

Elpida Memory, Inc.

2-2-1 Yaesu, Chuo-ku, Tokyo
104-0028 Japan**Elpida Memory, Inc.**
(Stock listing: Tokyo Stock Exchange, 6665)**Consolidated Financial Report**
for the Six-Month Period Ended September 30, 2004**1. Consolidated financial summary for the six-month period ended September 30, 2004**
(Figures in millions of Japanese Yen except per share data)

(1) Condensed Statements of Operations

	Six months ended				Twelve months ended
	Sep. 30, 2004		Sep. 30, 2003		Mar. 31, 2004
		YoY Chg.		YoY Chg.	
Net Sales	100,162	141.9%	41,401	-	100,441
Operating income (loss)	8,335	-	(17,678)	-	(26,439)
Ordinary income (loss)	6,842	-	(17,422)	-	(25,460)
Net income (loss)	6,504	-	(17,597)	-	(26,865)
Net income (loss) per share – basic	100.65	-	(9,135.27)	-	(524.36)
Net income (loss) per share – diluted	-	-	-	-	-
Equity in earnings of affiliated company	-	-	67	-	179
Average number of shares outstanding	64,614,400		1,926,280		51,234,860

(2) Condensed Balance Sheets

	As of		
	Sep. 30, 2004	Sep. 30, 2003	Mar. 31, 2004
Total Assets	348,620	198,758	300,599
Shareholders' equity	87,689	82,325	81,055
Shareholders' equity ratio (%)	25.2%	41.4%	27.0%
Shareholders' equity per share	1,037.11	21,814.27	905.68
Number of shares outstanding	64,614,400	3,069,320	64,614,400

(3) Condensed Statements of Cash Flows

	Six months ended		12 months ended
	Sep. 30, 2004	Sep. 30, 2003	Mar. 31, 2004
Net cash used in operating activities	(2,783)	(16,472)	(31,247)
Net cash used in investing activities	(80,722)	(11,734)	(50,865)
Net cash provided in financing activities	47,291	90,440	188,789
Cash and cash equivalents at end of period	74,554	66,122	110,555

(4) Number of consolidated subsidiaries, and subsidiaries and affiliates accounted for under the equity method

Consolidated subsidiaries: 6

Unconsolidated subsidiaries accounted for under the equity method: 0

Affiliated companies accounted for under the equity method: 0

(5) Changes in the number of consolidated subsidiaries, and subsidiaries and affiliates accounted for under the equity method

Newly-added consolidated subsidiaries: 0, (Subsidiaries excluded from consolidation): 0

Newly-added equity method companies: 0, (Companies excluded from equity method): 0

2. Forecast consolidated business results for the year ending March 31, 2005

(Figures in millions of Japanese Yen except per share data)

	For the year ending March 31, 2005
Net Sales	220,100
Operating income	26,500
Ordinary income	23,200
Net income	21,600
Expected net income per share*	230.36

* The expected net income per share is calculated using 89,284,400 common shares at listing plus 4,480,000 Class B shares, i.e., 93,764,400 shares in total (excluding the over-allotment of 2,700,000 shares through private placement).

Note: This above forecasts are forward-looking statements that are based on management's view from the information available at the time of this Report. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Elpida include, but are not limited to, changes in the DRAM market and industry environment, changes in technologies and design, problems related to our supply of key material and equipment, loss of or decreased demand from key customers, changes in exchange rates, general economic conditions and natural disasters. We disclaim any obligation to update or, except in the limited circumstances required by the Tokyo Stock Exchange, announce publicly any revision to any of the forward-looking statements.

[Overview of Business Results]

(1) Overview of the six-month period ended September 30, 2004

Looking at the world economy during this six-month period, the U.S. remained on an upward trend supported by growth of capital investment and personal consumption, Asian countries, centering on China, continued export-driven expansion, and Europe continued a modest recovery.

The Japanese economy also kept growing thanks to an increase in capital investment following the comeback of business earnings and the moderate recovery of personal consumption.

Under these circumstances, our Company succeeded in properly catching an increase in demand for digital consumer electronics and mobile devices such as third-generation cellular phones through the close-to-customer business with a marketing policy named “Easy to contact Elpida,” and the aggressive sales promotion of Premier DRAM (Note 1) decisively differentiated from competitors based on our technological advantages. On the other hand, Hiroshima Elpida Memory, Inc., our production base, has enhanced the production capacity of the existing 300 mm plant to produce 27,000 wafers on monthly average during the quarter from July to September, while making efforts to improve its productivity including cost cutting.

As a result, our consolidated sales for the period increased 141.9% year-over-year to 100,162 million yen, and net income increased to 6,504 million yen.

The breakdown of sales by application market is as follows:

(In millions of yen)

	Six months ended September 30, 2004		Six months ended September 30, 2003		YoY change %
	Million JPY	% to total sales	Million JPY	% to total sales	
Servers*	17,969	17.9%	14,846	35.8%	21.0%
Digital consumer electronics and mobile phones *	30,843	30.8%	8,021	19.4%	284.5%
Foundry services and others	10,225	10.2%	1,356	3.3%	654.1%
Subtotal of Premier business (Note 2)	59,037	58.9%	24,223	58.5%	143.7%
PCs	41,125	41.1%	17,178	41.5%	139.4%
Total net sales	100,162	100.0%	41,401	100.0%	141.9%

* Premier DRAM (Note 1)

(Servers)

Since demand for high-speed products such as DDR2 SDRAM and high-capacity products of more than 512 M bits gradually expanded mainly from large-scale customers, sales for servers increased 21.0% YoY to 17,969 million yen.

(Digital consumer electronics and mobile phones)

Since DRAM demand sharply rose for digital consumer electronics such as digital still cameras and DVD recorders, and 2.5th- and 3rd-generation cellular phones, sales to this field increased 284.5% YoY to 30,843 million yen.

(Foundry services and others)

Since foundry services (contract manufacturing) steadily increased for mainly domestic semiconductor manufacturers for pseudo SRAMs and others, sales of this business increased 654.1% YoY to 10,225 million yen.

(PCs)

Following worldwide demand for replacement among both corporate and individual users, demand for DRAM was robust in terms of both quantity and prices. As a result, commodity DRAM sales increased 139.4% YoY to 41,125 million yen.

Note 1: Premier DRAM: Our proprietary name given to DRAM products used for servers, and digital consumer electronics and mobile phones. This type of DRAM usually requires higher technologies than commodity DRAMs, and the price per certain density tends to become higher in proportion to this value added.

Note 2: Premier business: Our proprietary name given to the total of the Premier DRAM and foundry services.

(2) Outlook for the year ending March 31, 2005*

In the business environment during the 2nd half of the fiscal year ending March 2005, there are concerns about a possible moderate slowdown of the world economy affected by the hike of crude oil prices, in addition to the uncertainty of the U.S. and Chinese economy.

Under such business conditions, our Company is intending to continue increasing both sales and profits through improvement of productivity and enhancement of cost competitiveness by pursuing further subtlety, while promoting sales of Premier DRAM.

Currently, we forecast business results as follows for the fiscal year ending March 2005:

	Consolidated (YoY change rate)	Non-consolidated (YoY change rate)
Net sales	220.1 billion yen (119.1%)	207.1 billion yen (157.3%)
Operating income	26.5 billion yen (-)	18.8 billion yen (-)
Ordinary income	23.2 billion yen (-)	19.0 billion yen (-)
Net income	21.6 billion yen (-)	19.0 billion yen (-)

Forward-looking statements

This above forecasts are forward-looking statements that are based on management's view from the information available at the time of this Report. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Elpida include, but are not limited to, changes in the DRAM market and industry environment, changes in technologies and design, problems related to our supply of key material and equipment, loss of or decreased demand from key customers, changes in exchange rates, general economic conditions and natural disasters. We disclaim any obligation to update or, except in the limited circumstances required by the Tokyo Stock Exchange, announce publicly any revision to any of the forward-looking statements.

Comparative Consolidated Balance Sheets

(In million yen)

	As of September 30, 2004	As of September 30, 2003	YoY change	As of March 31, 2004
(Assets)				
I Current assets				
1. Cash and cash equivalents	74,554	66,122	8,432	110,555
2. Notes and accounts receivable, trade	39,945	15,313	24,632	25,742
3. Inventories	29,536	17,660	11,876	24,437
4. Accounts receivable, other	6,985	21,433	(14,448)	3,861
5. Other current assets	4,753	3,631	1,122	2,918
Allowance for doubtful accounts	(33)	(18)	(15)	(32)
Total current assets	155,740	124,141	31,599	167,481
II Fixed assets				
1. Tangible fixed assets	182,979	66,378	116,601	124,281
2. Intangible fixed assets	8,314	6,323	1,991	7,057
3. Investments and other assets	1,587	1,916	(329)	1,780
Total fixed assets	192,880	74,617	118,263	133,118
Total assets	348,620	198,758	149,862	300,599
(Liabilities)				
I Current liabilities				
1. Accounts payable, trade	29,323	49,045	(19,722)	24,552
2. Short-term borrowings	-	1,274	(1,274)	5,674
3. Current portion of long-term debt	12,829	1,488	11,341	6,216
4. Current portion of obligation under capital leases	26,377	4,800	21,577	19,239
5. Accounts payable, other	54,804	20,590	34,214	60,738
6. Other current liabilities	7,306	5,810	1,496	11,494
Total current liabilities	130,639	83,007	47,632	127,913
II Fixed liabilities				
1. Bond	10,000	10,000	-	10,000
2. Long-term debt	68,583	10,912	57,671	36,184
3. Obligation under capital leases	49,416	10,487	38,929	42,634
4. Other long-term liabilities	2,293	2,027	266	2,813
Total fixed liabilities	130,292	33,426	96,866	91,631
Total liabilities	260,931	116,433	144,498	219,544
(Shareholders' equity)				
I Capital stock	46,625	95,233	(48,608)	46,625
II Additional paid in capital	33,042	58,233	(25,191)	62,268
III Retained earnings	8,043	(71,061)	79,104	(27,686)
IV Translation adjustments	(21)	(80)	59	(152)
Total shareholders' equity	87,689	82,325	5,364	81,055
Total liabilities and shareholders' equity	348,620	198,758	149,862	300,599

Comparative Consolidated Statements of Operations

(In million yen)

Account	From Apr. 1, '04 To Sept. 30, '04		From Apr. 1, '03 To Sept. 30, '03		YoY change	From Apr. 1, '03 To Mar. 31, '04	
		Ratio (%)		Ratio (%)	Increase or decrease		Ratio (%)
I Net sales	100,162	100.0	41,401	100.0	58,761	100,441	100.0
II Cost of sales	74,192	74.1	45,764	110.5	28,428	99,649	99.2
Gross profits (losses)	25,970	25.9	(4,363)	(10.5)	30,333	792	0.8
III Selling, general and administrative expenses	17,635	17.6	13,315	32.2	4,320	27,231	27.1
Operating income (loss)	8,335	8.3	(17,678)	(42.7)	26,013	(26,439)	(26.3)
IV Non-operating income							
1. Interest income	33		5		28	19	
2. Equity in earnings of affiliated company	-		67		(67)	179	
3. Foreign exchange gains	-		56		(56)	263	
4. Others	137		554		(417)	1,916	
V Non-operating expenses							
1. Interest expense	1,396		113		1,283	759	
2. Foreign exchange losses	134		-		134	-	
3. Stock issuance costs	-		186		(186)	381	
4. Bond issuance costs	-		96		(96)	96	
5. Others	133		31		102	162	
Ordinary income (loss)	6,842	6.8	(17,422)	(42.1)	24,264	(25,460)	(25.3)
VI Extraordinary income	207	0.2	1	0.0	206	8	0.0
VII Extraordinary losses	13	0.0	52	0.1	(39)	76	0.1
Net income (loss) before tax adjustments	7,036	7.0	(17,473)	(42.2)	24,509	(25,528)	(25.4)
Income taxes	532	0.5	124	0.3	408	1,337	1.3
Net income (loss)	6,504	6.5	(17,597)	(42.5)	24,101	(26,865)	(26.7)

Note: "Corporate and other taxes" is indicated after deducting tax adjustments.

Comparative Consolidated Statements of Changes in Shareholders' Equity

(In million yen)

	From Apr. 1, '04 To Sept. 30, '04	From Apr. 1, '03 To Sept. 30, '03	From Apr. 1, '03 To Mar. 31, '04
(Additional paid in capital)			
I Balance of additional paid in capital at beginning of period	62,268	29,500	29,500
II Increase in additional paid in capital			
Issuance of new shares for capital increase	-	28,733	32,768
III Decrease in additional paid in capital			
Reversal of additional paid in capital	29,226	-	-
IV Balance of additional paid in capital at end of period	33,042	58,233	62,268
(Retained earnings)			
I Balance of retained earnings at beginning of period	(27,686)	(53,464)	(53,464)
II Increase in retained earnings			
Reversal of capital stock	-	-	52,643
Reversal of additional paid in capital	29,226	-	-
Net income	6,504	-	-
III Decrease in retained earnings			
Net loss	-	17,597	26,865
IV Balance of retained earnings at end of period	8,043	(71,061)	(27,686)

Comparative Consolidated Statements of Cash Flows

(In million yen)

	From Apr. 1, '04 To Sept. 30, '04	From Apr. 1, '03 To Sept. 30, '03	YoY change increase or decrease	From Apr. 1, '03 To Mar. 31, '04
I Operating activities				
Income (loss) before income taxes	7,036	(17,473)	24,509	(25,528)
Depreciation and amortization	14,133	5,166	8,967	15,778
Increase in allowance for doubtful accounts	-	-	-	16
Interest income	(33)	(5)	(28)	(19)
Interest expense	1,396	113	1,283	759
Equity in earnings of affiliated company	-	(67)	67	(179)
Income from sale of tangible fixed assets	(0)	(1)	1	(8)
Losses on sale of tangible fixed assets	0	52	(52)	70
Increase in accounts receivable, trade	(13,515)	(7,843)	(5,672)	(17,936)
Increase in inventories	(5,043)	(10,253)	5,210	(16,450)
Increase (decrease) in accounts receivable, other	(3,071)	(14,680)	11,609	2,684
Increase in accounts payable, trade	4,723	26,564	(21,841)	2,368
Increase (decrease) in accounts payable, other	718	(27)	745	102
Other	(7,300)	2,195	(9,495)	8,062
Subtotal	(956)	(16,259)	15,303	(30,281)
Interest received	34	5	29	19
Interest paid	(1,375)	(106)	(1,269)	(742)
Income taxes paid	(486)	(112)	(374)	(243)
Net cash used in operating activities	(2,783)	(16,472)	13,689	(31,247)
II Investing activities				
Acquisition of shares of subsidiary	-	-	-	(616)
Purchase of tangible fixed assets	(78,194)	(11,634)	(66,560)	(47,742)
Proceeds from sale of tangible fixed assets	0	152	(152)	206
Purchase of intangible fixed assets	(2,333)	(153)	(2,180)	(2,143)
Others	(195)	(99)	(96)	(570)
Net cash used in investing activities	(80,722)	(11,734)	(68,988)	(50,865)
III Financing activities				
Net decrease in short-term borrowings	(5,697)	(10,361)	4,664	(5,945)
Proceeds from long-term debt	41,000	12,400	28,600	42,400
Repayments of long-term debt	(1,988)	-	(1,988)	-
Proceeds from issuance of stock	-	57,281	(57,281)	65,155
Proceeds from issuance of bond	-	9,904	(9,904)	9,904
Proceeds from sale-and-leaseback transactions	25,869	22,383	3,486	84,555
Repayments of obligation under capital leases	(11,893)	(1,167)	(10,726)	(7,280)
Net cash provided by financing activities	47,291	90,440	(43,149)	188,789
IV Effect of exchange rate changes on cash and cash equivalents	213	(152)	365	(162)
V Net Increase (decrease) in cash and cash equivalents	(36,001)	62,082	(98,083)	106,515
VI Cash and cash equivalents at beginning of period	110,555	4,040	106,515	4,040
VII Cash and cash equivalents at end of period	74,554	66,122	8,432	110,555

(Information by segment)

[Information by business segment]

During the six-month period ended September 30, 2003, the six-month period ended September 30, 2004, and the twelve-month period ended March 31, 2004, our group was operating a single segment of the semiconductor business centering on DRAM, so the information by business segment is omitted.

[Geographical segment information]

The six-month period ended September 30, 2004

	Japan (MY)	Asia (MY)	Europe (MY)	North America (MY)	Total (MY)	Offset or corporate total (MY)	Consoli- dated (MY)
Sales							
(1) Sales to third parties	37,919	23,015	7,368	31,860	100,162	-	100,162
(2) Inter-segment sales and transfers	56,735	795	21	100	57,651	(57,651)	-
Total	94,654	23,810	7,389	31,960	157,813	(57,651)	100,162
Operating expenses	88,629	23,253	7,218	30,321	149,421	(57,594)	91,827
Operating income	6,025	557	171	1,639	8,392	(57)	8,335

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

- (1) Asia: Hong Kong, Singapore and Taiwan
- (2) Europe: Germany
- (3) North America: the United States

The six-month period ended September 30, 2003

	Japan (MY)	Asia (MY)	Europe (MY)	Total (MY)	Offset or corporate total (MY)	Consolidated (MY)
Sales						
(1) Sales to third parties	24,329	13,237	3,835	41,401	-	41,401
(2) Inter-segment sales and transfers	13,723	65	91	13,879	(13,879)	-
Total	38,052	13,302	3,926	55,280	(13,879)	41,401
Operating expenses	56,301	12,784	3,852	72,937	(13,858)	59,079
Operating income (loss)	(18,249)	518	74	(17,657)	(21)	(17,678)

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

- (1) Asia: Hong Kong, Singapore and Taiwan
- (2) Europe: Germany

The twelve-month period ended March 31, 2004

	Japan (MY)	Asia (MY)	Europe (MY)	Total (MY)	Offset or corporate total (MY)	Consolidated (MY)
Sales						
(1) Sales to third parties	66,726	25,681	8,034	100,441	-	100,441
(2) Inter-segment sales and transfers	24,923	51	98	25,072	(25,072)	-
Total	91,649	25,732	8,132	125,513	(25,072)	100,441
Operating expenses	119,158	24,823	7,823	151,804	(24,924)	126,880
Operating income (loss)	(27,509)	909	309	(26,291)	(148)	(26,439)

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

(1) Asia: Hong Kong, Singapore and Taiwan

(2) Europe: Germany

[Overseas sales]

The six-month period ended September 30, 2004

	North America	Asia	Europe	Total
I Overseas sales (MY)	31,732	23,015	7,368	62,115
II Consolidated sales (MY)				100,162
III Ratio of overseas sales over consolidated sales (%)	31.7	23.0	7.3	62.0

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

North America: the United States

Asia: Taiwan, Singapore and Hong Kong

Europe: Whole area

3: The amount of overseas sales is the amount of sales made by our Company and consolidated subsidiaries in countries and regions outside Japan.

The six-month period ended September 30, 2003

	North America	Asia	Europe	Total
I Overseas sales (MY)	16,801	14,880	4,405	36,086
II Consolidated sales (MY)				41,401
III Ratio of overseas sales over consolidated sales (%)	40.6	35.9	10.7	87.2

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

North America: the United States

Asia: Taiwan, Singapore and Hong Kong

Europe: Whole area

3: The amount of overseas sales is the amount of sales made by our Company and consolidated subsidiaries in countries and regions outside Japan.

The twelve-month period ended March 31, 2004

	North America	Asia	Europe	Total
I Overseas sales (MY)	30,687	25,634	8,082	64,403
II Consolidated sales (MY)				100,441
III Ratio of overseas sales over consolidated sales (%)	30.6	25.5	8.0	64.1

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

North America: the United States

Asia: Taiwan, Singapore and Hong Kong

Europe: Whole area

3: The amount of overseas sales is the amount of sales made by our Company and consolidated subsidiaries in countries and regions outside Japan.