

***ELPIDA***

**FY2004 Financial Review**

**April 25, 2005**  
**Elpida Memory, Inc.**

# **FY2004 Financial Summary**

# FY2004 Previous Forecast vs. Results

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## 4Q FY 2004

(Billion JPY)

|                          | <b>actual</b> |            | <b>Jan.24, 05<br/>forecast</b> |             | <b>difference</b>    |
|--------------------------|---------------|------------|--------------------------------|-------------|----------------------|
|                          | <b>%</b>      |            | <b>%</b>                       |             |                      |
| <b>Net sales</b>         | <b>50.7</b>   | <b>100</b> | <b>54.7 - 57.7</b>             | <b>100</b>  | <b>(7.0) - (4.0)</b> |
| <b>Operating income</b>  | <b>1.1</b>    | <b>2</b>   | <b>3.8 - 7.8</b>               | <b>8-10</b> | <b>(6.7) - (2.7)</b> |
| <b>Ordinary income</b>   | <b>0.1</b>    | <b>0</b>   | <b>2.1 - 6.1</b>               | <b>6-8</b>  | <b>(6.0) - (2.0)</b> |
| <b>Net income (loss)</b> | <b>(1.7)</b>  | <b>-3</b>  | <b>2.1 - 6.1</b>               | <b>6-8</b>  | <b>(7.8) - (3.8)</b> |

## Fiscal Year 2004

|                          | <b>actual</b> |            | <b>Jan.24, 05<br/>forecast</b> |             | <b>difference</b>    |
|--------------------------|---------------|------------|--------------------------------|-------------|----------------------|
|                          | <b>%</b>      |            | <b>%</b>                       |             |                      |
| <b>Net sales</b>         | <b>207.0</b>  | <b>100</b> | <b>211.0 ~ 214.0</b>           | <b>100</b>  | <b>(7.0) - (4.0)</b> |
| <b>Operating income</b>  | <b>15.1</b>   | <b>7</b>   | <b>17.8 ~ 21.8</b>             | <b>8-10</b> | <b>(6.7) - (2.7)</b> |
| <b>Ordinary income</b>   | <b>10.7</b>   | <b>5</b>   | <b>12.7 ~ 16.7</b>             | <b>6-8</b>  | <b>(6.0) - (2.0)</b> |
| <b>Net income (loss)</b> | <b>8.2</b>    | <b>4</b>   | <b>12.0 ~ 16.0</b>             | <b>6-7</b>  | <b>(7.8) - (3.8)</b> |

## Factors for Revision vs. Jan. 24 Forecast

|  | <u>Impact on profits</u><br>(JPY billion) |
|--|---|
| • Provision regarding investigation by U.S. DOJ  | -1.9                                      |
| • Costs of 90 nm process start-up (front-loading of materials etc.)  | -0.9                                      |
| • Loss on valuation of inventories   | -0.7                                      |
| • More-than-expected fall in the price of DRAM for PCs and servers mainly covered by improvement of productivity | -0.3                                      |

# FY2004 Income Statement

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| (Billion JPY)                            | FY2004       |             | FY2003        |             | Chg.         | %           |
|--|--------------|-------------|---------------|-------------|--------------|-------------|
|  | actual       | %           | actual        | %           |              |             |
| <b>Net sales</b>                         | <b>207.0</b> | <b>100%</b> | <b>100.4</b>  | <b>100%</b> | <b>106.6</b> | <b>106%</b> |
| <b>Gross Profit</b>                      | <b>50.4</b>  | <b>24%</b>  | <b>0.8</b>    | <b>1%</b>   | <b>49.6</b>  | <b>-</b>    |
| <b>SG&amp;A</b>                          | <b>35.3</b>  | <b>17%</b>  | <b>27.2</b>   | <b>27%</b>  | <b>8.1</b>   | <b>30%</b>  |
| <b>Operating income (loss)</b>           | <b>15.1</b>  | <b>7%</b>   | <b>(26.4)</b> | <b>-26%</b> | <b>41.6</b>  | <b>-</b>    |
| <b>Ordinary income (loss)</b>            | <b>10.7</b>  | <b>5%</b>   | <b>(25.5)</b> | <b>-25%</b> | <b>36.1</b>  | <b>-</b>    |
| <b>Income (loss) before income taxes</b> | <b>8.9</b>   | <b>4%</b>   | <b>(25.5)</b> | <b>-25%</b> | <b>34.5</b>  | <b>-</b>    |
| <b>Net income (loss)</b>                 | <b>8.2</b>   | <b>4%</b>   | <b>(26.9)</b> | <b>-27%</b> | <b>35.1</b>  | <b>-</b>    |

# Balance Sheet and Key Indices

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| (Billion JPY)                      | 2005<br>Mar.31 | 2004<br>Mar.31 |
|------------------------------------|----------------|----------------|
| <b>Total assets</b>                | 498.2          | 300.6          |
| <b>Shareholders' equity</b>        | 195.3          | 81.1           |
| <b>Cash and cash equivalent</b>    | 189.8          | 110.6          |
| <b>Interest-bearing debt</b>       | 233.6          | 119.9          |
| <b>Net D/E ratio</b>               | 0.2 times      | 0.1 times      |
| <b>Shareholders' equity ratio</b>  | 39%            | 27%            |
| <b>A/R collection period</b>       | 65 days        | 72 days        |
| <b>Inventory holding period</b>    | 72 days        | 87 days        |
| <b>Operating cash flows (12mo)</b> | 21.0           | (31.2)         |
| <b>Free cash flows (12mo)</b>      | (139.6)        | (82.1)         |

- (Calculating formulas)
- Interest-bearing debt = Long-term and short-term debt + Bonds + Long-term and short-term lease obligation
  - Net D/E ratio = (Interest-bearing debt – cash and cash equivalents)/shareholders' equity
  - A/R collection period = Year-end account receivables / Average monthly net sales x 30 days
  - Inventory holding period = Year-end inventories / Average monthly net sales x 30 days

# **FY2005 Business Plan**

Elpida Memory strives to improve performance by maintaining focus on “Premier Business” in server, mobile, digital consumer market.

# Forecast for FY2005

| (Billion JPY)                         | FY2005        |              | FY2004       |              | Chg.        | %          |
|---------------------------------------|---------------|--------------|--------------|--------------|-------------|------------|
|                                       | Forecast      |              | Actual       |              |             |            |
| <b>Net sales</b>                      | <b>260.0</b>  | <i>100%</i>  | <b>207.0</b> | <i>100%</i>  | <b>53.0</b> | <b>26%</b> |
| <b>Operating income</b>               | <b>18.6</b>   | <i>7%</i>    | <b>15.1</b>  | <i>7%</i>    | <b>3.5</b>  | <b>23%</b> |
| <b>Ordinary income</b>                | <b>15.3</b>   | <i>6%</i>    | <b>10.7</b>  | <i>5%</i>    | <b>4.6</b>  | <b>43%</b> |
| <b>Net income</b>                     | <b>14.0</b>   | <i>5%</i>    | <b>8.2</b>   | <i>4%</i>    | <b>5.8</b>  | <b>70%</b> |
| <b>Capex*</b>                         |               | <b>143.6</b> |              | <b>124.5</b> | <b>19.1</b> | <b>15%</b> |
| <b>Depreciation cost</b>              |               | <b>60.8</b>  |              | <b>35.9</b>  | <b>24.9</b> | <b>69%</b> |
| <b>R&amp;D expenditures</b>           |               | <b>22.6</b>  |              | <b>19.7</b>  | <b>2.9</b>  | <b>15%</b> |
| <b>Bit growth in shipments (YoY%)</b> | approx. 80%up |              | 136%up       |              |             |            |

Note: Currency exchange assumption for FY2005: JPY 105.00 per U.S. Dollar.

\*Capital expenditures are the total amount of additions to property, plant and equipment assets on an accrual basis of accounting, and include operating lease from sales and lease back.

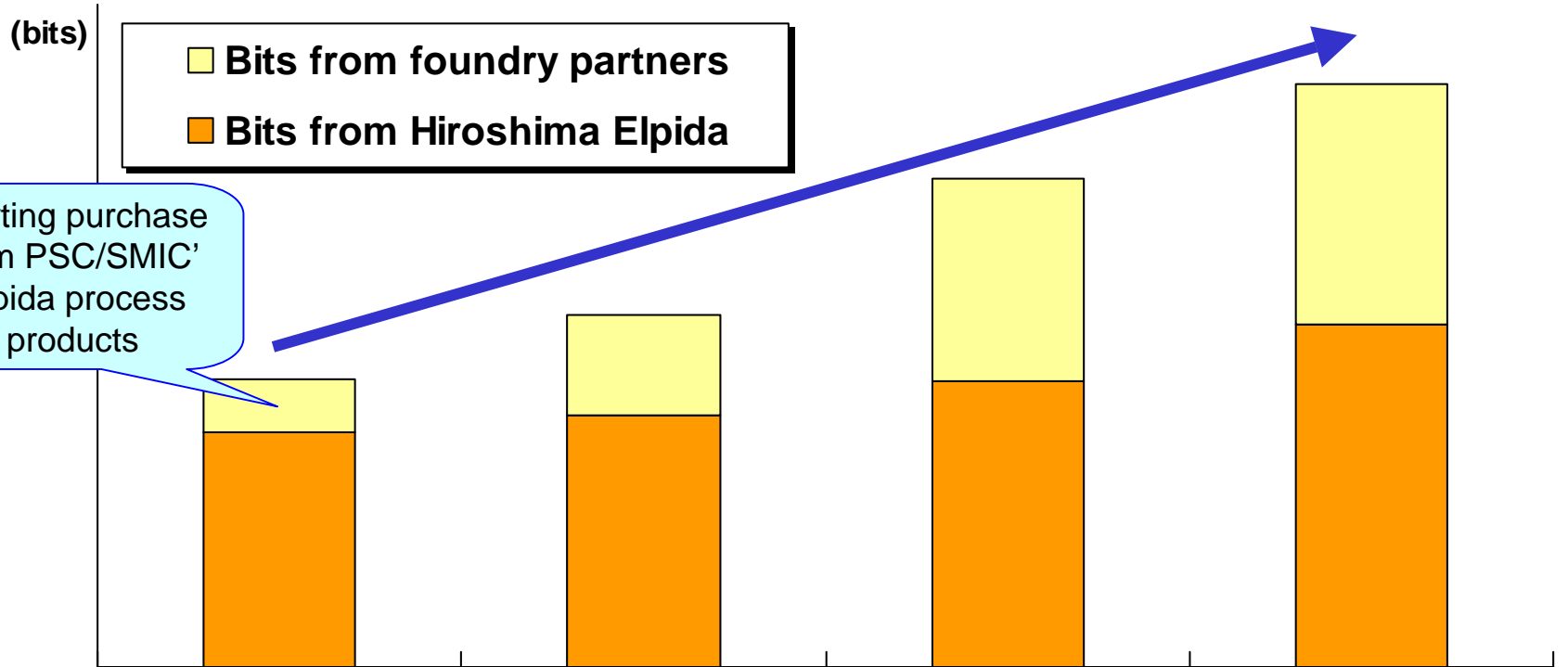
- ❑ Net sales forecast: JPY 44.0 to 48.0 billion
- ❑ Net income forecast: JPY -4.0 to -1.0 billion
  
- ❑ ASP assumption  
(256Mb equiv.): Down approx.15% (QoQ)
- ❑ Bit growth assumption: Single digit % growth (QoQ)
  
- ❑ Depreciation cost: Approx. JPY 12 billion
  
- ✧ Started mass production of 90 nm process at E300-Fab1

## Ramp-up of DDR2 will help Fab1 to start to meet its capabilities

|   | FY3Q04<br>Actual |     | E-300 Fab1 | FY3Q05<br>Forecast |     | Target |
|---|------------------|-----|------------|--------------------|-----|--------|
| % of wafer-in at Fab1 by process technology | 110nm            | 85% |            | 110 nm             | 30% | 20%    |
|   | 100 nm           | 15% |            | 100 nm             | 55% | 30%    |
|   | 90 nm            | 0%  |            | 90 nm              | 15% | 50%    |
| Bit shipments                               | 100              |     |            | 150                | 170 |        |

\* Elpida's financial forecast for FY2005 is based on "forecast" above.

**Increasing bit shipments based on the current forecast**



**1Q05**

Wafer-in at Fab1:  
 110 nm: 65%  
 100 nm: 30%  
 90 nm: 5%

**2Q05**

**3Q05**

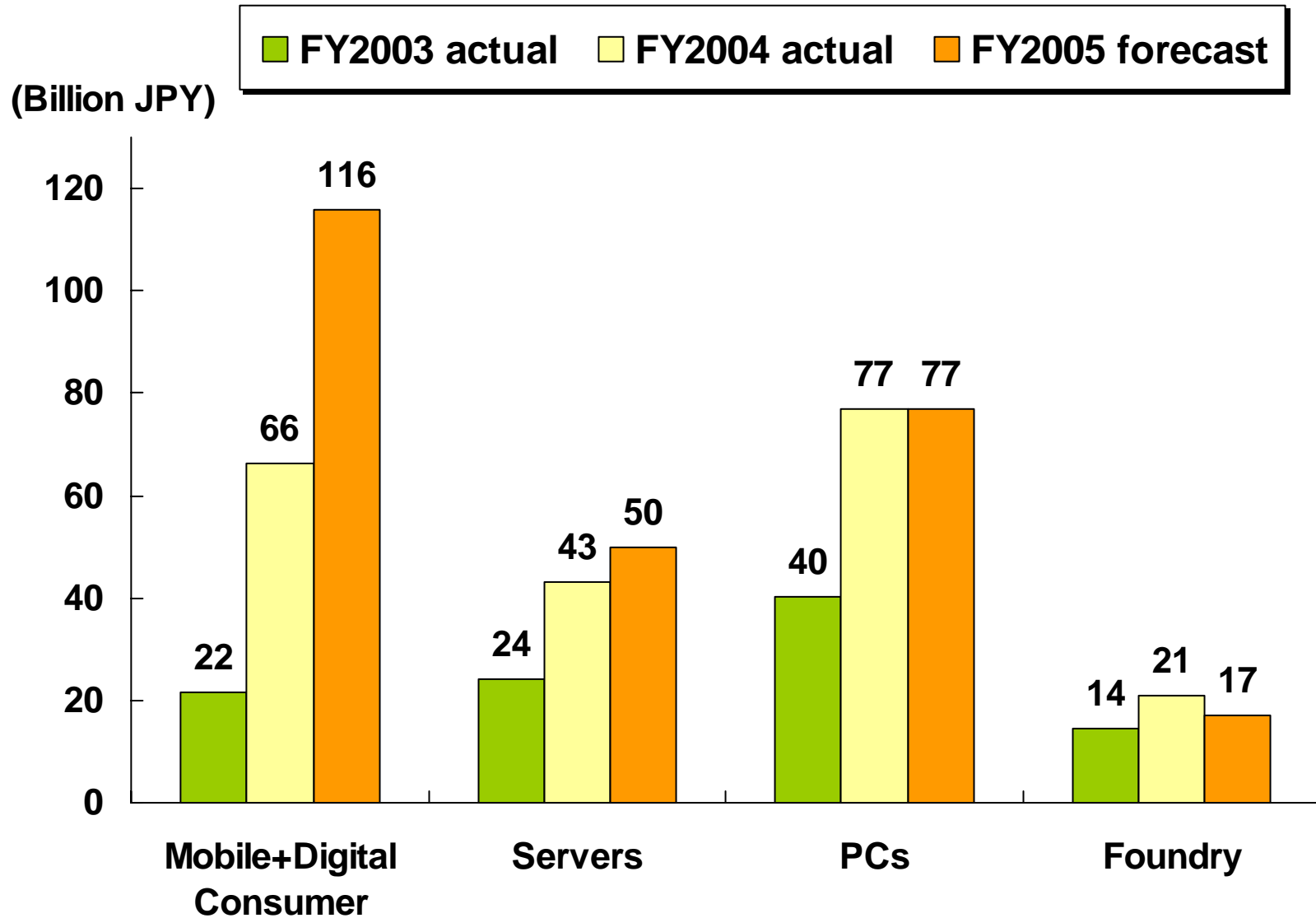
Wafer-in at Fab1:  
 110 nm: 30%  
 100 nm: 55%  
 90 nm: 15%

**4Q05**

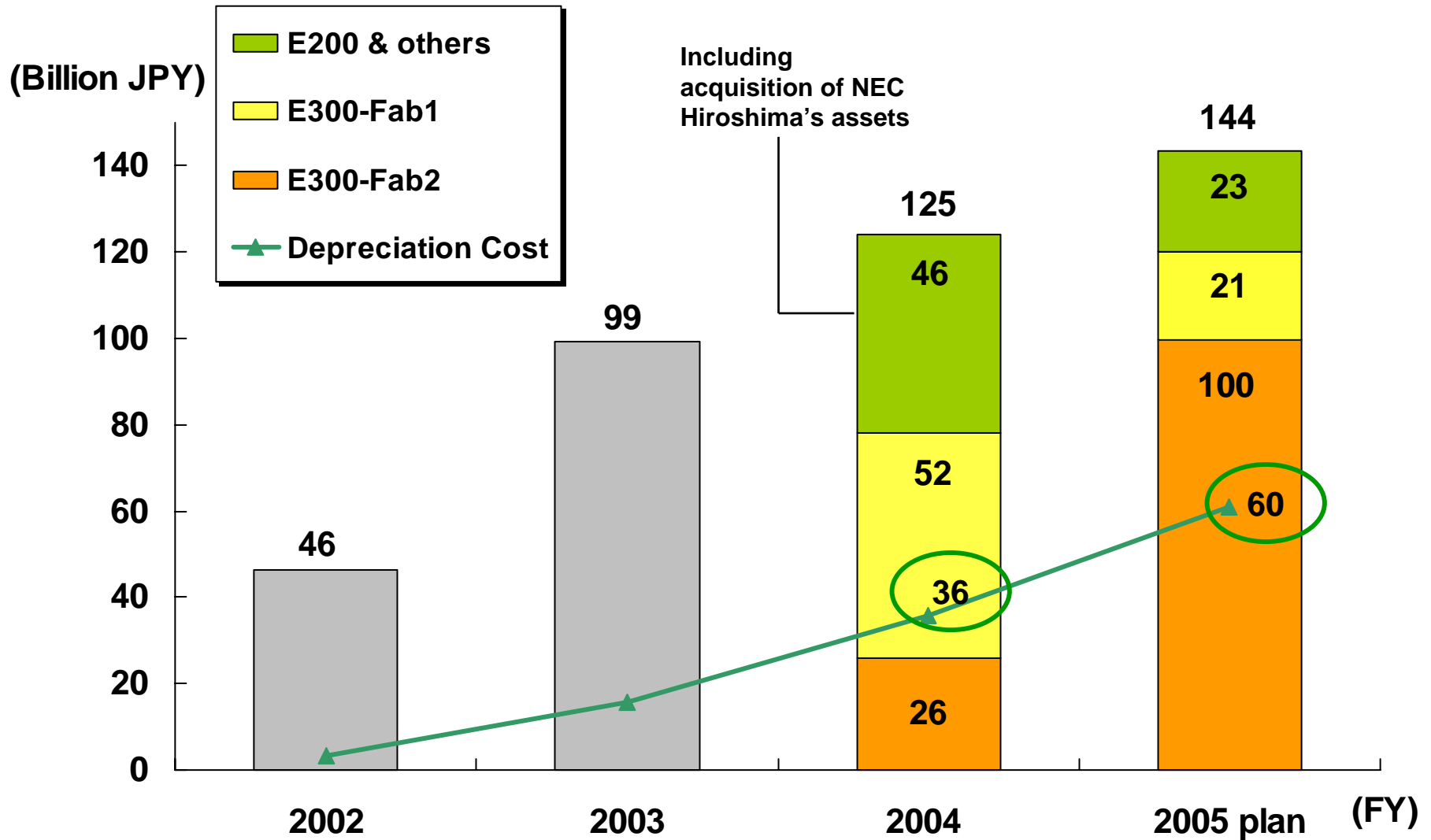
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# Sales Breakdown by Application

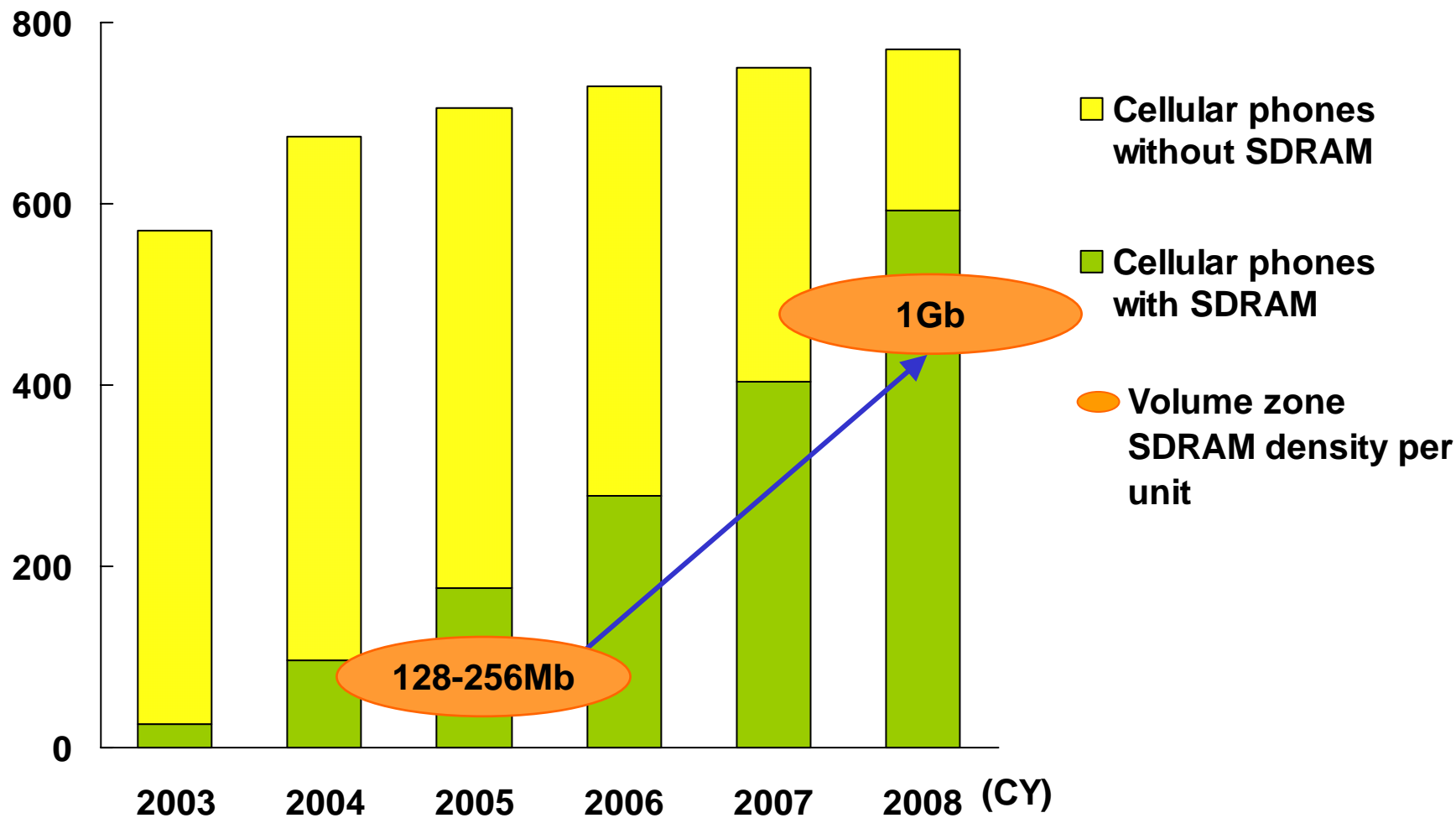
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# Capex & Depreciation Cost

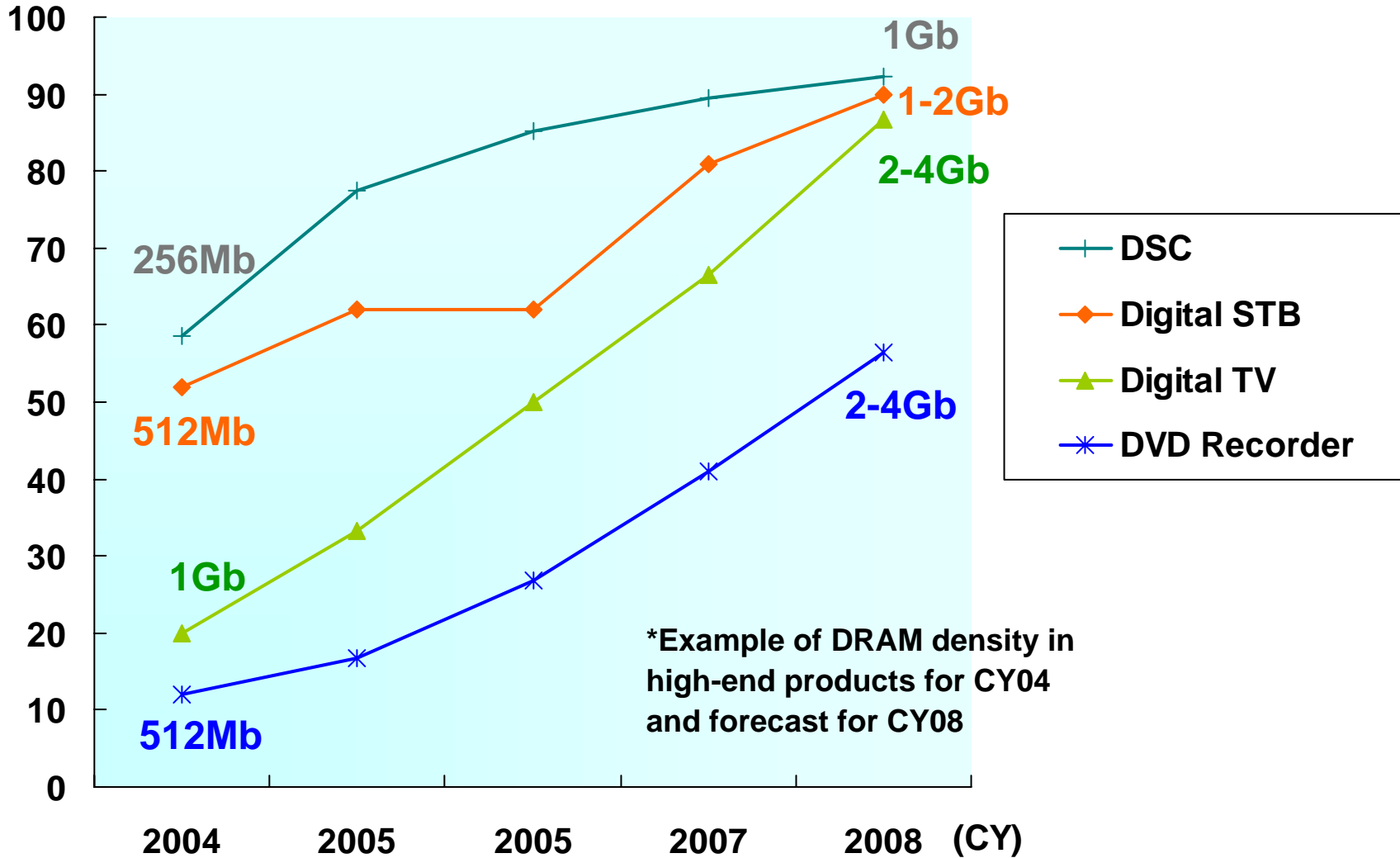


(Million Units)



Source: Elpida estimate

(Million Units)



\*Example of DRAM density in high-end products for CY04 and forecast for CY08

## ■ Operation

- E300-Fab2: Construction on going (3K wafers to be input in Dec.05)
- E300-Fab2: Will focus on 90 nm start-up
- E200: Increasing DRAM production in place of decreasing foundry business
- PSC/SMIC started production using Elpida's 100 nm process

## ■ Engineering

- Accelerating the ramp-up of 90 nm mass production
- Evaluation on 80 nm process will be finished by the year-end, and mass production will start in the beginning of CY2006

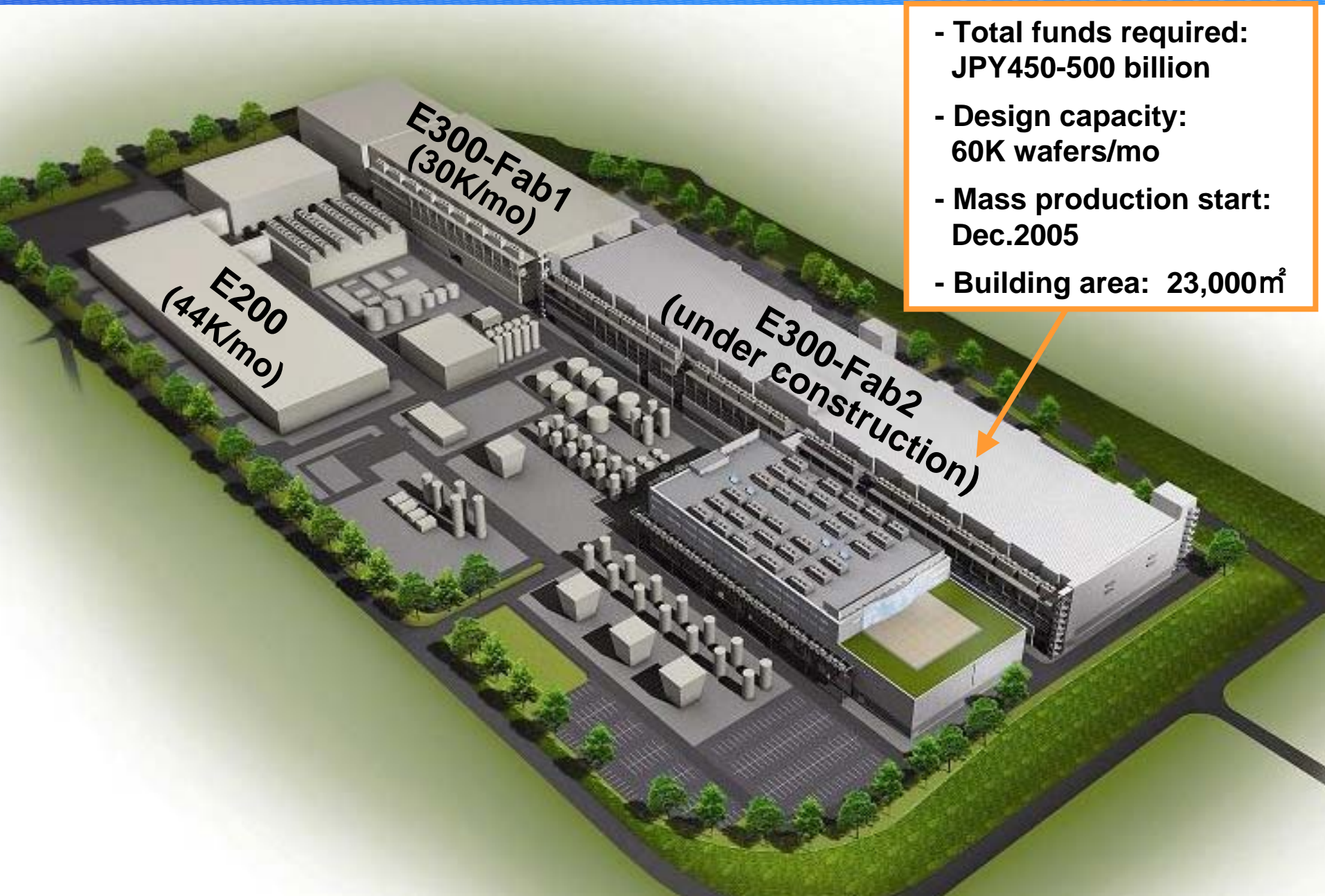
## ■ Sales and Marketing

- Strengthening marketing activities for digital consumer area, including Japan's unique business.
- Enhancing business activities as a pure-play DRAM manufacturer.

# Appendix

# Production Site: Hiroshima Elpida

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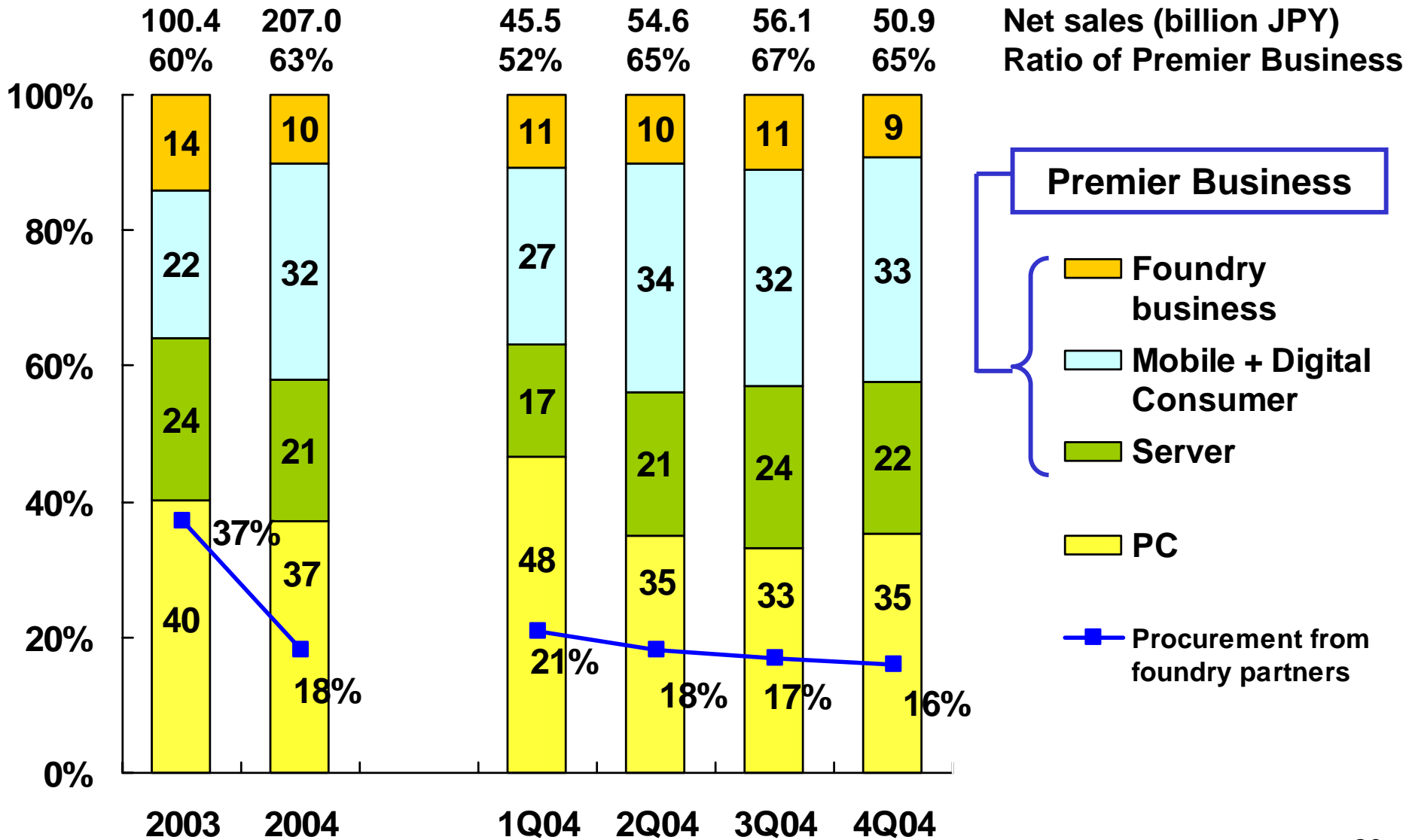
- Total funds required: JPY450-500 billion
- Design capacity: 60K wafers/mo
- Mass production start: Dec.2005
- Building area: 23,000m<sup>2</sup>

## Fiscal Year 2004

|                          | <u>1Q04</u> |             | <u>2Q04</u> |             | <u>3Q04</u> |             | <u>4Q04</u>  |             |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| <b>Net sales</b>         | <b>45.5</b> | <i>100%</i> | <b>54.6</b> | <i>100%</i> | <b>56.1</b> | <i>100%</i> | <b>50.7</b>  | <i>100%</i> |
| <b>Gross Profit</b>      | <b>10.6</b> | <i>23%</i>  | <b>15.4</b> | <i>28%</i>  | <b>14.7</b> | <i>26%</i>  | <b>9.7</b>   | <i>19%</i>  |
| <b>SG&amp;A</b>          | <b>7.5</b>  | <i>16%</i>  | <b>10.2</b> | <i>19%</i>  | <b>9.1</b>  | <i>16%</i>  | <b>8.6</b>   | <i>17%</i>  |
| <b>Operating income</b>  | <b>3.1</b>  | <i>7%</i>   | <b>5.2</b>  | <i>10%</i>  | <b>5.6</b>  | <i>10%</i>  | <b>1.1</b>   | <i>2%</i>   |
| <b>Ordinary income</b>   | <b>2.1</b>  | <i>5%</i>   | <b>4.7</b>  | <i>9%</i>   | <b>3.8</b>  | <i>7%</i>   | <b>0.1</b>   | <i>0%</i>   |
| <b>Net income (loss)</b> | <b>2.3</b>  | <i>5%</i>   | <b>4.2</b>  | <i>8%</i>   | <b>3.1</b>  | <i>6%</i>   | <b>(1.7)</b> | <i>-3%</i>  |

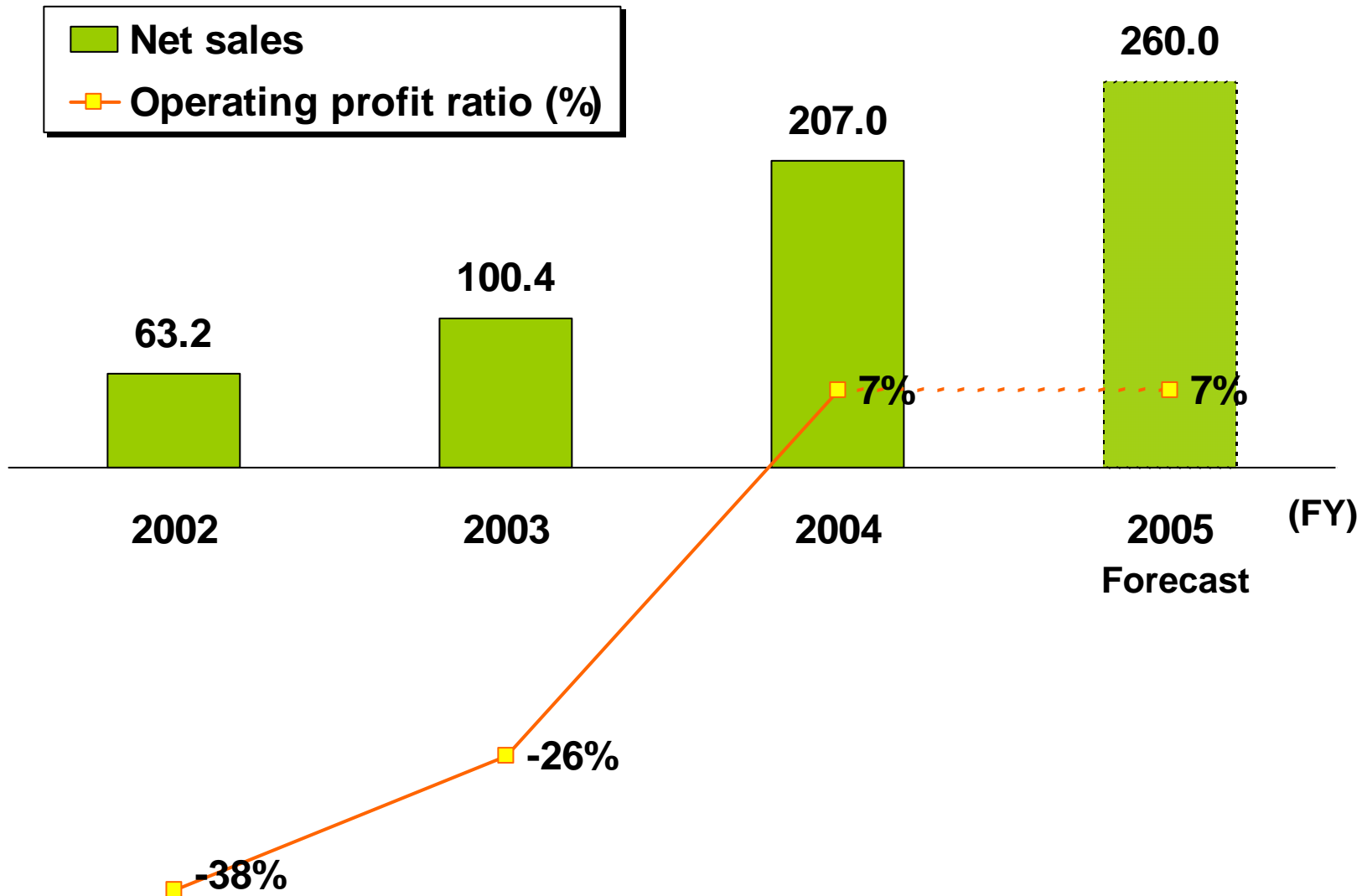
- **DRAM ASP (256Mb equiv.):** **Down 13% (QoQ), High-\$4**
- **Bit growth rate:** **Up 12% (QoQ)**
  
- **DDR2/Total DRAM sales:** **approx. 20%**
- **512Mb/Total DRAM sales:** **approx. 40%**
  
- **Capital expenditures:** **JPY 25.8 billion**
- **Depreciation cost:** **JPY 11.8 billion**
  
- ◆ **R&D expenses (annual):** **JPY 19.7 billion**

# Sales Breakdown by Application

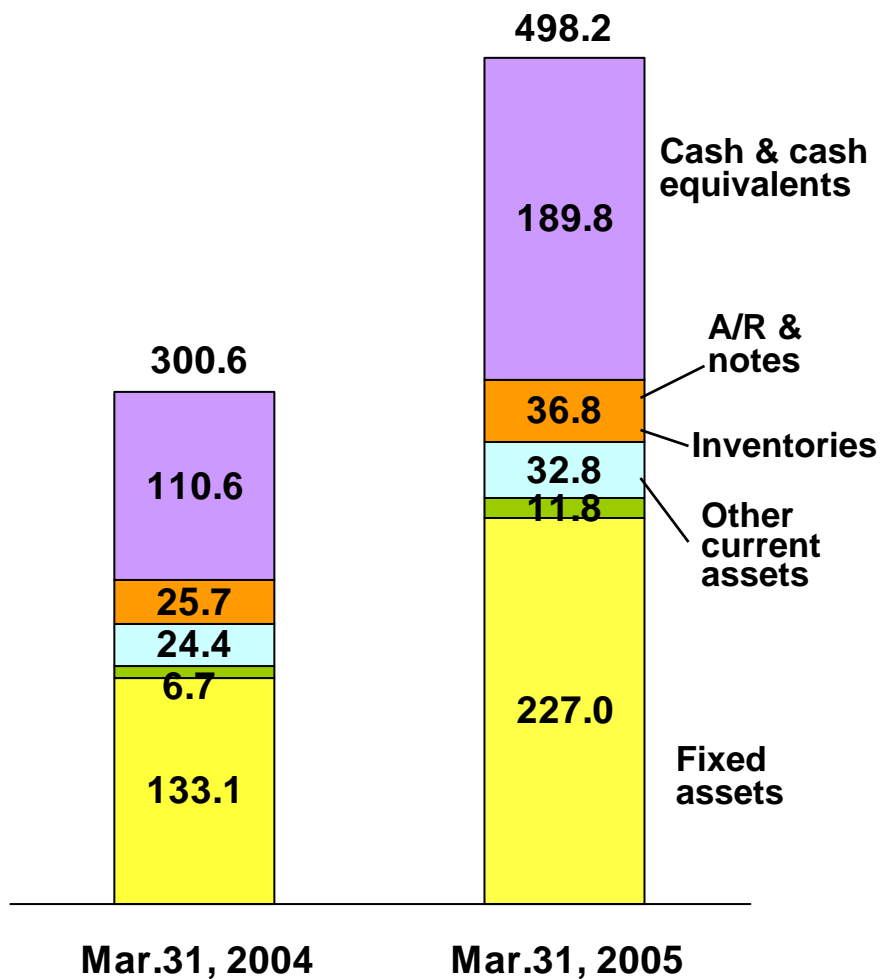


# Sales and Operating Profit Ratio

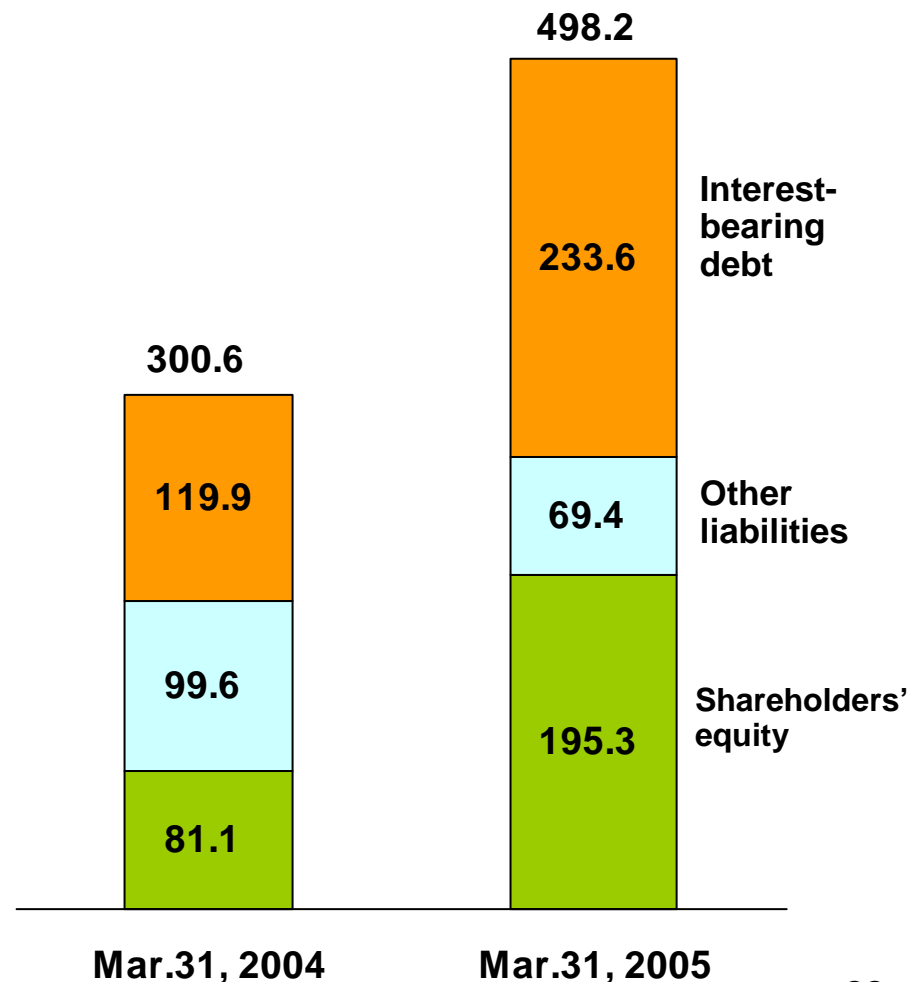
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## Assets



## Liabilities & Shareholders' Equity



- Feb 3 Elpida signed technology licensing & support agreement for Phase Change Memory with Ovonyx
- Feb 10 Elpida issued #1 & #2 Domestic Public SBs with Inter-Bond Pari Passu Clause
- Feb 15 Elpida announced production of 16Mb digital consumer SDRAM in advanced process technology (0.11 $\mu$ m) to meet demand
- Feb 16 New DRAM circuit design approach for Gb-era DRAM to enable quantitative evaluation of DRAM quality with Hitachi
- Mar 2 Elpida started shipping samples 512Mb / 256Mb Mobile RAM™ with high-density, high-speed performance
- Mar 9 Elpida has made initial phase investment in production equipment for Hiroshima Elpida's E300-Fab2
- Mar 22 Elpida offered 256Mb DDR2 SDRAM at industry's 1<sup>st</sup> 800Mbps for high-performance memory modules
- Mar 28 Elpida Established JPY50 Billion Syndicated Credit Facility
- Mar 30 Elpida started shipping samples of 512Mb XDR™ DRAM providing industry-leading data transfer rate for digital consumer electronics
- Apr 20 Elpida began production of DDR2 SDRAM using cutting-edge 90 nm process technology, contributing to increased capacity and smaller device size

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## **Elpida Memory, Inc. Contacts:**

**6665ir@elpida.com (IR)**  
**press@elpida.com (Press)**

**URL: <http://www.elpida.com>**