

Summary Report of Consolidated Financial Statements for the Third Quarter of Fiscal 2009

August 6, 2009

Company Name	SK-Electronics Co., Ltd.	Listed Exchange	JASDAQ
Code No.	6677	URL	http://www.sk-el.co.jp
Representative	(Title) President	Yoshitada Nogami	
Contact	General Manager of Administrative Division	Hidehiro Fujiwara	TEL (075) 441-2333
Planned Quarterly Financial Report Filing Date	August 14, 2009		
Scheduled Date for Commencement of Dividend Payments	--		

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for the Third Quarter of Fiscal 2009

(October 1, 2008 through June 30, 2009)

(1) Consolidated Results of Operations

(% indicates increase/decrease vs. Prior Year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions		¥ millions		¥ millions		¥ millions	
Third Quarter FYE 9/2009	12,190		-960		-1,104		-2,211	
Third Quarter FYE 9/2008	12,726	-7.6	661		576	623.2	271	543.5

	Quarter (Current) Net Income Per Share	Diluted Quarter (Current) Net Income Per Share
	Yen	Yen
Third Quarter FYE 9/2009	-19,504.57	
Third Quarter FYE 9/2008	2,395.26	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	¥ millions	¥ millions		Yen
Third Quarter FYE 9/2009	33,873	10,305	25.9	77,348.86
FYE 9/2008	25,709	13,209	44.0	99,845.41

(Reference) Owned capital	Third Quarter of fiscal year ending Sep. 30, 2009	8,769 million yen
	Fiscal year ended Sep. 30, 2008	11,324 million yen

2. Dividends

(Date of Record)	Dividend Per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Full Year
	Yen	Yen	Yen	Yen	Yen
FYE 9/2008		0.00		800.00	800.00
FYE 9/2009		0.00			
FYE 9/2009 (Projected)				0.00	0.00

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

3. Projected Consolidated Results of Operations for FYE 9/2009

(October 1, 2008 - September 30, 2009)

(% 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	18,500	7.8	-1,000		-1,150		-2,300		-20,284.81

(Note) Change in consolidated earnings projections for the quarter: No

★ The Company is currently studying its projected consolidated operating results for the full year.

4. Other

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries due to changes in the scope of consolidation)
- (2) Adoption of simplified accounting policies or accounting policies specific to the preparation of quarterly consolidated financial statements: Yes
[(Note) See page 6 [Qualitative Information/Financial Statements] “4. Other” for further details]
- (3) Changes in accounting principles, procedures, and the presentation methods etc. of quarterly consolidated financial statements (items that are included in changes to important matters that will be the basis for preparing quarterly consolidated financial statements)
- 1) Changes associated with revisions in accounting standards, etc.: Yes
2) Changes other than those in 1): Yes
[(Note) See page 6 [Qualitative Information/Financial Statements] “4. Other” for further details]
- (4) Number of shares issued (common stock)
- | | | | | |
|--|----------------|------------|----------------|--|
| <1> Number of shares issued at end of period (including treasury stock) | | | | |
| FYE September 2009 Third Quarter | 113,684 shares | FYE 9/2008 | 113,684 shares | |
| <2> Number of treasury shares at end of period | | | | |
| FYE September 2009 Third Quarter | 312 shares | FYE 9/2008 | 268 shares | |
| <3> Average number of shares during the period (cumulative, consolidated fiscal quarter) | | | | |
| FYE September 2009 Third Quarter | 113,398 shares | | | |
| FYE September 2008 Third Quarter | 113,427 shares | | | |

*Explanation of the appropriate use of projected operating results and other special remarks

1. 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 5 [Qualitative Information/Financial Statements] “3. Qualitative Information on Consolidated Earnings Projections” for more information regarding the above projections.
2. Beginning from the current consolidated accounting fiscal year, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting” (ASB Japan Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Implementation Guidance No. 14). Furthermore, the quarterly consolidated financial statements have been prepared in accordance with the “Quarterly Consolidated Financial Statement Regulations.”

[Qualitative Information/ Financial Statements, etc.]

1. Qualitative Information related to Consolidated Results of Operations

During the third quarter of the consolidated fiscal year under review, the outlook for Japan's economy remained uncertain. Although the initially rapid deterioration in economic conditions following the global financial crisis that began in the prior year continued to slow, corporate capital investment declined.

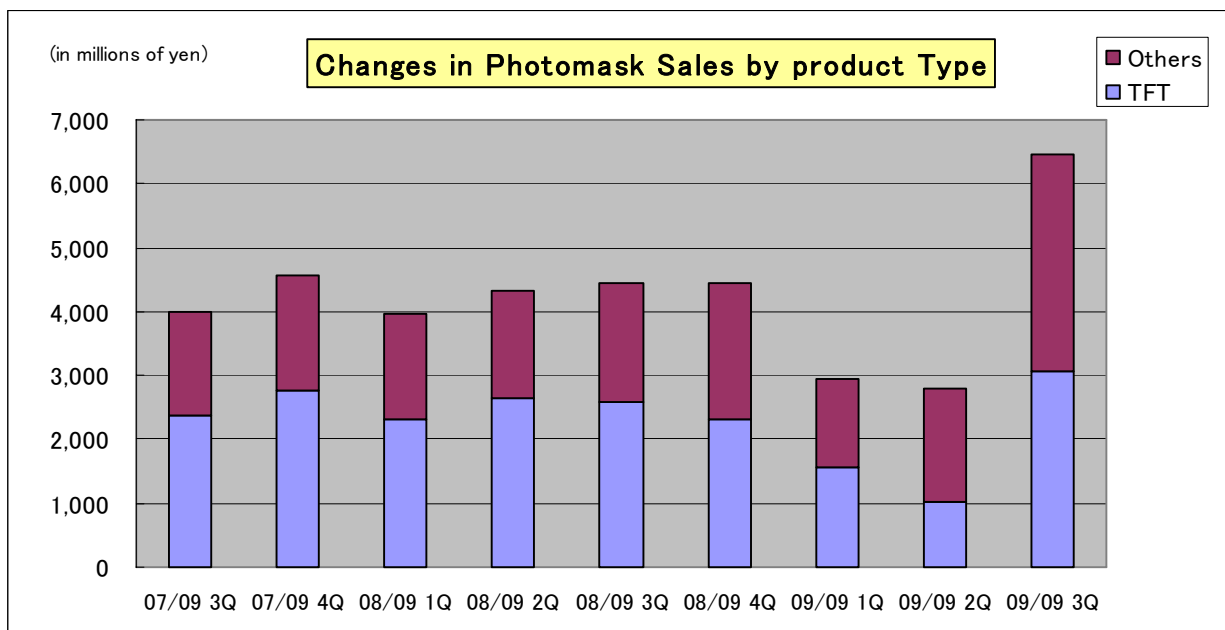
In the LCD panel industry, demand for LCD panels was sluggish in the first quarter which was affected by the global economic downturn. This created difficult conditions in which panel manufacturers significantly curtailed output, and overseas panel manufacturers reduced, postponed or cancelled plans for new manufacturing lines. During the second quarter plant utilization rates at panel manufacturers in Taiwan and South Korea recovered gradually because of special procurements for FPD televisions in China. In the third quarter, Sharp Corporation announced that it would start operations at its 10th generation LCD panel factory in Sakai, Osaka Prefecture about six months earlier than initially planned, and begin mass production from October 2009. Because of the influence by Chinese policy called "Home appliances to the countryside" program, In 8th generation and earlier generation manufacturing lines, the utilization rates of panel manufacturers recovered rapidly, which resulted in shortages of glass, a key material, and caused a sudden shortage in supply.

However, in the photomask industry, demand for photomasks for new lines and development of 8th generation and earlier generation manufacturing lines was weak, while unit prices fell steeply as a result of intensified competition for mass production masks.

Given this circumstance, the SK-Electronics Group, Shiga Plant, the Company's next-generation photomask plant, began full-scale operation in March, and is making shipments of 10th generation photomasks as needed, getting off to a strong start, however in 8th generation and earlier photomasks, have continued due to the impact of unit price declines that have exceeded assumptions because of growing competition, both in Japan and overseas. In addition, because demand for small and medium-sized photomasks has plunged sharply over the past several years, SK-Electronics conducted a review of its small and medium-sized photomask manufacturing facilities, and booked a ¥203 million loss on retirement of fixed assets for the third quarter under review. Furthermore, as a result of verifying the probability of recovery based on future received earnings from assets such as small and medium-sized photomask manufacturing facilities, we reduced the book value of certain assets including manufacturing facilities for some small and medium-sized type photomask production lines, including the Company's lease assets, to the recoverable value, and reported a ¥697 million extraordinary loss for the write-downs in question as an impairment loss. Finally, considering the change in operating results during the period, we also prudently examined the recoverability of deferred tax assets, and booked adjustments for corporate and other taxes of ¥240 million as a result of reversing the full amount of deferred tax assets.

As a result of the above factors, both sales and earnings fell compared with the same period of the previous consolidated fiscal year. For the third quarter under review, consolidated net sales for the Company Group were ¥12,190 million. The operating loss was ¥960 million, and the ordinary loss was ¥1,104 million. The net loss for the quarter totaled ¥2,211 million.

By product, net sales of TFT photomasks declined significantly, falling to ¥5,643 million.
(Reference)

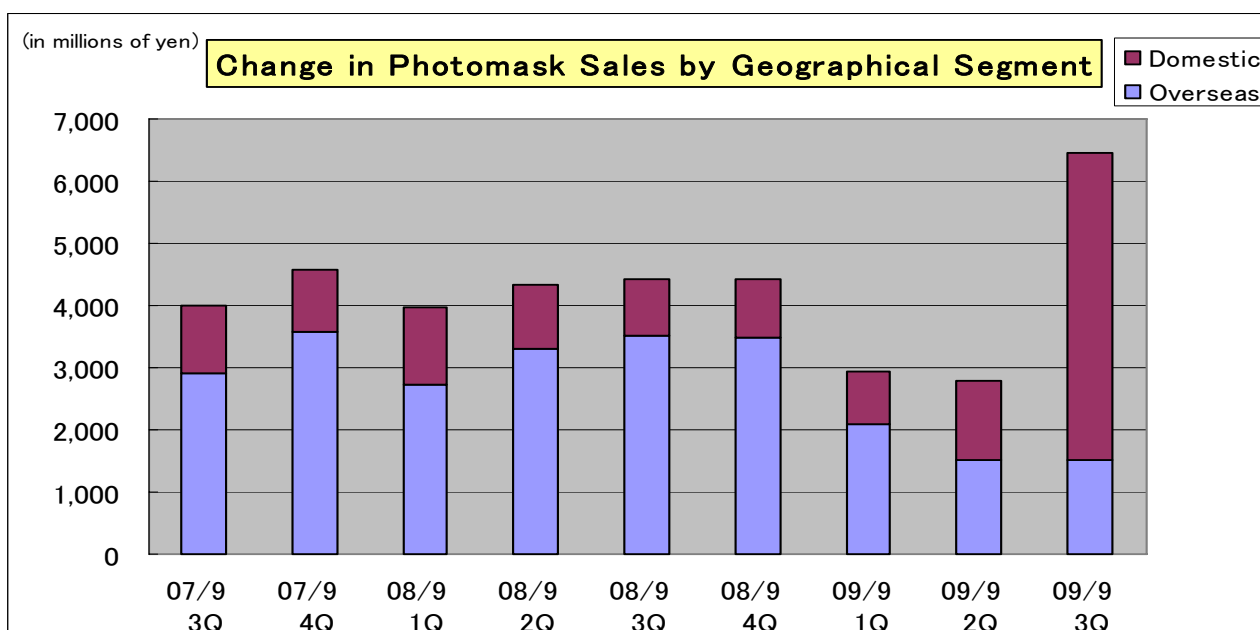


(Reference) Change in Photomask Sales by Product Type

	07/09 3Q	07/09 4Q	08/09 1Q	08/09 2Q	08/09 3Q	08/09 4Q	09/09 1Q	09/09 2Q	09/09 3Q
TFT	2,371	2,759	2,302	2,640	2,577	2,310	1,549	1,032	3,062
Others	1,628	1,802	1,662	1,684	1,859	2,124	1,404	1,759	3,383
Total	4,000	4,562	3,964	4,324	4,437	4,437	2,953	2,792	6,445

By region, domestic net sales increased broadly compared with the same period of the previous consolidated fiscal year to ¥7,073million, as shipments of next-generation photomasks from the Shiga Plant rose steadily. Overseas net sales were substantially lower, falling to ¥5,117 million.

Reference



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

	07/9 3Q	07/9 4Q	08/9 1Q	08/9 2Q	08/9 3Q	08/9 4Q	09/9 1Q	09/9 2Q	09/9 3Q
Overseas	2,899	3,574	2,742	3,289	3,511	3,482	2,079	1,515	1,521
Domestic	1,100	987	1,222	1,035	926	952	873	1,276	4,923
Total	4,000	4,562	3,964	4,324	4,437	4,434	2,953	2,792	6,445

2. Qualitative Information related to Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

Total assets at the end of the third quarter consolidated accounting period increased ¥8,164 million compared with the end of previous consolidated fiscal year to ¥33,873 million. This mainly reflected an increase in notes and accounts receivable, trade because of higher net sales following the start of operations at the Shiga Plant, and an increase in buildings and structures, and machinery, equipment and vehicles related to construction of the Shiga Plant.

Total liabilities increased ¥11,067 million from the end of the prior consolidated fiscal year to ¥23,568 million. This mainly reflected a higher amount of long-term loans payable.

Total net assets decreased by ¥2,903 million compared with the end of the prior consolidated fiscal year, to ¥10,305 million. This was mainly because of a decrease in retained earnings.

(2) Cash Flows

Cash and cash equivalents ("Cash") at the end of the third quarter consolidated accounting period decreased by ¥9 million compared with the end of previous consolidated fiscal year to ¥2,158 million.

(Cash Flows from Operating Activities)

Cash flows used in operating activities during the third quarter consolidated accounting period totaled ¥1,021 million. This amount was mainly due to a loss before income taxes and minority interests of ¥2,094 million, depreciation and amortization expense of ¥3,695 million and an increase in accounts receivable of ¥3,599 million.

(Cash Flows from Investing Activities)

Cash flows used in investing activities during the third quarter consolidated accounting period totaled ¥7,838 million. This mainly reflected ¥7,786 million of funds used for the purchase of tangible fixed assets.

(Cash Flows from Financing Activities)

Cash flows from financing activities during the third quarter consolidated accounting period increased to ¥8,924 million. This mainly reflected an increase in cash provided by long-term loans of ¥10,400 million.

3. Qualitative Information on Consolidated Earnings Projections

Regarding Projected Consolidated Results of Operations for FYE 9/2009, Please refer to "Announcement Concerning Extraordinary Loss and Revision of Earnings Projections" published today under separate cover.

The operating results projections were prepared based upon information available to the Company at the time the projections were announced. Actual operating results may differ from the projected figures depending upon various factors that might occur in the future.

4. Other

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries due to changes in the scope of consolidation) None.

(2) Adoption of simplified accounting policies or accounting policies specific to the preparation of quarterly consolidated financial statements

<1> Depreciation of Fixed Assets

1) 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 Accounting standard for inventory assets

Inventory assets are calculated based on book inventory, using the physical inventory amount at the end of the second quarter consolidated accounting period as a basis, without performing a physical inventory check.

(3) Changes in accounting principles, procedures, and the presentation methods etc. of quarterly consolidated financial statements

<1> Accounting Standards for Quarterly Financial Reporting

The Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Implementation Guidance for Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). Further, the quarterly consolidated financial statements have been prepared in accordance with "Quarterly Consolidated Financial Statement Regulations."

2 Adoptions of Accounting Standards related to Inventory Valuation

Historically, the Company valued inventory according to the cost method; however, beginning with the first quarter of the current consolidated fiscal period, the Company has adopted "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). In connection with this change, the Company now calculates inventory based on the cost method (write-down of book value based on decline in profitability for balance sheet presentation).

As a result, gross profit decreased by ¥278,310,000, operating loss and ordinary loss increased by ¥278,310,000 and net loss before income taxes and minority interests increased by ¥314,340,000, respectively, compared to what they otherwise would have been had the accounting standards used in past periods been applied.

3 Adoption of "Practical Solution on Unification of Accounting Policies applied to Foreign Subsidiaries for Consolidated Financial Statements"

Beginning with first quarter of the current consolidated fiscal year, the Company has adopted "Practical Solution on Unification of Accounting Policies applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006)

This change will have no significant effect on Company profit and loss.

4 Adoption of Accounting Standards for Lease Transactions

In the past, the Company accounted for non-transfer finance lease transactions via methods related to lease transactions. However, beginning with the current consolidated first quarter, the Company has elected the early adoption of "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (the First Committee. of the Business Accounting Council), revised on March 30, 2007)) and "Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (the JICPA Accounting Committee), revised on March 30, 2007)). Accordingly, such lease transactions are now subject to accounting policies for ordinary trading transactions.

For depreciating lease assets related to non-transfer finance lease transactions, the Company uses the lease term as the service life, and the straight line method of depreciation, assuming zero residual value.

The Company will continue accounting for non-transfer finance lease transactions whose original lease transaction date falls prior to the first fiscal year of the adoption of this accounting standard using accounting methods in accordance with normal lease transactions. This change will have no significant effect on Company profit and loss.

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

	Consolidated accounting period as of end of second quarter As of June 31, 2009	Unit : thousand yen Previous consolidated financial term Summary consolidated balance sheet As of September 30, 2008
Assets		
Current assets		
Cash and deposits	2,158,594	2,167,912
Notes and accounts receivable-trade	7,312,218	3,942,992
Raw materials and supplies	1,568,890	2,043,297
Work in process	815,149	136,912
Other	1,297,074	783,670
Allowance for doubtful accounts	-15,909	-471
Current assets	13,136,017	9,074,314
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,953,247	2,535,995
Machinery, equipment and vehicles, net	13,439,835	6,934,315
Land	1,607,750	1,607,750
Other, net	164,426	4,907,317
Property, plant and equipment	20,165,260	15,985,378
Intangible assets	314,234	316,879
Investments and other assets		
Other	304,383	361,446
Allowance for doubtful accounts	-45,949	-28136
Investments and other assets	258,433	333,310
Noncurrent assets	20,737,927	16,635,567
Assets	33,873,945	25,709,881
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,538,065	3,336,202
Short-term loans payable	778,000	600,000
Current portion of long-term loans payable	4,788,976	1,954,410
Income taxes payable	16,000	338,943
Other	2,177,776	1,160,584
Current liabilities	12,298,817	7,390,141
Noncurrent liabilities		
Long-term loans payable	11,055,199	4,802,784
Other	214,027	307,276
Noncurrent liabilities	11,269,226	5,110,061
Liabilities	23,568,044	12,500,203
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,335,413	4,335,413
Retained earnings	789,621	3,092,458
Treasury stock	-48,133	-48116
Shareholders' equity	9,186,624	11,489,478
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	21,988	10,513
Foreign currency translation adjustment	-439,417	-175980
Valuation and translation adjustments	-417,429	-165466
Minority interests	1,536,705	1,885,667
Total Net assets	10,305,900	13,209,678
Total Liabilities and net assets	33,873,945	25,709,881

(2) Quarterly Consolidated Statements of Income
 Cumulative Consolidated Third Quarter

	Unit: thousand yen
	Consolidated accounting period as of third quarter From October 1, 2008
Net sales	12,190,442
Cost of sales	11,407,511
Gross profit	782,931
Selling, general and administrative expenses	1,743,486
Operating income	-960,555
Non-operating income	
Commission fee	23,182
Rent income of real estate	12,462
Other	9,438
Total Non-operating income	45,083
Non-operating expenses	
Interest expenses	119,929
Other	68,741
Non-operating expenses	188,671
Ordinary income	-1,104,143
Extraordinary loss	
Loss on retirement of property, plant and equipment	203,876
Impairment loss	697,270
Other	89,006
Extraordinary loss	990,154
Income before income taxes and minority interests	-2,094,298
Income taxes-current	41,061
Income taxes-deferred	240,121
Total Income taxes	281,183
Minority interests in income	-163,862
Net income	-2,211,619

(3) Consolidated Statement of Cash Flows

	Unit: thousand yen
	Consolidated accounting period as of second quarter From October 1, 2008
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	- 2,094,298
Depreciation and amortization	3,695,879
Increase (decrease) in allowance for doubtful accounts	35,963
Increase (decrease) in provision for directors' bonuses	- 28,000
Interest and dividends income	- 3,137
Interest expenses	119,929
Loss on retirement of property, plant and equipment	203,876
Impairment loss	697,270
Loss (gain) on valuation of investment securities	31,977
Decrease (increase) in notes and accounts receivable-trade	- 3,599,567
Decrease (increase) in inventories	- 264,344
Increase (decrease) in notes and accounts payable-trade	1,336,228
Other	- 589,348
Subtotal	<u>- 457,569</u>
Interest and dividends income received	3,132
Interest expenses paid	- 118,588
Income taxes paid	- 447,985
Net cash provided by (used in) operating activities	<u>- 1,021,012</u>
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	- 7,786,386
Purchase of intangible assets	- 67,749
Collection of loans receivable	677
Other, net	14,960
Net cash provided by (used in) investment activities	<u>- 7,838,497</u>
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	178,000
Proceeds from long-term loans payable	10,400,000
Repayment of long-term loans payable	- 1,302,355
Payments for installment payables-property and equipment	- 258,613
Purchase of treasury stock	- 596
Proceeds from sales of treasury stock	95
Cash dividends paid	- 90,733
Cash dividends paid for minority shareholders	- 1,525
Net cash provided by (used in) financing activities	<u>8,924,271</u>
Effect of exchange rate change on cash and cash equivalents	- 74,079
Net increase (decrease) in cash and cash equivalents	<u>- 9,317</u>
Cash and cash equivalents in the beginning of period	<u>2,167,912</u>
Cash and cash equivalents at the end of period	<u>2,158,594</u>

Beginning with the current consolidated fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). Further, the quarterly consolidated financial statements have been prepared in accordance with “Quarterly Consolidated Financial Statement Regulations.”

(4) Note on assumptions of going concern

None.

(5) Segment Information

a. Business segment information

Cumulative Consolidated third Quarter (October 1, 2008 through June 30, 2009)

The Company and consolidated subsidiaries are engaged in the singular business of the design, production, and sales of large-format photomasks. Accordingly, the Company has omitted this disclosure as it does not have significant underlying business segments.

b. Geographical segment information

Cumulative Consolidated third Quarter (October 1, 2008 through June 30, 2009)

	Japan (¥thousands)	Asia (¥thousands)	Total (¥thousands)	Elimination or Corporate (¥thousands)	Consolidated (¥thousands)
Net Sales					
(1) Net Sales to Outside Customers	10,127,388	2,063,053	12,190,442		12,190,442
(2) Inter-Segment Sales Transfers	1,040,220	411,149	1,451,369	(1,451,369)	
Total	11,167,608	2,474,203	13,641,811	(1,451,369)	12,190,442
Operating loss	609,492	300,535	910,027	(50,528)	960,555

(Note)1 Country and region segmentation methods; major countries and regions

(1) Country and region segmentation method...according to geographic proximity

(2) Major countries and regions...Asia: Taiwan, South Korea

2 Changes in accounting policies

As discussed in 4. (3) <2> of “Qualitative Information/Financial Statements,” the Company adopted “Accounting Standards for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006) during the first quarter of the current consolidated fiscal period. With this change in accounting policy, Operating Loss in Japan increased by ¥278,310,000 compared to the prior policy.

c. Overseas Net Sales

Cumulative Consolidated Second Quarter (October 1, 2008 through March 31, 2009)

	Asia	Other	Total
I. Overseas Net Sales (¥thousands)	2,178,845		2,178,845
II. Consolidated Net Sales (¥thousands)			12,190,442
III Ratio of Overseas Net Sales to Consolidated Net Sales (%)	17.9		17.9

(Note) 1. Segmentation of countries and regions is based on geographical proximity.

2. Major countries and regions outside Japan

Asia: Taiwan, South Korea, Singapore

3. Overseas sales represent sales of the Company and its consolidated subsidiaries in the countries and regions outside Japan.

(6) Note on significant changes in shareholder's equity

Non

(2) (Summary) Quarterly Consolidated Statement of Cash Flows

Category	Previous consolidated Interm Period From October 1, 2008 To June 30, 2009
	(Unit: thousand yen)
I Net cash provided by (used in) operating activities abstract	
1 Income before income taxes and minority interests	548,638
2 Depreciation and amortization	1,979,654
3 Increase (decrease) in allowance for doubtful accounts	30,292
4 Increase (decrease) in provision for directors' bonuses	22,000
5 Interest and dividends income	4,319
6 Interest expenses	103,277
7 Loss on Disposal of Fixed Assets	19,502
8 Loss (gain) on valuation of investment securities	49,999
9 Decrease (increase) in notes and accounts receivable trade	965,731
10 Decrease (increase) in inventories	571
11 Increase (decrease) in notes and accounts payable trade	200,881
12 Other, net	394,591
Subtotal	3,848,474
13 Interest and dividends income received	4,481
14 Interest expenses paid	102,232
15 Income taxes paid	72,962
16 Income by refund corporate and Other Taxes Paid	39,330
Net cash provided by (used in) operating activities	3,717,091
II Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	3,913,643
Purchase of intangible assets	269,793
Expenditures for the Acquisition of Intangible Fixed Assets	1,700
Expenditures for the Acquisition of Investment Securities	544
Other	31,463
Net cash provided by (used in) investment activities	4,216,055
III Net cash provided by (used in) financing activities	
Net increase (decrease) in short term loans payable	105,873
Proceeds from long term loans payable	2,500,000
Repayment of long term loans payable	1,312,217
Repayment of Long Term Equipment Accounts Payable	253,095
Proceeds from the Sale of Treasury Stock	21
Expenditure for the Purchase of Treasury Stock	20
Cash dividends paid	85,070
Net cash provided by (used in) financing activities	955,490

Effect of exchange rate change on cash and cash equivalents	6,345
Net increase (decrease) in cash and cash equivalents	450,181
Cash and cash equivalents in the beginning of period	1,599,449
Cash and cash equivalents at the end of period	2,049,630