

FY2022 ended March 31, 2023

Financial Results

Kioxia Holdings Corporation

May 12, 2023

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Financial Results Overview¹

(in billion yen)	FY22 Q3	FY22 Q4		FY21	FY22	
			QoQ			YoY
Revenue	278.2	245.2	(33.0)	1,526.5	1,282.1	(244.4)
Operating Profit (Loss)	(93.3)	(171.4)	(78.1)	216.2	(99.0)	(315.2)
<i>Margin</i>	(34)%	(70)%	(36)pt	14%	(8)%	(22)pt
Net Income (Loss)	(84.6)	(130.9)	(46.3)	105.9	(138.1)	(244.0)
<i>Margin</i>	(30)%	(53)%	(23)pt	7%	(11)%	(18)pt

Additional detail (included in above figures)

Depreciation and Amortization ²	106.3	106.9	+0.6	445.4	418.2	(27.2)
Contamination Related Charges ^{3, 5}	-	-	-	(33.2)	-	+33.2
PPA Impact, etc ^{4, 5}	(5.7)	(5.6)	+0.1	(97.0)	(31.6)	+65.4
Income Tax Expense	(23.1)	(53.9)	(30.8)	48.5	(48.3)	(96.8)

¹ Based on the audited consolidated financial statements prepared under IFRS

² EBITDA is operating profit (loss) plus depreciation and amortization, which is indicative of our cash-based profitability. EBITDA for FY22 Q4 is calculated as follows: operating profit (loss) of (171.4) billion yen plus depreciation and amortization of 106.9 billion yen totaling (64.5) billion yen. EBITDA for FY22 is calculated as follows: operating profit (loss) of (99.0) billion yen plus depreciation and amortization of 418.2 billion yen totaling 319.2 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 (loss) for FY22 Q4 is calculated as follows: operating profit (loss) of (171.4) billion yen plus contamination related charges and PPA impact, etc ("Non-GAAP adjustment") of 5.6 billion yen totaling (165.8) billion yen. Non-GAAP net income (loss) for FY22 Q4 is calculated as follows: net income (loss) of (130.9) billion yen plus Non-GAAP adjustment of 5.6 billion yen minus a tax adjustment for a total of (127.2) billion yen. Non-GAAP operating profit (loss) for FY22 is calculated as follows: operating profit (loss) of (99.0) billion yen plus Non-GAAP adjustment of 31.6 billion yen totaling (67.4) billion yen. Non-GAAP net income (loss) for FY22 is calculated as follows: net income (loss) of (138.1) billion yen plus Non-GAAP adjustment of 31.6 billion yen minus a tax adjustment for a total of (116.4) billion yen.

Highlights (1/3)

FY2022 Overview

- Year over year, Kioxia FY2022 revenue decreased considerably, and operating profit turned to a loss as the industry situation worsened significantly in the second half of the year. Shipments decreased due to the slowdowns in flash memory demand across applications and customer adjustments to their inventory amid growing economic uncertainty. ASP declined due to the resulting supply-demand imbalances.

Recent Sales Trends

	FY22 Q3	FY22 Q4
Bit growth (QoQ) ¹	Mid-teens % decrease	Mid-teens % increase
ASP ¹ (JPY, QoQ)	Low-20% range decline	High-20% range decline

- Quarter over quarter, Kioxia Q4 revenue decreased as sharp ASP declines more than offset the increase in shipments. While Kioxia shipments increased, pricing was impacted by overall weak demand for flash memory and customer inventory adjustments.
- Operating profit (loss) further worsened, reflecting the impact of ASP declines and resulting inventory write-downs, combined with the production adjustment impact and the timing of annual property tax (in accordance with IFRS).
- ASP on a U.S. dollar basis fell in the low-20% range, which was smaller than the ASP decline on a Yen basis, due to a weaker dollar.

1. Bit basis

Highlights (2/3)

New Products and Technology

- Announced the eighth-generation, 218-layer BiCS FLASH™ which applies advanced scaling and wafer bonding technologies.

Highlights (3/3)

Industry/Market Trends and Outlook

- While near term demand for flash memory remains weak due to economic uncertainty, supply-demand balance is expected to gradually improve towards the second half of CY2023 as customers normalize inventories and production adjustments by flash memory manufacturers impact overall supply.
- Demand for PCs and smartphones is expected to recover in the second half of CY2023 driven by memory content growth, an increase in unit sales due to China's reopening, and the new product launches together with normalized customers' inventory.
- Demand for data center and enterprise SSDs is expected to remain weak due to tightened enterprise IT spending and the industry is closely monitoring its outlook.
- Despite the challenging near-term market environment, industry experts remain confident in the growth potential of the flash memory market and the underlying demand drivers in the longer term horizon.
- To address the current market downturn, Kioxia will continue production adjustments in line with market conditions and manage operating expenses, while striving to maintain competitiveness by continuing our efforts in developing next-generation products and reducing manufacturing costs.

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