

Third Quarter of FY2023

Financial Results (Three months ended December 31, 2023)

Kioxia Holdings Corporation

Feb 9, 2024

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Financial Results Overview¹

(in billion yen)	FY23 Q2	FY23 Q3	QoQ
Revenue	241.4	262.0	+20.6
Operating Profit (Loss)	(100.8)	(65.0)	+35.8
<i>Margin</i>	(42)%	(25)%	+17pt
Net Income (Loss)	(86.0)	(64.9)	+21.1
<i>Margin</i>	(36)%	(25)%	+11pt

Additional details (included in above figures)

Depreciation and Amortization ²	86.9	83.3	(3.6)
PPA Impact ^{3, 4}	(1.6)	(0.4)	+1.2
Income Tax Expense	(36.4)	(26.6)	+9.8

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 FY23 Q3 is calculated as follows: operating profit (loss) of (65.0) billion yen plus depreciation and amortization of 83.3 billion yen totaling 18.3 billion yen.

³ Amount of financial impact of PPA on operating profit (loss) caused by past business combinations.

⁴ Non-GAAP measures are indicative of core ongoing operating results. Non-GAAP operating profit (loss) for FY23 Q3 is calculated as follows: operating profit (loss) of (65.0) billion yen plus PPA impact of 0.4 billion yen minus insurance proceeds of 7.6 billion yen totaling (72.2) billion yen. Non-GAAP net income (loss) for FY23 Q3 is calculated as follows: net income (loss) of (64.9) billion yen plus PPA impact of 0.4 billion yen minus insurance proceeds of 7.6 billion yen minus a tax adjustment for a total of (69.9) billion yen.

Highlights (1/2)

Recent Sales Trends

	FY23 Q2	FY23 Q3
Bit growth ¹ (QoQ)	Low-teens % decrease	Flat
ASP ¹ (JPY, QoQ)	High-single-digit-% increase	Low-teens % increase

1. Bit basis

- Kioxia revenue increased quarter over quarter as ASPs continued to rise due to a further improvement in the supply-demand balance and a weaker yen. Operating profit (loss) improved backed by ASP increases and resulting reversal of inventory write-downs.
- ASPs on a U.S. dollar basis rose by high-single-digit-% in this quarter.

New Products and Technology

- Introduced industry's first UFS ver. 4.0 embedded flash memory devices for automotive applications
- Released 2TB microSDXC memory card

Japanese government subsidy for Yokkaichi and Kitakami Plants

- Kioxia group and its joint ventures with Western Digital Corporation have been approved to receive an up to 150 billion yen subsidy from the Japanese government for the Yokkaichi and Kitakami Plants.

Highlights (2/2)

Industry/Market Trends and Outlook

- The supply-demand balance continues to improve and selling prices have started to rise, due to the improvement in customer inventories and flash memory manufacturers controlling production in line with demand.
- Demand for PCs and smartphones is expected to recover further driven by the normalization of customer inventories, the memory content growth in PCs and smartphones, and replacement demand following software updates.
- Demand for data center and enterprise SSDs is expected to recover in the second half of CY2024 and beyond, as there are signs of normalizing inventory at customers and recovering corporate IT spending.
- With the emergence of AI-enabled PCs and smartphones, industry experts remain confident in the growth potential of the flash memory market and the underlying demand drivers in the longer term horizon.
- Kioxia will continue managing production and operating expenses in line with market conditions, while reducing manufacturing costs and accelerating development of key products to ensure profitability regardless of market conditions.

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