
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

February 5, 2013

Date of Report (date of earliest event reported)

MICRON TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

1-10658

(Commission File Number)

75-1618004

(I.R.S. Employer Identification No.)

8000 South Federal Way

Boise, Idaho 83716-9632

(Address of principal executive offices)

(208) 368-4000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01. Regulation FD Disclosure.

The information set forth in this Item 7.01 is intended to be furnished under Item 7.01 of Form 8-K (Regulation FD Disclosure). This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. In addition, this information shall not be incorporated by reference into any registration statement filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, unless it is specifically incorporated by reference in such filing.

Micron Technology, Inc. ("Micron") is furnishing certain financial information, updated disclosure regarding the proposed Elpida Acquisition (as defined below), and risk factors.

As previously reported, on July 2, 2012, Micron entered into an agreement with the trustees of Elpida Memory, Inc. ("Elpida") and its subsidiary, Akita Elpida Memory, Inc. that provides for, among other things, Micron's acquisition of 100% of the equity of Elpida (the "Elpida Acquisition"). The audited consolidated financial statements of Elpida for the years ended March 31, 2012 and 2011 are attached hereto as Exhibit 99.1.

The unaudited consolidated financial statements of Elpida for the six months ended September 30, 2012 and 2011 are attached hereto as Exhibit 99.2.

The unaudited pro forma financial information for Micron, after giving effect to the proposed Elpida Acquisition and adjustments described in such pro forma financial information, are attached hereto as Exhibit 99.3.

Micron has updated its disclosure regarding the proposed Elpida Acquisition. The revised disclosure is attached hereto as Exhibit 99.4.

Micron has updated its disclosure regarding its risk factors. The revised disclosure is attached hereto as Exhibit 99.5.

Item 9.01. Financial Statement and Exhibits.

(d) Exhibits

The following exhibits are attached herewith:

Exhibit	Description
99.1	Elpida Memory, Inc.'s audited consolidated financial statements, including the report of Ernst & Young ShinNihon LLC, independent auditors, for the fiscal years ended March 31, 2012 and 2011
99.2	Elpida Memory, Inc.'s unaudited consolidated financial statements as of September 30, 2012 and for the six month periods ended September 30, 2012 and 2011
99.3	Unaudited pro forma financial information for Micron Technology, Inc., after giving effect to the proposed acquisition of Elpida Memory, Inc. and adjustments described in such pro forma financial information
99.4	Disclosure regarding the proposed acquisition of Elpida Memory, Inc.
99.5	Risk Factors

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MICRON TECHNOLOGY, INC.

Date: February 5, 2013

By: /s/ Ronald C. Foster
Name: Ronald C. Foster
Title: Chief Financial Officer and
Vice President of Finance

INDEX TO EXHIBITS FILED WITH THE CURRENT REPORT ON FORM 8-K DATED FEBRUARY 5, 2013

Exhibit	Description
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99.4	Disclosure regarding the proposed acquisition of Elpida Memory, Inc.
99.5	Risk Factors

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012 and 2011

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012 and 2011

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Independent Auditors' Report

The Trustee
Elpida Memory, Inc. (Debtors-in-Possession)

We have audited the accompanying consolidated balance sheets of Elpida Memory, Inc. and subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity, comprehensive loss, redeemable noncontrolling interest and redeemable preferred stock, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Elpida Memory, Inc. and subsidiaries at March 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Elpida Memory, Inc. will continue as a going concern. As more fully described in Note (1) to the consolidated financial statements, on February 27, 2012, Elpida Memory, Inc. filed a voluntary petition for reorganization under the Corporate Reorganization Act in Japan. Uncertainties inherent in the bankruptcy process raise substantial doubt about Elpida Memory, Inc.'s ability to continue as a going concern. Management's plans in regard to these matters also are described in Note (1). The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Ernst & Young ShinNihon LLC
Tokyo, Japan
December 5, 2012

March 31, 2012 and 2011
(Yen in millions, except share data)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	¥ 51,428	¥ 112,839
Accounts receivable, trade less allowance for doubtful accounts of ¥1,875 and ¥1,893 at March 31, 2012 and 2011, respectively	28,794	69,146
Accounts receivable, other less allowance for doubtful accounts of ¥914 at March 31, 2011	11,499	17,685
Inventories	81,053	73,840
Prepaid expense and other current assets	5,301	3,375
Total current assets	178,075	276,885
Property, plant, and equipment:		
Land	504	4,219
Buildings and structures	36,615	117,298
Machinery and equipment	467,745	991,253
Furniture and fixtures	6,134	47,206
Construction in progress	13,728	24,656
Total property, plant, and equipment	524,726	1,184,632
Less accumulated depreciation and amortization	(195,287)	(575,628)
Net property, plant, and equipment	329,439	609,004
Investment securities	2,113	3,281
Investment in an affiliated company	3,172	9,532
Intangible assets	1,807	16,212
Other assets	680	3,285
Total assets	¥ 515,286	¥ 918,199

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	2012	2011
Liabilities and Stockholders' Equity		
Current liabilities not subject to compromise:		
Current portion of long-term debt	¥ 27,840	¥ 132,188
Current portion of obligations under capital leases	10,900	24,833
Accounts payable, trade	19,912	54,137
Accounts payable, other	4,726	29,542
Accrued income taxes	1,016	398
Accrued expenses and other current liabilities	13,574	28,600
Total current liabilities not subject to compromise	77,968	269,698
Long-term liabilities not subject to compromise:		
Long-term debt, excluding current portion	10,849	204,968
Obligations under capital leases, excluding current portion	30,794	76,391
Liability for retirement benefits	5,261	3,914
Deferred income taxes	777	970
Other liabilities	1,702	7,766
Total long-term liabilities not subject to compromise	49,383	294,009
Total liabilities not subject to compromise	127,351	563,707
Liabilities subject to compromise	362,246	—
Total liabilities	489,597	563,707
Redeemable noncontrolling interest	19,550	20,800
Redeemable Type I preferred stock, Authorized 1,000,000 shares; issued and outstanding 1,000,000 shares at March 31, 2012 and 2011, respectively	10,554	10,554
Redeemable Type II preferred stock, Authorized 2,000,000 shares; issued 2,000,000 shares and outstanding 1,838,967 shares at March 31, 2012 and 2011, respectively	19,409	19,409
Stockholders' equity:		
Common stock, Authorized 400,000,000 shares; issued and outstanding 271,787,370 shares and 214,517,370 shares at March 31, 2012 and 2011, respectively	222,738	202,258
Additional paid-in capital	234,179	213,918
Accumulated deficit	(513,256)	(152,822)
Accumulated other comprehensive loss	(22,796)	(19,318)
Treasury stock, 1,518 and 1,476 common shares at March 31, 2012 and 2011, respectively, at cost	(5)	(5)
Total stockholders' (deficit) equity attributable to Elpida Memory, Inc. and subsidiaries	(79,140)	244,031
Noncontrolling interest	55,316	59,698
Total stockholders' equity	(23,824)	303,729
Total liabilities and stockholders' equity	¥ 515,286	¥ 918,199

See accompanying notes to consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2012 and 2011
(Yen in millions)

	2012	2011
Net sales	¥ 284,410	¥ 511,636
Cost of sales	331,523	402,902
Gross (loss) profit	(47,113)	108,734
Selling, general, and administrative expenses	64,201	67,718
Impairment charge	229,560	493
Operating (loss) income	(340,874)	40,523
Equity in (loss) income of an equity method investee	(2,392)	536
Interest income	236	206
Interest expense		
(contractual interest expense of ¥8,576 for the year ended March 31, 2012)	8,445	10,897
Foreign exchange losses	(341)	(8,295)
Other expense, net	(7,737)	(2,362)
(Loss) income before reorganization items and income taxes	(359,553)	19,711
Reorganization items, net	(3,505)	—
(Loss) income before income taxes	(363,058)	19,711
Income taxes:		
Current	960	558
Deferred	(260)	640
Net (loss) income	(363,758)	18,513
Less: Net (loss) income attributable to noncontrolling interest	(3,344)	16,871
Net (loss) income attributable to Elpida Memory, Inc. and subsidiaries	¥ (360,414)	¥ 1,642

See accompanying notes to consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY,
COMPREHENSIVE LOSS, REDEEMABLE NONCONTROLLING INTEREST
AND REDEEMABLE PREFERRED STOCK
Years ended March 31, 2012 and 2011
(Yen in millions, except share data)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock	Stockholders' (deficit) equity attributable to Elpida Memory, Inc. and Subsidiaries	Noncontrolling interest	Total stockholders' equity	Redeemable noncontrolling interest	Redeemable Type I preferred stock	Redeemable Type II preferred stock		
	Shares	Amount									Shares	Amount	Shares	Amount
Balances at March 31, 2010	196,601,419	¥ 189,650	¥ 202,323	¥ (154,464)	¥ (15,393)	¥ (5)	¥ 222,111	¥ 53,485	¥ 275,596	¥ 35,800	1,000,000	¥ 10,204	2,000,000	¥ 20,408
Comprehensive income:														
Net income	—	—	—	1,642	—	—	1,642	16,871	18,513	0	—	—	—	—
Net change in:														
Unrealized loss on investment securities, net of tax	—	—	—	—	(209)	—	(209)	—	(209)	—	—	—	—	—
Retirement benefits, net of tax	—	—	—	—	(120)	—	(120)	1	(119)	—	—	—	—	—
Foreign currency translation adjustments, net of tax	—	—	—	—	(3,596)	—	(3,596)	(1,476)	(5,072)	—	—	—	—	—
Total comprehensive (loss) income							(2,283)	15,396	13,113	0				
Shares issued in connection with:														
Increase of capital	16,470,200	11,803	11,803	—	—	—	23,606	—	23,606	—	—	—	—	—
Sale of subsidiary's shares	—	—	—	—	—	—	—	(7,868)	(7,868)	—	—	—	—	—
Purchase of subsidiary's shares	—	—	0	—	—	—	0	(900)	(900)	—	—	—	—	—
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	—	—	(15,000)	—	—	—	—
Purchase of 15 common shares	—	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—
Conversion of preferred stock	1,445,751	805	805	—	—	—	1,610	—	1,610	—	—	—	(161,033)	(1,610)
Increase in redeemable preferred stock	—	—	(961)	—	—	—	(961)	—	(961)	—	—	350	—	611
Other, net	—	—	(52)	—	—	—	(52)	(415)	(467)	—	—	—	—	—
Balances at March 31, 2011	214,517,370	202,258	213,918	(152,822)	(19,318)	(5)	244,031	59,698	303,729	20,800	1,000,000	10,554	1,838,967	19,409
Comprehensive loss:														
Net loss	—	—	—	(360,414)	—	—	(360,414)	(3,344)	(363,758)	0	—	—	—	—
Net change in:														
Unrealized gain on investment securities, net of tax	—	—	—	—	120	—	120	—	120	—	—	—	—	—
Retirement benefits, net of tax	—	—	—	—	(791)	—	(791)	1	(790)	—	—	—	—	—
Foreign currency translation	—	—	—	—	(2,807)	—	(2,807)	(987)	(3,794)	—	—	—	—	—

adjustments, net of tax														
Total comprehensive loss							(363,892)	(4,330)	(368,222)	0				
Shares issued in connection with:														
Increase of capital	57,270,000	20,480	20,480	—	—	—	40,960	—	40,960	—	—	—	—	—
Sale of subsidiary's preferred stock	—	—	—	—	—	—	—	—	—	3,750	—	—	—	—
Redemption of subsidiary's preferred stock	—	—	—	—	—	—	—	—	—	(5,000)	—	—	—	—
Purchase of 42 common shares	—	—	—	—	—	(0)	(0)	—	(0)	—	—	—	—	—
Other, net	—	—	(219)	(20)	—	—	(239)	(52)	(291)	—	—	—	—	—
Balances at March 31, 2012	<u>271,787,370</u>	<u>¥ 222,738</u>	<u>¥ 234,179</u>	<u>¥ (513,256)</u>	<u>¥ (22,796)</u>	<u>¥ (5)</u>	<u>¥ (79,140)</u>	<u>¥ 55,316</u>	<u>¥ (23,824)</u>	<u>¥ 19,550</u>	<u>¥ 1,000,000</u>	<u>¥ 10,554</u>	<u>¥ 1,838,967</u>	<u>¥ 19,409</u>

See accompanying notes to consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2012 and 2011
(Yen in millions)

	2012	2011
Cash flows provided by operating activities:		
Net (loss) income	¥ (363,758)	¥ 18,513
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	120,978	117,825
Impairment charge	229,560	493
Deferred income tax	(260)	640
Allowance for doubtful accounts	(1,317)	(226)
Retirement benefits	1,321	609
Equity in loss (income) of equity method investees	2,392	(536)
Impairment loss on investment securities	6,226	566
Loss (gain) on sale of equipment	47	(127)
Loss on disposal of fixed assets	329	1,521
Gain on sales of subsidiary's shares	(78)	(674)
Changes in operating assets and liabilities, net of acquisition:		
Decrease in accounts receivable, trade	38,895	39,155
Decrease (increase) in accounts receivable, other	7,055	(6,343)
Increase in inventories	(7,331)	(1,802)
Increase (decrease) in accounts payable, trade	2,653	(1,628)
Increase (decrease) in accounts payable, other	12,476	(2,385)
Other, net	(19,040)	10,925
Cash provided by operating activities	<u>30,148</u>	<u>176,526</u>
Cash flows from investing activities:		
Net increase in time deposits	(1)	(1)
Purchase of fixed assets	(65,126)	(97,598)
Proceeds from sales of property	429	985
Acquisition of subsidiaries' stock	—	(15,245)
Purchase of investment securities	(1,240)	—
Proceeds from sale of subsidiaries, net of cash disposed	3,567	939
Purchase of intangible assets	(6,437)	(6,581)
Collection of loans receivable	—	5,686
Other, net	25	73
Net cash used in investing activities	<u>(68,783)</u>	<u>(111,742)</u>
Cash flows from financing activities:		
Proceeds from short-term debt	6,032	3,191
Proceeds from long-term borrowings	11,452	—
Repayments of short-term debt	(6,032)	(3,597)
Repayments of long-term borrowings	(65,287)	(130,196)
Proceeds from issuance of bonds	27,462	66,720
Repayments of bonds	(30,000)	(30,000)
Proceeds from issuance of stock	40,746	23,201
Proceeds from sale and lease-back transactions	17,604	32,479
Principal payments on capital lease obligations	(23,780)	(25,815)
Net cash used in financing activities	<u>(21,803)</u>	<u>(64,017)</u>
Effect of exchange rate changes on cash and cash equivalents	(973)	(1,266)
Net decrease in cash and cash equivalents	<u>(61,411)</u>	<u>(499)</u>
Cash and cash equivalents at beginning of year	112,839	113,338
Cash and cash equivalents at end of year	<u>¥ 51,428</u>	<u>¥ 112,839</u>

See accompanying notes to consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012 and 2011
(Yen in millions, except share data)

(1) Description of Business, Basis of Presentation and Other Relevant Information

(a) Description of Business and Basis of Presentation

Elpida Memory, Inc. (“Elpida”) was established in December 1999 as a joint venture owned 50% each by NEC Corporation and Hitachi, Ltd. under the Commercial Code of Japan. Its initial public offering was completed on November 15, 2004, in the First Section of the Tokyo Stock Exchange (the “TSE”).

Elpida and its subsidiaries (hereinafter referred to collectively as the “Company”) develop, design, manufacture and sell dynamic random access memory semiconductors (“DRAMs”). The Company’s product portfolio consists of two categories, premier DRAMs (for digital consumer electronics and mobile devices) and computing DRAMs (for servers and personal computers). The Company provides a wide variety of products to leading international electronics companies in Japan, Asia, North America and Europe. The Company has manufacturing facilities in Hiroshima (wafer processing) and in Akita (packaging and testing). Further, it has sales and marketing support offices in Japan, North America, Europe, Taiwan, Hong Kong and Singapore. In addition to its own manufacturing facilities, Elpida utilizes the foundry services of Rexchip Electronic Corporation (“Rexchip”) and Powerchip Technology Corporation (“PTC”) for the production of DRAMs for the computing market. Rexchip is Elpida’s consolidated subsidiary and PTC owns a 24.06% interest in Rexchip as a noncontrolling interest holder at March 31, 2012.

Elpida and its domestic subsidiaries maintain their records and prepare their consolidated financial statements in accordance with the provisions set forth in the Japan Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of generally accepted accounting principles in the United States of America. The accounts of foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments include, but are not limited to, those related to the scope of consolidation and the accounting for business combinations, income taxes, goodwill and intangible assets, inventories, leases, stock-based compensation, revenue recognition, post-retirement benefits, depreciation and amortization, derivative instruments, accruals for certain expenses, and liabilities subject to compromise. These adjustments and reclassifications were not recorded in the statutory books of account.

(b) Reorganization Proceedings

On February 27, 2012 (the “Petition Date”), Elpida and Akita Elpida Memory, Inc., a wholly owned subsidiary of Elpida, (collectively, the “Debtors”) filed voluntary petitions in the Tokyo District Court (the “Court”) to commence corporate reorganization proceedings under the Corporate Reorganization Act (*Kaisha Kosei Ho*) of Japan (the “Reorganization Act”).

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On March 23, 2012, the Court made the order to commence such proceedings and appointed the incumbent President & CEO and an attorney-at-law as trustees. The Debtors are continuing to operate their business as a “debtors-in-possession” under the jurisdiction of the Court and in accordance with the applicable provisions of the Reorganization Act and the orders of the Court. The Court also appointed and ordered an examiner to examine whether a reorganization plan (the “Plan”) and the related procedures are performed fairly.

On March 28, 2012, shares of Elpida were delisted from the Tokyo Stock Exchange.

On July 2, 2012, Micron Technology Inc. (“Micron”, a company established in the United States of America) and Elpida signed a definitive sponsor agreement whereby Micron would acquire and support Elpida.

On August 21, 2012, Elpida submitted the proposed reorganization plan to the Court. The Plan prepared by the trustees is based on the assumption that Elpida will receive financial support from Micron in accordance with the sponsorship agreement entered on July 2, 2012 and Elpida will pay the reorganization claims, and maintain and reorganize its business with such support.

On October 31, 2012, the Tokyo District Court made an order to refer the proposed reorganization plan submitted by Elpida to a resolution.

Under the Reorganization Act, the Court must confirm the Plan if it has been accepted by a certain number of creditors required under the Reorganization Act and meets other specific requirements including the examination of whether the Plan is in accordance with the Reorganization Act. In addition, even if such Plan cannot be accepted by the required number of creditors under the Reorganization Act, the Court may approve such Plan by modifying it and including a provision that is meant to protect the rights of the respective classes of creditors that opposed such Plan.

In relation to the Plan, no acceptance by the shareholders is required since Elpida is currently insolvent as a result of an appraisal of the properties performed by an appraiser appointed by the trustees. Under these circumstances, pursuant to Article 166, Paragraph 2 of the Reorganization Act, shareholders have no voting rights. Therefore, all of the issued and outstanding shares of Elpida will be acquired and cancelled without any compensation after the order of the confirmation of the Plan, and then the amount of the stated capital will be decreased and eliminated in accordance with the Plan.

There can be no assurance that the Plan will be confirmed by the Court and consummated. Furthermore, there can be no assurance that Elpida will be successful in achieving its reorganization goals.

Subsidiaries that are not included in the Plan continue to operate without the supervision of the Court and are not part of the bankruptcy proceedings.

(c) Tokyo Stock Exchange Delisting Determination

On March 28, 2012, the Company's common stock was delisted from the First Section of the TSE in accordance with Rule 601 of the Securities Listing Regulations due to the filing of the petition and commencement of reorganization proceedings.

On February 28, 2012, the Company's 2nd and 3rd 130% Call Option Attached Unsecured Convertible Bonds with Stock Acquisition Rights were delisted from the TSE in accordance with Rule 921 of the Securities Listing Regulations due to the filing of the petition for the commencement of reorganization proceedings, which led to the Company's forfeiture of the benefit of time.

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

(d) Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Company is operating pursuant to the Reorganization Act and its continuation as a going concern is contingent upon, among other things, its ability to: (i) develop a plan of reorganization and obtain confirmation from the court, (ii) successfully implement the plan of reorganization, (iii) reduce debt and other liabilities through the reorganization process, (iv) return to profitability, and (v) generate sufficient cash flows from operations. These matters create substantial doubt about the Company's ability to continue as a going concern. As a result of operating under the Reorganization Act, the realization of assets and the satisfaction of liabilities are subject to uncertainty. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability of assets and the classification of liabilities that might result from the outcome of these uncertainties. While operating as debtors-in-possession pursuant to the Reorganization Act, the Company may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Court or as otherwise permitted in the ordinary course of business for amounts other than those as reflected in the accompanying consolidated financial statements. Furthermore, the Plan, once confirmed, could materially change the amounts and classifications reported in the accompanying consolidated financial statements which do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as consequence of the confirmation of the Plan.

(2) Reorganization Disclosures

(a) Financial Reporting in Reorganization

The Company has applied Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 852, *Reorganizations*, effective as of the Petition Date, which is applicable to companies in reorganization proceedings under US bankruptcy law, because reorganization proceedings under the Reorganization Act are similar to those under the US bankruptcy law. While ASC 852 generally does not change the manner in which financial statements are prepared, ASC 852 requires that the financial statements for periods subsequent to the petition filing distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses (including professional fees), realized gains and losses, and provisions for losses resulting from the reorganization and restructuring of the business must be reported separately as reorganization items, except for those required to be reported as discontinued operations and extraordinary items, in the consolidated statements of operations. The balance sheet must distinguish pre-petition liabilities subject to compromise from pre-petition liabilities that are not subject to compromise and post-petition liabilities. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts as a result of the reorganization. In addition, cash receipts and payments resulting from the reorganization must be disclosed.

(b) Condensed Combined Financial Information

The consolidated financial statements of the Company include entities which are not in the reorganization proceedings, the following presents condensed combined financial information of the entities in the reorganization proceedings. The condensed combined financial information has been prepared, in all material aspects, on the same basis as the consolidated financial statements of the Company.

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The financial information contained herein represents the condensed combined financial information for the Debtors only. Elpida's non-Debtor subsidiaries are treated as non-consolidated subsidiaries in this presentation of combined financial information and as such their net loss is included as "equity losses from non-Debtor subsidiaries, net of tax" in the condensed combined statement of operations and their net assets are included as "investments in non-Debtor subsidiaries" in the condensed combined balance sheet. Intercompany transactions between the Debtors have been eliminated in this presentation of combined financial information contained herein. Intercompany transactions between the Debtors and non-Debtor

subsidiaries have not been eliminated in the financial information and are reflected as Accounts receivable from non-Debtor subsidiaries and Accounts payable to non-Debtor subsidiaries.

Condensed Combined Debtors-in-Possession Balance Sheet

	March 31, 2012
Assets	
Current assets:	
Cash and cash equivalents	¥ 14,864
Accounts receivable, net	10,280
Accounts receivable from non-Debtor subsidiaries	36,626
Inventories	68,750
Other current assets	10,213
Total current assets	140,733
Property, plant, and equipment, net of accumulated depreciation and amortization	134,458
Investment in non-Debtor subsidiaries	130,173
Other assets	4,340
Total assets	¥ 409,704
Liabilities and Stockholders' Deficit	
Current liabilities:	
Current portion of obligations under capital leases	¥ 3,734
Accounts payable	12,114
Accounts payable to non-Debtor subsidiaries	37,471
Other liabilities	9,699
Total current liabilities	63,018
Long-term liabilities	33,617
Liabilities subject to compromise	362,246
Total liabilities	458,881
Temporary equity	29,963
Total stockholders' deficit	(79,140)
Total liabilities and stockholders' deficit	¥ 409,704

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Condensed Combined Debtors-in-Possession Statement of Operations

	For the period from February 27, 2012 through March 31, 2012
Net sales	¥ 25,751
Cost of sales	31,442
Gross loss	(5,691)
Selling, general and administrative expenses	4,753
Operating losses	(10,444)
Equity losses from non-Debtor subsidiaries, net of tax	(17,342)
Reorganization items, net	(3,505)
Other expense, net	(6,024)
Loss before income tax	(37,315)
Income tax	29
Net loss	¥ (37,344)

Condensed Combined Debtors-in-Possession Statement of Cash Flows

	For the period from February 27, 2012 through March 31, 2012
Net cash used in:	
Operating activities	¥ (12,711)
Investing activities	(690)
Net decrease in cash and cash equivalents	(13,401)
Cash and cash equivalents, beginning of period	28,265
Cash and cash equivalents, end of period	¥ 14,864

(c) Liabilities Subject to Compromise

Liabilities subject to compromise refers to pre-petition obligations which may be impacted by the petition filing. These liabilities represent the estimated amounts expected to be allowed on known or potential claims to be resolved through the reorganization proceedings.

In accordance with ASC 852, substantially all of the Company's unsecured debt has been classified as liabilities subject to compromise. Additionally, certain of the Company's undersecured debt has also been classified as liabilities subject to compromise due to an expected deficiency in collateral value.

Differences between the liability amounts Elpida and Elpida Akita estimated and the claims filed by creditors will be investigated and resolved in connection with the claim resolution process. Elpida will continue to evaluate these liabilities throughout the reorganization proceedings and adjust the amounts as necessary. Such adjustments may be material. In light of the expected number of creditors, the claims resolution process may take considerable time to complete. Accordingly, the ultimate settlement amounts of allowed claims are not presently known.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the components of liabilities subject to compromise included on the consolidated balance sheet at March 31, 2012:

	2012
Long-term debt	¥ 240,021
Accounts payable and other liabilities	63,027
Obligations under capital leases	59,198
Total liabilities subject to compromise	¥ 362,246

(d) Reorganization Items

Reorganization items, net represent amounts incurred and recorded subsequent to the petition filing as a direct result of the filing of the petition and commencement of reorganization proceedings and are comprised of the following for the year ended March 31, 2012:

	2012
Settlement of long-term debt (*1)	¥ (238)
Professional fees (*2)	244
Adjustments of bond issuance costs (*3)	448
Penalties (*4)	3,051
Total reorganization items, net	¥ 3,505

- (*1) The settlement of certain long-term debt resulted in a gain recognized due to 1) the abandonment of the related claim by the respective creditors and 2) the rejection of claims due to the creditors' application process deficiency.
- (*2) Professional fees are expenses incurred directly related to the reorganization and restructuring.
- (*3) Adjustments of bond issuance costs related to certain debt that has been classified as subject to compromise and previously recorded as an asset to be amortized were fully expensed to adjust related debt amounts to the amounts of the allowed claims.
- (*4) Elpida was obligated to pay penalties for certain debt and lease contracts. In addition, Elpida reimbursed holders of Taiwan Depositary Receipts as a result of filing voluntary petition in Japan.

(3) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts and sales returns; the valuation of derivatives, deferred tax assets, fixed assets, inventory, investments, and stock options; reserves for employee benefit obligations, income tax uncertainties and other contingencies; and classification and measurement of lease obligations and liabilities subject to compromise.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Elpida and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities. The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

(c) Foreign Currency Translation

Foreign currency transactions are measured at the applicable rates of exchange prevailing at the transaction dates. Assets and liabilities denominated in currencies other than Japanese yen are remeasured at the applicable rates of exchange prevailing at the balance sheet date with the resulting gain or loss credited or charged to income.

Elpida's foreign subsidiaries use the local currencies other than Japanese yen as their functional currencies. Accordingly, assets and liabilities of foreign subsidiaries are translated into Japanese yen at applicable year-end rates of exchange and all revenue and expense accounts are translated at average rates of exchange during the year. The resulting translation adjustments are accumulated and included in accumulated other comprehensive income (loss) classified as part of stockholders' equity.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. Allowance for doubtful trade receivables are determined based on a combination of historical experience, aging analysis, and any specific factors affecting customer accounts. Uncollectible trade accounts receivable are charged-off when legal actions have been taken to collect the receivable, and it becomes clear that an amount smaller than the original receivable will be recovered.

(f) Inventories

Inventories, except for supplies, are stated at the lower of cost or market, cost being determined using the first-in, first-out method or the average cost method.

The cost of supplies is determined using the first-in, first-out method.

(g) Revenue Recognition

The Company recognizes revenue when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(h) Investment Securities

Investment securities at March 31, 2012 and 2011 consist of equity securities. The Company classifies its equity securities that have readily determinable fair values as available-for-sale.

Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, the Company considers all available information relevant to the collectibility of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

(i) Derivative Instruments and Hedging Activities

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Company enters into derivative contracts that it intends to designate as a hedge of an exposure to changes in the fair value of a recognized asset or liability that are attributable to a particular risk (fair value hedge). For hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair value of hedged transactions. For derivative instruments that are designated and qualify as part of a fair value hedging relationship, the effective portion of the gain or loss on the derivative is reported as a component of earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings.

The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in fair value attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the fair value hedge is dedesignated in accordance with the derecognition criteria for hedge accounting.

In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(j) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Plant and equipment under capital leases are stated at the present value of minimum lease payments.

Depreciation is calculated on the straight-line method over the following estimated useful lives of the respective assets:

Building and structures	2 to 56 years
Machinery and equipment	2 to 20 years
Furniture and fixtures	2 to 25 year

Plant and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Total depreciation for the years ended March 31, 2012 and 2011 was ¥113,733 and ¥111,258, respectively.

(k) Major Maintenance Activities

The Company incurs maintenance costs on its major equipment. Repair and maintenance costs are expensed as incurred.

(l) Intangible Assets

Intangible assets with finite lives consist primarily of license fees and technologies. License fees are amortized on a straight-line basis over the contractual periods which are principally two to 15 years. Certain costs incurred to develop or obtain internal use computer software are capitalized according to ASC Subtopic 350-40, *Internal-Use Software*, and amortized on a straight-line basis over the estimated useful lives of five years or less.

(m) Research and Development and Advertising Costs

Research and development and advertising costs are expensed as incurred. Research and development costs amounted to ¥42,183 and ¥39,705 for the years ended March 31, 2012 and 2011, respectively. Advertising costs amounted to ¥8 and ¥32 for the years ended March 31, 2012 and 2011, respectively.

(n) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(o) Stock Option Plan

The Company recognizes the cost of all employee stock options in the consolidated financial statements. Equity-classified awards are measured at the grant date fair value of the award. The Company estimates grant date fair value using the Black-Scholes-Merton option-pricing model. Compensation cost for all stock options is recognized using the straight-line attribution method reduced for estimated forfeitures.

Excess tax benefits of awards that are recognized in equity related to stock option exercises are reflected as financing cash inflows. Stock option cost that has been included in income from continuing operations amounted to ¥0 and ¥44 for the years ended March 31, 2012 and 2011, respectively. The total income tax benefit recognized in the consolidated statements of operations for stock option arrangements was ¥0 and ¥18 for the years ended March 31, 2012 and 2011, respectively.

(p) Retirement Benefits

The Company has retirement benefit plans which consist of defined benefit pension plans, lump-sum indemnity plans and defined contribution plans.

The Company records annual amounts relating to its defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases and turnover rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

For the defined contribution plans, the Company recognizes cash contributions as net pension cost.

(q) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(r) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

(s) Capitalized Interest

The Company's policy is to capitalize interest cost incurred on debt during the construction of major projects. A reconciliation of total interest cost to "interest expense" as reported in the consolidated statements of operations for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Interest cost capitalized	¥ 153	¥ 39
Interest cost charged to expense	8,445	10,897
Total interest cost	<u>¥ 8,598</u>	<u>¥ 10,936</u>

(t) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*, which provides additional disclosures for transfers in and out of Levels 1 and 2 and for activity in Level 3. ASU 2010-06 also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques. The provisions of ASU 2010-06 are effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity for purchases, sales, issuances, and settlements on a gross basis, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, the reporting entity shall not be required to

provide the disclosures required for any previous periods presented for comparative purposes. The Company adopted the provisions of ASU 2010-06 for the year ended March 31, 2011, except for the requirements to provide the Level 3 activity for purchases, sales, issuances, and settlements on a gross basis, which were adopted for the year ended March 31, 2012. The adoption of ASU 2010-06 did not have a material effect on its consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(u) Product Warranties

The Company generally provides a limited warranty that its products are in compliance with Company specifications existing at the time of delivery. Under the Company's general terms and conditions of sale, the liability for certain failures of product during a stated warranty period is usually limited to repair or replacement of defective items or return of, or a credit with respect to, amounts paid for such items. The Company accrues product warranty costs which are based primarily on historical experience of actual warranty claims as well as current information on costs for repair or replacement of defective products.

(4) Business and Credit Concentrations

The Company is primarily engaged in a single line of business of designing, manufacturing and sale of DRAMs and therefore the fluctuation of unit volumes and prices in the DRAM market can significantly impact the Company's business.

For the year ended March 31, 2012, the two largest customers accounted for 18.5% and 12.6% of the Company's sales, and the largest customer accounted for 13.9% of accounts receivable at March 31, 2012. For the year ended March 31, 2011, the largest customer accounted for 30.8% of the Company's sales, and the same customer accounted for 25.6% of accounts receivable at March 31, 2011.

(5) Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	2012	2011
Finished products	¥ 34,750	¥ 31,665
Semi-finished components	20,221	10,390
Raw materials	1,752	2,031
Work in process	21,114	26,517
Supplies	3,216	3,237
	<u>¥ 81,053</u>	<u>¥ 73,840</u>

(6) Pledged Assets

Assets pledged as collateral for guarantees for liabilities at March 31, 2012 and 2011 were as follows:

	2012	2011
Buildings and structures	¥ 22,116	¥ 80,630
Machinery and equipment	149,661	232,593
Land	465	4,000
	<u>¥ 172,242</u>	<u>¥ 317,223</u>

The above assets were pledged against the following liabilities at March 31, 2012 and 2011:

	2012	2011
Long-term debt	¥ 129,662	¥ 185,945
Obligations under capital leases	17,294	10,567
Future lease payments	1,178	3,957
Deposits received	2,930	—
	<u>¥ 151,064</u>	<u>¥ 200,469</u>

Of the ¥129,662 of long-term debt at March 31, 2012 above, ¥90,973 was classified as Liabilities subject to compromise.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(7) Investment Securities

The carrying amount, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale equity securities at March 31, 2012 and 2011 were as follows:

	Aggregate cost basis	Gross unrealized holding gains	Gross unrealized holding losses	Aggregate fair value
At March 31, 2012				
Available for sale:				
Equity securities	¥ 2,113	¥ —	¥ —	¥ 2,113
At March 31, 2011				
Available for sale:				
Equity securities	¥ 3,446	¥ —	¥ (165)	¥ 3,281

For equity securities, management considers the various factors described in Note (3)(h), including its intent and ability to hold the equity security for a period of time sufficient for recovery in market value. Where management lacks that intent or ability, the security's decline in fair value is deemed to be other-than-temporary and is recorded in earnings.

(8) Intangible Assets

Intangible assets subject to amortization at March 31, 2012 and 2011 consisted of the following:

	March 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Software	¥ 1,547	¥ (19)	¥ 1,528
License fees	279	—	279
Total	¥ 1,826	¥ (19)	¥ 1,807

	March 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Software	¥ 17,422	¥ (13,571)	¥ 3,851
License fees	24,854	(13,572)	11,282
Technology	1,577	(499)	1,078
Total	¥ 43,853	¥ (27,642)	¥ 16,211

Aggregate amortization expense for intangible assets subject to amortization was ¥7,245 and ¥6,567 for the years ended March 31, 2012 and 2011, respectively. Estimated amortization expense for the next five years is as follows:

Year ending March 31:	
2013	¥ 729
2014	438
2015	229
2016	46
2017	26

ELPIDA MEMORY, INC. AND SUBSIDIARIES (DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(9) Derivative Instruments and Hedging Activities

The Company has entered into interest rate swap agreements to manage the exposure to interest rate risk associated with its underlying debt and foreign exchange forward contracts to offset the adverse impact of fluctuations in foreign exchange rates on accounts receivable and accounts payable denominated in foreign currencies arising from the Company's operating activities. Neither the interest rate swap agreements nor the foreign exchange forward contracts are designated as hedging instruments under ASC 815, and changes in fair value of both interest rate swap agreements and foreign exchange forward contracts are recognized in income. The related receivable or payable is included in other current assets or other current liabilities.

The counterparties to the Company's interest rate swap agreements and foreign exchange forward contracts are major financial institutions. As a normal business risk, the Company is exposed to credit loss in the event of nonperformance by the counterparties; however, the Company does not anticipate nonperformance by the counterparties to these agreements, and no material losses are expected.

The fair values of derivative instruments held at March 31, 2012 and 2011 were as follows:

	2012		2011	
	B/S Location	Fair value	B/S Location	Fair value
Interest rate swap agreements	Other assets	¥ —	Other assets	¥ 69
Foreign exchange forward contracts	Other assets	—	Other assets	276
Foreign exchange forward contracts	Other liabilities	—	Other liabilities	70

The effect of derivative instruments on the consolidated statements of operations for the years ended March 31, 2012 and 2011 was as follows:

	Recognized as gain (loss) on derivative instruments			
	2012		2011	
Interest rate swap agreements	Other (expense) / income	¥ (69)	¥ (45)	
Foreign exchange forward contracts	Other (expense) / income	(206)	967	

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(10) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2012 and 2011. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	¥ 51,428	¥ 51,428	¥ 112,839	¥ 112,839
Accounts receivable, trade	28,794	28,794	69,146	69,146
Accounts receivable, other	11,499	11,499	17,685	17,685
Investment securities	2,113	2,113	3,281	3,281
Foreign exchange forwards	—	—	206	206
Interest rate swaps	—	—	69	69
Financial liabilities:				
Accounts payable, trade	¥ 19,912	¥ 19,912	¥ 54,137	¥ 54,137
Accounts payable, other	4,726	4,726	29,542	29,542
Accrued income taxes	1,016	1,016	398	398
Long-term borrowings	140,206	See below	195,944	194,530
Straight bonds	44,799	See below	74,976	75,439
Convertible bonds	93,705	See below	66,236	70,942
Long-term other payables	3,856	See below	5,023	4,850

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions, except for interest rate swaps and foreign exchange forwards, which are included in other current assets and other assets; long-term borrowings, straight bonds and convertible bonds, which are included in long-term debt; and long-term other payables, which are included in other liabilities.

The estimated fair values of the financial instruments shown in the above table at March 31, 2012 and 2011 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, trade accounts receivable, other accounts receivables, trade accounts payable, other accounts payable, and accrued income taxes: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.
- Investment securities: Equity securities classified as available for sale are measured using quoted market prices at the reporting date multiplied by the quantity held. The fair values of equity securities accounted for under the cost method (nonmarketable equity securities) are determined using methodologies that give consideration to a range of factors, including but not limited to the price at which investments were acquired, the nature of the investments, market conditions, trading values on comparable public securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investments.
- Foreign exchange forwards and interest rate swaps: The fair value is determined by obtaining quotes from brokers.
- Long-term borrowings and long-term other payables: With respect to the fair value at March 31, 2011, the fair value of the Company's long-term borrowings, and long-term other payables is determined by discounting the future cash flows of each instrument at rates that reflect rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk. For long-term debt measurements, where there are not rates currently observable in publicly traded debt markets of similar terms to companies with comparable credit, the Company uses market interest rates and adjusts that rate for all necessary risks, including its own credit risk. In determining an appropriate spread to reflect its credit standing, the Company considers credit default swap spreads, bond yields of other long-term debt

offered by the Company, and interest rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's bankers as well as other banks that regularly compete to provide financing to the Company. With respect to the fair value at March 31, 2012, the Company, having filed the voluntary petitions, would not have been able to enter into similar financing at March 31, 2012. As such, it is impractical to obtain a fair value for the long-term debt and long-term other payables.

Straight bonds and convertible bonds: With respect to the fair value at March 31, 2011, the fair value of the Company's straight bonds and convertible bonds is measured using quoted offer side prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined using the standard pricing model taking into account the exercisable period, exercise price, volatility, remaining period and credit risk. With respect to the fair value at March 31, 2012, the Company, having filed the voluntary petitions, would not have been able to enter into similar financing at March 31, 2012. As such, it is impractical to obtain a fair value for the bonds as of March 31, 2012.

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

(b) Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2012 and 2011:

		Fair value measurements at reporting date using		
	March 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities				
Equity securities (foreign)	¥ 2,113	¥ 2,031	¥ 82	¥ —
Total	¥ 2,113	¥ 2,031	¥ 82	¥ —
		Fair value measurements at reporting date using		
	March 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities				
Equity securities (foreign)	¥ 3,281	¥ 3,281	¥ —	¥ —
Derivatives				
Foreign exchange forwards	206	—	206	—
Interest rate swaps	69	—	69	—
Total	¥ 3,556	¥ 3,281	¥ 275	¥ —

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1 and Level 2 for the years ended March 31, 2012 and 2011.

The following table presents fair value measurements of assets and liabilities that are measured at fair value on a nonrecurring basis for the years ended March 31, 2012 and 2011.

Description	Year ended March 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total gains (losses)
Investment in an affiliated company	¥ 3,172	¥ 3,172	¥ —	¥ —	¥ (4,029)
Long-lived assets	136,907	—	—	136,907	(229,560)

For the year ended March 31, 2012, the Company classified certain investments in Level 1 as the Company used an unadjusted quoted market price in active markets as input to value the investment. In addition, the Company classified the assets described above in Level 3 as the Company used unobservable inputs to value the assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through the replacement cost method and discounted cash flow method. See Note 24 for further details of impairment of long-lived assets.

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
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Description	Year ended March 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total gains (losses)
Investment in an affiliated company	¥ 8,538	¥ 8,538	¥ —	¥ —	¥ (22)
Long-lived assets	0	—	—	0	(493)

For the year ended March 31, 2011, the Company classified certain investments in Level 1 as the Company used an unadjusted quoted market price in active markets as input to value the investment. In addition, the Company classified the assets described above in Level 3 as the Company used unobservable inputs to value the assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through the discounted cash flow method.

(11) Equity Method Investments

Investments in an affiliate accounted for under the equity method consist of 39.66% of the common stock of Tera Probe, Inc. (“Tera Probe”), a semiconductor test house.

Tera Probe was a consolidated subsidiary until December 16, 2010, on which date Tera Probe completed an IPO and listed its shares on the Mothers Section of Tokyo Stock Exchange. As a result of the IPO, the Company’s interest in Tera Probe decreased to 39.66% and the Company has been applying the equity method for the investment in Tera Probe since then.

In December 2010, the investment was measured at fair value as Tera Probe was deconsolidated and the equity method was applied. The fair value determined based on the quoted stock price of Tera Probe as of the date of the deconsolidation was ¥8,538. As a result of the deconsolidation, the Company recognized a loss of ¥22 for the year ended March 31, 2011.

The carrying amount of the investment in Tera Probe was ¥9,532 and the fair value of the investment based on its market price was ¥8,630 at March 31, 2011.

At March 31, 2012, the fair value of the investment decreased to ¥3,172 and the Company evaluated the recoverability of the carrying value of the investment. As a result, the Company determined that there was an other-than-temporary decline in the value of the investment in Tera Probe and recorded an impairment loss of ¥4,029 at March 31, 2012.

(12) Leases

The Company is obligated under long-term capital lease agreements covering certain facilities and equipment that expire at various dates during the next 12 years. Certain leases contain renewal options for varying periods, and certain leases include options to purchase the leased property at the end of the lease term. Leases generally require the Company to pay for insurance, taxes and maintenance of the property.

The Company entered into long-term agreements to purchase electricity and gas with certain suppliers (see Note 23). The electricity and gas are generated by co-generation systems and nitrogen gas supply systems owned by the energy suppliers and these systems are built on the Company’s premises to provide the electricity and gas exclusively for the Company. The arrangements are treated as leases, and based on the terms of agreement, the arrangements are accounted for as capital leases.

ELPIDA MEMORY, INC. AND SUBSIDIARIES (DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At March 31, 2012 and 2011, the gross amount of leased assets and related accumulated amortization recorded under capital leases were as follows:

	2012	2011
Machinery and equipment	¥ 121,056	¥ 193,405
Others	121	1,147
	121,177	194,552
Less accumulated amortization	39,607	85,603
	¥ 81,570	¥ 108,949

Amortization of assets held under capital leases is included with depreciation expense.

Impairment losses were recognized on certain leased assets during the year ended March 31, 2012. See Note 24 for further details of impairment of long-lived assets.

The Company also has noncancelable operating leases with minimum rental commitments. Minimum rental payments under operating leases are recognized on a straight-line basis over the term of the lease. Rental expense for operating leases for the years ended March 31, 2012 and 2011 was ¥3,802 and ¥6,836, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments at March 31, 2012 are as follows:

	Capital leases	Operating leases
Year ending March 31:		
2013	¥ 11,900	¥ 992
2014	6,506	706

2015	6,490	157
2016	5,185	66
2017	4,098	—
2018 and thereafter	11,495	—
Total minimum lease payments	45,674	1,921
Less amount representing interest	3,980	
Present value of net minimum capital lease payments	41,694	
Less current portion of obligations under capital leases	10,900	
Obligations under capital leases, excluding current portion	<u>¥ 30,794</u>	

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ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(13) Asset Retirement Obligations

The Company has asset retirement obligations (AROs) arising from regulatory requirements to perform certain asset retirement activities at the time that certain long-lived assets are disposed of. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life. The following table presents the activity for the AROs for the years ended March 31, 2012 and 2011:

	2012	2011
Balance at beginning of year	¥ 886	¥ 848
Additional obligations incurred	—	18
Changes in estimates, including timing	(2)	—
Accretion expense	21	20
Balance at end of year	<u>¥ 905</u>	<u>¥ 886</u>

(14) Long-Term Debt

	Balance prior to financial statement reclassification	2012 Amounts classified as subject to compromise	Amounts not subject to compromise	2011 Amounts not subject to compromise
Borrowings from banks and financial institutions, due 2012 to 2016 with an average interest rate of 2.6% at March 31, 2012 and due 2011 to 2013 with an average interest rate of 2.4 % at March 31, 2011	¥ 140,206	¥ (101,517)	¥ 38,689	¥ 195,944
2.03% unsecured yen bonds due 2012	14,999	(14,999)	—	14,976
2.29% unsecured yen bonds due 2012	10,000	(10,000)	—	10,000
2.09% unsecured yen bonds due 2012	—	—	—	30,000
2.10% unsecured yen bonds due 2012	19,800	(19,800)	—	20,000
U.S. dollar denominated convertible bonds with stock acquisition rights due 2013 (zero interest)	6,205	(6,205)	—	6,236
2nd 130% call option attached unsecured convertible bonds with stock acquisition rights due 2015 (interest rate 0.5%)	60,000	(60,000)	—	60,000
3rd 130% call option attached unsecured convertible bonds with stock acquisition rights due 2016 (interest rate 0.7%)	27,500	(27,500)	—	—
Total long-term debt	<u>278,710</u>	<u>(240,021)</u>	<u>38,689</u>	<u>337,156</u>
Less current portion	72,639	(44,799)	27,840	132,188
Long-term debt, excluding current portion	<u>¥ 206,071</u>	<u>¥ (195,222)</u>	<u>¥ 10,849</u>	<u>¥ 204,968</u>

Under the terms of the convertible bonds, the filing of the petition for commencement of reorganization proceedings constituted the Company's forfeiture of benefits of time and all amounts outstanding under these convertible bonds were accelerated and became immediately due and payable. As a result, the Company classified the following convertible bonds as Liabilities subject to compromise at March 31, 2012. Also upon the commencement of reorganization proceedings, conversion options and call options attached to these convertible bonds became unexercisable.

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ELPIDA MEMORY, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

· U.S. Dollar Denominated Convertible Bonds with Stock Acquisition Rights

In April 2010, the Company issued \$75 million of U.S. dollar denominated zero coupon convertible bonds that are due on April 19, 2013. The convertible bonds are convertible into the Company's common shares at any time from April 1, 2012 to March 31, 2013. The initial conversion rate is approximately 48.7 shares of the common shares per ¥100,000 principal amount, or approximately ¥2,052 per share. The conversion rate is subject to adjustment if specified distributions of common shares are made or specified share splits occur, in each case as set forth in the indenture governing the convertible bonds. At March 31, 2012, the conversion rate is approximately 51.5 shares of common stock per ¥100,000 principal amount, or approximately ¥1,941 per share. Upon conversion, holders shall obtain common shares of the Company.

· **2nd 130% Call Option Attached Unsecured Convertible Bonds with Stock Acquisition Rights**

In October 2010, the Company issued ¥60,000 of the 2nd 130% call option attached unsecured convertible bonds with stock acquisition rights with an interest rate of 0.5% per annum that are due on October 26, 2015. The convertible bonds are convertible into the Company's common shares at any time from December 1, 2010 to October 22, 2012. The initial conversion rate of the convertible bonds is approximately 81.8 shares of common stock per ¥100,000 principal amount, or approximately ¥1,222 per share. The conversion rate is subject to adjustment if specified distributions of common shares are made or specified stock splits occur, in each case as set forth in the indenture governing the convertible bonds. At March 31, 2012, the conversion rate is approximately 86.5 shares of common stock per ¥100,000 principal amount, or approximately ¥1,156 per share. Upon conversion, holders shall obtain common shares of the Company. The Company may redeem for cash the convertible bonds on or after December 3, 2012 if the closing prices of the common shares of the Company in the regular trading on the Tokyo Stock Exchange on each day for a period of twenty consecutive trading days have been 130% or more of the conversion price.

· **3rd 130% Call Option Attached Unsecured Convertible Bonds with Stock Acquisition Rights**

In August 2011, the Company issued ¥27,500 of the 3rd 130% call option attached unsecured convertible bonds with stock acquisition rights with an interest rate of 0.7% per annum that are due on August 1, 2016. The convertible bonds are convertible into the Company's common shares at any time from September 1, 2011 to July 28, 2016. The initial conversion rate of the convertible bonds is approximately 104.0 shares of common stock per ¥100,000 principal amount, or approximately ¥962 per share. The conversion rate is subject to adjustment if specified distributions of common shares are made or specified stock splits occur, in each case as set forth in the indenture governing the convertible bonds. Upon conversion, holders shall obtain common shares of the Company. The Company may redeem for cash the convertible bonds on or after September 2, 2013 if the closing prices of the common shares of the Company in the regular trading on the Tokyo Stock Exchange on each day for a period of twenty consecutive trading days have been 130% or more of the conversion price.

The aggregate maturities of long-term debt not subject to compromise for each of the five years subsequent to March 31, 2012 are as follows:

Year ending March 31:		
2013	¥	27,840
2014		3,325
2015		3,342
2016		3,345
2017		837

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(15) Income Taxes

(a) Tax Rate Reconciliation

The Company and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants' taxes and enterprise tax in Japan, which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

On November 30, 2011, the National Diet of Japan approved laws amending previous income tax laws. Upon the change in the laws, the statutory income tax rate in Japan will be changed to approximately 38.0% for fiscal years beginning on or after April 1, 2012, and to approximately 35.6% for fiscal years beginning on or after April 1, 2015. Thus, the Company and its domestic subsidiaries remeasured deferred tax assets and liabilities as of the enactment date based on the new tax rates to be applied in the fiscal years in which temporary differences are expected to be recovered or settled. The effect of tax rate changes in Japan did not have a material impact on the Company's consolidated financial statements.

Significant components of reconciling items between the statutory tax rate and the effective tax rate for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Statutory tax rate	40.7%	40.7%
Adjustments:		
Expenses not deductible for tax purposes	(0.1)	0.1
Difference in statutory tax rates of foreign subsidiaries	(1.3)	(53.4)
Change in valuation allowance	(34.9)	18.4
Investment credit	(3.9)	0.8
Other	(0.7)	(0.5)
Effective tax rate	(0.2)%	6.1%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Significant Components of Deferred Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2012 and 2011 were as follows:

	2012	2011
Deferred tax assets:		
Net operating loss carryforwards	¥ 138,353	¥ 93,126
Property, plant, and equipment and intangible assets	92,388	11,751
Accrued expenses and other current liabilities	2,043	2,982
Inventories	3,119	1,997
Reserve for doubtful accounts	7,417	372
Retirement benefits	2,141	1,719
Tax credit carryforwards	3,576	18,757
Government grants	—	1,142
Impairment of investments in an affiliate	1,426	—
Other deductible temporary differences	4,958	2,679
Total gross deferred tax assets	255,421	134,525
Less valuation allowance	(238,164)	(117,272)
Net deferred tax assets	17,257	17,253
Deferred tax liabilities:		
Property, plant, and equipment	(16,819)	(16,392)
Intangible assets	(325)	(435)
Unrealized losses on securities	(275)	(275)
Foreign exchange losses	(133)	(518)
Other taxable temporary differences	(193)	(401)
Total gross deferred tax liabilities	(17,745)	(18,021)
Net deferred tax liabilities	¥ (488)	¥ (768)

The valuation allowance for deferred tax assets at March 31, 2010 was ¥123,146. The net change in the total valuation allowance was an increase of ¥120,892 for the year ended March 31, 2012 and a decrease of ¥5,874 for the year ended March 31, 2011, respectively. The valuation allowance at March 31, 2012 was primarily related to deferred tax assets associated with net operating loss carryforwards that, in the judgment of management, are not more-likely-than-not to be realized.

In assessing the realizability of deferred tax assets, the Company considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax credit carryforwards are utilized. The Company considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more-likely-than-not that the Company will realize the benefits of these deductible differences and tax carryforwards, net of the existing valuation allowances at March 31, 2012. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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The Company has not recognized a deferred tax liability of approximately ¥643 for the undistributed earnings of its foreign operations that arose for the year ended March 31, 2012 and prior years as the Company considers these earnings to be indefinitely reinvested. At March 31, 2012, the undistributed earnings of these subsidiaries are approximately ¥9,973.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for the years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Balance at beginning of year	¥ 1,143	¥ —
Increase related to prior year tax positions	—	1,143
Increase related to current year tax positions	44	—
Settlements	(1,143)	—
Balance at end of year	¥ 44	¥ 1,143

As of March 31, 2012 and 2011, the amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rates is not material.

Although the Company believes its estimates and assumptions of unrecognized tax benefits are reasonable, given the uncertainty regarding when tax authorities will complete their examinations, the items subject to their examinations and the possible outcomes of their examinations, an accurate estimate of significant increases that may occur within the next twelve months cannot be made at March 31, 2012.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense and selling, general, and administrative expenses, respectively, in the consolidated statements of operations. Both the amount of interest and penalties in the consolidated balance sheets accrued at March 31, 2012 and 2011, and the amount of interest and penalties included in income taxes in the consolidated statements of operations for the years ended March 31, 2012 and 2011 are not material.

The Company files income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by tax authorities for fiscal years prior to the year ended March 31, 2010. In other major foreign tax jurisdictions, including the United States and Taiwan, the Company is no longer subject to income tax examinations by tax authorities for fiscal years prior to the year ended March 31, 2011.

Net operating loss and tax credit carryforwards are available to reduce future income taxes. If not utilized, such operating loss and tax credit carryforwards expire as follows:

	2012
Within 1 year	¥ 3,804
Within 2 years	302
Within 3 years	20,655
Within 4 years	35
Within 5 years	—
After 5 to 10 years	388,292
After 10 to 15 years	6
After 15 years	323
Balance at end of year	¥ 413,417

ELPIDA MEMORY, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(16) Redeemable Noncontrolling Interest

The noncontrolling stock holders of certain of Elpida's majority-owned subsidiaries have the right to require Elpida to redeem their shares at the acquisition value. Accordingly, the Company has presented these redeemable noncontrolling interest as a mezzanine item in the consolidated balance sheet.

On October 29, 2012, redeemable noncontrolling interest decreased ¥15,000 due to the liquidation of a majority-owned subsidiary.

(17) Redeemable Preferred Stock

The Company's Type I and Type II Preferred Stock are redeemable preferred stock and were required to be classified outside of stockholders' equity as a mezzanine item in the consolidated balance sheet.

Upon the commencement of reorganization proceedings, conversion options, put options and call options attached to the preferred stock became unexercisable. Also, upon the commencement of reorganization proceedings, holders of preferred stock became unable to exercise the right to receive the cumulative preferred stock dividends in arrears. Cumulative preferred stock dividends in arrears at March 31, 2011 was ¥1,573 or ¥554 per share.

Elpida Type I Preferred Stock

In August 2009, the Company issued ¥10,000 of Type I non-voting preferred stock with no mandatory redemption clause. A holder of preferred stock is entitled to receive dividends and, upon liquidation and dissolution, is entitled to receive 100% of the acquisition value, plus accrued and unpaid dividends, if any. The preferred stock is convertible into the common shares in a step-by-step manner at any time from May 1, 2011 to July 28, 2016. The initial conversion rate of the preferred stock is approximately 72.6 shares of common shares per ¥100,000 preferred share amount, or approximately ¥1,377 per share. The conversion rate is subject to adjustment if specified distributions of common shares are made or specified stock splits occur, in each case as set forth in the indenture governing the preferred stock. At March 31, 2012, the conversion rate is approximately 103.9 shares of common shares per ¥100,000 preferred share amount, or approximately ¥963 per share. Upon conversion, holders shall obtain common shares of the Company. The Company may repurchase for cash all or a portion of the preferred stock at a repurchase price equal to 100% of the acquisition value, plus accrued and unpaid dividends, if any, on or after September 1, 2009 upon exercise of the call options. The holder also may require the Company to repurchase for cash all or a portion of the preferred stock at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid dividend, if any, on or after April 1, 2012 upon exercise of the put options.

Elpida Type II Preferred Stock

In August 2009, the Company issued ¥20,000 of Type II non-voting preferred stock with no mandatory redemption clause. A holder of preferred stock is entitled to receive dividends and, upon liquidation and dissolution, is entitled to receive 100% of the acquisition value, plus accrued and unpaid dividends, if any. The preferred stock is convertible into the common shares in a step-by-step manner at any time from February 1, 2011 to July 28, 2016. The initial conversion rate of the preferred stock is approximately 82.1 shares of common shares per ¥100,000 preferred share amount, or approximately ¥1,218 per share. The conversion rate is subject to adjustment if specified distributions of common shares are made or specified stock splits occur, in each case as set forth in the indenture governing the preferred stock. At March 31, 2012, the conversion rate is approximately 103.9 shares of common shares per ¥100,000 preferred share amount, or approximately ¥963 per share. Upon conversion, holders shall obtain common shares

of the Company. The Company may repurchase for cash all or a portion of the preferred stock at a repurchase price equal to 100% of the acquisition value, plus accrued and unpaid dividend, if any, on or after September 1, 2009 upon exercise of the call options. The holder also may require the Company to repurchase for cash all or a portion of the preferred stock at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid dividend, if any, on or after April 1, 2012 upon exercise of the put options.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
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(18) Stockholders' Equity

In accordance with the Plan, the shareholders of common stock have no voting rights since Elpida is currently insolvent. All of the issued and outstanding common and preferred stock of Elpida will be acquired and cancelled without any compensation after the order of the confirmation of the Plan.

Holders of common stock are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of the Company.

(19) Comprehensive Loss

The accumulated balances for each classification of other comprehensive loss were as follows:

	Foreign currency translation adjustments	Unrealized gains/(losses) on securities	Retirement benefits	Accumulated other comprehensive loss
Balance at March 31, 2010	¥ (14,073)	¥ 89	¥ (1,409)	¥ (15,393)
Net change for the year	(3,596)	(209)	(120)	(3,925)
Balance at March 31, 2011	(17,669)	(120)	(1,529)	(19,318)
Net change for the year	(2,807)	120	(791)	(3,478)
Balance at March 31, 2012	¥ (20,476)	¥ —	¥ (2,320)	¥ (22,796)

The related tax effects allocated to each component of accumulated other comprehensive loss for the years ended March 31, 2012 and 2011 were as follows:

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2012:			
Net unrealized gains on securities:			
Reclassification adjustments for gains and losses realized in net income	¥ 165	¥ (45)	¥ 120
Retirement benefits:			
Amount arising during the year	(843)	—	(843)
Reclassification adjustments for gains and losses realized in net income	52	—	52
Total	(791)	—	(791)
Foreign currency translation adjustments	(2,807)	—	(2,807)
Other comprehensive income	¥ (3,433)	¥ (45)	¥ (3,478)
For the year ended March 31, 2011:			
Net unrealized losses on securities:			
Amount arising during the year	¥ (255)	¥ 46	¥ (209)
Retirement benefits:			
Amount arising during the year	(176)	—	(176)
Reclassification adjustments for gains and losses realized in net income	56	—	56
Total	(120)	—	(120)
Foreign currency translation adjustments	(3,596)	—	(3,596)
Other comprehensive income	¥ (3,971)	¥ 46	¥ (3,925)

ELPIDA MEMORY, INC. AND SUBSIDIARIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(20) Stock Option Plan

(a) Elpida Stock Option Plan

On March 23, 2004, Elpida established a stock option plan approved by the shareholders under which options were granted to directors, corporate officers, certain upper-level employees, corporate auditors and certain subsidiaries to purchase shares of common stock of Elpida at the

approximate market value at the date of grant. All awards have 3-7 year terms and are vested and become fully exercisable after two years from the date of grant. Elpida stock option plan will be forfeited upon the acceptance of the reorganization plan.

Stock option activity during the periods indicated below was as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at April 1, 2011	3,155,300	¥ 2,947		
Granted	—	—		
Exercised	—	—		
Forfeited	(2,700)	4,433		
Expired	—	—		
Outstanding at March 31, 2012	3,152,600	¥ 2,945	1.15	—
Exercisable at March 31, 2012	3,152,600	¥ 2,945	1.15	—

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at April 1, 2010	3,158,400	¥ 2,948		
Granted	—	—		
Exercised	—	—		
Forfeited	(3,100)	4,375		
Expired	—	—		
Outstanding at March 31, 2011	3,155,300	¥ 2,947	2.15	—
Exercisable at March 31, 2011	3,155,300	¥ 2,947	2.15	—

A summary of the status of the Company's nonvested shares at March 31, 2011 and changes for the year then ended was as follows:

Nonvested shares	Shares	Weighted average grant- date fair value
Outstanding at April 1, 2010	97,900	¥ 538
Granted	—	—
Vested	(97,200)	538
Forfeited	(700)	538
Outstanding at March 31, 2011	—	¥ —

The total fair value of shares vested for the year ended March 31, 2011 was ¥52.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Rexchip Stock Option Plan

On December 28, 2007, Rexchip established a stock option plan approved by the shareholders under which options were granted to employees to purchase shares of common stock of Rexchip at the approximate market value at the date of grant. All awards have six year terms and are vested and become fully exercisable after the date of grant except the period up to the fifth business day after the date of obtaining listing approval from the stock exchange in Taiwan.

Stock option activity during the periods indicated below was as follows (in New Taiwan Dollars, or TWD):

	Number of shares		Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at April 1, 2011	72,895,000	TWD	15.11		
Granted	—		—		
Exercised	—		—		
Forfeited	(3,604,000)		15.11		
Expired	—		—		
Outstanding at March 31, 2012	69,291,000	TWD	15.11	1.75	—
Exercisable at March 31, 2012	69,291,000	TWD	15.11	1.75	—

	Number of shares		Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at April 1, 2010	75,962,000	TWD	15.11		
Granted	—		—		
Exercised	—		—		

Forfeited	(3,067,000)		15.11		
Expired	—		—		
Outstanding at March 31, 2011	72,895,000	TWD	15.11	2.75	2,197
Exercisable at March 31, 2011	72,895,000	TWD	15.11	2.75	2,197

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(21) Retirement Benefits

Elpida has retirement benefit plans which consist of defined benefit pension plans, lump-sum indemnity plans and defined contribution plans. Certain consolidated subsidiaries have defined contribution plans and lump-sum indemnity plans.

(a) Defined Benefit Plans

The following table sets forth benefit obligations, fair value of plan assets, and funded status of defined benefit pension plans and lump-sum indemnity plans at March 31, 2012 and 2011:

	2012	2011
Benefit obligation	¥ (11,791)	¥ (9,704)
Fair value of plan assets	6,285	5,583
Funded status	¥ (5,506)	¥ (4,121)
Amounts recognized in the consolidated balance sheets consist of:		
Accrued expenses and other current liabilities	¥ (245)	¥ (207)
Liability for pension benefits	(5,261)	(3,914)
Net amount recognized	¥ (5,506)	¥ (4,121)

The pre-tax amounts recognized in accumulated other comprehensive income consisted of:

	2012	2011
Net actuarial loss	¥ 2,113	¥ 1,296
Prior service costs	207	233
	¥ 2,320	¥ 1,529

The accumulated benefit obligations for the defined benefit pension plans and lump-sum indemnity plans were ¥11,740 and ¥9,662 at March 31, 2012 and 2011, respectively.

Net periodic benefit cost recognized and other changes in plan assets and benefit obligations recognized in other comprehensive income for the years ended March 31, 2012 and 2011 were:

	2012	2011
Net periodic benefit cost recognized	¥ 1,364	¥ 1,301
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Net actuarial loss	843	176
Amortization of actuarial loss	(26)	(29)
Amortization of prior service costs	(26)	(27)
Total recognized in other comprehensive income	791	120
Total recognized in net periodic benefit cost and other comprehensive income	¥ 2,155	¥ 1,421

The estimated net actuarial loss and prior service cost for all defined benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are ¥66 and ¥26, at March 31, 2012 and 2011, respectively.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Weighted average assumptions used to determine benefit obligations at March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	1.8%	2.2%
Rate of compensation increase	4.9%	4.9%

Weighted average assumptions used to determine net benefit cost for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	2.2%	2.2%
Expected long-term rate of return on plan assets	2.1%	2.4%

Elpida's overall expected long-term rate of return on assets is 2.1%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The following table summarizes employer contributions and benefits paid for the years ended March 31, 2012 and 2011:

	2012		2011	
Employer contributions	¥	743	¥	719
Benefits paid		(92)		(65)

Elpida's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Elpida evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the portfolio. Elpida revises the portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Elpida's portfolio, except the employee pension trust, consists of three major components: approximately 50% is invested in equity securities, approximately 40% is invested in debt securities, and approximately 10% is invested in other assets such as cash and cash equivalents. At March 31, 2012, and 2011, there is no significant deviation between the target allocations and actual results.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The fair values of the pension plan assets at March 31, 2012 and 2011 were as follows:

	2012			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category:				
Cash and cash equivalents	¥ 895	¥ 895	¥ —	¥ —
Equity securities:				
Pooled funds	2,854	—	2,854	—
Debt securities:				
Pooled funds	2,201	—	2,201	—
Other assets:				
Pooled funds	335	—	335	—
Total	¥ 6,285	¥ 895	¥ 5,390	¥ —

	2011			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category:				
Cash and cash equivalents	¥ 885	¥ 885	¥ —	¥ —
Equity securities:				
Pooled funds	2,451	—	2,451	—
Debt securities:				
Pooled funds	1,945	—	1,945	—
Other assets:				
Pooled funds	302	—	302	—
Total	¥ 5,583	¥ 885	¥ 4,698	¥ —

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets, and does not necessarily indicate the risks or ratings of the assets.

Level 1 mainly represents an employee pension trust which invests solely in cash and cash equivalents.

Level 2 assets are comprised of pooled funds that invest mainly in equity and debt securities and corporate bonds. Pooled funds are valued at their net asset values that are calculated by the sponsor of the fund.

Elpida expects to contribute ¥739 to its defined benefit pension plans for the year ending March 31, 2013.

Benefits expected to be paid through 2022 from all defined benefit plans are disclosed in the following table. The expected benefits are based on the same assumptions used to measure the Company's benefit obligation and include estimated future employee service.

Year ending March 31,	
2013	¥ 251
2014	315
2015	342
2016	370
2017	411
2018 to 2022	2,408

(b) Defined Contribution Plans

Expenses for defined contribution plans recognized by Elpida for the years ended March 31, 2012 and 2011 were ¥446 and ¥475, respectively.

(22) Cash Flow Information

Capital lease obligations of ¥5,764 and ¥39,016 were incurred for the years ended March 31, 2012 and 2011, respectively, when the Company entered into leases for new machinery and equipment.

Interest payments for the years ended March 31, 2012 and 2011 were ¥6,641 and ¥11,064, respectively. Income taxes paid for these years were ¥236 and ¥1,401, respectively.

Of the ¥2,504 of Reorganization items, net for the year ended March 31, 2012, ¥200 was paid through the year ended March 31, 2012.

(23) Commitments and Contingencies

(a) Commitments

Commitments outstanding at March 31, 2012 for the purchase of property, plant and equipment were ¥27,222.

The Company entered into a long-term agreement to purchase natural gas with Hiroshima Gas Co., Ltd. from February 2005 to March 31, 2015. Based on the agreement, the Company purchased natural gas in the aggregate amount of ¥9,589 and ¥7,072 for the years ended March 31, 2012 and 2011, respectively. (See Note 12)

The Company entered into long-term agreements to purchase electric power with SC Hiroshima Energy Corporation ("SC Hiroshima") from December 1, 2005 to December 31, 2022 and Energia Solution & Services ("Energia") from April 1, 2002 to March 31, 2017. Based on the agreements, the Company purchased electric power in the aggregate amount of ¥1,920 and ¥2,111 for the years ended March 31, 2012 and 2011, respectively. (See Note 12)

At March 31, 2012, the Company has commitments to purchase natural gas and electric power in the aggregate in succeeding years as follows:

Year ending March 31:	
2013	¥ 10,884
2014	12,311
2015	12,311
2016	1,884
2017 and thereafter	11,596

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

(b) Product Warranties

The following table is a reconciliation of the changes in the Company's aggregate product warranty liability for the years ended March 31, 2012 and 2011:

	2012	2011
Balance at beginning of year	¥ 306	¥ 77
Accruals for warranties issued during the year	182	306
Warranty costs incurred during the year	(306)	(77)
Balance at end of year	¥ 182	¥ 306

(c) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

(24) Impairment Charge

A variety of external economic factors have contributed to the decline in the Company's operating performance. The global economic downturn that began in the fall of 2008 has continued to cause demand decreases and price declines of DRAMs, which resulted in significant reductions in the Company's manufacturing capacity utilization as the Company reduced production. Coupled with additional factors such as the record-breaking strong yen, fierce competition in the DRAMs industry and the great flood in Thailand, the Company's operating performance significantly deteriorated during the year ended March 31, 2012, which led to the voluntary petition filing by Debtors on February 27, 2012.

Given these indicators of impairment, the Company believed its long-lived assets including certain intangible assets may not be recoverable during the fourth quarter of 2012. The estimated undiscounted future cash flows generated by the equipment were less than their carrying values, and the carrying values of the equipment were reduced to fair value. This resulted in a pre-tax charge of ¥228,523 recorded by the Debtors, which was included as a separate line item in the consolidated statements of operations for the year ended March 31, 2012. Management estimated the fair value based on replacement cost method and discounted cash flow method. No impairment charges were recorded by the Debtors for the year ended March 31, 2011. (See Note 10)

Rexchip had assets to be disposed of other than through sales which had ceased to be used at March 31, 2012 and 2011. These assets were adjusted to fair value, which was measured based on salvage value, because the assets could not be sold or used for another purpose. This resulted in a pre-tax charge of ¥1,037 and ¥493, which was recorded as a separate line item in the consolidated statements of operations for the years ended March 31, 2012 and 2011, respectively.

(25) Shipping and Handling Costs

Shipping and handling costs are included in selling, general and administrative expenses. Shipping and handling costs for the years ended March 31, 2012 and 2011 were ¥1,169 and ¥1,618, respectively.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(26) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through December 5, 2012, the date at which the financial statements were available to be issued, and determined that there are no items to disclose other than those described in other footnotes to the consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES

(DEBTORS-IN-POSSESSION)

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Six months ended September 30, 2012

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Six months ended September 30, 2012

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ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of September 30, 2012 and March 31, 2012
(Yen in millions, except share data)

	September 30, 2012	March 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	¥ 37,727	¥ 51,428
Accounts receivable, trade less allowance for doubtful accounts of ¥1,774 and ¥1,875 at September 30, 2012 and March 31, 2012, respectively	27,334	28,794
Accounts receivable, other	14,280	11,499
Inventories	71,375	81,053
Prepaid expenses and other current assets	4,786	5,301
Total current assets	155,502	178,075
Property, plant, and equipment:		
Land	504	504
Buildings and structures	35,441	36,615
Machinery and equipment	461,303	467,745
Furniture and fixtures	8,309	6,134
Construction in progress	12,523	13,728
Total property, plant, and equipment	518,080	524,726
Less accumulated depreciation and amortization	(228,247)	(195,287)
Net property, plant, and equipment	289,833	329,439
Investment securities	1,923	2,113
Investment in an affiliated company	3,302	3,172
Intangible assets	1,563	1,807
Other assets	636	680
Total assets	¥ 452,759	¥ 515,286

	September 30, 2012	March 31, 2012
Liabilities and Stockholders' Deficit		
Current liabilities not subject to compromise:		

Short-term borrowings	¥	8,000	¥	—
Current portion of long-term debt		11,342		27,840
Current portion of obligations under capital leases		10,491		10,900
Accounts payable, trade		11,772		19,912
Accounts payable, other		5,212		4,726
Accrued income taxes		590		1,016
Accrued expenses and other current liabilities		12,651		13,574
Total current liabilities not subject to compromise		60,058		77,968
Long-term liabilities not subject to compromise:				
Long-term debt, excluding current portion		8,732		10,849
Obligations under capital leases, excluding current portion		31,522		30,794
Liability for retirement benefits		5,529		5,261
Deferred income taxes		765		777
Other liabilities		1,424		1,702
Total long-term liabilities not subject to compromise		47,972		49,383
Total liabilities not subject to compromise		108,030		127,351
Liabilities subject to compromise		361,753		362,246
Total liabilities		469,783		489,597
Redeemable noncontrolling interest		19,550		19,550
Redeemable Type I preferred stock, Authorized 1,000,000 shares; issued and outstanding 1,000,000 shares at September 30, 2012 and March 31, 2012		10,554		10,554
Redeemable Type II preferred stock, Authorized 2,000,000 shares; issued 2,000,000 shares and outstanding 1,838,967 shares at September 30, 2012 and March 31, 2012		19,409		19,409
Stockholders' deficit:				
Common stock, Authorized 400,000,000 shares; issued and outstanding 271,787,370 shares at September 30, 2012 and March 31, 2012		222,738		222,738
Additional paid-in capital		234,179		234,179
Accumulated deficit		(546,433)		(513,256)
Accumulated other comprehensive loss		(28,203)		(22,796)
Treasury stock, 1,518 common shares at September 30, 2012 and March 31, 2012, at cost		(5)		(5)
Total stockholders' deficit attributable to Elpida Memory, Inc. and subsidiaries		(117,724)		(79,140)
Noncontrolling interest		51,187		55,316
Total stockholders' deficit		(66,537)		(23,824)
Total liabilities and stockholders' deficit	¥	452,759	¥	515,286

See accompanying notes to consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
Six months ended September 30, 2012 and 2011
(Yen in millions)

	September 30, 2012	September 30, 2011
Net sales	¥ 135,172	¥ 162,538
Cost of sales	141,495	176,038
Gross loss	(6,323)	(13,500)
Selling, general, and administrative expenses	24,039	33,801
Operating loss	(30,362)	(47,301)
Equity in income of an equity method investee	354	354
Interest income	120	90
Interest expenses		
(contractual interest expense of ¥2,220 for the six months ended September 30, 2012)	1,025	4,514
Foreign exchange losses	(2,941)	(2,734)
Other expense, net	(165)	(2,206)
Loss before reorganization items and income taxes	(34,019)	(56,311)
Reorganization items, net	(210)	—
Loss before income taxes	(34,229)	(56,311)
Income taxes	476	382
Net loss	(34,705)	(56,693)
Less: Net (loss) income attributable to noncontrolling interest	(1,528)	32
Net loss attributable to Elpida Memory, Inc. and subsidiaries	¥ (33,177)	¥ (56,725)

See accompanying notes to consolidated financial statements.

(Debtors-in-Possession)
Consolidated Statements of CaSH FLOWS (UNAUDITED)
Six months ended September 30, 2012 and 2011
(Yen in millions)

	September 30, 2012	September 30, 2011
Cash flows provided by operating activities:		
Net loss	¥ (34,705)	¥ (56,693)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	42,892	62,768
Allowance for doubtful accounts	(438)	—
Retirement benefits	235	215
Equity in income of equity method investees	(354)	(354)
Impairment loss on investment securities	47	348
(Gain) loss on sale of equipment	(167)	1
Loss on disposal of fixed assets	41	189
Changes in operating assets and liabilities, net of acquisition		
Decrease in accounts receivable, trade	727	22,535
Increase in accounts receivable, other	(2,927)	(739)
Decrease (increase) in inventories	9,038	(7,729)
Decrease in accounts payable, trade	(8,063)	(6,313)
Increase in accounts payable, other	2,654	1,438
Other, net	1,499	(5,801)
Cash provided by operating activities	10,479	9,865
Cash flows from investing activities:		
Purchase of fixed assets	(10,852)	(46,916)
Proceeds from sales of property	241	226
Purchase of investment securities	—	(1,240)
Purchase of intangible assets	(1,112)	(4,130)
Other, net	(24)	7
Net cash used in investing activities	(11,747)	(52,053)
Cash flows from financing activities:		
Proceeds from short-term borrowings	8,000	5,847
Proceeds from long-term debt	—	11,842
Repayments of short-term borrowings	—	(5,847)
Repayments of long-term debt	(16,999)	(48,872)
Proceeds from issuance of bonds	—	27,462
Proceeds from issuance of stock	—	40,660
Proceeds from sale and lease-back transactions	4,558	15,349
Principal payments on capital lease obligations	(6,946)	(13,144)
Net cash (used in) provided by financing activities	(11,387)	33,297
Effect of exchange rate changes on cash and cash equivalents	(1,046)	(3,730)
Net decrease in cash and cash equivalents	(13,701)	(12,621)
Cash and cash equivalents at beginning of period	51,428	112,839
Cash and cash equivalents at end of period	¥ 37,727	¥ 100,218

See accompanying notes to consolidated financial statements.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Six months ended September 30, 2012
(Yen in millions)

(1) Description of Business, Basis of Presentation and Other Relevant Information

(a) Description of Business and Basis of Presentation

Elpida Memory, Inc. (“Elpida”) was established in December 1999 as a joint venture owned 50% each by NEC Corporation and Hitachi, Ltd. under the Commercial Code of Japan. Its initial public offering was completed on November 15, 2004, in the First Section of the Tokyo Stock Exchange (the “TSE”).

Elpida and its subsidiaries (hereinafter referred to collectively as the “Company”) develop, design, manufacture and sell dynamic random access memory semiconductors (“DRAMs”). The Company’s product portfolio consists of two categories, premier DRAMs (for digital consumer electronics and mobile devices) and computing DRAMs (for servers and personal computers). The Company provides a wide variety of products to leading international electronics companies in Japan, Asia, North America and Europe. The Company has manufacturing facilities in Hiroshima (wafer processing) and in Akita (packaging and testing). Further, it has sales and marketing support offices in Japan, North America, Europe, Taiwan, Hong Kong and Singapore. In addition to its own manufacturing facilities, Elpida utilizes the foundry services of Rexchip Electronic Corporation (“Rexchip”) and Powerchip Technology Corporation (“PTC”) for the production of DRAMs for the computing market. Rexchip is Elpida’s consolidated subsidiary and PTC owns a 24.06% interest in Rexchip as a noncontrolling interest holder at September 30, 2012.

Elpida and its domestic subsidiaries maintain their records and prepare their consolidated financial statements in accordance with the provisions set forth in the Japan Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of generally accepted accounting principles in the United States of America. The accounts of foreign subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America consistent in all material respects with those applied in the Company's annual consolidated financial statements for the year ended March 31, 2012. These adjustments include, but are not limited to, those related to the scope of consolidation and the accounting for business combinations, income taxes, goodwill and intangible assets, inventories, leases, stock-based compensation, revenue recognition, post-retirement benefits, depreciation and amortization, derivative instruments, accruals for certain expenses, and liabilities subject to compromise. These adjustments and reclassifications were not recorded in the statutory books of account.

(b) Reorganization Proceedings

On February 27, 2012 (the "Petition Date"), Elpida and Akita Elpida Memory, Inc., a wholly owned subsidiary of Elpida, (collectively, the "Debtors") filed voluntary petitions in the Tokyo District Court (the "Court") to commence corporate reorganization proceedings under the Corporate Reorganization Act (*Kaisha Kosei Ho*) of Japan (the "Reorganization Act").

**ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

On March 23, 2012, the Court made the order to commence such proceedings and appointed the incumbent President & CEO and an attorney-at-law as trustees. The Debtors are continuing to operate their business as a "debtors-in-possession" under the jurisdiction of the Court and in accordance with the applicable provisions of the Reorganization Act and the orders of the Court. The Court also appointed and ordered an examiner to examine whether a reorganization plan (the "Plan") and the related procedures are performed fairly.

On March 28, 2012, shares of Elpida were delisted from the Tokyo Stock Exchange.

On July 2, 2012, Micron Technology Inc. ("Micron", a company established in the United States of America) and Elpida signed a definitive sponsor agreement whereby Micron would acquire and support Elpida.

On August 21, 2012, Elpida submitted the proposed reorganization plan to the Court. The Plan prepared by the trustees is based on the assumption that Elpida will receive financial support from Micron in accordance with the sponsorship agreement entered on July 2, 2012 and Elpida will pay the reorganization claims, and maintain and reorganize its business with such support.

On October 31, 2012, the Tokyo District Court made an order to refer the proposed reorganization plan submitted by Elpida to a resolution.

Under the Reorganization Act, the Court must confirm the Plan if it has been accepted by a certain number of creditors required under the Reorganization Act and meets other specific requirements including the examination of whether the Plan is in accordance with the Reorganization Act. In addition, even if such Plan cannot be accepted by the required number of creditors under the Reorganization Act, the Court may approve such Plan by modifying it and including a provision that is meant to protect the rights of the respective classes of creditors that opposed such Plan.

In relation to the Plan, no acceptance by the shareholders is required since Elpida is currently insolvent as a result of an appraisal of the properties performed by an appraiser appointed by the trustees. Under these circumstances, pursuant to Article 166, Paragraph 2 of the Reorganization Act, shareholders have no voting rights. Therefore, all of the issued and outstanding shares of Elpida will be acquired and cancelled without any compensation after the order of the confirmation of the Plan, and then the amount of the stated capital will be decreased and eliminated in accordance with the Plan.

There can be no assurance that the Plan will be confirmed by the Court and consummated. Furthermore, there can be no assurance that Elpida will be successful in achieving its reorganization goals.

Subsidiaries that are not included in the Plan continue to operate without the supervision of the Court and are not part of the bankruptcy proceedings.

(c) Tokyo Stock Exchange Delisting Determination

On March 28, 2012, the Company's common stock was delisted from the First Section of the TSE in accordance with Rule 601 of the Securities Listing Regulations due to the filing of the petition and commencement of reorganization proceedings.

On February 28, 2012, the Company's 2nd and 3rd 130% Call Option Attached Unsecured Convertible Bonds with Stock Acquisition Rights were delisted from the TSE in accordance with Rule 921 of the Securities Listing Regulations due to the filing of the petition for the commencement of reorganization proceedings, which led to the Company's forfeiture of the benefit of time.

(d) **Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, the Company is operating pursuant to the Reorganization Act and its continuation as a going concern is contingent upon, among other things, its ability to: (i) develop a plan of reorganization and obtain confirmation from the court, (ii) successfully implement the plan of reorganization, (iii) reduce debt and other liabilities through the reorganization process, (iv) return to profitability, and (v) generate sufficient cash flows from operations. These matters create substantial doubt about the Company's ability to continue as a going concern. As a result of operating under the Reorganization Act, the realization of assets and the satisfaction of liabilities are subject to uncertainty. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability of assets and the classification of liabilities that might result from the outcome of these uncertainties. While operating as debtors-in-possession pursuant to the Reorganization Act, the Company may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Court or as otherwise permitted in the ordinary course of business for amounts other than those as reflected in the accompanying consolidated financial statements. Furthermore, the Plan, once confirmed, could materially change the amounts and classifications reported in the accompanying consolidated financial statements which do not give effect to any adjustments to the carrying values of assets or amounts of liabilities that might be necessary as consequence of the confirmation of the Plan.

(2) **Reorganization Disclosures**

(a) **Financial Reporting in Reorganization**

The Company has applied Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 852, *Reorganizations*, effective as of the Petition Date, which is applicable to companies in reorganization proceedings under US bankruptcy law, because reorganization proceedings under the Reorganization Act are similar to those under the US bankruptcy law. While ASC 852 generally does not change the manner in which financial statements are prepared, ASC 852 requires that the financial statements for periods subsequent to the petition filing distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses (including professional fees), realized gains and losses, and provisions for losses resulting from the reorganization and restructuring of the business must be reported separately as reorganization items, except for those required to be reported as discontinued operations and extraordinary items, in the consolidated statements of operations. The balance sheet must distinguish pre-petition liabilities subject to compromise from pre-petition liabilities that are not subject to compromise and post-petition liabilities. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts as a result of the reorganization. In addition, cash receipts and payments resulting from the reorganization must be disclosed.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

(b) **Condensed Combined Financial Information**

The consolidated financial statements of the Company include entities which are not in the reorganization proceedings, the following presents condensed combined financial information of the entities in the reorganization proceedings. The condensed combined financial information has been prepared, in all material aspects, on the same basis as the consolidated financial statements of the Company.

The financial information contained herein represents the condensed combined financial information for the Debtors only. Elpida's non-Debtor subsidiaries are treated as non-consolidated subsidiaries in this presentation of combined financial information and as such their net loss is included as "equity losses from non-Debtor subsidiaries, net of tax" in the condensed combined statement of operations and their net assets are included as "investments in non-Debtor subsidiaries" in the condensed combined balance sheet. Intercompany transactions between the Debtors have been eliminated in this presentation of combined financial information contained herein. Intercompany transactions between the Debtors and non-Debtor subsidiaries have not been eliminated in the financial information and are reflected as Accounts receivable from non-Debtor subsidiaries and Accounts payable to non-Debtor subsidiaries.

Condensed Combined Debtors-in-Possession Balance Sheet

	September 30, 2012	March 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	¥ 12,136	¥ 14,864
Accounts receivable, net	7,867	10,280
Accounts receivable from non-Debtor subsidiaries	32,826	36,626
Inventories	59,287	68,750
Other current assets	13,934	10,213
Total current assets	126,050	140,733
Property, plant, and equipment, net of accumulated depreciation and amortization	125,539	134,458
Investment in non-Debtor subsidiaries	124,305	130,173
Other assets	3,933	4,340
Total assets	¥ 379,827	¥ 409,704
Liabilities and Stockholders' Deficit		
Current liabilities:		
Short-term borrowings	¥ 11,700	¥ —
Current portion of obligations under capital leases	6,168	3,734
Accounts payable	3,603	12,114
Accounts payable to non-Debtor subsidiaries	36,168	37,471

Other liabilities	12,733	9,699
Total current liabilities	70,372	63,018
Long-term liabilities	35,463	33,617
Liabilities subject to compromise	361,753	362,246
Total liabilities	467,588	458,881
Temporary equity	29,963	29,963
Total stockholders' deficit	(117,724)	(79,140)
Total liabilities and stockholders' deficit	¥ 379,827	¥ 409,704

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Condensed Combined Debtors-in-Possession Statement of Operations

	Six months ended September 30, 2012
Net sales	¥ 133,859
Cost of sales	142,267
Gross loss	(8,408)
Selling, general and administrative expenses	20,235
Operating losses	(28,643)
Equity losses from non-Debtor subsidiaries, net of tax	(510)
Reorganization items, net	(210)
Other expense, net	(3,770)
Loss before income tax	(33,133)
Income tax	44
Net loss	¥ (33,177)

Condensed Combined Debtors-in-Possession Statement of Cash Flows

	Six months ended September 30, 2012
Net cash (used in) provided by:	
Operating activities	¥ (4,158)
Investing activities	(11,329)
Financing activities	12,759
Net decrease in cash and cash equivalents	(2,728)
Cash and cash equivalents, beginning of period	14,864
Cash and cash equivalents, end of period	¥ 12,136

(c) Liabilities Subject to Compromise

Liabilities subject to compromise refers to pre-petition obligations which may be impacted by the petition filing. These liabilities represent the estimated amounts expected to be allowed on known or potential claims to be resolved through the reorganization proceedings.

In accordance with ASC 852, substantially all of the Company's unsecured debt has been classified as liabilities subject to compromise. Additionally, certain of the Company's undersecured debt has also been classified as liabilities subject to compromise due to an expected deficiency in collateral value.

Differences between the liability amounts Elpida and Elpida Akita estimated and the claims filed by creditors will be investigated and resolved in connection with the claim resolution process. Elpida will continue to evaluate these liabilities throughout the reorganization proceedings and adjust the amounts as necessary. Such adjustments may be material. In light of the expected number of creditors, the claims resolution process may take considerable time to complete. Accordingly, the ultimate settlement amounts of allowed claims are not presently known.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following table summarizes the components of liabilities subject to compromise included on the consolidated balance sheet at September 30, 2012 and March 31, 2012:

	September 30, 2012	March 31, 2012
Long-term debt	¥ 240,021	¥ 240,021
Accounts payable and other liabilities	62,538	63,027
Obligations under capital leases	59,194	59,198

(d) Reorganization Items

Reorganization items, net represent amounts incurred and recorded subsequent to the petition filing as a direct result of the filing of the petition and commencement of reorganization proceedings and are comprised of the following for the six months ended September 30, 2012:

	Six months ended September 30, 2012
Professional fees (*1)	¥ 210
Total reorganization items, net	¥ 210

(*1)Professional fees are expenses incurred directly related to the reorganization and restructuring.

(3) Business and Credit Concentrations

The Company is primarily engaged in a single line of business of designing, manufacturing and sale of DRAMs and therefore the fluctuation of unit volumes and prices in the DRAM market can significantly impact the Company's business.

For the six months ended September 30, 2012, the two largest customers accounted for 20.4% and 18.0% of the Company's sales, and largest customer accounted for 19.6% of accounts receivable at September 30, 2012. For the six months ended September 30, 2011, the two largest customers accounted for 23.3% and 11.2% of the Company's sales, and the largest customer accounted for 13.9% of accounts receivable at March 31, 2012.

(4) Inventories

Inventories at September 30, 2012 and March 31, 2012 consisted of the following:

	September 30, 2012	March 31, 2012
Finished products	¥ 32,891	¥ 34,750
Semi-finished components	15,583	20,221
Raw materials	2,558	1,752
Work in process	17,101	21,114
Supplies	3,242	3,216
	¥ 71,375	¥ 81,053

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

(5) Property, Plant, and Equipment

Total depreciation for the six months ended September 30, 2012 and 2011 was ¥42,365 and ¥56,931 respectively.

(6) Pledged Assets

Assets pledged as collateral for guarantees for liabilities at September 30, 2012 and March 31, 2012 were as follows:

	September 30, 2012	March 31, 2012
Accounts receivable, trade	¥ 53,928	¥ —
Buildings and structures	20,668	22,116
Machinery and equipment	128,598	149,661
Land	465	465
Investment in subsidiaries	2,116	—
	¥ 205,775	¥ 172,242

Of the ¥53,928 of accounts receivable, trade at September 30, 2012 above, ¥32,500 was eliminated in the consolidated balance sheets. Also, the entire amount of the investment in subsidiaries at September 30, 2012 above was eliminated in the consolidated balance sheets.

The above assets were pledged against the following liabilities at September 30, 2012 and March 31, 2012:

	September 30, 2012	March 31, 2012
Short-term borrowings	¥ 8,000	¥ —
Long-term debt	107,373	129,662
Obligations under capital leases	10,501	17,294
Future lease payments	822	1,178
Deposits received	2,385	2,930
	¥ 129,081	¥ 151,064

Of the ¥107,373 of long-term debt at September 30, 2012 above, ¥90,973 was classified as Liabilities subject to compromise.

Of the ¥129,662 of long-term debt at March 31, 2012 above, ¥90,973 was classified as Liabilities subject to compromise.

In December 2012, the Company pledged 1,764 million shares of Rexchip to a subsidiary of Micron as a condition that Micron and the subsidiary provide a financial guarantee to certain financial institutions to support the Company's current and future financing activities.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

(7) Investment Securities

The carrying amount, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale equity securities at September 30, 2012 and March 31, 2012 were as follows:

	Aggregate cost basis	Gross unrealized holding gains	Gross unrealized holding losses	Aggregate fair value
September 30, 2012				
Available for sale:				
Equity securities	¥ 2,066	¥ —	¥ (143)	¥ 1,923
March 31, 2012				
Available for sale:				
Equity securities	¥ 2,113	¥ —	¥ —	¥ 2,113

The Company classifies its equity securities that have readily determinable fair values as available-for-sale.

Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, the Company considers all available information relevant to the collectibility of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery in market value. Where management lacks that intent or ability, the security's decline in fair value is deemed to be other-than-temporary and is recorded in earnings.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

(8) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at September 30, 2012 and March 31, 2012. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	September 30, 2012		March 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	¥ 37,727	¥ 37,727	¥ 51,428	¥ 51,428
Accounts receivable, trade	27,334	27,334	28,794	28,794
Accounts receivable, other	14,280	14,280	11,499	11,499
Investment securities	1,923	1,923	2,113	2,113
Financial liabilities:				
Short-term borrowings	¥ 8,000	¥ 8,000	¥ —	¥ —
Accounts payable, trade	11,772	11,772	19,912	19,912
Accounts payable, other	5,212	5,212	4,726	4,726
Accrued income taxes	590	590	1,016	1,016
Long-term borrowings	121,591	See below	140,206	See below

Straight bonds	44,799	See below	44,799	See below
Convertible bonds	93,705	See below	93,705	See below
Long-term other payables	3,702	See below	3,856	See below

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions, except for long-term borrowings, straight bonds and convertible bonds, which are included in long-term debt; and long-term other payables, which are included in other liabilities.

The estimated fair values of the financial instruments shown in the above table at September 30, 2012 and March 31, 2012 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, trade accounts receivable, other accounts receivables, short-term borrowings, trade accounts payable, other accounts payable, and accrued income taxes: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

- Investment securities: Equity securities classified as available for sale are measured using quoted market prices at the reporting date multiplied by the quantity held. The fair values of equity securities accounted for under the cost method (nonmarketable equity securities) are determined using methodologies that give consideration to a range of factors, including but not limited to the price at which investments were acquired, the nature of the investments, market conditions, trading values on comparable public securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investments.
- Long-term borrowings, long-term other payables, straight bonds, and convertible bonds: With respect to the fair value at September 30, 2012 and March 31, 2012, the Company, having filed the voluntary petitions, would not have been able to enter into similar financing at September 30, 2012 and March 31, 2012. As such, it is impractical to obtain a fair value for the long-term debt, long-term other payables, straight bonds, and convertible bonds at September 30, 2012 and March 31, 2012.

(b) Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at September 30, 2012 and March 31, 2012:

		Fair value measurements at reporting date using		
	September 30, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities				
Equity securities (foreign)	¥ 1,923	¥ 1,846	¥ 77	¥ —
Total	¥ 1,923	¥ 1,846	¥ 77	¥ —
		Fair value measurements at reporting date using		
	March 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities				
Equity securities (foreign)	¥ 2,113	¥ 2,031	¥ 82	¥ —
Total	¥ 2,113	¥ 2,031	¥ 82	¥ —

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1 and Level 2 for the six months ended September 30, 2012 and for the year ended March 31, 2012.

(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

(9) Equity Method Investments

Investments in an affiliate accounted for under the equity method consist of 39.66% of the common stock of Tera Probe, Inc. ("Tera Probe"), a semiconductor test house.

The carrying amount of the investment in Tera Probe at September 30, 2012 and March 31, 2012 were ¥3,302 and ¥3,172, respectively. The fair value of the investment in Tera Probe based on its market price at September 30, 2012 and March 31, 2012 were ¥2,358 and ¥3,172, respectively.

(10) Long-Term Debt

	September 30, 2012		
	Balance prior to financial statement reclassification	Amounts classified as subject to compromise	Amounts not subject to compromise
Borrowings from banks and financial institutions, due 2012 to 2016 with an average interest rate of 2.6% at September 30, 2012 and at March 31, 2012	¥ 121,591	¥ (101,517)	¥ 20,074
2.03% unsecured yen bonds due 2012	14,999	(14,999)	—
2.29% unsecured yen bonds due 2012	10,000	(10,000)	—
2.10% unsecured yen bonds due 2012	19,800	(19,800)	—
U.S. dollar denominated convertible bonds with stock acquisition rights due 2013 (zero interest)	6,205	(6,205)	—
2nd 130% call option attached unsecured convertible bonds with stock acquisition rights due 2015 (interest rate 0.5%)	60,000	(60,000)	—
3rd 130% call option attached unsecured convertible bonds with stock acquisition rights due 2016 (interest rate 0.7%)	27,500	(27,500)	—
Total long-term debt	260,095	(240,021)	20,074
Less current portion	56,141	(44,799)	11,342
Long-term debt, excluding current portion	¥ 203,954	¥ (195,222)	¥ 8,732

	March 31, 2012		
	Balance prior to financial statement reclassification	Amounts classified as subject to compromise	Amounts not subject to compromise
Borrowings from banks and financial institutions, due 2012 to 2016 with an average interest rate of 2.6% at September 30, 2012 and at March 31, 2012	¥ 140,206	¥ (101,517)	¥ 38,689
2.03% unsecured yen bonds due 2012	14,999	(14,999)	—
2.29% unsecured yen bonds due 2012	10,000	(10,000)	—
2.10% unsecured yen bonds due 2012	19,800	(19,800)	—
U.S. dollar denominated convertible bonds with stock acquisition rights due 2013 (zero interest)	6,205	(6,205)	—
2nd 130% call option attached unsecured convertible bonds with stock acquisition rights due 2015 (interest rate 0.5%)	60,000	(60,000)	—
3rd 130% call option attached unsecured convertible bonds with stock acquisition rights due 2016 (interest rate 0.7%)	27,500	(27,500)	—
Total long-term debt	278,710	(240,021)	38,689
Less current portion	72,639	(44,799)	27,840
Long-term debt, excluding current portion	¥ 206,071	¥ (195,222)	¥ 10,849

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Under the terms of the convertible bonds, the filing of the petition for commencement of reorganization proceedings constituted the Company's forfeiture of benefits of time and all amounts outstanding under these convertible bonds were accelerated and became immediately due and payable. As a result, the Company classified the following convertible bonds as Liabilities subject to compromise at September 30, 2012 and March 31, 2012. Also upon the commencement of reorganization proceedings, conversion options and call options attached to these convertible bonds became unexercisable.

(11) Income Taxes

The effective tax rates for the six months ended September 30, 2012 and 2011 were (1.4)% and (0.7%), respectively. For the six months ended September 30, 2012 and 2011, the differences between the effective tax rate and the statutory tax rate 38.0% or 40.7% are mainly due to the changes in valuation allowance.

(12) Redeemable Preferred Stock and Redeemable Noncontrolling Interest

The Company's Type I and Type II Preferred Stock are redeemable preferred stock and were required to be classified outside of stockholders' equity as a mezzanine item in the consolidated balance sheet.

The noncontrolling stock holders of certain of Elpida's majority-owned subsidiaries have the right to require Elpida to redeem their shares at the acquisition value. Accordingly, the Company has presented these redeemable noncontrolling interest as a mezzanine item in the consolidated balance sheet.

Upon the commencement of reorganization proceedings, conversion options, put options and call options attached to the redeemable preferred stock and the redeemable noncontrolling interest became unexercisable. Also, upon the commencement of reorganization proceedings, holders of preferred stock became unable to exercise the right to receive the cumulative preferred stock dividends in arrears.

On October 29, 2012, redeemable noncontrolling interest decreased ¥15,000 due to the liquidation of a majority-owned subsidiary.

(13) Shareholder's Equity and Noncontrolling Interests in subsidiaries

Changes in the components of equity were as follows:

	Six months ended September 30, 2012		
	Attributable to Elpida Memory	Noncontrolling interest	Total equity
Beginning balance	¥ (79,140)	¥ 55,316	¥ (23,824)
Net (loss) income	(33,177)	(1,528)	(34,705)
Other comprehensive loss	(5,407)	(2,601)	(8,008)
Increase of capital	—	—	—
Ending balance	¥ (117,724)	¥ 51,187	¥ (66,537)

ELPIDA MEMORY, INC. AND SUBSIDIARIES (DEBTORS-IN-POSSESSION) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Six months ended September 30, 2011		
	Attributable to Elpida Memory	Noncontrolling interest	Total equity
Beginning balance	¥ 244,031	¥ 59,698	¥ 303,729
Net (loss) income	(56,725)	32	(56,693)
Other comprehensive loss	(13,216)	(6,519)	(19,735)
Increase of capital	40,960	—	40,960
Ending balance	¥ 215,050	¥ 53,211	¥ 268,261

(14) Other Comprehensive Loss

The Company's comprehensive loss for the six months ended September 30, 2012 and 2011 are as follows:

	Six months ended September 30, 2012	Six months ended September 30, 2011
Net loss	¥ (34,705)	¥ (56,693)
Net unrealized loss on securities	(91)	(504)
Retirement benefits	45	37
Foreign currency translation	(7,962)	(19,268)
Comprehensive loss	¥ (42,713)	¥ (76,428)

(15) Cash Flow Information

Capital lease obligations of ¥7,724 and ¥15,348 were incurred for the six months ended September 30, 2012 and 2011, respectively, when the Company entered into leases for new machinery and equipment.

Of the ¥210 of Reorganization items, net for the six months ended September 30, 2012, ¥195 was paid through the six months ended September 30, 2012.

(16) Commitments and Contingencies

(a) Commitments

The Company entered into a long-term agreement to purchase natural gas with Hiroshima Gas Co., Ltd. from February 2005 to March 31, 2015. Based on the agreement, the Company purchased natural gas in the aggregate amount of ¥4,493 and ¥4,795 for the six months ended September 30, 2012 and 2011, respectively.

The Company entered into long-term agreements to purchase electric power with SC Hiroshima Energy Corporation ("SC Hiroshima") from December 1, 2005 to December 31, 2022 and Energia Solution & Services ("Energia") from April 1, 2002 to March 31, 2017. Based on the agreements, the Company purchased electric power in the aggregate amount of ¥949 and ¥959 for the six months ended September 30, 2012 and 2011, respectively.

(b) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

ELPIDA MEMORY, INC. AND SUBSIDIARIES
(DEBTORS-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

(17) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through January 24, 2013, the date at which the financial statements were available to be issued, and determined that there are no items to disclose other than those described in other footnotes to the consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements and related notes present the historical financial statements of Micron Technology, Inc. and its consolidated subsidiaries (hereinafter referred to as “we,” “our,” “us” and similar terms unless the context indicates otherwise) adjusted to reflect our proposed acquisition of Elpida Memory, Inc. and its subsidiaries (the “Elpida Group”). As of the proposed acquisition date, the Elpida Group consolidated Rexchip Electronics Corporation (“Rexchip”) through the Elpida Group’s 65% ownership in Rexchip. In addition, we have entered into an agreement with Powerchip Technology Corporation, a Taiwanese corporation (“Powerchip”), and certain of its affiliates (collectively, the “Powerchip Group”) to purchase approximately 24% of the shares of Rexchip. The acquisition of the Rexchip shares is subject to the closing of the proposed acquisition of the Elpida Group. The proposed acquisitions of the Elpida Group and Rexchip shares are hereinafter referred to as the “Elpida Acquisition.” Consummation of the proposed acquisition of the Elpida Group is subject to various closing conditions, including but not limited to approval by the Tokyo District Court, requisite creditor approval, entry of certain orders by the U.S. Bankruptcy Court in Delaware or the completion or implementation of alternative actions providing substantially similar benefits as the order, and receipt of regulatory approvals in other countries, including the People’s Republic of China. We are currently targeting a closing of the transaction in the first half of calendar 2013. These pro forma financial statements give effect to our proposed Elpida Acquisition based on the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements are based on preliminary valuations of assets and liabilities proposed to be acquired and the expected consideration to be paid in the proposed Elpida Acquisition. The actual valuations of assets and liabilities proposed to be acquired and the expected consideration to be paid will be determined as of the closing date of the Elpida Acquisition and will differ from those reflected in the pro forma condensed combined financial statements presented below. These preliminary amounts and the related adjustments could change due to changes in market conditions from the issuance date of these pro forma statements and the actual date of completion for the proposed acquisition, including changes in the composition and fair values of assets and liabilities and changes in currency exchange rates. These preliminary amounts could also change as additional information becomes available and more detailed analysis is performed. These changes could result in material variances between the combined entity’s future financial results and the amounts presented in these unaudited pro forma condensed combined financial statements, including variances in fair values recorded, as well as expenses and cash flows associated with these items. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented herein.

The following unaudited pro forma condensed combined balance sheet is presented as if the effective date of the Elpida Acquisition had occurred on November 29, 2012. The following unaudited pro forma condensed combined statement of operations for the fiscal quarter ended November 29, 2012 and the fiscal year ended August 30, 2012 are presented as if the effective date of the Elpida Acquisition had occurred on September 2, 2011. This information should be read in conjunction with the:

- accompanying notes to the unaudited pro forma condensed combined financial statements;
- our audited historical consolidated financial statements as of and for the fiscal year ended August 30, 2012, included in our Annual Report on Form 10-K for the fiscal year ended August 30, 2012;
- our unaudited historical consolidated financial statements as of and for the fiscal quarter ended November 29, 2012, included in our Quarterly Report on Form 10-Q for the fiscal quarter ended November 29, 2012;

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- audited historical consolidated financial statements of the Elpida Group as of and for the fiscal years ended March 31, 2012 and March 31, 2011 filed as Exhibit 99.1 to this Current Report on Form 8-K; and
 - unaudited historical consolidated financial statements of the Elpida Group as of and for the six months ended September 30, 2012 filed as Exhibit 99.2 to this Current Report on Form 8-K.

We and the Elpida Group have different fiscal years. Accordingly, the unaudited pro forma condensed combined balance sheet as of November 29, 2012 combines our historical unaudited condensed consolidated balance sheet as of November 29, 2012 and the Elpida Group’s historical unaudited condensed consolidated balance sheet as of September 30, 2012. The unaudited pro forma condensed combined statements of operations for the fiscal quarter ended November 29, 2012 combines our historical unaudited results for the fiscal quarter ended November 29, 2012 and the historical unaudited results of the Elpida Group for the quarter ended September 30, 2012. The unaudited pro forma condensed combined statements of operations for the fiscal year ended August 30, 2012 combines our historical results for the fiscal year ended August 30, 2012 and the historical unaudited results of the Elpida Group for the twelve months ended June 30, 2012.

The unaudited pro forma condensed combined statements of operations are presented as if the Elpida Acquisition had occurred on September 2, 2011. The unaudited pro forma condensed combined financial statements are for illustrative purposes only and are not intended to represent or be indicative of our consolidated results of operations or financial position that we would have reported had the Elpida Acquisition been completed as of the dates presented, and should not be taken as a representation of our future consolidated results of operations or financial position. Pro forma adjustments are based upon available information and assumptions that we believe are reasonable as described in the notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the Elpida Acquisition or the costs to integrate our operations and the Elpida Group’s or the costs necessary to achieve any cost savings, operating synergies and revenue enhancements.

All estimated consideration expected to be paid for the proposed Elpida Acquisition for the purposes of these pro forma financial statements were translated to U.S. dollars using exchange rates of 82.08 yen per U.S. dollar or 29.14 New Taiwan dollars per U.S. dollar, the rates as of the November 29, 2012 pro forma balance sheet date. Historical amounts for the Elpida Group were translated from yen to U.S. dollars in the unaudited pro forma condensed combined balance sheet at an exchange rate of 82.08, the rate as of November 29, 2012. Historical amounts for the Elpida Group were translated from yen to U.S. dollars in the unaudited pro forma condensed combined statement of operations for the fiscal quarter ended November 29, 2012 at the average exchange

MICRON TECHNOLOGY, INC.

UNAUDITED CONDENSED COMBINED BALANCE SHEET

As of November 29, 2012

(in millions)

	Historical		Pro Forma Adjustments		Pro Forma Combined
	November 29, 2012	September 30, 2012			
	Micron	Elpida Group			
Assets					
Cash and equivalents	\$ 2,102	\$ 460	\$ (1,053)	a	\$ 1,509
Short-term investments	169	—	—		169
Receivables	1,139	507	(6)	b	1,640
Inventories	1,831	870	—		2,701
Other current assets	74	58	613	a,c	745
Total current assets	5,315	1,895	(446)		6,764
Long-term marketable investments	527	23	—		550
Property, plant and equipment, net	7,199	3,548	(2,206)	d	8,541
Equity method investments	343	40	(11)	e	372
Intangible assets, net	359	2	28	f	389
Other noncurrent assets	324	7	419	a,c,g	750
Total assets	<u>\$ 14,067</u>	<u>\$ 5,515</u>	<u>\$ (2,216)</u>		<u>\$ 17,366</u>
Liabilities and equity					
Accounts payable and accrued expenses	\$ 1,584	\$ 352	\$ 35	b,c,g,m	\$ 1,971
Deferred income	227	—	—		227
Equipment purchase contracts	61	16	—		77
Current portion of long-term debt	266	363	543	h	1,172
Total current liabilities	2,138	731	578		3,447
Long-term debt	3,169	490	1,256	h	4,915
Other noncurrent liabilities	574	94	(9)	c	659
Liabilities not subject to compromise	5,881	1,315	1,825		9,021
Liabilities subject to compromise	—	4,407	(4,407)	h	—
Total liabilities	5,881	5,722	(2,582)		9,021
Commitments and contingencies					
Redeemable noncontrolling interests	—	238	(55)	h	183
Redeemable preferred stock	—	365	(365)	j	—
Shareholders' equity:					
Common stock	102	2,714	(2,714)	j	102
Additional capital	8,961	2,853	(2,853)	j	8,961
Accumulated deficit	(1,677)	(6,657)	6,623	j,m	(1,711)
Accumulated other comprehensive income	83	(344)	344	j	83
Total shareholders' equity	7,469	(1,434)	1,400		7,435
Noncontrolling interests in subsidiaries	717	624	(614)	k	727
Total equity	<u>8,186</u>	<u>(810)</u>	<u>786</u>		<u>8,162</u>
Total liabilities and equity	\$ 14,067	\$ 5,515	\$ (2,216)		\$ 17,366

See accompanying notes to pro forma condensed combined financial statements.

MICRON TECHNOLOGY, INC.

UNAUDITED CONDENSED COMBINED STATEMENTS OF OPERATIONS

For the Quarter Ended November 29, 2012

(in millions except per share amounts)

	Historical Quarter Ended		Pro Forma Adjustments		Pro Forma Combined
	November 29, 2012	September 30, 2012			
	Micron	Elpida Group			
Net sales	\$ 1,834	\$ 794	\$ (9)	l	\$ 2,619

Cost of goods sold	1,617	777	(196)	d,f,l	2,198
Gross margin	217	17	187		421
Selling, general and administrative	119	62	(5)	d,f,m	176
Research and development	224	84	(5)	d	303
Other operating (income) expense, net	31	11	—		42
Operating loss	(157)	(140)	197		(100)
Interest income	3	2	—		5
Interest expense	(57)	(7)	(27)	i	(91)
Reorganization items, net	—	(1)	—		(1)
Other non-operating income (expense), net	1	(1)	—		—
	(210)	(147)	170		(187)
Income tax (provision) benefit	(13)	(4)	—	n	(17)
Equity in net income (loss) of equity method investees	(52)	2	4	e	(46)
Net loss	(275)	(149)	174		(250)
Net (income) loss attributable to noncontrolling interests	—	7	(10)	k	(3)
Net loss attributable to parent entity	<u>\$ (275)</u>	<u>\$ (142)</u>	<u>\$ 164</u>		<u>\$ (253)</u>
Loss per share:					
Basic	\$ (0.27)				\$ (0.25)
Diluted	(0.27)				(0.25)
Number of shares used in per share calculations:					
Basic	1,013.7				1,013.7
Diluted	1,013.7				1,013.7

See accompanying notes to pro forma condensed combined financial statements.

MICRON TECHNOLOGY, INC.

UNAUDITED CONDENSED COMBINED STATEMENTS OF OPERATIONS

For the Year Ended August 30, 2012

(in millions except per share amounts)

	Historical For the Year Ended		Pro Forma Adjustments		Pro Forma Combined
	August 30, 2012 Micron	June 30, 2012 Elpida Group			
Net sales	\$ 8,234	\$ 3,293	\$ (35)	l	\$ 11,492
Cost of goods sold	7,266	3,987	(1,040)	d,f,l	10,213
Gross margin	968	(694)	1,005		1,279
Selling, general and administrative	620	258	(47)	d,f,m	831
Research and development	918	504	(74)	d,f	1,348
Impairment of long-lived assets	—	2,828	—	d	2,828
Other operating (income) expense, net	48	(5)	—		43
Operating loss	(618)	(4,279)	1,126		(3,771)
Interest income	8	5	—		13
Interest expense	(179)	(127)	(65)	i	(371)
Reorganization items, net	—	(45)	—		(45)
Other non-operating income (expense), net	35	(31)	—		4
	(754)	(4,477)	1,061		(4,170)
Income tax (provision) benefit	17	(8)	—	n	9
Equity in net income (loss) of equity method investees	(294)	(76)	16	e	(354)
Net loss	(1,031)	(4,561)	1,077		(4,515)
Net (income) loss attributable to noncontrolling interests	(1)	77	(75)	k	1
Net loss attributable to parent entity	<u>\$ (1,032)</u>	<u>\$ (4,484)</u>	<u>\$ 1,002</u>		<u>\$ (4,514)</u>
Loss per share:					
Basic	\$ (1.04)				\$ (4.55)
Diluted	(1.04)				(4.55)
Number of shares used in per share calculations:					
Basic	991.2				991.2
Diluted	991.2				991.2

MICRON TECHNOLOGY, INC.**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****(All tabular amounts in millions except per share amounts)****Proposed Elpida Acquisition**

On July 2, 2012, we entered into an agreement entitled “Agreement on Support for Reorganization Companies” (the “Sponsor Agreement”) with the trustees of Elpida Memory, Inc. (“Elpida”) and its subsidiary, Akita Elpida Memory, Inc. (“Akita”) and, together with Elpida, the “Elpida Companies”), which provides for, among other things, our acquisition of Elpida and our support for the plans of reorganization of the Elpida Companies in connection with their corporate reorganization proceedings in Japan. The Elpida Companies filed petitions for commencement of corporate reorganization proceedings with the Tokyo District Court (the “Japan Court”) under the Corporate Reorganization Act of Japan on February 27, 2012. In a related transaction, on July 2, 2012, we entered into a share purchase agreement (the “Rexchip Share Purchase Agreement”) with Powerchip Technology Corporation, a Taiwanese corporation (“Powerchip”), and certain of its affiliates (collectively, the “Powerchip Group”) to acquire the Powerchip Group’s 24% share of Rexchip Electronics Corporation (“Rexchip”), a manufacturing joint venture formed by Elpida and Powerchip. For more information about the acquisition of the Rexchip shares from the Powerchip Group, see “—Rexchip Share Purchase Agreement” below. Elpida currently owns, directly and indirectly through a subsidiary, 65% of Rexchip’s outstanding common stock. As a result, if the transactions contemplated by the Sponsor Agreement and the Rexchip Share Purchase Agreement are completed, we will own 100% of Elpida and, directly or indirectly through one or more of our subsidiaries, 89% of Rexchip.

Elpida’s semiconductor memory products include Mobile DRAM, targeted toward mobile phones and tablets. We believe that combining the complementary product portfolios of Micron and Elpida will strengthen our position in the memory market and enable us to provide customers with a wider portfolio of high-quality solutions. We also believe that the Elpida transactions will strengthen our market position in the memory industry through increased research and development and manufacturing scale, improved access to core memory market segments, and additional wafer capacity to balance among our DRAM, NAND and NOR memory solutions. There can be no assurance that we will be able to successfully consummate the transactions described above.

Elpida Sponsor Agreement

Under the Sponsor Agreement, we committed to support plans of reorganization for the Elpida Companies that would provide for payments by the Elpida Companies to their secured and unsecured creditors in an aggregate amount of 200 billion yen (or the equivalent of approximately \$2.44 billion), less certain expenses of the reorganization proceedings and certain other items.

The Sponsor Agreement provides that we will invest 60 billion yen (or the equivalent of approximately \$731 million) in cash in Elpida at the closing in exchange for 100% ownership of Elpida’s equity. As a condition to the execution of the Sponsor Agreement, we deposited 1.8 billion yen (or the equivalent of approximately \$22 million) into an escrow account in July 2012, which will be applied towards our purchase price for the Elpida shares at closing. The Elpida Companies will use the proceeds of our investment to fund an initial installment payment to their creditors of 60 billion yen, which amount is subject to reduction for certain items specified in the Sponsor Agreement. The initial installment payment will be made within three months following the closing of our acquisition of Elpida. The remaining 140 billion yen (or the equivalent of approximately \$1.71 billion) of installment payments payable to the Elpida Companies’ creditors will be made by the Elpida Companies in six annual installments payable at the end of each calendar year beginning in the calendar year after the first installment payment is made. We or one of our subsidiaries are committed to enter into a supply agreement with Elpida following the closing, which will

MICRON TECHNOLOGY, INC.**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****(Continued)****(All tabular amounts in millions except per share amounts)**

provide for our purchase on a cost-plus basis of all product produced by Elpida. Cash flows from such supply agreement will be used to satisfy the required installment payments under the plans of reorganization. Although certain key parameters of the supply agreement have been agreed to with Elpida, the detailed terms have not been completed, and the final terms will be subject to Japan Court approval.

The Sponsor Agreement contains certain termination rights, including (i) in the event of a material adverse change affecting either Elpida and its subsidiaries or Rexchip disproportionate to industry trends, (ii) if the Japan Court does not approve the plans of reorganization by March 20, 2013, or (iii) if our acquisition of Elpida has not closed by January 2, 2014, which date may be extended six months under certain limited circumstances.

The consummation of the Sponsor Agreement is subject to various closing conditions, and we are currently targeting a closing in the first half of calendar 2013. The consummation of the Sponsor Agreement remains subject to, among other conditions: (i) regulatory approval in the People’s Republic of China; (ii) the approval of both the Japan Court and the creditors of the Elpida Companies of the proposed plans of reorganization; (iii) the granting of a recognition order by the U.S. bankruptcy court in Delaware with respect to the Japan Court’s approval of the Elpida plan of reorganization or the completion or implementation of alternative actions providing substantially equivalent benefits; and (iv) the closing of the purchase of the Rexchip shares from the Powerchip Group under the Rexchip Share Purchase Agreement.

Summary Description of the Proposed Plans of Reorganization

Pursuant to the Sponsor Agreement, the trustees of the Elpida Companies prepared proposed plans of reorganization for Elpida and Akita, which plans set forth the treatment of the Elpida Companies' pre-petition creditors and their claims utilizing the support contemplated by the Sponsor Agreement. Generally, Elpida's proposed plan of reorganization provides that secured creditors will recover 100% of the amount of their fixed claims, whereas unsecured creditors will recover at least 17.4% of the amount of their fixed claims. Under certain circumstances, the amounts recoverable by unsecured creditors may exceed 17.4% of their fixed claims. The remaining portion of the unsecured claims will be discharged, without payment, over the period that payments are made pursuant to the plans of reorganization. The creditors will be paid by Elpida in installments, with the first installment payment to occur within three months after the closing of Micron's acquisition of Elpida. The remaining installment payments will occur on the last business day of each year over a six year period beginning the year after the first installment payment is made. The secured creditors will be paid in full on or before the sixth installment payment date, while the unsecured creditors will be paid in seven installments. To the extent any claims remain unfixed as of the seventh installment payment date, an additional payment will be made to unsecured creditors once the remaining claims are finally fixed to the extent the remaining reserve exceeds the amounts payable with respect to the fixed claims. Akita's proposed plan of reorganization provides that secured creditors will recover 100% of the amount of their claims, whereas unsecured creditors will recover 19% of the amount of their claims. The secured creditors will be paid in full on the first installment payment date, while the unsecured creditors will be paid in seven installments.

The initial installment payment to be made by the Elpida Companies pursuant to the proposed plans of reorganization is 60 billion yen (or the equivalent of approximately \$731 million), which amount is subject to reduction for certain items specified in the Sponsor Agreement. The Elpida Companies will use the proceeds of Micron's investment at the closing of the Elpida acquisition to fund the initial installment

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

payment. The remaining 140 billion yen (or the equivalent of approximately \$1.71 billion) of installment payments will be made by the Elpida Companies in six annual installments, with payments of 20 billion yen (or the equivalent of approximately \$244 million) in each of the first four annual installment payments, and payments of 30 billion yen (or the equivalent of approximately \$365 million) in each of the final two annual installment payments. Cash flows from the cost-plus supply agreement described above will be used to satisfy the second through seventh installment payments under the proposed plans of reorganization.

Certain contingency matters related to the Elpida Companies, which are primarily comprised of outstanding litigation claims, were not treated as fixed claims under the proposed plans of reorganization at the time the plans were filed with the Japan Court. A portion of each installment amount payable to the creditors of the Elpida Companies will be reserved in the event that any of these matters become fixed claims, in which case the fixed claims will be paid under the plans of reorganization in the same manner as the fixed claims of other creditors. To the extent the aggregate amounts reserved from the installment payments exceed the aggregate amounts payable with respect to these unfixed claims once they become fixed, the excess amounts reserved will be distributed to unsecured creditors with respect to their fixed claims, resulting in an increased recovery for the unsecured creditors out of the installment payments. To the extent the aggregate amounts reserved is less than the aggregate amounts payable with respect to these unfixed claims once they become fixed, the Elpida Companies would be responsible to fund any shortfall to ensure that the creditors receive the recovery to which they are entitled under the plans of reorganization with respect to these claims. As a result, there is a possibility that the total amount payable by the Elpida Companies to their creditors under the plans of reorganization will exceed 200 billion yen, as adjusted. In addition, if these unfixed claims are resolved pursuant to settlement arrangements or other post-petition agreements, a substantial portion of the amounts payable with respect to the claims may have to be funded by the Elpida Companies outside of the installment payments provided for by the plans of reorganization.

Micron Credit Support Arrangements with respect to the Elpida Companies

Pursuant to the Sponsor Agreement we agreed, subject to certain conditions, to provide certain support to Elpida with respect to obtaining financing for working capital purposes and capital expenditures. This support included a commitment to use reasonable best efforts to assist Elpida with the extension or replacement of Elpida's then existing working capital credit facility through the closing of the Elpida acquisition, which assistance may include the provision of a payment guarantee by us under certain circumstances. Under the Sponsor Agreement, we also agreed, subject to certain conditions, to use reasonable best efforts to assist the Elpida Companies in financing up to 64 billion yen (or the equivalent of approximately \$780 million) of eligible capital expenditures incurred through June 30, 2014, including up to 40 billion yen (or the equivalent of approximately \$487 million) incurred prior to June 30, 2013, which may include us providing payment guarantees of third party financing under certain circumstances or direct financial support from Micron or one of its subsidiaries.

To date, we have provided payment guarantees related to financing of capital expenditures of 29 million Euros (or the equivalent of approximately \$38 million) and 6 billion yen (or the equivalent of approximately \$73 million). We have also provided a payment guarantee relating to an extension of Elpida's existing working capital credit facility, which provides for aggregate borrowings in the amount of up to 10 billion yen (or the equivalent of approximately \$122 million), with a current outstanding borrowing of 8 billion yen (or the equivalent of approximately \$97 million). We have entered into an omnibus reimbursement agreement with Elpida in connection with our financial support obligations under the Sponsor Agreement, whereby Elpida and certain of its subsidiaries have agreed, among other things, to

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

reimburse us for any amounts that we are required to pay under or in connection with the payment guarantees. These obligations under the omnibus reimbursement agreement are collateralized by approximately 93% of the Rexchip shares held by Elpida and one of its subsidiaries. In the event we are required to make any payments to Elpida's lenders under the guarantees, our rights will be subrogated to those of the lenders, including any rights to exercise remedies with respect to collateral securing the underlying loans. Failure to close the Elpida acquisition would not relieve us of our obligations under the foregoing payment guarantees.

Rexchip Share Purchase Agreement

On July 2, 2012, we entered into the Rexchip Share Purchase Agreement with the Powerchip Group, under which we will purchase approximately 714 million shares of Rexchip common stock, which represents approximately 24% of Rexchip's outstanding common stock, for approximately 10 billion New Taiwan dollars (or the equivalent of approximately \$344 million). The consummation of the Rexchip Share Purchase Agreement is subject to various closing conditions, including the closing of the transactions contemplated by the Sponsor Agreement.

Basis of Pro Forma Presentation

The Elpida Group's historical financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standard Codification (ASC) 852, Reorganizations, which requires financial statements to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The pro forma combined financial statements are presented consistent with our historical financial statements.

Acquisition Accounting

We account for business combinations pursuant to ASC 805, Business Combinations. In accordance with ASC 805, we will recognize the identifiable assets acquired and liabilities assumed, at the acquisition date fair value as defined by ASC 820, Fair Value Measurements and Disclosures. Under ASC 805, our accounting for the Elpida Acquisition includes our proposed purchase from the Powerchip Group of approximately 24% of the shares of Rexchip because the purchase of these shares is contingent on the acquisition of the Elpida Group and is expected to occur contemporaneously.

Accounting Periods Presented

We and the Elpida Group have different fiscal years. The Elpida Group's historical fiscal year ends on March 31 and, for purposes of these unaudited pro forma condensed combined financial statements, its historical results have been aligned to more closely conform to our fiscal year which is the 52 or 53-week period ending on the Thursday closest to August 31. Accordingly, the unaudited pro forma condensed combined balance sheet as of November 29, 2012 combines our historical unaudited condensed consolidated balance sheet as of November 29, 2012 and the Elpida Group's historical unaudited condensed consolidated balance sheet as of September 30, 2012, which are presented as if our proposed Elpida Acquisition had occurred on November 29, 2012.

The unaudited pro forma condensed combined statements of operations for the fiscal quarter ended November 29, 2012 combines our unaudited historical results for the fiscal quarter ended November 29, 2012 and the unaudited historical results of the Elpida Group for the quarter ended September 30, 2012.

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

(All tabular amounts in millions except per share amounts)

The unaudited pro forma condensed combined statements of operations for the fiscal year ended August 30, 2012 combines our historical results for the fiscal year ended August 30, 2012 and the historical unaudited results of the Elpida Group for the twelve months ended June 30, 2012. The unaudited pro forma condensed combined statements of operations are presented as if the Elpida Acquisition had occurred on September 2, 2011.

Currency Translation

All estimated consideration expected to be paid for the proposed Elpida Acquisition for the purposes of these pro forma financial statements were translated to U.S. dollars using exchange rates of 82.08 yen per U.S. dollar or 29.14 New Taiwan dollars per U.S. dollar, the rates as of the November 29, 2012 pro forma balance sheet date. Historical amounts for the Elpida Group were translated from yen to U.S. dollars in the unaudited pro forma condensed combined balance sheet at an exchange rate of 82.08, the rate as of November 29, 2012. Historical amounts for the Elpida Group were translated from yen to U.S. dollars in the unaudited pro forma condensed combined statement of operations for the fiscal quarter ended November 29, 2012 at the average exchange rate for the period of 79.29. Historical amounts for the Elpida Group were translated from yen to U.S. dollars in the unaudited pro forma condensed combined statement of operations for the fiscal year end August 30, 2012 at the average quarterly exchange rates for those periods ranging from 77.02 to 81.17.

Reclassifications

Reclassifications have been made to the historical Elpida Group financial statements as presented herein in order to conform them to our presentation and include the following:

- We include software assets as a component of property, plant and equipment, net. As a result, software assets of \$17 million, net of accumulated amortization, were reclassified from intangible assets to property, plant and equipment, net.
- We include certain of our liabilities related to equipment purchases separately from accounts payable and accrued expenses. As a result, payables of \$16 million were reclassified from accounts payable and accrued expenses to equipment purchase contracts.

- The Elpida Group includes its research and development activities on its statement of operations within selling, general and administrative expense. As a result, \$504 million and \$84 million of expenses were reclassified to research and development expense to conform with our presentation for the year ended June 30, 2012 and quarter ended September 30, 2012, respectively.
- The Elpida Group presents foreign exchange gains and losses as a separate line item on the statement of operations. To conform with our presentation, \$25 million and \$12 million were reclassified to other operating (income) expense for the year ended June 30, 2012 and quarter ended September 30, 2012, respectively.
- For the Elpida Group's year ended June 30, 2012, other non-operating (income) expense included \$50 million for the impairment of equity method investments, \$43 million of expenses for amortization of loan costs, and \$35 million of government grant income. These amounts were reclassified to equity in net income (loss) of equity method investees, interest expense, and other operating (income) expense, respectively, to conform with our presentation of such items.

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

Elpida Acquisition Provisional Consideration and Valuation

The consideration expected to be paid for the proposed Elpida Acquisition was estimated to be \$1,075 million which reflects 60 billion yen (or \$731 million) to be paid at closing to Elpida to acquire 100% of Elpida's shares and approximately 10 billion New Taiwan dollars (or \$344 million) to be paid to the Powerchip Group for the Rexchip shares.

The pro forma information presented, including allocations of the purchase price, is based on preliminary estimates for the fair values of assets to be acquired and liabilities to be assumed and available information. We estimated the fair value of the assets and liabilities of the Elpida Group as of September 30, 2012 using an in-use model, which reflects its value through its use in combination with other assets as a group. The preliminary estimates will be revised as additional information becomes available. The actual adjustments to our consolidated financial statements upon the closing of the Elpida Acquisition will depend on a number of factors, including additional information available and the net assets of the Elpida Group as of the closing date, which will change as a result of the final valuation of assets acquired and liabilities assumed. As of the date of this report, we have not completed the valuation studies necessary to determine the final fair value of the assets we expect to acquire, liabilities we expect to assume and the allocation of purchase price. Our final valuation will be based on the assets and liabilities that exist as of the closing date. Any final adjustment will change the allocation of purchase price, which could affect the fair value assigned to the assets and liabilities and could result in material changes to these combined financial statements.

Changes in the exchange rate used in these unaudited pro forma condensed combined financial statements and those as of the date of the acquisition between the U.S. dollar and the yen and the New Taiwan dollar could have a significant impact on the purchase price and the assets acquired and liabilities assumed as a result of the Elpida Acquisition. To mitigate the risk of the effect of changes in foreign currency exchange rates on the proposed Elpida Acquisition, in July of 2012, we entered into a series of currency exchange contracts to hedge our exposure to yen and New Taiwan Dollar payments. These currency exchange contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses recognized in other operating (income) expense. As a result of the mark-to-market adjustments of the hedges, we recognized a net loss of \$58 million for the quarter ended November 29, 2012 and a net gain of \$8 million for the year ended August 30, 2012, in other operating (income) expense. No adjustments were made in these unaudited pro forma condensed combined financial statements for the acquisition related currency exchange hedges.

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

The estimated consideration and provisional valuation of assets to be acquired and liabilities to be assumed are as follows:

Consideration:

Cash paid at closing	\$	1,075
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Assets acquired, liabilities assumed and noncontrolling interests:

Cash and equivalents	\$	460
Receivables		507
Inventories		870
Other current assets		671
Long-term marketable investments		23
Property, plant and equipment		1,342
Equity method investment		29
Intangible assets		30
Other noncurrent assets		451

Accounts payable and accrued expenses	(362)
Equipment purchase contracts	(16)
Current portion of long-term debt	(906)
Long-term debt	(1,746)
Other noncurrent liabilities	(85)
Redeemable noncontrolling interest	(183)
Noncontrolling interests in subsidiaries	(10)
Total net assets acquired	<u>\$ 1,075</u>

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

Pro Forma Financial Statement Adjustments

The following pro forma adjustments are included in our unaudited pro forma condensed combined financial statements:

- a. Adjustment reflects the proposed acquisition of 100% of Elpida's equity and the proposed acquisition of approximately 24% of Rexchip's outstanding common stock. The following adjustments are made as a result of the cash payments:

Cash:	
Elpida	\$ (709)(1)
Rexchip shares	(344)(2)
	<u>\$ (1,053)</u>
Other current assets	<u>\$ 581(1)</u>
Other noncurrent assets	<u>\$ 128(1)</u>

- (1) Adjustment reflects the estimated cash payment to Elpida for 100% of its equity. Such payment is expected to be reflected as restricted cash and is included in the pro forma condensed combined balance sheet in other current assets and other noncurrent assets. The total consideration paid to Elpida at closing will include \$709 million of cash and \$22 million released from escrow which was classified in other noncurrent assets in our November 29, 2012 balance sheet.
- (2) Adjustment reflects the estimated cash payment of \$344 million for the proposed acquisition of approximately 24% of Rexchip's outstanding common stock from the Powerchip Group.
- b. Adjustment eliminates \$6 million of intercompany accounts receivable and accounts payable balances between us and the Elpida Group.
- c. Adjustment to current and noncurrent deferred tax assets of \$32 million and \$290 million, respectively, to reflect expected utilization of net operating loss carryforwards, temporary differences between the bases of assets and liabilities for financial reporting and income tax purposes, and certain other de minimis net adjustments to tax liabilities.
- d. Adjustment to property, plant and equipment for the difference between the estimated fair value and the historical amount and the resulting change in depreciation expense for building, equipment and software with estimated useful lives of 13-19 years, 1-6 years and 2 years, respectively.

	Change in Depreciation	
	Quarter ended November 29, 2012	Year ended August 30, 2012
Depreciation expense included in cost of goods sold	\$ (188)	\$ (1,010)
Depreciation expense included in selling, general and administrative	(2)	(12)
Depreciation expense included in research and development	(5)	(39)
	<u>\$ (195)</u>	<u>\$ (1,061)</u>

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

The historical results of operations of the Elpida Group for the year ended June 30, 2012 included a \$2,828 million loss for impairment of long-lived assets. No adjustment was made to the pro forma combined statement of operations for this impairment consistent with the

requirements for preparation of pro forma financial statements.

- e. Adjustment to equity method investment for the difference between the estimated fair value and the historical amount of the Elpida Group's equity-method investment in Tera Probe, Inc ("Tera Probe").

The difference between our cost of the equity method investment in Tera Probe and our proportionate share of Tera Probe's equity ("Basis Difference") is recognized in earnings over a period of 5 years. The adjustment to the pro forma unaudited condensed combined statements of operations includes the difference between the Basis Difference recognized by us and that which was recognized by the Elpida Group for the periods presented.

The historical results of operations of the Elpida Group for the year ended June 30, 2012 included a \$50 million loss for an other-than-temporary impairment of equity method investments. No adjustment was made to the pro forma combined statement of operations for this impairment consistent with the requirements for preparation of pro forma financial statements.

- f. Adjustment to intangible assets for the difference between the estimated fair value and the historical amount of the Elpida Group's intangible assets and related adjustments to amortization expense. Intangible assets recorded in the proposed acquisition accounting consists of existing product and product technology and customer relationships.

	Change in Amortization	
	Quarter Ended November 29, 2012	Year Ended August 30, 2012
Amortization expense included in cost of goods sold	\$ 1	\$ 5
Amortization expense included in selling, general and administrative	(1)	(19)
Amortization expense included in research and development	—	(35)
	<u>\$ —</u>	<u>\$ (49)</u>

- g. Adjustment eliminates a \$3 million asset and liability for our guarantee of the Elpida Group's capital expenditure financing. The asset and liability will be eliminated in consolidation.
- h. In accordance with ASC 852, certain of the Elpida Group's liabilities were reflected as liabilities subject to compromise and include pre-petition obligations which may be impacted by the petition filing. The pro forma adjustment reflects the reclassification of the fair value of the amounts subject to compromise to current portion of long-term debt and long-term debt. The pro forma adjustment also reflects the reclassification and fair value adjustment of a portion of the Elpida Group's redeemable noncontrolling interests to current portion of long-term debt and long-term debt consistent with the treatment of these interests under the plan of reorganization. The fair value of such amounts reflects the present value of the total installment payments and was estimated to be \$1,799 million, which was \$2,663 million less than the amount reported by the Elpida Group.

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

(All tabular amounts in millions except per share amounts)

- i. Adjustment for the difference between interest expense reported by the Elpida Group and the accretion of interest expense for the difference between the fair value and the contractual amount related to pre-petition obligations affected by the plan of reorganization.
- j. Adjustment eliminates the historical redeemable preferred stock and shareholders' equity of the Elpida Group.
- k. Adjustment decreases the noncontrolling interest in Rexchip by \$614 million for the proposed acquisition of approximately 24% of Rexchip's outstanding common stock and the impact to the remaining 11% noncontrolling interest in Rexchip of changes in the estimated fair value of Rexchip's assets and liabilities. As a result, net (income) loss attributable to noncontrolling interests was adjusted by \$10 million and \$75 million for the pro forma unaudited condensed combined statements of operations for the quarter ended November 29, 2012 and the year ended August 30, 2012, respectively.
- l. Adjustment eliminates sales and cost of goods sold from the Elpida Group to us of \$9 million for the quarter end September 30, 2012 and \$35 million for the year end June 30, 2012.
- m. Adjustment eliminates direct external acquisition expenses of \$2 million for the quarter ended November 29, 2012 and \$16 million for the year ended August 30, 2012.
- Adjustment to the pro forma unaudited condensed combined balance sheet for the accrual of estimated future direct external acquisition expenses of \$34 million. No adjustment was made to the pro forma combined statement of operations for these estimated future expenses consistent with the requirements for preparation of pro forma financial statements.
- n. Due to valuation allowances on net deferred tax assets for both us and the Elpida Group, the unaudited pro forma condensed combined consolidated statements of operations do not reflect statutory rate tax adjustments for pro forma adjustments.

MICRON TECHNOLOGY, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(Continued)

(All tabular amounts in millions except per share amounts)

Pro Forma Earnings Per Share

The pro forma basic and diluted earnings per share presented in our unaudited pro forma condensed combined statements of operations is computed based on the weighted-average number of common shares and stock rights outstanding.

	Quarter ended November 29, 2012	Year ended August 30, 2012
Net loss attributable to Micron shareholders, basic and diluted, as reported	\$ (275)	\$ (1,032)
Net loss attributable to the Elpida Group and other pro forma adjustments	22	(3,482)
Net loss attributable to parent entity shareholders, basic and diluted, as combined	\$ (253)	\$ (4,514)
Pro forma weighted-average common shares outstanding, basic and diluted	1,013.7	991.2
Pro forma earnings (loss) per share:		
Basic and diluted, as reported by Micron	\$ (0.27)	\$ (1.04)
The Elpida Group results and pro forma adjustments	0.02	(3.51)
Basic and diluted, as combined	\$ (0.25)	\$ (4.55)

THE ELPIDA ACQUISITION AND RELATED TRANSACTIONS

Overview

On July 2, 2012, we entered into an agreement entitled “Agreement on Support for Reorganization Companies” (the “Sponsor Agreement”) with the trustees of Elpida Memory, Inc. (“Elpida”) and its subsidiary, Akita Elpida Memory, Inc. (“Akita”) and, together with Elpida, the “Elpida Companies”), which provides for, among other things, our acquisition of Elpida and our support for the plans of reorganization of the Elpida Companies in connection with their corporate reorganization proceedings in Japan. The Elpida Companies filed petitions for commencement of corporate reorganization proceedings with the Tokyo District Court (the “Japan Court”) under the Corporate Reorganization Act of Japan on February 27, 2012 (the “Japan Proceeding”). On March 23, 2012, the Japan Court issued an order to commence the Japan Proceeding. Elpida filed a Verified Petition for Recognition and Chapter 15 Relief (the “U.S. Proceeding”) in the United States Bankruptcy Court for the District of Delaware (the “U.S. Court”) on March 19, 2012 and, on April 24, 2012, the U.S. Court entered an order that, among other things, recognized the Japan Proceeding as a foreign main proceeding pursuant to 11 U.S.C. § 1517(b).

In a related transaction, on July 2, 2012, we entered into a share purchase agreement (the “Rexchip Share Purchase Agreement”) with Powerchip Technology Corporation, a Taiwanese corporation (“Powerchip”), and certain of its affiliates (collectively, the “Powerchip Group”) to acquire the Powerchip Group’s 24% share of Rexchip Electronics Corporation (“Rexchip”), a manufacturing joint venture formed by Elpida and Powerchip. For more information about the acquisition of the Rexchip shares from the Powerchip Group, see “—Rexchip Share Purchase Agreement” below. Elpida currently owns, directly and indirectly through a subsidiary, 65% of Rexchip’s outstanding common stock. As a result, if the transactions contemplated by the Sponsor Agreement and the Rexchip Share Purchase Agreement are completed, we will own 100% of Elpida and, directly or indirectly through one or more of our subsidiaries, 89% of Rexchip.

Elpida’s assets include, among other things: a 300mm DRAM fabrication facility located in Hiroshima, Japan; its ownership interest in Rexchip, whose assets include a 300mm DRAM fabrication facility located in Taiwan; and an assembly and test facility located in Akita, Japan. We expect that the fab assets of Elpida and Rexchip together are capable of producing more than 180,000 300mm wafers per month, which would represent an approximate 45% increase in our current trade wafer capacity. Since a portion of Elpida’s operating expenses are denominated in yen, they are favorably impacted, in terms of U.S. dollars, by a weakening yen.

Elpida’s semiconductor memory products include Mobile DRAM, targeted toward mobile phones and tablets. We believe that combining the complementary product portfolios of Micron and Elpida will strengthen our position in the memory market and enable us to provide customers with a wider portfolio of high-quality solutions. We also believe that the Elpida transactions will strengthen our market position in the memory industry through increased research and development and manufacturing scale, improved access to core memory market segments, and additional wafer capacity to balance among our DRAM, NAND and NOR memory solutions. There can be no assurance that we will be able to successfully consummate the transactions described above.

For purposes of this exhibit, we have assumed a Japanese yen to U.S. dollar exchange rate of 82.08 yen per one U.S. dollar, a New Taiwan dollar to U.S. dollar exchange rate of 29.14 New Taiwan dollars per one U.S. dollar, and a Euro to U.S. dollar exchange rate of 1.29 Euros per one U.S. dollar, which were the exchange rates as of November 29, 2012, the date of the unaudited pro forma condensed combined balance sheet included in this exhibit. Since that date, the Japanese yen to U.S. dollar exchange rate has changed substantially, and was 91.08 Japanese yen per one U.S. dollar as of January 31, 2013.

Elpida Sponsor Agreement

Under the Sponsor Agreement, we committed to support plans of reorganization for the Elpida Companies that would provide for payments by the Elpida Companies to their secured and unsecured creditors in an aggregate amount of 200 billion yen (or the equivalent of approximately \$2.44 billion), less certain expenses of the reorganization proceedings and certain other items. For a more detailed description of the plans of reorganization, see “Proposed Plans of Reorganization of the Elpida Companies” below.

The Sponsor Agreement provides that we will invest 60 billion yen (or the equivalent of approximately \$731 million) in cash in Elpida at the closing in exchange for 100% ownership of Elpida’s equity. As a condition to the execution of the Sponsor Agreement, we deposited 1.8 billion yen (or the equivalent of approximately \$22 million) into an escrow account in July 2012, which will be applied towards our purchase price for the Elpida shares at closing. The Elpida Companies will use the proceeds of our investment to fund an initial installment payment to their creditors of 60 billion yen, which amount is subject to reduction for certain items specified in the Sponsor Agreement. The initial installment payment will be made within three months following the closing of our acquisition of Elpida. The remaining 140 billion yen (or the equivalent of approximately \$1.71 billion) of installment payments payable to the Elpida Companies’ creditors will be made by the Elpida Companies in six annual installments payable at the end of each calendar year beginning in the calendar year after the first installment payment is made. We or one of our subsidiaries are committed to enter into a supply agreement with Elpida following the closing, which will provide for our purchase on a cost-plus basis of all product produced by Elpida. Cash flows from such supply agreement will be used to satisfy the required installment payments under the plans of reorganization. Although certain key parameters of the supply agreement have been agreed to with Elpida, the detailed terms have not been completed, and the final terms will be subject to Japan Court approval.

The Sponsor Agreement contains certain termination rights, including (i) in the event of a material adverse change affecting either Elpida and its subsidiaries or Rexchip disproportionate to industry trends, (ii) if the Japan Court does not approve the plans of reorganization by March 20, 2013, or (iii) if our acquisition of Elpida has not closed by January 2, 2014, which date may be extended six months under certain limited circumstances.

The consummation of the Sponsor Agreement is subject to various closing conditions, and we are currently targeting a closing in the first half of calendar 2013. The consummation of the Sponsor Agreement remains subject to, among other conditions: (i) regulatory approval in the People’s Republic of China; (ii) the approval of both the Japan Court and the creditors of the Elpida Companies of the proposed plans of reorganization; (iii) the granting of a recognition order by the U.S. Court with respect to the Japan Court approval of the Elpida plan of reorganization or the completion or implementation of alternative actions providing substantially equivalent benefits; and (iv) the closing of the purchase of the Rexchip shares from the Powerchip Group under the Rexchip Share Purchase Agreement. There can be no assurance that the various conditions will be satisfied, that the Elpida acquisition will close when expected or at all, or that the acquisition of Elpida will ultimately be consummated on the terms and conditions set forth in the Sponsor Agreement. Various creditors are challenging Elpida’s proposed plan of reorganization and related requests for relief, both in the Japan Proceeding and the U.S. Proceeding. If the requisite Japan Court and U.S. Court orders are not entered, the requisite creditor approvals are not obtained or the closing conditions are not satisfied or

waived, Micron will not be able to close the acquisitions. Even if the closing occurs, if the timing of closing is delayed significantly, the value of the Elpida business to Micron could be materially adversely impacted. For further information relating to risks associated with these transactions, see the Risk Factors entitled “Our pending acquisitions of Elpida and Rexchip involve numerous risks,” “Our pending acquisitions of Elpida and Rexchip expose us to significant risks from changes in currency exchange rates” and “The operations of the Elpida Companies will be subject to continued oversight by the Japan Court during the pendency of the corporate reorganization proceedings.”

Proposed Plans of Reorganization of the Elpida Companies

Summary Description of the Proposed Plans of Reorganization

Pursuant to the Sponsor Agreement, the trustees of the Elpida Companies prepared proposed plans of reorganization for Elpida and Akita, which plans set forth the treatment of the Elpida Companies’ pre-petition creditors and their claims utilizing the support contemplated by the Sponsor Agreement. Generally, Elpida’s proposed plan of reorganization provides that secured creditors will recover 100% of the amount of their fixed claims, whereas unsecured creditors will recover at least 17.4% of the amount of their fixed claims. Under certain circumstances, the amounts recoverable by unsecured creditors may exceed 17.4% of their fixed claims. The remaining portion of the unsecured claims will be discharged, without payment, over the period that payments are made pursuant to the plans of reorganization. The creditors will be paid by Elpida in installments, with the first installment payment to occur within three months after the closing of Micron’s acquisition of Elpida. The remaining installment payments will occur on the last business day of each year over a six year period beginning the year after the first installment payment is made. The secured creditors will be paid in full on or before the sixth installment payment date, while the unsecured creditors will be paid in seven installments. To the extent any claims remain unfixed as of the seventh installment payment date, an additional payment will be made to unsecured creditors once the remaining claims are finally fixed to the extent the remaining reserve exceeds the amounts payable with respect to the fixed claims. Akita’s proposed plan of reorganization provides that secured creditors will recover 100% of the amount of their claims, whereas unsecured creditors will recover 19% of the amount of their claims. The secured creditors will be paid in full on the first installment payment date, while the unsecured creditors will be paid in seven installments.

The initial installment payment to be made by the Elpida Companies pursuant to the proposed plans of reorganization is 60 billion yen (or the equivalent of approximately \$731 million), which amount is subject to reduction for certain items specified in the Sponsor Agreement. The Elpida Companies will use the proceeds of Micron’s investment at the closing of the Elpida acquisition to fund the initial installment payment. The remaining 140 billion yen (or the equivalent of approximately \$1.71 billion) of installment payments will be made by the Elpida Companies in six annual installments, with payments of 20 billion yen (or the equivalent of approximately \$244 million) in each of the first four annual installment payments, and payments of 30 billion yen (or the equivalent of approximately \$365 million) in each of the final two annual installment payments. Cash flows from the cost-plus supply agreement described above will be used to satisfy the second through seventh installment payments under the proposed plans of reorganization.

Certain contingency matters related to the Elpida Companies, which are primarily comprised of outstanding litigation claims, were not treated as fixed claims under the proposed plans of reorganization at the time the plans were filed with the Japan Court. A portion of each installment amount payable to the creditors of the Elpida Companies will be reserved in the event that any of these matters become fixed claims, in which case the fixed claims will be paid under the plans of reorganization in the same manner as the fixed claims of other creditors. To the extent the aggregate amounts reserved from the installment payments exceed the aggregate amounts payable with respect to these unfixed claims once they become fixed, the excess amounts reserved will be distributed to unsecured creditors with respect to their fixed claims, resulting in an increased recovery for the unsecured creditors out of the installment payments. To the extent the aggregate amounts reserved is less than the aggregate amounts payable with respect to these unfixed claims once they become fixed, the Elpida Companies would be responsible to fund any shortfall to ensure that the creditors receive the recovery to which they are entitled under the plans of reorganization with respect to these claims. As a result, there is a possibility that the total amount payable by the Elpida Companies to their creditors under the plans of reorganization will exceed 200 billion yen, as adjusted. In addition, if these unfixed claims are resolved pursuant to settlement arrangements or other post-petition agreements, a substantial portion of the amounts payable with respect to the claims may have to be funded by the Elpida Companies outside of the installment payments provided for by the plans of reorganization.

Status of Plan Approval Process

The trustees initially submitted the proposed plans of reorganization to the Japan Court on August 21, 2012, and submitted final proposed plans on October 29, 2012. The proposed plans of reorganization are subject to Japan Court and creditor approval under applicable Japanese law. Certain creditors challenged the proposed plan of reorganization for Elpida submitted by the trustees and proposed an alternative plan of reorganization. On October 31, 2012, the Japan Court approved submission of the trustees’ proposed plans of reorganization to creditors for approval. The Japan Court also issued an order that the alternative plan of reorganization proposed by certain creditors of Elpida not be submitted to a creditor vote.

The deadline for creditors to vote on the proposed plans of reorganization is February 26, 2013. If the creditors of the Elpida Companies approve the proposed plans of reorganization, the Japan Court still must approve the plans of reorganization before they will take effect. The entry of a final Japan Court order approving the plans of reorganization is a condition to Elpida’s and Micron’s obligations to complete the transactions contemplated by the Sponsor Agreement, and the entry of an order by the U.S. Court that recognizes the Japan Court approval of the Elpida plan of reorganization and authorizes its implementation with respect to assets that exist and claims that can be asserted in the United States or the completion or implementation of alternative actions providing substantially equivalent benefits is a condition precedent to Micron’s obligation to complete the transactions. These conditions are waivable by the parties.

Post-Closing Oversight by the Japan Court

Because the plans of reorganization provide for ongoing payments to creditors following the closing of the Elpida acquisition, the Japan Proceeding will continue following the closing, and the Elpida Companies will remain subject to the oversight of the Japan Court and of the trustees (including a trustee designated by us upon the closing, who we refer to as the business trustee, and a trustee designated by the Japan Court, who we refer to as the legal trustee). The business trustee will make decisions in relation to the operation of the businesses of the Elpida Companies, other than decisions in relation to acts that need to be carried out in connection with the Japan Proceeding, which will be the responsibility of the legal trustee. The Japan Proceeding and oversight of

the Japan Court may continue until the final creditor payment is made under the Elpida Companies' plans of reorganization, which is scheduled to occur in December 2019, but may occur on a later date to the extent any claims of creditors remain unfixed on the final scheduled installment payment date. The Elpida Companies may petition the Japan Court to terminate the Japan Proceeding once two-thirds of all payments under the plans of reorganization are made. Although such early terminations are customarily granted, there can be no assurance that the Japan Court will grant any such petition in these particular cases. During the pendency of the Japan Proceeding, the Elpida Companies will provide periodic financial reports to the Japan Court and may be required to obtain the consent of the Japan Court prior to taking a number of significant actions relating to their businesses, including transferring or disposing of, or acquiring, assets outside the ordinary course of business, incurring or guaranteeing indebtedness, settling disputes or entering into or terminating certain agreements. The consent of the legal trustee may also be required for matters that would likely have a material impact on the operations or assets of the Elpida Companies and their subsidiaries or for transfers of material assets, to the extent the matters or transfers would reasonably be expected to materially and adversely affect execution of the plans of reorganization of the Elpida Companies.

The purpose of the ongoing oversight of the Japan Court is to help ensure that the Elpida Companies meet their installment payment obligations under the plans of reorganization. Although we are planning to request that the Japan Court limit the consent requirements following the closing, we cannot guarantee that we will be successful in narrowing the scope of these consent requirements or that the Japan Court will not impose further requirements on the Elpida Companies, particularly if the Japan Court perceives any risk in the ability of the Elpida Companies to satisfy their obligations under the plans of reorganization. Accordingly, during the pendency of the Japan Proceeding, the operations of the Elpida

Companies could be adversely affected if the Japan Court or the legal trustee is unwilling to consent to various actions that we may wish to take with respect to the Elpida Companies. In addition, as a result of the U.S. Proceeding, certain actions that we may wish to take with respect to the U.S. assets of the Elpida Companies (primarily U.S. patents) following the closing (including any transfers or licenses of U.S. intellectual property assets in connection with the implementation of the cost-plus supply arrangement described above) may require approval from the U.S. Court. It is a condition to the closing of Micron's acquisition of Elpida that the U.S. Court enters an order that recognizes the order of the Japan Court approving the plan of reorganization and authorizes its implementation with respect to assets that exist and claims that can be asserted in the United States or that alternative actions providing substantially equivalent benefits are completed or implemented. If the U.S. Court does not enter such an order or such alternative actions are not completed or implemented and we waive this condition, the U.S. assets of Elpida may remain subject to continued U.S. Court jurisdiction and actions that we may wish to take with respect to the U.S. assets of Elpida may remain subject to U.S. Court oversight.

Micron Credit Support Arrangements with respect to the Elpida Companies

Pursuant to the Sponsor Agreement we agreed, subject to certain conditions, to provide certain support to Elpida with respect to obtaining financing for working capital purposes and capital expenditures. This support included a commitment to use reasonable best efforts to assist Elpida with the extension or replacement of Elpida's then existing working capital credit facility through the closing of the Elpida acquisition, which assistance may include the provision of a payment guarantee by us under certain circumstances. Under the Sponsor Agreement, we also agreed, subject to certain conditions, to use reasonable best efforts to assist the Elpida Companies in financing up to 64 billion yen (or the equivalent of approximately \$780 million) of eligible capital expenditures incurred through June 30, 2014, including up to 40 billion yen (or the equivalent of approximately \$487 million) incurred prior to June 30, 2013, which may include us providing payment guarantees of third party financing under certain circumstances or direct financial support from Micron or one of its subsidiaries.

To date, we have provided payment guarantees related to financing of capital expenditures of 29 million Euros (or the equivalent of approximately \$38 million) and 6 billion yen (or the equivalent of approximately \$73 million). We have also provided a payment guarantee relating to an extension of Elpida's existing working capital credit facility, which provides for aggregate borrowings in the amount of up to 10 billion yen (or the equivalent of approximately \$122 million), with a current outstanding borrowing of 8 billion yen (or the equivalent of approximately \$97 million). We have entered into an omnibus reimbursement agreement with Elpida in connection with our financial support obligations under the Sponsor Agreement, whereby Elpida and certain of its subsidiaries have agreed, among other things, to reimburse us for any amounts that we are required to pay under or in connection with the payment guarantees. These obligations under the omnibus reimbursement agreement are collateralized by approximately 93% of the Rexchip shares held by Elpida and one of its subsidiaries. In the event we are required to make any payments to Elpida's lenders under the guarantees, our rights will be subrogated to those of the lenders, including any rights to exercise remedies with respect to collateral securing the underlying loans. Failure to close the Elpida acquisition would not relieve us of our obligations under the foregoing payment guarantees.

Rexchip Share Purchase Agreement

On July 2, 2012, we entered into the Rexchip Share Purchase Agreement with the Powerchip Group, under which we will purchase approximately 714 million shares of Rexchip common stock, which represents approximately 24% of Rexchip's outstanding common stock, for approximately 10 billion New Taiwan dollars (or the equivalent of approximately \$344 million). The consummation of the Rexchip Share Purchase Agreement is subject to various closing conditions, including the closing of the transactions contemplated by the Sponsor Agreement.

Currency Exchange Transactions

On July 2, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 200 billion yen with a weighted-average strike price of 79.15 (yen per U.S. dollar). In addition, to reduce the cost of these call options, we sold put options to sell 100 billion yen with a strike price of 83.32 and we sold call options to buy 100 billion yen with a strike price of 75.57. The net cost of these call and put options, which expire on April 3, 2013, of \$49 million is payable upon settlement. These currency options mitigate the risk of a strengthening yen for our yen-denominated payments under the Sponsor Agreement while preserving some ability for us to benefit if the value of the yen weakens relative to the U.S. dollar. On July 25, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 10 billion New Taiwan dollars with a weighted-average strike price of 29.21 (New Taiwan dollars per U.S. dollar). The net cost of these options, which expire on April 2, 2013, of \$3 million is payable upon settlement. These currency options mitigate the risk of a strengthening New Taiwan dollar for our payments under the Rexchip Share Purchase Agreement. These yen and New Taiwan dollar option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations. Therefore, changes in the exchange rate between the U.S. dollar and the yen and the New Taiwan dollar

could have a significant impact on our results of operations. Since a portion of Elpida’s operating expenses are denominated in yen, they are favorably impacted, in terms of U.S. dollars, by a weakening yen. In the first quarter of 2013, we recognized a loss of \$62 million on the yen hedge for the pending acquisition of Elpida.

RISK FACTORS

Risks Related to Our Business

We have experienced dramatic declines in average selling prices for our semiconductor memory products which have adversely affected our business.

If average selling prices for our memory products decrease faster than we can decrease per gigabit costs, our business, results of operations or financial condition could be materially adversely affected. We have experienced significant decreases in our average selling prices per gigabit in recent years as noted in the table below and may continue to experience such decreases in the future. In some prior periods, average selling prices for our memory products have been below our manufacturing costs and we may experience such circumstances in the future.

	DRAM (percentage change in average selling prices)	Trade NAND Flash*
2012 from 2011	(45)%	(55)%
2011 from 2010	(39)%	(12)%
2010 from 2009	28%	26%
2009 from 2008	(52)%	(52)%
2008 from 2007	(51)%	(68)%

* Trade NAND Flash excludes sales to Intel from IM Flash.

We may be unable to reduce our per gigabit manufacturing costs at the rate average selling prices decline.

Our gross margins are dependent upon continuing decreases in per gigabit manufacturing costs achieved through improvements in our manufacturing processes, including reducing the die size of our existing products. In future periods, we may be unable to reduce our per gigabit manufacturing costs at sufficient levels to improve or maintain gross margins. Factors that may limit our ability to reduce costs include, but are not limited to, strategic product diversification decisions affecting product mix, the increasing complexity of manufacturing processes, difficulty in transitioning to smaller line-width process technologies, technological barriers and changes in process technologies or products that may require relatively larger die sizes. Per gigabit manufacturing costs may also be affected by the relatively smaller production quantities and shorter product lifecycles of certain specialty memory products.

The semiconductor memory industry is highly competitive.

We face intense competition in the semiconductor memory market from a number of companies, including Elpida Memory, Inc.; Samsung Electronics Co., Ltd.; SanDisk Corporation; SK Hynix Inc.; Spansion Inc. and Toshiba Corporation. Some of our competitors are large corporations or conglomerates that may have greater resources to withstand downturns in the semiconductor markets in which we compete, invest in technology and capitalize on growth opportunities. Our competitors seek to increase silicon capacity, improve yields, reduce die size and minimize mask levels in their product designs. Transitions to smaller line-width process technologies and product and process improvements have resulted in significant increases in the worldwide supply of semiconductor memory. Increases in worldwide

supply of semiconductor memory also result from semiconductor memory fab capacity expansions, either by way of new facilities, increased capacity utilization or reallocation of other semiconductor production to semiconductor memory production. Our competitors may increase capital expenditures resulting in future increases in worldwide supply. Increases in worldwide supply of semiconductor memory, if not accompanied with commensurate increases in demand, would lead to further declines in average selling prices for our products and would materially adversely affect our business, results of operations or financial condition.

The financial crisis and overall downturn in the worldwide economy may harm our business.

The financial crisis and the overall downturn in the worldwide economy have had an adverse effect on our business. A continuation or further deterioration of depressed economic conditions could have an even greater adverse effect on our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers, networking products and mobile devices. Reduced demand for these products could result in significant decreases in our average selling prices and product sales. A continuation of current negative conditions in worldwide credit markets would limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of loss on our accounts receivables due to credit defaults. As a result, our business, results of operations or financial condition could be materially adversely affected.

Our pending acquisitions of Elpida and Rexchip involve numerous risks.

On July 2, 2012, we entered into an agreement entitled “Agreement on Support for Reorganization Companies” (the “Sponsor Agreement”) with the trustees of Elpida Memory, Inc. (“Elpida”) and its subsidiary, Akita Elpida Memory, Inc. (together with Elpida, the “Elpida Companies”), which provides for, among other things, our acquisition of Elpida and our support for the plans of reorganization of the Elpida Companies in connection with their corporate reorganization proceedings in Japan. The Elpida Companies filed petitions for commencement of corporate reorganization proceedings with the Tokyo District Court (the “Japan Court”) under the Corporate Reorganization Act of Japan on February 27, 2012 (the “Japan Proceeding”). On March 23, 2012, the Japan Court issued an order to commence the Japan Proceeding. Elpida filed a Verified Petition for Recognition and Chapter 15 Relief (the “U.S. Proceeding”) in the United States Bankruptcy Court for the District of Delaware (the “U.S. Court”) on March 19, 2012 and, on April 24, 2012, the U.S. Court entered an order that, among other things, recognized the Japan Proceeding as a foreign main proceeding pursuant to 11 U.S.C. § 1517(b).

Under the Sponsor Agreement, we committed to support plans of reorganization for the Elpida Companies that would provide for payments by the Elpida Companies to their secured and unsecured creditors in an aggregate amount of 200 billion yen (or the equivalent of approximately \$2.44 billion), less certain expenses of the reorganization proceedings and certain other items. The Sponsor Agreement provides that we will invest 60 billion yen (or the

equivalent of approximately \$731 million) in cash in Elpida at the closing in exchange for 100% ownership of Elpida's equity. As a condition to the execution of the Sponsor Agreement, we deposited 1.8 billion yen (or the equivalent of approximately \$22 million) into an escrow account in July 2012, which will be applied towards our purchase price for the Elpida shares at closing. The Elpida Companies will use the proceeds of our investment to fund an initial installment payment to their creditors of 60 billion yen, which amount is subject to reduction for certain items specified in the Sponsor Agreement. The initial installment payment will be made within three months following the closing of our acquisition of Elpida. The remaining 140 billion yen (or the equivalent of approximately \$1.71 billion) of installment payments payable to the Elpida Companies' creditors will be made by the Elpida Companies in six annual installments payable at the end of each calendar year beginning in the calendar year after the first installment payment is made. If the resolution of certain unfixed claims under

the proposed plans of reorganization, primarily comprised of outstanding litigation claims, would result in payments in respect of those claims in excess of amounts reserved under the proposed plans of reorganization to satisfy such claims, there is a possibility that the Elpida Companies would be required to pay more than 200 billion yen to their pre-petition creditors under the plans of reorganization. In addition, if these unfixed claims are resolved pursuant to settlement arrangements or other post-petition agreements, a substantial portion of the amounts payable with respect to the claims may have to be funded by the Elpida Companies outside of the installment payments provided for by the plans of reorganization. We or one of our subsidiaries are committed to enter into a supply agreement with Elpida following the closing, which will provide for our purchase on a cost-plus basis of all product produced by Elpida. Cash flows from such supply agreement will be used to satisfy the required installment payments under the plans of reorganization. Although certain key parameters of the supply agreement have been agreed to with Elpida, the detailed terms have not been completed, and the final terms will be subject to Japan Court approval.

On that same date, we entered into a share purchase agreement with Powerchip Technology Corporation ("Powerchip") and certain of its affiliates (the "Rexchip Share Purchase Agreement"), under which we will purchase approximately 714 million shares of the common stock of Rexchip, a manufacturing joint venture formed by Elpida and Powerchip, for approximately 10 billion New Taiwan dollars (or the equivalent of approximately \$344 million).

If the transactions contemplated by these two agreements are completed, we will own 100% of Elpida and, directly or indirectly through Elpida, 89% of Rexchip.

The consummation of the Sponsor Agreement is subject to various closing conditions, and we are currently targeting a closing in the first half of calendar 2013. The consummation of the Sponsor Agreement remains subject to, among other conditions: (i) regulatory approval in the People's Republic of China; (ii) the approval of both the Japan Court and the creditors of the Elpida Companies of the proposed plans of reorganization; (iii) the granting of a recognition order by the U.S. Court with respect to the Japan Court approval of the Elpida plan of reorganization or the completion or implementation of alternative actions providing substantially equivalent benefits; and (iv) the closing of the purchase of the Rexchip shares from the Powerchip Group under the Rexchip Share Purchase Agreement. There can be no assurance that the various conditions will be satisfied, that the Elpida acquisition will close when expected or at all, or that the acquisition of Elpida will ultimately be consummated on the terms and conditions set forth in the Sponsor Agreement. Various creditors are challenging Elpida's proposed plan of reorganization and related requests for relief, both in the Japan Proceeding and the U.S. Proceeding. If the requisite Japan Court and U.S. Court orders are not entered, the requisite creditor approvals are not obtained or the closing conditions are not satisfied or waived, Micron will not be able to close the acquisitions. Even if the closing occurs, if the timing of closing is delayed significantly, which may be due to, among other things, delays in the regulatory approval process or the court approval process, including as a result of appeals, the value of the Elpida business to Micron could be materially adversely impacted.

In addition to the acquisition risks described elsewhere, these acquisitions are expected to involve the following significant risks:

- continued deterioration of conditions in the semiconductor memory market may threaten Elpida's ability to pay its obligations;
- we may incur losses in connection with our financial support, including outstanding guarantees and financing, of the Elpida Companies' working capital financing and eligible capital expenditures, which losses may arise even if the transactions do not close;
- we may be unable to maintain customers, successfully execute our integration strategies, or achieve planned synergies;
- we may be unable to accurately forecast the anticipated financial results of the combined business;

- our consolidated financial condition may be adversely impacted by the increased leverage resulting from the transactions;
- increased exposure to the DRAM market, which experienced significant declines in pricing during the first quarter of 2013 as well as 2012 and 2011;
- further deterioration of Elpida's and Rexchip's operations and customer base during the period between signing and closing;
- increased exposure to operating costs denominated in yen and New Taiwan dollar;
- integration issues with Elpida's and Rexchip's primary manufacturing operations in Japan and Taiwan;
- integration issues of our product and process technology with Elpida and Rexchip; and
- an overlap in customers.

Our pending acquisitions of Elpida and Rexchip are inherently risky, may not be successful and may materially adversely affect our business, results of operations or financial condition.

The operations of the Elpida Companies will be subject to continued oversight by the Japan Court during the pendency of the corporate reorganization proceedings.

If we are able to complete the Elpida acquisition, the operation of the businesses of the Elpida Companies will be subject to ongoing oversight by the Japan Court and the trustees during the pendency of the corporate reorganization proceedings. This oversight may continue until the final creditor payment is made under the Elpida Companies' plans of reorganization, which is scheduled to occur in December 2019, but may occur on a later date to the extent any claims of creditors remain unfixed on the final scheduled installment payment date. Although we may be able to petition the court to terminate the corporate reorganization proceedings once two-thirds of all payments under the plans of reorganization are made, there can be no assurance that the Japan Court will grant any such petition.

During the pendency of the Japan Proceeding, the Elpida Companies will provide periodic financial reports to the Japan Court and may be required to obtain the consent of the Japan Court prior to taking a number of significant actions relating to their businesses, including transferring or disposing of, or acquiring, assets outside the ordinary course of business, incurring or guaranteeing indebtedness, settling disputes or entering into or terminating certain agreements. The consent of the legal trustee may also be required for matters that would likely have a material impact on the operations or assets of the Elpida Companies and their subsidiaries or for transfers of material assets, to the extent the matters or transfers would reasonably be expected to materially and adversely affect execution of the plans of reorganization of the Elpida Companies.

The purpose of the ongoing oversight of the Japan Court is to help ensure that the Elpida Companies meet their installment payment obligations under the plans of reorganization. Although we are planning to request that the Japan Court limit these consent requirements following the closing, we cannot guarantee that we will be successful in narrowing the scope of these consent requirements or that the Japan Court will not impose further requirements on the Elpida Companies, particularly if the Japan Court perceives any risk in the ability of the Elpida Companies to satisfy their obligations under the plans of reorganization. Accordingly, during the pendency of the Japan Proceeding, the operations of the Elpida Companies could be adversely affected if the Japan Court or the legal trustee is unwilling to consent to various actions that we may wish to take with respect to the Elpida Companies. In addition, as a result of the U.S. Proceeding, certain actions that we may wish to take with respect to the U.S. assets of the Elpida Companies (primarily U.S. patents) following the closing (including any transfers or licenses of U.S. intellectual property assets in connection with the implementation of the cost-plus supply arrangement described above) may require approval from the U.S. Court. It is a condition to the closing of Micron's

acquisition of Elpida that the U.S. Court enters an order that recognizes the order of the Japan Court approving the plan of reorganization and authorizes its implementation with respect to assets that exist and claims that can be asserted in the United States or that alternative actions providing substantially equivalent benefits are completed or implemented. If the U.S. Court does not enter such an order or such alternative actions are not completed or implemented and we waive this condition, the U.S. assets of Elpida may remain subject to continued U.S. Court jurisdiction and actions that we may wish to take with respect to the U.S. assets of Elpida may remain subject to U.S. Court oversight.

Our pending acquisitions of Elpida and Rexchip expose us to significant risks from changes in currency exchange rates.

Under the Sponsor Agreement, we committed to support plans of reorganization for Elpida that would provide for payments to the secured and unsecured creditors of Elpida in an aggregate amount of 200 billion yen. Also, under the share purchase agreement with Powerchip, we agreed to pay approximately 10 billion New Taiwan dollars to purchase approximately 714 million shares of Rexchip common stock. Although Elpida's operating results are favorably impacted by a weakening in the yen, these payments in yen and New Taiwan dollars expose us to significant risks from changes in currency exchange rates.

On July 2, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 200 billion yen with a weighted-average strike price of 79.15 (yen per U.S. dollar). In addition, to reduce the cost of these call options, we sold put options to sell 100 billion yen with a strike price of 83.32 and we sold call options to buy 100 billion yen with a strike price of 75.57. The net cost of these call and put options, which expire on April 3, 2013, of \$49 million is payable upon settlement. These currency options mitigate the risk of a strengthening yen for our yen-denominated payments under the Sponsor Agreement while preserving some ability for us to benefit if the value of the yen weakens relative to the U.S. dollar. On July 25, 2012, we executed a series of separate currency exchange transactions pursuant to which we purchased call options to buy 10 billion New Taiwan dollars with a weighted-average strike price of 29.21 (New Taiwan dollars per U.S. dollar). The net cost of these options, which expire on April 2, 2013, of \$3 million is payable upon settlement. These currency options mitigate the risk of a strengthening New Taiwan dollar for our payments under the Rexchip Share Purchase Agreement. These yen and New Taiwan dollar option contracts were not designated for hedge accounting and are remeasured at fair value each period with gains and losses reflected in our results of operations. Therefore, changes in the exchange rate between the U.S. dollar and the yen and the New Taiwan dollar could have a significant impact on our results of operations. In the first quarter of 2013, we recognized a loss of \$62 million on the yen hedge for the pending acquisition of Elpida.

We may make future acquisitions and/or alliances, which involve numerous risks.

Acquisitions and the formation or operation of alliances, such as joint ventures and other partnering arrangements, involve numerous risks including the following:

- integrating the operations, technologies and products of acquired or newly formed entities into our operations;
- increasing capital expenditures to upgrade and maintain facilities;
- increased debt levels;
- the assumption of unknown or underestimated liabilities;
- the use of cash to finance a transaction, which may reduce the availability of cash to fund working capital, capital expenditures, research and development expenditures and other business activities;
- diverting management's attention from normal daily operations;

- managing larger or more complex operations and facilities and employees in separate and diverse geographic areas;
- hiring and retaining key employees;
- requirements imposed by governmental authorities in connection with the regulatory review of a transaction, which may include, among other things, divestitures or restrictions on the conduct of our business or the acquired business;
- inability to realize synergies or other expected benefits;
- failure to maintain customer, vendor and other relationships;
- inadequacy or ineffectiveness of an acquired company's internal financial controls, disclosure controls and procedures, and/or environmental, health and safety, anti-corruption, human resource, or other policies or practices; and
- impairment of acquired intangible assets and goodwill as a result of changing business conditions, technological advancements or worse-than-expected performance of the acquired business.

In recent years, supply of memory products has significantly exceeded customer demand resulting in significant declines in average selling prices for DRAM, NAND Flash and NOR Flash products. Resulting operating losses have led to the deterioration in the financial condition of a number of industry participants, including the liquidation of Qimonda AG ("Qimonda") and the recent bankruptcy filing by Elpida Memory, Inc. These types of proceedings often lead to confidential court-directed processes involving the sale of related businesses or assets. We believe the global memory industry is experiencing a period of consolidation as a result of these market conditions and other factors, and we have engaged, and expect to continue to engage, in discussions regarding potential acquisitions and similar opportunities arising out of these industry conditions, such as our pending acquisition of Elpida. To the extent we are successful in completing any such transactions, we could be subject to some or all of the risks described above, including the risks pertaining to funding, assumption of liabilities, integration challenges and increases in debt that may accompany such transactions. Acquisitions of, or alliances with, high-technology companies are inherently risky and may not be successful and may materially adversely affect our business, results of operations or financial condition.

The unaudited proforma financial statements presented in this exhibit are not necessarily indicative of the financial results the combined company would have realized had the proposed Elpida acquisition been consummated at the beginning of each period presented and future results may differ materially from the amounts presented in such financial information.

The unaudited pro forma condensed combined financial statements included in this exhibit are for illustrative purposes only and are based on preliminary valuations of assets and liabilities proposed to be acquired and the expected consideration to be paid in the proposed Elpida acquisition. The actual valuation, consideration and related adjustments will be determined as of the closing date of the Elpida acquisition and may differ materially from those reflected in the pro forma condensed combined financial statements presented herein. The unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the Elpida acquisition or the costs to integrate our operations and the operations of Elpida and its subsidiaries or the costs necessary to achieve any cost savings, operating synergies and revenue enhancements. These preliminary amounts and the related adjustments could also change as additional information becomes available and more detailed analysis is performed. These changes could result in material variances between the combined entity's future financial results and the amounts presented in the unaudited pro forma condensed combined financial statements, including variances in fair values recorded, as well as expenses and cash flows associated with these items. Final purchase accounting adjustments may differ materially from the pro

forma adjustments presented herein. The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of our consolidated results of operations or financial position that we would have reported had the Elpida acquisition been completed as of the dates presented, and should not be taken as a representation of our future consolidated results of operations or financial position. Pro forma adjustments are based upon available information and assumptions that we believe are reasonable as described in the notes to the pro forma financial statements.

We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations, make scheduled debt payments and make adequate capital investments.

Our cash flows from operations depend primarily on the volume of semiconductor memory sold, average selling prices and per unit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, we must make significant capital investments in manufacturing technology, capital equipment, facilities, R&D and product and process technology. We estimate that capital spending for 2013 will be approximately \$1.6 billion to \$1.9 billion. In addition, if we are able to complete the Elpida acquisition we believe that capital spending following the closing will be higher than our historical levels as a result of the investments needed to integrate the companies' manufacturing operations and to support the increased capacity resulting from the Elpida transaction. As of November 29, 2012, we had cash and equivalents of \$2,102 million and short-term investments of \$169 million. Cash and investments included \$56 million held by IM Flash Technologies, LLC ("IMFT"), which is generally not available to finance our other operations. If we are able to close the Elpida transaction, cash held by Elpida may be available to fund a portion of the capital spending. In the past we have utilized external sources of financing when needed. As a result of our current debt levels, expected debt amortization, general economic conditions and adverse conditions in the credit markets, it may be difficult for us to obtain financing on terms acceptable to us. There can be no assurance that we will be able to generate sufficient cash flows, access cash held by Elpida, access capital markets or find other sources of financing to fund our operations, make debt amortization payments and make adequate capital investments to remain competitive in terms of technology development and cost efficiency. Our inability to do the foregoing could have a material adverse effect on our business and results of operations.

Inotera's financial situation may adversely impact the value of our interest and our supply agreement.

Due to significant market declines in the selling prices of DRAM, Inotera incurred net losses of \$410 million for its nine-month period ended September 30, 2012 and \$737 million for its fiscal year ended December 31, 2011. Also, Inotera's current liabilities exceeded its current assets by \$1.8 billion as of September 30, 2012, which exposes Inotera to liquidity risk. As of June 30, 2012, Inotera was not in compliance with certain loan covenants, and had not been in compliance for the past several years. Inotera received a waiver from complying with the June 30, 2012 financial covenants. Inotera's management has developed plans to improve its liquidity, but there can be no assurance that Inotera will be successful in improving its liquidity, which may result in its lenders requiring repayment of such loans during the next year. If Inotera is unable to adequately improve its liquidity, we may have to impair our investment in Inotera, which had a net carrying value of \$270 million as of November 29, 2012.

In the second quarter of 2012, we contributed \$170 million to Inotera, which increased our ownership percentage from 29.7% to 39.7%. We may not elect to continue to make equity contributions to Inotera, which may further increase its liquidity risk.

On January 17, 2013, we and certain of our subsidiaries entered into an agreement (the "Master Agreement") with NTC and Inotera to restructure a variety of existing agreements between the parties. Under the new supply agreement, Inotera has the right and the obligation to sell to us all of the DRAM products manufactured by Inotera other than DRAM products that are sold by Inotera to NTC during 2013 pursuant to a separate supply agreement between Inotera and NTC that gives NTC the right to

purchase the DRAM products resulting from less than five percent (5%) of Inotera's capacity. Under the terms of the old supply agreement, we had the right to purchase up to 50% of Inotera's wafer capacity. In the first quarter of 2013, we purchased \$201 million of DRAM products from Inotera and our supply from Inotera accounted for 49% of our aggregate DRAM gigabit production under the old supply agreement. We expect to significantly increase our purchases of DRAM wafers from Inotera as a result of the new supply agreement. If our supply of DRAM from Inotera is impacted, our business, results of operations or financial condition could be materially adversely affected.

Our Inotera Supply Agreement involves numerous risks.

Our Inotera Supply Agreement involves numerous risks including the following:

- we have experienced difficulties and delays in ramping production at Inotera on our technology and may continue to experience difficulties and delays in the future;
- we have experienced and may experience in the future difficulties in transferring technology to Inotera;
- costs associated with manufacturing inefficiencies resulting from underutilized capacity;
- difficulties in obtaining high yield and throughput due to differences in Inotera's manufacturing processes and equipment from our other fabrication facilities; and
- uncertainties around the timing and amount of wafer supply we will receive under the supply agreement.

The acquisition of our ownership interest in Inotera from Qimonda has been legally challenged by the administrator of the insolvency proceedings for Qimonda.

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda's insolvency proceedings, filed suit against us and Micron Semiconductor B.V., our Netherlands subsidiary, in the District Court of Munich, Civil Chamber. The complaint seeks to void under Section 133 of the German Insolvency Act a share purchase agreement between us and Qimonda signed in fall 2008 pursuant to which we purchased all of Qimonda's shares of Inotera and seeks an order requiring us to retransfer the Inotera shares purchased from Qimonda to the Qimonda estate. The complaint also seeks to terminate under Sections 103 or 133 of the German Insolvency Code a patent cross license between us and Qimonda entered into at the same time as the share purchase agreement. A three-judge panel will render a decision after a series of hearings with pleadings, arguments and witnesses. A first hearing was held on September 25, 2012 and a second hearing was held on February 5, 2013. We are unable to predict the outcome of this lawsuit and therefore cannot estimate the range of possible loss. The final resolution of this lawsuit could result in the loss of the Inotera shares or equivalent monetary damages and the termination of the patent cross license, which could have a material adverse effect on our business, results of operation or financial condition. As of November 29, 2012, the Inotera shares purchased from Qimonda had a net carrying value of \$149 million.

Our future success may depend on our ability to develop and produce competitive new memory technologies.

Our key semiconductor memory technologies of DRAM, NAND Flash and NOR Flash face technological barriers to continue to meet long-term customer needs. These barriers include potential limitations on the ability to shrink products in order to reduce costs, meet higher density requirements and improve power consumption and reliability. To meet these requirements, we expect that new memory technologies will be developed by the semiconductor memory industry. Our competitors are working to develop new memory technologies that may offer performance and/or cost advantages to our existing

memory technologies and render existing technologies obsolete. Accordingly, our future success may depend on our ability to develop and produce viable and competitive new memory technologies. There can be no assurance of the following:

- that we will be successful in developing competitive new semiconductor memory technologies;
- that we will be able to cost-effectively manufacture new products;
- that we will be able to successfully market these technologies; and

- that margins generated from sales of these products will allow us to recover costs of development efforts.

If our efforts to develop new semiconductor memory technologies are unsuccessful, our business, results of operations or financial condition may be adversely affected.

Our joint ventures and strategic relationships involve numerous risks.

We have entered into strategic relationships to manufacture products and develop new manufacturing process technologies and products. These relationships include our IMFT NAND Flash joint venture with Intel Corporation (“Intel”), our Inotera DRAM joint venture with NTC, our MP Mask joint venture with Photronics, Inc. and our CMOS image sensor wafer supply agreement with Aptina Imaging Corporation (“Aptina”). These joint ventures and strategic relationships are subject to various risks that could adversely affect the value of our investments and our results of operations. These risks include the following:

- our interests could diverge from our partners or we may not be able to agree with partners on ongoing manufacturing and operational activities, or on the amount, timing or nature of further investments in our joint venture;
- we may experience difficulties in transferring technology to joint ventures;
- we may experience difficulties and delays in ramping production at joint ventures;
- our control over the operations of our joint ventures is limited;
- we may need to continue to recognize our share of losses from Inotera in our future results of operations;
- due to financial constraints, our joint venture partners may be unable to meet their commitments to us or our joint ventures and may pose credit risks for our transactions with them;
- due to differing business models or long-term business goals, our partners may decide not to join us in funding capital investment by our joint ventures, which may result in higher levels of cash expenditures by us;
- cash flows may be inadequate to fund increased capital requirements;
- a decrease in demand for Aptina’s products could result in underutilized capacity and decrease our cost effectiveness;
- we may experience difficulties or delays in collecting amounts due to us from our joint ventures and partners;
- the terms of our partnering arrangements may turn out to be unfavorable; and
- changes in tax, legal or regulatory requirements may necessitate changes in the agreements with our partners.

If our joint ventures and strategic relationships are unsuccessful, our business, results of operations or financial condition may be adversely affected.

An adverse outcome relating to allegations of anticompetitive conduct could materially adversely affect our business, results of operations or financial condition.

On May 5, 2004, Rambus, Inc. (“Rambus”) filed a complaint in the Superior Court of the State of California (San Francisco County) against us and other DRAM suppliers which alleged that the defendants harmed Rambus by engaging in concerted and unlawful efforts affecting Rambus DRAM by eliminating competition and stifling innovation in the market for computer memory technology and computer memory chips. Rambus’ complaint alleged various causes of action under California state law including, among other things, a conspiracy to restrict output and fix prices, a conspiracy to monopolize, intentional interference with prospective economic advantage, and unfair competition. Rambus sought a judgment for damages of approximately \$3.9 billion, joint and several liability, trebling of damages awarded, punitive damages, a permanent injunction enjoining the defendants from the conduct alleged in the complaint, interest, and attorneys’ fees and costs. Trial began on June 20, 2011, and the case went to the jury on September 21, 2011. On November 16, 2011, the jury found for us on all claims. On April 2, 2012, Rambus filed a notice of appeal to the California 1st District Court of Appeal.

We are unable to predict the outcome of this matter. An adverse court determination of any lawsuit alleging violations of antitrust laws could result in significant liability and could have a material adverse effect on our business, results of operations or financial condition.

An adverse determination that our products or manufacturing processes infringe the intellectual property rights of others could materially adversely affect our business, results of operations or financial condition.

On January 13, 2006, Rambus filed a lawsuit against us in the U.S. District Court for the Northern District of California. Rambus alleges that certain of our DDR2, DDR3, RLD RAM, and RLD RAM II products infringe as many as fourteen Rambus patents and seeks monetary damages, treble damages, and injunctive relief. The accused products account for a significant portion of our net sales. On June 2, 2006, we filed an answer and counterclaim against Rambus alleging, among other things, antitrust and fraud claims. On January 9, 2009, in another lawsuit involving us and Rambus and involving allegations by Rambus of patent infringement against us in the U.S. District Court for the District of Delaware, Judge Robinson entered an opinion in favor of us holding that Rambus had engaged in spoliation and that the twelve Rambus patents in the suit were unenforceable against us. Rambus subsequently appealed the Delaware Court’s decision to the U.S. Court of Appeals for the Federal Circuit. On May 13, 2011, the Federal Circuit affirmed Judge Robinson’s finding of spoliation, but vacated the dismissal sanction and remanded the case to the Delaware District Court for analysis of the remedy based on the Federal Circuit’s decision. On January 2, 2013, Judge Robinson entered a new opinion in our favor holding that Rambus had engaged in spoliation, that Rambus’ spoliation was done in bad faith, that the spoliation prejudiced us, and that the appropriate sanction was to declare the twelve Rambus patents in the suit unenforceable against us. The Northern District of California Court stayed the trial of the patent phase of the Northern District of California case upon appeal of the

spoliation issue to the Federal Circuit. In addition, others have asserted, and may assert in the future, that our products or manufacturing processes infringe their intellectual property rights.

We are unable to predict the outcome of assertions of infringement made against us. A court determination that our products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing results could have a material adverse effect on our business, results of operations or financial condition.

We have a number of patent and intellectual property license agreements. Some of these license agreements require us to make one time or periodic payments. We may need to obtain additional patent licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms.

Products that fail to meet specifications, are defective or that are otherwise incompatible with end uses could impose significant costs on us.

Products that do not meet specifications or that contain, or are perceived by our customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on us or otherwise materially adversely affect our business, results of operations or financial condition. From time to time we have experienced problems with nonconforming, defective or incompatible products after we have shipped such products. In recent periods we have further diversified and expanded our product offerings which could potentially increase the chance that one or more of our products could fail to meet specifications in a particular application. As a result of these problems we could be adversely affected in several ways, including the following:

- we may be required to compensate customers for costs incurred or damages caused by defective or incompatible product or replace products,
- we could incur a decrease in revenue or adjustment to pricing commensurate with the reimbursement of such costs or alleged damages, and
- we may encounter adverse publicity, which could cause a decrease in sales of our products.

New product development may be unsuccessful.

We are developing new products that complement our traditional memory products or leverage their underlying design or process technology. We have made significant investments in product and process technologies and anticipate expending significant resources for new semiconductor product development over the next several years. The process to develop DRAM, NAND Flash, NOR Flash and certain specialty memory products requires us to demonstrate advanced functionality and performance, many times well in advance of a planned ramp of production, in order to secure design wins with our customers. There can be no assurance that our product development efforts will be successful, that we will be able to cost-effectively manufacture new products, that we will be able to successfully market these products or that margins generated from sales of these products will allow us to recover costs of development efforts.

Consolidation of industry participants and governmental assistance to some of our competitors may contribute to uncertainty in the semiconductor memory industry and negatively impact our ability to compete.

In recent years, supply of memory products has significantly exceeded customer demand resulting in significant declines in average selling prices of DRAM, NAND Flash and NOR Flash products and substantial operating losses by us and our competitors. The operating losses as well as limited access to sources of financing have led to the deterioration in the financial condition of a number of industry participants. Some of our competitors may try to enhance their capacity and lower their cost structure through consolidation. In addition, some governments have provided, and may be considering providing, significant financial assistance to some of our competitors. Consolidation of industry competitors could put us at a competitive disadvantage.

We may incur additional material restructure charges in future periods.

In response to severe downturns in the semiconductor memory industry and global economic conditions, we implemented restructure plans in prior periods and may need to implement restructure initiatives in future periods. As a result, we could incur restructure charges (including but not limited to severance and other termination benefits, losses on dispositions on equipment or other long-lived assets and inventory write downs), lose production output, lose key personnel and experience disruptions in our operations and difficulties in the timely delivery of products.

The limited availability of raw materials, supplies or capital equipment could materially adversely affect our business, results of operations or financial condition.

Our operations require raw materials that meet exacting standards. We generally have multiple sources of supply for our raw materials. However, only a limited number of suppliers are capable of delivering certain raw materials that meet our standards. In some cases, materials are provided by a single supplier. Various factors could reduce the availability of raw materials such as silicon wafers, photomasks, chemicals, gases, photoresist, lead frames and molding compound. Shortages may occur from time to time in the future. In addition, disruptions in transportation lines could delay our receipt of raw materials. Lead times for the supply of raw materials have been extended in the past. If our supply of raw materials is disrupted or our lead times extended, our business, results of operations or financial condition could be materially adversely affected.

Our operations are dependent on our ability to procure advanced semiconductor equipment that enables the transition to lower cost manufacturing processes. For certain key types of equipment, including photolithography tools, we are sometimes dependent on a single supplier. In recent periods we have experienced difficulties in obtaining some equipment on a timely basis due to the supplier's limited capacity. Our inability to timely obtain this equipment could adversely affect our ability to transition to next generation manufacturing processes and reduce costs. Delays in obtaining equipment could also impede our ability to ramp production at new facilities and increase our overall costs of the ramp. If we are unable to timely obtain advanced semiconductor equipment, our business, results of operations or financial condition could be materially adversely affected.

Our results of operations could be affected by natural events in the locations in which we or our customers or suppliers operate.

We have manufacturing and other operations in locations subject to natural occurrences such as severe weather and geological events including earthquakes or tsunamis that could disrupt operations. In addition, our suppliers and customers also have operations in such locations. A natural disaster that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, may adversely affect our business, results of operations or financial condition.

Our net operating loss and tax credit carryforwards may be limited.

We have a valuation allowance against substantially all U.S. net deferred tax assets. As of August 30, 2012, our federal, state and foreign net operating loss carryforwards were \$3.5 billion, \$2.2 billion and \$737 million, respectively. If not utilized, substantially all of our federal and state net operating loss carryforwards will expire in 2023 to 2032 and the foreign net operating loss carryforwards will begin to expire in 2017. As of August 30, 2012, our federal and state tax credit carryforwards were \$208 million and \$203 million respectively. If not utilized, substantially all of our federal and state tax credit carryforwards will expire in 2013 to 2032. As a consequence of prior business acquisitions, utilization of the tax benefits for some of the tax carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code and some portion or all of these carryforwards may not be available to offset any future taxable income. The determination of these tax limitations is complex and requires a significant amount of judgment by us with respect to analysis of past transactions.

Changes in foreign currency exchange rates could materially adversely affect our business, results of operations or financial condition.

Across our multi-national operations, there are transactions and balances denominated in currencies other than the U.S. dollar (our reporting currency), primarily the Singapore dollar, euro, shekel and yen. We recorded net losses from changes in currency exchange rates of \$6 million for 2012, \$6 million for 2011 and \$23 million for 2010. Based on our foreign currency exposures from monetary assets and liabilities,

offset by balance sheet hedges, we estimate that a 10% adverse change in exchange rates versus the U.S. dollar would result in losses of approximately \$3 million as of November 29, 2012. In the event that the U.S. dollar weakens significantly compared to the Singapore dollar, euro, shekel or yen, our results of operations or financial condition may be adversely affected.

In connection with the Sponsor Agreement and Rexchip Share Purchase Agreement, we entered into currency option transactions to mitigate the risk that increases in exchange rates have on our planned yen and New Taiwan dollar payments. We estimate that, as of November 29, 2012, a 10% decrease in exchange rates for the yen and New Taiwan dollar compared with U.S. dollar would result in losses of approximately \$109 million for these currency options. Additionally, we estimate that, as of November 29, 2012, a 10% decrease in exchange rates for the yen and New Taiwan dollar compared with U.S. dollar would result in a decrease of \$265 million in the value of our planned payments under the Sponsor Agreement and Rexchip Share Purchase Agreement.

We face risks associated with our international sales and operations that could materially adversely affect our business, results of operations or financial condition.

Sales to customers outside the United States approximated 85% of our consolidated net sales for the first quarter of 2013. In addition, a substantial portion of our manufacturing operations are located outside the United States. In particular, a significant portion of our manufacturing operations are concentrated in Singapore. Our international sales and operations are subject to a variety of risks, including:

- export and import duties, changes to import and export regulations, and restrictions on the transfer of funds;
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act, export control laws and similar rules and regulations;
- political and economic instability;
- problems with the transportation or delivery of our products;
- issues arising from cultural or language differences and labor unrest;
- longer payment cycles and greater difficulty in collecting accounts receivable;
- compliance with trade, technical standards and other laws in a variety of jurisdictions;
- contractual and regulatory limitations on our ability to maintain flexibility with our staffing levels;
- disruptions to our manufacturing operations as a result of actions imposed by foreign governments;
- changes in economic policies of foreign governments; and
- difficulties in staffing and managing international operations.

These factors may materially adversely affect our business, results of operations or financial condition.

If our manufacturing process is disrupted, our business, results of operations or financial condition could be materially adversely affected.

We manufacture products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process or the effects from a shift in product mix can reduce yields or disrupt production and may increase our per gigabit manufacturing costs. Additionally, our control over operations at our IMFT, Inotera and MP Mask joint ventures is limited by our agreements with our partners. From time to time, we have experienced disruptions in our manufacturing process as a result of power outages, improperly

functioning equipment and equipment failures. If production at a fabrication facility is disrupted for any reason, manufacturing yields may be adversely affected or we may be unable to meet our customers' requirements and they may purchase products from other suppliers. This could result in a significant increase in manufacturing costs or loss of revenues or damage to customer relationships, which could materially adversely affect our business, results of operations or financial condition.

Breaches of our network security could expose us to losses.

We manage and store on our network systems, various proprietary information and sensitive or confidential data relating to our operations. We also process, store, and transmit large amounts of data for our customers, including sensitive personal information. Computer programmers and hackers may be able to gain unauthorized access to our network system and steal proprietary information, compromise confidential information, create system disruptions, or cause shutdowns. These parties may also be able to develop and deploy viruses, worms, and other malicious software programs that disrupt our operations and create security vulnerabilities. Attacks on our network systems could result in significant losses and damage our reputation with customers.

We are subject to counterparty default risks.

We have numerous arrangements with financial institutions that subject us to counterparty default risks, including cash deposits, investments, foreign currency option and forward contracts, and capped-call contracts on our stock. As a result, we are subject to the risk that the counterparty to one or more of these arrangements will default on its performance obligations. A counterparty may default rapidly and without notice to us, which could limit our ability to take action to mitigate our exposure. Additionally, our ability to mitigate our exposures may be constrained by the terms of our contractual arrangements or because market conditions prevent us from taking effective action. If one of our counterparties becomes insolvent or files for bankruptcy, our ability to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceeding. In the event of such default, we could incur significant losses, which could adversely impact our business, results of operations or financial condition.