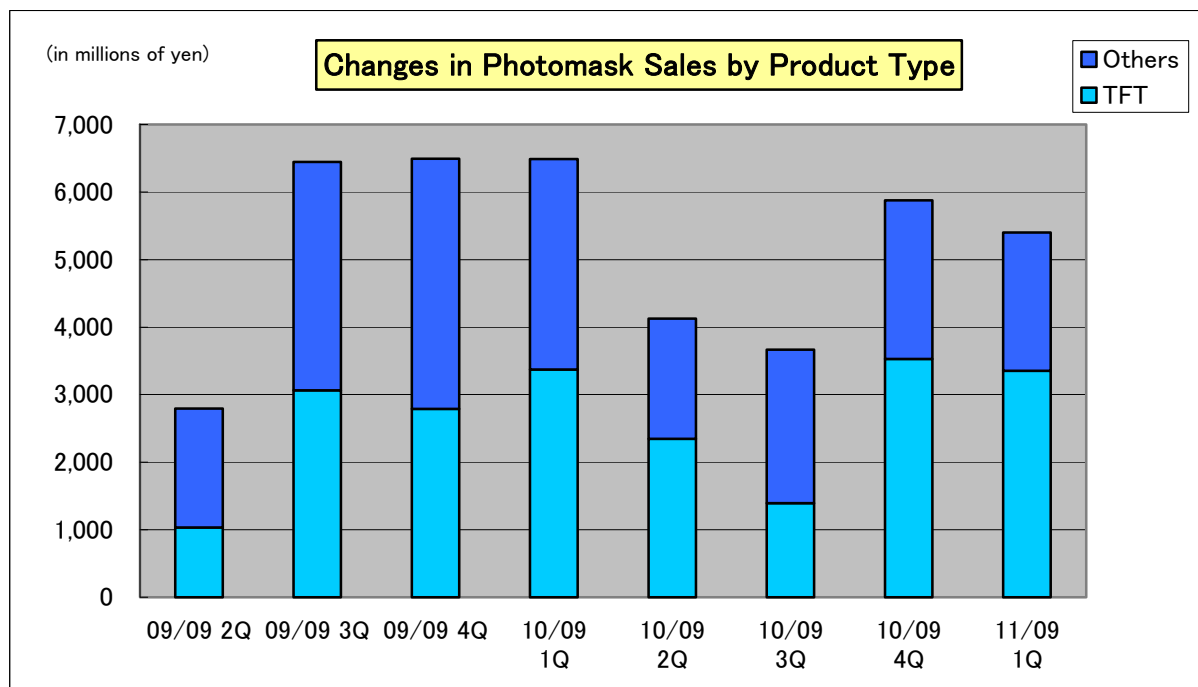
Under such conditions, net sales of the SK-Electronics Group's 10th generation photomasks declined compared with the same period one year earlier. However, orders were pulled forward somewhat more than expected.

On the other hand, demand for the Company's 8th generation and earlier photomasks remained steady overall. Demand for multi-tone photomasks was strong, and development demand generally from Japan, South Korea and Taiwan remained stable across the full range of products, from small to large-scale photomasks.

As a result, for the first quarter consolidated accounting period under review, the SK-Electronics Group reported net sales of ¥5,404 million (16.7% year-on-year decrease). Operating income was ¥778 million (9.0% year-on-year increase), ordinary income was ¥756 million (10.8% year-on-year increase) and net income was ¥609 million (4.4% year-on-year decrease).

By product, net sales of TFT photomasks in the first quarter consolidated accounting period under review were ¥3,352 million, off 0.7% from the same period of the prior consolidated fiscal year.

(Reference)

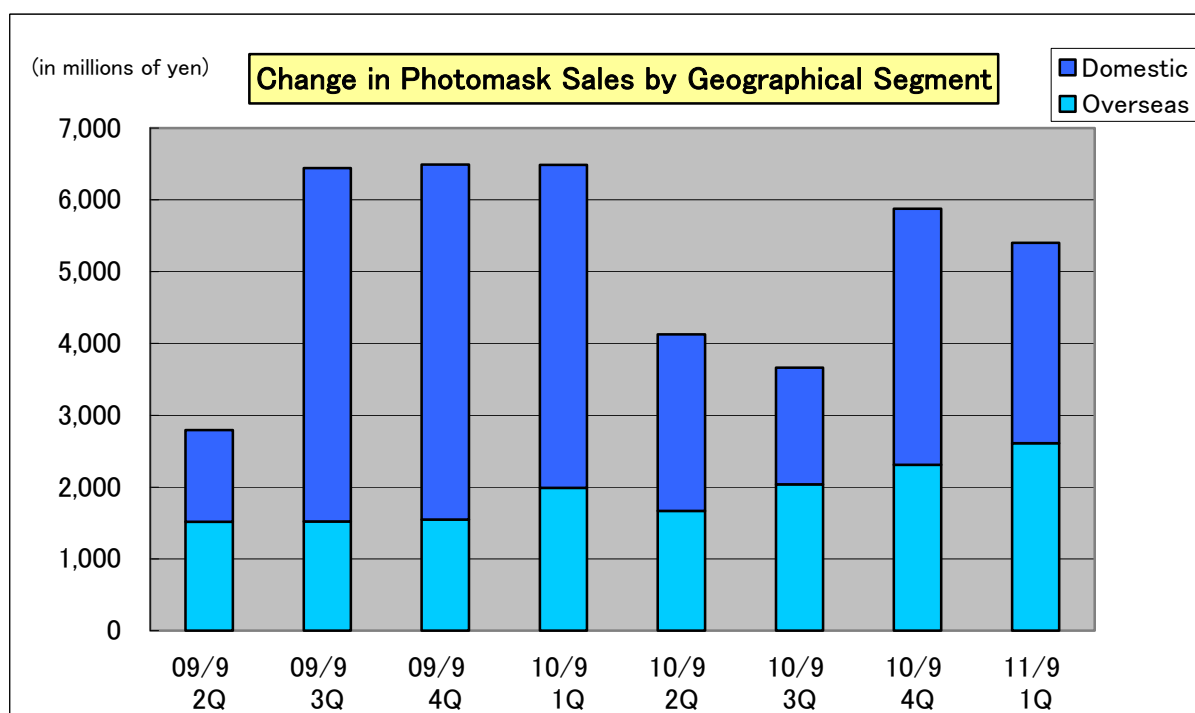


(Reference) Change in Photomask Sales by Product Type (Unit: Millions of yen)

	09/09 2Q	09/09 3Q	09/09 4Q	10/09 1Q	10/09 2Q	10/09 3Q	10/09 4Q	11/09 1Q
TFT	1,032	3,062	2,789	3,374	2,346	1,394	3,528	3,352
Others	1,759	3,383	3,702	3,113	1,780	2,270	2,347	2,051
Total	2,792	6,445	6,491	6,488	4,126	3,664	5,876	5,404

By region, domestic net sales in the first quarter consolidated accounting period under review fell 37.8% from the same period of the prior consolidated fiscal year to ¥2,796 million, reflecting lower net sales of 10th generation photomasks. Overseas net sales jumped 31.0% compared with the same period of the prior consolidated fiscal year to ¥2,608 million, mainly because of steady demand for photomasks from manufacturers in Korea, Taiwan and China.

(Reference)



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

	09/9 2Q	09/9 3Q	09/9 4Q	10/9 1Q	10/9 2Q	10/9 3Q	10/9 4Q	11/9 1Q
Overseas	1,515	1,521	1,550	1,990	1,667	2,037	2,310	2,608
Domestic	1,276	4,923	4,941	4,497	2,459	1,627	3,565	2,796
Total	2,792	6,445	6,491	6,488	4,126	3,664	5,876	5,404

(2) Qualitative Information on Consolidated Financial Position

<1> Assets, Liabilities and Net Assets

Total assets at the end of the first quarter consolidated accounting period rose ¥765 million compared with the end of the prior consolidated fiscal year to ¥26,146 million. This increase was mainly due to increases in cash and deposits and notes and accounts receivable, as well as depreciation related to machinery, equipment and vehicles.

Total liabilities rose by ¥59 million compared to the end of the prior consolidated fiscal year to ¥15,030 million. This mainly reflected an increase in notes and accounts payable-trade, and decreases in the current portion of long-term loans payable (including a long-term loans payable within a year).

Total net assets increased by ¥706 million compared to the end of the prior consolidated fiscal year, rising to ¥11,116 million. This mainly reflected the increase in retained earnings.

<2> Cash flows

Cash and cash equivalents (“cash”) at the end of the first quarter consolidated accounting period increased by ¥347 million compared with the prior consolidated fiscal year end to ¥3,185 million.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated first quarter of the fiscal year under review amounted to ¥1,575 million. This was ¥3,438 million less than in the same period of the prior consolidated fiscal year. The main factors were quarterly income before taxes and minority interests of ¥754 million, depreciation and amortization expense of ¥843 million, an increase in notes and accounts receivable-trade of ¥731 million and an increase in notes and accounts payable-trade of ¥1,218 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the first quarter consolidated accounting period totaled ¥32 million. This was ¥558 million less than the amount used in the same period of the prior consolidated fiscal year. Cash used mainly reflected ¥25 million of funds used for the purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Cash flows used in financing activities during the first quarter consolidated accounting period totaled ¥1,227 million. This was ¥586 million less than the amount used in the same period of the prior consolidated fiscal year. Cash used mainly reflected funds used for the repayment of long-term loans payable of ¥1,112 million.

(3) Qualitative Information on Consolidated Earnings Projections

There are no revisions to the interim period and full-year Projected Consolidated Results of Operations for the Fiscal Year Ending September 30, 2011 included in the *FYE September 2010 Financial Report* released on November 8, 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 Adoption of Simplified Accounting Policies

1) Allowance for Doubtful Accounts

Management did not note any significant changes in actual percentages for uncollectible accounts as of the end of the consolidated first quarter of the current fiscal year. Accordingly, allowances for doubtful accounts have been calculated using the actual uncollectible account percentages as of the end of the prior consolidated fiscal year.

2) Inventory Valuation

Management did not conduct a physical inventory count as of the last day of consolidated first quarter of the current fiscal year. Accordingly, the calculation for inventory as of the end of the consolidated first quarter has been calculated using a rational method based on the physical inventory count conducted at the end of the prior consolidated fiscal year.

3) Depreciation of 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.

«Specific accounting method»

The Company had no material items to report.

- (3) Changes in Accounting Principles, Procedures and Presentation Methods

<1> Changes in accounting standards used for normal accounting treatment

1) Application of the “Accounting Standard for Asset Retirement Obligations”

Beginning from the first quarter consolidated accounting period under review, the Company will apply the *Accounting Standard for Asset Retirement Obligations* (Accounting Standards Board of Japan Statement No. 18 dated March 31, 2008) and the *Guidance on Accounting Standards for Asset Retirement Obligations* (Accounting Standards Board of Japan Guidance No. 21 dated March 31, 2008).

The affect of this change on earnings is not material.

<2> Changes in presentation method

1) Quarter Consolidated Statements of Income

In conjunction with the application of the *Cabinet Office Ordinance Partially Revising the Regulations for Terminology, Formats and Preparation Methods of Financial Statements* (Cabinet Ordinance No. 5 dated March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22 dated December 26, 2008), the Company has disclosed the line item “Quarter income (loss) before minority interests” for the first quarter consolidated accounting period.

2) Quarter Consolidated Statements of Cash Flows

a) In the first quarter of the prior consolidated accounting fiscal year, the Company reported “increase (decrease) in accrued expenses” as a separate line item under “Net cash provided by (used in) operating activities.” In the first quarter consolidated accounting period under review, this item is reported in “Other, net” because its materiality has diminished. The amount included in “Other, net” in the first quarter consolidated accounting period under review is – ¥73,000.

b) In the first quarter of the prior consolidated accounting fiscal year, the Company reported “collection of loans receivable” as a separate line item under “Net cash provided by (used in) investing activities.” In the first quarter consolidated accounting period under review, this item is reported in “Other, net” because its materiality has diminished. The amount included in “Other, net” in the first quarter consolidated accounting period under review is ¥84,000.

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

(Unit : thousand yen)

	Consolidated accounting period as of end of first quarter As of December 31, 2010	Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2010
Assets		
Current assets		
Cash and deposits	3,185,715	2,838,214
Notes and accounts receivable-trade	7,721,690	6,885,741
Work in process	154,126	139,595
Raw materials and supplies	1,379,147	1,320,669
Other	1,000,728	758,695
Allowance for doubtful accounts	-13,744	-12,129
Total Current assets	<u>13,427,664</u>	<u>11,930,787</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,412,769	4,494,031
Machinery, equipment and vehicles,net	6,113,039	6,745,865
Land	1,607,750	1,607,750
Other, net	104,395	107,442
Total Property, plant and equipment	<u>12,237,955</u>	<u>12,955,090</u>
Intangible assets		
Investments and other assets	195,388	210,340
Other	285,478	307,151
Allowance for doubtful accounts	-	-22,822
Investments and other assets	<u>285,478</u>	<u>284,328</u>
Total Noncurrent assets	<u>12,718,823</u>	<u>13,449,759</u>
Assets	<u>26,146,487</u>	<u>25,380,546</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,190,022	3,965,878
Current portion of long-term loans payable	3,955,995	4,130,937
Income taxes payable	97,000	24,000
Provision for directors' bonuses	49,000	30,000
Other	755,173	936,622
Current liabilities	<u>10,047,191</u>	<u>9,087,438</u>
Noncurrent liabilities		
Long-term loans payable	4,925,148	5,834,428
Other	58,082	49,261
Noncurrent liabilities	<u>4,983,230</u>	<u>5,883,690</u>
Liabilities	<u>15,030,421</u>	<u>14,971,128</u>
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,335,413	4,335,413
Retained earnings	1,764,147	1,267,588
Treasury stock	-48,338	-48,338
Shareholders' equity	<u>10,160,944</u>	<u>9,664,386</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	75,052	50,242
Foreign currency translation adjustment	-529,506	-620,387
Valuation and translation adjustments	<u>-454,454</u>	<u>-570,145</u>
Minority interests	1,409,575	1,315,176
Net assets	<u>11,116,065</u>	<u>10,409,417</u>
Total Liabilities and net assets	<u>26,146,487</u>	<u>25,380,546</u>

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

(Unit: thousand yen)

	Prior First Quarter Consolidated fiscal year From October 1, 2009 To December 31, 2009	For the first quarter of the current consolidated fiscal year From October 1, 2010 To December 31, 2010
Net sales	6,488,113	5,404,774
Cost of sales	5,233,495	4,070,560
Gross profit	1,254,618	1,334,214
Selling, general and administrative expenses	540,766	555,947
Operating income/loss	713,851	778,266
Non-operating income		
Commission fee	7,727	7,727
Real estate rent	3,873	7,311
Foreign exchange gains	14,129	-
Other	4,114	5,978
Non-operating income	29,845	21,018
Non-operating expenses		
Interest expenses	44,124	24,349
Other	16,739	18,223
Total Non-operating expenses	60,864	42,572
Ordinary income/loss	682,832	756,712
Extraordinary income		
Subsidy	100,000	-
Total Extraordinary income	100,000	-
Extraordinary loss		
Loss on retirement of property, plant and equipment	7	414
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,480
Total Extraordinary loss	7	1,895
Income before income taxes and minority interests	782,825	754,817
Income taxes-current	162,722	116,316
Income/loss taxes-deferred	-	-
Total Income taxes	162,722	116,316
Income before minority interests	-	638,500
Minority interests in income	-17,608	28,570
Net income/loss	637,711	609,930

	Prior First Quarter Consolidated fiscal year From October 1, 2009 To December 31, 2009	For the first quarter of the current consolidated fiscal year From October 1, 2010 To December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	782,825	754,817
Depreciation and amortization	1,373,757	843,341
Increase (decrease) in allowance for doubtful	-9,812	-21,632
Increase (decrease) in provision for directors'	58,000	19,000
Interest and dividends income	-585	-1,067
Interest expenses	44,124	24,349
Loss on retirement of property, plant and	7	414
Decrease (increase) in notes	1,165,782	-731,809
Decrease (increase) in inventories	243,319	-90,623
Increase (decrease) in notes and accounts payable-	1,182,985	1,218,652
Increase (decrease) in accounts payable-other	-135,870	-194,273
Increase (decrease) in accrued expenses	6,500	-
Decrease (increase) in consumption taxes	522,243	-
Other, net	-171,705	-199,409
Subtotal	5,061,573	1,621,758
Interest and dividends income received	589	1,067
Interest expenses paid	-42,276	-23,978
Income taxes paid	-5,372	-22,894
Net cash provided by (used in) operating activities	5,014,513	1,575,952
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-590,161	-25,941
Proceeds from sales of property, plant and equipment	140	-
Purchase of intangible assets	-1,150	-6,966
Collection of loans receivable	192	-
Other, net	91	170
Net cash provided by (used in) investment activities	-590,886	-32,736
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	-500,000	-
Repayment of long-term loans payable	-1,225,731	-1,112,108
Payments for installment payables-property	-87,610	-1,734
Cash dividends paid	-	-113,372
Net cash provided by (used in) financing activities	-1,813,341	-1,227,214
Effect of exchange rate change on cash and cash equivalents	31,196	31,499
Net increase (decrease) in cash and cash equivalents	2,641,481	347,501
Cash and cash equivalents	2,413,547	2,838,214
Cash and cash equivalents	5,055,029	3,185,715