

February 2, 2012

Consolidated Financial Results for the Third Quarter ended December 31, 2011

Company Name: Elpida Memory, Inc.
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
 Stock code: 6665
 URL: <http://www.elpida.com/en/ir/>
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Scheduled date to file Quarterly Report: February 14, 2012
 Scheduled date to commence dividend payments: -
 Supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

1. Consolidated Financial Results for the nine months ended December 31, 2011

(Amounts are rounded to the nearest million yen)

(1) Consolidated Results of Operations (cumulative)

(Percentage indicates year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2011	219,610	(48.0)	(92,306)	—	(102,864)	—	(98,906)	—
December 31, 2010	422,204	32.2	41,025	—	21,748	—	10,292	—

(Note) Comprehensive income (117,812) million yen (- %) for the nine months ended December 31, 2011
 12,479 million yen (- %) for the nine months ended December 31, 2010

	Net income (loss) per share	Diluted net income (loss) per share
Nine months ended	Yen	Yen
December 31, 2011	(404.48)	—
December 31, 2010	46.89	42.85

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2011	764,624	282,821	28.6
March 31, 2011	878,970	356,004	32.5

(Reference) Shareholders' equity: 218,925 million yen as of December 31, 2011
 285,767 million yen as of March 31, 2011

2. Cash dividends

	Cash dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2011	—	0.00	—	0.00	0.00
Year ending March 31, 2012	—	0.00	—		
Year ending March 31, 2012 (Forecast)				0.00	0.00

(Note) Changes in forecast of cash dividends since the most recent dividends forecast: None

3. Forecast of consolidated results for the year ending March 31, 2012

DRAM products manufactured and sold by Elpida are affected by high price volatility. Since it is difficult to accurately project market prices, the company does not present earnings forecasts. The company will release full-year preliminary earnings estimates as soon as earnings data can be largely confirmed. Information currently useful for forecasting earnings results can be found on page 5, (3) 4Q of FY 2011 and Full-Term Outlook.

4. Others

(1) Major changes among subsidiaries in the nine months ended December 31, 2011 (Changes of specific subsidiaries “Tokutei Kogaisha” accompanying changes in the scope of consolidation): None

(2) Adoption of special accounting method in preparing quarterly financial statements: None

(3) Changes in accounting policies, accounting estimate and restatements

- (i) Changes in accounting policies due to revision of accounting standard: None
- (ii) Changes in accounting policies due to other reasons : None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(4) Numbers of outstanding shares (common stocks)

- (i) Number of shares outstanding at the end of period (including treasury stock)
 - As of December 31, 2011 271,787,370shares
 - As of March 31, 2011 214,517,370 shares
- (ii) Number of treasury stock at the end of period
 - As of December 31, 2011 1,518 shares
 - As of March 31, 2011 1,476 shares
- (iii) Average number of shares outstanding during the period
 - For the nine months ended December 31, 2011 246,378,802 shares
 - For the nine months ended December 31, 2010 202,623,112 shares

*Regarding the execution status for audit procedures

These quarterly financial results releases fall outside the quarterly review procedures outlined in the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results the quarterly review procedures for financial statements have not been completed.

*Information concerning appropriate use of earnings estimates and other special notes

(Forward-looking statements should be treated with caution)

Forecasts in this document are based on information possessed by the company at the time this document was released and on certain reasonable assumptions. Actual outcomes may differ greatly depending on a variety of factors.

1. Overview of Consolidated Financial Results

(1) Operating Results (October 1, 2011 – December 31, 2011)

	3 mo. ended Dec 31, 2011 (3Q-FY 11)	3 mo. ended Sep 30, 2011 (2Q-FY 11)	QoQ Change (%)	3 mo. ended Dec 31, 2010 (3Q-FY 10)	YoY Change (%)
Net sales	59.8	64.1	-6.6	97.1	-38.4
Gross loss	(28.3)	(27.5)	-	(7.7)	-
Operating loss	(43.8)	(44.7)	-	(26.9)	-
Ordinary loss	(44.9)	(50.6)	-	(30.5)	-
Net loss	(42.1)	(48.9)	-	(29.6)	-

Reference:

Average currency exchange rate (Yen to a U.S. Dollar)	77.1	79.1		83.0	
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In the 3Q of FY 2011 (October 1, 2011 to December 31, 2011) major flooding in Thailand led to short market supplies of hard disk drives and shutdowns of manufacturing sites for electronics products. Along with stagnant PC demand, this in turn brought sluggish demand for DRAM and, as in the 2Q, further DRAM market price declines.

Because of this weak DRAM demand Elpida's 3Q average selling price (US dollars) declined by 4% relative to the 2Q and 51% YoY. Its bit shipment decreased 4% QoQ in the 3Q (versus Elpida's previous guidance of approximately 5% growth) but increased 36% YoY. At the company group level, Elpida is suspending some production in line with demand.

Under the influence of lower prices, a fall in shipments and appreciation of the yen 3Q Elpida's net sales fell 6.6% QoQ to 59.8 billion yen (versus 97.1 billion yen in 3Q-FY 2010). The drop in sales lead to a gross loss of 28.3 billion yen (versus a loss of 7.7 billion yen in 3Q-FY 2010), larger by 0.7 billion yen compared with the 2Q, despite lower manufacturing costs with process migration. Lower SG&A, a result of expense cuts, came to 15.5 billion yen in the quarter, down 1.6 billion yen QoQ. The company recorded an operating loss of 43.8 billion yen (versus a loss of 26.9 billion yen in 3Q-FY 2010) that was 0.9 billion yen less than the loss in the 2Q, an ordinary loss of 44.9 billion yen (versus a year-ago loss of 30.5 billion yen) that was 5.7 billion yen less QoQ and a net loss of 42.1 billion yen (versus a year-ago loss of 29.6 billion yen), 6.7 billion yen less QoQ.

(2) Financial Conditions

(i) Assets, Liabilities and Shareholders' Equity

Elpida's total assets at the end of the 3Q were 764.6 billion yen, down 114.3 billion yen compared to the end of FY 2010, ended March 31, 2011. Key changes in asset components include a 54.3 billion yen reduction in tangible assets mainly due to depreciation and a 41.3 billion yen decrease in notes and accounts receivable-trade owing to lower sales.

Convertible bonds of 27.5 billion yen were issued in August 2011, but scheduled debt repayment contributed to bringing down the balance of interest-bearing debt to 388.1 billion yen, a reduction of 16.9 billion yen against the end of FY 2010.

Net assets at the end of the 3Q were 282.8 billion yen, down 73.2 billion yen versus the end of FY 2010. The main factors were a 98.9 billion yen decline in retained earnings resulting from the recording of net losses while the common stock and capital surplus got a boost of 20.5 billion yen each from the new shares issued in August 2011.

(ii) Cash Flows

	(Billions of yen)			
	Apr-Jun 2011 (1Q-FY 11)	Jul-Sep 2011 (2Q-FY 11)	Oct-Dec 2011 (3Q-FY 11)	Apr-Dec 2011 (1Q-3Q FY 11)
Net cash provided by operating activities	7.4	0.5	16.7	24.6
Net cash used in investing activities	(30.7)	(21.3)	(8.7)	(60.8)
Net cash provided by (used in) financing activities	(4.5)	39.8	(11.1)	24.2
Cash and cash equivalents at end of quarter	84.7	100.2	97.4	97.4
Free cash flow	(23.3)	(20.8)	8.0	(36.1)

As of the end of the 3Q-FY 2011 the balance of cash and cash equivalents was 97.4 billion yen, down 15.4 billion yen versus the end of FY 2010.

Operating activities saw a net cash inflow of 24.6 billion yen (versus a net cash inflow of 174.7 billion yen posted a year earlier). Key factors were a 104.6 billion yen loss before income taxes and minority interests but 96.8 billion yen in depreciation and amortization and a 38.3 billion yen decrease in notes and accounts receivable-trade.

Investing activities used net cash of 60.8 billion yen (versus 89.9 billion yen net cash used a year earlier). The main factor was 58.6 billion yen used for the purchase of property, plant and equipment.

Financing activities saw a net cash inflow of 24.2 billion yen (versus an outflow of 29.9 billion yen posted a year earlier). Among the key factors were payments of 55.6 billion yen toward long-term debt and 15.1 billion yen toward obligations under capital leases but also proceeds from a 40.7 billion yen issuance of stock, a 27.5 billion issuance of convertible bond-type bonds with subscription rights to shares and 15.1 billion yen from sale and lease-back transactions.

(3) 4Q 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 4Q and full term of FY 2011 that can be used as a general guideline.

[Quarterly estimates]	3Q-FY 2011 (Previous estimate as of October 27, 2011)	3Q-FY 2011 (Actual)	4Q-FY 2011 (Estimate as of February 2, 2012)
QoQ bit growth	Approx. 5%	-4%	0±5%
QoQ ASP change	N/A	-4%	N/A
Depreciation & amortization	¥33.0 bn.	¥32.1 bn.	¥33.0 bn.
SG&A	¥17.0 bn.	¥15.5 bn.	¥16.0 bn.

[Yearly estimates]	FY 2011 Estimate	
	as of October 27, 2011	as of February 2, 2012
YoY bit growth	40-50%	Approx. 40%
Depreciation & amortization	¥135.0 bn.	¥130.0 bn.
SG&A	¥70.0 bn.	¥65.0 bn.
Capital expenditures	¥80.0 bn.	¥72.0 bn.

2. Others

(1) Major changes among subsidiaries for the nine months ended December 31, 2011

None

(2) Adoption of special accounting methods for quarterly financial statements

None

(3) Changes in accounting policies, accounting estimates and restatements

None

3. Outline of material events relating to assumed going concern

Elpida has been undertaking its business activities in accordance with the business- restructuring plan (the “Plan”) based on the Act on Special Measures for Industrial Revitalization, which was approved by the Ministry of Economy, Trade and Industry of Japan (“METI”) on June 30, 2009. The period for the implementation of the Plan is scheduled to expire on March 31, 2012. In conjunction with the completion of the Plan, preferred shares that contain the preferred shareholders’ right to request Elpida to acquire the preferred shares with cash consideration that were issued for the Development Bank of Japan, Inc. (“DBJ”) can be exercised by DBJ on or after April 2, 2012.

Also, a loan from Japanese financial institutions mainly consisting of Elpida's core banks, which were arranged in accordance with the Plan, shall become due on April 2, 2012. In addition to the above, other repayments of interest-bearing debt are scheduled to take place within one year; therefore, Elpida is under circumstances in which material doubt about its assumed going concern is found.

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
(Assets)		
I Current assets		
1. Cash and time deposits	112,839	97,438
2. Notes and accounts receivable, trade	75,505	34,228
3. Inventories		
Merchandise and finished goods	38,478	50,436
Work in process	28,725	21,053
Raw materials and supplies	5,268	6,088
4. Accounts receivable, other	15,237	6,783
5. Other current assets	6,542	4,073
6. Allowance for doubtful accounts	(4,437)	(1,772)
Total current assets	278,157	218,327
II Fixed assets		
1. Property, plant and equipment, net		
Buildings and structures	90,338	92,232
Machinery and equipment	433,134	387,309
Furniture and fixtures	16,286	12,882
Land	4,219	4,219
Construction in progress	24,607	17,691
Total property, plant and equipment, net	568,584	514,333
2. Intangible assets		
Goodwill	699	402
Others	4,354	3,278
Total intangible assets	5,053	3,680
3. Investments and other assets		
Investment securities	13,421	13,800
Others	13,755	14,484
Total investments and other assets	27,176	28,284
Total fixed assets	600,813	546,297
Total assets	878,970	764,624

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
(Liabilities)		
I Current liabilities		
1. Accounts payable, trade	54,137	49,569
2. Current portion of bonds	45,000	75,000
3. Current portion of long-term loans payable	87,188	131,635
4. Current portion of obligation under capital leases	21,107	26,041
5. Accounts payable, other	29,294	18,874
6. Accrued income taxes	398	915
7. Provision	4,463	3,033
8. Other current liabilities	22,272	13,983
Total current liabilities	263,859	319,050
II Long-term liabilities		
1. Bonds payable	30,000	—
2. Convertible bond-type bonds with subscription rights to shares	66,236	93,331
3. Long-term loans payable	108,756	15,669
4. Obligation under capital leases	46,769	46,451
5. Provision	3,017	3,423
6. Asset retirement obligations	285	288
7. Other long-term liabilities	4,044	3,591
Total long-term liabilities	259,107	162,753
Total liabilities	522,966	481,803
(Net assets)		
I Shareholders' equity		
1. Common stock and preferred stock	215,663	236,143
2. Capital surplus	83,194	103,674
3. Retained earnings	3,830	(95,076)
4. Treasury stock	(5)	(5)
Total shareholders' equity	302,682	244,736
II Accumulated other comprehensive income		
1. Unrealized gains (losses) on investment securities	281	(345)
2. Deferred losses on hedges	(31)	(7)
3. Translation adjustments	(17,165)	(25,459)
Total accumulated other comprehensive income	(16,915)	(25,811)
III Subscription rights to shares	296	295
IV Minority interests	69,941	63,601
Total net assets	356,004	282,821
Total liabilities and net assets	878,970	764,624

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

(2)-1 Consolidated Statements of Operations (nine-month period)

(Millions of yen)

		Nine-month period ended	
		December 31, 2010	December 31, 2011
I	Net sales	422,204	219,610
II	Cost of sales	327,981	262,777
	Gross profit (loss)	94,223	(43,167)
III	Selling, general and administrative expenses	53,198	49,139
	Operating income (loss)	41,025	(92,306)
IV	Non-operating income		
1.	Interest income	152	174
2.	Dividends income	—	123
3.	Equity in earnings of affiliated companies	—	476
4.	Gain on reversal of allowance for doubtful accounts	—	1,630
5.	Subsidy income	951	70
6.	Others	240	334
V	Non-operating expenses		
1.	Interest expense	7,796	5,987
2.	Foreign exchange loss	8,831	2,347
3.	Financing charges	1,931	2,909
4.	Others	2,062	2,122
	Ordinary income (loss)	21,748	(102,864)
VI	Extraordinary income		
1.	Gain on sales of fixed assets	243	24
2.	Gain on sales of subsidiaries' shares	372	78
3.	Gain on reversal of accruals for settlements and litigations	648	—
4.	Gain on changes in interest in subsidiary	221	—
5.	Gain on negative goodwill	555	—
6.	Contractual gain	2,705	—
VII	Extraordinary losses		
1.	Impairment loss on investment securities	—	396
2.	Loss on sales of fixed assets	61	74
3.	Loss on disposal of fixed assets	1,517	296
4.	Accruals for settlements and litigations	408	—
5.	Impairment loss on fixed assets	490	1,048
6.	Loss on adjustment for changes of accounting standard for asset retirement obligations	172	—
Income (Loss) before income taxes and minority interests		23,844	(104,576)
Income taxes			
	Current	586	726
	Deferred	892	(337)
Total income taxes		1,478	389
Income (loss) before minority interests		22,366	(104,965)
Minority interests in net income (loss) of consolidated subsidiaries		12,074	(6,059)
Net income (loss)		10,292	(98,906)

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

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (continued)

(2)-2 Consolidated Statements of Comprehensive Income (nine-month period)

(Millions of yen)		
	Nine-month period ended	
	December 31, 2010	December 31, 2011
Income (loss) before minority interests	22,366	(104,965)
Other comprehensive income		
1. Unrealized gains (losses) on investment securities	(556)	(626)
2. Deferred gains (losses) on hedges	25	24
3. Translation adjustment	(9,356)	(12,220)
4. Other comprehensive income on equity method companies	—	(25)
Total other comprehensive income	(9,887)	(12,847)
Comprehensive income	12,479	(117,812)
Total comprehensive income attributable to:		
Shareholders of Elpida Memory, Inc.	3,463	(107,802)
Minority interest	9,016	(10,010)

**(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(continued)**

(2)-3 Consolidated Statements of Operations (three-month period)

(Millions of yen)		
	Three-month period ended	
	December 31, 2010	December 31, 2011
I Net sales	97,072	59,833
II Cost of sales	104,785	88,090
Gross loss	(7,713)	(28,257)
III Selling, general and administrative expenses	19,161	15,549
Operating loss	(26,874)	(43,806)
IV Non-operating income		
1. Interest income	31	84
2. Foreign exchange gains	—	387
3. Equity in earnings of affiliated companies	—	122
4. Gain on reversal of allowance for doubtful accounts	—	1,630
5. Subsidy income	651	46
6. Others	72	149
V Non-operating expenses		
1. Interest expense	2,406	1,899
2. Foreign exchange loss	546	—
3. Financing charges	637	1,260
4. Others	820	367
Ordinary loss	(30,529)	(44,914)
VI Extraordinary income		
1. Gain on sales of fixed assets	78	1
2. Gain on sales of subsidiaries' shares	372	78
3. Gain on changes in interest in subsidiary	221	—
4. Contractual gain	2,705	—
VII Extraordinary losses		
1. Impairment loss on investment securities	—	48
2. Loss on sales of fixed assets	3	51
3. Loss on disposal of fixed assets	602	107
4. Accruals for settlements and litigations	(11)	—
5. Impairment loss on fixed assets	280	1,048
Loss before income taxes and minority interests	(28,027)	(46,089)
Income taxes		
Current	(434)	101
Deferred	752	19
Total income taxes	318	120
Loss before minority interests	(28,345)	(46,209)
Minority interests in net income (loss) of consolidated subsidiaries	1,251	(4,061)
Net loss	(29,596)	(42,148)

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

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (continued)

(2)-4 Consolidated Statements of Comprehensive Income (three-month period)

(Millions of yen)		
	Three -month period ended	
	December 31, 2010	December 31, 2011
Loss before minority interests	(28,345)	(46,209)
Other comprehensive income		
1. Unrealized gains (losses) on investment securities	(190)	(1)
2. Deferred gains (losses) on hedges	8	8
3. Translation adjustment	2,614	3,049
4. Other comprehensive income on equity method companies	—	6
Total other comprehensive income	2,432	3,062
Comprehensive income	(25,913)	(43,147)
Total comprehensive income attributable to:		
Shareholders of Elpida Memory, Inc.	(28,183)	(40,267)
Minority interest	2,270	(2,880)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine-month period ended	
	December 31, 2010	December 31, 2011
I Operating activities		
Income (loss) before income taxes and minority interests	23,844	(104,576)
Depreciation and amortization	93,927	96,763
Impairment loss on fixed assets	490	1,048
Increase (decrease) in provision	1,591	(2,829)
Interest and dividend income	(152)	(297)
Interest expense	7,796	5,987
Foreign exchange losses	849	2,692
Equity in earnings of affiliated companies	—	(476)
Loss (gain) on sales of fixed assets	(182)	50
Loss on disposal of fixed assets	1,517	296
Gain on sales of subsidiaries' shares	(372)	(78)
Gain on changes in interest in subsidiary	(221)	—
Impairment loss on investment securities	—	396
Decrease in notes and accounts receivable, trade	36,339	38,279
Decrease (increase) in inventories	6,928	(6,072)
Decrease (increase) in accounts receivable, other	(2,256)	8,332
Increase (decrease) in accounts payable, trade	7,892	(3,679)
Increase (decrease) in accounts payable, other	(3,005)	1,635
Others	6,717	(6,941)
Subtotal	181,702	30,530
Interest received	902	152
Interest paid	(6,675)	(4,993)
Financing charges paid	(42)	(877)
Local government subsidy received	951	24
Settlements paid	(677)	—
Income taxes paid	(1,495)	(195)
Net cash provided by operating activities	174,666	24,641
II Investing activities		
Disbursements for time deposits	(1)	(1)
Withdrawal of time deposits	1,150	—
Purchase of property, plant and equipment	(78,900)	(58,611)
Proceeds from sales of property, plant and equipment	916	267
Purchase of intangible assets	(186)	(58)
Purchase of long-term prepaid expenses	(4,286)	(4,719)
Acquisition of shares of subsidiary	(15,245)	—
Proceeds from sales of investment in subsidiaries	—	3,750
Payments for sales of investment in subsidiaries resulting in change in scope of consolidation	—	(183)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	939	—
Collection of loans receivable	5,686	—
Acquisition of investment securities	—	(1,240)
Others	70	10
Net cash used in investing activities	(89,857)	(60,785)

(3) Consolidated Statements of Cash Flows (continued)

(Millions of yen)

	Nine-month period ended	
	December 31, 2010	December 31, 2011
III Financing activities		
Proceeds from short-term borrowings	3,186	5,700
Repayments for short-term borrowings	(3,587)	(5,700)
Proceeds from long-term debt	—	11,569
Repayments for long-term debt	(72,312)	(55,629)
Proceeds from issuance of stock	11,625	40,746
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	66,723	27,462
Redemption of bonds	(30,000)	—
Proceeds from sale and lease-back transactions	10,774	15,144
Repayments of obligation under capital leases	(16,322)	(15,139)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	(29,913)	24,153
IV Effect of exchange rates changes on cash and cash equivalents	(2,379)	(3,411)
V Net increase (decrease) in cash and cash equivalents	52,517	(15,402)
VI Cash and cash equivalents at beginning of the period	112,188	112,838
VII Cash and cash equivalents at end of the period	164,705	97,436
Free cash flow (I+II)	84,809	(36,144)

(4) Going Concern Assumption

Elpida has been undertaking its business activities in accordance with the business- restructuring plan (the “Plan”) based on the Act on Special Measures for Industrial Revitalization, which was approved by the Ministry of Economy, Trade and Industry of Japan (“METI”) on June 30, 2009. The period for the implementation of the Plan is scheduled to expire on March 31, 2012. In conjunction with the completion of the Plan, preferred shares that contain the preferred shareholders’ right to request Elpida to acquire the preferred shares with cash consideration that were issued for the Development Bank of Japan, Inc. (“DBJ”) can be exercised by DBJ on or after April 2, 2012.

Also, loans from Japanese financial institutions mainly consisting of Elpida's core banks, which were arranged in accordance with the Plan, shall become due on April 2, 2012. In addition to the above, other repayments of interest-bearing debt are scheduled to take place within one year; therefore, Elpida is under circumstances in which material doubt about its assumed going concern is found.

In order to eliminate these circumstances, Elpida has been making efforts to improve its financial condition, having partially implemented or agreed with relevant parties to various effective and feasible measures, including investment from business partners, investment from customers, and receiving advance payments, etc. Furthermore, Elpida is discussing details of measures to be taken in the future with METI, DBJ, core banks and other related parties; however, it has not reached an agreement as of now, and therefore, material uncertainty about its assumed going concern is found.

The consolidated financial statements for the quarterly period have been prepared based on the assumed going concern, and the effect of the material uncertainty concerning the assumed going concern has not been reflected thereon.

(5) Material change in shareholder’s equity

Based on a resolution at the general shareholders’ meeting held on June 28, 2011 to reduce capital reserve, the Company reduced capital reserve of ¥60,000 million and reduced capital reserve was transferred to other capital surplus on July 11, 2011.

On August 1, 2011, the Company received proceeds from issuance of common stock through public offering, which resulted in an increase in common stock and capital reserve by ¥20,480 respectively.

As a result, the outstanding balance of common stock and preferred stock and capital surplus as of December 31, 2011 became ¥236,143 million and ¥103,674 million respectively.

(6) Subsequent Events

None

Appendix

1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

	Oct-Dec 2010 (3Q-FY 10)	Jan-Mar 2011 (4Q-FY 10)	Apr-Jun 2011 (1Q-FY 11)	Jul-Sep 2011 (2Q-FY 11)	Oct-Dec 2011 (3Q-FY 11)
	%	%	%	%	%
Net sales	97,072 100.0	92,112 100.0	95,716 100.0	64,061 100.0	59,833 100.0
Gross profit (loss)	(7,713) -7.9	7,265 7.9	12,599 13.2	(27,509) -42.9	(28,257) -47.2
Selling, general and administrative expenses	19,161 19.7	12,502 13.6	16,423 17.2	17,167 26.8	15,549 26.0
Research and Development cost	10,817 11.1	9,062 9.8	10,535 11.0	11,906 18.6	10,494 17.5
Operating income (loss)	(26,874) -27.7	(5,237) -5.7	(3,824) -4.0	(44,676) -69.7	(43,806) -73.2
Income (loss) before income taxes	(28,027) -28.9	(7,065) -7.7	(7,333) -7.7	(51,154) -79.9	(46,089) -77.0
Net Income (loss)	(29,596) -30.5	(8,196) -8.9	(7,867) -8.2	(48,891) -76.3	(42,148) -70.4
EBITDA ^[1]	6,181 6.4	26,944 29.3	27,005 28.2	(16,753) -26.2	(12,078) -20.2
Average exchange rate (Yen to a U.S. Dollar)	82.97	82.88	82.16	79.11	77.08

2. Selected Consolidated Financial Data

(Figures in millions of yen otherwise specified)

	Dec 31, 2010 (3Q-FY 10)	Mar 31, 2011 (4Q-FY 10)	Jun 30, 2011 (1Q-FY 11)	Sep 30, 2011 (2Q-FY 11)	Oct-Dec 2011 (3Q-FY 11)
Cash and deposits	164,706	112,839	84,692	100,220	97,438
A/R collection period ^[2]	74 days	74 days	65 days	67 days	51 days
Inventory holding period ^[3]	56 days	77 days	94 days	81 days	79 days
Interest-bearing debt ^[4]	444,847	405,056	399,347	391,704	388,127
Net D/E ratio ^[5]	100%	102%	114%	112%	133%
Shareholders' equity ratio ^[6]	29.9 %	32.5 %	32.6 %	32.1 %	28.6 %

3. Selected Consolidated Statements of Cash Flows

(Millions of yen)

	Oct-Dec 2010 (3Q-FY 10)	Jan-Mar 2011 (4Q-FY 10)	Apr-Jun 2011 (1Q-FY 11)	Jul-Sep 2011 (2Q-FY 11)	Oct-Dec 2011 (3Q-FY 11)
Net cash provided by (used in) operating activities	48,458	(1,700)	7,438	488	16,715
Net cash used in investing activities	(34,651)	(20,735)	(30,733)	(21,320)	(8,732)
Net cash provided by (used in) financing activities	18,201	(30,544)	(4,542)	39,778	(11,083)
Free cash flow	13,807	(22,435)	(23,295)	(20,832)	7,983

^[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