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## Consolidated Financial Report for the 1Q of FY 2008

English translation from the original Japanese-language quarterly Kessan Tanshin

### Business Results

#### 1. Overview of Consolidated Business Results

##### (1) 1Q-FY 08 Operating Results (April 1, 2008 – June 30, 2008)

(Billions of yen)

|                         | 3 mo. ended<br>Jun 30, 2008<br>(1Q-FY 08) | 3 mo. ended<br>Mar 31, 2008<br>(4Q-FY 07) | QoQ<br>Change (%) | 3 mo. ended<br>Jun 30, 2007<br>(1Q-FY 07) | YoY<br>Change (%) |
|-------------------------|---|---|-------------------|---|-------------------|
| Premier DRAM            | 45.8                                      | 44.4                                      | +3.1              | 60.6                                      | -24.4             |
| Computing DRAM          | 63.4                                      | 46.0                                      | +38.0             | 48.9                                      | +29.7             |
| Net sales               | 109.2                                     | 90.4                                      | +20.8             | 109.5                                     | -0.2              |
| Gross profit (loss)     | (1.0)                                     | (9.1)                                     | -                 | 17.5                                      | -                 |
| Operating income (loss) | (15.6)                                    | (25.9)                                    | -                 | 3.7                                       | -                 |
| Ordinary income (loss)  | (15.4)                                    | (30.7)                                    | -                 | 3.7                                       | -                 |
| Net income (loss)       | (13.8)                                    | (29.2)                                    | -                 | 14.6                                      | -                 |

*Note: Computing DRAM sales consist of DRAMs used in servers and personal computers. Premier DRAM sales consist of DRAMs used in digital consumer electronics & mobile devices and other sales.*

In the 1Q (April 1 to June 30, 2008) the drawn-out subprime loan problem in the U.S. and global inflationary fears triggered by rapid price increases for crude oil and various raw materials contributed to lower business confidence in the advanced industrialized countries except Europe. But because economic conditions were more steady in Europe and in the developing economies (e.g., BRIC countries), shipments of PCs (the biggest DRAM application) grew slightly more than 10% YoY. Also, while the upcoming Beijing Olympics have generated no special demand, there has been favorable shipment activity centering on LCD TVs. These shipments led to solid DRAM demand. Helped by this solid demand, and by improved DRAM market prices, Elpida's business showed better results compared with the previous quarter.

Looking at overall DRAM price trends, contract selling prices for 1 gigabit DDR2 SDRAM, a leading PC DRAM product, turned higher and the average spot price for this product increased 4%<sup>[1]</sup> QoQ. Elpida believes that one of the reasons for the price increase was led by steady demand for notebook PC memory modules composed of 1 gigabit DRAMs.

<sup>[1]</sup> Source: DRAMeXchange

In regard to Group manufacturing operations, efforts were made to enhance manufacturing capabilities and productivity at Rexchip Electronics Corporation (Rexchip), a DRAM production joint venture, and the Hiroshima Plant, Elpida's domestic manufacturing facility. This boosted Elpida's product supply capabilities and produced QoQ bit growth of 26%, higher than the previous forecast of 15-20% growth the company announced last April. The average selling price (ASP) fell 3% QoQ, partly because of a higher sales ratio but lower price (relative to Premier DRAM products) for PC DRAM products (which did in fact see a price rise in the 1Q).

As a result, 1Q net sales rose 21% QoQ to 109.2 billion yen, leading to a smaller gross loss of 1.0 billion yen (losses were reduced by 8.0 billion yen against the previous quarter) and a smaller operating loss of 15.6 billion yen (losses down 10.3 billion yen QoQ). Key to the improved performance was higher selling prices for PC DRAM and lower costs backed by increases in productivity at Rexchip and the Hiroshima Plant. Because of the above reasons and foreign exchange gains booked to non-operating income, an ordinary loss 15.4 billion yen (losses down 15.3 billion yen QoQ) was recorded. Thanks to continuous cost reductions at Rexchip, equity in earnings turned to the black. Lastly, a net loss of 13.8 billion yen in the quarter (losses down 15.5 billion yen QoQ) is explained mainly by a 1.4 billion yen loss on revaluation of investment securities and a 3.4 billion yen income tax adjustment.

#### □ Premier DRAMs

Despite a slowing global economy market, the market for digital consumer electronic devices remained firm. However, declining product prices put stronger downward pricing pressure on some DRAM products. Also, demand for DRAMs used in mobile phones was weak as in the previous quarter. Given this business environment, Premier DRAM net sales were a sluggish 45.8 billion yen (up 3% QoQ). Elpida is moving forward with process migration to 70nm process technology for Premier DRAMs in order to enhance performance and reduce costs.

#### □ Computing DRAMs

In the Computing DRAM business, a higher volume of supply from Rexchip enabled Elpida to meet stronger demand, particularly for DRAM modules used in notebook PCs. A rise in contract prices for 1 gigabit DRAMs, a leading DRAM product, also contributed, resulting in sales of 63.4 billion yen (up 38% QoQ). During the quarter the ratio of 1 gigabit products to overall Computing DRAM sales was about 80%. In regard to manufacturing, the migration to 65nm continued at the Hiroshima Plant and Rexchip and yields saw steady improvement.

## 2. Financial Conditions

### (1) Assets, Liabilities and Shareholders' Equity

Compared with the end of the previous fiscal year, total assets rose 10.6 billion yen to 765.0 billion yen, as accounts receivable-trade increased due to higher sales although tangible fixed assets decreased owing to continuing depreciation. Interest-bearing debt rose 28.3 billion yen to 317.3 billion yen, mainly because executed sale-and-leaseback transactions produced an increase in lease obligations. Net assets fell 6.7 billion yen to 341.1 billion yen, largely because net losses booked in the quarter reduced retained earnings and foreign currency transaction adjustments decreased.

### (2) Cash Flows

In the 1Q operating activities generated a net outflow of 16.0 billion yen, mainly because of a quarterly loss before income taxes and an increase in accounts receivable-trade. Investing activities produced a net outflow of 13.9 billion yen. While partial payment was received in regard to last year's sale of 200mm wafer manufacturing equipment, in the same quarter payments were made on a portion of manufacturing equipment purchases. Financing activities provided a net inflow of 28.3 billion yen partly because of sale-and-leaseback transactions.

As a result cash and cash equivalents at the end of the 1Q fell 0.6 billion yen against the end of the previous fiscal year to 96.3 billion yen. Also, free cash flow (a combination of net cash used by operating activities and net cash used in investing activities) saw a net outflow of 29.9 billion yen.

### 3. 2Q of FY 2008 and Full-Term Outlook

An imbalance in supply and demand in the PC DRAM market can result in extreme price volatility. Also, a precise forecast of future PC DRAM prices is quite difficult. Since extreme price volatility can strongly affect business results Elpida is not presenting earnings forecasts. Instead, as shown below, the company is presenting several estimates relevant to the second quarter of FY 2008 that can be used as a general guideline.

#### [Quarterly estimates]

|  | 1Q-FY 08<br>(Actual) | 2Q-FY 08<br>(Estimate) |
|--|----------------------|------------------------|
| QoQ bit growth                               | 26%                  | 10%                    |
| QoQ ASP change                               | -3%                  | N/A                    |
| Depreciation and amortization                | 25.5                 | 26.0                   |
| Selling, general and administrative expenses | 14.6                 | 15.0                   |

Note 1: Unit is billions of yen unless otherwise specified.

Note 2: Figures in the forecast are approximations.

#### [Yearly estimates]

|  | FY 2008 (Estimate)     |                       |
|--|------------------------|-----------------------|
|  | Announced<br>on Apr 25 | Announced<br>on Aug 7 |
| YoY bit growth                               | 70%                    | 80-90%                |
| Depreciation and amortization                | 100.0                  | 107.0                 |
| Selling, general and administrative expenses | 60.0                   | 60.0                  |
| CAPEX and investment in Rexchip              | 100.0                  | 120.0                 |

Note 1: Unit is billions of yen unless otherwise specified.

Note 2: Figures in the forecast are approximations.

Elpida is revising up the forecast for YoY bit growth from 70% announced in its guidance issued in April to 80-90%. The reason for the upward revision is that productivity gains at Rexchip and the Hiroshima Plant are exceeding the expectations Elpida had at the beginning of the fiscal year.

Also, in regard to the total for CAPEX and the amount of capital investment in Rexchip, Elpida is revising this figure higher from the April guidance figure of 100.0 billion yen to 120.0 billion yen. The main reason for the change is a higher investment in technology migration at the Hiroshima Plant. Consequently, the company is revising its FY 2008 depreciation forecast to 107.0 billion yen.

## 4. Others

### (1) Changes in significant subsidiaries in the quarter ended June 30, 2008 (changes in specified subsidiaries resulting in changes in scope of consolidation)

On April 1, 2008, Elpida merged Hiroshima Elpida Memory, Inc., a 100% owned subsidiary of the company, into its operations. As a result, the number of consolidated subsidiaries was reduced due to this merger.

### (2) Adoption of simplified accounting methods for quarterly reporting

None.

### (3) Changes in accounting policies, procedures, and presentations, etc.

#### a.) Application of “Accounting Standards for Quarterly Financial Reporting”

The “Accounting Standards for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statements No.12, March 14, 2007) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007) are applied from this fiscal year. Quarterly financial statements are prepared in accordance with “Rules for Quarterly Consolidated Financial Statements.”

#### b.) Valuation standard and method for inventories

Adoption of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) from this period has changed the valuation basis for inventories to the cost method (which writes off the book value of inventories based on decreases in profitability). The change has no impact on income.

#### c.) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

The “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006) is applied from this period and necessary modifications have been made for consolidation. The impact of the change on income is immaterial.

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### ***Forward-looking Statements***

*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.*

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

|  | As of March 31, 2008 | As of June 30, 2008 | Change  |
|--|----------------------|---------------------|---------|
| <b>(Assets)</b>                          |                      |                     |         |
| <b>I Current assets</b>                  |                      |                     |         |
| 1. Cash and deposits                     | 97,564               | 96,922              | (642)   |
| 2. Note and accounts receivable, trade   | 69,442               | 92,399              | 22,957  |
| 3. Finished goods                        | 34,304               | 42,290              | 7,986   |
| 4. Semi-finished goods                   | 16,682               | 10,714              | (5,968) |
| 5. Raw materials                         | 2,089                | 996                 | (1,093) |
| 6. Work in process                       | 19,699               | 17,042              | (2,657) |
| 7. Supplies                              | 1,580                | 1,545               | (35)    |
| 8. Accounts receivable, other            | 21,381               | 11,492              | (9,889) |
| 9. Other current assets                  | 9,284                | 9,332               | 48      |
| 10. Allowance for doubtful accounts      | (2,454)              | (2,502)             | (48)    |
| Total current assets                     | 269,571              | 280,230             | 10,659  |
| <b>II Fixed assets</b>                   |                      |                     |         |
| 1. Property, plant and equipment, net    |                      |                     |         |
| Buildings and structures                 | 71,581               | 70,833              | (748)   |
| Machinery and equipment                  | 265,834              | 263,120             | (2,714) |
| Furniture and fixtures                   | 24,995               | 24,951              | (44)    |
| Land                                     | 4,206                | 4,206               | 0       |
| Construction in progress                 | 21,255               | 17,530              | (3,725) |
| Total Property, plant and equipment, net | 387,871              | 380,640             | (7,231) |
| 2. Intangible fixed assets               |                      |                     |         |
| Goodwill                                 | 1,944                | 1,896               | (48)    |
| Others                                   | 6,261                | 6,006               | (255)   |
| Total intangible fixed assets            | 8,205                | 7,902               | (303)   |
| 3. Investments and other assets          |                      |                     |         |
| Investment securities                    | 80,690               | 85,446              | 4,756   |
| Others                                   | 8,042                | 10,767              | 2,725   |
| Total investments and other assets       | 88,732               | 96,213              | 7,481   |
| Total fixed assets                       | 484,808              | 484,755             | (53)    |
| Total assets                             | 754,379              | 764,985             | 10,606  |
| <b>(Liabilities)</b>                     |                      |                     |         |
| <b>I Current liabilities</b>             |                      |                     |         |
| 1. Accounts payable, trade               | 56,260               | 58,059              | 1,799   |
| 2. Current portion of long-term loans    | 38,400               | 38,400              | 0       |
| 3. Lease obligation                      | 7,020                | 11,547              | 4,527   |
| 4. Accounts payable, other               | 30,999               | 22,756              | (8,243) |
| 5. Income tax payable                    | 996                  | 1,011               | 15      |
| 6. Provision                             | 2,831                | 1,419               | (1,412) |
| 7. Other current liabilities             | 17,872               | 14,482              | (3,390) |
| Total current liabilities                | 154,378              | 147,674             | (6,704) |
| <b>II Long-term liabilities</b>          |                      |                     |         |
| 1. Bond                                  | 160,000              | 160,000             | 0       |
| 2. Long-term loans                       | 81,800               | 81,800              | 0       |
| 3. Lease obligation                      | 1,841                | 25,579              | 23,788  |
| 4. Provision                             | 3,262                | 3,560               | 298     |
| 5. Other long-term liabilities           | 5,223                | 5,245               | 22      |
| Total long-term liabilities              | 252,126              | 276,184             | 24,058  |
| Total liabilities                        | 406,504              | 423,858             | 17,354  |

**(1) Consolidated Balance Sheets (continued)**

(Millions of yen)

|   | As of March 31, 2008 | As of June 30, 2008 | Change   |
|---|----------------------|---------------------|----------|
| (Net assets)                                  |                      |                     |          |
| I Shareholders' equity                        |                      |                     |          |
| 1. Capital stock                              | 155,611              | 155,656             | 45       |
| 2. Additional paid-in capital                 | 166,653              | 166,698             | 45       |
| 3. Retained earnings                          | 34,445               | 20,744              | (13,701) |
| 4. Treasury stock                             | (3)                  | (4)                 | (1)      |
| Total shareholders' equity                    | 356,706              | 343,094             | (13,612) |
| II Valuation and translation adjustments      |                      |                     |          |
| 1. Unrealized losses on marketable securities | (1,329)              | (75)                | 1,254    |
| 2. Deferred gains or losses on hedges         | (545)                | (484)               | 61       |
| 3. Foreign currency translation adjustments   | (7,105)              | (1,586)             | 5,519    |
| Total valuation and translation adjustments   | (8,979)              | (2,145)             | 6,834    |
| III Stock subscription rights                 | 148                  | 178                 | 30       |
| Total net assets                              | 347,875              | 341,127             | (6,748)  |
| Total liabilities and net assets              | 754,379              | 764,985             | 10,606   |

**(2) Consolidated Statements of Operations**

(Millions of yen)

| Account  | Three-month period ended |           |               |           | Change<br>Increase or decrease |
|--|--------------------------|-----------|---------------|-----------|--------------------------------|
|  | June 30, 2007            |           | June 30, 2008 |           |                                |
|  |                          | Ratio (%) |               | Ratio (%) |                                |
| I Net sales  | 109,482                  | 100.0     | 109,221       | 100.0     | (261)                          |
| II Cost of sales                                     | 92,027                   | 84.1      | 110,239       | 100.9     | 18,212                         |
| Gross profit (loss)                                  | 17,455                   | 15.9      | (1,018)       | (0.9)     | (18,473)                       |
| III Selling, general and administrative expenses     | 13,712                   | 12.5      | 14,604        | 13.4      | 892                            |
| Operating income/(loss)                              | 3,743                    | 3.4       | (15,622)      | (14.3)    | (19,365)                       |
| IV Non-operating income                              |                          |           |               |           |                                |
| 1. Interest income                                   | 427                      |           | 102           |           | (325)                          |
| 2. Foreign exchange gains                            | 1,038                    |           | 2,398         |           | 1,360                          |
| 3. Others  | 236                      |           | 482           |           | 246                            |
| V Non-operating expenses                             |                          |           |               |           |                                |
| 1. Interest expense                                  | 1,003                    |           | 1,339         |           | 336                            |
| 2. Maintenance costs for unemployed assets           | -                        |           | 621           |           | 621                            |
| 3. Others  | 705                      |           | 806           |           | 101                            |
| Ordinary income/(loss)                               | 3,736                    | 3.4       | (15,406)      | (14.1)    | (19,143)                       |
| VI Extraordinary income                              |                          |           |               |           |                                |
| Gain on sales of property, plant and equipment       | 22,112                   | 20.2      | 8             | 0.0       | (22,104)                       |
| VII Extraordinary losses                             |                          |           |               |           |                                |
| 1. Loss on revaluation of investment securities      | -                        |           | 1,351         | 1.2       | 1,351                          |
| 2. Loss on sales of property, plant and equipment    | 1                        | 0.0       | 3             | 0.0       | 2                              |
| 3. Loss on disposal of property, plant and equipment | 801                      | 0.7       | 31            | 0.0       | (770)                          |
| 4. Others  | 2,620                    | 2.4       | -             | -         | (2,620)                        |
| Income/(loss) before income taxes                    | 22,426                   | (20.5)    | (16,783)      | (15.4)    | 5,643                          |
| Income taxes   |                          |           |               |           |                                |
| Current  | 4,269                    | 3.9       | 427           | 0.4       | (3,842)                        |
| Deferred   | 3,603                    | 3.3       | (3,441)       | (3.2)     | (7,044)                        |
| Total income taxes                                   | 7,872                    | 7.2       | (3,014)       | (2.8)     | (10,886)                       |
| Net income/(loss)                                    | 14,554                   | 13.3      | (13,769)      | (12.6)    | (28,323)                       |

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

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

|  | Three-month period ended |               | Change               |
|--|--------------------------|---------------|----------------------|
|  | June 30, 2007            | June 30, 2008 | increase or decrease |
| <b>I Operating activities</b>                                    |                          |               |                      |
| Loss before income taxes   | 22,426                   | (16,783)      | (39,209)             |
| Depreciation and amortization                                    | 22,066                   | 25,491        | 3,425                |
| Increase in allowance for doubtful accounts                      | (331)                    | (1,357)       | (1,026)              |
| Interest and dividend income                                     | (427)                    | (102)         | 325                  |
| Interest expense   | 1,003                    | 1,339         | 336                  |
| Foreign exchange gains   | (2,331)                  | (2,379)       | (48)                 |
| Gain on sales of property, plant and equipment                   | (22,113)                 | (5)           | 22,108               |
| Loss on disposal of property, plant and equipment                | 801                      | 31            | (770)                |
| Loss on revaluation of investment securities                     | -                        | 1,351         | 1,351                |
| Increase in accounts receivable, trade                           | 28,807                   | (20,607)      | (49,414)             |
| Decrease in inventories  | 1,503                    | 1,992         | 489                  |
| Increase in accounts receivable, other                           | (2,403)                  | (1,004)       | 1,399                |
| Increase in accounts payable, trade                              | 3,884                    | 1,653         | (2,231)              |
| Decrease in accounts payable, other                              | (2,311)                  | (2,488)       | (177)                |
| Others   | 3,777                    | (2,444)       | (6,221)              |
| Subtotal   | 54,351                   | (15,312)      | (69,663)             |
| Interest and dividend received                                   | 377                      | 377           | 0                    |
| Interest paid  | (506)                    | (702)         | (196)                |
| Income taxes paid  | (2,295)                  | (387)         | (1,908)              |
| Net cash provided by operating activities                        | 51,927                   | (16,024)      | (67,951)             |
| <b>II Investing activities</b>                                   |                          |               |                      |
| Disbursements for time deposits                                  | -                        | (564)         | (564)                |
| Withdrawal of time deposits                                      | 818                      | 623           | (195)                |
| Purchases of property, plant and equipment                       | (52,130)                 | (23,419)      | 28,711               |
| Proceeds from sales of property, plant and equipment             | 2,960                    | 10,919        | 7,959                |
| Purchases of intangible fixed assets                             | (341)                    | (293)         | 48                   |
| Increase in long-term prepaid expenses                           | (596)                    | (1,166)       | (570)                |
| Others   | (58,311)                 | (6)           | (6)                  |
| Net cash used in investing activities                            | (107,600)                | (13,906)      | 93,694               |
| <b>III Financing activities</b>                                  |                          |               |                      |
| Proceeds from issuance of stock                                  | 747                      | 89            | (658)                |
| Proceeds from sale-and-leaseback transactions                    | 10,155                   | 32,831        | 22,676               |
| Repayments of obligation under capital leases                    | (5,211)                  | (4,586)       | 625                  |
| Purchases of treasury stock                                      | (0)                      | (0)           | 0                    |
| Net cash provided by financing activities                        | 4,800                    | 28,334        | 23,534               |
| IV Effect of exchange rates changes on cash and cash equivalents | 1,488                    | 978           | (510)                |
| V Net increase (decrease) in cash and cash equivalents           | (49,385)                 | (618)         | 48,767               |
| VI Cash and cash equivalents at beginning of the year            | 165,546                  | 96,955        | (68,591)             |
| VII Cash and cash equivalents at end of the year                 | 116,160                  | 96,337        | (19,823)             |
| Free cash flow (I+II)  | (55,673)                 | (29,930)      | 25,743               |

## Appendix (Unaudited)

### 1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

|   | Apr-Jun 2007<br>(1Q-FY 07) |       | Jul-Sep 2007<br>(2Q-FY 07) |       | Oct-Dec 2007<br>(3Q-FY 07) |       | Jan-Mar 2008<br>(4Q-FY 07) |       | Apr-Jun 2008<br>(1Q-FY 08) |       |
|---|----------------------------|-------|----------------------------|-------|----------------------------|-------|----------------------------|-------|----------------------------|-------|
|   |                            | %     |                            | %     |                            | %     |                            | %     |                            | %     |
| Net sales                                       | 109,482                    | 100.0 | 111,555                    | 100.0 | 94,047                     | 100.0 | 90,397                     | 100.0 | 109,221                    | 100.0 |
| Gross profit (loss)                             | 17,455                     | 15.9  | 19,764                     | 17.7  | 5,180                      | 5.5   | (9,059)                    | -10.0 | (1,018)                    | -0.9  |
| Selling, general and administrative expenses    | 13,712                     | 12.5  | 13,624                     | 12.2  | 14,120                     | 15.0  | 16,824                     | 18.6  | 14,604                     | 13.4  |
| Operating income (loss)                         | 3,743                      | 3.4   | 6,140                      | 5.5   | (8,940)                    | -9.5  | (25,883)                   | -28.6 | (15,622)                   | -14.3 |
| Income (loss) before income taxes               | 22,426                     | 20.5  | 1,216                      | 1.1   | (13,019)                   | -13.9 | (31,690)                   | -35.1 | (16,783)                   | -15.4 |
| Net income (loss)                               | 14,554                     | 13.3  | 3,274                      | 2.9   | (12,129)                   | -12.9 | (29,241)                   | -32.3 | (13,769)                   | -12.6 |
| EBITDA <sup>(1)</sup>                           | 45,495                     | 41.6  | 25,229                     | 22.6  | 12,088                     | 12.9  | (5,506)                    | -6.1  | 10,047                     | 9.2   |
| Average exchange rate<br>(Yen to a U.S. Dollar) | 119.02                     |       | 120.40                     |       | 114.07                     |       | 109.12                     |       | 102.56                     |       |

### 2. Selected Consolidated Financial Data

(Figures in millions of yen otherwise specified)

|   | Jun 30, 2007<br>(1Q-FY 07) | Sep 30, 2007<br>(2Q-FY 07) | Dec 31, 2007<br>(3Q-FY 07) | Mar 31, 2008<br>(4Q-FY 07) | Jun 30, 2008<br>(1Q-FY 08) |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Cash and time deposits                    | 116,467                    | 96,954                     | 97,496                     | 97,564                     | 96,922                     |
| A/R collection period <sup>(2)</sup>      | 65 days                    | 61 days                    | 69 days                    | 69 days                    | 76 days                    |
| Inventory holding period <sup>(3)</sup>   | 53 days                    | 62 days                    | 78 days                    | 67 days                    | 59 days                    |
| Interest-bearing debt <sup>(4)</sup>      | 223,511                    | 206,535                    | 224,108                    | 289,061                    | 317,326                    |
| Net D/E ratio <sup>(5)</sup>              | 0.27 times                 | 0.28 times                 | 0.33 times                 | 0.55 times                 | 0.65 times                 |
| Shareholders' equity ratio <sup>(6)</sup> | 51.4%                      | 51.0%                      | 49.6%                      | 46.1%                      | 44.6 %                     |

### 3. Selected Consolidated Statements of Cash Flows

(Millions of yen)

|   | Apr-Jun 2007<br>(1Q-FY 07) | Jul-Sep 2007<br>(2Q-FY 07) | Oct-Dec 2007<br>(3Q-FY 07) | Jan-Mar 2008<br>(4Q-FY 07) | Apr-Jun 2008<br>(1Q-FY 08) |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Net cash provided by operating activities           | 51,927                     | 31,870                     | 13,188                     | (13,883)                   | (16,024)                   |
| Net cash used in investing activities               | (107,600)                  | (72,935)                   | (30,957)                   | (48,902)                   | (13,906)                   |
| Net cash provided by (used in) financing activities | 4,800                      | 23,504                     | 17,649                     | 64,701                     | 28,334                     |
| Free cash flow                                      | (55,673)                   | (41,065)                   | (17,769)                   | (62,785)                   | (29,930)                   |

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

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

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

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

<sup>(5)</sup> Net D/E ratio (times) = (Interest-bearing debt – Cash and time deposits) / (Total net assets – Share subscription rights)

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