

Third Quarter of FY2022

Financial Results (Three months ended December 31, 2022)

Kioxia Holdings Corporation

Feb 14, 2023

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)	FY22 Q2	FY22 Q3	
			QoQ
Revenue	391.4	278.2	(113.2)
Operating Income	80.6	(93.3)	(173.9)
<i>Margin</i>	21%	(34)%	(54)pt
Net Income	34.8	(84.6)	(119.4)
<i>Margin</i>	9%	(30)%	(39)pt

Additional detail (included in above figures)

Depreciation and Amortization ²	101.3	106.3	+5.0
Contamination Related Charges ^{3, 5}	-	-	-
PPA Impact, etc ^{4, 5}	(5.5)	(5.7)	(0.2)
Income Tax Expense	13.1	(23.1)	(36.2)

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 FY22 Q3 is calculated as follows: operating profit of (93.3) billion yen plus depreciation and amortization of 106.3 billion yen totaling 13.0 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 past business combinations 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 FY22 Q3 is calculated as follows: operating profit of (93.3) billion yen plus contamination related charges and PPA impact, etc ("Non-GAAP adjustment") of (5.7) billion yen totaling (87.6) billion yen. Non-GAAP net income for FY22 Q3 is calculated as follows: net income of (84.6) billion yen plus Non-GAAP adjustment of (5.7) billion yen minus a tax adjustment for a total of (80.6) billion yen.

Highlights (1/2)

Recent Sales Trends

	FY22 Q2	FY22 Q3
Bit growth (QoQ) ¹	Low-20% range increase	Mid-teens % decrease
ASP ¹ (JPY, QoQ)	Low-teens % decrease	Low-20% range decrease

1. Bit basis
2. Calculation method of bit growth and ASP has been modified from this quarter in line with improvement of internal inventory management process. The figures for FY22 Q2 have been updated as well.

- Kioxia Q3 revenue decreased quarter over quarter as shipments decreased due to weak demand in PC and smartphone markets and inventory adjustment by data center customers while ASP fell due to supply-demand imbalance.
- Operating income worsened significantly impacted by sharp declines in ASP and resulting inventory write-downs combined with the production adjustment of 31.5 billion yen.
- ASP on a U.S. dollar basis fell in the mid-20% range, which was more than the ASP decline on a Yen basis, due to the strong dollar.

Highlights (2/2)

Industry/Market Trends and Outlook

- Flash memory demand has fallen sharply as customers continue to adjust inventories due to economic uncertainty.
- Demand for PCs and smartphones remains weak due to economic conditions, but is expected to recover in the second half of this year as customers' inventory levels normalize and Chinese economy reopens.
- Demand for data center and enterprise SSDs is weakening sharply due to inventory adjustments and weak enterprise IT spending.
- Despite challenging near-term market environment, industry experts remain confident in the growth potential of flash memory market and the underlying demand drivers in the longer term horizon.
- In response to the current market downturn, Kioxia will continue production adjustments in line with market conditions. Longer term, Kioxia strives to improve profitability by executing on manufacturing cost reductions consistent with our historical trends and by aggressively managing operating expenses.

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