

**Elpida Memory, Inc.**  
(Stock listing: Tokyo Stock Exchange, 6665)

**Consolidated Financial Report  
for the Period Ended December 31, 2004**

**1. Consolidated financial summary**

(Millions of Japanese Yen, except per share data)

(1) Condensed Statements of Operations (Three-month period) unaudited

	Three months ended			
	Dec. 31, 2004		Dec. 31, 2003	
		Change		Change
Net Sales	56,136	109.2%	26,836	209.2%
Operating income (loss)	5,639	-	(9,058)	-
Ordinary income (loss)	3,768	-	(9,272)	-
Net income (loss)	3,387	-	(9,758)	-
Net income (loss) per share – basic	42.38	-	(154.29)	-
Net income (loss) per share – diluted	41.77	-	-	-

(2) Condensed Statements of Operations (Nine-month period) unaudited

	Nine months ended			
	Dec. 31, 2004		Dec. 31, 2003	
		Change		Change
Net Sales	156,298	129.1%	68,236	229.1%
Operating income (loss)	13,974	-	(26,735)	-
Ordinary income (loss)	10,610	-	(26,694)	-
Net income (loss)	9,890	-	(27,356)	-
Net income (loss) per share – basic	141.86	-	(584.57)	-
Net income (loss) per share – diluted	139.51	-	-	-

(3) Condensed Balance Sheet

	As of	
	Dec. 31, 2004 (unaudited)	Sep. 30, 2004
Total Assets	453,938	348,620
Shareholders' equity	196,832	87,689

Note 1: On March 19, 2004, we completed a twenty-for-one stock split. The above per share amounts for the three months ended December 31, 2003 and for the nine months ended December 31, 2003 have been calculated to reflect the stock split.

## [Overview of Business Results]

### (1) Overview of the three-month period ended December 31, 2004

During this quarter (October – December, 2004), the U.S. economy remained strong, despite capital expenditure and personal consumption slowing its tempo. Also, the Chinese economy maintained steep growth, supported by exports and capital expenditure.

The Japanese economy continued its moderate growth, but inventory adjustment in the digital consumer electronics fields, as well as the strengthening of the Japanese yen, were seen as causing it to slow.

In our business markets, there was inventory adjustment in the domestic digital consumer electronics and mobile phones markets. There was also the effects of this on our Premier DRAM products <sub>(1)</sub>, on which we focus. Nevertheless, the DRAM market, oriented to digital consumer electronics and mobile phones, is at the verge of a period of expansion, and demand increased significantly on the same period last year.

Under these circumstances, consolidated net sales for the quarter soared 109.2% (approximately 2.1 times) year on year (YoY) to 56,136 million yen.

Operating income was 5,639 million yen, an improvement of 14,697 million yen on the 9,058 million yen loss posted for the same period last year. This turnaround is due to reduced cost and increased revenue from an enhanced production capacity.

Ordinary income was 3,768 million yen, an improvement of 13,040 million yen on the 9,272 million yen loss posted for the same period last year. The extent of the turnaround was restricted by a 686 million yen YoY increase in interest expenses and also by a 698 million yen YoY increase in foreign exchange losses.

Net income for the period was 3,387 million yen, an improvement of 13,145 million yen on the 9,758 million yen loss posted for the same period last year.

We made notable YoY improvements in all net sales, operating income, ordinary income and net income results, and we achieved increased revenue and increased profits.

In order to accommodate further expansion in demand for our Premier DRAM <sub>(1)</sub> products, we are continuing to promote the construction of our second 300 mm fabrication plant (Fab) and to enhance the production capacity of our first Fab. To raise funds necessary for the plan, we newly listed shares on the Tokyo Stock Exchange in November. By securing funds worth 105.8 billion yen through the issuance of new shares at the time of listing, we have strengthened our financial base, and consequently we have been able to further assure our growth strategy.

### (2) The breakdown of sales by application market is as follows :

		(Billions of yen)				
		Three months ended December 31, 2004 (unaudited)		Three months ended December 31, 2003 (unaudited)		Change %
	Servers*	13.7	24.4%	6.0	22.4%	128.3%
	Digital consumer electronics and mobile phones *	18.5	33.0%	5.9	22.0%	213.6%
	Premier DRAM (Note1)	32.2	57.4%	11.9	44.4%	170.6%
	Foundry services and others	6.0	10.7%	4.8	17.9%	25.0%
	Subtotal of Premier business (Note 2)	38.2	68.1%	16.7	62.3%	128.7%
	PCs	17.9	31.9%	10.1	37.7%	77.2%
	Total net sales	56.1	100.0%	26.8	100.0%	109.3%

\* Premier DRAM (Note 1)

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.

(Servers)

Net sales for servers rose 128.3% YoY (approximately 2.3 times) to 13.7 billion yen. During the period, demand increased favorably from major domestic and foreign manufacturers of servers, with a focus on 1 Gigabyte high-density module products based on DDR2 SDRAM.

(Digital consumer electronics and mobile phones)

Net sales for digital consumer electronics and mobile phones soared 213.6% YoY (approximately 3.1 times) to 18.5 billion yen.

During this period, demand rose considerably on the same period last year because of the huge expansion of the digital consumer electronics market.

This field includes products aimed at digital consumer electronics, such as digital still cameras, DVD recorders, digital TVs and products aimed at 2.5th generation and 3rd generation mobile phones.

(Foundry services and others)

In foundry services and others, there was an increase in the volume of contract manufacturing mainly for Pseudo SRAM, and net sales rose 25.0% YoY to 6 billion yen.

Foundry services and others consists of the business of foundry services of semiconductor products (the contract manufacturing of semiconductor products based on the customer's design specifications) mainly for domestic semiconductor manufacturers.

(PCs)

Net sales for PCs rose 77.2% YoY to 17.9 billion yen.

In response to the fact that demand to replace PCs has gone a full circle, demand has progressively shifted from 256 Megabit to 512 Megabit products. Net sales in this field grew substantially as a result of us accommodating this market trend.

(3) Capital expenditure

The accumulated capital expenditure for this fiscal year (sum of 9 months) increased to 98.7 billion yen, due to the capacity enhancement of our first 300 mm Fab and construction of our second 300 mm Fab.

**[Financial Status]**

Total assets grew 105.3 billion yen on the end of September 2004 to 453.9 billion yen. This was a result of cash and cash equivalents increasing in part due to the capital expansion from new shares being issued. Interest-bearing liabilities (including obligations under capital leases) fell 2 billion yen on the end of September 2004 to 165.2 billion yen. Shareholders' equity increased 109.1 billion yen to 196.8 billion yen. This was due to a combination of the issuance of newly listed shares as well as the net income for the period. As a result, the shareholders' equity ratio improved 18.2 points on the end of September 2004 to 43.4%.

**[Cash Flows]**

With regard to cash flows for the quarter, net cash provided by operating activities was 16.7 billion yen, a YoY revenue increase of 28.1 billion yen.

Net cash used in investing activities was 29.9 billion yen, a YoY expenditure increase of 21.5 billion yen. This was mostly due to an increase in the purchase of fixed assets through capital expenditure in the first 300 mm Fab.

Therefore, the free cash flow, which is a combination of net cash provided by operating activities and net cash used in investing activities, totaled negative 13.2 billion yen, a YoY expenditure increase of 6.7 billion yen.

Net cash provided by financing activities was 103.8 billion yen, a YoY increase of 75.1 billion yen due to the fund procurement of 105.8 billion yen through an increase in capital from the issuance of new shares.

As a result, the balance of cash and cash equivalents rose 89.8 billion yen YoY to 164.7 billion yen.

**[Outlook for the year ending March 31, 2005\*]**

The DRAM market in the digital consumer electronics and mobile phones is still at the initial stage of its expansion phase, so we expect to see still further expansion of this market in the future. However, in the fourth quarter, we expect that there will still be some residual effects of inventory adjustment on digital consumer electronics, and that the expansion of the mobile phone market will be moderate. Also, by incorporating destabilizing factors such as foreign exchange fluctuations, we have revised the previous forecast (released in November) for the full-year business results as follows.

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

	Consolidated
Net sales	211 - 214 billion yen
Operating income	17.8 – 21.8 billion yen
Ordinary income	12.7 - 16.7 billion yen
Net income	12 - 16 billion yen

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.

## Comparative Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2004	As of September 30, 2004	Change	As of March 31, 2004
<b>(Assets)</b>				
<b>I Current assets</b>				
1. Cash and cash equivalents	164,719	74,554	90,165	110,555
2. Notes and accounts receivable, trade	41,084	39,945	1,139	25,742
3. Inventories	29,531	29,536	(5)	24,437
4. Account receivable, other	5,883	6,985	(1,102)	3,861
5. Other current assets	4,313	4,753	(440)	2,918
6. Allowance for doubtful accounts	(33)	(33)	0	(32)
Total current assets	245,497	155,740	89,757	167,481
<b>II Fixed assets</b>				
1. Tangible fixed assets	199,011	182,979	16,032	124,282
2. Intangible fixed assets	7,981	8,314	(333)	7,057
3. Investments and other assets	1,449	1,587	(138)	1,779
Total fixed assets	208,441	192,880	15,561	133,118
Total assets	453,938	348,620	105,318	300,599
<b>(Liabilities)</b>				
<b>I Current liabilities</b>				
1. Account payable, trade	31,741	29,323	2,418	24,552
2. Short-term borrowings	-	-	-	5,674
3. Current portion of long-term debt	13,720	12,829	891	6,216
4. Current portion of obligation under capital leases	27,954	26,377	1,577	19,239
5. Accounts payable, other	50,858	54,804	(3,946)	60,738
6. Other current liabilities	7,454	7,306	148	11,494
Total current liabilities	131,727	130,639	1,088	127,913
<b>II Fixed liabilities</b>				
1. Bonds	10,000	10,000	-	10,000
2. Long-term debt	65,578	68,583	(3,005)	36,184
3. Obligation under capital leases	47,904	49,416	(1,512)	42,634
4. Other long-term liabilities	1,897	2,293	(396)	2,813
Total fixed liabilities	125,379	130,292	(4,913)	91,631
Total liabilities	257,106	260,931	(3,825)	219,544
<b>(Shareholders' equity)</b>				
I Capital stock	87,234	46,625	40,609	46,625
II Additional paid in capital	98,334	33,042	65,292	62,268
III Retained earnings	11,430	8,043	3,387	(27,686)
IV Translation adjustments	(166)	(21)	(145)	(152)
Total shareholders' equity	196,832	87,689	109,143	81,055
Total liabilities and shareholders' equity	453,938	348,620	105,318	300,599

## Comparative Consolidated Statements of Operations

(Millions of yen)

Account	Three months ended				Change Increase or decrease
	Dec.31,'04		Dec.31,'03		
		Ratio (%)		Ratio (%)	
I Net sales	56,136	100.0	26,836	100.0	29,300
II Cost of sales	41,400	73.8	28,802	107.3	12,598
Gross profit/(loss)	14,736	26.2	(1,966)	(7.3)	16,702
III Selling, general and administrative expenses	9,097	16.2	7,092	26.4	2,005
Operating income/(loss)	5,639	10.0	(9,058)	(33.7)	14,697
IV Non-operating income					
1. Interest income	29		11		18
2. Equity in earnings of affiliated company	-		40		(40)
3. Foreign exchange gains	-		210		(210)
4. Others	9		21		(12)
V Non-operating expenses					
1. Interest expense	928		242		686
2. Foreign exchange losses	488		-		488
3. Stock issuance costs	79		-		79
4. Bond issuance costs	-		-		-
5. Others	414		254		160
Ordinary income/(loss)	3,768	6.7	(9,272)	(34.6)	13,040
VI Extraordinary income	2	0.0	7	0.0	(5)
VII Extraordinary losses	14	0.0	12	0.0	2
Income/(loss) before income taxes	3,756	6.7	(9,277)	(34.6)	13,033
Income taxes	369	0.7	481	1.8	(112)
Net income/(loss)	3,387	6.0	(9,758)	(36.4)	13,145

Note: "Income taxes" is indicated after deducting tax adjustments.

## Comparative Consolidated Statements of Operations

(Millions of yen)

Account	Nine months ended				Change Increase or decrease
	Dec.31,'04		Dec.31,'03		
		Ratio (%)		Ratio (%)	
I Net sales	156,298	100.0	68,236	100.0	88,062
II Cost of sales	115,592	74.0	74,565	109.3	41,027
Gross profit/(loss)	40,706	26.0	(6,329)	(9.3)	47,035
III Selling, general and administrative expenses	26,732	17.1	20,406	29.9	6,326
Operating income/(loss)	13,974	8.9	(26,735)	(39.2)	40,709
IV Non-operating income					
1. Interest income	62		16		46
2. Equity in earnings of affiliated company	-		107		(107)
3. Foreign exchange gains	-		265		(265)
4. Others	146		575		(429)
V Non-operating expenses					
1. Interest expense	2,324		355		1,969
2. Foreign exchange losses	621		-		621
3. Stock issuance costs	79		186		(107)
4. Bond issuance costs	-		96		(96)
5. Others	548		285		263
Ordinary income/(loss)	10,610	6.8	(26,694)	(39.1)	37,304
VI Extraordinary income	209	0.1	8	0.0	201
VII Extraordinary losses	27	0.0	64	0.1	(37)
Income/(loss) before income taxes	10,792	6.9	(26,750)	(39.2)	37,542
Income taxes	902	0.6	606	0.9	296
Net income/(loss)	9,890	6.3	(27,356)	(40.1)	37,246

Note: "Income taxes" is indicated after deducting tax adjustments.

## Comparative Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended		Change increase or decrease
	Dec.31,'04	Dec.31,'03	
<b>I Operating activities</b>			
Income (loss) before income taxes	3,756	(9,277)	13,033
Depreciation and amortization	10,029	3,940	6,089
Increase in allowance for doubtful accounts	-	(1)	1
Interest income	(29)	(11)	(18)
Interest expense	928	242	686
Equity in earnings of affiliated company	-	(40)	40
Income from sale of tangible fixed assets	(2)	(7)	5
Losses on sale of tangible fixed assets	14	11	3
Increase in accounts receivable, trade	(1,908)	(2,238)	330
Increase in inventories	(51)	(169)	118
(Increase) decrease in accounts receivable, other	1,049	(10,679)	11,728
Increase (decrease) in accounts payable, trade	2,446	(465)	2,911
Increase (decrease) in accounts payable, other	83	(710)	793
Other	1,400	8,264	(6,864)
Subtotal	17,715	(11,140)	28,855
Interest received	29	11	18
Interest paid	(692)	(242)	(450)
Income taxes paid	(345)	(57)	(288)
Net cash provided by (used in) operating activities	16,707	(11,428)	28,135
<b>II Investing activities</b>			
Acquisition of shares of subsidiary	-	-	-
Purchase of tangible fixed assets	(29,492)	(7,167)	(22,325)
Proceeds from sale of tangible fixed assets	189	45	144
Purchase of intangible fixed assets	(401)	(968)	567
Others	(200)	(349)	149
Net cash used in investing activities	(29,904)	(8,439)	(21,465)
<b>III Financing activities</b>			
Net decrease in short-term borrowings	(4)	(215)	211
Proceeds from long-term debt	-	2,500	(2,500)
Repayments of long-term debt	(2,114)	-	(2,114)
Proceeds from issuance of stock	105,822	8,070	97,752
Proceeds from issuance of bond	-	96	(96)
Proceeds from sale-and-leaseback transactions	6,924	20,202	(13,278)
Repayments of obligation under capital leases	(6,860)	(1,995)	(4,865)
Net cash provided by financing activities	103,768	28,658	75,110
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	(406)	(27)	(379)
<b>V Net increase in cash and cash equivalents</b>	90,165	8,764	81,401
<b>VI Cash and cash equivalents at beginning of period</b>	74,554	66,122	8,432
<b>VII Cash and cash equivalents at end of period</b>	164,719	74,886	89,833
<b>Free cash flow (I+II)</b>	(13,198)	(19,866)	6,668

## Comparative Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended		Change increase or decrease
	Dec.31,'04	Dec.31,'03	
<b>I Operating activities</b>			
Income (loss) before income taxes	10,792	(26,750)	37,542
Depreciation and amortization	24,162	9,105	15,057
Increase in allowance for doubtful accounts	-	(1)	1
Interest income	(62)	(16)	(46)
Interest expense	2,324	355	1,969
Equity in earnings of affiliated company	-	(107)	107
Income from sale of tangible fixed assets	(2)	(8)	6
Losses on sale of tangible fixed assets	15	64	(49)
Increase in accounts receivable, trade	(15,423)	(10,081)	(5,342)
Increase in inventories	(5,094)	(10,422)	5,328
Increase in accounts receivable, other	(2,022)	(25,359)	23,337
Increase in accounts payable, trade	7,169	26,099	(18,930)
Increase (decrease) in accounts payable, other	801	(738)	1,539
Other	(5,901)	10,459	(16,360)
Subtotal	16,759	(27,400)	44,159
Interest received	63	16	47
Interest paid	(2,067)	(348)	(1,719)
Income taxes paid	(831)	(168)	(663)
Net cash provided by (used in) operating activities	13,924	(27,900)	41,824
<b>II Investing activities</b>			
Purchase of tangible fixed assets	(107,686)	(18,801)	(88,885)
Proceeds from sale of tangible fixed assets	189	198	(9)
Purchase of intangible fixed assets	(2,733)	(1,121)	(1,612)
Others	(397)	(449)	52
Net cash used in investing activities	(110,627)	(20,173)	(90,454)
<b>III Financing activities</b>			
Net decrease in short-term borrowings	(5,701)	(10,576)	4,875
Proceeds from long-term debt	41,000	14,900	26,100
Repayments of long-term debt	(4,102)	-	(4,102)
Proceeds from issuance of stock	105,822	65,351	40,471
Proceeds from issuance of bond	-	10,000	(10,000)
Proceeds from sale-and-leaseback transactions	32,793	42,585	(9,792)
Repayments of obligation under capital leases	(18,753)	(3,162)	(15,591)
Net cash provided by financing activities	151,059	119,098	31,961
IV Effect of exchange rate changes on cash and cash equivalents	(192)	(179)	(13)
V Net increase in cash and cash equivalents	54,164	70,846	(16,682)
VI Cash and cash equivalents at beginning of period	110,555	4,040	106,515
VII Cash and cash equivalents at end of period	164,719	74,886	89,833
<b>Free cash flow (I+II)</b>	(96,703)	(48,072)	(48,631)

**Appendix (unaudited)**

1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

Account	Three months ended					
	Jun. 30, '04		Sept. 30, '04		Dec. 31, '04	
		Ratio (%)		Ratio (%)		Ratio (%)
Net sales	45,536		54,626		56,136	100.0
Gross profit	10,563	23.2	15,407	28.2	14,736	26.2
Selling, general and administrative expenses	7,476	16.4	10,159	18.6	9,097	16.2
Operating income	3,087	6.8	5,248	9.6	5,639	10.0
Income before income taxes	2,132	4.7	4,904	9.0	3,756	6.7
Net income	2,302	5.1	4,202	7.7	3,387	6.0

2. Selected Consolidated Financial Data

	Mar. 31, '04	Jun. 30, '04	Sept. 30, '04	Dec. 31, '04
A/R collection period	72 days	61 days	66 days	66 days
Inventory holding period	87 days	68 days	68 days	64 days
Interest-bearing debt	119.9 billion yen	128.4 billion yen	167.2 billion yen	165.2 billion yen
Net D/E Ratio	0.12 times	0.42 times	1.06 times	0.00 times
Share holders' equity Ratio	27.0 %	27.6 %	25.2 %	43.4 %

	Twelve months ended Mar. 31, '04	Three months ended Jun. 30, '04	Three months ended Sept. 30, '04	Three months ended Dec. 31, '04
Cash flows from Operating activities	(31.2 billion yen)	(5.9 billion yen)	3.1 billion yen	16.7 billion yen
ROA	(13.5 %)	3.1 %	5.2 %	3.4 %
ROE	(43.5 %)	11.2 %	19.6 %	9.5 %

(Calculating formulas)

A/R collection period = Accounts receivable, trade / Average monthly net sales x 30 days

Interest-bearing debt = Long-term and short-term debt + Long-term and short-term lease obligation

Inventory holding period = Inventories / Average monthly net sales x 30 days

Net D/E ratio = (Interest-bearing debt – cash and cash equivalents) / shareholders' equity

ROA (ROE) (Three-month period) = Quarterly Net income x 4 / Average quarterly Total assets (Average shareholders' equity)

ROA (ROE) (Twelve-month period) = Net income / Average Total assets (Average share holders' equity)

3. Foreign exchange rate of yen for dollars in assumption

	Exchange rate in assumption
Yen for U.S.\$	104.00