

First Quarter of FY2020 Financial Results (Three months ended June 30, 2020)

Kioxia Holdings Corporation

Aug 12, 2020

Disclaimer

On April 1, 2017, Toshiba Corporation spun off its memory business into the former Toshiba Memory Corporation (“Former TMC”). On June 1, 2018, Toshiba Corporation sold all of the shares of Former TMC to K.K. Pangea, a special purpose acquisition company formed by a consortium led by Bain Capital Private Equity, LP, and as a result, Former TMC became a wholly-owned subsidiary of K.K. Pangea. On August 1, 2018, K.K. Pangea merged with Former TMC, with K.K. Pangea as the legally surviving entity. On the same date, K.K. Pangea was renamed Toshiba Memory Corporation (“TMC”). On March 1, 2019, Toshiba Memory Holdings Corporation (“TMCHD”) was established as the holding company for TMC through a sole-share transfer, whereby TMC’s then-existing shareholders became the shareholders of TMCHD and TMC became a wholly-owned subsidiary of TMCHD. On October 1, 2019, TMCHD and TMC were renamed Kioxia Holdings Corporation (“we”) and Kioxia Corporation, respectively.

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This presentation includes information and statements regarding the flash memory industry obtained from industry publications and surveys, publicly available sources and from third-party sources considered to be reliable. Whilst this presentation is provided in good faith, it does not purport to be comprehensive and has not been independently verified.

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Financial Results Overview¹

(in billion yen)	FY19 Q4	FY20 Q1	
			QoQ
Sales	279.6	267.5	(12.1)
Operating Profit	12.1	14.7	+2.6
<i>Margin</i>	4%	5%	+1pt
Net Income	9.8	1.7	(8.1)
<i>Margin</i>	4%	1%	(3)pt

Additional detail (included in above figures)

Depreciation and Amortization	105.2	102.4	(2.8)
PPA Impact ²	(27.3)	(26.7)	+0.6
Income Tax	(7.9)	1.1	+9.0

¹ Based on quarterly reviewed consolidated financial statements prepared under IFRS

² Amount of financial impact of PPA on operating profit caused by the acquisition of the Former TMC by K.K. Pangea

Highlights

Recent Sales Trends

	FY19 Q4	FY20 Q1
Bit growth (QoQ)	Low-single-digit-% increase	Low-single-digit-% decrease
ASP (JPY, QoQ)	Mid-single-digit-% increase	Low-single-digit-% increase

- Bit shipments down slightly as robust data center demand offset lower smartphone purchases impacted by COVID-19
- ASP improved for the last three quarters benefitted by favorable supply/demand balance

New Products and Technology

- Launched Industry's First 24G SAS SSDs for Servers and Storage (June 16, 2020)

Completed Acquisition of LITE-ON Technology Corporation's Solid State Drive (SSD) Business

- Completed the acquisition of Solid State Storage Technology Corporation and its affiliated companies on July 1, 2020, to strengthen Kioxia's SSD business significantly.

Kitakami Plant

- The first semiconductor fab (K1) facility at the Kitakami Plant started production, contributing to wafer shipments in all months of the quarter.

Industry/Market Trends and Outlook

- Third party experts are continually reassessing Q2 and short term NAND market projections given the uncertainty of the COVID-19 pandemic on the global economy. However, in general, in the medium term they project that the industry is expected to benefit from continued demand in data center and enterprise servers as well as increased demand in next generation gaming consoles. Demand for smartphones is expected to recover as the pandemic-impacted refresh cycle improves and 5G drives memory densities higher. In the longer term horizon, industry experts remain confident in the strong NAND market growth potential and the underlying demand drivers.

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