

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

May 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	May 13, 2011		
Scheduled Date for Commencement of Dividend Payments	--		
Preparation of Quarterly Summary Supplementary Explanatory Materials:	Yes		
Quarterly Earnings Presentation:	Yes		

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for the Second Quarter of Fiscal 2011 (October 1, 2010 through March 31, 2011)

(1) Consolidated Results of Operations (cumulative)

(% indicates increase/decrease vs. prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Second Quarter FYE 9/2011	8,338	-21.4	379	46.3	349	74.3	360	14.3
Second Quarter FYE 9/2010	10,615	84.8	259	—	200	—	315	—

	Quarter Net Income per Share	Diluted Quarter Net Income per Share
	Yen	Yen
Second Quarter FYE 9/2011	3,182.20	—
Second Quarter FYE 9/2010	2,784.20	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Second Quarter FYE 9/2011	23,245	10,913	40.8	83,712.30
FYE 9/2010	25,380	10,409	35.8	80,215.94

(Reference) Owned Capital	Second Quarter, FYE 9/2011	9,490 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	—	0.00	—	—	—
FYE 9/2011 (Projected)	—	—	—	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
Full Year	16,600	-17.6	600	114.8	530	183.2	530	90.9	4,674.88

(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 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)

Second Quarter, FYE 9/2011 113,684 shares

FYE 9/2010 113,684 shares

<2> Number of treasury shares at end of period

Second Quarter, FYE 9/2011 312 shares

FYE 9/2010 312 shares

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

Second Quarter, FYE 9/2011 113,372 shares

Second 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 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. See Page 4 “1. Qualitative Information on Consolidated Earnings Projections (3) 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 Second Quarter

(1) Qualitative Information on Consolidated Results of Operations

During the consolidated cumulative second quarter of the fiscal year under review, corporate earnings maintained their recovery momentum and Japan's economy demonstrated a positive trend. The Great East Japan Earthquake that struck in March 2011 and the subsequent nuclear accident and electricity shortages, however, dealt a sharp negative blow to a broad swath of the economy, including production, exports and consumption.

In the LCD panel industry, LCD TV sales slipped below projected levels following the economic slowdown in Europe and the US and the Lunar New Year holiday in China, resulting in lower capacity utilization rates as leading panel manufacturers sought to adjust their large-format LCD panel inventories. Nevertheless, the overall market remained steady thanks to the continuing strong demand for small and medium-sized panels for smartphones (high-performance mobile phones) and tablet PCs, such as the iPad from US consumer electronics giant Apple Computer, Inc.

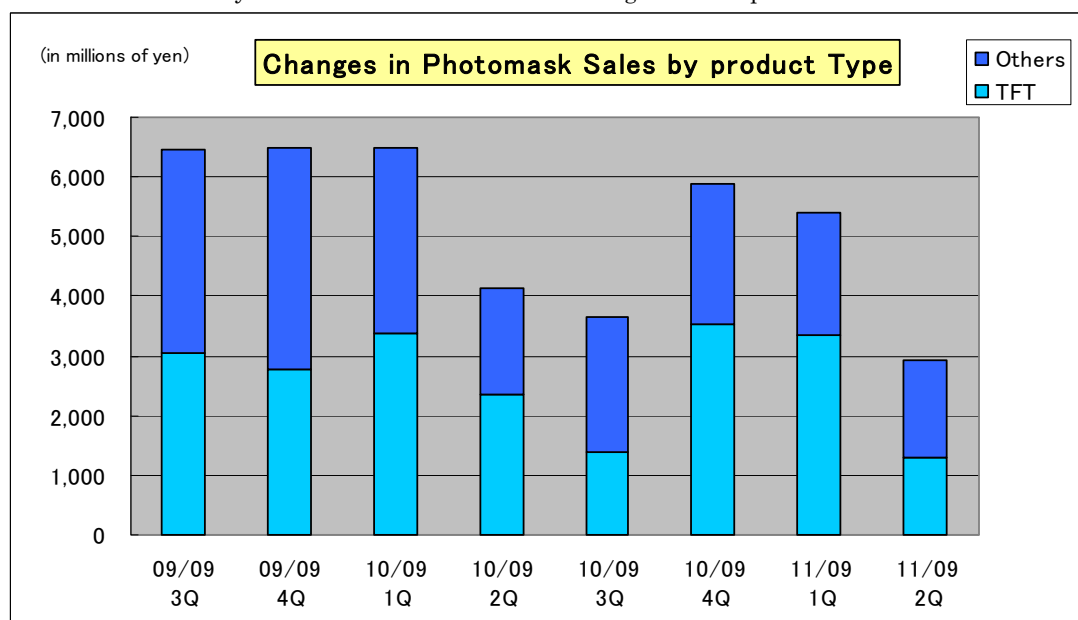
Given such circumstances, consolidated operating results for the SK-Electronics Group in the first quarter were affected by net sales of 10th generation photomasks, which declined compared with the fourth quarter of the prior fiscal year. Development demand continued unchanged, and orders were pulled forward somewhat more than expected. Moreover, 8th generation and earlier photomasks overall got off to a solid start in the new fiscal year, thanks to the demand for the multi-tone photomasks and strong development demand generally.

As SK-Electronics entered its second quarter, however, development demand weakened and orders for 10th generation photomasks fell below projected volume. On the other hand, 8th generation and earlier photomasks remained stable, benefitting from robust development demand at the Company's Taiwan subsidiary, which continued from the first quarter.

The negative effects from the Great East Japan Earthquake were not material. SK-Electronics' plants and facilities did not suffer any major damage, and are operating without any difficulties.

As a result, for the consolidated cumulative second quarter of the fiscal year under review, the SK-Electronics Group reported net sales of ¥8,338 million (21.4% year-on-year decrease). Operating income was ¥379 million (46.3% year-on-year increase), ordinary income was ¥349 million (74.3% year-on-year increase) and net income was ¥360 million (14.3% year-on-year increase).

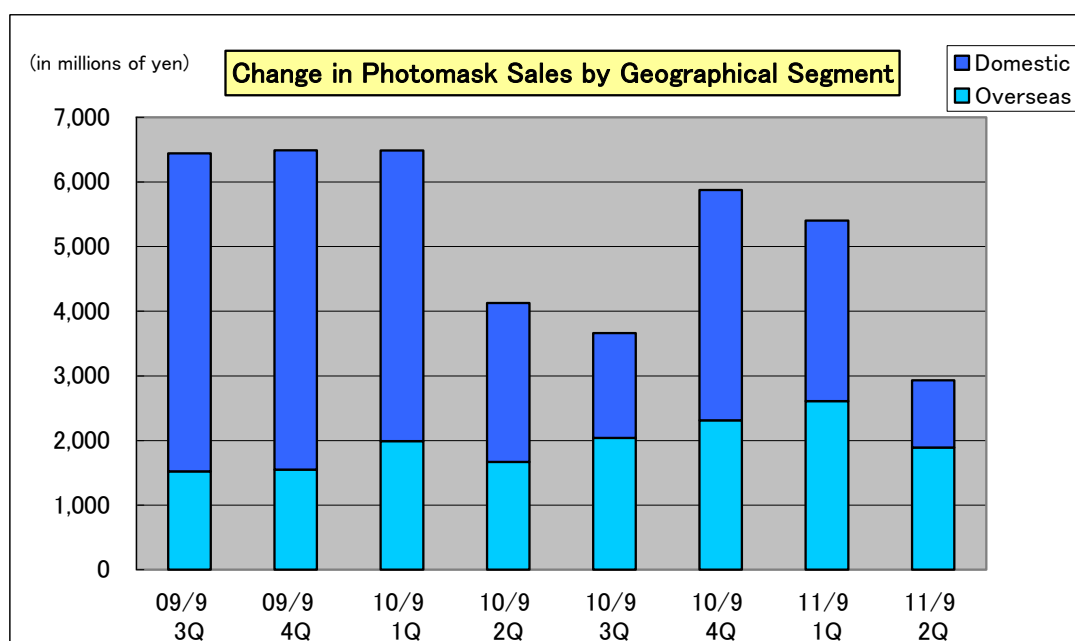
By product, net sales of TFT photomasks in the consolidated cumulative second quarter of the fiscal year under review were ¥4,643 million, off 18.8% from the same period of the prior consolidated fiscal year because of lower sales of 10th generation photomasks.



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

	09/09 3Q	09/09 4Q	10/09 1Q	10/09 2Q	10/09 3Q	10/09 4Q	11/09 1Q	11/09 2Q
TFT	3,062	2,789	3,374	2,346	1,394	3,528	3,352	1,290
Others	3,383	3,702	3,113	1,780	2,270	2,347	2,051	1,642
Total	6,445	6,491	6,488	4,126	3,664	5,876	5,404	2,933

By region, domestic net sales in the consolidated cumulative second quarter of the fiscal year under review fell 44.8% from the same period of the prior consolidated fiscal year to ¥3,839 million, reflecting lower net sales of 10th generation photomasks. Overseas net sales rose 23.0% compared with the same period of the prior consolidated fiscal year to ¥4,498 million, reflecting steady demand for photomasks from manufacturers in Korea, Taiwan and China.



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

	09/9 3Q	09/9 4Q	10/9 1Q	10/9 2Q	10/9 3Q	10/9 4Q	11/9 1Q	11/9 2Q
Overseas	1,521	1,550	1,990	1,667	2,037	2,310	2,608	1,890
Domestic	4,923	4,941	4,497	2,459	1,627	3,565	2,796	1,043
Total	6,445	6,491	6,488	4,126	3,664	5,876	5,404	2,933

(2) Qualitative Information on Consolidated Financial Position

<1> Assets, Liabilities and Net Assets

Total assets at the end of the consolidated second quarter of the current fiscal year decreased by ¥2,135 million compared to the end of the prior consolidated fiscal year to ¥23,245 million. This decrease was mainly due to decreases in notes and accounts receivable-trade, as well as depreciation related to machinery, equipment and vehicles.

Total liabilities decreased by ¥2,639 million compared to the end of the prior consolidated fiscal year to ¥12,332 million. This mainly reflected a decrease in notes and accounts payable-trade and a decrease in long-term loans payable (including the current portion of long-term loans payable).

Total net assets increased by ¥504 million compared to the end of the prior consolidated fiscal year, rising to ¥10,913 million. This increase was mainly due to growth in retained earnings and an increase in foreign currency translation adjustments.

<2> Cash Flows

Cash and Cash Equivalents (“Cash”) at the end of the consolidated second quarter of the current fiscal year increased by ¥89 million compared with the prior consolidated fiscal year end to ¥2,927 million.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated cumulative second quarter of the fiscal year under review amounted to ¥2,502 million. This was ¥1,973 million less than in the same period of the prior consolidated fiscal year. This was mainly due to quarterly income before taxes and minority interests of ¥434 million, depreciation and amortization expense of ¥1,666 million, a decrease in notes and accounts receivable-trade of ¥1,079 million and a decrease in notes and accounts payable-trade of ¥434 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the consolidated cumulative second quarter of the fiscal year under review totaled ¥141 million, a decrease of ¥671 million compared with the same period of the prior consolidated fiscal year. This mainly reflected ¥102 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 second quarter of the fiscal year under review amounted to ¥2,311 million. This was ¥819 million less than in the same period of the prior consolidated fiscal year. This mainly reflected funds used for the repayment of long-term loans payable of ¥2,190 million.

(3) Qualitative Information on Consolidated Earnings Projections

Although the effects from the Great East Japan Earthquake and subsequent nuclear accident on the entire market remain uncertain, based on its operating results for the consolidated cumulative second quarter of the fiscal year under review and consideration of the management environment surrounding the Company at the present time, SK-Electronics has revised the projected figures released on April 11, 2011. For details please refer to the *Announcement Concerning Revision of Earnings Projections* released on April 11, 2011.

Operating projections 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.

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 second 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) 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 second 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 consolidated cumulative second quarter of the fiscal year under review, the item “Increase (decrease) in accrued expenses,” which the Company previously reported as a separate line item under “Net cash provided by (used in) operating activities,” is included in “Other, net” because its materiality has diminished. The amount included in “Other, net” in the consolidated cumulative second quarter accounting period under review is -¥150,098,000.

b) In the consolidated cumulative second quarter of the fiscal year under review, the item “Decrease (increase) in consumption taxes refund receivable,” which the Company previously reported as a separate line item under “Net cash provided by (used in) operating activities,” is included in “Other, net” because its materiality has diminished. The amount included in “Other, net” in the consolidated cumulative second quarter accounting period under review is -¥21,130,000.

3.Quarterly Consolidated Financial Statements

(1)Quarterly Consolidated Balance Sheets

(Unit: thousand yen)

	Consolidated accounting period as of end of second quarter As of March 31, 2011	Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2010
Assets		
Current assets		
Cash and deposits	2,927,265	2,838,214
Notes and accounts receivable-trade	5,916,387	6,885,741
Work in process	76,233	139,595
Raw materials and supplies	1,515,458	1,320,669
Other	503,345	758,695
Allowance for doubtful accounts	-10,704	-12,129
Total Current assets	10,927,987	11,930,787
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,351,143	4,494,031
Machinery, equipment and vehicles, net	5,706,374	6,745,865
Land	1,607,750	1,607,750
Other, net	114,410	107,442
Total Property, plant and equipment	11,779,679	12,955,090
Intangible assets	173,971	210,340
Investments and other assets		
Other	363,891	307,151
Allowance for doubtful accounts	-	-22,822
Investments and other assets	363,891	284,328
Total Noncurrent assets	12,317,542	13,449,759
Assets	23,245,530	25,380,546
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,573,073	3,965,878
Current portion of long-term loans payable	3,722,159	4,130,937
Income taxes payable	18,000	24,000
Provision for directors' bonuses	26,000	30,000
Other	690,374	936,622
Current liabilities	8,029,607	9,087,438
Noncurrent liabilities		
Long-term loans payable	4,082,451	5,834,428
Other	220,016	49,261
Noncurrent liabilities	4,302,467	5,883,690
Liabilities	12,332,074	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	1,514,988	1,267,588
Treasury stock	-48,338	-48,338
Shareholders' equity	9,911,786	9,664,386
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	97,686	50,242
Foreign currency translation adjustment	-518,842	-620,387
Valuation and translation adjustments	-421,155	-570,145
Minority interests	1,422,824	1,315,176
Net assets	10,913,455	10,409,417
Total Liabilities and net assets	23,245,530	25,380,546

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

(Unit: thousand yen)

	Prior Cumulative Consolidated Second Quarter From October 1, 2009 To March 31, 2010	Consolidated accounting period as of second quarter From October 1, 2010 To March 31, 2011
Net sales	10,615,104	8,338,252
Cost of sales	9,468,758	7,042,419
Gross profit	1,146,345	1,295,832
Selling, general and administrative expenses	887,203	916,644
Operating income	259,142	379,187
Non-operating income		
Commission fee	15,454	15,454
Real estate rent	7,439	14,627
Foreign exchange gains	19,587	-
Other	10,350	16,171
Non-operating income	52,832	46,253
Non-operating expenses		
Interest expenses	79,923	45,230
Other	31,309	30,249
Non-operating expenses	111,233	75,480
Ordinary income	200,741	349,961
Extraordinary income		
Subsidy	100,000	100,000
Gain on sales of investment securities	-	6,070
Extraordinary income	100,000	106,070
Extraordinary loss		
Loss on retirement of property, plant and equipment	127	5,904
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,480
Loss on valuation of investment securities	-	257
Loss on disaster	21,169	14,214
Extraordinary loss	21,296	21,856
Income before income taxes and minority interests	279,444	434,175
Income taxes-current	24,396	36,404
Income taxes-deferred	-	-
Income taxes	24,396	36,404
Income before minority interests	-	397,770
Minority interests in income	-60,601	36,998
Net income	315,649	360,772

	Prior Cumulative Consolidated Second Quarter From October 1, 2009 To March 31, 2010	Consolidated accounting period as of second quarter From October 1, 2010 To March 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	279,444	434,175
Depreciation and amortization	2,744,640	1,666,968
Increase (decrease) in allowance for doubtful accounts	-9,312	-25,047
Increase (decrease) in provision for directors' bonuses	35,000	-4,000
Interest and dividends income	-1,224	-1,974
Interest expenses	79,923	45,230
Loss on retirement of property, plant and equipment	127	5,904
Loss (gain) on sales of investment securities	-	-6,070
Decrease (increase) in notes and accounts receivable-trade	1,331,231	1,079,577
Decrease (increase) in inventories	551,513	-115,050
Increase (decrease) in notes and accounts payable-trade	-1,000,203	-434,738
Increase (decrease) in accounts payable-other	-204,421	-200,534
Increase (decrease) in accrued expenses	87,408	-
Decrease (increase) in consumption taxes refund receivable	522,243	-
Other, net	-18,517	123,816
Subtotal	<u>4,397,854</u>	<u>2,568,257</u>
Interest and dividends income received	1,224	1,855
Interest expenses paid	-78,271	-44,936
Income taxes paid	-7,817	-22,894
Income taxes refund	162,688	-
Net cash provided by (used in) operating activities	<u>4,475,679</u>	<u>2,502,281</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-811,747	-102,616
Purchase of intangible assets	-1,150	-6,966
Purchase of investment securities	-	-49,868
Proceeds from sales of investment securities	-	17,290
Collection of loans receivable	385	-
Other, net	-658	712
Net cash provided by (used in) investing activities	<u>-813,170</u>	<u>-141,448</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-500,000	-
Repayment of long-term loans payable	-2,455,142	-2,190,485
Payments for installment payables-property and equipment	-175,694	-7,529
Cash dividends paid	-	-113,372
Net cash provided by (used in) financing activities	<u>-3,130,836</u>	<u>-2,311,387</u>
Effect of exchange rate change on cash and cash equivalents	47,873	39,605
Net increase (decrease) in cash and cash equivalents	<u>579,546</u>	<u>89,051</u>
Cash and cash equivalents	<u>2,413,547</u>	<u>2,838,214</u>
Cash and cash equivalents	<u>2,993,094</u>	<u>2,927,265</u>