

# First Quarter, FYE September 2021 Financial Report [Japan GAAP] (Consolidated)

February 8, 2021

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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 First Quarter Earnings Report February 8, 2021 Scheduled Date for Commencement of Dividend Payments —  
 Preparation of Summary Supplementary Explanatory Materials: Yes  
 Quarterly Earnings Presentations: No

(Rounded down to the nearest ¥ million)

## 1. Consolidated Results of Operations for the First Quarter FYE 9/2021 (October 1, 2020 through December 31, 2020)

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

	Net Sales		EBITDA		Operating Income		Ordinary Income		Net income attributable to owners of the parent	
	¥ millions	%			¥ millions	%	¥ millions	%	¥ millions	%
1Q FYE 9/2021	4,502	-14.2	1,061	-21.1	322	61.7	332	232.9	223	335.3
1Q FYE 9/2020	5,247	-21.3	1,345	-35.8	199	-85.7	99	-93.4	51	-95.1

(Note) Comprehensive Income 1Q FYE 9/2021 344 million yen (-26.5%) 1Q FYE 9/2020 469 million yen (-36.3%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1Q FYE 9/2021	21.33	—
1Q FYE 9/2020	4.90	—

(Note) EBITDA = Operating Income + Depreciation

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
1Q FYE 9/2021	31,966	22,624	70.8	2,157.02
FYE 9/2020	31,778	22,385	70.4	2,134.25

(Reference) Owned Capital 1Q FYE 9/2021 22,624 million yen FYE 9/2020 22,385 million yen

## 2. Dividends

	Dividend per Share				
	First Quarter	Second Quarter	Third Quarter	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
FYE 9/2020	—	0.00	—	10.00	10.00
FYE 9/2021	—				
FYE 9/2021 (Projected)		0.00	—	20.00	20.00

(Note) Revisions to most recently announced dividend forecast: No

## 3. Projected Consolidated Results of Operations for FYE 9/2021 (October 1, 2020 through September 30, 2021)

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

	Net Sales		EBITDA		Operating Income		Ordinary Income		Net income attributable to owners of the parent		Net Income per Share
	¥ millions	%			¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	10,000	-5.4	2,160	-19.8	700	101.5	650	100.4	450	123.7	42.90
Full Year	21,500	12.5	4,740	13.3	1,500	-	1,500	-	1,110	-	104.88

(Note) Revisions to most recently announced earnings projection: Yes

\*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> : Yes
- <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)	1Q FYE 9/2021	11,368,400 shares	FYE 9/2020	11,368,400 shares
<2> Number of shares of treasury stock at end of period	1Q FYE 9/2021	879,782 shares	FYE 9/2020	879,782 shares
<3> Average number of shares during the period(Quarterly cumulative)	1Q FYE 9/2021	10,488,618 shares	1Q FYE 9/2020	10,484,573 shares

(Note) The number of treasury shares deducted when calculating the number of shares of treasury stock at end of FYE 9/2020 includes shares held in trust for the director stock-based compensation system.

(Reference) Projected Non-Consolidated Results of Operations for FYE 9/2021 (October 1, 2020 through September 30, 2021)

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

	Net Sales		EBITDA		Operating Income		Ordinary Income		Net income attributable to owners of the parent		Net Income per Share
	¥ millions	%			¥ millions	%	¥ millions	%	¥ millions	%	Yen
Interim	7,300	-3.2	1,110	4.0	350	-	550	593.3	450	870.3	42.90
Full Year	16,400	19.4	2,720	97.2	900	-	1,100	-	800	-	76.27

(Note) Revisions to most recently announced earnings projection: Yes

\*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 income 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 Page 4 “1. Qualitative Information on Consolidated Operating Results for the First Quarter of FYE September 2021, (3) Qualitative Explanation on Consolidated Earnings Projections” concerning the assumptions used as the basis for the projected operating income and matters to note before using the projected operating income.

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## 1. Qualitative Information on Consolidated Operating Results for the First Quarter of FYE September 2021

### (1) Qualitative Explanation on Consolidated Results of Operations

In the first quarter of consolidated FYE September 2021, although some economic activities showed signs of an uptick reflecting various government policies to address the novel coronavirus (COVID-19), the outlook is still murky for the economies in Japan and abroad, due to concerns that the US-China trade dispute will drag on and the risk of impact from another wave of COVID-19.

In the flat panel display industry, the launch of new production lines, which had been postponed, resumed owing to an ease –up on travel restrictions to China. In addition, panel manufacturers continued to implement mass production reflecting an ongoing rise in LCD panel prices owing to an increase in TV and notebook PC demand as consumers spend more time at home. Meanwhile, in the photomask market, the demand for development masks did not increase as expected due to delays in new panel development and a review of plans.

Amid this backdrop, SK-Electronics Group secured profit as net sales rose in contrast with the fourth quarter of FYE September 2020, depreciation expense decreased, product mix improved and reduction of costs.

Accordingly, the SK-Electronics Group posted consolidated net sales of ¥4,502 million, a decrease of 14.2% year-on-year, EBITDA of ¥1,061 million, a decrease of 21.1%, operating income of ¥322 million, an increase of 61.7%, and ordinary income of ¥332 million, an increase of 232.9%. Meanwhile, net income attributable to owners of the parent totaled ¥223 million, an increase of 335.3% year-on-year.

### (2) Qualitative Explanation on Consolidated Financial Position

At the end of the first quarter of consolidated FYE September 2021, total assets came to ¥31,966 million, an increase of ¥187million versus the end of the prior consolidated fiscal year. This mainly reflects declines in cash and deposits, and other current assets, but increases in notes and accounts receivable - trade, and construction in progress.

Total liabilities stood at ¥9,341 million, a decrease of ¥51 million versus the end of the prior consolidated fiscal year. This primarily reflects an increase in notes and accounts payable - trade, but a decrease in long-term loans payable.

Total net assets were ¥22,624 million, an increase of ¥238 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

We revised our earnings projection for the first half of consolidated FYE September 2021, which was released on November 9, 2020, due to the prolonged impact of COVID-19. That said, we did not revise our earnings projection for the full year.

## 2. Quarterly Consolidated Financial Statements & Notes

### (1) Quarterly Consolidated Balance Sheets

(Unit: ¥ thousands)

	Prior consolidated fiscal year (FYE9/2020)	First Quarter FYE 9/2021 (Ended December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	10,331,416	9,018,162
Notes and accounts receivable - trade	3,940,395	4,756,530
Merchandise and finished goods	79,406	51,594
Work in process	217,444	320,299
Raw materials and supplies	2,471,882	2,300,993
Other	704,251	478,769
Allowance for doubtful accounts	-1,116	-1,591
Total current assets	17,743,680	16,924,758
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,205,604	3,216,690
Machinery, equipment and vehicles, net	5,852,577	5,672,135
Land	1,667,702	1,667,702
Construction in progress	2,142,603	3,359,812
Other, net	184,569	168,855
Total property, plant and equipment	13,053,058	14,085,197
Intangible assets		
Software	266,237	232,770
Other	242	4,531
Total intangible assets	266,479	237,301
Investments and other assets		
Other	848,816	852,877
Allowance for doubtful accounts	-133,273	-134,003
Total investments and other assets	715,542	718,873
Total non-current assets	14,035,080	15,041,373
Assets	31,778,761	31,966,131

(Unit: ¥ thousands)

	Prior consolidated fiscal year (FYE9/2020)	First Quarter FYE 9/2021 (Ended December 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,172,340	3,334,496
Current portion of long-term loans payable	1,100,000	1,100,000
Income taxes payable	27,538	71,267
Other	1,619,993	1,636,334
Total current liabilities	5,919,873	6,142,098
Non-current liabilities		
Long-term loans payable	3,350,000	3,075,000
Provision for stock compensation for directors	36,925	43,200
Other	86,593	81,649
Total non-current liabilities	3,473,518	3,199,849
Total liabilities	9,393,391	9,341,948
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,109,722	4,109,722
Capital surplus	4,167,847	4,167,847
Retained earnings	14,559,610	14,677,455
Treasury shares	-976,008	-976,008
Total shareholders' equity	21,861,171	21,979,016
Other cumulative comprehensive income		
Valuation difference on available-for-sale securities	150,326	204,121
Foreign currency translation adjustment	379,425	444,401
Deferred gains or loss on hedges	-5,554	-3,355
Total other cumulative comprehensive income	524,197	645,166
Total net assets	22,385,369	22,624,183
Total liabilities and net assets	31,778,761	31,966,131

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

## Quarterly Consolidated Statement of Income

(Unit: ¥ thousands)

	First Quarter FYE 9/2020 (Oct. 1, 2019 to Dec. 31, 2019)	First Quarter FYE 9/2021 (Oct. 1, 2020 to Dec. 31, 2020)
Net sales	5,247,984	4,502,693
Cost of sales	4,479,281	3,628,221
Gross profit	768,703	874,472
Selling, general and administrative expenses	569,115	551,737
Operating Income	199,587	322,734
Non-operating income		
Interest income	1,605	445
Real estate rent	7,256	7,236
Insurance proceeds	214	8,859
Other	4,419	3,568
Total non-operating income	13,494	20,110
Non-operating expenses		
Interest expenses	1,220	5,113
Foreign exchange losses	107,371	993
Rent cost of real estate	4,635	4,124
Other	89	494
Total non-operating expenses	113,316	10,725
Ordinary Income	99,765	332,119
Extraordinary losses		
Loss on retirement of non-current assets	62	1,309
Total extraordinary losses	62	1,309
Income before income taxes	99,703	330,809
Income taxes - current	67,646	56,897
Income taxes - deferred	-19,329	50,222
Total income taxes	48,316	107,119
Net Income	51,386	223,690
Net income attributable to owners of the parent	51,386	223,690

Quarterly Consolidated Statement of Comprehensive Income

(Unit: ¥ thousands)

	First Quarter FYE 9/2020 (Oct. 1, 2019 to Dec. 31, 2019)	First Quarter FYE 9/2021 (Oct. 1, 2020 to Dec. 31, 2020)
Net Income	51,386	223,690
Other comprehensive income		
Valuation difference on available-for-sale securities	30,794	53,794
Foreign currency translation adjustment	375,887	64,975
Deferred gains or loss on hedges	11,007	2,198
Total other comprehensive income	417,688	120,969
Comprehensive Income	469,075	344,659
(Comprehensive income attributable to)		
Owners of parent	469,075	344,659



### (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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Change in the depreciation method for property, plant and equipment)

From the first quarter of FYE 9/2021, the SK-Electronics Group switched to the straight-line method for depreciating the group's machinery and equipment, as opposed to its previous declining balance method. As an opportunity to review the group's capital investments, we examined our actual usage of machinery and equipment. Accordingly, taking into account the maturing of the market due to sluggish technological reforms in photomasks, facilities are expected to be stably used going forward owing to renewal investments to consistently and regularly maintain facilities. In light of this, the SK-Electronics Group determined the straight-line method, in which the benefits of use are allocated on average to cost, better reflects the actual use of an asset.

Consequently, in contrast with the previous method, depreciation expense in first quarter of FYE 9/2021 declined, with operating income, ordinary income and income before income taxes subsequently increasing ¥110,384 thousand, respectively.

(Additional Information)

(Change in presentation method)

Insurance proceeds posted under other in non-operating income for the first quarter of FYE 9/2020 is an accounting item posting we began implementing from the first quarter of FYE 9/2021 to reflect an increase in its monetary importance. To take this change in presentation method into account, we reshuffled the consolidated financial statements for the first quarter of FYE 9/2020.

Accordingly, in the consolidated statement of income for the first quarter of FYE 9/2020, the ¥4,633 thousand posted under other in non-operating income was rearranged as insurance proceeds of ¥214 thousand and ¥4,419 thousand under other.

(Accounting estimates)

In accordance with the Implementation Guidance on Recoverability of Deferred Tax Assets, in the first quarter of FYE 9/2021 we continued to record deferred tax assets mainly taking into account our earnings projects going forward and future earnings potential, which reflect the impact of the spread of the novel coronavirus (COVID-19).

The impact of the spread of the novel coronavirus (COVID-19) is expected to continue through FYE 9/2021. The above forecast is based on the assumption that this impact is likely to gradually dwindle in and after FYE 9/2022.