



Third Quarter, FYE September 2018 Financial Report [Japan GAAP] (Consolidated)
August 7, 2018

Company Name	SK-Electronics Co., Ltd.	Stock Exchange Listing:	Tokyo Stock Exchange
Code No.	6677	URL	http://www.sk-el.co.jp
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Third Quarter Earnings Report:	August 13, 2018	Commencement of Dividend Payments:	—

Preparation of Summary Supplementary Explanatory Materials: Yes
Quarterly Earnings Presentations: None

(Rounded down to the nearest ¥ million)

1. Consolidated Results of Operations for the Third Quarter FYE 9/2019 (October 1, 2017 through June 30, 2018)

(1) Consolidated Results of Operations (cumulative) (% indicates increase/decrease vs. same period of the prior year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of the parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
3Q FYE 9/2018	15,796	29.2	2,391	100.5	2,599	144.1	1,890	223.0
3Q FYE 9/2017	12,229	-1.7	1,192	-19.8	1,064	-44.2	585	-67.0

(Note) Comprehensive Income 3Q FYE 9/2018 1,768 million yen (9.3%) 3Q FYE 9/2017 1,617 million yen (31.6%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3Q FYE 9/2018	179.10	—
3Q FYE 9/2017	54.61	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
3Q FYE 9/2018	25,454	18,285	69.9	1,689.64
FYE 9/2017	24,196	16,853	67.8	1,536.95

(Reference) Owned Capital 3Q FYE 9/2018 17,799 million yen FYE 9/2017 16,406 million yen

2. Dividends

	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
FYE 9/2017	—	0.00	—	15.00	15.00
FYE 9/2018	—	0.00	—		
FYE 9/2018 (Projected)				15.00	15.00

(Note) Revisions to most recently announced dividend forecast: None

3. Projected Consolidated Results of Operations for FYE 9/2018 (October 1, 2017 through September 30, 2018)

(% indicates increase/decrease compared to prior year or prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of the parent		Net Income per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Year
Full Year	22,000	29.1	3,000	68.6	3,100	86.7	2,200	80.7	208.83

(Note) Revisions to most recently announced earnings projection: None

***Notes**

(1) Changes in significant subsidiaries during the period: None

(2) Adoption of special accounting treatment for the preparation of quarterly consolidated earnings statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

<1> Changes in accounting policies in conjunction with revisions of accounting standards etc.: None

<2> Changes in accounting policies other than those in <1>: None

<3> Changes in accounting estimates: None

<4> Retrospective restatements: None

(4) Number of shares issued and outstanding (common stock)

<1> Number of shares issued and outstanding at end of period (including treasury stock)	3Q FYE 9/2018	11,368,400 shares	FYE 9/2017	11,368,400 shares
<2> Number of shares of treasury stock at end of period	3Q FYE 9/2018	833,692 shares	FYE 9/2017	693,662 shares
<3> Average number of shares during the period (Quarterly cumulative)	3Q FYE 9/2018	10,557,292 shares	3Q FYE 9/2017	10,718,436 shares

*This quarterly earnings report is exempt from quarterly review procedures by either a certified public accountant or an audit firms.

*Explanation concerning appropriate use of the 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. Please see Qualitative Information on Operating Results for the First Quarter (3) Qualitative Explanation on Consolidated Earnings Projections on Page 5 for notes on assumptions used in these earnings projections and on the use of the earnings projections.

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1. Qualitative Information on Consolidated Operating Results for the Third Quarter of FYE September 2018

(1) Qualitative Explanation on Consolidated Results of Operations

In the third quarter of consolidated FYE September 2018, the economy in Japan trended modestly toward recovery, reflecting improvements in the employment and income environments owing to a boost from the government's economic policies and the Bank of Japan's monetary easing policies. However, there were still uncertainties, including concerns of intensified trade friction between the United States and China.

In the flat panel display industry, in which the SK-Electronics Group is a key player, as production plans progress for Gen-10.5 LCD panels, China Star Optoelectronics Technology Co.,Ltd. (CSOT) announced plans to establish a new second line in addition to the production line being constructed in Shenzhen. In addition, HKC (China) announce investment plans at a signing ceremony with the Zhengzhou government. In the organic EL market, going forward several organic EL panel plants are expected to be launched by panel manufacturers in China, including BOE Technology Group, Tianma Microelectronics Co., Ltd., and Visionox. In the panel market, prices continued to decline for small-, medium- and large-sized panels. A major factor was increased production at panel manufacturers in China, as well as faltering global TV demand and surplus supply due to stagnant growth in the smartphone market. In light of this, amid expectations of earnings deterioration at panel manufacturers across the board, Taiwan panel manufacturers have begun to embark on activities to improve earnings, including hiking LC panel selling prices and securing sales channels by expanding investments in TV manufacturers. The photomask market saw full-fledged demand for photomasks from 10.5 generation LC panel plants in China and demand expanded for use in the development of new smartphone products.

Accordingly, the SK-Electronics Group posted consolidated net sales of ¥15,796 million, an increase of 29.2% year-on-year, operating income of ¥2,391 million, an increase of 100.5%, and ordinary income of ¥2,599 million, a rise of 144.1%. Meanwhile, net income attributable to owners of the parent totaled ¥1,890 million, a growth of 223.0%.

(2) Qualitative Explanation on Consolidated Financial Position

At the end of the third quarter of consolidated FYE September 2018, total assets came to ¥25,454 million, an increase of ¥1,258 million versus the end of the prior consolidated fiscal year. This mainly reflected a decline in other current assets and property, plant and equipment but an increase in cash and deposits.

Total liabilities stood at ¥7,169 million, a decrease of ¥173 million versus the end of the prior consolidated fiscal year. This primarily reflects an increase in notes and accounts payable – trade but a decline in other current liabilities and long-term debt.

Total net assets were ¥18,285 million, an increase of ¥1,431 million versus the end of the prior consolidated fiscal year. This mainly reflects an increase in retained earnings.

(3) Qualitative Explanation on Consolidated Earnings Projections

No revisions have been made to the earnings projections for the full fiscal year that we announced on May 14, 2018.

2. Quarterly Consolidated Financial Statements & Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ thousands)

	Prior consolidated fiscal year (FYE9/2017)	Third Quarter FYE9/2018 (Ended June 30, 2018)
Assets		
Current assets		
Cash and deposits	4,501,430	6,957,574
Notes and accounts receivable - trade	4,715,123	4,633,400
Merchandise and finished goods	69,580	64,134
Work in process	370,838	243,329
Raw materials and supplies	1,373,940	1,827,136
Other	1,018,327	540,653
Allowance for doubtful accounts	-2,239	-1,736
Total current assets	12,047,000	14,264,491
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,645,440	3,438,958
Machinery, equipment and vehicles, net	5,403,010	3,887,236
Land	1,607,750	1,667,702
Construction in progress	316,367	1,153,456
Other, net	183,412	150,158
Total property, plant and equipment	11,155,981	10,297,513
Intangible assets		
Software	450,034	376,553
Other	770	624
Total intangible assets	450,804	377,178
Investments and other assets		
Other	542,535	515,661
Allowance for doubtful accounts	-100	-100
Total investments and other assets	542,435	515,561
Total non-current assets	12,149,222	11,190,252
Assets	24,196,222	25,454,744

(Unit: ¥ thousands)

	Prior consolidated fiscal year (FYE9/2018)	Third Quarter FYE9/2018 (Ended June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,364,482	4,005,100
Current portion of long-term loans payable	300,000	300,000
Income taxes payable	512,294	439,924
Allowance for bonuses to directors	45,000	—
Other	1,958,719	1,515,698
Total current liabilities	6,180,495	6,260,724
Non-current liabilities		
Long-term loans payable	1,050,000	825,000
Other	111,836	83,375
Total non-current liabilities	1,161,836	908,375
Total liabilities	7,342,332	7,169,099
Net assets		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,051,600	4,051,600
Retained earnings	8,155,349	9,886,000
Treasury shares	-631,099	-800,430
Total shareholders' equity	15,685,572	17,246,892
Other cumulative comprehensive income		
Valuation difference on available-for-sale securities	211,331	207,987
Foreign currency translation adjustment	509,628	344,937
Total other cumulative comprehensive income	720,959	552,924
Noncontrolling interests	447,359	485,827
Total net assets	16,853,890	18,285,645
Total liabilities and net assets	24,196,222	25,454,744

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income
Consolidated Third Quarter

(Unit: ¥ thousands)

	Third Quarter FYE9/2017 (Oct. 1, 2016 to Jun. 30, 2017)	Third Quarter FYE9/2018 (Oct. 1, 2017 to Jun. 30, 2018)
Net sales	12,229,190	15,796,221
Cost of sales	9,047,820	11,510,897
Gross profit	3,181,369	4,285,323
Selling, general and administrative expenses	1,989,055	1,894,291
Operating Income	1,192,314	2,391,032
Non-operating income		
Interest income	5,449	6,313
Real estate rent	14,981	14,970
Gain on foreign exchange rate translations	—	114,215
Subsidy income	26,831	61,600
Other	33,186	27,686
Total non-operating income	80,449	224,785
Non-operating expenses		
Interest expenses	6,078	6,297
Foreign exchange losses	184,596	—
Rent cost of real estate	7,867	7,981
Other	9,222	2,265
Total non-operating expenses	207,765	16,545
Ordinary Income	1,064,998	2,599,272
Extraordinary income		
Subsidy income	100,000	100,000
Insurance payment received	348,262	—
Total extraordinary income	448,262	100,000
Extraordinary losses		
Loss on retirement of non-current assets	4,156	1,925
Impairment loss	248,361	—
Total extraordinary losses	252,517	1,925
Income before income taxes	1,260,743	2,697,347
Income taxes - current	534,304	735,910
Income taxes - deferred	-20,197	13,626
Total income taxes	514,106	749,537
Net Income	746,636	1,947,810
Net income attributable to the non-controlling interests	161,341	57,037
Net income attributable to owners of the parent	585,295	1,890,772

Quarterly Consolidated Statement of Comprehensive Income
 Consolidated Third Quarter

(Unit: ¥ thousands)

	Third Quarter FYE9/2017 (Oct. 1, 2016 to Jun. 30, 2017)	Third Quarter FYE9/2018 (Oct. 1, 2017 to Jun. 30, 2018)
Net Income	746,636	1,947,810
Other comprehensive income		
Valuation difference on available-for-sale securities	44,026	-3,344
Foreign currency translation adjustment	826,913	-176,460
Other comprehensive income	870,939	-179,804
Comprehensive Income	1,617,576	1,768,005
(Comprehensive income attributable to)		
Owners of parent	1,267,915	1,722,737
Non-controlling interests	349,660	45,267

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes relating to the assumptions of going concerns)

The Company had no material items to report

(Notes in the event of Significant Changes in Shareholders' Equity)

The Company had no material items to report.