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Consolidated Financial Report for the Year Ended March 31, 2011

English translation based on the Japanese-language report

I. Business Results

(1) Overview of Consolidated Business Results

(i) FY 2010 full term (April 1, 2010 – March 31, 2011)

(Billions of yen)

	12 mo. ended Mar 31, 2011 (FY2010)	12 mo. ended Mar 31, 2010 (FY2009)	YoY	
			Change	(%)
Net sales	514.3	467.0	*47.4*	*+10.1*
Gross profit	101.5	89.0	*12.5*	*+14.1*
Operating income	35.8	26.8	*8.9*	*+33.3*
Ordinary income	13.9	12.3	*1.6*	*+12.7*
Net income	2.1	3.1	*-1.0*	*-32.1*

In FY 2010 (April 1, 2010 to March 31, 2011), the global economy showed signs of a steady recovery based on individual country efforts to ease monetary conditions and push economic stimulus measures. The United States continued to see expansion of its budget deficit and an even higher rate of unemployment, while in Europe the financial crisis produced a sense of economic stagnation through to the middle of fiscal year. However, the advanced countries also showed a steady recovery in consumer spending. Also, emerging market economies continued to see strong economic activity, and many saw high rates of growth despite fears of inflationary pressures, economic overheating and other problems.

In the DRAM industry a prolonged curbing of capital expenditures led to a limited supply volume in the 1H of FY 2010. Also, improvements in economic conditions produced a recovery in corporate IT spending. As a result, the supply-demand balance of DRAMs for PCs and servers improved and selling prices stayed at high levels. However, in the 2H a slowdown in PC shipments and higher supply volumes on the back of process migration among DRAM makers quickly led to deterioration of the DRAM supply-demand balance and prices that fell sharply and remained stuck at low levels. Despite this environment, shipments of smart phones and tablet PCs were robust, leading to a sharp rise in demand for mobile DRAMs used in these devices.

In response to this situation, Elpida revised its PC DRAM shipment plan by adjusting procurement from foundry partners and revising manufacturing at the Hiroshima Plant, reducing the number of wafer starts from November 2010 onward. On the other hand, mobile DRAM production was increased to meet robust demand. Meanwhile, the company shifted its manufacturing process to 40nm to reduce costs and improve the gross margin.

Inside this business picture, a severe earthquake struck northeast Japan on March 11, 2011. Many industrial manufacturers in the region, including those that are semiconductor-related, were badly damaged. In addition, a nuclear power plant crisis in Fukushima caused by the earthquake and resulting tsunami along with a series of planned power outages have greatly disrupted manufacturing not only in Japan but also around the world. Elpida employees and facilities were not harmed by the earthquake. The Hiroshima Plant, which handles Elpida's front-end DRAM manufacturing, was little disturbed by the earthquake and resumed normal operations the day following the earthquake. At Akita Elpida Memory, a back-end facility, immediate earthquake-related power outages led to an operational shutdown, but since March 16 production has been steadily recovering. On the whole, the earthquake had little impact on Elpida's FY 2010 business earnings.

As for materials and supplies needed for manufacturing, inventory adjustments among Elpida group plants and information gathered from suppliers indicates that product supply will remain trouble free through the end of July. In regard to August and later, Elpida continues to gather information from suppliers. But the resumption of manufacturing by suppliers in earthquake-hit areas, increases in production in other locations and other positive actions lead us to believe no major problems will arise.

Given the foregoing, Elpida's FY 2010 bit shipment growth was 33% YoY and the average selling price (ASP, US dollar basis) was down 12%. Despite yen appreciation, compared with the previous year the company saw consolidated net sales of 514.3 billion yen (up 10.1%), gross profit of 101.5 billion yen (up 14.1%), operating income of 35.8 billion yen (up 33.3%) and ordinary income of 13.9 billion yen (up 12.7%). Extraordinary items included a 2.7 billion yen settlement gain and losses of 1.5 billion yen on retirement of noncurrent assets. Net income of 2.1 billion yen (down 32.1%) was achieved after minority interests in income of 13.1 billion yen were booked.

Elpida's consolidated subsidiary Tera Probe and TeraPower Technology Inc. (a consolidated subsidiary of Tera Probe) became equity method affiliates (Elpida's holding voting rights: 39.6%) of Elpida after Tera Probe issued new shares and Elpida sold a portion (1million shares) of its Tera Probe holdings in December 2010, actions taken in accordance with Tera Probe's listing on the Tokyo Stock Exchange Mothers market.

Reference: 4Q-FY10 (January 1 – March 31, 2011)

(Billions of yen)

	3 mo. ended Mar 31, 2011 (4Q-FY 10)	3 mo. ended Dec 31, 2010 (3Q-FY 10)	QoQ Change (%)	3 mo. ended Mar 31, 2010 (4Q-FY 09)	YoY Change (%)
Net sales	92.1	97.1	*-5.1*	147.5	*-37.6*
Gross profit (loss)	7.3	(7.7)	-	54.3	*-86.6*
Operating income (loss)	(5.2)	(26.9)	-	37.8	-
Ordinary income (loss)	(7.9)	(30.5)	-	36.8	-
Net income (loss)	(8.2)	(29.6)	-	33.7	-

In the 4Q of FY 2010 (January 1, 2011 to March 31, 2011), a drop in shipment volumes in the global PC market explained the continuation of sluggish PC DRAM demand from the 3Q. As a result, average market selling prices were down QoQ. On the other hand, shipments of smart phones, tablet PCs and other products in the mobile Internet device market were robust, resulting in continued tightness in supply and demand for mobile DRAMs used in these devices.

With PC DRAM market prices softer, Elpida's 4Q DRAM average selling price (ASP, US dollar basis) fell 10% QoQ and 49% YoY. Bit shipment growth in the quarter was up 6% QoQ and 33% YoY, as manufacturing process migration delivered a boost to bit shipment volumes that more than offset the amount volume dropped due to a reduced number of wafer starts since November 2010.

As a result of the above, the 4Q recorded net sales of 92.1 billion yen, down 5.1% QoQ and 37.6% YoY. Gross profit turned into the black to finish at 7.3 billion yen, as reduced manufacturing costs enabled by technology

migration delivered a QoQ boost of 15.0 billion yen. On a YoY basis, however, gross profit fell 47.0 billion yen (compared with a FY 2009 4Q profit of 54.3 billion yen) due to lower prices and yen appreciation.
Also, a reversal of a 3Q allowance for doubtful accounts receivable and company-wide cost-cutting enabled lower SG&A costs. This along with other factors added 21.6 billion yen QoQ to operating income. The quarter, however, ended with an operating loss of 5.2 billion yen (against a FY 2009 4Q profit of 37.8 billion yen). An ordinary loss of 7.9 billion yen (compared with a FY 2009 4Q profit of 36.8 billion yen) resulted from among such as interest expense of 2.2 billion yen and other factors. A 4Q net loss of 8.2 billion yen (compared with a FY 2009 4Q profit of 33.7 billion yen) was in part due to minority interests in income of 1.0 billion yen.

(ii) 1Q of FY 2011 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 1Q and full term of FY 2011 that can be used as a general guideline.

[Quarterly estimates]

	4Q-FY 10 (Previous estimate) as of Feb 2, 2011	4Q-FY 10 (Actual)	1Q-FY 11 (Estimate) as of May 12, 2011
QoQ bit growth	5-10%	6%	20-30%
QoQ ASP change	N/A	-10%	N/A
Depreciation & amortization	¥31.0 bn.	¥31.9 bn.	¥32.0 bn.
SG&A	¥17.0 bn.	¥12.5 bn.	¥17.0 bn.

・ SG&A in the 4Q came in lower than Elpida’s guidance due to a reversal of a 3Q allowance for doubtful accounts receivable and reduced expenses.

[Yearly estimates]

	FY 2010		FY 2011
	Previous estimate as of Feb 2, 2011	Actual	Estimate as of May 12, 2011
YoY bit growth	Approx.35%	33%	>=50%
Depreciation & amortization	¥125.0bn.	¥125.8bn.	¥135.0 bn.
SG&A	¥70.0 bn.	¥65.7 bn.	¥70.0 bn.
Capital expenditures	¥115.0 bn.	¥117.6 bn.	¥80.0 bn.

・ Capital expenditures for FY 2010 came in above Elpida’s guidance as the booking of newly installed equipment was recorded earlier in the 4Q.

(2) Financial Conditions

(i) Assets, Liabilities and Shareholders’ Equity

Total assets at the end of FY 2010 stood at 879.0 billion yen, down 68.5 billion yen versus the end of FY 2009. Key asset value factors included a 47.1 billion yen drop in notes and accounts receivable-trade, along with a 27.8 billion yen decline in tangible assets due mainly to depreciation.
Despite convertible bond issuance of 66.2 billion yen, scheduled debt repayment and payment of lease obligations brought down the balance of interest-bearing debt to 405.1 billion yen, a reduction of 99.7 billion yen against the end of FY 2009.

Elpida finished the 4Q with net assets of 356.0 billion yen, up 9.2 billion yen versus the end of FY 2009. While the purchase of investments in subsidiaries in part reduced minority interests by 12.9 billion yen, the third-party placement of newly issued shares with Kingston Technology Corporation in April 2010 and the February 2011 issuance of Taiwan Depositary Receipts ("TDRs") boosted capital stock and the capital surplus by 11.8 billion yen each. Also, retained earnings increased due to net income of 2.1 billion yen.

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 capital surplus to offset a deficit in retained earnings brought forward.

(ii) Cash Flows

The balance of cash and cash equivalents at the end of FY 2010 increased 0.7 billion yen versus the end of FY 2009 to 112.8 billion yen. Free cash flow, the total of cash flow from operating activities and cash flow from investment activities, saw an inflow of 62.4 billion yen. Each cash flow for the business year and relevant cash flow factors are discussed below.

(Net cash provided by operating activities)

Operating activities saw a net cash inflow of 173.0 billion yen, an increase of 107.4 billion yen versus FY 2009, mainly due to 16.8 billion yen in income before income taxes,125.8 billion yen in depreciation and amortization and a 41.6 billion yen decrease in notes and accounts receivable-trade.

(Net cash used in investing activities)

Investing activities used net cash of 110.6 billion yen, up 14.8 billion yen compared with FY 2009. This mainly consisted of 5.7 billion yen in revenue from collection of loans receivable and outflows of 97.3 billion yen for the purchase of property, plant and equipment (an increase of 16.2 billion yen), 6.6 billion yen for long-term prepaid expenses (an increase of 3.9 billion yen) and 15.2 billion yen for the purchase of investments in subsidiaries (an increase of 5.2 billion yen).

(Net cash provided by financing activities)

Financing activities turned from a net outflow of 28.9 billion yen a year earlier to a net cash inflow of 60.5 billion yen. The main components included 66.7 billion yen in proceeds from the issuance of convertible bonds, an inflow from sale-and-leaseback transactions that increased from 17.9 billion yen to 32.5 billion yen, and payment of interest-bearing debt of 186.0 billion yen that dropped by 6.4 billion compared with FY 2009. Also, there were no proceeds from long-term loans payable (FY 2009 had proceeds of 110.0 billion yen) while the issuance of common stock generated proceeds of 23.2 billion yen (down from 89.9 billion yen in FY 2009).

Consolidated Cash Flow-related Indicators (Reference)

	FY ended Mar 31, 2007 (FY 2006)	FY ended Mar 31, 2008 (FY 2007)	FY ended Mar 31, 2009 (FY 2008)	FY ended Mar 31, 2010 (FY 2009)	FY ended Mar 31, 2011 (FY 2010)
Shareholders' equity ratio (%)*[1]	49.7	46.1	17.3	27.8	32.5
Market value equity ratio (%)*[2]	77.5	57.1	10.0	38.2	26.5
Ratio of interest- bearing debt to cash flow (years) *[3]	2.3	3.5	-	7.7	2.3
Interest coverage ratio (times) *[4]	23.3	19.4	-	6.2	17.4

*[1] *Shareholders' equity ratio (%) = Shareholder's equity / Total assets x 100*

*[2] *Market value equity ratio (%) = (FY-end closing stock price x (Total number of shares outstanding – treasury stock)) / Total assets x 100*

*[3] *Ratio of interest-bearing debt to cash flow = Interest-bearing debt / Net cash provided by operating activities*

*[4] *Interest coverage ratio = Net cash provided by operating activities / Interest payments*

The ratio of interest-bearing debt to cash flow and interest coverage ratios are not shown for FY 2008 because Elpida had negative operating cash flow in that year.

(3) Basic Dividend Policy

Elpida considers returns to shareholders and achieving a higher return on equity as important company priorities. The company's earnings-driven dividend policy is to make dividend payments with such factors as earnings performance, financial condition and maintenance of an adequate amount of retained earnings for future business development. However, due to cumulative losses recorded in FY 2010 as well as measures now underway to strengthen Elpida's financial position in line with a business restructuring plan, which was submitted to Japan's Ministry of Economy, Trade and Industry (METI) by the company and approved by METI in June 2009, based on the Act on Special Measures for Industrial Revitalization and Innovation of Industrial Activities, the company is unable to issue a dividend for the completed 2010 fiscal year.

In the future, Elpida intends to focus on bolstering retained earnings through achieving better financial results in order to insure a strong financial base, maintain steady corporate management and examine the possibility of implementing the aforementioned dividend policy.

(4) Business risk

One feature of the semiconductor industry is that earnings can experience significant fluctuation depending on activity during the business cycle (which in the semiconductor industry is generally known as the "silicon cycle"). In the DRAM business, of which the Elpida Group is a part, this feature is particularly evident in sales of DRAMs used in personal computers, a business area characterized by severe global competition. This business area can adversely affect Elpida's overall business, financial condition and operations. Also, the ability of a company to survive in the DRAM business is critically dependent on a large scale of investment in both research & development and manufacturing equipment. Therefore, DRAM companies must adopt certain measures to handle business and other kinds of risks.

Listed below are the major risk factors Elpida has identified from among the variety of business and other forms of risk.

- Cyclical changes in the DRAM market.
- Price declines caused by an imbalance of supply and demand.
- Lower competitiveness in regard to product performance, quality, costs, manufacturing capabilities and technology.
- Loss of or decreased demand from key customers.
- Problems related to the supply of key materials or higher prices for materials.
- The possibility of a wrong response to a rapid changes in technology or to a higher level of technology.
- The possibility that capital investment spending may not deliver a sufficient return because of worsening market conditions or other reasons.
- The possibility that needed capital procurement may fall short of capital investment plans.
- A decline in the quality of products procured from outsourcing partners, disruptions of business arrangements with these partners or insufficient capacity at partners to respond to product orders.
- A slowdown in the manufacture of DRAM products or interrupted production caused by problems in the manufacturing process, with manufacturing equipment or other reasons.
- Severe competition with other companies in the hiring of trained or experienced semiconductor engineers.
- Litigation relating to intellectual property rights and anti-trust disputes.
- An inability to protect proprietary intellectual property and the rejection of a patent application.
- Damage to facilities, supply arrangements or the company's market position caused by earthquakes or other natural disasters, terrorist attacks, epidemics, civil disturbances, changes in laws or regulations that may adversely affect the company's business or other events beyond the company's control. (In particular, the effects of the March 2011 earthquake in northeastern Japan must be considered.)
- Emergence of new legal obligations caused by the strengthening or amending of national or local environmental laws and regulations.
- Changes in the US dollar, Euro or Taiwan dollar currency exchange rates.
- Significant changes in interest rates that will increase the cost of capital acquisition or possibly make new borrowings or the issuance of new corporate bonds difficult.

・ Put options on the company’s subsidiaries shares that may be exercised by investors.
・ Conflicts over business strategy with strategic business partners.
・ Business performance constraints
・ Financial covenants may apply.
・ The value of long-term assets may decline.

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.

II. Group Management

The Elpida Group consists of the Elpida parent company, three Japanese subsidiaries, ten overseas subsidiaries and two equity-method affiliates. The Group's main business operations are DRAM product development and design, manufacturing (front-end and back-end) and sales.

(1) Development and design

Development and design are mainly handled by Elpida and its subsidiaries, but in some fields the company outsources to and collaborates with other companies and external organizations.

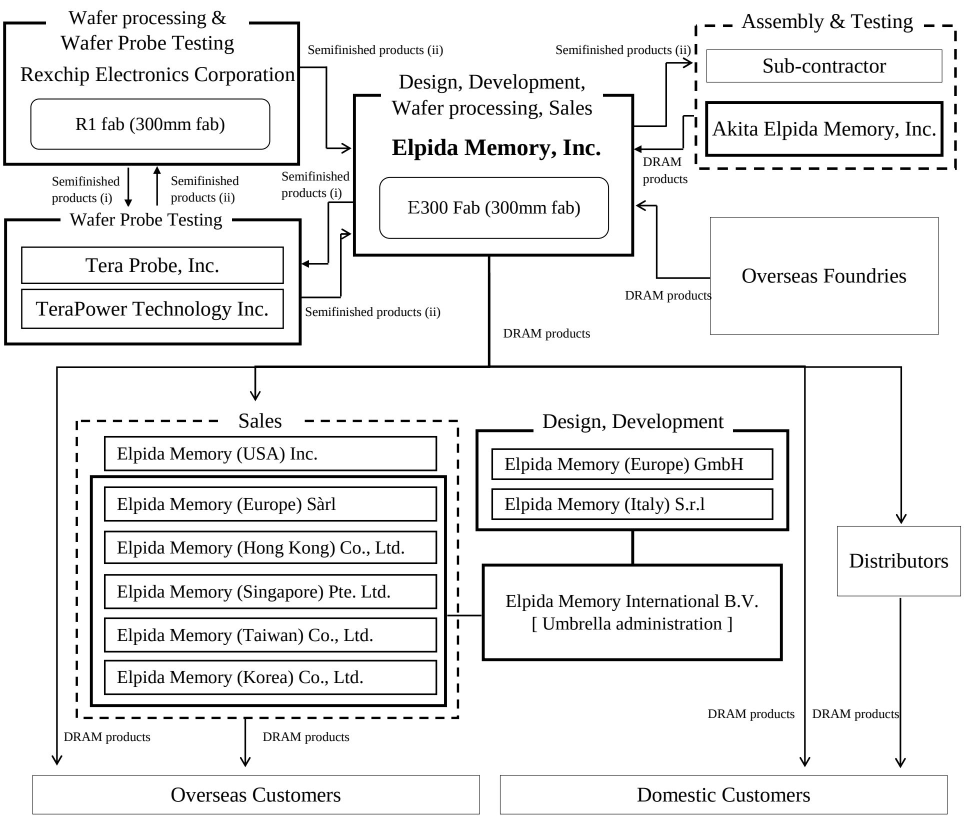
(2) Manufacturing

Front-end process: Among front-end processes wafer processing is handled by the Hiroshima Plant and Rexchip while wafer probing is conducted by two equity-method affiliates, Tera Probe, Inc. and TeraPower Technology Inc. and Rexchip.

Back-end process: Back-end processes (package assembly and final testing) are generally outsourced to overseas companies but some advanced package assembly is handled by Akita Elpida Memory, Inc.

(3) Sales

The Elpida parent oversees sales to customers and supplies products to sales subsidiaries and sales distributors. Overseas sales subsidiaries conduct regional product sales to customers in the United States, Europe and Asia.



Note 1: Elpida's subsidiaries in Japan consist of Akita Elpida Memory, Inc. which handles a part of the core business, as well as EBS, Inc. and ECM, Inc in supporting business roles.

Note 2: Elpida's overseas subsidiaries consist of Rexchip Electronics Corporation, Elpida Memory (USA) Inc., and Elpida Memory International B.V. as well as the following seven overseas companies under the umbrella supervision of Elpida Memory International B.V.: Elpida Memory (Europe) Sàrl, Elpida Memory (Europe) GmbH, Elpida Memory (Italy) S.r.l, Elpida Memory (Hong Kong) Co., Ltd., Elpida Memory (Singapore) Pte. Ltd., Elpida Memory (Taiwan) Co., Ltd., and, lastly, Elpida Memory (Korea) Co., Ltd., which handle core business operations.

Note 3: In the above, semi-finished product (i) is wafer processed semi-finished products and semi-finished product (ii) is front-end processed products (wafer processing & wafer probe testing).

III. Management Policies

(1) Basic Management Policy

Elpida Memory’s business operations are based on the following three management policies:

(i) Create value-added ideas in consultation with customers and by providing customers with world-leading technology and products.

(ii) Establish a trustworthy working relationship with its employees, customers, shareholders, business partners and other stakeholders.

(iii) Maintain a working environment that emphasizes an "open door" policy of enabling employees to develop and realize innovative business and technology ideas.

(2) Business Performance Indicators

The Elpida Group is focused on maximizing shareholder value and achieving high levels of satisfaction among all Elpida stakeholders as part of its drive to become the world's No. 1 DRAM Solution Company .To achieve these aims the Group seeks to achieve growth at a pace that exceeds the growth rate of revenue in the DRAM market. Elpida uses various financial performance indicators in managing its business growth, such as the operating margin and ROE to track profitability and the net debt-to-equity ratio to monitor financial stability.

(3) Medium to Long-Term Management Strategy

The Elpida Group aims to maximize corporate value by becoming the "World's No.1 DRAM Solution Company." The biggest benefit that comes from being No. 1 is that large-scale product supply and high-end technology capabilities can deliver the maximum level of customer satisfaction. At the same time, the No. 1 position would provide strong pricing and market share advantages over competitors. The company believes this would lead to growth and better position it to achieve higher earnings and deliver steady returns to Elpida’s stakeholders.

(i) Building enduring relationships with customers

In a time of slumping DRAM market prices, it is important to maintain a steady business by building long-term relationships with customers built on trust.

Depending on the memory application, the performance, technical support, pricing and other features demanded by customers are different for each DRAM product. Thus Elpida's domestic and overseas sales operations generally function as direct sales in order to shrink the distance between Elpida and customers to more accurately grasp customer needs. Also, Elpida has fielded technology marketing teams in different product areas to deliver DRAM solutions and quickly provide focused support for customer product development.

(ii) Strengthening technology development

In the DRAM industry, outperforming competitors in responding to customer needs and reducing production costs require having the highest possible level of advanced technology capabilities. For this reason Elpida is strongly focused on core DRAM technology such as manufacturing process migration, higher memory densities, lower power consumption and faster speeds in order to develop advanced high-performance DRAMs..

On the other hand, the growth in R&D costs that comes with advances in technology is an issue that directly concerns every DRAM maker in the industry. Given the importance of this issue Elpida has streamlined product development to contain rising development costs. It has also established partnerships with other leading semiconductor companies and R&D institutions for the purpose of shortening development periods and reducing development costs. All these measures have helped strengthen development capabilities. Also, Rexchip’s R&D center is both an engineering resource for Elpida and a joint developer of next-generation technology.

(iii) Enhancing the manufacturing system

Semiconductor memory manufacturing is an equipment industry that requires large-scale capital investment to realize advances in technology. Within the manufacturing process Elpida concentrates its resources on areas where differentiation from competitors is most possible, which is capital intensive front-end processes. For back-end processes, with the exception of high-value added products, Elpida outsources production to overseas companies to achieve higher levels of manufacturing and capital efficiency.

The Elpida Group's front-end process operations are handled by its Hiroshima Plant and by Rexchip, a Taiwan-based joint venture. The Hiroshima Plant mainly focuses on production of high value-added Premier DRAMs for digital consumer electronics and mobile devices. The Rexchip JV concentrates on manufacturing PC DRAMs that need to be more cost competitive. At both production locations, manufacturing costs have been reduced through a shift to advanced processes, rapid improvement in yields and continuous productivity improvements.

In addition, outsourcing to Taiwan DRAM makers has scaled up manufacturing while reining in fixed costs and at the same time served to minimize the risk of price volatility.

(iv) Increasing worker motivation

In order to successfully implement the measures discussed above, Elpida attaches tremendous importance to investing not only in capital equipment and technology development but also in human resources. The company believes in offering attractive incentives linked to a work ethic designed to enhance corporate value. In the interest of retaining quality employees and recruiting new employees who are strongly motivated, it has introduced business performance bonuses, project-related performance bonuses and other kinds of incentives.

(4) Company Issues to Be Addressed

To achieve a stronger position in the intensely competitive memory industry, Elpida focuses on the following issues:

(i) Manufacturing cost reductions

In the semiconductor memory manufacturing industry lowering manufacturing costs represents the biggest source of profits. Irrespective of the business environment, reducing costs is important for maximizing profits when business conditions are good and for having a profit structure that can sustain a chip maker when business conditions are bad. Currently, the most effective way to lower manufacturing costs is to shrink chip size. Accomplishing this, however, depends on making capital investment in equipment designed for advanced process migration. This leads to a fundamental problem: how to make efficient capital investments in light of constantly rising equipment costs.

To reduce manufacturing costs, Elpida is constantly focused on, on the technology side, achieving smaller chip sizes through use of finer process geometries and innovative memory cell configuration. On the manufacturing side, the company stresses higher throughput, shorter cycle times and continuous manufacturing improvements. In FY 2010, Elpida tried to lower chip costs through an expansion of 40nm process production. In the future it plans further cost reductions by migrating to a 30nm process. As part of converting manufacturing lines to these advanced processes, Elpida will fully exploit its process and design capabilities in order to maximize the use of existing equipment as a way of holding down new capital investment and achieving greater cost control.

(ii) A stronger business base

More than half of DRAM demand comes from the PC-related market. But since PC DRAMs are commodity products, changes in the balance of supply and demand affect prices and have significant impact on corporate profits. Also, it is generally assumed that as chip manufacturing technology becomes more advanced greater investment in more sophisticated semiconductor equipment is necessary. When the DRAM market experiences an extended slump, these two factors create the risk that investment in the expansion of production capacity in anticipation of an eventual market recovery and in technology migration to enable lower costs may both become inadequate.

Given this risk, Elpida believes that it is important to have a fundamentally sound business base. One way the company is doing this is by strengthening ties with its Taiwan business partners, which helps to make technology group manufacturing operations more efficient and diversifies business risk. Also, Elpida is working to stabilize earnings by boosting the proportion of business based on high value-added but low price volatility Premier DRAMs.

At present the company’s Hiroshima Plant is the only production site for mobile DRAM. The March 2011 earthquake in northeast Japan is a powerful reminder of the supply risk involved when manufacturing companies concentrate their production operations in one location. As a supplier Elpida is working quickly to address this kind of unforeseen situation by, for example, making Rexchip in Taiwan ready for mobile DRAM production.

(iii) A stronger financial base

In looking at FY 2010, the rapid rise in DRAM prices from August caused the company’s financial performance to deteriorate. In the 4Q however the performance improved. For the full year operating income was up YoY and net income, while down, finished in the black. As a result, FY 2010 operating cash flow was positive for the second year in a row, and free cash flow, the addition of operating cash flow to investing cash flow, was in the black for the first time since Elpida was founded. While the net debt to equity ratio fell sharply from 148% at end-FY 2009 to 102% at end-FY 2010, extreme market price volatility in the DRAM market suggests that interest-bearing debt of 405.1 billion yen needs to be brought even lower.

To improve its financial condition and prepare for the possibility of a slump in the DRAM market, Elpida continues to upgrade its technological and cost competitiveness, two prerequisites for a better earnings performance. In addition, through improving cash flow to achieve a high level of capital investment efficiency and other financial measures Elpida is building a stronger financial position and a healthier business structure.

(iv) Advanced technology R&D

In semiconductor memory manufacturing, emphasis is placed on faster speeds, lower power consumption, higher densities, smaller chip sizes and other performance objectives. Success is achieved through introducing advanced process technologies and new materials and through innovative memory cell and transistor configurations, all of which are supported by the development of critical measurement and analysis technologies. At the same time, since manufacturing process migration is now thought to be approaching physical limitations, the DRAM industry is searching for various ways to break into new technology frontiers. All this activity represents a continuing challenge to the industry: how to maintain control over research & development spending, which has a tendency to rise in tandem with increasing technological sophistication and diversification.

Elpida's approach to these issues centers around pioneering new technologies ahead of its competitors. Accordingly, the company has created an efficient development program and it seeks to keep and recruit top engineers who are capable of achieving technology breakthroughs. Also, the establishment of a development center at Rexchip and technology partnerships with domestic and overseas companies and research institutions results in stronger development capabilities and lowers the burden of development costs. When the need or opportunity exists, Elpida is always ready to make forward-looking efforts to cooperate with the best companies and institutions in key technology fields.

In response to the physical limits of DRAM manufacturing process migration Elpida continues to develop new memory technologies that could serve as alternatives to DRAM. Also under development is three-dimensional stack packaging, which uses through silicon via (TSV) technology to achieve greater memory density.

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
(Assets)		
I Current assets		
1. Cash and deposits	113,338	112,839
2. Note and accounts receivable, trade	122,618	75,505
3. Inventories		
Finished goods	35,483	27,942
Semi-finished goods	4,714	10,536
Work in process	27,491	28,725
Raw materials	2,786	2,031
Supplies	2,342	3,237
4. Deferred tax assets	2,639	394
5. Accounts receivable, other	8,142	15,237
6. Consumption taxes receivable	3,822	3,362
7. Other current assets	8,566	2,786
8. Allowance for doubtful accounts	(5,571)	(4,437)
Total current assets	326,370	278,157
II Noncurrent assets		
1. Property, plant and equipment	596,402	568,584
Buildings and structures	96,367	90,338
Machinery, equipment and vehicles	465,030	433,134
Tools, furniture and fixtures	17,152	16,286
Land	4,451	4,219
Construction in progress	13,402	24,607
2. Intangible assets	7,634	5,053
Goodwill	1,050	699
Software	5,844	3,851
Software in progress	56	50
Others	684	453
3. Investments and other assets	17,044	27,176
Investment securities	4,101	13,421
Long-term prepaid expenses	10,938	13,220
Deferred tax assets	400	94
Others	1,605	441
Total noncurrent assets	621,080	600,813
Total assets	947,450	878,970

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
(Liabilities)		
I Current liabilities		
1. Accounts payable, trade	53,556	54,137
2. Short-term loans payable	1,465	—
3. Current portion of bonds	30,000	45,000
4. Current portion of long-term loans payable	132,460	87,188
5. Current portion of lease obligations	21,919	21,107
6. Accounts payable, other	12,824	29,294
7. Income taxes payable	2,014	398
8. Deferred tax liabilities	—	404
9. Provision for bonuses	2,827	2,653
10. Provision for loss on inventory valuation	736	868
11. Provision for sales returns	474	222
12. Provision for loss on settlements and litigations	1,485	720
13. Others	14,439	21,868
Total current liabilities	274,199	263,859
II Noncurrent liabilities		
1. Bonds payable	75,000	30,000
2. Convertible bonds with share subscription rights	—	66,236
3. Long-term loans payable	200,064	108,756
4. Lease obligations	43,841	46,769
5. Long-term accounts payable, other	1,519	3,057
6. Deferred tax liabilities	2,474	404
7. Provision for retirement benefits	2,298	2,861
8. Provision for directors’ retirement benefits	174	156
9. Provision for loss on settlements and litigations	651	—
10. Asset retirement obligations	—	285
11. Other noncurrent liabilities	448	583
Total noncurrent liabilities	326,469	259,107
Total liabilities	600,668	522,966
(Net assets)		
I Shareholders’ equity		
1. Capital stock	203,860	215,663
2. Capital surplus	214,902	83,194
3. Retained earnings	(141,777)	3,830
4. Treasury stock	(5)	(5)
Total shareholders’ equity	276,980	302,682
II Accumulated other comprehensive income		
1. Valuation difference on available-for-sale securities	825	281
2. Deferred gains or losses on hedges	(64)	(31)
3. Foreign currency translation adjustments	(14,104)	(17,165)
Total accumulated other comprehensive income	(13,343)	(16,915)
III Share subscription rights	287	296
IV Minority interests	82,858	69,941
Total net assets	346,782	356,004
Total liabilities and net assets	947,450	878,970

(2) Consolidated Statements of Income and Statement of Comprehensive Income

(2) - 1 Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended	
	March 31, 2010	March 31, 2011
I Net sales	466,953	514,316
II Cost of sales	377,992	412,828
Gross profit	88,961	101,488
III Selling, general and administrative expenses	62,116	65,700
Operating income	26,845	35,788
IV Non-operating income		
1. Interest income	1,141	206
2. Foreign exchange gains	412	—
3. Equity in earnings of affiliates	—	529
4. Subsidy income	76	1,234
5. Gain on valuation of interest-rate swaps	102	—
6. Rent income on facilities	485	—
7. Others	222	320
V Non-operating expenses		
1. Interest expense	10,566	9,947
2. Financing charges	2,294	2,651
3. Stock issuance cost	501	948
4. Bond issuance cost	—	69
5. Foreign exchange loss	—	8,249
6. Depreciation of inactive noncurrent assets	1,541	1,087
7. Others	2,091	1,272
Ordinary income	12,290	13,854
VI Extraordinary income		
1. Gain on sales of noncurrent assets	142	281
2. Gain on donation of noncurrent assets	143	—
3. Gain on sales of subsidiaries' stocks	—	372
4. Reversal of allowance for doubtful accounts	—	663
5. Reversal of accrual for settlements and litigations	1,592	908
6. Gain on change in equity	61	221
7. Gain on negative goodwill	—	555
8. Settlement gain	—	2,705
VII Extraordinary losses		
1. Loss on sales of noncurrent assets	32	154
2. Loss on retirement of noncurrent assets	3,036	1,521
3. Accrual for settlements and litigations	—	403
4. Impairment loss	2,241	493
5. Loss on adjustment for changes of accounting standard for asset retirement obligations	—	172
6. Loss on disaster	—	37
Income before income taxes	8,919	16,779
Income taxes		
Current	1,786	559
Deferred	(66)	1,045
Total income taxes	1,720	1,604
Income before minority interests	—	15,175
Minority interests in income	4,114	13,079
Net income	3,085	2,096

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

(2) -2 Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended	
	March 31, 2010	March 31, 2011
Income before minority interests	—	15,175
Other comprehensive income		
1. Valuation difference on available-for-sale securities	—	(544)
2. Deferred gains or losses on hedges	—	33
3. Foreign currency translation adjustment	—	(4,512)
4. Share of other comprehensive income of associates accounted for using equity method	—	7
Total other comprehensive income	—	(5,016)
Comprehensive income	—	10,159

Comprehensive income attributable to		
owners of the parent	—	(1,476)
minority interests	—	11,635

(3) Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2010 (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2009	158,665	169,707	(144,862)	(5)	183,505
Changes					
Issuance of stock	45,195	45,195			90,390
Net income			3,085		3,085
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					—
Net changes	45,195	45,195	3,085	(0)	93,475
Balance as of March 31, 2010	203,860	214,902	(141,777)	(5)	276,980

(Millions of yen)

	Valuation and translation adjustments				Share subscription rights	Minority interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of March 31, 2009	(453)	(300)	(15,457)	(16,210)	242	98,932	266,469
Changes							
Issuance of stock				—			90,390
Net income				—			3,085
Purchase of treasury stock				—			(0)
Net changes of items other than shareholders' equity	1,278	236	1,353	2,867	45	(16,074)	(13,162)
Net changes	1,278	236	1,353	2,867	45	(16,074)	80,313
Balance as of March 31, 2010	825	(64)	(14,104)	(13,343)	287	82,858	346,782

(3) Consolidated Statements of Changes in Net Assets (Continued)

For the year ended March 31, 2011 (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	203,860	214,902	(141,777)	(5)	276,980
Changes					
Issuance of stock	11,803	11,803			23,606
Deficit disposition		(143,511)	143,511		―
Net income			2,096		2,096
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Net changes	11,803	(131,708)	145,607	(0)	25,702
Balance as of March 31, 2011	215,663	83,194	3,830	(5)	302,682

(Millions of yen)

	Accumulated other comprehensive income				Share subscription rights	Minority interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total Accumulated other comprehensive income			
Balance as of March 31, 2010	825	(64)	(14,104)	(13,343)	287	82,858	346,782
Changes							
Issuance of stock				―			23,606
Deficit disposition				―			
Net income				―			2,096
Purchase of treasury stock				―			(0)
Net changes of items other than shareholders' equity	(544)	33	(3,061)	(3,572)	9	(12,917)	(16,480)
Net changes	(544)	33	(3,061)	(3,572)	9	(12,917)	9,222
Balance as of March 31, 2011	281	(31)	(17,165)	(16,915)	296	69,941	356,004

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended	
	March 31, 2010	March 31, 2011
I **Operating activities**		
Income before income taxes	8,919	16,779
Depreciation and amortization	121,821	125,785
Impairment loss	2,241	493
Decrease in provision	(4,455)	(281)
Interest and dividend income	(1,141)	(206)
Interest expense	10,566	9,947
Foreign exchange gains	(2,841)	(382)
Equity in earnings of affiliates	—	(529)
Gain on change in equity	(61)	(221)
Gain on sales of noncurrent assets	(110)	(127)
Loss on retirement of noncurrent assets	3,036	1,521
Gain on sales of subsidiaries' stocks	—	(372)
Decrease (increase) in notes and accounts receivable, trade	(68,960)	41,587
Increase in inventories	(6,684)	(36)
Decrease (increase) in accounts receivable, other	12,337	(6,968)
Decrease in consumption taxes refund receivable	1,677	460
Increase (decrease) in notes and accounts payable, trade	5,208	(1,628)
Increase (decrease) in accounts payable, other	1,489	(2,560)
Others	(1,161)	764
Subtotal	81,881	184,026
Interest and dividend received	355	928
Interest expenses paid	(10,616)	(10,139)
Financing charges paid	(5,865)	(1,010)
Proceeds from subsidy	76	1,234
Proceeds from settlements	621	—
Proceeds from compensation	579	—
Settlements paid	(514)	(672)
Income taxes paid	(944)	(1,401)
Net cash provided by operating activities	65,573	172,966
II **Investing activities**		
Payments into time deposits	(1,830)	(1)
Proceeds from withdrawal of time deposits	819	1,150
Purchase of property, plant and equipment	(81,101)	(97,273)
Proceeds from sales of property, plant and equipment	721	985
Purchase of intangible assets	(1,633)	(325)
Purchase of long-term prepaid expenses	(2,664)	(6,581)
Purchase of investments in subsidiaries	(10,028)	(15,245)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	939
Collection of loans receivable	—	5,686
Others	(56)	73
Net cash used in investing activities	(95,772)	(110,592)

(4) Consolidated Statements of Cash Flows (continued)

(Millions of yen)

	Fiscal year ended	
	March 31, 2010	March 31, 2011
III **Financing activities**		
Proceeds from short-term loans payable	3,292	3,191
Repayments of short-term loans payable	(4,722)	(3,597)
Proceeds from long-term loans payable	110,000	—
Repayments of long-term loans payable	(109,117)	(130,196)
Proceeds from issuance of common stock	89,894	23,201
Redemption of bonds	(55,000)	(30,000)
Proceeds from issuance of convertible bonds with share subscription rights	—	66,720
Proceeds from sale-and-leaseback transactions	17,905	32,479
Repayments of lease obligations	(23,605)	(22,255)
Purchase of treasury stock	(0)	(0)
Proceeds from stock issuance to minority shareholders	203	—
Net cash provided by (used in) financing activities	28,850	(60,457)
IV Effect of exchange rates changes on cash and cash equivalents	(162)	(1,267)
V Net increase (decrease) in cash and cash equivalents	(1,511)	650
VI Cash and cash equivalents at beginning of the period	113,699	112,188
VII Cash and cash equivalents at end of the period	112,188	112,838

Free cash flow（I+II）	(30,199)	62,374

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2011

[Notes on Going Concern Assumption]

Not applicable

[Basic important matters for preparation of consolidated financial statements]

1. Scope of consolidation

 Consolidated all subsidiaries

 Number of the consolidated subsidiaries : 13
 Name of the consolidated subsidiaries: Akita Elpida Memory, Inc.
 Rexchip Electronics Corporation
 Elpida Memory (Europe) GmbH
 Elpida Memory (Italy) S.r.l.
 Elpida Memory (USA) Inc.
 Elpida Memory (Taiwan) Co., Ltd.
 Elpida Memory (Singapore) Pte. Ltd.
 Elpida Memory (Hong Kong) Co., Ltd.
 Elpida Memory (Europe) Sàrl
 Elpida Memory (Korea) Co., Ltd.
 Elpida Memory International B.V.
 EBS Inc.
 ECM Inc.

 For the fiscal year ended March 31, 2011, the number of the Company's consolidated subsidiaries has increased by one (Elpida Memory (Korea) Co., Ltd.) through establishment in June 2010 and decreased by two (Tera Probe, Inc.and TeraPower Technology Inc.(a consolidated subsidiary of Tera Probe, Inc.)) in December 2010. As a result, the number of Company's consolidated subsidiaries became 13.

2. Application of equity method

 For the fiscal year ended March 31, 2011, Tera Probe, Inc. and TeraPower Technology Inc.became equity-method affiliates as a result of a new share issuance by Tera Probe and sales of Tera Probe shares by the Company in December 2010. As a result, the number of equity-method affiliates became 2.

3. The fiscal year end date for the consolidated subsidiaries

 Among consolidated subsidiaries, the fiscal year end date of Rexchip Electronics Corporation is December 31. The accompanying consolidated financial statements are prepared based on their financial statements after conducting provisional closing procedures in accordance with normal closing procedures as of the Company's fiscal year end date (March 31, 2011).

4. Accounting principles

4-1. Valuation principles and method for assets.

(1) Investment securities

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method.

(2) Derivatives

Derivatives are stated based on a market value method.

(3) The cost of inventories

Finished goods
Cost method based on the first-in, first-out method (amount shown on the balance sheet is stated by writing down based on their decrease in profitability).

Semi-finished goods
Cost method based on the first-in, first-out or aggregate average method (amount shown on the balance sheet is stated by writing down based on their decrease in profitability).

Work in process
Cost method based on the first-in, first-out or aggregate average method (amount shown on the balance sheet is stated by writing down based on their decrease in profitability).

Raw materials
Cost method based on the first-in, first-out or aggregate average method (amount shown on the balance sheet is stated by writing down based on their decrease in profitability).

Supplies
Cost method based on the most recent purchase price method (amount shown on the balance sheet is stated by writing down based on their decrease in profitability).
.

4-2. Depreciation method of fixed assets

(1) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on the following estimated useful lives of the assets.

Buildings and structures:	2 to 56 years
Machinery, equipment and vehicles:	2 to 20 years
Tools, furniture and fixtures:	2 to 25 years

(2) Intangible fixed assets

Certain costs incurred to obtain internal use computer software are capitalized and amortized on a straight-line basis over the estimated useful lives (within 5 years).

(3) Leased assets

Leased assets under capital lease transactions which transfer substantially all the risks and rewards of ownership of the assets: A same method is applied as that of tangible fixed assets the Company owns

Leased assets under capital lease transactions which do not transfer ownership of the assets at the end of the lease term: Amortized on a straight-line basis over the lease terms.

4-3. Principles for Provision

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on credit loss history for general accounts receivables and an evaluation of collectability for any specific doubtful receivables.

(2) Provision for bonuses

Provision for bonuses is provided based on estimated amounts which the company will pay based on the service provided during the current period.

(3) Provision for loss on inventory valuation

Following purchase of inventories from consignment factories, the company sets provision for loss on inventory valuation, which the company expects to bear.

(4) Provision for sales returns

Provision for sales returns is provided based on estimated amounts which are equivalent to decrease of gross profit caused by returns in the future. Estimate is made based on actual rate of returns in the past and expected specific returns

(5) Provision for retirement benefits

Pension and severance costs were accrued based on the benefit obligations and pension plan assets at the end of the current fiscal year.
Unrecognized prior service cost and actuarial loss are amortized on the straight-line method over the average remaining service period of employees expected to receive benefits under the plan, which is currently 15years.

(6) Provision for directors' retirement benefits

Severance costs were accrued based on the benefit obligations at end of period.

(7) Provision for loss on settlements and litigations

Provision for loss on settlements and litigations is provided based on estimated loss which provably occurs from settlements and litigations.

4-4. Foreign currency translation

Foreign currency receivables and payables are translated into Japanese yen at effective period-end exchange rates and the resulting transaction gains or losses are taken into the consolidated results. The balance sheet accounts of foreign consolidated subsidiaries and an affiliated company are translated into Japanese yen at effective period-end exchange rates, except for the components of shareholders' equity which are translated at their historical exchange rates, and all income and expense accounts are translated at the average exchange rate in effect during the period. The resulting translation differences are recorded in a separate component of shareholders' equity as foreign exchange translation adjustments.

4-5. Hedge accounting

(i) Hedge accounting
The company has adopted deferral hedge accounting for its derivative transactions.
(ii) Derivative instruments and subject
The interest rate swap is as the derivative instruments and bond is subject to hedge.
(iii) Policy of derivative transactions
The Company has entered into interest rate swap agreements in order to manage certain risks arising from adverse fluctuation in interest rates.
(iv) Evaluation of Hedge effectiveness
Hedge effectiveness is determined by comparing the cumulative changes in cash flows or fair values from the hedging instruments with those from the hedged items.

4-6. Consumption tax and other

Accounted exclusive of consumption taxes and local consumption taxes.

5. Amortization of Goodwill

Goodwill is amortized on a straight-line method over 5 years or 15years.

6. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

[Change in basic important matters for preparation of consolidated financial statements]

(1) Adoption of “Accounting Standard for Asset Retirement Obligations”

Effective from the fiscal year ended March 31, 2011, the Company has adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (“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.

(2) Adoption of “Accounting Standard for Business Combinations” and others

Effective from the fiscal 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 adoption of the “Accounting Standard for Consolidated Financial Statements”, 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 adoption on consolidated financial statements.

[Changes in presentation]

For consolidated statements of income

Based on the “Accounting Standard for Consolidated Financial Statements”, the Company has adopted the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5 of March 24, 2009). As a result, “Income before minority interests” is included in the consolidated statements of income from the fiscal year ended March 31, 2011.

“Rent income on facilities” which was independently presented in non-operating income for the fiscal year ended March 31, 2010 is included in “Other” in non-operating income for the fiscal year ended March 31, 2011 based on its importance. “Rent income on facilities” was ¥54 million for the year ended March 31, 2011.

[Additional information]

Effective from the fiscal year ended March 31, 2011, the Company has adopted the “Accounting Standard for Presentation of Comprehensive Income”(ASBJ Statement No. 25 of June 30, 2010). The amount of Accumulated Other Comprehensive Income and Total Accumulated Other Comprehensive Income for the fiscal year ended March 31, 2010 represents the amounts of Valuation and Translation Adjustments and Total Valuation and Translation Adjustments, respectively.

[**Notes to Financial Statements**]

(Notes to Consolidated balance sheets)

Assets pledged as collateral and obligations collateralized

Assets pledged as collateral and obligations collateralized as of March 31, 2011 are as follows,

(1) Assets pledged as collateral

	(Millions of yen)	
Buildings and structures	82,580	(66,956)
Machinery, equipment and vehicles	226,496	(152,419)
Land	4,000	(4,000)
Total	313,076	(223,375)

Note: Figures in parenthesis represent the assets relating to Company's Hiroshima plant foundation.

(2) Obligation collateralized

	(Millions of yen)	
Long-term loans payable (including current portion of long-term loans payable)	185,945	(134,680)
Lease obligations	10,587	(10,587)
Operating leases with minimum rental commitments	3,957	(3,957)

Note: Figures in parenthesis represent the obligations relating to Company's Hiroshima plant foundation.

(Notes to Consolidated statements of income)

1. Impairment loss

For the year ended March 31, 2011, the Company recognized impairment loss for the following fixed assets.

Location	Use	Category
TAICHUNG County, Taiwan	Assets to be disposed of	Tools, furniture and fixtures

The Companies classify asset groups as cash-generating units according to business units; important idle assets, which are not used for business, and assets planned to be disposed are separately classified based on an individual asset.

Assets planned for disposal were assets with no utilization plan in the present market environment, whereas the Company originally planned to utilize these assets. The net book value of assets planned to be disposed were written down to recoverable amount by ¥493 million. The recoverable values were measured by net sales value. However, the recoverable values for assets which are difficult to divert and sell are measured by memorandum value.

2. Loss on disaster

Loss on disaster presented on consolidated statement of income for the year ended March 31, 2011 is estimated loss relating to damaged inventories due to the Great East Japan Earthquake.

(Notes to Consolidated statements of comprehensive income)

1. Comprehensive income for the fiscal year ended March 31, 2010

(Millions of yen)

Comprehensive income attributable to owners of the parent	5,954
Comprehensive income attributable to minority interests	4,571
Total	10,525

2. Other comprehensive income for the fiscal year ended March 31, 2010

(Millions of yen)

Valuation difference on available-for-sale securities	1,278
Deferred gains or losses on hedges	236
Foreign currency translation adjustment	1,812
Share of other comprehensive income of associates accounted for using equity method	—
Total	3,326

(Notes to Consolidated statements of changes in net assets)

For the year ended March 31, 2010

1. Type and number of shares outstanding and treasury stock

	Number of shares as of March 31, 2009	Number of shares increased in the current period	Number of shares decreased in the current period	Number of shares as of March 31,2010
Outstanding shares				
Common stock	141,601,419	55,000,000	–	196,601,419
Type 1 preferred stock	–	1,000,000	–	1,000,000
Type 2 preferred stock	–	2,000,000	–	2,000,000
Total	141,601,419	58,000,000	–	199,601,419
Treasury stocks				
Common stock	1,315	146	–	1,461
Total	1,315	146	–	1,461

Note:1. Increase in the number of outstanding shares of 55,000,000 in common stock was due to capital increase by public offering.
2. Increase in the number of outstanding shares of 1,000,000 in Type 1 preferred stock and 2,000,000 in Type 2 preferred stock was due to issuance of preferred stock by a third party allotment to Development Bank of Japan based on the Law on Special Measures for Industrial Revitalization.
3. Increase in the number of treasury stocks of 146 in common stock was due to purchase of less-than-one-unit shares.

2. Share subscription rights

	Breakdown of share subscription rights	Type of shares	Number of Shares subject to Share subscription rights				Balance of shares as of March 31, 2010 (millions of yen)
			Number of shares as of March 31, 2009	Increase in the number of shares during the current period	Decrease in the number of shares during the current period	Number of shares as of March 31, 2010	
Issuing company	Share subscription rights as stock option	Common stock	—	—	—	—	287

For the year ended March 31, 2011

1. Type and number of shares outstanding and treasury stock

	Number of shares as of March 31, 2010	Number of shares increased in the current period	Number of shares decreased in the current period	Number of shares as of March 31,2011
Outstanding shares				
Common stock	196,601,419	17,915,951	—	214,517,370
Type 1 preferred stock	1,000,000	—	—	1,000,000
Type 2 preferred stock	2,000,000	—	—	2,000,000
Total	199,601,419	17,915,951	—	217,517,370
Treasury stocks				
Common stock	1,461	15	—	1,476
Type 2 preferred stock	—	161,033	—	161,033
Total	1,461	161,048	—	162,509

Note:1. Increase in the number of outstanding shares of 17,915,951 in common stock was due to capital increase by third-party allotment (6,470,200 sheres), issuance of TDR(Taiwan Depositary Receipts) in place of underlying common stock (10,000,000 shares) and issuance of common stock (1,445,751shares) by exercise the right to request acquisition of the preferred shares with the common stock of the Company as consideration by owners of Type 2 preferred stock.

2. Increase in the number of treasury stocks of 15 in common stock was due to purchase of less-than-one-unit shares.

3. Increase in the number of treasury stocks of 161,033 in Type 2 preferred stock was due to purchase by exercise the right to request acquisition of the preferred shares with the common stock of the Company as consideration by owners of Type 2 preferred stock.

2. Share subscription rights

	Breakdown of share subscription rights	Type of shares	Number of Shares subject to Share subscription rights				Balance of shares as of March 31, 2011 (millions of yen)
			Number of shares as of March 31, 2010	Increase in the number of shares during the current period	Decrease in the number of shares during the current period	Number of shares as of March 31, 2011	
Issuing company	Share subscription rights as stock option	Common stock	—	—	—	—	296

(Notes to Consolidated statements of cash flow)

1. Cash and cash equivalents at March 31, 2010 and 2011 are reconciled to the account reported in the consolidated balance sheet as follows :

	As of March 31, 2010 (Millions of yen)	As of March 31, 2011 (Millions of yen)
Cash on hand and in banks	113,338	112,839
Less : Time deposits due over three months	1,150	1
Cash and cash equivalents	112,188	112,838

2. Significant non-cash transactions

	As of March 31, 2010 (Millions of yen)	As of March 31, 2011 (Millions of yen)
(1) Purchase of assets by finance lease transaction	18,016	39,061
(2) Loan and interest receivable offset by investments in subsidiaries	10,722	−

(Lease transactions)
At March 31, 2010 and 2011, the Company had operating leases with minimum rental commitments as follows:

	As of March 31, 2010 (Millions of yen)	As of March 31, 2011 (Millions of yen)
Due within 1 year	8,880	6,717
Due over 1 year	1,342	4,243
Total	10,222	10,960

(Business Combinations)

For the fiscal year ended March 31, 2010

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, 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%.

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 over the estimated fair value of the increased net assets acquired was ¥451 million . This was recognized as goodwill and amortized one time because the amount was not material.

For the fiscal year ended March 31, 2011

Not applicable

(Omission of Notes)

The following Notes are omitted since the necessity of disclosure is not high in earnings releases.

-Information on related parties
-Deferred tax
-Financial instruments
-Marketable security
-Derivatives
-Retirement benefits
-Stock option

Above notes will be disclosed on annual security report which is scheduled to be submitted on June 28, 2011 through EDINET(Electronic Disclosure for Investors' NETwork).

(Segment Information)

1. Business Segment Information
For the fiscal year ended March 31, 2010

Our group was operating a single segment of the semiconductor business centering on DRAM, so the information by business segment is omitted.

2. Geographical segment information
For the fiscal year ended March 31, 2010

	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	182,099	80,401	181,797	22,656	466,953	—	466,953
(2) Inter-segment sales and transfers	271,892	12	108,096	1,001	381,001	(381,001)	—
Total	453,991	80,413	289,893	23,657	847,954	(381,001)	466,953
Operating expenses	446,893	79,105	266,208	23,715	815,921	(375,813)	440,108
Operating income	7,098	1,308	23,685	(58)	32,033	(5,188)	26,845
Assets	798,387	16,425	303,031	14,482	1,132,325	(184,875)	947,450

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: Hong Kong, Singapore and Taiwan
(3) Europe: Germany, Switzerland and Italy
3: Effective in the second quarter of the year ended March 31, 2010, certain domestic consolidated subsidiary changed the useful lives of property, plant and equipment and intangible fixed assets. These assets have been physically used longer than the former estimated useful lives. As a result of this change, operating income in Japan increased by ¥3,089 million for the fiscal year ended March 31, 2010.

3. Overseas sales

For the fiscal year ended March 31, 2010

	North America	Asia	Europe	Total
I Overseas sales (MY)	85,044	188,458	110,670	384,172
II Consolidated sales (MY)				466,953
III Ratio of overseas sales over consolidated sales (%)	18.2	40.4	23.7	82.3

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

2: Major countries and regions other than Japan are as follows:
North America: the United States
Asia: Taiwan, Singapore and Hong Kong
Europe: Whole area

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

4. Segment Information

For the fiscal year ended March 31, 2011

Our group was operating a single segment of the semiconductor business centering on DRAM, so the information here is omitted.

5. Related information

For the year ended March 31, 2011

(1) Information by product and service

(Millions of yen)

	Computing DRAM	Premier DRAM	Total
Net sales to third parties	358,077	156,239	514,316

Note: Computing DRAM consists of DRAM sales for PCs and Servers. Premier DRAM consists of DRAM sales for Digital consumer electronics, Mobile devices and Other sales.

(2) Information by region

Net sales by region and country

(Millions of yen)

Japan	Taiwan	Ireland	America	Asia	Europe	Other	Total
76,055	124,245	158,335	56,501	68,641	20,285	10,254	514,316

Property, plant and equipment by region and country

(Millions of yen)

Japan	Taiwan	Other	Total
370,337	197,921	326	568,584

(3) Information by main customer

(Millions of yen)

Customer name	Net sales	Related segment
Kingston Technology International Ltd.	158,340	semiconductor business centering on DRAM

(Additional information)

Effective from the fiscal year ended March 31, 2011, the Company has adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information “(ASBJ Statement No.17, March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

(Amounts Per Share)

	Year ended March 31,	
	2010	**2011**
	(Yen)	*(Yen)*
Net income (loss):		
Basic	14.54	**5.41**
Diluted	–	**5.32**

	March 31,	
	2010	**2011**
	(Yen)	*(Yen)*
Net assets	1,185.27	**1,192.48**

For the year ended March 31, 2010, diluted net income per share was not shown since there was no dilutive stock.

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

	Year ended March 31,	
	2010	**2011**
	(Millions of yen)	
Net income	3,085	**2,096**
Amount not attributable to common stock	612	**994**
1) Preferred dividend relating to Type 1 preferred stock	(204)	**(350)**
2) Preferred dividend relating to Type 2 preferred stock	(408)	**(644)**
Net income (loss) attributable to common stock	2,473	**1,102**

	Year ended March 31,	
	2010	**2011**
	(Thousands of shares)	
Weighted-average number of shares outstanding	170,079	**203,983**

Basis for calculation of diluted net income per share was as follows:

	Year ended March 31,	
	2009	**2010**
	(Millions of yen)	
Net income adjustment	–	–

	Year ended March 31,	
	2010	**2011**
	(Thousands of shares)	
Number of common stock increased	–	**3,237**
The US dollar denominated convertible bonds with subscription rights to shares due 2013	–	(3,237)
Summary of Non-Dilutive stock not included in calculation of diluted net income	Type 1 preferred stock (1,000,000 shares), Type 2 preferred stock (2,000,000 shares) and 5 types of share subscription rights (Number of share subscription rights: 31,584)	130% call option attached 2nd series unsecured convertible bond type bonds with share subscription rights (total amount of bond: 60 billion yen), Type 1 preferred stock (1,000,000 shares), Type 2 preferred stock (1,838,967 shares) and 5 types of share subscription rights (Number of share subscription rights: 31,553)

(Subsequent Events)

Not applicable

6. Others

Changes in Officers (As of June 28, 2011)

(1) Candidates for Corporate Auditor

Name	Proposed position	Current position
Takayuki Mashiko	Corporate Auditor (newly appointed)	CFO, Rexchip Electronics Corporation
Katsumi Sakurai	Outside Corporate Auditor (reappointed)	Outside Corporate Auditor, Elpida
Masahiko Kanamura	Outside Corporate Auditor (newly appointed)	Partner, Torikai Law Office

(2) Retiring Corporate Auditors

Name	Current position
Toshimasa Ota	Corporate Auditor
Masamitsu Nakayama	Outside Corporate Auditor

Note: Changes in Directors were announced on April 1, 2011.

Appendix

1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

	Jan-Mar 2010 (4Q-FY 09)	%	Apr-Jun 2010 (1Q-FY 10)	%	Jul-Sep 2010 (2Q-FY 10)	%	Oct-Dec 2010 (3Q-FY 10)	%	Jan-Mar 2011 (4Q-FY 10)	%
Net sales	147,522	100.0	176,333	100.0	148,799	100.0	97,072	100.0	92,112	100.0
Gross profit (loss)	54,313	36.8	61,746	35.0	40,190	27.0	(7,713)	-7.9	7,265	7.9
Selling, general and administrative expenses	16,561	11.2	17,324	9.8	16,713	11.2	19,161	19.7	12,502	13.6
Operating income (loss)	37,752	25.6	44,422	25.2	23,477	15.8	(26,874)	-27.7	(5,237)	-5.7
Income (loss) before income taxes	36,928	25.0	36,709	20.8	15,162	10.2	(28,027)	-28.9	(7,065)	-7.7
Net Income (loss)	33,650	22.8	30,671	17.4	9,217	6.2	(29,596)	-30.5	(8,196)	-8.9
EBITDA[1]	69,657	47.2	70,550	40.0	48,836	32.8	6,181	6.4	26,944	29.3
Average exchange rate (Yen to a U.S. Dollar)	90.39		91.87		88.06		82.97		82.88	

2. Selected Consolidated Financial Data

(Figures in millions of yen otherwise specified)

	Mar 31, 2010 (4Q-FY 09)	Jun 30, 2010 (1Q-FY 10)	Sep 30, 2010 (2Q-FY 10)	Dec 31, 2010 (3Q-FY 10)	Mar 31, 2011 (4Q-FY 10)
Cash and deposits	113,338	150,584	131,153**	164,706	112,839
A/R collection period[2]	75 days	70 days	73 days	74 days	74 days
Inventory holding period[3]	70 days	58 days	55 days	56 days	77 days
Interest-bearing debt[4]	504,749	493,477	436,075	444,847	405,056
Net D/E ratio[5]	148 %	114 %	99%	100%	102%
Shareholders' equity ratio[6]	27.8 %	30.3 %	32.0 %	29.9 %	32.5 %

3. Selected Consolidated Statements of Cash Flows

(Millions of yen)

	Jan-Mar 2010 (4Q-FY 09)	Apr-Jun 2010 (1Q-FY 10)	Jul-Sep 2010 (2Q-FY 10)	Oct-Dec 2010 (3Q-FY 10)	Jan-Mar 2011 (4Q-FY 10)
Net cash provided by (used in) operating activities	63,990	64,810	61,398	48,458	(1,700)
Net cash used in investing activities	(16,347)	(29,361)	(25,845)	(34,651)	(20,735)
Net cash provided by (used in) financing activities	(44,645)	5,465	(53,579)	18,201	(30,544)
Free cash flow	47,643	35,449	35,553	13,807	(22,435)

[1] *EBITDA = Income (loss) before income taxes + Interest expense + depreciation and amortization*
[2] *A/R collection period (days) = Accounts receivable, trade / Average monthly net sales x 30 days*
[3] *Inventory holding period (days) = Inventories / Average monthly cost of sales x 30 days*
[4] *Interest-bearing debt = Bond + Short-term debt + Long-term debt + Obligation under capital leases*
[5] *Net D/E ratio (%) = (Interest-bearing debt – Cash and deposits) / shareholders' equity* x 100*
[6] *Shareholders' equity ratio (%) = Shareholders' equity* / Total Assets x 100*
** Shareholders' equity = Total net assets – Share subscription rights – Minority interests*
*** Included Short-term investment securities*