

Third Quarter of FY2021 Financial Results (Three months ended December 31, 2021)

Kioxia Holdings Corporation

Feb 14, 2022

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.

This presentation has been prepared to provide information on our consolidated financial results and does not constitute or form part of an offer or invitation to sell or a solicitation of an offer to buy or subscribe for or otherwise acquire any securities in any jurisdiction or an inducement to engage in investment activity nor shall it form the basis of or be relied on in connection with any contract thereof.

Financial Results Overview¹

(in billion yen)	FY21 Q2	FY21 Q3	QoQ
Sales	400.5	402.7	+2.2
Operating Profit	78.0	72.2	(5.8)
<i>Margin</i>	19%	18%	(2)pt
Net Income	44.7	38.2	(6.5)
<i>Margin</i>	11%	9%	(2)pt

Additional detail (included in above figures)

Depreciation and Amortization ²	109.3	113.4	+4.1
PPA Impact, etc. ³	(24.0)	(26.2)	(2.2)
Income Tax	21.4	17.2	(4.2)

¹ Based on the audited consolidated financial statements prepared under IFRS

² EBITDA is operating profit plus depreciation and amortization, which is indicative of our cash-based profitability. EBITDA for FY21 Q3 is calculated as follows: operating profit of 72.2 billion yen plus depreciation and amortization of 113.4 billion yen totaling 185.6 billion yen.

³ Amount of financial impact of PPA on operating profit (loss) caused by the acquisition of the Former TMC by K.K. Pangea and the acquisition of SSSTC, the SSD business of LITE-ON, and the financial impact of power outage in Yokkaichi plant in June 2019. Non-GAAP measures are indicative of our core ongoing operating results. Non-GAAP operating profit for FY21 Q3 is calculated as follows: operating profit of 72.2 billion yen plus PPA impact, etc. of 26.2 billion yen totaling 98.4 billion yen. Non-GAAP net profit for FY21 Q3 is calculated as follows: net profit of 38.2 billion yen plus PPA impact, etc. of 26.2 billion yen minus a tax adjustment for a total of 56.5 billion yen.

Highlights (1/2)

Recent Sales Trends

	FY21 Q2	FY21 Q3
Bit growth (QoQ) ¹	High-teens % increase	Low-single-digit-% decrease
ASP ¹ (JPY, QoQ)	Mid-single-digit-% increase	Flat

1. Bit basis

- FY21 Q3 was another record revenue quarter for Kioxia.
- Data center / enterprise SSD shipments remained solid, and smartphone shipments stayed high because of its peak seasonality. This was offset by the decline of client SSD shipments due to component shortages in the PC supply chain, ultimately resulting in a quarterly decline in total shipments.
- Overall ASP was flat this quarter, as price declines on a U.S. dollar basis were offset by a weaker yen.

New Products and Technology

- Introduced the industry's first¹ Enterprise and Datacenter Standard Form Factor (EDSFF) E3.S SSDs designed with PCIe^{®2} 5.0 technology
- Introduced client SSDs designed with PCIe^{®2} 4.0 technology in a compact form factor enabling mobility
- Introduced UFS Ver. 3.1 embedded flash memory devices with Quad-level-cell (QLC) technology

1. As of November 9, 2021, Kioxia survey.

2. PCIe is a registered trademark of PCI-SIG.

Highlights (2/2)

Industry/Market Trends and Outlook

- Demand for data center / enterprise SSDs is expected to remain solid, as investment levels are expected to continue for cloud and enterprise IT systems.
- Demand for client SSDs is expected to remain robust as the PC production impact from component shortages is beginning to ease.
- In the long-term, demand for smartphones is expected to continue growing, driven by increasing demand for mobile storage and the 5G transition, with seasonal fluctuations in the short term.
- The industry continues to monitor the impacts of component supply constraints and the COVID pandemic on customer demand and production across the supply chain.
- In the longer term horizon, industry experts remain confident in the growth potential of the NAND market and the underlying demand drivers.

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