

# ***ELPIDA***

## **1Q FY2008 Financial Review & Business Updates**

**August 7, 2008  
Elpida Memory, Inc.**

The information contained within this presentation includes forward-looking statements that are based on management's view based on information available at the time of the presentation. These forward-looking 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's actual results 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.



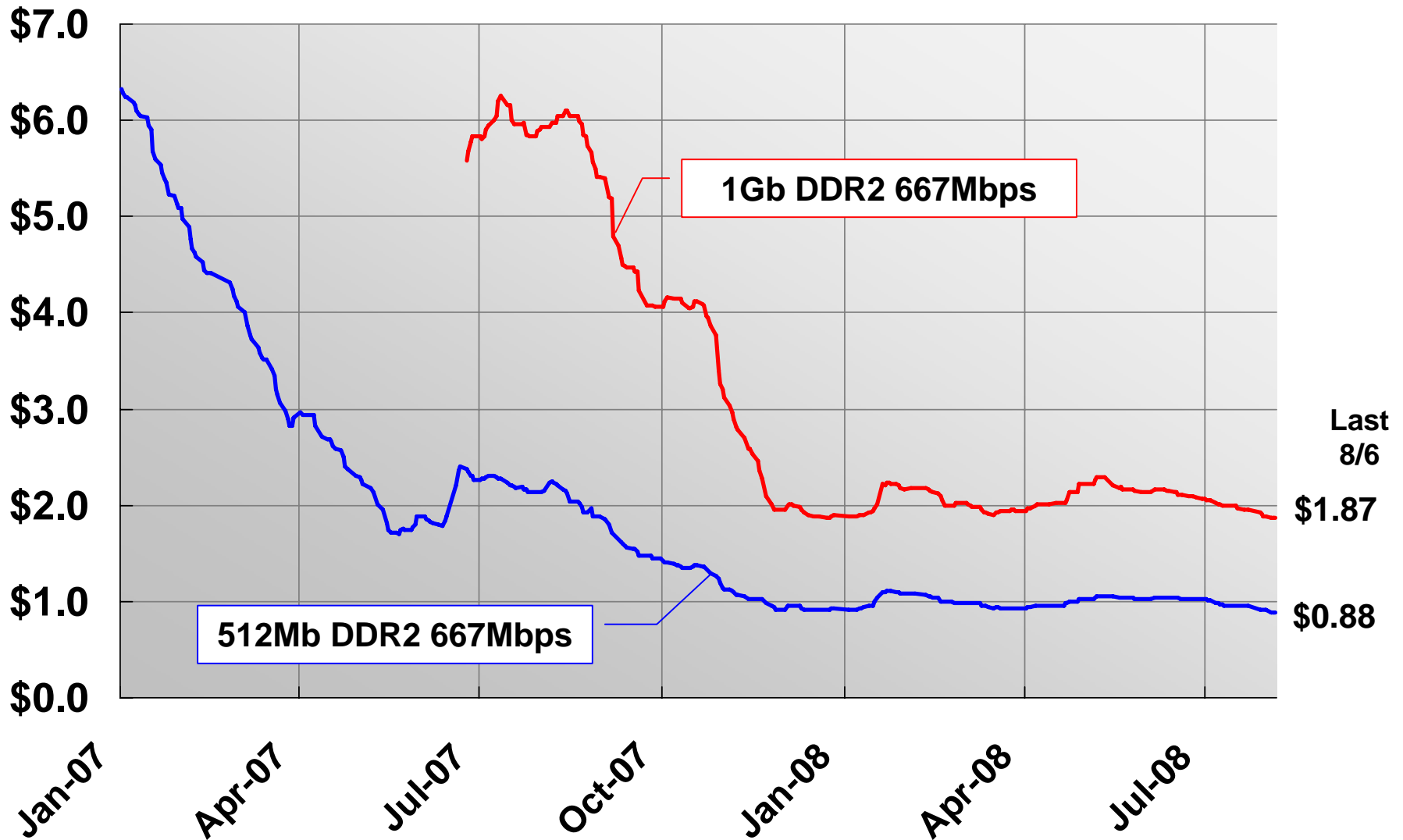
## **Financial Review**



## **Business Updates**

# DRAM Spot Price

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Source: DRAM eXchange

# 1Q-FY2008 Results

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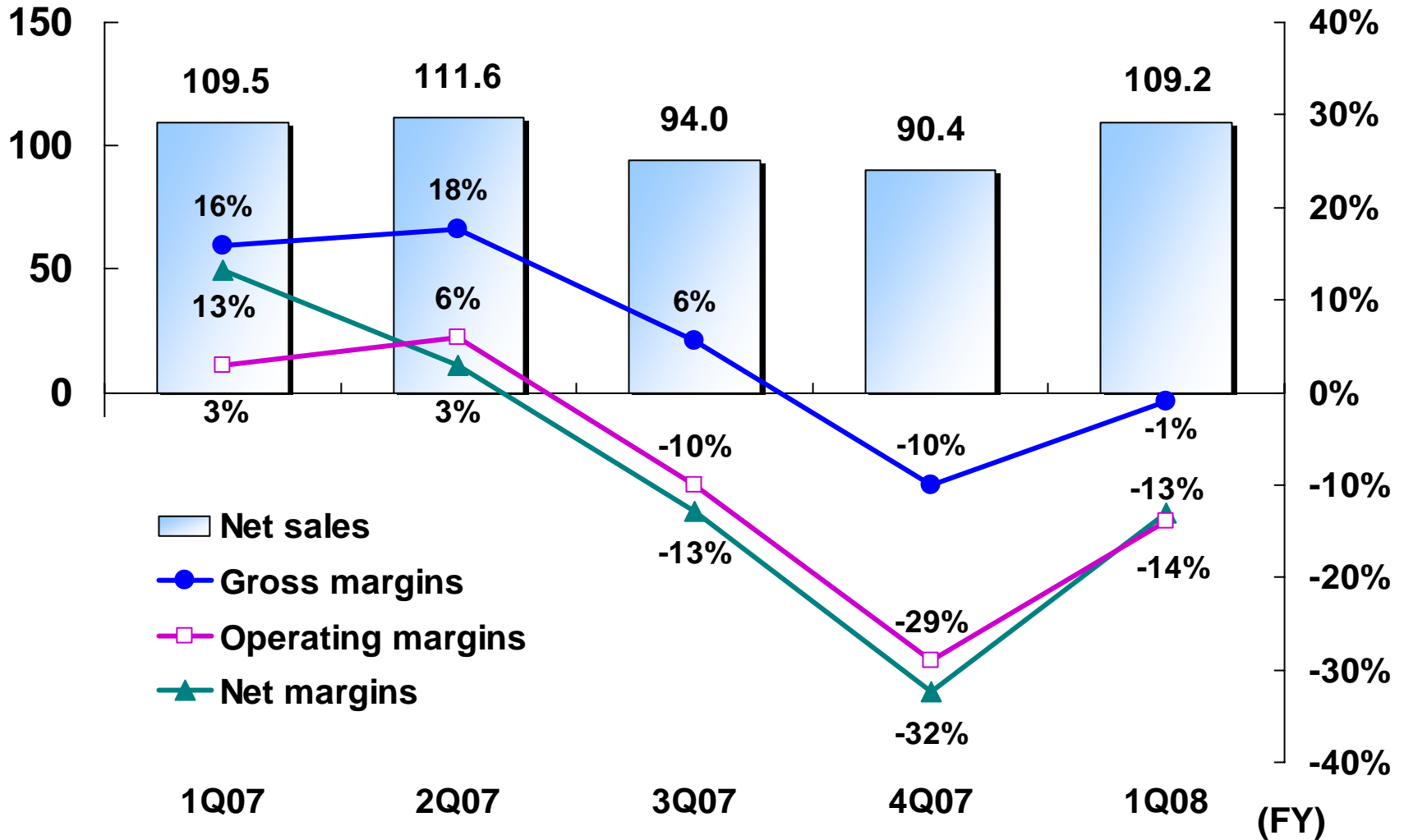
| (Billion JPY)           | 1Q08   | %     | 4Q07   | %     | Change | %    | 1Q07  | %     | Change | %    |
|-------------------------|--------|-------|--------|-------|--------|------|-------|-------|--------|------|
| Net sales               | 109.2  | 100.0 | 90.4   | 100.0 | 18.8   | 20.8 | 109.5 | 100.0 | (0.3)  | -0.2 |
| Gross profit (loss)     | (1.0)  | -0.9  | (9.1)  | -10.0 | 8.0    | -    | 17.5  | 15.9  | (18.5) | -    |
| Operating income (loss) | (15.6) | -14.3 | (25.9) | -28.6 | 10.3   | -    | 3.7   | 3.4   | (19.4) | -    |
| Ordinary income (loss)  | (15.4) | -14.1 | (30.7) | -33.9 | 15.3   | -    | 3.7   | 3.4   | (19.1) | -    |
| Net income (loss)       | (13.8) | -12.6 | (29.2) | -32.3 | 15.5   | -    | 14.6  | 13.3  | (28.3) | -    |
| Bit growth              |        |       |        |       | 26%    |      |       |       | 107%   |      |
| ASP change              |        |       |        |       | -3%    |      |       |       | -44%   |      |

- High bit growth have resulted in almost the same sales level with a year ago
- Rise in PC DRAM prices and lower bit costs reduced QoQ losses
- Major non-operating income: JPY2.4bn foreign exchange gains JPY0.8bn equity in earnings
- Since operating income was almost breakeven in June executive reduced compensation has been cancelled. But because of unclear earnings prospects from 2Q onward CEO Sakamoto will accept a 20% pay cut until stable profitability is achieved.

# Quarterly Sales & Profit Margins

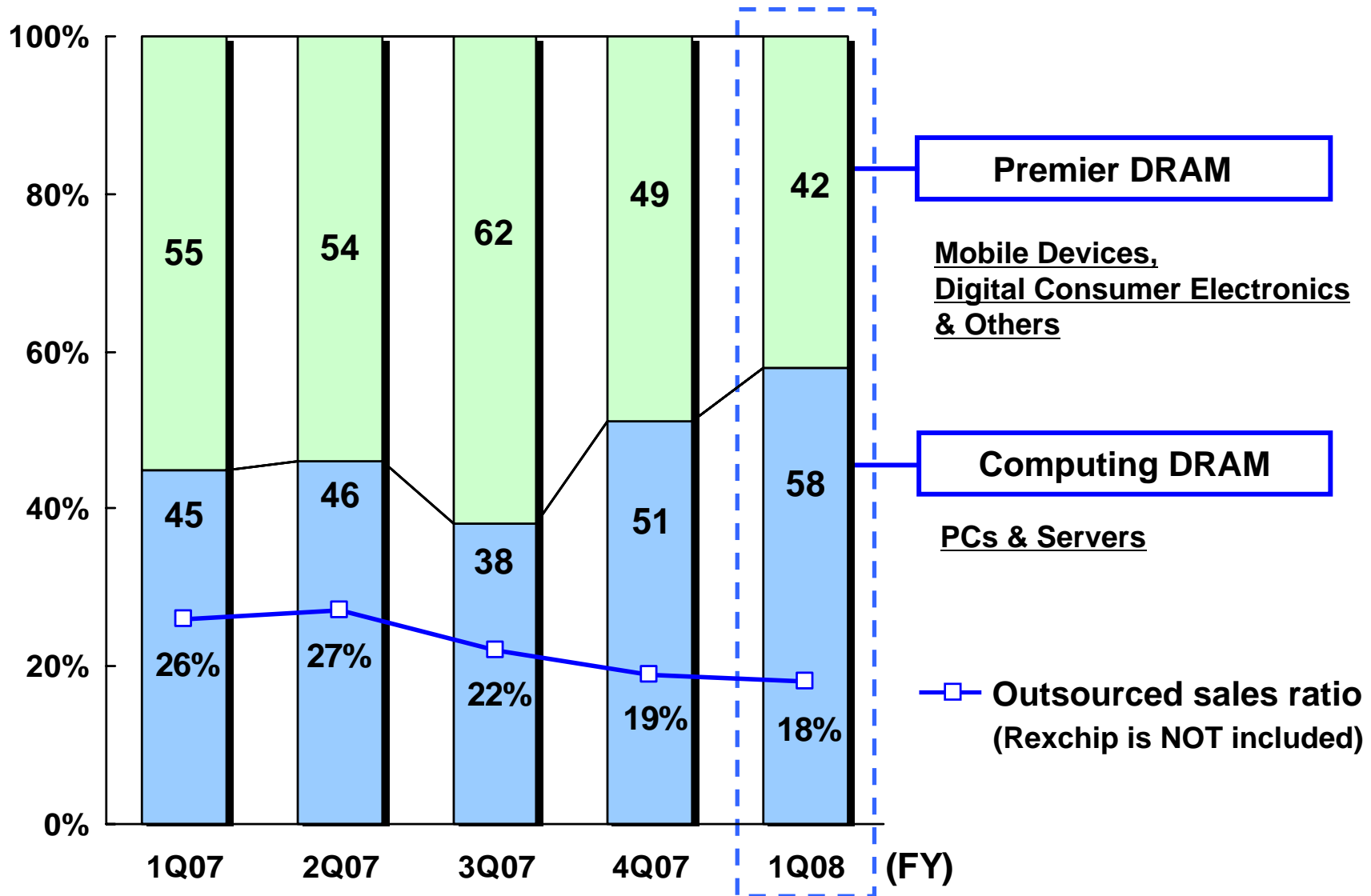
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(Billion JPY)



# Sales Breakdown by Category

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# Financial Position

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| <b>(Billion JPY)</b>               | <b>Jun 30<br/>2008</b> | <b>Mar 31<br/>2008</b> | <b>Jun 30<br/>2007</b> |
|------------------------------------|------------------------|------------------------|------------------------|
| <b>Total assets</b>                | <b>765.0</b>           | <b>754.4</b>           | <b>772.2</b>           |
| <b>Net assets</b>                  | <b>341.1</b>           | <b>347.9</b>           | <b>396.7</b>           |
| <b>Cash &amp; time deposits</b>    | <b>96.9</b>            | <b>97.6</b>            | <b>116.5</b>           |
| <b>Tangible fixed assets</b>       | <b>380.6</b>           | <b>387.9</b>           | <b>380.1</b>           |
| <b>Interest-bearing debt</b>       | <b>317.3</b>           | <b>289.1</b>           | <b>223.5</b>           |
| <b>Net D/E ratio (times)</b>       | <b>0.65</b>            | <b>0.55</b>            | <b>0.27</b>            |
| <b>Shareholders' equity ratio</b>  | <b>44.6%</b>           | <b>46.1%</b>           | <b>51.4%</b>           |
| <b>A/R collection period</b>       | <b>76 days</b>         | <b>69 days</b>         | <b>65 days</b>         |
| <b>Inventory holding period</b>    | <b>59 days</b>         | <b>67 days</b>         | <b>53 days</b>         |
| <b>Operating cash flow (3 mo.)</b> | <b>(16.0)</b>          | <b>(13.9)</b>          | <b>51.9</b>            |
| <b>Free cash flow (3 mo.)</b>      | <b>(29.9)</b>          | <b>(62.8)</b>          | <b>(55.7)</b>          |

# 2Q-FY08 & FY2008 Guidance

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| For the quarter<br>(Billion JPY) | 1Q-FY08              |        | 2Q-FY08             |
|----------------------------------|----------------------|--------|---------------------|
|                                  | '08 4/25<br>Guidance | Actual | '08 8/7<br>Guidance |
| QoQ bit growth                   | 15-20%               | 26%    | Approx.10%          |
| Depreciation expenses            | 25.0                 | 25.5   | 26.0                |
| SG&A expenses                    | 15.0                 | 14.6   | 15.0                |

| For the year<br>(Billion JPY)          | FY2008               |                     |   |
|--|----------------------|---------------------|---|
|  | '08 4/25<br>Guidance | '08 8/7<br>Guidance | Main reasons for changes  |
| YoY annual bit growth                  | 70%                  | 80-90%              | • Productivity improvements above initial expectations  |
| Depreciation expenses                  | 100.0                | 107.0               | • Hiroshima Plant capex increased   |
| SG&A expenses                          | 60.0                 | 60.0                | -   |
| Elpida CAPEX and Investment in Rexchip | 100.0                | 120.0               | • Greater investment in Hiroshima Plant technology migration<br>• Investment in Rexchip will be JPY20bn in 4Q-FY08) |

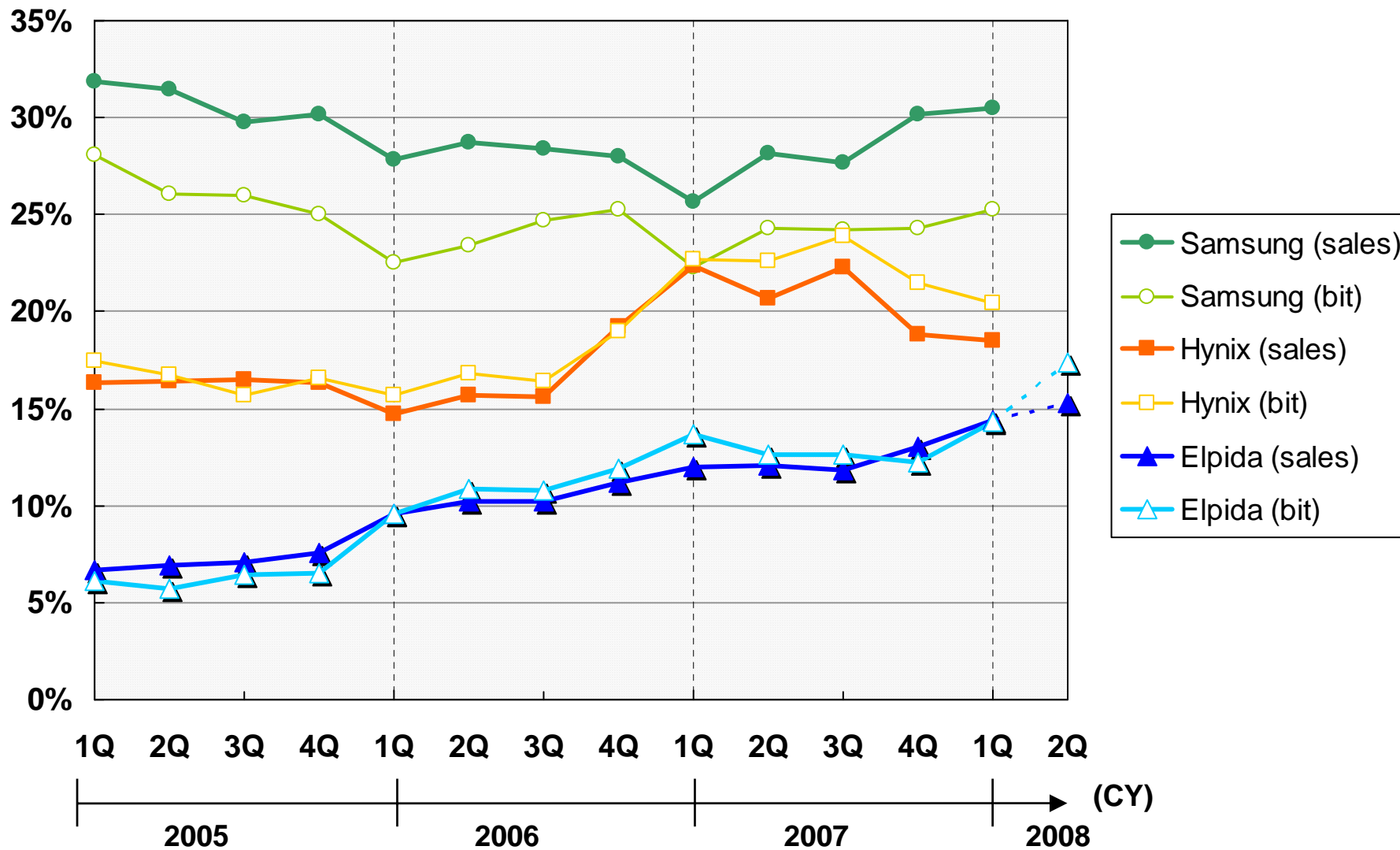


## Financial Review



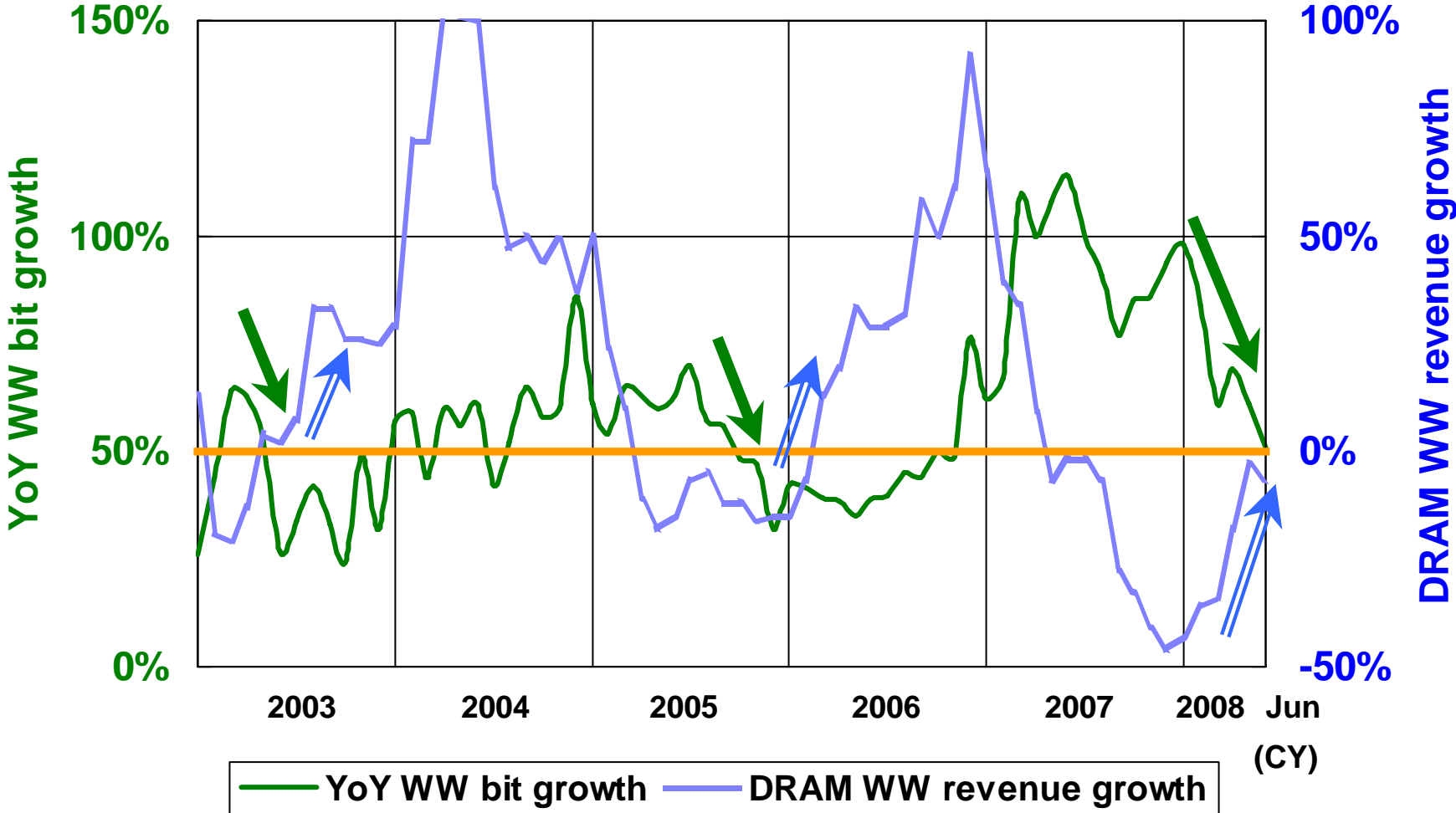
## Business Updates

# DRAM Market Share (Sales & Bit)



Source: iSuppli DRAM Market Tracker - Q2 2008 update, 2Q08 Elpida estimate based on WSTS's public data

## DRAM Bit and Sales Growth



Source: WSTS

## 2H CY08 market: Many positive factors but also much uncertainty

|        | Positive  | Negative   |
|--------|---|--|
| Demand | <ul style="list-style-type: none"> <li>☺ Entered end-year demand period</li> <li>☺ PC shipments currently firm</li> <li>☺ 2H08 growth of DRAM content per PC may slow but still continue to rise</li> </ul> | <ul style="list-style-type: none"> <li>☹ More preinstalled memory modules may shrink the spot market, causing stagnant spot pricing</li> <li>☹ Increased inventory in the market</li> <li>☹ PC shipment slowdown?</li> </ul> |
| Supply | <ul style="list-style-type: none"> <li>☺ Big capex cuts &amp; less 200mm fab production<br/>→ bit growth slowdown</li> <li>☺ Slow technology migration at some makers</li> </ul>                            | <ul style="list-style-type: none"> <li>☹ Manufacturing line shift from NAND to DRAM ?</li> </ul>   |

### Risk factors :

**Slowdown in global economy may lead to less demand for PCs and high-end mobile phones**

| Process     | Status   | Key points   |
|-------------|--|--|
| <b>65nm</b> | <ul style="list-style-type: none"><li>◆ Mass production started in Jan 08; shift from 70nm underway</li><li>◆ Currently seeing major yield improvements</li><li>◆ Rexchip now in mass production</li></ul> | <ul style="list-style-type: none"><li>• Using <u>6F<sup>2</sup> cell design</u><br/>→ 33% less cell surface area (vs. earlier generation)</li><li>• Continuing with <u>proven ArF lithography</u><br/>→ Holds down production costs</li><li>• Developing <u>smaller die size product</u> with new circuit technology</li></ul> |
| <b>50nm</b> | <ul style="list-style-type: none"><li>◆ Core development to soon end</li><li>◆ Jan-Mar 09: Planned start of mass production</li></ul>  | <ul style="list-style-type: none"><li>• Using <u>ArF immersion lithography</u></li><li>• <u>6F<sup>2</sup> cell design</u><br/>→ 37% less cell surface area (vs. earlier generation)</li><li>• Using Cu process</li></ul>  |

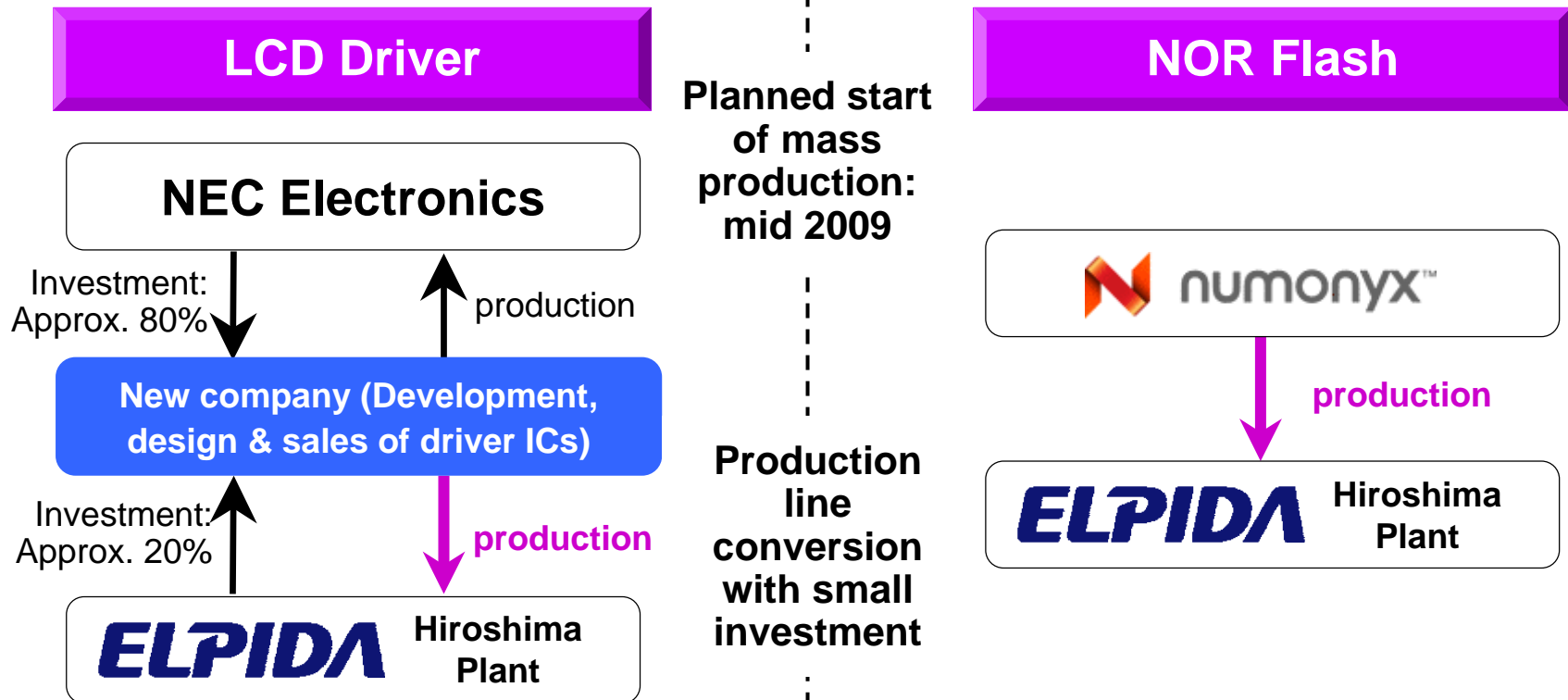
# Started Foundry Business

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Basic agreement on foundry contracts to promote efficient use of manufacturing facilities and greater earnings stability

Announced June 20, 2008

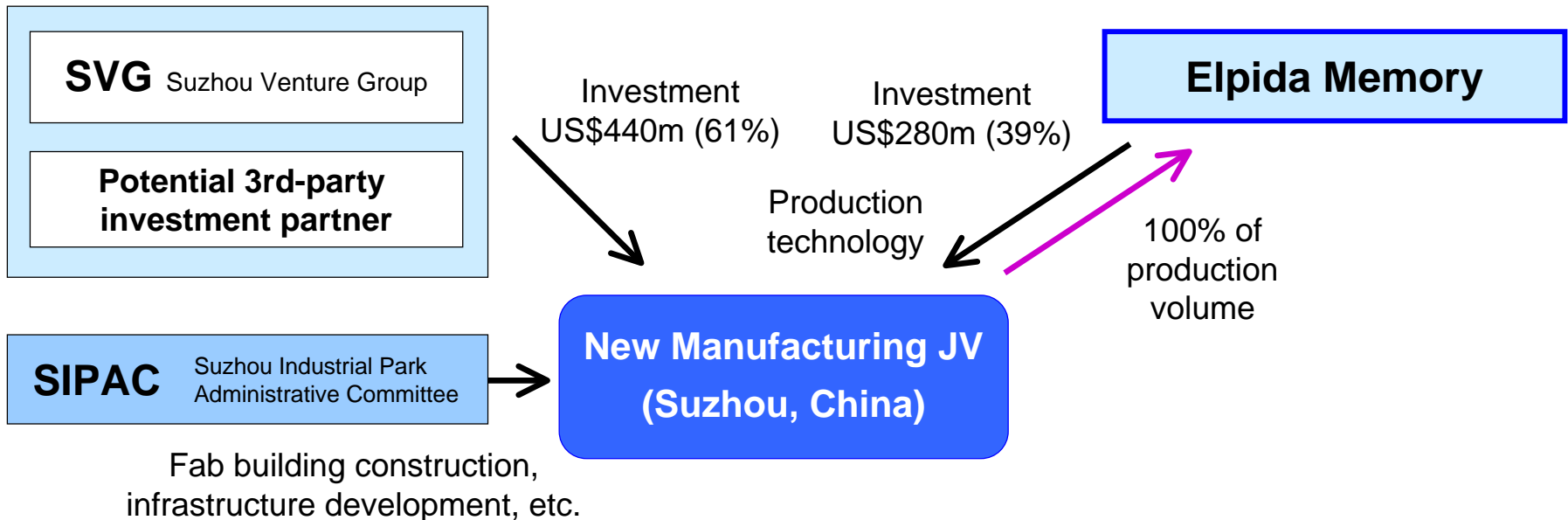
Announced July 10, 2008



Benefit to customer: Foundry production at highly cost-effective large-scale 300mm fab can boost competitiveness

Creating a manufacturing base in China to respond to a future expansion of China's DRAM demand

Announced August 6, 2008

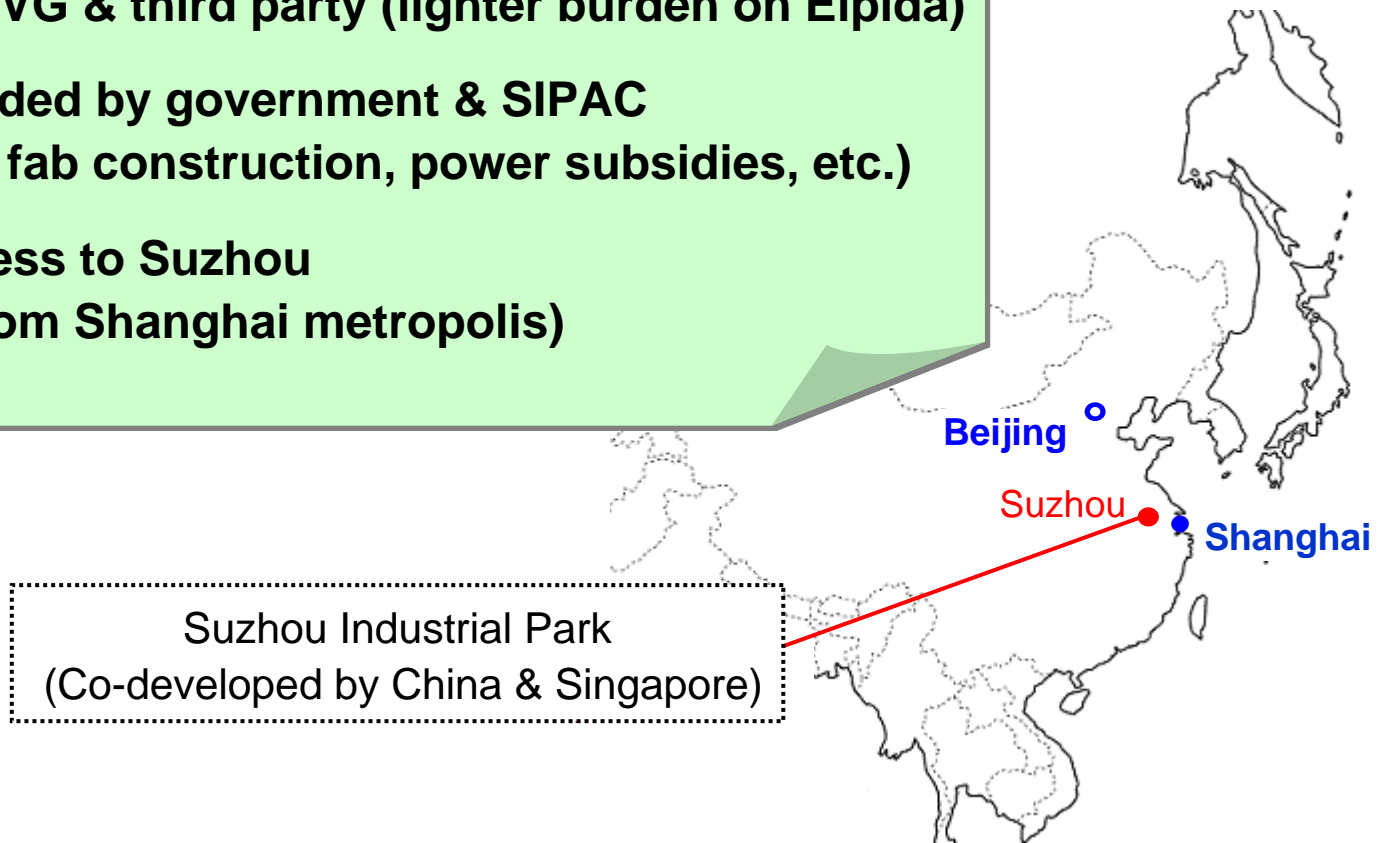


- **Business:** 300mm fab DRAM production (front end)
- **Start of production:** Jan-Mar 2010
- **Production capacity:** 1<sup>st</sup> phase 40Kwpm, 2<sup>nd</sup> phase 80Kwpm

# Goals and Advantages of JV in China *ELPIDA*

## Greater benefit for Elpida's future growth

- Develop business in China's growing market
- Investment by SVG & third party (lighter burden on Elpida)
- Incentives provided by government & SIPAC  
(Tax exemption, fab construction, power subsidies, etc.)
- Convenient access to Suzhou  
(within 100km from Shanghai metropolis)



## Current

- ◆ **Achieving cost reductions through technology migration**
  - **65nm: Better yields, expanded production**
  - **Development of 50nm is on schedule**
- ◆ **Ensuring profits by expanding Premier DRAM business**
  - **New customers & design wins**

## Longer Term

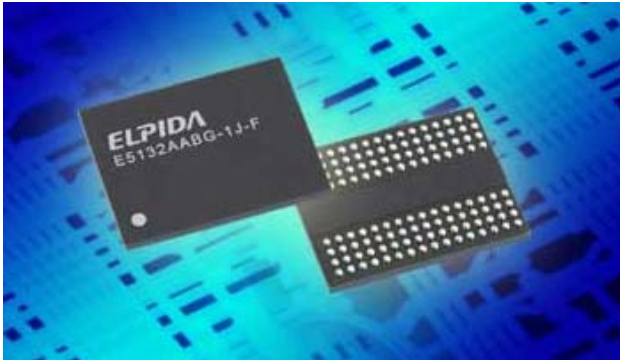
- ◆ **Development of 40nm & below process technologies and next-generation memory**
  - **Co-develop with corporate partners and organizations (UMC, Qimonda, IMEC, etc.)**
- ◆ **Development of TSV technology**
- ◆ **Start-up & expansion of foundry business**
- ◆ **China fab start-up**



# Appendix

- **QoQ bit shipment growth:** **Up 26%**
- **QoQ Average Selling Price:** **About \$3 (1Gb equiv.)**  
**Down 3%**
- **DDR2/Total DRAM sales:** **Approx. 60%**  
**DDR2/PC+Server sales:** **Approx. 95%**
- **>=1Gb/PC+Server sales:** **Approx. 80%**
- **Outsourced DRAM sales ratio:** **18%**
- **CAPEX:** **JPY 16.4 billion**
- **Depreciation costs:** **JPY 25.5 billion**

## Elpida Offers Industry's First DDR2 SDRAM with x32-bit I/O Configuration (Announced May 15, 2008)



- ▶ A one-chip solution: a 512-megabit DDR2 SDRAM with x32-bit I/O configuration
- ▶ Specially designed for consumer devices
- ▶ Mass production expected to start in Sep. 08

### Advantages of the x32-bit solution:

- Approx. 25% memory area reduction on the board (suited for use in digital consumer devices)
- Fewer package balls (40 balls)
- Approx. 20% less power consumption
- A one-chip solution offering low EMI and better signal quality

**Realizes a simpler board layout &  
reduces a customer's total system costs**

## Elpida's DDR3 SO-DIMM Receives Intel's Validation (Announced April 2, 2008)

- ▶ DDR3 SO-DIMM mass production capabilities recognized & mass production has started

## Elpida Develops Top-Tier Power Efficient 2Gbps High-Speed DDR3 SDRAM (Announced July 15, 2008)

- ▶ Design Process: Advanced 65nm
- ▶ Uses 35% less operating current compared with Elpida's existing products & is much faster than the industry standard of 1600Mbps at 1.5V.
- ▶ An "Eco product" that reduces power consumption to the lower level
- ▶ Meets demand for lower power consumption & faster speeds across a wide range of target applications (servers, DDR3-model PCs, digital TVs, etc.)
- ▶ Sample shipments to start in Sep. 2008  
Mass production expected to begin in Oct. 2008



| Data Transfer Rates | DDR3-1600           |                    | DDR3-1867/2000     |
|---------------------|---------------------|--------------------|--------------------|
|                     | (Industry standard) | (Elpida's product) | (Elpida's product) |
| Supply Voltage      | 1.5V                | 1.35V              | 1.5V               |

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そのDRAMは、夢と情熱で創られる。

