

August 8, 2011

Consolidated Financial Results for the First Quarter ended June 30, 2011

Company Name: Elpida Memory, Inc.
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
 Stock code: 6665
 URL: <http://www.elpida.com/en/ir/>
 Representative: Yukio Sakamoto, President and Chief Executive Officer
 Contact: Takao Adachi, Director and Executive Officer
 TEL: +81-3-3281-1500

Scheduled date to file Quarterly Report: August 12, 2011
 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 three months ended June 30, 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)	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2011	95,716	(45.7)	(3,824)	—	(7,309)	—	(7,867)	—
June 30, 2010	176,333	143.0	44,422	—	37,033	—	30,671	—

(Note) Comprehensive income (8,879) million yen (- %) for the three months ended June 30, 2011
 26,679 million yen (- %) for the three months ended June 30, 2010

	Net income (loss) per share	Diluted net income (loss) per share
Three months ended	Yen	Yen
June 30, 2011	(37.83)	—
June 30, 2010	150.75	134.46

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2011	849,886	347,127	32.6
March 31, 2011	878,970	356,004	32.5

(Reference) Shareholders' equity: 276,954 million yen as of June 30, 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	—				
Year ending March 31, 2012 (Forecast)		0.00	—	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 severe price fluctuations. Since it is difficult to accurately project market prices, the company does not present earnings forecasts. The company will release first half and 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). 2Q of FY 2011 and Full-Term Outlook.

4. Others

(1) Major changes among subsidiaries in the three months ended June 30, 2011 (Changes of specific subsidiaries “Tokutei Kogaisha” accompanying changes in the scope of consideration): 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 June 30, 2011 214,517,370 shares

As of March 31, 2011 214,517,370 shares

(ii) Number of treasury stock at the end of period

As of June 30, 2011 1,518 shares

As of March 31, 2011 1,476 shares

(iii) Average number of shares outstanding during the period

For the three months ended June 30, 2011 214,515,864 shares

For the three months ended June 30, 2010 207,719,225 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 (April 1, 2011 – June 30, 2011)

	(Billions of yen)				
	3 mo. ended Jun 30, 2011 (1Q-FY 11)	3 mo. ended Mar 31, 2011 (4Q-FY 10)	QoQ Change (%)	3 mo. ended Jun 30, 2010 (1Q-FY 10)	YoY Change (%)
Net sales	95.7	92.1	+3.9	176.3	-45.7
Gross profit	12.6	7.3	+73.4	61.7	-79.6
Operating income (loss)	(3.8)	(5.2)	-	44.4	-
Ordinary income (loss)	(7.3)	(7.9)	-	37.0	-
Net income (loss)	(7.9)	(8.2)	-	30.7	-
Reference: Average exchange rate (Yen to a U.S. Dollar)	82.2	82.9		91.9	

In the 1Q of FY 2011 (April 1, 2011 to June 30, 2011), the DRAM market experienced solid demand at the beginning of the quarter as customers built up inventory due to supply concerns related to the March 11 earthquake in northeastern Japan. Later, however, sluggish PC shipment volumes disrupted the balance of PC DRAM supply and demand, causing market prices to start declining in June.

Meanwhile, demand for mobile DRAM used in smartphones, tablet PCs and other mobile devices was lower than expected at the beginning of the quarter as a result of production adjustments among some mobile device makers and other factors. However, positive demand growth eventually resulted owing to market expansion.

Elpida's average selling price (ASP) in the 1Q was 9% lower against the previous quarter and down 57% compared with a year earlier. DRAM bit shipment growth in the quarter was 15% QoQ and 42% YoY.

As a result, net sales in the 1Q were 95.7 billion yen, up 3.9% QoQ and down 45.7% YoY. Gross profit, which finished at 12.6 billion yen, was up 5.3 billion yen QoQ due mainly to a higher fraction of 40nm process production and better yields. On a YoY basis, gross profit was down 49.1 billion yen, as the benefit of considerably lower manufacturing costs (made possible by continued process migration) was overcome by lower prices and yen appreciation effects.

An operating loss of 3.8 billion yen (versus a profit of 44.4 billion yen in 1Q-FY 2010) contained a QoQ improvement of 1.4 billion yen because of higher gross profit, but although SG&A expenses increased by 3.9 billion yen. An ordinary loss of 7.3 billion yen (versus a profit of 37.0 billion yen a year earlier) included interest expenses of 2.0 billion yen. The quarter finished with a net loss of 7.9 billion yen (versus a profit of 30.7 billion yen a year earlier).

(2) Financial Conditions

(i) Assets, Liabilities and Shareholders' Equity

Elpida's total assets as the end of the 1Q were 849.9 billion yen, down 29.1 billion yen compared to the end of FY 2010. Key factors were an increase in inventory but a lower cash and deposits and a lower tangible assets due to depreciation.

Scheduled debt repayment and payment of lease obligations brought down the balance of interest-bearing debt to 399.3 billion yen, a reduction of 5.7 billion yen against the end of FY 2010.

Net assets at the end of the 1Q were 347.1 billion yen, down 8.9 billion yen versus the end of FY 2010. The main factor was lower retained earnings that resulted from the recording of a quarterly net loss.

(ii) Cash Flows

As of the end of the 1Q-FY 2011 the balance of cash and cash equivalents was 84.7 billion yen, down 28.1 billion yen versus the end of the FY 2010.

Operating activities saw a net cash inflow of 7.4 billion yen, a decrease of 57.4 billion yen versus 1Q-FY2010. Key factors were a 7.3 billion yen loss before income taxes and a 14.4 billion yen increase in inventories while accounts receivable-trade saw a decrease of 6.2 billion yen.

Investing activities used net cash of 30.7 billion yen, an increase of 1.4 billion yen from the amount used a year earlier. The main factor was a 26.1 billion yen outflow for the purchase of property, plant and equipment, an increase of 8.6 billion yen versus 1Q-FY2010.

Financing activities saw a net cash outflow of 4.5 billion yen, a 10.0 billion yen decrease from an inflow of 5.5 billion yen posted a year earlier. Proceeds from long-term loans payable brought in 5.6 billion yen, but on the other side were the disappearances of proceeds from last year's 11.6 billion yen issuance of common stock and 6.8 billion issuance of convertible bond-type bonds with subscription rights to shares, among other factors.

(3) 2Q 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 2Q and full term of FY 2011 that can be used as a general guideline.

[Quarterly estimates]

	1Q-FY 11 (Previous estimate) as of May 12, 2011	1Q-FY 11 (Actual)	2Q-FY 11 (Estimate) as of August 8, 2011
QoQ bit growth	20-30%	15%	Approx.10%
QoQ ASP change	N/A	-9%	N/A
Depreciation & amortization	¥32.0 bn.	¥32.3 bn.	¥33.0 bn.
SG&A	¥17.0 bn.	¥16.4 bn.	¥17.0 bn.

[Yearly estimates]

	FY 2011 Forecast	
	As of May 12, 2011	As of August 8, 2011
YoY bit growth	>=50%	40-50%
Depreciation & amortization	¥135.0 bn.	¥135.0 bn.
SG&A	¥70.0 bn.	¥70.0 bn.
Capital expenditures	¥80.0 bn.	¥80.0 bn.*

*This amount may increase in response to customer qualifications of Elpida products, demand trends, DRAM market prices or other factors.

2. Others

(1) Major changes among subsidiaries in the first quarter ended June 30, 2011

None

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

None

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

None

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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
(Assets)		
I Current assets		
1. Cash and deposits	112,839	84,692
2. Note and accounts receivable, trade	75,505	68,639
3. Inventories		
Merchandise and finished goods	38,478	55,150
Work in process	28,725	26,156
Raw materials and supplies	5,268	5,440
4. Accounts receivable, other	15,237	17,235
5. Other current assets	6,542	5,310
6. Allowance for doubtful accounts	(4,437)	(4,382)
Total current assets	278,157	258,240
II Noncurrent assets		
1. Property, plant and equipment, net		
Buildings and structures	90,338	89,174
Machinery, equipment and vehicles	433,134	417,118
Tools, furniture and fixtures	16,286	15,085
Land	4,219	4,219
Construction in progress	24,607	29,423
Total property, plant and equipment, net	568,584	555,019
2. Intangible assets		
Goodwill	699	610
Others	4,354	3,966
Total intangible assets	5,053	4,576
3. Investments and other assets		
Investment securities	13,421	14,903
Others	13,755	17,148
Total investments and other assets	27,176	32,051
Total noncurrent assets	600,813	591,646
Total assets	878,970	849,886
(Liabilities)		
I Current liabilities		
1. Accounts payable, trade	54,137	52,659
2. Current portion of bonds	45,000	45,000
3. Current portion of long-term loans payable	87,188	163,462
4. Current portion of lease obligations	21,107	20,998
5. Accounts payable, other	29,294	22,535
6. Income taxes payable	398	733
7. Provision	4,463	2,451
8. Others	22,272	17,158
Total current liabilities	263,859	324,996
II Noncurrent liabilities		
1. Bonds payable	30,000	30,000
2. Convertible bond-type bonds with subscription rights to shares	66,236	66,055
3. Long-term loans payable	108,756	30,096
4. Lease obligations	46,769	43,736
5. Provision	3,017	3,139
6. Asset retirement obligations	285	286
7. Other noncurrent liabilities	4,044	4,451
Total noncurrent liabilities	259,107	177,763
Total liabilities	522,966	502,759

(1) Consolidated Balance Sheets (continued)

(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
(Net assets)		
I Shareholders' equity		
1. Capital stock	215,663	215,663
2. Capital surplus	83,194	83,194
3. Retained earnings	3,830	(4,037)
4. Treasury stock	(5)	(5)
Total shareholders' equity	302,682	294,815
II Accumulated other comprehensive income		
1. Valuation difference on available-for-sale securities	281	161
2. Deferred gains or losses on hedges	(31)	(23)
3. Foreign currency translation adjustments	(17,165)	(17,999)
Total accumulated other comprehensive income	(16,915)	(17,861)
III Subscription rights to shares	296	296
IV Minority interests	69,941	69,877
Total net assets	356,004	347,127
Total liabilities and net assets	878,970	849,886

(2)-1 Consolidated Statements of Operations

(Millions of yen)

		Three-month period ended	
		June 30, 2010	June 30, 2011
I	Net sales	176,333	95,716
II	Cost of sales	114,587	83,117
	Gross profit	61,746	12,599
III	Selling, general and administrative expenses	17,324	16,423
	Operating income (loss)	44,422	(3,824)
IV	Non-operating income		
	1. Interest income	45	73
	2. Equity in earnings of affiliates	–	84
	3. Subsidy income	300	24
	4. Others	99	89
V	Non-operating expenses		
	1. Interest expense	2,757	2,043
	2. Financing charges	647	825
	3. Foreign exchange loss	3,858	436
	4. Others	571	451
	Ordinary income (loss)	37,033	(7,309)
VI	Extraordinary income		
	1. Gain on sales of noncurrent assets	123	8
	2. Gain on negative goodwill	555	–
VII	Extraordinary losses		
	1. Loss on sales of noncurrent assets	–	23
	2. Loss on retirement of noncurrent assets	615	9
	3. Impairment loss	215	–
	4. Loss on adjustment for changes of accounting standard for asset retirement obligations	172	–
	Income (loss) before income taxes	36,709	(7,333)
	Income taxes		
	Current	345	520
	Deferred	528	(275)
	Total income taxes	873	245
	Income (loss) before minority interests	35,836	(7,578)
	Minority interests in income	5,165	289
	Net income (loss)	30,671	(7,867)

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

(2)-2 Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three-month period ended	
	June 30, 2010	June 30, 2011
Income (loss) before minority interests	35,836	(7,578)
Other comprehensive income		
1. Valuation difference on available-for-sale securities	(650)	(120)
2. Deferred gains or losses on hedges	8	8
3. Foreign currency translation adjustment	(8,515)	(1,187)
4. Share of other comprehensive income of associates accounted for using equity method	—	(2)
Total other comprehensive income	(9,157)	(1,301)
Comprehensive income	26,679	(8,879)
Comprehensive income attributable to		
owners of the parent	24,421	(8,813)
minority interests	2,258	(66)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three-month period ended	
	June 30, 2010	June 30, 2011
I Operating activities		
Income (loss) before income taxes	36,709	(7,333)
Depreciation and amortization	31,084	32,295
Impairment loss	215	—
Decrease in provision	(949)	(1,455)
Interest and dividend income	(45)	(73)
Interest expense	2,757	2,043
Foreign exchange losses (gains)	2,754	(656)
Equity in earnings of affiliates	—	(84)
Loss (gain) on sales of noncurrent assets	(123)	15
Loss on retirement of noncurrent assets	615	9
Decrease (increase) in accounts receivable, trade	(17,979)	6,237
Increase in inventories	(1,423)	(14,384)
Increase in accounts receivable, other	(2,931)	(2,011)
Increase (decrease) in notes and accounts payable, trade	2,710	(1,415)
Increase (decrease) in accounts payable, other	(115)	631
Others	12,496	(5,338)
Subtotal	65,775	8,481
Interest and dividend received	389	15
Interest expenses paid	(1,421)	(966)
Proceeds from subsidy	300	24
Income taxes paid	(233)	(116)
Net cash provided by operating activities	64,810	7,438
II Investing activities		
Payments into time deposits	—	(1)
Purchase of property, plant and equipment	(17,497)	(26,115)
Proceeds from sales of property, plant and equipment	428	199
Purchase of intangible assets	(42)	(10)
Purchase of long-term prepaid expenses	(2,754)	(3,569)
Purchase of investments in subsidiaries	(15,245)	—
Collection of loans receivable	5,686	—
Purchase of investment securities	—	(1,240)
Others	63	3
Net cash used in investing activities	(29,361)	(30,733)

(3) Consolidated Statements of Cash Flows (continued)

(Millions of yen)

	Three-month period ended	
	June 30, 2010	June 30, 2011
III Financing activities		
Proceeds from short-term loans payable	145	3,111
Repayments of short-term loans payable	(1,589)	(3,111)
Proceeds from long-term loans payable	–	5,640
Repayments of long-term loans payable	(7,514)	(7,332)
Proceeds from issuance of common stock	11,625	–
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	6,773	–
Proceeds from sale-and-leaseback transactions	242	–
Repayments of lease obligations	(4,217)	(2,850)
Purchase of treasury stock	(0)	(0)
Net cash provided by (used in) financing activities	5,465	(4,542)
IV Effect of exchange rates changes on cash and cash equivalents	(3,668)	(311)
V Net increase (decrease) in cash and cash equivalents	37,246	(28,148)
VI Cash and cash equivalents at beginning of the period	112,188	112,838
VII Cash and cash equivalents at end of the period	149,434	84,690
Free cash flow (I+II)	35,449	(23,295)

(4) Going Concern Assumption

None

(5) Material change in shareholder's equity

None

(6) Subsequent Events

1. Reduction in capital reserve

The Company resolved at the general shareholders' meeting held on June 28, 2011 to reduce capital reserve and it became effective on July 11, 2011.

(1) Purpose

Depending upon the investment agreement with DBJ made on August 7, 2009 regarding the issuance of preferred shares by way of third party allotment, the Company granted to the allotted party the right to request acquisitions of the preferred shares with cash consideration. Under this situation, the Company must secure the distributable amount stipulated in Article 461, Section 2 of the Corporation Law of Japan enough to acquire the preferred shares in case the right is exercised by the allotted party.

(2) Method of reduction in capital reserve and its amount

The Company reduced capital reserve of ¥60,000 million out of total capital reserve and reduced capital reserve was transferred to other capital surplus.

(3) Schedule for the reduction in capital reserve

1) Approval at the board of director's meeting	May 20, 2011
2) Announcement for filing of an objection by creditors	June 9, 2011
3) Approval at the general shareholder's meeting	June 28, 2011
4) Final due date for filing of an objection by creditors	July 9, 2011
5) Effective date	July 11, 2011

2. Issuance of new shares

The Company resolved at the board of directors' meeting held on July 11, 2011 to issue new shares and the payment completed on August 1, 2011. The outline of issuance of the new shares is as follows:

<Issuance of New Shares through Public Offering>

(1) Class and Number of Shares to be Offered	Total of (i), (ii) and (iii) below, 57,270,000 shares of common stock of the Company. (i) 18,270,000 shares of common stock of the Company to be underwritten and purchased by the Japanese Underwriters in the Japanese Public Offering. (ii) 33,920,000 shares of common stock of the Company to be underwritten and purchased by the International Underwriters in the International Offering. (iii) Up to 5,080,000 shares of common stock of the Company to be additionally issued and purchased by certain International Underwriters in the International Offering upon exercise of the option they have been granted.
(2) Offer price	746 yen per share
(3) Total offer price	42,723,420,000 yen
(4) Purchase price	715.20 yen per share
(5) Total purchase price	40,959,504,000 yen
(6) Amount of common stock and capital surplus to be increased	Amount of common stock to be increased: 20,479,752,000 yen Amount of capital reserve to be increased: 20,479,752,000 yen
(7) Payment date	August 1, 2011
(8) Use of proceeds	The proceeds will be used to equip wafer fabrication facilities for volume production using 30 nm and 25 nm process technology in its Hiroshima Plant, to facilitate new TSV (through-silicon via) lines processes and to invest in research and development for the next generation of processes, and the remainder will be applied to repay a part of its outstanding loans.
(9) Method of offering	(i) Japanese Public Offering: In the offering to be made in Japan (the "Japanese Public Offering"), Daiwa Securities Capital Markets Co. Ltd., Morgan Stanley MUFG Securities Co., Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd. and SMBC Nikko Securities Inc.(the "Japanese Underwriters") shall underwrite and purchase all of the new shares with respect to the Japanese Public Offering. Coordinators in the Japanese Public Offering are Daiwa Securities Capital Markets Co. Ltd., Morgan Stanley MUFG Securities Co., Ltd. which jointly conduct analysis of investors' demand for Company's common stock and its distribution. (ii) International Offering: In the offering to be made mainly in Europe (with the offering in the United States restricted to sales to Qualified Institutional Buyers under Rule 144A of the U.S. Securities Act of 1933, as amended) (the "International Offering"), the aggregate number of shares shall be purchased, severally and not jointly, by Morgan Stanley & Co. International plc and Daiwa Capital Markets Europe Limited (these two are joint lead managers and joint bookrunners), Mizuho International plc, Nomura International plc and SMBC Nikko Capital Markets Limited (These three are joint lead managers) (the "International Underwriters"). The International Underwriters have also been granted an option to purchase additional newly issued shares of common stock, as stated in (1) (iii) above.

Note) With respect to (1) (iii) above, 5,080,000 shares of common stock of the Company were additionally issued as a result of exercise of the option granted to the International Underwrites and the total number of shares common stock of the Company in the International Offering became 39,000,000.

<Issuance of New Shares by way of third-party allotment>

In addition to the resolution of new shares through public offering, the Company resolved at the board of directors meeting the issuance of new shares by way of third-party allotment conducted relating to secondary offering of shares through Over-Allotments. The outline of issuance of the new shares by way of third-party allotment is as follows:

(1) Class and Number of Shares to be Offered	2,730,000 shares of common stock of the Company
(2) Amount to be paid	715.20 yen per share
(3) Total amount to be paid (upper limit)	1,952,496,000 yen
(4) Amount of common stock and capital surplus to be increased	Amount of common stock to be increased: 976,248,000 yen Amount of capital reserve to be increased: 976,248,000 yen
(5) Allottee	Daiwa Securities Capital Markets Co. Ltd.
(6) Subscription date	August 30, 2011
(7) Payment date	August 31, 2011
(8) Use of proceeds	Same as issuance of new shares through public offering

3. Issuance of 130% call option attached unsecured convertible bond-type bonds with subscription rights to shares (3rd series)

The Company issued unsecured convertible bond-type bonds with subscription rights to shares based on the resolution at the board of directors' meeting held on July 11, 2011(hereinafter referred to as the "Bonds with Subscription Rights to Shares", of which the bonds excluding share subscription rights, and share subscription rights are to be hereinafter referred to as the "Bonds", and the "Subscription Rights to Shares" respectively). The outline of issuance of is as follows:

Name of the Bonds with Subscription Rights to Shares	Elpida Memory, Inc. 130% call option attached unsecured convertible bond-type bonds with subscription rights to shares (3 rd series)
Total amount of the Bonds	27,500,000,000 yen
Amount of each bond	1,000,000 yen
Issue price of the Bonds	102.5 yen for the amount of 100 yen of each bond
Payment amount for the Bonds	100 yen for the amount of 100 of each bond
Interest rate of the Bonds	0.7% per annum
Payment date (date of allotment of the subscription rights to shares)	August 1, 2011
Redemption date	August 1, 2016
Manner of redemption of the Bonds	
(1) Redemption amount	100 yen for the amount of 100 yen of each bond
(2) Redemption due to early redemption request	The Bondholder may make a request to redeem the Bonds during the period from August 18, 2014 until August 29, 2014 (Early Redemption Request). In such event, the Company shall redeem the total amount of the Bonds subject to the Early Redemption Request on September 30, 2014 at 100 Yen for 100 Yen of the amount of each bond.

(3) 130% call option clause	In the event that the closing prices of the common shares of the Company in the regular trading on the Tokyo Stock Exchange, Inc. on each day for a period of twenty (20) consecutive trading days (“trading day” shall mean a day when regular trading on the Tokyo Stock Exchange of the common shares of the Company is conducted; hereinafter the same) have been 130% or more of the conversion price that is in effect on each such trading day, then the Company may, on and after September 2, 2013, upon giving public notification of the necessary matters within fifteen (15) days from the last day of such twenty (20) consecutive trading days, redeem all (and not less than all) of the Bonds then outstanding on the Redemption Date specified in such public notice (which shall not be earlier than thirty (30) days, nor later than sixty (60) days, from the date of such notice), at 100 Yen for 100 Yen of the amount of each bond.
Existence of security or guarantee	There are no securities or guarantees on the Bonds with subscription rights to shares
Features of the Subscription Rights to Shares (1) Number of Subscription Rights to Shares (2) Payment in exchange for the Subscription Rights to Shares (3) Type of shares subject to the Subscription Rights to Shares (4) Description of the property to be contributed upon the exercise of the Subscription Rights to Shares and the amount thereof (5) Exercise request period	27,500 The person subscribing for the Subscription Rights to Shares shall not be required to make a payment of monies in exchange for the Subscription Rights to Shares. Common shares of the Company (i) Upon the exercise of each of the Subscription Rights to Shares, the Bonds with Subscription Rights to Shares shall be contributed. (ii) The amount of the property to be contributed upon the exercise of each Subscription Right to Shares shall be the same amount as the payment amount for each Bond with Subscription Rights to Shares. (iii) The initial price per one share to be used in the calculation of the number of the Company’s common shares to be delivered by the exercise of the Subscription Rights to Shares (The initial conversion price) is 962 Yen. The holders of the Subscription Rights to Shares may conduct Exercise Requests at any time during the period from September 1, 2011 up to July 28, 2016
The way of offering for subscription	Public offering
Use of proceeds	The proceeds will be used to equip wafer fabrication facilities for volume production using 30 nm and 25 nm process technology in its Hiroshima Plant, to facilitate new TSV (through-silicon via) lines processes and to invest in research and development for the next generation of processes, and the remainder will be applied to repay a part of its outstanding loans.
Financial covenants	-Maintenance covenants for profits- The Bonds shall be accelerated if the following events occur, (i) so long as any of the Bonds remain outstanding, in the case where the ordinary income/loss stated in the Company’s audited consolidated statement of operations (as defined in the Regulations Concerning Terminology, Forms and Method of Preparation of Consolidated Financial Statements) for each business year records a loss for three (3) consecutive accounting periods after the Payment Date of the Bonds with Subscription Rights to Shares, four (4) months have elapsed from the end of

	the most recent business year (the “most recent business year”); provided, however, that this provision shall not apply if the amount of ordinary loss for the most recent business year is lower than that of the immediately preceding business year, and the accumulated ordinary loss for the said three (3) accounting periods is not more than 30% of the net assets stated in the Company’s audited consolidated statement of operations (as defined in the Regulations Concerning Terminology, Forms and Method of Preparation of Consolidated Financial Statements) as of the last day of the immediately preceding accounting period of the first accounting period out of the said periods that the consecutive ordinary loss has occurred; (ii) in the case under the proviso in (i) above, the ordinary income/loss in the immediately following business year of the most recent business year records a loss and four (4) months have elapsed from the end of the said business year.
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Appendix

1. Selected Quarterly Consolidated Statements of Operations

(Millions of yen)

	Apr-Jun 2010 (1Q-FY 10)		Jul-Sep 2010 (2Q-FY 10)		Oct-Dec 2010 (3Q-FY 10)		Jan-Mar 2011 (4Q-FY 10)		Apr-Jun 2011 (1Q-FY 11)	
	%		%		%		%		%	
Net sales	176,333	100.0	148,799	100.0	97,072	100.0	92,112	100.0	95,716	100.0
Gross profit (loss)	61,746	35.0	40,190	27.0	(7,713)	-7.9	7,265	7.9	12,599	13.2
Selling, general and administrative expenses	17,324	9.8	16,713	11.2	19,161	19.7	12,502	13.6	16,423	17.2
Operating income (loss)	44,422	25.2	23,477	15.8	(26,874)	-27.7	(5,237)	-5.7	(3,824)	-4.0
Income (loss) before income taxes	36,709	20.8	15,162	10.2	(28,027)	-28.9	(7,065)	-7.7	(7,333)	-7.7
Net Income (loss)	30,671	17.4	9,217	6.2	(29,596)	-30.5	(8,196)	-8.9	(7,867)	-8.2
EBITDA ^[1]	70,550	40.0	48,836	32.8	6,181	6.4	26,944	29.3	27,005	28.2
Average exchange rate (Yen to a U.S. Dollar)	91.87		88.06		82.97		82.88		82.16	

2. Selected Consolidated Financial Data

(Figures in millions of yen otherwise specified)

	Jun 30, 2010 (1Q-FY 10)	Sep 30, 2010 (2Q-FY 10)	Dec 31, 2010 (3Q-FY 10)	Mar 31, 2011 (4Q-FY 10)	Jun 30, 2011 (1Q-FY 11)
Cash and deposits	150,584	131,153**	164,706	112,839	84,692
A/R collection period ^[2]	70 days	73 days	74 days	74 days	65 days
Inventory holding period ^[3]	58 days	55 days	56 days	77 days	94 days
Interest-bearing debt ^[4]	493,477	436,075	444,847	405,056	399,347
Net D/E ratio ^[5]	114 %	99%	100%	102%	114%
Shareholders' equity ratio ^[6]	30.3 %	32.0 %	29.9 %	32.5 %	32.6 %

3. Selected Consolidated Statements of Cash Flows

(Millions of yen)

	Apr-Jun 2010 (1Q-FY 10)	Jul-Sep 2010 (2Q-FY 10)	Oct-Dec 2010 (3Q-FY 10)	Jan-Mar 2011 (4Q-FY 10)	Apr-Jun 2011 (1Q-FY 11)
Net cash provided by (used in) operating activities	64,810	61,398	48,458	(1,700)	7,438
Net cash used in investing activities	(29,361)	(25,845)	(34,651)	(20,735)	(30,733)
Net cash provided by (used in) financing activities	5,465	(53,579)	18,201	(30,544)	(4,542)
Free cash flow	35,449	35,553	13,807	(22,435)	(23,295)

^[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