

# FY11 3rd Quarter Financial Result SK-Electronics Co., LTD.

August 8, 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 3rd Quarter Review

(April – June 11)

## LCD Panel Market Review

### <1st Half >

#### 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.
- \*Tight supply for small to medium size LCD panel thanks to strong smart phone and tablet demands.
- \*Some FPD material, equipment ,and panel makers were struck by the Influence of a East Japan earthquake (March 11).

### <3 Q>

#### Panel makers utility condition

- \*TV demands increased around the Labor Day in China which temporally improved utilization rate for large panel production, but overall, panel production in the LCD industry was not good.
- \*Sales for small to medium sized LCD panel was good.

#### SHARP Corporation

- \*Sakai G10 and Kameyama G8 plants stopped its operation temporally from beginning of April, and re-start its production since mid May.
- \*Sharp announced Kameyama G8 plant to be used for small to medium sized LCD panel production line, and TV production would shift to Sakai G10 plant.

#### Others

- \*Reported that Hitachi would join the JV between Toshiba and SONY for small to medium size LCD panel manufacturing business. →Will establish new company within this year invested 70% by INCJ (Innovation Network Corporation of Japan).

**SKE Group Review****<1st Half >**

- \*Demand for G10 photomask was good in Q1 but bad in Q2 because of bad financial result in addition to East Japan earthquake.
- \*Multi-tone photomask R&D demand was good in the 1<sup>st</sup> Half.
- \* Mainly larger size of photomask price continuously dropped.

**<3 Q>**

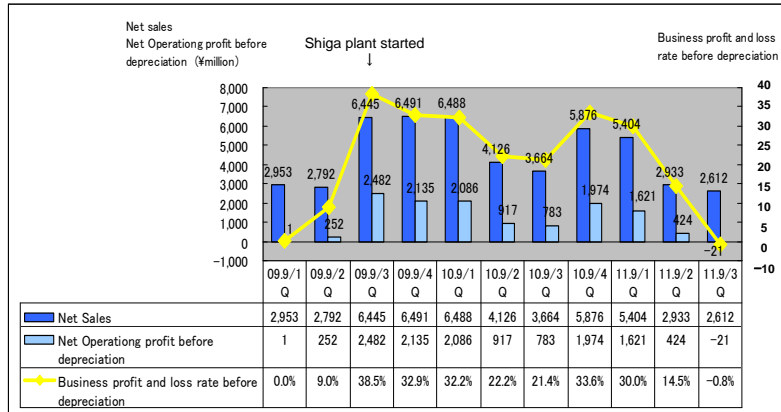
- \*Very low demand for G10 photomask because of temporal stop of Sakai G10 plant operation and poor demands for LCD TV in worldwide.
- \*Aggressive sales activity to new customers who just started the LCD manufacturing lines in China.
- \*Multi-tone photomask demand continued thanks to the process improvement and increase demand of technical development by panel makers.
- \* Photomask price continued to drop.

**Overview of FY10 Q3 Financial highlights**

Unit: million yen

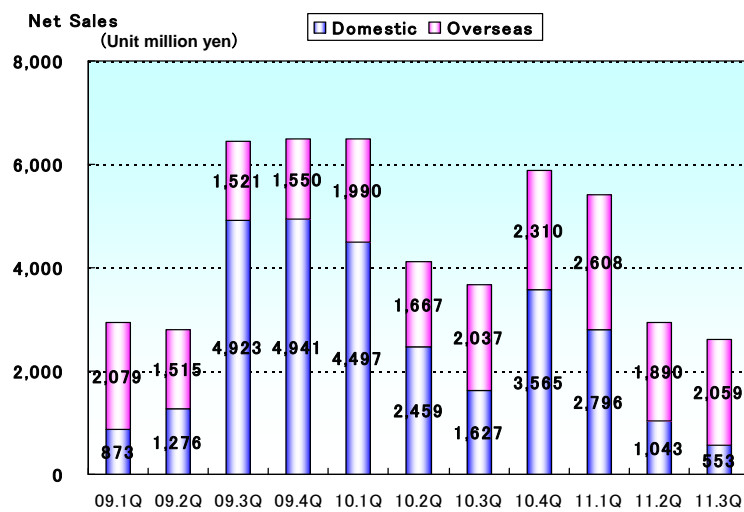
	FY10	FY11				YonY
	Cumulative total by Q3	1Q	2Q	3Q	Cumulative total by Q3	
Net Sales	14,279	5,404	2,933	2,612	10,950	- 3,328
Operating profit/loss	-333	778	-399	- 863	- 484	- 151
Ordinary profit/loss	-408	756	-406	- 858	- 508	- 99
Net profit/loss*	-239	609	-249	- 835	- 474	- 234
Capex	50	14	326	52	393	342
Depreciation	4,119	843	823	841	2,508	-1,611
R&D expense	153	70	35	72	177	24

## Net sales and depreciation (QonQ)

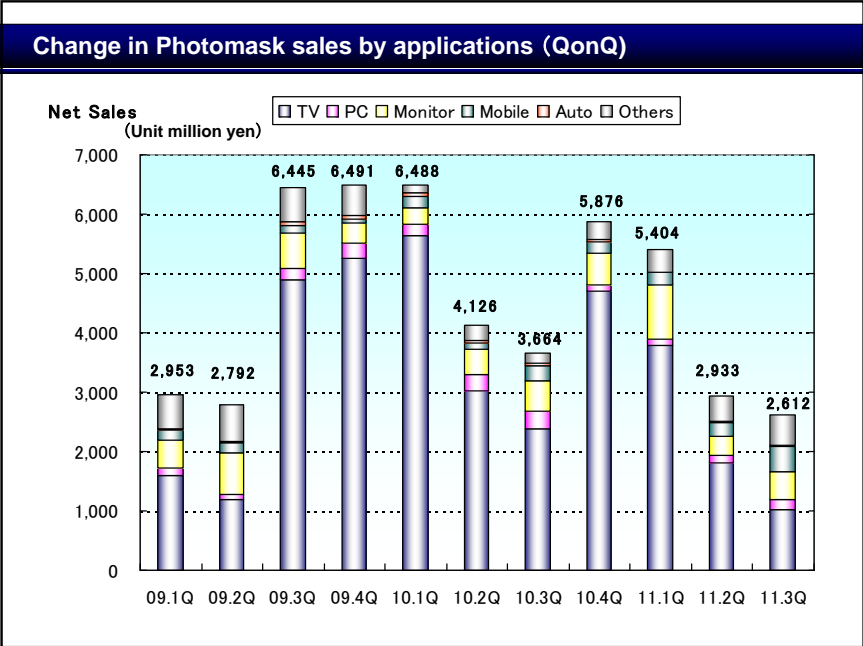
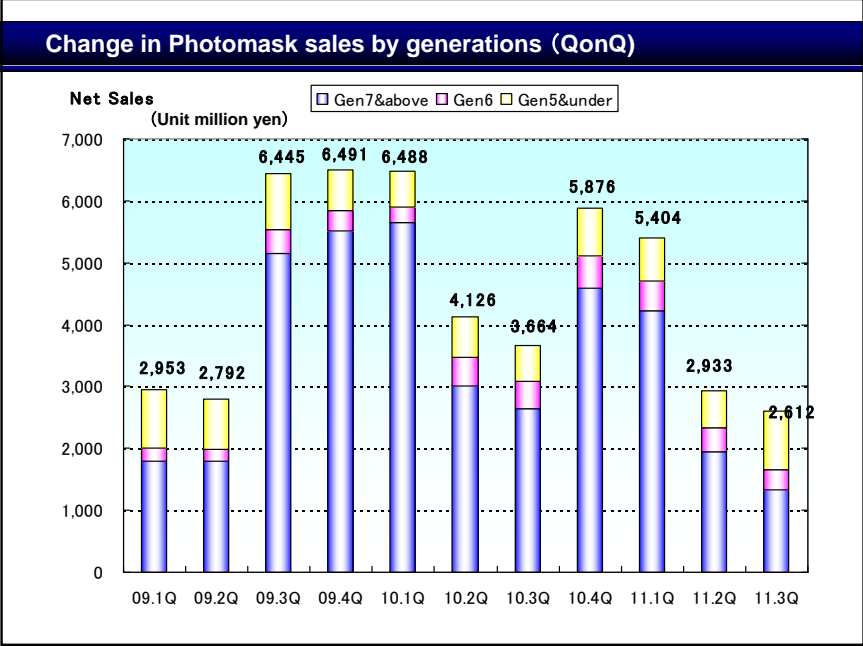


\*Business profit and loss rate before depreciation is to add depreciation to cash-based profit.  
(Net operating profit + depreciation)

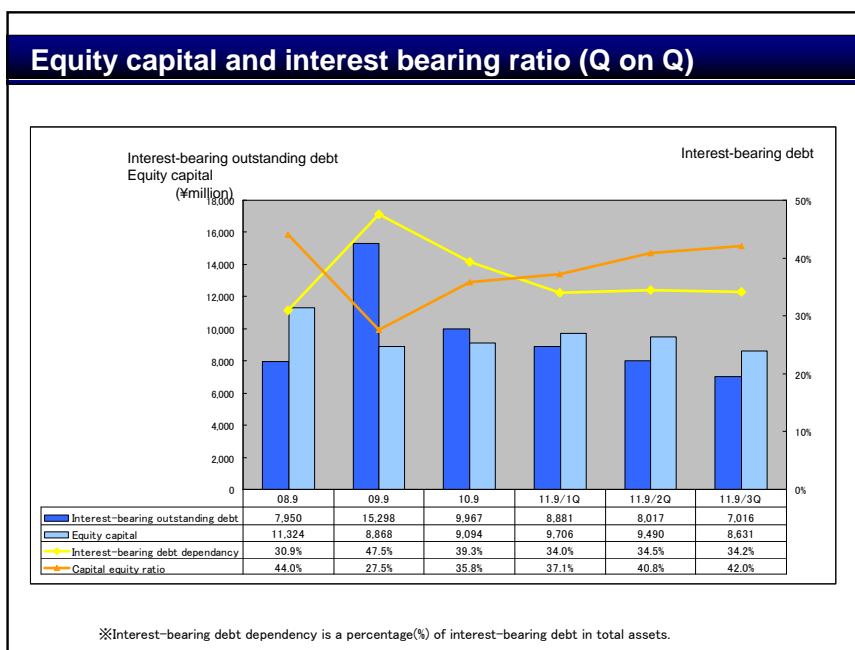
## Change in Photomask sales by Geographical Segment (QonQ)



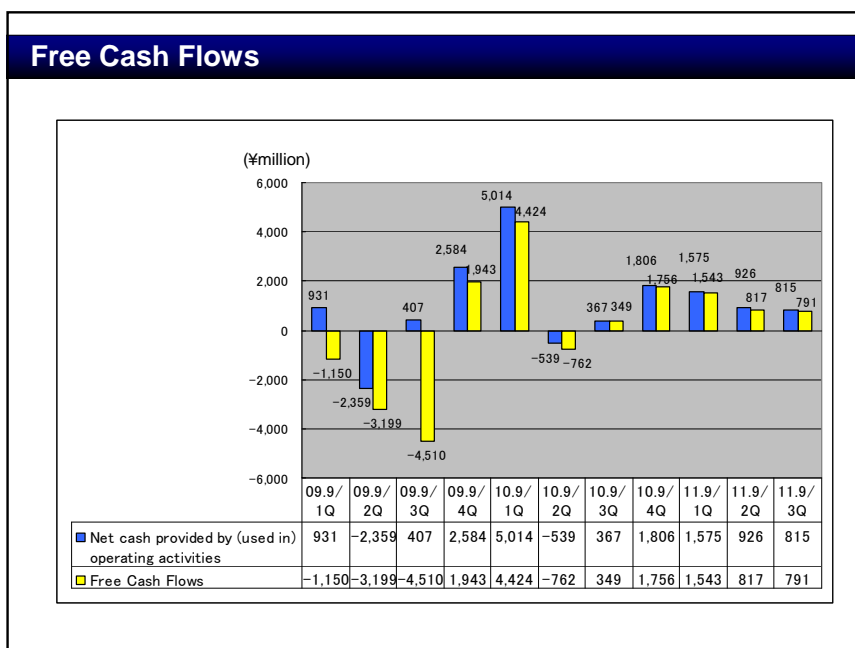
Note: Overseas sales includes indirect export sales.



<b>Consolidated Balance Sheet</b>		Unit: million yen		
	FY10 3Q	FY10	FY11 3Q	Compare d to FY10
(Total Asset)	25,017	25,380	20,540	-4,840
Cash on hand and in banks	2,171	2,838	2,699	-138
Trade notes and account receivable	5,656	6,885	3,981	-2,904
Inventories	1,538	1,460	1,682	222
Other (current assets)	863	746	681	-64
Fixed assets	14,317	12,955	11,019	-1,935
Intangible fixed assets	232	210	152	-57
Investment and other assets	236	284	322	38
(Total liabilities)	15,093	14,971	10,524	-4,446
Trade notes and account payable	3,035	3,965	2,802	-1,163
Current portion of long-term debt	11,051	9,965	6,820	-3,144
Income taxes payable	12	24	11	-13
Other (liability)	994	1,015	890	-125
(Net assets total)	9,924	10,409	10,015	-393
Equity capital (Total of Shareholders' equity , Valuation and translation adjustments)	8,613	9,094	8,631	-463
Equity capital ratio (%)	34.4	35.8	42.0	6.2
Outstanding Interest-bearing debt	11,063	9,967	7,016	-2,950



Cash Flows		
	Unit: million yen	
	FY10 3Q	FY11 3Q
CF from operating activities	4,842	3,316
Net Income/loss	-239	-474
Depreciation	4,119	2,508
Other	962	1,282
CF from Investing activities	-831	-164
Free Cash Flows	4,011	3,151
CF from Financing activities	-4,231	-3,332
Net change in cash and cash equivalents	-241	-138
Cash and cash equivalents at end of period	2,171	2,699



## FY10 Q4 Forecast

### FPD market forecast

#### Market overview

- \*TV demand forecast was dropped to 210million units in 2011. (Utilization of G8 line for TV was low).
- \*Smart phone and tablet demands are still expected to be high.

#### Investment by panel makers

- \*Investment for small to medium sized LCD panel lines will be positive but some plans are bit delayed.
- \*New LCD line investment in China is also delayed.
- \*Plan to change the conventional a-Si LCD lines to Oxide (IGZO) TFT lines.

#### Technology trend

- \*Demand for small to medium size LCD panels for smartphone and tablets will continuously grow, therefore, improvement for thinner, lighter, finer and better power consumption panels development are requested.

### SKE group action

- \*G10 photomask demand is expected in Q4 compared to Q3 because of R&D demand.
- \*G8 and under photomask demand will be weak compared to Q3 because of production adjustment by panel makers.
- \*Expand sales activity for multi-tone photomask by differentiating from competitors in order to improve the profitability. In parallel, we continue cost reduction and higher yield in order to achieve our goal.

## Forecast of FY11 Financial highlights

Unit: million yen

	FY10		FY11 Full year Forecast		
	3Q	Full year	3Q(actual)	Full year	Y on Y
Net Sales	14,279	20,155	10,950	16,600	-3,555
Operating Income/loss	-333	279	-484	600	320
Ordinary Income/loss	-408	187	-508	530	342
Net Income/loss	-239	277	-474	530	252
Capex	50	107	393	850	742
Depreciation	4,119	5,481	2,508	3,397	-2,084
R&D	153	241	177	345	103
Dividend per Share (Yen)		1,000	-	1,000	-

<TOPICS > LCD panel makers' investment plan

