



# **FY09 Financial Result SK-Electronics Co., LTD.**

November 9, 2009

## **1. FY09 Financial Summary**

## **2. FY10 Financial Forecast**

## **FY09 LCD Panel Market Review**

### **First Half (2008.October-2009.March)**

- \*Sluggish demand for LCD end-products because of downturn of global economy. Panel manufacturers remarkably decrease utilization rates, less than 50%.
- \*Recovery of panel supply/demand since January. Utilization rate also picked up since February. (China's local subsidy program for electronic products and better sales result of LCD TV in US made a big impact)
- \*Korean panel manufactures started (increased) G8 lines.

### **Second Half (2009.April-September)**

- \*Sharp Corporation announced to start mass production of G10 Sakai LCD panel plant from October 2009, which was 6 months advance from their original schedule.
- \*Utilization rate of panel manufactures recovered 80-100% very quickly.
- \*BOE of China started the construction of the first Gen6 lines in China.
- \*Samsung and LGD announced increase of G8 capacity for 2010.
- \*Sharp and CEC Panda (Nanjing, China) announced the G6 equipment transfer from Kameyama to China and started the negotiation for JV for G8 manufacturing lines.

## **FY09 SK-Electronics Review**

### **First Half (2008.October-2009.March)**

- \*Because of low photomask demand, competition became more severe and photomask price went down.
- \*Execution of cost reduction measures, such as fixed and variable costs under internal emergency declaration since January.
- \*Production of Next generation photomask at Shiga plant started from February. First shipment in March. (Depreciation of equipment at Shiga plant started from February)
- \*Because of recovery of Taiwanese panel manufacturers' utilization rate, G6 & under photomask demand was recovered.
- \*Stable sales of multi-tone photomask.

### **Second Half (2009.April-September)**

- \*Shiga factory started smoothly. G10 photomask demand was bigger than expected.
- \*Severe environment continued under G8 photomask demand.
- \*Continue price pressure from customers.
- \*Execution of loss on retirement of fixed assets & reduction of book-value of conventional equipment especially for small and medium-size photomask.

### Consolidated Financial Summary for the Year Ending on Sept. 30, 2009

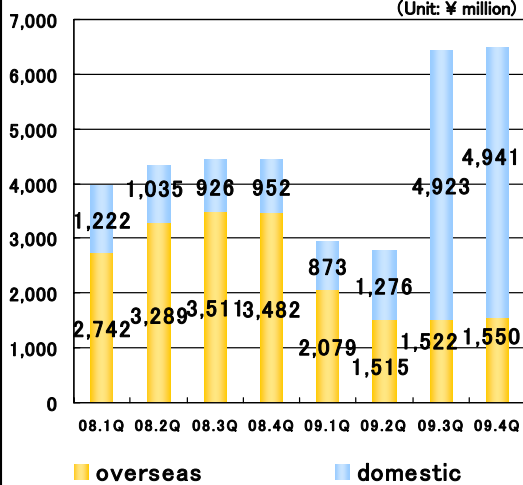
(Unit: Million Yen)

	FY08	FY09			ratio (%)
		1st Half	2nd Half	total	
Net sales	17,161	5,745	12,937	18,682	8.9
Operating income/loss	1,046	-1,574	899	-675	—
Ordinary Income/loss	886	-1,695	823	-872	—
Net Income/loss	417	-1,793	-218	-2,011	—
Capex	775	10,868	3,149	14,017	1808.6
Depreciation	2,665	1,827	3,718	5,545	208.1
R&D expense	246	265	129	394	160.2

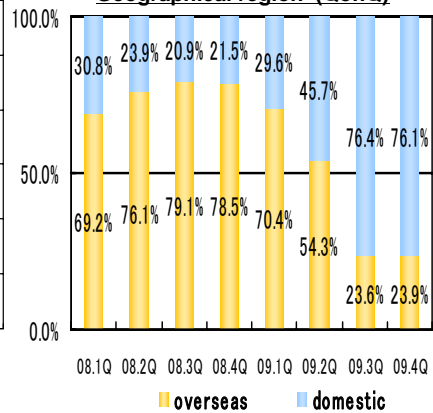
Domestic sales ratio increase by operating the Shiga factory.

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

(Unit: ¥ million)



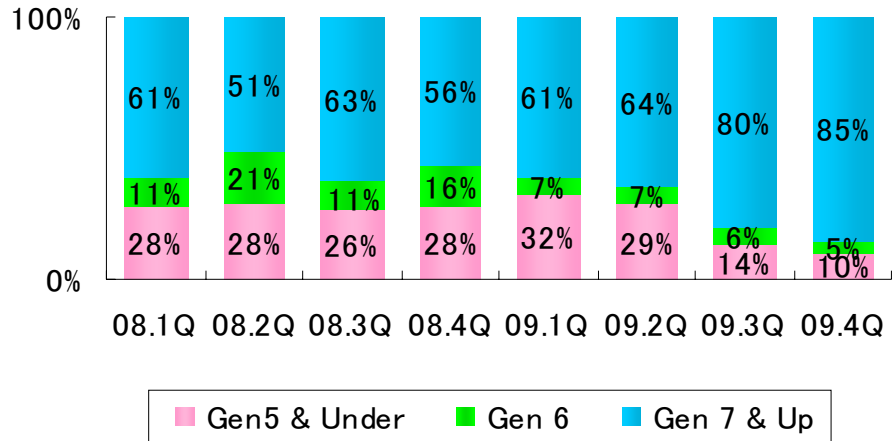
#### Changes in Sales ratio by Geographical region (QonQ)



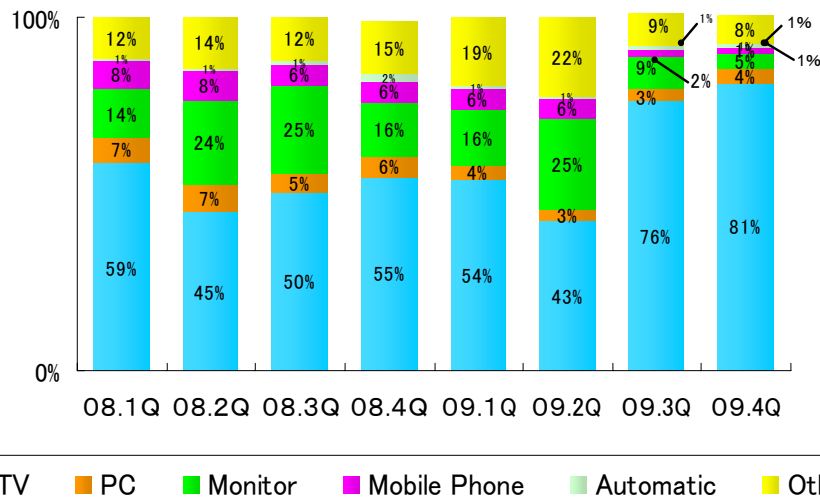
Note: Overseas sales includes indirect export sales.

## Changes in Sales ratio by Photomask generations (QonQ)

Sales ratio of bigger generation increase by operating the Shiga factory.



## Changes in Sales ratio by Photomask applications (QonQ)



### Consolidated Balance Sheet

(unit: million yen)

Consolidated B/S	FY08	FY09	YoY change
(Total Asset)	25,709	32,226	6,517
Cash on hand and in banks	2,167	2,413	246
Trade notes and account receivable	3,942	8,046	4,104
Inventories	2,180	1,877	- 303
Other (current assets)	783	1,017	234
Fixed assets	15,985	18,337	2,352
Intangible fixed assets	316	301	- 15
Investments and other assets	333	231	- 102
(Total liabilities)	12,500	21,911	9,411
Trade notes and account payable	3,336	4,958	1,622
Short-term borrowings	600	500	- 100
Current portion of long-term debt	6,757	14,549	7,792
Other (liability)	1,806	1,903	97
(Net assets total)	13,209	10,315	- 2,894
Equity capital (Total of Shareholders' equity , Valuation and translation adjustments)	11,324	8,868	- 2,456
Equity capital ratio (%)	44.0%	27.5%	-16.5%
Outstanding Interest-bearing debt	7,952	15,298	7,346

### Consolidated Cash Flows

(unit: million yen)

	FY08	FY09
CF from operating activities	4,568	1,563
CF from Investing activities	-4,533	-8,479
Free Cash Flows	35	-6,916
CF from Financing activities	603	7,272
Net change in cash and cash equivalents	568	245
Cash and cash equivalents at end of period	2,167	2,413

\*CF of operating activities totaled ¥1.563 billion. This amount was mainly due to a loss before income taxes and minority interests of ¥1.921 billion, depreciation and amortization expense of ¥5.545 billion and an increase in accounts receivable of ¥4.372 billion.

•Free cash flows are big negative because of the payment of Shiga plant and its equipment.

\*Keep the amount of cash and cash equivalents by executing a syndicated loan, providing a funding frame for Shiga plant and its equipment.

## 1. FY09 Financial Summary

## 2. FY10 Financial Forecast

### FY09 LCD Market forecast

#### First Half (2009.October-2010.March)

- \* Major panel makers announced G8 investment in China. (Expect that China will be the biggest LCD market in the world in 2012)
- \* CMO will start delayed G8 line from 2010.
- \* Possibility of lower utilization rate because of adjustment of panel inventories assuming panel oversupply and price-down even though that Taiwan LCD industry has recovered recently thanks to the good market condition.
- \* On the other hand, material shortage trouble and bigger panel demand for Christmas and Chinese new year may cancel the oversupply and the panel market will continue to be tight.

#### Second Half (2010.April-September)

- \* Sharp G10 will start another 36K (total 72K).
- \* Samsung, LGD, and AUO will increase the capacity for G8.
- \* IPS Alpha will start their new G8 line from 2010.
- \* Big impact (positive/negative) by panel demand/supply by Chinese TV market and world IT market condition.
- \* TFT-LCD market revenue growth is expected to be 5%, while panel square feet growth is 17-18%. (Display Search 2009 Oct & Nov.)

## **FY09 SK-Electronics forecast**

First Half (2009.October-2010.March)

- \*Establish stable supply of G10 photomask.
- \*Continuous challenge to cost down.
- \*Aggressive sales activity to new major panel makers.
- \*Take customer needs in advance and come up with new technology proposal.

Second Half (2010.April-September)

- \*Expect increase of G8 Photomask sales because of new additional G8 lines in Korea and Taiwan.
- \*Risk of photomask demand change influenced by panel makers' financial performance.

## **FY10 Financial forecast (Consolidated)**

(unit: million Yen)

	FY09	FY10 forecast		
		1st Half	2nd Half	total
Net sales	18,682	12,850	11,550	24,400
Operating income/loss	-675	550	-200	350
Ordinary Income/loss	-872	450	-300	150
Net Income/loss	-2,011	500	-350	150
Capex	14,017	210	20	230
Depreciation	5,545	2,870	2,870	5,740
R&D expense	394	250	250	500
Dividend	¥0	—	—	¥800

## TOPICS LCD industry investment schedule

**Huge investment is planned**

**Instead of bad economy**



## TOPICS Influence to photomask demand? About new technology

	Influence to Photomask	Companies applying
Inkjet method	×	several
Optical Alignment	○	several
PSA (Polymer Sustained Alignment)	--	several
3D	○	All major panel makers
TSP (Touch Screen Panel)	○	All major panel makers
LED	○	All major panel makers