

**Quarterly Consolidated Financial Statements
(Unaudited)**

Elpida Memory, Inc. and Consolidated Subsidiaries

*At December 31, 2009, and
Three-month and nine-month periods ended December 31, 2008 and 2009*

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Quarterly Consolidated Financial Statements

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Elpida Memory, Inc. and Consolidated Subsidiaries

Quarterly Consolidated Balance Sheet (Unaudited)

	March 31, 2009	December 31, 2009	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Assets			
Current assets:			
Cash and time deposits	¥ 113,847	¥ 110,324	\$ 1,197,872
Notes and accounts receivable, trade	53,894	138,045	1,498,860
Accounts receivable, other	21,904	3,228	35,049
Allowance for doubtful accounts	(4,541)	(5,777)	(62,725)
Finished goods	35,872	36,983	401,553
Semi-finished goods	5,349	4,651	50,499
Raw materials	2,158	2,687	29,175
Work in process	20,227	24,026	260,869
Supplies	2,406	2,158	23,431
Other current assets	27,176	15,757	171,085
Total current assets	<u>278,292</u>	<u>332,082</u>	<u>3,605,668</u>
Property, plant and equipment:			
Buildings and structures	109,002	117,345	1,274,104
Machinery and equipment	873,158	897,028	9,739,718
Furniture and fixtures	52,910	43,569	473,062
Land	4,362	4,451	48,328
Construction in progress	32,231	17,113	185,809
	<u>1,071,663</u>	<u>1,079,506</u>	<u>11,721,021</u>
Accumulated depreciation	(404,218)	(465,594)	(5,055,309)
Property, plant and equipment, net	<u>667,445</u>	<u>613,912</u>	<u>6,665,712</u>
Investments and other assets:			
Goodwill	1,418	1,156	12,552
Software	6,285	6,152	66,797
Investment securities	2,317	2,252	24,452
Long-term prepaid expenses	7,432	11,807	128,198
Deferred income taxes	562	192	2,085
Other assets	1,538	2,391	25,959
Total investments and other assets	<u>19,552</u>	<u>23,950</u>	<u>260,043</u>
Total assets	<u>¥ 965,289</u>	<u>¥ 969,944</u>	<u>\$10,531,423</u>

	March 31, 2009	December 31, 2009	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Liabilities and net assets			
Current liabilities:			
Short-term borrowings	¥ 2,880	¥ 2,850	\$ 30,945
Current portion of long-term debt	165,048	198,684	2,157,264
Current portion of obligation under capital leases	21,869	22,271	241,813
Accounts payable, trade	48,301	62,463	678,208
Accounts payable, other	50,551	23,022	249,967
Accrued income taxes	649	2,060	22,367
Provisions	8,633	1,664	18,067
Other current liabilities	12,692	18,240	198,046
Total current liabilities	<u>310,623</u>	<u>331,254</u>	<u>3,596,677</u>
Long-term liabilities:			
Long-term debt	327,008	272,361	2,957,231
Obligation under capital leases	50,629	50,207	545,136
Provisions	5,996	6,082	66,037
Other long-term liabilities	4,564	4,348	47,210
Total long-term liabilities	<u>388,197</u>	<u>332,998</u>	<u>3,615,614</u>
Total liabilities	698,820	664,252	7,212,291
Net assets:			
Shareholders' equity:			
Common stock:			
Issued at March 31, 2009			
– 141,601,419 shares	158,665	–	–
Issued at December 31, 2009			
– 196,601,419 shares	–	188,860	2,050,597
Preferred stock:			
Issued at December 31, 2009			
– 3,000,000 shares	–	15,000	162,866
Additional paid-in capital	169,707	214,902	2,333,355
Retained earnings	(144,862)	(175,427)	(1,904,745)
Treasury stock			
March 31, 2009 – 1,315 shares	(5)		
December 31, 2009 – 1,461 shares		(5)	(54)
Total shareholders' equity	<u>183,505</u>	<u>243,330</u>	<u>2,642,019</u>
Valuation and translation adjustments:			
Unrealized losses on investment securities	(453)	(518)	(5,624)
Deferred losses on hedges	(300)	(117)	(1,270)
Translation adjustments	(15,457)	(15,874)	(172,356)
Total valuation and translation adjustments	<u>(16,210)</u>	<u>(16,509)</u>	<u>(179,250)</u>
Share subscription rights	242	281	3,051
Minority interests	98,932	78,590	853,312
Total net assets	<u>266,469</u>	<u>305,692</u>	<u>3,319,132</u>
Total liabilities and net assets	<u>¥ 965,289</u>	<u>¥ 969,944</u>	<u>\$10,531,423</u>

See notes to quarterly consolidated financial statements.

Elpida Memory, Inc. and Consolidated Subsidiaries

Quarterly Consolidated Statements of Operations (Unaudited)

	Nine-month period ended		
	December 31, 2008	December 31, 2009	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Net sales	¥284,573	¥319,431	\$ 3,468,306
Cost of sales	336,472	284,783	3,092,106
Gross profit (loss)	(51,899)	34,648	376,200
Selling, general and administrative expenses	46,099	45,555	494,625
Operating loss	(97,998)	(10,907)	(118,425)
Other income (expense):			
Interest income	555	252	2,736
Foreign exchange gains	2,695	–	–
Rent income on facilities	–	258	2,801
Interest expense	(4,645)	(8,015)	(87,025)
Equity in losses of affiliated companies	(10,365)	–	–
Foreign exchange losses	–	(1,528)	(16,591)
Maintenance costs for idle assets	(1,068)	–	–
Gain on sales of fixed assets	132	68	738
Loss on impairment of investment security	(2,054)	–	–
Loss on sales of fixed assets	(6)	(25)	(271)
Loss on disposal of fixed assets	(562)	(2,492)	(27,058)
Accrual for settlements and litigation	(6,010)	–	–
Impairment loss	–	(1,098)	(11,922)
Other expense, net	(952)	(4,522)	(49,099)
	(22,280)	(17,102)	(185,691)
Loss before income taxes and minority interests	(120,278)	(28,009)	(304,116)
Income taxes:			
Current	1,108	1,920	20,847
Income taxes for prior years	320	–	–
Deferred	(3,715)	(277)	(3,008)
	(2,287)	1,643	17,839
Loss before minority interests	(117,991)	(29,652)	(321,955)
Minority interests in net income of consolidated subsidiaries	–	913	9,913
Net loss	¥ (117,991)	¥(30,565)	\$ (331,868)

See notes to quarterly consolidated financial statements.

Elpida Memory, Inc. and Consolidated Subsidiaries

Quarterly Consolidated Statements of Operations (Unaudited) (Continued)

	Three-month period ended		
	December 31,	December 31, 2009	
	2008		
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Net sales	¥61,770	¥ 151,007	\$ 1,639,598
Cost of sales	104,627	103,843	1,127,503
Gross profit (loss)	(42,857)	47,164	512,095
Selling, general and administrative expenses	15,035	16,717	181,509
Operating income (loss)	(57,892)	30,447	330,586
Other income (expense):			
Interest income	246	46	499
Foreign exchange gains	1,413	629	6,830
Rent income on facilities	–	258	2,801
Interest expense	(1,830)	(2,708)	(29,403)
Equity in losses of affiliated companies	(7,427)	–	–
Maintenance costs for idle assets	(265)	–	–
Gain on sales of fixed assets	1	22	239
Gain on reversal of impairment loss on investment securities	–	155	1,683
Impairment loss on investment security	(159)	–	–
Loss on disposal of fixed assets	(192)	(1,542)	(16,743)
Accrual for settlements and litigation	(5,379)	–	–
Impairment loss on fixed assets	–	15	163
Other expense, net	(304)	(1,216)	(13,203)
	(13,896)	(4,341)	(47,134)
Income (loss) before income taxes and minority interests	(71,788)	26,106	283,452
Income taxes:			
Current	181	1,380	14,984
Income taxes for prior years	320	–	–
Deferred	60	(534)	(5,798)
	561	846	9,186
Income (loss) before minority interests	(72,349)	25,260	274,266
Minority interests in net income of consolidated subsidiaries	–	4,210	45,711
Net income (loss)	¥ (72,349)	¥21,050	\$ 228,555

See notes to quarterly consolidated financial statements.

Elpida Memory, Inc. and Consolidated Subsidiaries

Quarterly Consolidated Statements of Cash Flows (Unaudited)

	Nine-month period ended		
	December 31,	December 31, 2009	
	2008		
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Operating activities			
Loss before income taxes and minority interests	¥(120,278)	¥(28,009)	\$ (304,115)
Depreciation and amortization	78,764	91,643	995,038
Impairment loss on fixed assets	–	1,098	11,922
Increase (decrease) in provisions	5,896	(5,507)	(59,794)
Interest income	(555)	(252)	(2,736)
Interest expense	4,645	8,015	87,025
Foreign exchange losses	6,141	1,092	11,857
Equity in losses of affiliated companies	10,365	–	–
Gain on sales of fixed assets	(126)	(44)	(478)
Loss on disposal of fixed assets	562	2,492	27,058
Impairment loss on investment security	2,054	–	–
Decrease (increase) in notes and accounts receivable, trade	16,579	(85,461)	(927,915)
Decrease (increase) in inventories	1,552	(4,632)	(50,293)
Decrease in accounts receivable, other	1,101	17,244	187,231
Increase in accounts payable, trade	7,147	14,400	156,352
Increase (decrease) in accounts payable, other	(2,707)	1,065	11,564
Other	(3,423)	400	4,342
Subtotal	7,717	13,544	147,058
Interest received	813	322	3,496
Interest paid	(3,727)	(6,865)	(74,539)
Commission paid for loan	–	(5,250)	(57,003)
Local government subsidy received	328	76	825
Settlement received	–	621	6,743
Compensation received on damage	–	579	6,287
Settlement paid	–	(520)	(5,646)
Income taxes paid	(1,204)	(924)	(10,033)
Income taxes paid for prior years	(320)	–	–
Net cash provided by operating activities	3,607	1,583	17,188
Investing activities			
Disbursements for time deposits	(571)	(1,834)	(19,913)
Withdrawals of time deposits	1,203	418	4,539
Purchases of property, plant and equipment	(56,382)	(64,869)	(704,332)
Proceeds from sales of property, plant and equipment	17,271	631	6,851
Purchases of intangible assets	(1,383)	(1,427)	(15,494)
Purchase of investments in subsidiaries	–	(10,000)	(108,578)
Increase in long-term prepaid expenses	(1,801)	(2,354)	(25,559)
Payments of loans receivable	(15,942)	–	–
Other	1	10	109
Net cash used in investing activities	(57,604)	(79,425)	(862,377)

Elpida Memory, Inc. and Consolidated Subsidiaries

Quarterly Consolidated Statements of Cash Flows (Unaudited) (Continued)

	Nine-month period ended		
	December 31,	December 31, 2009	
	2008		
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Financing activities			
Proceeds from short-term borrowings	–	3,302	35,852
Repayments for short-term debt	–	(3,302)	(35,852)
Proceeds from long-term debt	110,000	44,000	477,742
Repayments for long-term debt	(14,700)	(62,084)	(674,093)
Proceeds from issuance of bonds	49,985	–	–
Proceeds from issuance of stock	108	89,904	976,156
Proceeds from sale and lease-back transactions	32,831	17,905	194,408
Repayments of obligation under capital leases	(11,159)	(16,434)	(178,436)
Purchase of treasury stock	(1)	(0)	(0)
Proceeds from stock issuance to minority shareholders	–	204	2,215
Net cash provided by financing activities	167,064	73,495	797,992
Effect of exchange rate changes on cash and cash equivalents	(2,557)	(578)	(6,277)
Net increase (decrease) in cash and cash equivalents	110,510	(4,925)	(53,474)
Cash and cash equivalents at beginning of period	96,955	113,699	1,234,516
Cash and cash equivalents at end of period	¥ 207,465	¥ 108,774	\$ 1,181,042

See notes to quarterly consolidated financial statements.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements

December 31, 2009

1. Basis of Presentation

The accompanying quarterly consolidated financial statements of Elpida Memory, Inc. (the “Company”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the quarterly consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The condensed consolidated balance sheet as of March 31, 2009, presented herein, is derived from the audited consolidated balance sheet. Certain amounts in the prior period’s financial statements have been reclassified to conform with the current period presentation. Certain information and note disclosures normally included in annual consolidated financial statements have been omitted pursuant to accounting principles for quarterly consolidated financial statements generally accepted in Japan. Therefore, quarterly consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes for the year ended March 31, 2009.

Amounts in U.S. dollars with respect to the quarterly consolidated financial statements for the three-month and nine-month periods ended December 31, 2009 are included solely for the convenience of the readers. The rate of ¥92.10 = US\$1.00, the approximate rate of exchange in effect on December 31, 2009, has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

2. Change in Significant Accounting Policies

Significant accounting policies for the nine-month period ended December 31, 2008 are consistent with those applied in the consolidated financial statements for the year ended March 31, 2008, except for:

(1) Evaluation of Inventories

On July 5, 2006, the Accounting Standards Board of Japan (“ASBJ”) issued an Accounting Standard ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories,” which is effective for the year beginning on or after April 1, 2008. This standard requires that inventories held for sale in ordinary course of business be stated at the lower of cost or net selling value, which is defined as the selling price less

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

2. Change in Significant Accounting Policies (continued)

additional estimated manufacturing costs and direct selling expenses. Effective April 1, 2008, the Company and its domestic consolidated subsidiary have adopted this standard. There was no effect of this adoption on operating result.

(2) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective for the year beginning on or after April 1, 2008, the Company has adopted the Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," issued by the ASBJ on May 17, 2006. The effect of this adoption on operating result was inconsequential.

Significant accounting policies for the nine-month period ended December 31, 2009 are consistent with those applied in the consolidated financial statements for the year ended March 31, 2009.

Note

Effective in the second quarter of the year ended March 31, 2010, one of the Company's domestic consolidated subsidiaries changed the useful lives of certain tangible and intangible fixed assets. It found that certain tangible and intangible fixed assets have physically used longer than the former estimated useful lives. Consequently, it reassessed the useful lives of fixed assets based on future production plan.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥1,046 million (\$11,357 thousand) and ¥1,041 million (\$11,303 thousand) respectively for the three-month periods ended December 31, 2009 and operating loss and loss before income taxes and minority interests decreased by ¥1,968 million (\$21,368 thousand) and ¥2,011 million (\$21,835 thousand) respectively for the nine-month periods ended December 31, 2009.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

3. Business Combination

- (1) Effective April 1, 2008, Hiroshima Elpida Memory, Inc., a 100% owned subsidiary of the Company, has merged into the Company.

<Purpose of Merger>

The Company aimed to build a centralized management of technological development, manufacturing and sales activities to use business resources efficiently by fully merging its operations with its DRAM manufacturing subsidiary, Hiroshima Elpida Memory, Inc.

There is no issuance of new shares or increase in common stock associated with this merger since the Company directly owned 100% of its shares.

Assets of ¥478,995 million and liabilities of ¥476,963 million of Hiroshima Elpida Memory, Inc. have been carried to the Company.

<Method of Merger>

In accordance with Paragraph 3 of Article 796 and Paragraph 1 of Article 784 in the Corporation Law in Japan, Hiroshima Elpida Memory, Inc. has merged into the Company and dissolved.

<Method of Accounting>

The merger is accounted for as a transaction under common control according to “Accounting Standard for Business Combinations” (issued by the Business Accounting Council of Japan on October 31, 2003) and ASBJ Guidance No. 10, “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (revised by ASBJ on November 15, 2007).

- (2) In August 2008, Elpida Memory (Taiwan) Co., Ltd., the Company’s consolidated subsidiary in Taiwan, provided Powerchip Semiconductor Corporation (“PSC”), the Company’s Taiwan-based foundry partner, with a short-term loan. PSC's shareholding in Rexchip Electronics Corporation (“Rexchip”), the Company’s consolidated subsidiary, was used as collateral for the loan. In July 2009, the repayment of the loan came due. Since that time the Company and Elpida Memory (Taiwan) have been cooperating with PSC on settlement of the loan obligation.

Because the Company intends to strengthen its management of Rexchip, Elpida Memory (Taiwan) acquired 350 million Rexchip shares from PSC on October 13, 2009 based on share purchase agreement between the two concluded on October 1, 2009. Elpida Memory (Taiwan) made this payment by offsetting part of the outstanding balances of the loan. As a result of this acquisition, the Company’s shareholding ratio in Rexchip increased from 52.0% to 64.0%.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

3. Business Combination (continued)

The accounting treatment of this acquisition of shares is in accordance with transaction with minority interests under common control set forth in accounting standards for business combination.

The excess of purchase price of ¥10,772 million (\$116,960 thousand) over the estimated fair value of the increased net assets acquired was ¥451 million (\$4,897 thousand). This was recognized as goodwill and amortized one time because the amount was not material.

4. Cash and Cash Equivalents

A reconciliation between cash and time deposits and cash and cash equivalents as of December 31, 2008 and 2009, related to the accompanying quarterly consolidated statements of cash flows, is as follows:

	December 31, 2008	December 31, 2009	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥207,465	¥110,324	\$1,197,872
Less:			
Time deposits with maturity in excess of three months	–	(1,550)	(16,830)
Cash and cash equivalents	¥207,465	¥108,774	\$1,181,042

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

5. Pledged assets

There were significant changes in outstanding balances of pledged assets during the nine-month period ended December 31 2009. The assets pledged as of December 31, 2009 were as follows.

	March 31, 2009	December 31, 2009			
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>			
Buildings and structures	¥17,796	¥88,682	(¥71,754)	\$962,888	(\$ 779,088)
Machinery and equipment	134,925	292,339	(181,104)	3,174,148	(1,966,384)
Land	–	4,000	(4,000)	43,431	(43,431)
Construction in progress	–	6,714	(6,714)	72,899	(72,899)
Total	¥152,721	¥391,735	(¥263,572)	\$4,253,366	(\$2,861,802)

Above assets are pledged as collateral for secured long-term debt of ¥305,995 million (\$3,322,421 thousand), including current portion.

Figures in parenthesis represent the assets relating to Company's Hiroshima plant foundation. The company set up the Hiroshima plant foundation for long-term borrowings based on loan agreement concluded on September 25, 2009 and existing long-term debts. The mortgage was placed on the assets included in the foundation.

6. Financial covenants

The Companies' interest-bearing debt includes financial covenants, with which the Companies are in compliance. The financial covenants as of December 31, 2009 are as follows. Failure to comply with those covenants would require the repayment. Where the covenants set several conditions, severer conditions are presented below.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

6. Financial covenants (continued)

Nature of covenants	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
(1) Maintenance covenants for net assets		
• In the event that the amount of net assets on the consolidated balance sheet in each year-end and 2 nd quarter is less than 75% compared to the respective previous point	¥ 227,624	\$2,471,488
• In the event that the amount of net assets, excluding deferred gains (losses) on hedges, share subscription rights and minority interests on the consolidated balance sheet in each year-end is less than ¥137.8 billion	14,000	152,009
• In the event that the amount of net assets on the balance sheet of certain subsidiary in each year-end and 2 nd quarter for two consecutive half-year periods is less than 75% compared to the respective previous point	43,958	477,286
• In the event that the amount of net assets on the balance sheet of certain subsidiary in each year-end is less than ¥7,824 million	1,050	11,401
Subtotal	¥ 286,632	\$3,112,184
(2) Maintenance covenants for profit		
• In the event that operating loss is recorded on the consolidated statements of operations for the year ended March 31, 2011	87,958	955,027
• In the event that net loss is recorded in the statements of operations of certain subsidiary for two consecutive fiscal years	1,050	11,401
	¥89,008	\$966,428
(3) Restriction covenants for financial leverage		
• In the event that the net debt equity ratio of certain subsidiary in each year-end and 2 nd quarter exceeds 1.5 times for two consecutive half-year periods.	¥ 43,958	\$477,286
(4) Maintenance of business restructuring plan		
• With respect to borrowings from main banks and Development Bank of Japan (DBJ) conducted at the end of second quarter 2009, the Company must maintain and achieve the business restructuring plan under Law on Special Measures for Industrial Revitalization.		

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

7. Net Assets

Common stock, preferred stock and additional paid-in capital

On August 31, 2009, the Company received proceeds from issuance of preferred stock by third party allotment to DBJ under the Law on Special Measures for Industrial Revitalization. The net proceeds of ¥30,000 million (\$325,733 thousand) were allocated ¥15,000 million (\$162,866 thousand) to preferred stock and the remaining amount of ¥15,000 million (\$162,866 thousand) to additional paid-in capital.

On September 24, 2009, the Company received proceeds from issuance of common stock through public offering. The net proceeds of ¥60,390 million (\$655,700 thousand) were allocated ¥30,195 million (\$327,850 thousand) to common stock and the remaining amount of ¥30,195 million (\$327,850 thousand) to additional paid-in capital.

As a result, common stock, preferred stock and additional paid-in capital as of December 31, 2009 are ¥188,860 million (\$2,050,597 thousand), ¥15,000 million (\$162,866 thousand) and ¥214,902 million (\$2,333,355 thousand) respectively.

8. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the nine-month and three-month periods ended December 31, 2008 and 2009 are as follows:

	Nine-month period ended		
	December 31, 2008	December 31, 2009	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Thousands of U.S. dollars)</i>
Provision for allowance for doubtful accounts	¥ —	¥ 1,428	\$ 15,505
Payroll and bonuses	7,188	8,515	92,454
Provision for accrued bonuses	615	791	8,588
Retirement benefit expenses	561	652	7,079
Depreciation and amortization	4,094	4,485	48,697
Subcontractor fees	8,679	7,072	76,786
Prototype	7,827	6,459	70,130
Others	17,135	16,153	175,386
	¥ 46,099	¥ 45,555	\$ 494,625

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

8. Selling, General and Administrative Expenses (continued)

	Three-month period ended		
	December 31,		
	2008	December 31, 2009	
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Provision for allowance for doubtful accounts	¥ –	¥ 1,553	\$ 16,862
Payroll and bonuses	2,045	2,735	29,696
Provision for accrued bonuses	615	791	8,588
Retirement benefit expenses	159	209	2,269
Depreciation and amortization	1,563	1,401	15,212
Subcontractor fees	2,553	2,205	23,941
Prototype	2,504	2,532	27,492
Others	5,596	5,291	57,449
	<u>¥ 15,035</u>	<u>¥ 16,717</u>	<u>\$ 181,509</u>

9. Derivative Financial Instruments

There were significant changes in outstanding balances of derivatives relating to foreign currency during the nine-month period ended December 31, 2009. Derivatives relating to foreign currency as of December 31, 2009 are summarized as follows:

Classification	Description	December 31, 2009					
		Notional amount	Fair value	Gains (losses)	Notional amount	Fair value	Gains (losses)
		<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Transactions other than market transactions	Forward foreign exchange contract:						
	Selling:						
	U.S. dollar	¥38,508	¥39,677	¥(1,169)	\$418,111	\$430,803	\$(12,693)
	NT dollar	0	0	0	0	0	0
	Buying:						
	U.S. dollar	445	460	15	4,832	4,995	163
	NT dollar	213	211	(2)	2,313	2,291	(22)
	Total			<u>¥(1,156)</u>			<u>\$(12,552)</u>

Note: Fair values at December 31, 2009 presented above were determined on market quotation.

10. Contingencies

A number of purported class actions and individual lawsuits were filed against the Company and other DRAM suppliers in the U.S. federal and state courts and in the provincial courts in Canada on behalf of direct and indirect purchasers of our DRAM products. Investigations by the European Commission and the Competition Bureau Canada - Criminal Matters Branch are also ongoing. The Company has provided as accruals for settlements and litigations of ¥3,850 million (\$41,802 thousand) as of December 31, 2009 for future outcome on these litigations and charge of an investigation by the European commission, currently assessed as probable and estimable.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

11. Segment Information

The Company is primarily engaged in a single business segment of development, design, manufacture and sale of DRAM products. Therefore, the disclosure related to business segment is omitted.

Geographical Segment Information

Three-month period ended December 31, 2008							
Japan	North America	Asia	Europe	Total	Eliminations	Consolidated	
<i>(Millions of yen)</i>							
Sales and operating income:							
1. Sales to third parties	¥ 28,118	¥ 11,686	¥ 17,735	¥ 4,231	¥ 61,770	¥ –	¥ 61,770
2. Inter-segment sales and transfers	30,847	0	35	9	30,891	(30,891)	–
Total sales	¥ 58,965	¥ 11,686	¥ 17,770	¥ 4,240	¥ 92,661	¥ (30,891)	¥ 61,770
Operating income (loss)	¥ (58,510)	¥ 86	¥ 569	¥ (29)	¥ (57,884)	¥ (8)	¥ (57,892)

Three-month period ended December 31, 2009							
Japan	North America	Asia	Europe	Total	Eliminations	Consolidated	
<i>(Millions of yen)</i>							
Sales and operating income:							
1. Sales to third parties	¥ 52,472	¥ 24,337	¥ 66,704	¥ 7,494	¥ 151,007	¥ –	¥ 151,007
2. Inter-segment sales and transfers	91,470	9	32,409	207	124,095	(124,095)	–
Total sales	¥ 143,942	¥ 24,346	¥ 99,113	¥ 7,701	¥ 275,102	¥ (124,095)	¥ 151,007
Operating income (loss)	¥ 17,987	¥ 803	¥ 12,401	¥ (112)	¥ 31,079	¥ (632)	¥ 30,447

Three-month period ended December 31, 2009							
Japan	North America	Asia	Europe	Total	Eliminations	Consolidated	
<i>(Thousands of U.S. dollars)</i>							
Sales and operating income:							
1. Sales to third parties	\$ 569,729	\$ 264,245	\$ 724,256	\$ 81,368	\$ 1,639,598	\$ –	\$ 1,639,598
2. Inter-segment sales and transfers	993,160	98	351,889	2,248	1,347,394	(1,347,394)	–
Total sales	\$ 1,562,888	\$ 264,343	\$ 1,076,145	\$ 83,616	\$ 2,986,992	\$ (1,347,394)	\$ 1,639,598
Operating income (loss)	\$ 195,299	\$ 8,719	\$ 134,647	\$ (1,216)	\$ 337,448	\$ (6,862)	\$ 330,586

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

11. Segment Information (continued)

Nine-month period ended December 31, 2008							
	Japan	North America	Asia	Europe	Total	Eliminations	Consolidated
	<i>(Millions of yen)</i>						
Sales and operating income:							
1. Sales to third parties	¥ 131,614	¥ 48,427	¥ 85,562	¥ 18,970	¥ 284,573	¥ -	¥ 284,573
2. Inter-segment sales and transfers	141,050	69	57	24	141,200	(141,200)	-
Total sales	¥ 272,664	¥ 48,496	¥ 85,619	¥ 18,994	¥ 425,773	¥ (141,200)	¥ 284,573
Operating income (loss)	¥ (101,166)	¥ 768	¥ 2,588	¥ (177)	¥ (97,987)	¥ (11)	¥ (97,998)

Nine-month period ended December 31, 2009							
	Japan	North America	Asia	Europe	Total	Eliminations	Consolidated
	<i>(Millions of yen)</i>						
Sales and operating income:							
1. Sales to third parties	¥ 124,701	¥ 59,104	¥ 121,215	¥ 14,411	¥ 319,431	¥ -	¥ 319,431
2. Inter-segment sales and transfers	183,568	11	73,652	479	257,710	(257,710)	-
Total sales	¥ 308,269	¥ 59,115	¥ 194,867	¥ 14,890	¥ 577,141	¥ (257,710)	¥ 319,431
Operating income (loss)	¥ (21,512)	¥ 1,764	¥ 10,509	¥ (346)	¥ (9,585)	¥ (1,322)	¥ (10,907)

Nine-month period ended December 31, 2009							
	Japan	North America	Asia	Europe	Total	Eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>						
Sales and operating income:							
1. Sales to third parties	\$ 1,353,974	\$ 641,737	\$ 1,316,124	\$ 156,471	\$ 3,468,306	\$ -	\$ 3,468,306
2. Inter-segment sales and transfers	1,993,138	119	799,696	5,201	2,798,154	(2,798,154)	-
Total sales	\$ 3,347,112	\$ 641,857	\$ 2,115,820	\$ 161,672	\$ 6,266,460	\$ (2,798,154)	\$ 3,468,306
Operating income (loss)	\$ (233,572)	\$ 19,153	\$ 114,104	\$ (3,757)	\$ (104,072)	\$ (14,353)	\$ (118,425)

- Notes: 1. Geographical distances are considered in segmentation of country or area.
2. Major countries or areas included in each segment other than Japan are as follows:
- (1) North America: The United States of America
 - (2) Asia: Hong Kong, Singapore, Taiwan
 - (3) Europe: Germany, Switzerland

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

11. Segment Information (continued)

Overseas Sales

	Three-month period ended December 31, 2008			
	North America	Asia	Europe	Total
	<i>(Millions of yen)</i>			
I. Overseas sales	¥12,960	¥17,865	¥9,639	¥ 40,464
II. Consolidated sales				61,770
III. Percentage of overseas sales over consolidated sales (%)	21.0%	28.9%	15.6%	65.5%
	Three-month period ended December 31, 2009			
	North America	Asia	Europe	Total
	<i>(Millions of yen)</i>			
I. Overseas sales	¥25,490	¥67,183	¥38,485	¥131,158
II. Consolidated sales				151,007
III. Percentage of overseas sales over consolidated sales (%)	16.9%	44.5%	25.5%	86.9%
	<i>(Thousands of U.S. dollars)</i>			
I. Overseas sales	\$276,764	\$729,457	\$417,861	\$1,424,083
II. Consolidated sales				1,639,598
III. Percentage of overseas sales over consolidated sales (%)	16.9%	44.5%	25.5%	86.9%

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

11. Segment Information (continued)

	Nine-month period ended December 31, 2008			
	North America	Asia	Europe	Total
	<i>(Millions of yen)</i>			
I. Overseas sales	¥60,128	¥93,707	¥41,252	¥195,087
II. Consolidated sales				284,573
III. Percentage of overseas sales over consolidated sales (%)	21.1%	32.9%	14.5%	68.5%
	Nine-month period ended December 31, 2009			
	North America	Asia	Europe	Total
	<i>(Millions of yen)</i>			
I. Overseas sales	¥63,043	¥121,851	¥70,217	¥255,111
II. Consolidated sales				319,431
III. Percentage of overseas sales over consolidated sales (%)	19.7%	38.2%	22.0%	79.9%
	<i>(Thousands of U.S. dollars)</i>			
I. Overseas sales	\$684,506	\$1,323,029	\$762,400	\$2,769,935
II. Consolidated sales				3,468,306
III. Percentage of overseas sales over consolidated sales (%)	19.7%	38.2%	22.0%	79.9%

- Notes: 1. Geographical distances are considered in classification of country or area.
2. Major countries or areas included in each segment except for Japan are as follows:
- (1) North America: The United States of America
 - (2) Asia: Hong Kong, Singapore, Taiwan
 - (3) Europe: whole Europe
3. Overseas sales represent sales of the Company and consolidated subsidiaries to countries and areas outside of Japan.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

12. Amount Per Share

	Nine-month period ended			
	December 31, 2008	December 31, 2009		
	<i>(Yen)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>	
Net loss:				
Basic	¥(908.99)	¥(191.57)	\$(2.08)	
Diluted	–	–	–	
	Three-month period ended			
	December 31, 2008	December 31, 2009		
	<i>(Yen)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>	
Net income (loss):				
Basic	¥(557.34)	¥105.72	\$1.15	
Diluted	–	¥95.56	\$1.04	
	December 31, 2009		March 31, 2009	
	<i>(Yen)</i>	<i>(U.S. dollars)</i>	<i>(Yen)</i>	<i>(U.S. dollars)</i>
Net assets	¥999.32	\$10.85	¥1,181.45	\$12.83

For the three-month period ended December 31, 2008 and nine-month periods ended December 31, 2008 and 2009, diluted net income per share was not shown since the Company was in loss operation.

Elpida Memory, Inc. and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements (continued)

12. Amount Per Share (continued)

Basis for calculation of basic net income (loss) per share was as follows:

	Nine-month period ended		
	December 31,	December 31, 2009	
	2008		
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Net loss	¥(117,991)	¥(30,565)	\$(331,868)
Amount not attributable to common stock	–	354	3,843
1) Preferred dividend relating to Type 1 preferred stock	–	(118)	(1,281)
2) Preferred dividend relating to Type 2 preferred stock	–	(236)	(2,562)
Net loss attributable to common stock	¥(117,991)	¥(30,919)	\$(335,711)

	Nine-month period ended	
	December 31, 2008	December 31, 2009
	<i>(Thousands of shares)</i>	
Weighted-average number of shares outstanding	129,805	161,400

	Three -month period ended		
	December 31,	December 31, 2009	
	2008		
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	
Net income (loss)	¥(72,349)	¥21,050	\$228,556
Amount not attributable to common stock	–	265	2,877
1) Preferred dividend relating to Type 1 preferred stock	–	(88)	(955)
2) Preferred dividend relating to Type 2 preferred stock	–	(177)	(1,922)
Net loss attributable to common stock	¥(72,349)	¥(20,785)	\$(225,679)

	Three- month period ended	
	December 31, 2008	December 31, 2009
	<i>(Thousands of shares)</i>	
Weighted-average number of shares outstanding	129,812	196,600

