

FY2021 ended March 31, 2022

Financial Results

Kioxia Holdings Corporation

May 13, 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.

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Financial Results Overview¹

(in billion yen)	FY21 Q3	FY21 Q4		FY20	FY21	
			QoQ			YoY
Sales	402.7	393.8	(8.9)	1,178.5	1,526.5	+348.0
Operating Income	72.2	30.9	(41.3)	6.6	216.2	+209.6
<i>Margin</i>	18%	8%	(10)pt	1%	14%	+14pt
Net Income	38.2	10.7	(27.5)	(24.5)	105.9	+130.4
<i>Margin</i>	9%	3%	(7)pt	(2)%	7%	+9pt

Additional detail (included in above figures)

Depreciation and Amortization ²	113.4	117.2	+3.8	425.6	445.4	+19.8
Contamination Related Charges ^{3, 5}	-	(33.2)	(33.2)	-	(33.2)	(33.2)
PPA Impact, etc ^{4, 5}	(26.2)	(22.8)	+3.4	(109.1)	(97.0)	+12.1
Income Tax	17.2	3.7	(13.5)	(14.9)	48.5	+63.4

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 Q4 is calculated as follows: operating profit of 30.9 billion yen plus depreciation and amortization of 117.2 billion yen totaling 148.1 billion yen. EBITDA for FY21 is calculated as follows: operating income of 216.2 billion yen plus depreciation and amortization of 445.4 billion yen totaling 661.6 billion yen.

³ Amount of financial impact of production issues on operating profit (loss) due to the contamination of material used in manufacturing processes in the three-dimensional (3D) flash memory BiCS FLASH™ at Kioxia's Yokkaichi Plant and Kitakami Plant in late January 2022.

⁴ 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.

⁵ Non-GAAP measures are indicative of core ongoing operating results. Non-GAAP operating profit for FY21 Q4 is calculated as follows: operating profit of 30.9 billion yen plus contamination related charges and PPA impact, etc ("Non-GAAP adjustment") of 56.0 billion yen totaling 86.9 billion yen. Non-GAAP net income for FY21 Q4 is calculated as follows: net income of 10.7 billion yen plus Non-GAAP adjustment of 56.0 billion yen minus a tax adjustment for a total of 49.9 billion yen. Non-GAAP operating profit for FY21 is calculated as follows: operating profit of 216.2 billion yen plus Non-GAAP adjustment of 130.2 billion yen totaling 346.4 billion yen. Non-GAAP net income for FY21 is calculated as follows: net income of 105.9 billion yen plus Non-GAAP adjustment of 130.2 billion yen minus a tax adjustment for a total of 196.9 billion yen.

Highlights (1/4)

FY2021 Overview

- Kioxia group achieved record revenue in FY21, as sales for data center / enterprise SSD grew supported by investments for cloud and enterprise IT systems, and sales for smartphones grew due to the continuing trend of increasing demand for mobile storage with the 5G transition.
- Stable sales pricing and improved production efficiency from the technology transition to 5th generation BiCS FLASH™ contributed to a significant year over year improvement in operating income from FY20.

Recent Sales Trends

	FY21 Q3	FY21 Q4
Bit growth (QoQ) ¹	Low-single-digit-% decrease	Low-single-digit-% increase
ASP ¹ (JPY, QoQ)	Flat	Flat

1. Bit basis

- Operating income decreased primarily due to the contamination related charges and the timing of annual property tax (in accordance with IFRS).
- The increase in shipments for data center / enterprise SSD was partially offset by the seasonal decline of smartphone shipments, ultimately resulting in a quarterly increase in total shipments.
- With the balanced supply / demand in the NAND market, overall ASPs were flat in the quarter.

Highlights (2/4)

Yokkaichi Plant Fab7 (Y7)

- Kioxia and Western Digital have finalized a formal agreement to jointly invest in the first phase of Y7. With construction of the first phase of Y7 completed, initial production output will begin in the fall of 2022.

Kitakami Plant Fab2 (K2)

- K2 construction commenced to contribute towards possible expansion of production of 3D flash memory BiCS FLASH™. The construction is scheduled to be completed in 2023.

Acquisition of Chubu Toshiba Engineering

- Chubu Toshiba Engineering will become a wholly-owned subsidiary of Kioxia Corporation in the first half of 2022 to secure highly experienced engineering talent and enhance technology development capabilities.

Highlights (3/4)

New Products and Technology

- Introduced SSDs designed with PCIe® 5.0¹ technology for enterprise and hyperscale data centers
- Introduced 24G SAS SSD focused on performance and security for enterprise applications
- Introduced the industry's first next-generation UFS embedded flash memory devices supporting MIPI M-PHY v5.0
- Introduced UFS Ver. 3.1 embedded flash memory devices for automotive applications

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

Production Issues due to the Contamination of the Material

- Kioxia Corporation announced that in late January, contamination of certain material used in its manufacturing processes have occurred at its Yokkaichi Plant and its Kitakami Plant, partially affecting production of its three-dimensional (3D) flash memory BiCS FLASH™. The manufacturing plants ramped back to full production in late February. While this situation has affected BiCS FLASH™ shipments, the company continues to make every effort to minimize the impact on customers.

Highlights (4/4)

Industry/Market Trends and Outlook

- Demand for data center / enterprise SSDs is expected to remain solid, driven by strong investments for cloud and enterprise IT spending.
- Demand for client SSDs is expected to remain robust while some weakness is seen in the consumer market.
- Demand for smartphones is expected to continue growing in the long term, driven by increasing demand for mobile storage and the 5G transition, with slowdown in China market and seasonal fluctuations in the short term.
- Amid increasing macroeconomic uncertainty such as rising geopolitical risks including the ongoing conflict in Ukraine, U.S. interest rate hikes in response to elevated inflation and the COVID lockdown in China, the industry continues to monitor its impacts 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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