

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

August 8, 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	August 12, 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 Third Quarter of Fiscal 2011 (October 1, 2010 through June 30, 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	%
Third Quarter FYE 9/2011	10,950	-23.3	-484	—	-508	—	-474	—
Third Quarter FYE 9/2010	14,279	17.1	-333	—	-408	—	-239	—

	Quarter Net Income per Share	Diluted Quarter Net Income per Share
	Yen	Yen
Third Quarter FYE 9/2011	-4,184.25	—
Third Quarter FYE 9/2010	-2,111.60	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Third Quarter FYE 9/2011	20,540	10,015	42.0	76,131.29
FYE 9/2010	25,380	10,409	35.8	80,215.94

(Reference) Owned Capital	Third Quarter, FYE 9/2011	8,631 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 “2. 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)

Third Quarter, FYE 9/2011 113,684 shares

FYE 9/2010 113,684 shares

<2> Number of treasury shares at end of period

Third Quarter, FYE 9/2011 312 shares

FYE 9/2010 312 shares

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

Third Quarter, FYE 9/2011 113,372 shares

Third 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 5 “1. Qualitative Information on Consolidated Operating Results for the Third Quarter (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 Third Quarter

(1) Qualitative Information on Consolidated Results of Operations

During the consolidated cumulative third quarter of the fiscal year under review, corporate earnings maintained their recovery momentum and Japan's economy exhibited a positive trend. The Great East Japan Earthquake that occurred in March 2011 and the subsequent nuclear accident and electricity shortages, however, had a broad negative effect on economic activities including production, exports and consumption.

In the LCD panel industry, panel manufacturer capacity utilization rates for large-format LCD panels as a whole remained slack. Although some panel manufacturers enjoyed temporarily higher utilization rates as LCD TV demand in China increased during the period before and after the International Labor Day holiday in May, LCD TV sales in Europe and America continued to be feeble because of weak economic conditions. Demand for small and medium-sized panels, however, remained steady thanks to the 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, however, 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.

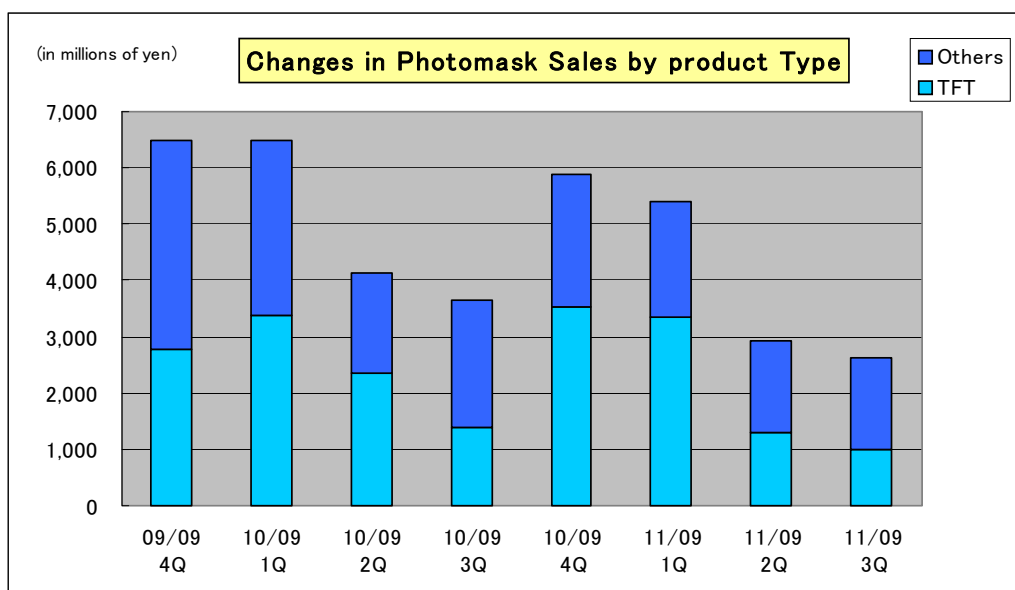
During the third quarter various factors, including a halt in operations at Sharp's Sakai plant, caused orders for 10th generation photomasks to fall significantly and drop below projected volume. Sales of 8th generation and earlier photomasks remained stable, however, benefitting from robust development demand in Korea.

Moreover, the negative effects from the Great East Japan Earthquake were not material, and SK-Electronics' plants and facilities did not suffer any major damage.

As a result, for the consolidated cumulative third quarter accounting period under review, the SK-Electronics Group reported net sales of ¥10,950 million (23.3% year-on-year decrease). The operating loss was ¥484 million (compared with an operating loss of ¥333 million one year earlier), the ordinary loss was ¥508 million (¥408 million one year earlier) and the net loss was ¥474 million (¥239 million one year earlier).

By product, net sales of TFT photomasks in the consolidated cumulative third quarter of the fiscal year under review were ¥5,625 million, off 20.9% from the same period of the prior consolidated fiscal year because of lower sales of 10th generation photomasks (for the third quarter consolidated accounting period, net sales fell 29.6% year-on-year to ¥981 million).

(Reference)

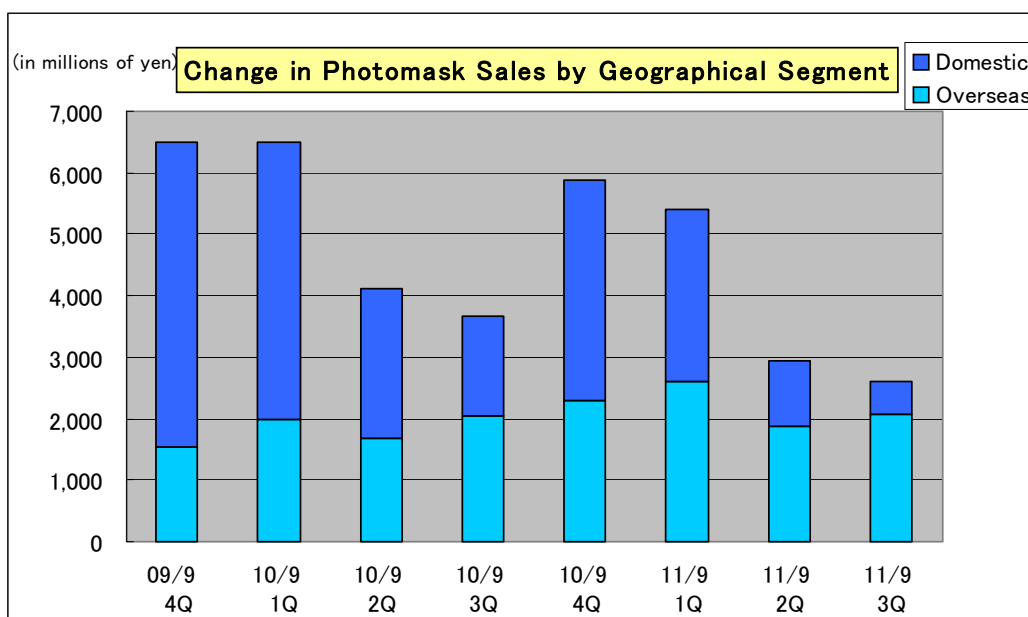


(Reference) Change in Photomask Sales by Product Type (Unit: Millions of yen)

	09/09 4Q	10/09 1Q	10/09 2Q	10/09 3Q	10/09 4Q	11/09 1Q	11/09 2Q	11/09 3Q
TFT	2,789	3,374	2,346	1,394	3,528	3,352	1,290	981
Others	3,702	3,113	1,780	2,270	2,347	2,051	1,642	1,631
Total	6,491	6,488	4,126	3,664	5,876	5,404	2,933	2,612

By region, domestic net sales in the consolidated cumulative third quarter of the fiscal year under review fell 48.8% from the same period of the prior consolidated fiscal year to ¥4,393 million, reflecting lower net sales of 10th generation photomasks (domestic net sales in the third quarter were off 66.0% year-on-year to ¥553 million). Overseas net sales rose 15.1% compared with the same period of the prior consolidated fiscal year to ¥6,557 million, reflecting steady demand for photomasks from manufacturers in Korea, Taiwan and China (for the third quarter, net sales edged up 1.1% year-on-year to ¥2,059 million).

(Reference)



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

	09/9 4Q	10/9 1Q	10/9 2Q	10/9 3Q	10/9 4Q	11/9 1Q	11/9 2Q	11/9 3Q
Overseas	1,550	1,990	1,667	2,037	2,310	2,608	1,890	2,059
Domestic	4,941	4,497	2,459	1,627	3,565	2,796	1,043	553
Total	6,491	6,488	4,126	3,664	5,876	5,404	2,933	2,612

(2) Qualitative Information on Consolidated Financial Position

<1> Assets, Liabilities and Net Assets

Total assets at the end of the consolidated third quarter of the current fiscal year decreased by ¥4,840 million compared to the end of the prior consolidated fiscal year to ¥20,540 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 ¥4,446 million compared to the end of the prior consolidated fiscal year and amounted to ¥10,524 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 decreased by ¥393 million compared with the end of the prior consolidated fiscal year, to ¥10,015 million. This decrease was mainly due to a decrease 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 third quarter of the current fiscal year decreased by ¥138 million compared with the prior consolidated fiscal year end to ¥2,699 million.

(Cash Flows from Operating Activities)

Cash flows from operating activities during the consolidated cumulative third quarter of the fiscal year under review amounted to ¥3,316 million. This was ¥1,526 million less than in the same period of the prior consolidated fiscal year. These cash flows were mainly due to a loss before taxes and minority interests of ¥424 million, depreciation and amortization expense of ¥2,508 million, a decrease in notes and accounts receivable-trade of ¥3,002 million, an increase in inventory of ¥206 million and a decrease in notes and accounts payable-trade of ¥1,201 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the consolidated cumulative third quarter of the fiscal year under review totaled ¥164 million, a decrease of ¥667 million compared with the same period of the prior consolidated fiscal year. This mainly reflected ¥153 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 third quarter of the fiscal year under review amounted to ¥3,332 million. This was ¥899 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 ¥3,175 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 the company’s sales forecast for the fourth quarter which expects the demands of 10th generation photomasks for large panels, such as LCD TV and digital signage, SK-Electronics has not revised the earnings projections (consolidated and non-consolidated) 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

The Company had no material items to report.

(2) Simplified accounting methods and specific accounting methods

<1> Simplified accounting method

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 third 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

The value of inventories at the end of the consolidated third quarter under review was calculated using a rational method based on physical inventories at the end of the previous fiscal year, rather than physical inventories at the end of the quarter under review.

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.

<2> 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, the Company is applying 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 loss before minority interests” for the consolidated cumulative third quarter accounting period.

2) Quarter Consolidated Statements of Cash Flows

a) In the consolidated cumulative third quarter of the fiscal year under review, the item “Increase (decrease) in accounts payable-other,” which the Company had previously reported as a separate line item under “Net cash provided by (used in) operating activities,” has been included in “Other, net” because its materiality has diminished. The amount included in “Other, net” in the consolidated cumulative third quarter accounting period under review is ¥4,544,000.

b) In the consolidated cumulative third 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 third quarter accounting period under review is –¥83,051,000.

c) In the consolidated cumulative third 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 third quarter accounting period under review is –¥105,105,000.

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

(Unit: thousand yen)

	Consolidated accounting period as of end of Third Quarter As of June 30, 2011	Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2010
Assets		
Current assets		
Cash and deposits	2,699,323	2,838,214
Notes and accounts receivable-trade	3,981,440	6,885,741
Work in process	62,080	139,595
Raw materials and supplies	1,620,851	1,320,669
Other	691,863	758,695
Allowance for doubtful accounts	-9,879	-12,129
Total Current assets	<u>9,045,680</u>	<u>11,930,787</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,258,215	4,494,031
Machinery, equipment and vehicles, net	5,021,747	6,745,865
Land	1,607,750	1,607,750
Other, net	131,966	107,442
Total Property, plant and equipment	<u>11,019,681</u>	<u>12,955,090</u>
Intangible assets	152,748	210,340
Investments and other assets		
Other	322,430	307,151
Allowance for doubtful accounts	-	-22,822
Investments and other assets	322,430	284,328
Total Noncurrent assets	<u>11,494,859</u>	<u>13,449,759</u>
Assets	<u>20,540,540</u>	<u>25,380,546</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,802,249	3,965,878
Current portion of long-term loans payable	3,570,808	4,130,937
Income taxes payable	11,000	24,000
Provision for directors' bonuses	-	30,000
Other	703,098	936,622
Current liabilities	<u>7,087,156</u>	<u>9,087,438</u>
Noncurrent liabilities		
Long-term loans payable	3,250,000	5,834,428
Other	187,454	49,261
Noncurrent liabilities	<u>3,437,454</u>	<u>5,883,690</u>
Liabilities	<u>10,524,611</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	679,839	1,267,588
Treasury stock	-48,338	-48,338
Shareholders' equity	<u>9,076,637</u>	<u>9,664,386</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	81,426	50,242
Foreign currency translation adjustment	-526,907	-620,387
Valuation and translation adjustments	<u>-445,481</u>	<u>-570,145</u>
Minority interests	1,384,772	1,315,176
Net assets	<u>10,015,928</u>	<u>10,409,417</u>
Total Liabilities and net assets	<u>20,540,540</u>	<u>25,380,546</u>

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

(Unit: thousand yen)

	Prior Cumulative Consolidated Third Quarter From October 1, 2009 To June 30, 2010	Consolidated accounting period as of Third Quarter From October 1, 2010 To June 30, 2011
Net sales	14,279,811	10,950,982
Cost of sales	13,305,319	10,024,226
Gross profit	974,491	926,756
Selling, general and administrative expenses	1,307,628	1,411,020
Operating loss	-333,137	-484,264
Non-operating income		
Commission fee	23,182	23,182
Real estate rent	14,789	21,910
Foreign exchange gains	30,054	-
Other	12,288	36,269
Non-operating income	80,314	81,362
Non-operating expenses		
Interest expenses	112,005	64,552
Other	44,021	40,871
Non-operating expenses	156,026	105,423
Ordinary loss	-408,848	-508,325
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	5,976
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,480
Loss on valuation of investment securities	5,434	266
Loss on disaster	21,180	14,214
Extraordinary loss	26,742	21,937
Loss before income taxes and minority interests	-335,591	-424,192
Income taxes-current	24,385	44,370
Refund of income taxes	-	-16,546
Income taxes-deferred	-	-
Income taxes	24,385	27,824
Loss before minority interests	-	-452,017
Minority interests in income (loss)	-120,580	22,359
Net loss	-239,396	-474,377

(3) Consolidated Statement of Cash Flows

(Unit : thousand yen)

	Prior Cumulative Consolidated Third Quarter From October 1, 2009 To June 30, 2010	Consolidated accounting period as of Third Quarter From October 1, 2010 To June 30, 2011
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	-335,591	-424,192
Depreciation and amortization	4,119,745	2,508,606
Increase (decrease) in allowance for doubtful accounts	-10,972	-26,110
Increase (decrease) in provision for directors' bonuses	-	-30,000
Interest and dividends income	-2,380	-4,162
Interest expenses	112,005	64,552
Loss on retirement of property, plant and equipment	127	5,976
Loss (gain) on sales of investment securities	5,434	266
Loss (gain) on sales of investment securities	-	-6,070
Decrease (increase) in notes and accounts receivable-trade	2,372,238	3,002,279
Decrease (increase) in inventories	335,026	-206,825
Increase (decrease) in notes and accounts payable-trade	-1,909,904	-1,201,766
Increase (decrease) in accounts payable-other	-57,483	-
Increase (decrease) in accrued expenses	190,852	-
Decrease (increase) in consumption taxes refund receivable	522,243	-
Other, net	-533,143	-260,823
Subtotal	<u>4,808,198</u>	<u>3,421,729</u>
Interest and dividends income received	2,386	4,052
Interest expenses paid	-110,191	-64,208
Income taxes paid	-20,444	-45,365
Income taxes refund	<u>162,688</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>4,842,637</u>	<u>3,316,207</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-828,993	-153,805
Purchase of intangible assets	-1,921	-6,966
Purchase of investment securities	-	-49,868
Proceeds from sales of investment securities	-	17,290
Collection of loans receivable	555	-
Proceeds from collection of lease and guarantee deposits	-	28,996
Other, net	-970	84
Net cash provided by (used in) investing activities	<u>-831,329</u>	<u>-164,268</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	-3,494,612	-3,175,562
Payments for installment payables-property and equipment	-237,208	-25,261
Cash dividends paid	-	-113,372
Cash dividends paid to minority shareholders	-	-17,916
Net cash provided by (used in) financing activities	<u>-4,231,820</u>	<u>-3,332,112</u>
Effect of exchange rate change on cash and cash equivalents	-21,110	41,282
Net increase (decrease) in cash and cash equivalents	<u>-241,623</u>	<u>-138,890</u>
Cash and cash equivalents	<u>2,413,547</u>	<u>2,838,214</u>
Cash and cash equivalents	<u>2,171,924</u>	<u>2,699,323</u>