

Financial Results for the 1st Half Ended March 31, 2011 SK-Electronics CO., LTD.

May 9, 2011

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.

FY11 1st Half Review

(From Oct. 10 to Mar. 11)

LCD Panel Market Review

<1 Q>

Investment trend

*2 Korean panel makers (Samsung and LGD) received Chinese central government approval for constructing Gen 7.5 and Gen 8 LCD panel lines in China.

*Taiwan AUO received Taiwanese government approval for constructing Gen 7.5 lines (FVO) in China.

*Apple and Foxconn proposed new LCD panel lines to Toshiba Mobile Display, SHARP, and Hitachi Displays for stable supply for explosive demands of iPhone and iPad. 300billion yen if all 3 lines become realized.

Panel inventory/price

*Surplus inventory of TV panel/set for North America and China, even though the result of sales during Christmas was not bad.

*PC panel price is no change, but TV panel price dropped.

Panel supply/demand

*TV sales reached 24 million units in 2010 in Japan because of rushing demands before reducing ECO point by half by the end of 2010.

*iPad sold like hotcakes, so there are many followers to introduce tablet PC:

SAMSUNG"GALAXY Tab", SHARP"GALAPAGOS"

<2 Q>

Panel makers utility condition

*LCD panel makers' utility hit the bottom in February because of poor sales result of LCD TV. Average was 80-85%.

*Small to medium size panel targeting tablet and smart phones are sold well. Shortage of panels continued.

iPad2 is introduced in the market in March. (Expected to be sold around 34 million units)

Touch Panel market is active. Taiwanese Touch Panel maker, Sintek announced increase of the capacity.

Sharp and Taiwanese panel maker, OMI announced technological alliance regarding UV2A (Optical Alignment)

*Some FPD material, equipment ,and panel makers were struck by the Influence of a East Japan earthquake (March 11).

SKE Group Review

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- *Gen10 photomask order was a bit front-loaded than expectation.
- *Photomask demand for the 8th Generation and earlier was good.
- *Multi-tone photomask demands continued vigorously.
- * Mainly larger size of photomask price continuously dropped.

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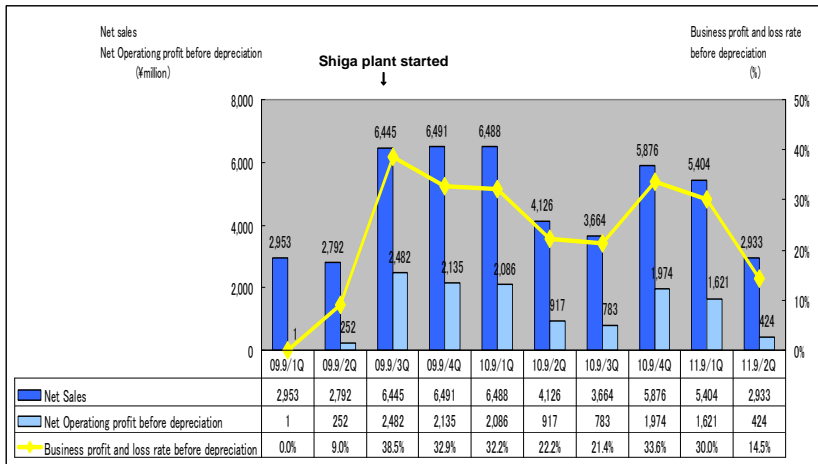
- *Gen10 photomask demand for R&D decreased compared to the previous quarter.
- * Photomask price continued to drop.
- * Receive order of Multi-tone photomask more than expected.
- * Even though sales result is much less than projection, profit was revised to upper side from the expectation for the first half of this fiscal year.
- ➔ Contribute Multi-tone photomask sales, higher yield, and internal cost reduction

FY11 1st Half Consolidated Financial Results

Unit: million yen

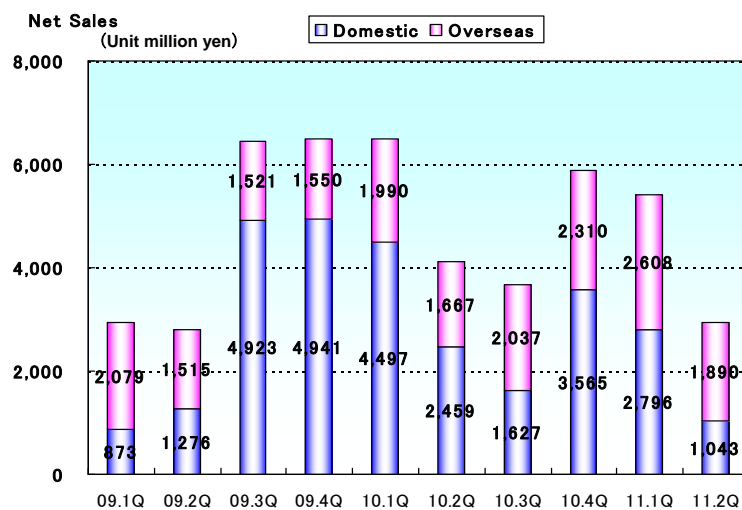
	FY10			FY11			Y on Y (%)
	1Q	2Q	FY10 1H	1Q	2Q	FY11 1H	
Net Sales	6,488	4,126	10,615	5,404	2,933	8,338	-2,276
Operating profit/loss	713	-454	259	778	-399	379	120
Ordinary profit/loss	682	-482	200	756	-406	349	149
Net profit/loss¥	637	-322	315	609	-249	360	45
Capex	11	10	21	14	326	340	318
Depreciation	1,373	1,371	2,744	843	823	1,666	△1,077
R&D expense	44	51	95	70	35	105	10

Net sales and depreciation (QonQ)



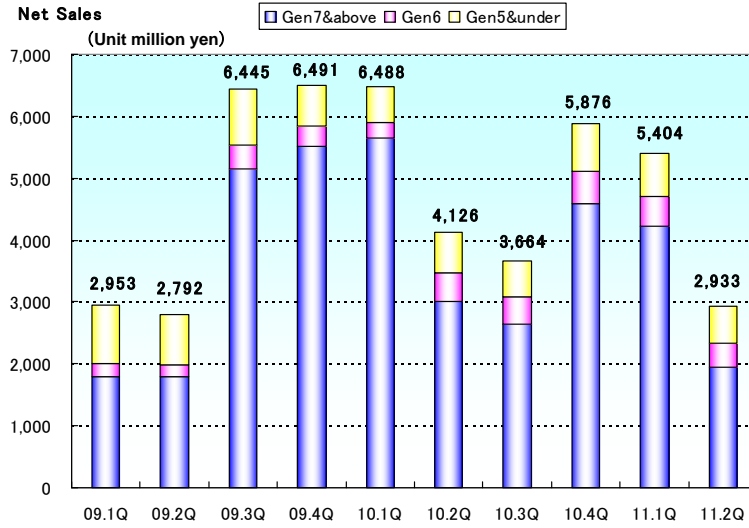
*Business profit and loss rate before depreciation is to add depreciation to cash-based profit. (Net operating profit + depreciation)

Change in Photomask sales by Geographical Segment (QonQ)

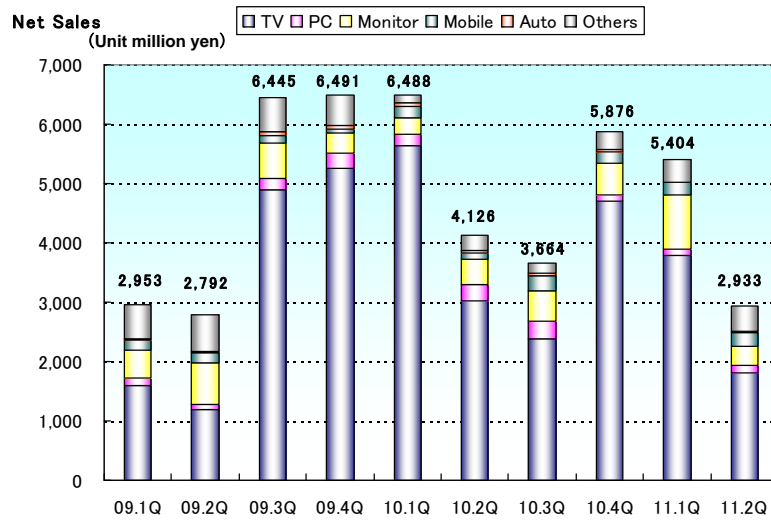


Note: Overseas sales includes indirect export sales.

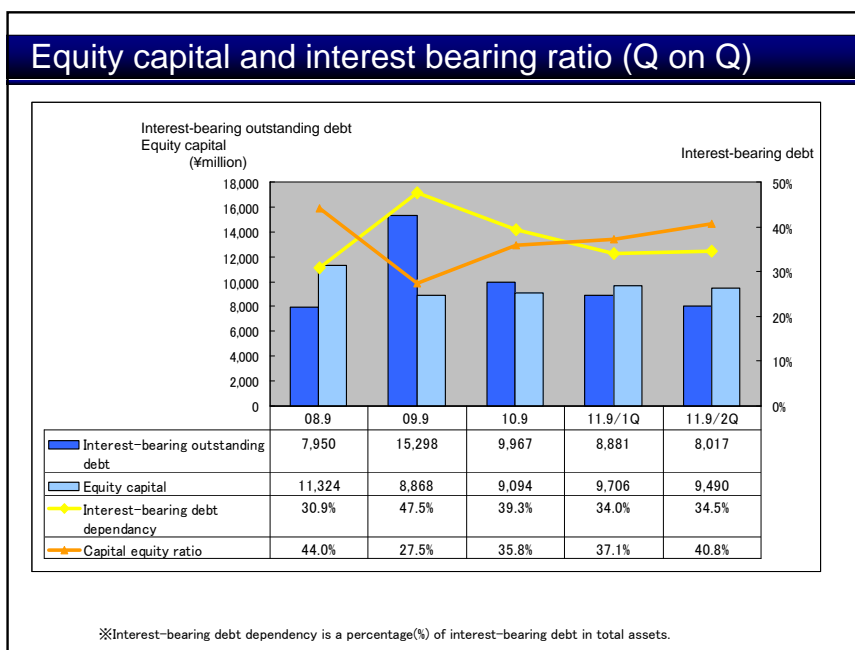
Change in Photomask sales by generations (QonQ)



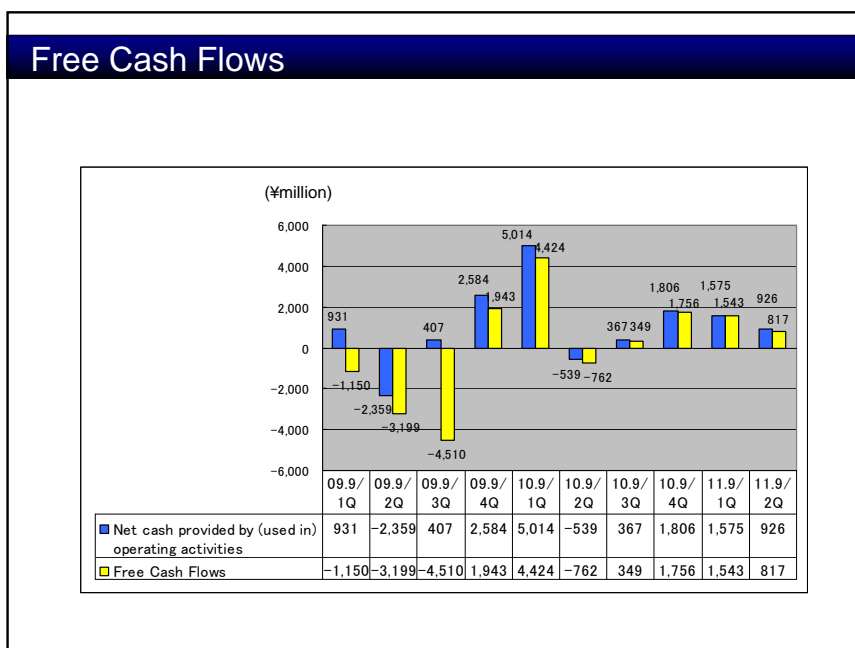
Change in Photomask sales by applications (QonQ)



Consolidated Balance Sheet				
				Unit: million yen
科 目	FY10 2Q	FY10	FY11 2Q	Compare d to FY09
(Total Asset)	27,947	25,380	23,245	-2,135
Cash on hand and in banks	2,993	2,838	2,927	89
Trade notes and account receivable	6,782	6,885	5,916	-969
Inventories	1,345	1,460	1,591	131
Other(current assets)	516	746	492	-254
Fixed assets	15,800	12,955	11,779	-1,175
Intangible fixed assets	254	210	173	-36
Investment and other assets	253	284	363	79
(Total liabilities)	17,168	14,971	12,332	-2,639
Trade notes and account payable	3,995	3,965	3,573	-392
Current portion of long-term debt	12,144	9,965	7,804	-2,160
Income taxes payable	—	24	18	-6
Other (liability)	1,028	1,015	936	-79
(Net assets total)	10,778	10,409	10,913	504
Equity capital (Total of Shareholders' equity , Valuation and translation adjustments)	9,313	9,094	9,490	396
Equity capital ratio (%)	33.3	35.8	40.8	5.0
Outstanding Interest-bearing debt	12,144	9,967	8,017	-1,950



Cash Flows		
	Unit: million yen	
	FY10 1Q	FY11 1Q
CF from operating activities	4,475	2,502
Net Income/loss	315	360
Depreciation	2,744	1,666
Other	1,416	476
CF from Investing activities	-813	-141
Free Cash Flows	3,662	2,361
CF from Financing activities	-3,130	-2,311
Net change in cash and cash equivalents	579	89
Cash and cash equivalents at end of period	2,993	2,927



FY10 Market forecast after Q3

FPD market forecast

Investment trend

- *Korean and Taiwanese major panel makers continue to plan for Gen11 panel production lines.
- *SMD and LGD start production of Gen 5.5 lines for OLED and now plan to invest for Gen8.
- *New iPhone, iPad panel and Touch panel production lines will be added

Great east Japan earthquake

- *Influence to delay or production difficulty by panel, material, equipment makers in Tohoku and Kanto regions.

Technology trend

- *Increase of further demand for small to medium size panels targeting smart phones and tablet such as iPad, Thinner, lighter and better power consumption are requested.
- *Sharp announced Oxide TFT using UV2A technology for small to medium size LCD panel production at Kameyama 2 Plant.

SKE group action

- *R&D demand for Gen10 photomask slows down, no concrete schedule for new design or development.
- *Gen8 and earlier photomask demands slow down because it is not still clear about the impact of the earthquake which may affect to the production condition of panel makers and their production plan.
- *Invest Capital expenditure to add and create value to the photomask by carefully watching the FPD market.
- *Increase the sales order from new customers in order for share-up in the market.
- *Continue to differentiate the photomask from competitors by adding the value and as a result, strengthen the profitability. Also, further cost reduction and higher yield should be achieved in order to keep the profitability.

Forecast of FY11 Financial highlights

Unit: million yen

	FY10		FY11 Full year Forecast		
	1Q	Full year	1Q(actual)	Full year	Y on Y
Net Sales	10,615	20,155	8,338	16,600	-3,555
Operating Income/loss	259	279	379	600	320
Ordinary Income/loss	200	187	349	530	342
Net Income/loss	315	277	360	530	252
Capex	21	107	340	850	742
Depreciation	2,744	5,481	1,666	3,397	-2,084
R&D	95	241	105	345	103
Dividend per Share (Yen)	1,000		—	1,000	—

<TOPICS > LCD panel makers' investment plan

