

Elpida Memory, Inc.
(Tokyo Stock Exchange, 6665)
2-2-1 Yaesu, Chuo-ku, Tokyo
104-0028 Japan
URL: <http://www.elpida.com/en/ir/>

Elpida IR Contacts:
Kumi Higuchi / Shinya Oshima
Elpida Memory, Inc.
Tel: +81-3-3281-1648
E-mail: 6665ir@elpida.com

Elpida Press Contact:
Kumi Higuchi
Elpida Memory, Inc.
Tel: +81-3-3281-1648
E-mail: press@elpida.com

Consolidated Financial Report for the 1Q of FY2007

TOKYO, JAPAN, July 25, 2007 – Elpida Memory, Inc (“Elpida”), Japan's leading supplier of Dynamic Random Access Memory (“DRAM”), today announced its consolidated financial results for the first quarter of FY2007.

1. Business Results

(1) 1Q of FY2007 Operating Results (April 1, 2007 – June 30, 2007)

In the 1Q, demand for DRAMs for non-computing devices (digital consumer electronic and mobile devices) remained strong, but demand for DRAMs for computing devices (PCs and servers) continued to stall QoQ. In mid May the spot price for DDR2 SDRAM, a leading PC DRAM product, fell below \$US2. The price returned to above the \$US2 level after demand started to see signs of seasonal recovery in late June in response to back-to-school sales, but the DDR2 average spot market price fell more than 50% QoQ.

Accordingly, Elpida's selling prices for computing DRAMs declined significantly in the 1Q. The company's blended DRAM average selling price (ASP) declined 35% QoQ, but this was partially mitigated by non-computing DRAMs, which saw a slower rate of price decline. Bit shipments rose 13% QoQ. As a result, 1Q net sales fell 24% QoQ but increased 19% YoY to 109.5 billion yen.

Operating income was 3.7 billion yen. Severe market conditions lasting from the previous quarter led to declines of 75% QoQ and 59% YoY. Still, profitability continued, mainly as a result of the reasonably good profits from higher non-computing DRAMs net sales and cost-cutting made possible by better productivity and yields.

Ordinary income was 3.7 billion yen. Extraordinary income/losses included a 22.1 billion yen gain from the sale of tangible fixed assets (including the April 27 transfer of 200mm equipment to Cension Semiconductor Manufacturing Corporation), a 2.4 billion yen inventory valuation loss and a 0.8 billion yen loss on the disposal of fixed assets.

As a result of the foregoing, 1Q net income rose 72% QoQ and 120% YoY to 14.6 billion yen.

Forecasts included in this document 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 its supply of key material and equipment, loss of or decreased demand from key customers, changes in exchange rates, general economic conditions and natural disasters. Elpida disclaims 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.

(2) Sales by business segment

[QoQ Change]

(Billions of yen)

	3 mo. ended Jun 30, 2007 (1Q-FY2007)		3 mo. ended Jun 30, 2006 (1Q-FY2006)		YoY Chg (%)	3 mo. ended Mar 31, 2007 (4Q-FY2006)		QoQ Chg (%)
Non-Computing ⁽¹⁾	60.6	55.4	47.1	51.2	+28.6	55.3	38.3	+9.7
Computing ⁽¹⁾	48.9	44.6	45.0	48.8	+8.7	88.9	61.7	-45.0
Total net sales	109.5	100.0	92.1	100.0	+18.9	144.2	100.0	-24.1

Note: Figures on the table above are not audited.

□ Non-Computing

Non-computing demand remained strong. In the background was 1) greater need for high-function DRAMs for digital-broadcast and ultra-thin mobile phones in Japan, 2) growth in overseas shipments of mobile phones equipped with camera modules and 3) forward movement in replacing pseudo-SRAM with DRAM for mobile phones. As a result, 1Q non-computing sales increased 10% QoQ to a new quarterly high of 60.6 billion yen.

□ Computing

Because Windows Vista™ for PCs is affecting expectations, DRAM makers are experiencing excess production. As a result, DRAM prices have dropped sharply. Consequently, 1Q Computing sales fell 45% QoQ to 48.9 billion yen.

2. Financial Conditions

(1) Assets, Liabilities and Net assets

Tangible fixed assets at the end of the 1Q were almost unchanged YoY at 380.1 billion yen. Capital investment in manufacturing equipment and other types of equipment was generally offset by the above-mentioned sale of 200mm equipment.

Accounts receivable-other rose 36.2 billion yen compared with the end of FY 2006 partly because of the sale of 200mm equipment.

Also, cash and time deposits fell as a result of 52.1 billion yen payments for capital investments and a 58.3 billion yen investment in Rexchip Electronics Corporation ("Rexchip"), the joint venture with Powerchip Semiconductor Corp. Based on the investment in Rexchip, investments and other assets increased.

As a result, total assets at the end of the 1Q rose 9.8 billion yen compared with the end of FY 2006 to 772.2 billion yen.

End-1Q interest-bearing debt fell 6.1 billion yen compared with the end of FY 2006 to 223.5 billion yen, mainly as a result of partial repayment of lease obligations.

Net assets at the end of the quarter have risen by 17.7 billion yen QoQ to 396.7 billion yen, largely because of the addition of quarterly net income to retained earnings.

⁽¹⁾ As of FY 2007 the Digital Consumer Electronic & Mobile Devices segment and Other segment have been merged into a new segment called "Non-Computing" while the Server segment and PC segment have been merged into a new segment called "Computing." For QoQ and YoY comparison purposes, 1Q and 4Q FY 2006 sales figures for Non-Computing are based on the total sales of Digital Consumer Electronic & Mobile Devices and Other, and sales for Computing are based on total sales of Servers and PCs.

(2) Cash Flows

Operating activities provided net cash of 51.9 billion yen, an increase of 34.2 billion yen YoY, owing to an improvement in working capital made possible by a decrease in accounts receivable-trade and inventories.

Investing activities used net cash of 107.6 billion yen, 69.3 billion yen more than a year earlier. Among the reasons for this result was increased investment in the acquisition of tangible fixed assets (to strengthen 70nm process facilities) and greater investments in securities in connection with the investment in Rexchip.

As a result, free cash flow (a combination of net cash provided by operating activities and net cash used in investing activities) saw a net outflow of 55.7 billion yen, an increase of 35.1 billion yen YoY.

3. Outlook

Tightly balanced supply and demand conditions in the DRAM market can result in extreme price volatility, which can strongly affect our business results. Since a precise forecast of future PC DRAM prices is quite difficult Elpida is not presenting earnings forecasts. Instead, as shown below, we are presenting several estimates relevant to the 2Q of FY2007 that can be used as a general guideline. In addition, some important planned future events are noted.

[Quarterly estimates]

(Figures in billions of yen otherwise specified)

	1Q FY2007 (Actual)	2Q FY2007 (Estimate)
QoQ bit growth	+13%	+5-10%
QoQ ASP change	-35%	N/A
Depreciation and amortization	22.1	23.0
Selling, general and administrative expenses	13.7	15.0
Non-Computing segment sales ratio ⁽¹⁾	55%	50%
Outsourced sales ratio	26%	30%

Note: Forecasted figures are approximate numbers.

4. Business Risk

One of the particular features of the semiconductor industry is that earnings can fluctuate greatly in line with movement along the business cycle (which in the semiconductor industry is generally known as the "silicon cycle"). In the DRAM business which Elpida participates in, this feature is particularly evident with respect to PC DRAM products that face severe global competition. This may adversely affect Elpida's business, financial condition and operations.

Also, the continuation of Elpida's business is critically dependent on undertaking research & development and capital investment on an extremely large scale. Consequently, Elpida must adopt certain measures to handle the business and other kinds of risks associated with that investment.

Listed below are the major risk factors Elpida has identified from among the variety of business and other forms of risk. Elpida has constructed a risk management system to address the kinds of risk in this list. This system is used to either avoid risk or minimize the impact of any apparent risk.

⁽¹⁾ As of FY 2007 the Digital Consumer Electronic & Mobile Devices segment and Other segment have been merged into a new segment called "Non-Computing" while the Server segment and PC segment have been merged into a new segment called "Computing."

- Cyclical changes unique to the global DRAM market caused by overcapacity following facility expansion, downward pricing pressure resulting from an imbalance between supply and demand, and other factors
- Industry realignment and other changes induced by severe competition in the DRAM industry
- Loss of or decreased demand from key customers
- Problems related to the supply of key materials or higher prices for materials
- Unsuccessful new products or problems with the transfer to the 70nm process
- The possibility that capital procurement may fall short of capital investment plans or that funds procured for use in capital investment spending may not deliver a sufficient return
- A decline in the quality of products procured from outsourcing partners, disruptions of business arrangements with these partners, and an inadequate capacity at partners to respond to product orders
- A conspicuous slowdown in the manufacture of DRAM products, interrupted production, or product defects caused by problems in the manufacturing process or with manufacturing facilities
- Severe competition with other companies in the hiring of engineers
- An inability to protect proprietary intellectual property and the rejection of a patent application
- Litigation relating to intellectual property rights and anti-trust disputes
- The influence of litigation and investigations resulting from anti-competitive practices
- Damaged facilities or disrupted supply acquisition arrangements caused by earthquakes or other natural disasters, terrorist attacks, epidemics, civil disturbances or other events that Elpida cannot control
- Emergence of new legal obligations caused by the strengthening or amending of environmental laws and regulations
- Political disturbances, domestic security disruptions, changes in laws or public policy or changes in business conditions or other unfavorable factors in countries or regions where Elpida does business
- Changes in the US dollar or Euro currency exchange rates
- Significant changes in interest rates
- The impact of our joint venture, including the management policies of joint venture partners, possible changes in the management environment and other factors
- Changes in general economic conditions

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2006 (unaudited)	As of June 30, 2007 (unaudited)	Change	As of March 31, 2007
(Assets)				
I Current assets				
1. Cash and time deposits	73,507	116,467	42,960	166,700
2. Notes and accounts receivable, trade	65,300	79,285	13,985	106,511
3. Inventories	42,762	54,070	11,308	55,412
4. Accounts receivable, other	12,427	42,447	30,020	6,231
5. Other current assets	6,189	8,674	2,485	9,957
6. Allowance for doubtful accounts	(91)	(181)	(90)	(172)
Total current assets	200,094	300,762	100,668	344,639
II Fixed assets				
1. Tangible fixed assets	309,284	380,131	70,847	387,226
2. Intangible fixed assets	8,210	9,069	859	9,390
3. Investments and other assets	18,994	82,266	63,272	21,181
Total fixed assets	336,488	471,466	134,978	417,797
Total assets	536,582	772,228	235,646	762,436
(Liabilities)				
I Current liabilities				
1. Accounts payable, trade	46,473	68,846	22,373	64,948
2. Current portion of long-term debt	37,828	27,290	(10,538)	28,181
3. Current portion of obligation under capital leases	22,407	9,280	(13,127)	11,809
4. Accounts payable, other	22,570	52,263	29,693	67,203
5. Other current liabilities	9,391	18,640	9,249	12,531
Total current liabilities	138,669	176,319	37,650	184,672
II Long-term liabilities				
1. Bond	110,000	140,000	30,000	140,000
2. Long-term debt	67,490	40,200	(27,290)	40,200
3. Obligation under capital leases	17,715	6,741	(10,974)	9,423
4. Other long-term liabilities	4,747	12,314	7,567	9,164
Total long-term liabilities	199,952	199,255	(697)	198,787
Total liabilities	338,621	375,574	36,953	383,459
(Shareholders' equity)				
I Capital stock	87,447	—	(87,447)	—
II Additional paid-in capital	98,548	—	(98,548)	—
III Retained earnings	11,649	—	(11,649)	—
IV Unrealized gains (losses) on investment securities	(6)	—	6	—
V Translation adjustments	324	—	(324)	—
VI Treasury stock	(1)	—	1	—
Total shareholders' equity	197,961	—	(197,961)	—
Total liabilities and shareholders' equity	536,582	—	(161,008)	—

(1) Consolidated Balance Sheet

(Millions of yen)

	As of June 30, 2006 (unaudited)	As of June 30, 2007 (unaudited)	Change	As of March 31, 2007
(Net assets)				
I Shareholders' equity				
1. Capital stock	—	155,383	155,383	155,009
2. Additional paid in capital	—	166,425	166,425	166,051
3. Retained earnings	—	72,541	72,541	57,987
4. Treasury stock	—	(2)	(2)	(2)
Total shareholders' equity	—	394,347	394,347	379,045
II Valuation and translation adjustments				
1. Unrealized gains (losses) on investment securities	—	151	151	(90)
2. Deferred gains (losses) on hedges	—	(972)	(972)	(652)
3. Translation adjustments	—	3,064	3,064	631
Total valuation and translation adjustments	—	2,243	2,243	(111)
III Share subscription rights	—	64	64	43
Total net assets	—	396,654	396,654	378,977
Total liabilities and net assets	—	772,228	433,607	762,436

(2) Consolidated Statements of Operations

(Millions of yen)

Account	Three months ended				Change Increase or decrease	Fiscal year ended March 31, 2007	
	June 30, 2006 (unaudited)		June 30, 2007 (unaudited)				Ratio (%)
		Ratio (%)		Ratio (%)			Ratio (%)
I Net sales	92,098	100.0	109,482	100.0	17,384	490,039	100.0
II Cost of sales	70,681	76.7	92,027	84.1	21,346	367,432	75.0
Gross profit	21,417	23.3	17,455	15.9	(3,962)	122,607	25.0
III Selling, general and administrative expenses	12,279	13.4	13,712	12.5	1,433	54,187	11.0
Operating income	9,138	9.9	3,743	3.4	(5,395)	68,420	14.0
IV Non-operating income							
1. Interest income	112		427		315	1,362	
2. Dividend income	—		—		—	108	
3. Foreign exchange gains	—		1,038		1,038	—	
4. Equity in earnings of affiliated company	12		—		(12)	258	
5. Local government subsidies	—		—		—	396	
6. Others	188		236		48	530	
V Non-operating expenses							
1. Interest expense	1,076		1,003		(73)	4,282	
2. Foreign exchange losses	859		—		(859)	1,484	
3. Equity in losses of affiliated company	—		257		257	—	
4. Stock issuance costs	—		—		—	384	
5. Bond issuance costs	—		—		—	132	
6. Others	140		448		308	1,156	
Ordinary income	7,375	8.0	3,736	3.4	(3,639)	63,636	13.0
VI Extraordinary income	5	0.0	22,112	20.2	22,107	203	0.0
VII Extraordinary losses	1,145	1.2	3,422	3.1	2,277	5,493	1.1
Income before income taxes	6,235	6.8	22,426	20.5	16,191	58,346	11.9
Income taxes	(370)	(0.4)	7,872	7.2	8,242	5,403	1.1
Net income	6,605	7.2	14,554	13.3	7,949	52,943	10.8

Note: "Income taxes" is consists of corporate tax, inhabitant tax, business tax and deferred tax.

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended		Change	Fiscal year
	June 30, 2006 (unaudited)	June 30, 2007 (unaudited)	increase or decrease	ended March 31, 2007
I Operating activities				
Income before income taxes	6,235	22,426	16,191	58,346
Depreciation and amortization	17,181	22,066	4,885	77,769
Interest and dividend income	(112)	(427)	(315)	(1,470)
Interest expense	1,076	1,003	(73)	4,282
Equity in (earnings)/losses of affiliated company	(12)	257	269	(258)
Income from sale of tangible fixed assets	(5)	(22,113)	(22,108)	(137)
Losses on sale and disposal of tangible fixed assets	853	802	(51)	1,846
(Increase)/decrease in receivables, trade	(10,398)	28,807	39,205	(50,957)
(Increase)/decrease in inventories	(3,587)	1,503	5,090	(15,423)
(Increase)/decrease in accounts receivable, other	4,595	(2,403)	(6,998)	10,618
Increase in payables, trade	5,312	3,884	(1,428)	23,762
Decrease in accounts payable, other	(3,117)	(2,311)	806	(2,329)
Others	299	857	558	(2,610)
Subtotal	18,320	54,351	36,031	103,439
Interest and dividends received	112	377	265	1,407
Interest paid	(649)	(506)	143	(4,121)
Income taxes paid	(82)	(2,295)	(2,213)	(858)
Net cash provided by operating activities	17,701	51,927	34,226	99,867
II Investing activities				
Disbursements for time deposits	—	—	—	(1,495)
Withdrawal of time deposits	—	818	818	351
Acquisition of investment securities	(70)	(58,315)	(58,245)	(2,393)
Purchase of tangible fixed assets	(37,045)	(52,130)	(15,085)	(126,748)
Proceeds from sales of tangible fixed assets	86	2,960	2,874	279
Purchase of intangible assets	(1,274)	(341)	933	(2,572)
Decrease in lease receivable	522	—	(522)	2,082
Increase in long-term prepaid expenses	(506)	(596)	(90)	(1,050)
Acquisition of business	—	—	—	(5,125)
Others	4	4	0	15
Net cash used in investing activities	(38,283)	(107,600)	(69,317)	(136,656)
III Financing activities				
Repayments of long-term debt	(2,755)	(891)	1,864	(39,692)
Proceeds from issuance of stock	417	747	330	135,098
Proceeds from issuance of bond	—	—	—	29,868
Payments for redemption of bond	(10,000)	—	10,000	(10,000)
Proceeds from sale and lease-back transactions	2,377	10,155	7,778	2,377
Repayments of obligation under capital leases	(7,200)	(5,211)	1,989	(27,080)
Purchases of treasury stock	(0)	(0)	0	(1)
Net cash provided by (used in) financing activities	(17,161)	4,800	21,961	90,570
IV Effect of exchange rates changes on cash and cash equivalents	(193)	1,487	1,680	322
V Net increase/(decrease) in cash and cash equivalents	(37,936)	(49,386)	(11,450)	54,103
VI Cash and cash equivalents at beginning of period	111,443	165,546	54,103	111,443
VII Cash and cash equivalents at end of period	73,507	116,160	42,653	165,546
Free cash flow (I + II)	(20,582)	(55,673)	(35,091)	(36,789)

Appendix (Unaudited)

1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

	Apr-Jun 2006 (1Q-FY2006)		Jul-Sep 2006 (2Q-FY2006)		Oct-Dec 2006 (3Q-FY2006)		Jan-Mar 2007 (4Q-FY2006)		Apr-Jun 2007 (1Q-FY2007)	
	%		%		%		%		%	
Net sales	92,098	100.0	111,147	100.0	142,609	100.0	144,185	100.0	109,482	100.0
Gross profit	21,417	23.3	30,586	27.5	41,248	28.9	29,356	20.4	17,455	15.9
Selling, general and administrative expenses	12,279	13.4	13,504	12.1	13,980	9.8	14,424	10.0	13,712	12.5
Operating income	9,138	9.9	17,082	15.4	27,268	19.1	14,932	10.4	3,743	3.4
Income before income taxes	6,235	6.8	12,805	11.5	26,512	18.6	12,794	8.9	22,426	20.5
Net income	6,605	7.2	12,919	11.6	24,934	17.5	8,485	5.9	14,554	13.3
EBITDA ⁽¹⁾	24,492	26.6	32,220	29.0	47,683	33.4	36,002	25.0	45,495	41.6

2. Selected Consolidated Financial Data

(Figures in millions of yen otherwise specified)

	Jun 30, 2006 (1Q-FY2006)	Sep 30, 2006 (2Q-FY2006)	Dec 31, 2006 (3Q-FY2006)	Mar 31 2007 (4Q-FY2006)	Jun 30, 2007 (1Q-FY2007)
Cash and time deposits	73,507	204,607	187,563	166,700	116,467
A/R collection period ⁽²⁾	64 days	61 days	60 days	66 days	65 days
Inventory holding period ⁽³⁾	54 days	60 days	54 days	43 days	53 days
Interest-bearing debt ⁽⁴⁾	255,440	240,029	232,877	229,613	223,511
Net D/E ratio ⁽⁵⁾	0.92 times	0.10 times	0.12 times	0.17 times	0.27 times
Shareholders' equity ratio ⁽⁶⁾	36.9%	48.8%	48.6%	49.7%	51.4%

3. Selected Consolidated Statements of Cash Flows

(Millions of yen)

	Apr-Jun 2006 (1Q-FY2006)	Jul-Sep 2006 (2Q-FY2006)	Oct-Dec 2006 (3Q-FY2006)	Jan-Mar 2007 (4Q-FY2006)	Apr-Jun 2007 (1Q-FY2007)
Net cash provided by operating activities	17,701	30,243	22,636	29,287	51,927
Net cash used in investing activities	(38,283)	(18,453)	(34,098)	(45,822)	(107,600)
Net cash provided by financing activities	(17,161)	118,507	(6,988)	(3,788)	4,800
Free cash flow	(20,582)	11,790	(11,462)	(16,535)	(55,673)

⁽¹⁾ EBITDA = Income (loss) before income taxes + Interest expense + depreciation and amortization

⁽²⁾ A/R collection period (days) = Accounts receivable, trade / Average monthly net sales x 30 days

⁽³⁾ Inventory holding period (days) = Inventories / Average monthly cost of sales x 30 days

⁽⁴⁾ Interest-bearing debt = Bond + Short-term debt + Long-term debt + Obligation under capital leases

⁽⁵⁾ Net D/E ratio (times) = (Interest-bearing debt – Cash and time deposits) / Total net assets

⁽⁶⁾ Shareholders' equity ratio (%) = (Total net assets – Share subscription rights) / Total Assets x 100