

July 29, 2010

Elpida Memory, Inc.  
(Tokyo Stock Exchange, 6665)  
2-2-1 Yaesu, Chuo-ku, Tokyo  
104-0028 Japan  
<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

## Consolidated Financial Report for the 1Q of FY 2010

English translation from the original Japanese-language quarterly Kessan Tanshin

### Business Results

#### 1. Overview of Consolidated Business Results

##### (1) 1Q-FY2010 Operating Results (April 1, 2010 – June 30, 2010)

	3 mo. ended Jun 30, 2010 (1Q-FY 10)	3 mo. ended Mar 31, 2010 (4Q-FY 09)	QoQ Change (%)	3 mo. ended Jun 30, 2009 (1Q-FY 09)	YoY Change (%)
Net sales	176.3	147.5	+19.5	72.6	+143.0
Gross profit (loss)	61.7	54.3	+13.7	(26.6)	-
Operating income (loss)	44.4	37.8	+17.7	(42.3)	-
Ordinary income (loss)	37.0	36.8	+0.8	(46.6)	-
Net income (loss)	30.7	33.7	-8.9	(44.4)	-

In the 1Q of FY 2010 (April 1, 2010 to June 30, 2010), despite the seasonal slowdown usually observed in these months, the DRAM market saw strong demand for DRAMs used in PCs, smartphones, digital TV and other electronic equipment and continuation of tight supply and demand conditions. As a result, DRAM selling prices were generally at high levels.

Elpida's average selling price (ASP) for the 1Q was up 9% against the 4Q of FY 2009 and up 78% YoY. Bit shipment growth in the 1Q was 8% QoQ and 48% YoY.

As a result, 1Q net sales were 176.3 billion yen, up 143% YoY and 19.5% QoQ. Sales of Premier DRAMs (used in mobile devices and digital consumer electronics) rose approx. 20% QoQ, as higher DRAM demand centering on smartphones and digital TVs boosted shipment volumes. Because of higher selling prices and sales volumes, sales of Computing DRAMs (used in servers and PCs) also achieved approx. 20% increase QoQ and accounted for 80% of total sales.

1Q operating income improved by 86.7 billion yen YoY (as against a loss of 42.3 billion yen in the FY 2009 1Q) to reach 44.4 billion yen. Help came from significantly higher gross profit, which was lifted by higher prices and lower manufacturing costs. Ordinary income, which was hit by a foreign exchange loss of 3.9 billion yen, interest expenses of 2.8 billion yen and other extraordinary items, was 37.0 billion yen (versus a 46.6 billion loss a year ago). Net income was 30.7 billion yen (versus a 44.4 billion loss a year ago), partly because of a 5.2 billion yen income on minority interests.

## **2. Financial Conditions**

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

End-FY 2010 1Q total assets were 989.8 billion yen, up 42.4 billion yen compared to the end of FY 2009. Among the relevant asset value factors were an increase in cash and deposits due mainly to improved operating cash flow and an increase in notes and accounts receivable-trade made enabled by higher sales but a lower value for tangible fixed assets due to depreciation.

Interest-bearing debt fell 11.3 billion yen versus the end of FY 2009 to 493.5 billion yen as a result of scheduled debt repayment and payments on lease obligations.

Elpida finished the 1Q with net assets of 369.4 billion yen, up 22.6 billion yen versus the end of FY 2009. While the purchase of investments in subsidiaries reduced minority interests by 13.5 billion yen, the issuance of new shares to Kingston Technology Corporation in April 2010 boosted capital stock and the capital surplus by 5.8 billion yen each. Other factors include higher retained earnings due to positive net income.

Based on a resolution passed at an ordinary general meeting of shareholders held on June 25 2010, Elpida reduced capital reserve by 143.5 billion yen. That amount was transferred to other capital surplus and used to offset a deficit in retained earnings brought forward.

### **(2) Cash Flows**

Operating activities saw a net cash inflow of 64.8 billion yen, partly as a result of 36.7 billion yen in quarterly income before income taxes. Compared with losses a year ago in FY 2009 1Q, operating cash flow improved by 73.4 billion yen.

Investing activities used net cash of 29.4 billion yen, a drop of 3.7 billion yen compared with a year ago. Among the main cash flow factors were 5.7 billion yen in collection of loans receivable but 17.5 billion yen for the purchase of property, plant and equipment (13.5 billion yen lower compared with the FY 2009 1Q) and 15.2 billion yen used to purchase investments in subsidiaries.

Free cash flow, the total of cash flow from operating activities and cash flow from investment activities, saw an inflow of 35.4 billion, an improvement of 77.1 billion yen compared with a year earlier.

Financing activities turned from an outflow of 11.4 billion a year earlier to a net cash inflow of 5.5 billion yen. The main cash flow activity consisted of scheduled debt repayments in the amount of 13.3 billion yen (2.0 billion yen higher compared with the FY 2009 1Q), proceeds from issuance of common stock that brought in 11.6 billion yen and convertible bonds with stock subscription rights that raised 6.8 billion yen.

The balance of cash and cash equivalents at the end of FY 2010 1Q increased 37.2 billion yen versus the end of FY 2009 to 149.4 billion yen.

### 3. 2Q of FY 2010 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 2Q and full term of FY 2010 that can be used as a general guideline.

#### [Quarterly estimates]

	1Q-FY 10 (Actual)	2Q-FY 10 (Estimate)
QoQ bit growth	8%	5-10%
QoQ ASP change	9%	N/A
Depreciation & amortization	¥31.1 bn.	¥32.0 bn.
SG&A	¥17.3 bn.	¥17.5 bn.

#### [Yearly estimates]

	FY 2010 Forecast	
	As of May 12, 2010	As of July 29, 2010
YoY bit growth	45%	45%
Depreciation & amortization	¥130.0 bn.	¥130.0 bn.
SG&A	¥68.0 bn.	¥68.0 bn.
Capital expenditures	¥115.0 bn.	¥115.0 bn.

## 4. Others

### (1) Changes in significant subsidiaries in the first quarter ended June 30, 2010

Not applicable

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

Not applicable

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

#### 1. Changes in accounting standard

##### i.) Application of “Accounting Standard for Asset Retirement Obligations”

Effective from the first quarter of the year ended March 31, 2011, the company has adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 of March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 of March 31, 2008).

The effect of this adoption on operating result is inconsequential.

##### ii.) Application of “Accounting Standard for Business Combinations” and others

Effective from the first quarter of the year ended March 31, 2011, the company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23 of December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of December 26, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 of December 26, 2008), and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 of December 26, 2008)

As a result of application of the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), the assets and liabilities of the Company's consolidated subsidiaries including the portion attributable to minority shareholders are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. There is no effect of this application on consolidated financial statements.

#### 2. Changes in presentation

- Quarterly consolidated statements of operations

Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), the company has adopted the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009). As a result, “Income before minority interests” is included in the consolidated statements of operations for the first quarter of the year ended March 31, 2011.

“Subsidy income” which was included in “Other” in non-operating incomes for the first quarter of the year ended March 31, 2010 is independently presented in non-operating income for the first quarter of the year ended March 31, 2011 based on its importance. “Subsidy income” was ¥76 million for the first quarter of the year ended March 31, 2010.

---

### **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, announces 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, 2010	As of June 30, 2010
<b>(Assets)</b>		
<b>I Current assets</b>		
1. Cash and deposits	113,338	150,584
2. Note and accounts receivable, trade	122,618	137,392
3. Inventories		
Merchandise and finished goods	40,197	41,966
Work in process	27,491	26,718
Raw materials and supplies	5,128	4,936
4. Accounts receivable, other	8,142	11,058
5. Other current assets	15,027	9,231
6. Allowance for doubtful accounts	(5,571)	(5,450)
<b>Total current assets</b>	<b>326,370</b>	<b>376,435</b>
<b>II Noncurrent assets</b>		
1. Property, plant and equipment, net		
Buildings and structures	96,367	94,377
Machinery, equipment and vehicles	465,030	456,235
Tools, furniture and fixtures	17,152	16,157
Land	4,451	4,452
Construction in progress	13,402	16,001
<b>Total property, plant and equipment, net</b>	<b>596,402</b>	<b>587,222</b>
2. Intangible assets		
Goodwill	1,050	916
Others	6,584	5,916
<b>Total intangible assets</b>	<b>7,634</b>	<b>6,832</b>
3. Investments and other assets		
Investment securities	4,101	3,080
Others	12,943	16,248
<b>Total investments and other assets</b>	<b>17,044</b>	<b>19,328</b>
<b>Total noncurrent assets</b>	<b>621,080</b>	<b>613,382</b>
<b>Total assets</b>	<b>947,450</b>	<b>989,817</b>
<b>(Liabilities)</b>		
<b>I Current liabilities</b>		
1. Accounts payable, trade	53,556	55,192
2. Short-term loans payable	1,465	—
3. Current portion of bonds	30,000	30,000
4. Current portion of long-term loans payable	132,460	130,277
5. Current portion of lease obligations	21,919	21,906
6. Accounts payable, other	12,824	26,085
7. Income taxes payable	2,014	1,782
8. Provision	5,522	3,961
9. Others	14,439	30,472
<b>Total current liabilities</b>	<b>274,199</b>	<b>299,675</b>
<b>II Noncurrent liabilities</b>		
1. Bonds payable	75,000	75,000
2. Convertible bonds with share subscription rights	—	6,636
3. Long-term loans payable	200,064	189,002
4. Lease obligations	43,841	40,656
5. Provision	3,123	3,235
6. Asset retirement obligations	—	274
7. Other noncurrent liabilities	4,441	5,932
<b>Total noncurrent liabilities</b>	<b>326,469</b>	<b>320,735</b>
<b>Total liabilities</b>	<b>600,668</b>	<b>620,410</b>

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

(Millions of yen)

	As of March 31, 2010	As of June 30, 2010
(Net assets)		
I Shareholders' equity		
1. Capital stock	203,860	209,699
2. Capital surplus	214,902	77,230
3. Retained earnings	(141,777)	32,405
4. Treasury stock	(5)	(5)
Total shareholders' equity	276,980	319,329
II Valuation and translation adjustments		
1. Valuation difference on available-for-sale securities	825	175
2. Deferred gains or losses on hedges	(64)	(56)
3. Foreign currency translation adjustments	(14,104)	(19,712)
Total valuation and translation adjustments	(13,343)	(19,593)
III Share subscription rights	287	292
IV Minority interests	82,858	69,379
Total net assets	346,782	369,407
Total liabilities and net assets	947,450	989,817

## (2) Consolidated Statements of Operations

(Millions of yen)

	Three-month period ended	
	June 30, 2009	June 30, 2010
I Net sales	72,570	176,333
II Cost of sales	99,157	114,587
Gross profit (loss)	(26,587)	61,746
III Selling, general and administrative expenses	15,724	17,324
Operating income(loss)	(42,311)	44,422
IV Non-operating income		
1. Interest income	139	45
2. Subsidy income	—	300
3. Others	168	99
V Non-operating expenses		
1. Interest expense	2,633	2,757
2. Foreign exchange loss	335	3,858
3. Others	1,589	1,218
Ordinary income(loss)	(46,561)	37,033
VI Extraordinary income		
1. Gain on sales of noncurrent assets	18	123
2. Gain on negative goodwill	—	555
VII Extraordinary losses		
1. Loss on valuation of investment securities	160	—
2. Loss on sales of noncurrent assets	25	—
3. Loss on retirement of noncurrent assets	276	615
4. Impairment loss	1,013	215
5. Loss on adjustment for changes of accounting standard for asset retirement obligations	—	172
Income(loss) before income taxes	(48,017)	36,709
Income taxes		
Current	65	345
Deferred	253	528
Total income taxes	318	873
Income before minority interests	—	35,836
Minority interests in income(loss)	(3,887)	5,165
Net income(loss)	(44,448)	30,671

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

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three-month period ended	
	June 30, 2009	June 30, 2010
<b>I Operating activities</b>		
Income (loss) before income taxes	(48,017)	36,709
Depreciation and amortization	30,997	31,084
Impairment loss	1,013	215
Decrease in provision	(819)	(949)
Interest and dividend income	(139)	(45)
Interest expense	2,633	2,757
Foreign exchange losses	182	2,754
Loss (gain) on sales of noncurrent assets	7	(123)
Loss on retirement of noncurrent assets	276	615
Loss on valuation of investment securities	160	—
Increase in notes and accounts receivable, trade	(13,662)	(17,979)
Decrease (increase) in inventories	1,234	(1,423)
Decrease (increase) in accounts receivable, other	14,397	(2,931)
Increase in notes and accounts payable, trade	4,144	2,710
Decrease in accounts payable, other	(374)	(115)
Others	108	12,496
Subtotal	(7,860)	65,775
Interest and dividend received	39	389
Interest expenses paid	(1,472)	(1,421)
Proceeds from subsidy	76	300
Proceeds from settlements	621	—
Proceeds from compensation	579	—
Settlements paid	(538)	—
Income taxes paid	(27)	(233)
Net cash provided by (used in) operating activities	(8,582)	64,810
<b>II Investing activities</b>		
Payments into time deposits	(293)	—
Purchase of property, plant and equipment	(30,994)	(17,497)
Proceeds from sales of property, plant and equipment	286	428
Purchase of intangible assets	(571)	(42)
Purchase of investments in subsidiaries	—	(15,245)
Purchase of long-term prepaid expenses	(1,521)	(2,754)
Collection of loans receivable	—	5,686
Others	3	63
Net cash used in investing activities	(33,090)	(29,361)
<b>III Financing activities</b>		
Proceeds from short-term loans payable	—	145
Repayments of short-term loans payable	—	(1,589)
Repayments of long-term loans payable	(7,566)	(7,514)
Proceeds from issuance of convertible bonds with share subscription rights	—	6,773
Proceeds from issuance of common stock	—	11,625
Proceeds from sale-and-leaseback transactions	—	242
Repayments of lease obligations	(3,797)	(4,217)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(11,363)	5,465
IV Effect of exchange rates changes on cash and cash equivalents	209	(3,668)
V Net increase (decrease) in cash and cash equivalents	(52,826)	37,246
VI Cash and cash equivalents at beginning of the period	113,699	112,188
VII Cash and cash equivalents at end of the period	60,873	149,434
Free cash flow (I+II)	(41,672)	35,449

#### (4) Going Concern Assumption

None

#### (5) Segment Information

For the three-month period ended June 30, 2009

[Business Segment Information]

For the three-month period ended June 30, 2009, our group was operating a single segment of the semiconductor business centering on DRAM, so the information by business segment is omitted.

[Geographical segment information]

For the three-month period ended June 30, 2009

	Japan (MY)	North America (MY)	Asia (MY)	Europe (MY)	Total (MY)	Offset or corporate total (MY)	Consoli- dated (MY)
Sales							
(1) Sales to third parties	30,468	16,421	22,377	3,304	72,570	—	72,570
(2) Inter-segment sales and transfers	40,449	—	19,022	8	59,479	(59,479)	—
Total	70,917	16,421	41,399	3,312	132,049	(59,479)	72,570
Operating expenses	107,797	15,995	47,004	3,564	174,360	(59,479)	114,881
Operating income	(36,880)	426	(5,605)	(252)	(42,311)	—	(42,311)

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

- (1) North America: the United States
- (2) Asia: Taiwan, Singapore and Hong Kong
- (3) Europe: Germany, Switzerland

[Overseas sales]

For the three-month period ended June 30, 2009

	North America	Asia	Europe	Total
I Overseas sales (MY)	17,976	22,404	12,008	52,388
II Consolidated sales (MY)				72,570
III Ratio of overseas sales over consolidated sales (%)	24.8	30.9	16.5	72.2

Note 1: Countries and regions are grouped according to the geographical closeness.

2: Major countries and regions other than Japan are as follows:

- (1) North America: the United States
- (2) Asia: Taiwan, Singapore and Hong Kong
- (3) Europe: Whole area

3: The amount of overseas sales is the amount of sales made by our Company and consolidated subsidiaries in countries and regions outside Japan.

For the three-month period ended June 30, 2010

[Segment Information]

For the three-month period ended June 30, 2010, our group was operating a single segment of the semiconductor business centering on DRAM, so the segment information is omitted.

## **Additional Information**

From the three-month period ended June 30, 2010, the Company and its consolidated subsidiaries have adopted ASBJ Statement No. 17, “Revised Accounting Standard for Disclosure about Segments of an Enterprise and Related Information” and ASBJ Guidance No. 20, “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” issued by ASBJ on March 27, 2009 and March 21, 2008 respectively.

### **(6) Material Changes in Shareholder’s Equity**

The Company issued new shares to Kingston Technology Corporation by way of third party allotment on April 20, 2010. As a result, the amount of capital stock and capital surplus increased by ¥5,839 million, respectively.

Also, based on a resolution at the general shareholders’ meeting held on June 25, 2010 to reduce capital reserve and appropriation of retained earnings, the Company reduced capital reserve of ¥143,516 million and reduced capital reserve was transferred to other capital surplus. And other capital surplus of ¥143,511 million was transferred to retained earnings brought forward and the deficits were covered through its transfer. As a result, the outstanding balance of capital stock, capital surplus and retained earnings as of June 30, 2010 became ¥209,699 million, ¥77,230 million and ¥ 32,405 million respectively.

## Appendix (Unaudited)

### 1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

	Apr-Jun 2009 (1Q-FY 09)		Jul-Sep 2009 (2Q-FY 09)		Oct-Dec 2009 (3Q-FY 09)		Jan-Mar 2010 (4Q-FY 09)		Apr-Jun 2010 (1Q-FY 10)	
		%		%		%		%		%
Net sales	72,570	100.0	95,854	100.0	151,007	100.0	147,522	100.0	176,333	100.0
Gross profit (loss)	(26,587)	-36.6	14,071	14.7	47,164	31.2	54,313	36.8	61,746	35.0
Selling, general and administrative expenses	15,724	21.7	13,242	13.8	16,717	11.1	16,561	11.2	17,324	9.8
Operating income (loss)	(42,311)	-58.3	829	0.9	30,447	20.2	37,752	25.6	44,422	25.2
Income (loss) before income taxes	(48,017)	-66.2	(6,098)	-6.4	26,106	17.3	36,928	25.0	36,709	20.8
Net Income (loss)	(44,448)	-61.2	(7,167)	-7.5	21,050	13.9	33,650	22.8	30,671	17.4
EBITDA <sup>[1]</sup>	(14,387)	-19.8	26,716	27.9	59,320	39.3	69,657	47.2	70,550	40.0
Average exchange rate (Yen to a U.S. Dollar)	97.79		95.33		90.37		90.39		91.87	

### 2. Selected Consolidated Financial Data

(Figures in millions of yen otherwise specified)

	Jun 30, 2009 (1Q-FY 09)	Sep 30, 2009 (2Q-FY 09)	Dec 31, 2009 (3Q-FY 09)	Mar 31, 2010 (4Q-FY 09)	Jun 30, 2010 (1Q-FY 10)
Cash and time deposits	61,305	123,384	110,324	113,338	150,584
A/R collection period <sup>[2]</sup>	84 days	79 days	82 days	75 days	70 days
Inventory holding period <sup>[3]</sup>	59 days	85 days	61 days	70 days	58 days
Interest-bearing debt <sup>[4]</sup>	556,875	556,626	546,373	504,749	493,477
Net D/E ratio <sup>[5]</sup>	400 %	212 %	192 %	148 %	114 %
Shareholders' equity ratio <sup>[6]</sup>	13.8 %	21.1 %	23.4 %	27.8 %	30.3 %

### 3. Selected Consolidated Statements of Cash Flows

(Millions of yen)

	Apr-Jun 2009 (1Q-FY 09)	Jul-Sep 2009 (2Q-FY 09)	Oct-Dec 2009 (3Q-FY 09)	Jan-Mar 2010 (4Q-FY 09)	Apr-Jun 2010 (1Q-FY 10)
Net cash provided by (used in) operating activities	(8,582)	(8,466)	18,631	63,990	64,810
Net cash used in investing activities	(33,090)	(26,249)	(20,086)	(16,347)	(29,361)
Net cash provided by (used in) financing activities	(11,363)	97,619	(12,761)	(44,645)	5,465
Free cash flow	(41,672)	(34,715)	(1,455)	47,643	35,449

<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 (%) = (Interest-bearing debt - Cash and time deposits) / shareholders' equity\* x 100

<sup>[6]</sup> Shareholders' equity ratio (%) = Shareholders' equity\* / Total Assets x 100

\* Shareholders' equity = Total net assets - Share subscription rights - Minority interests