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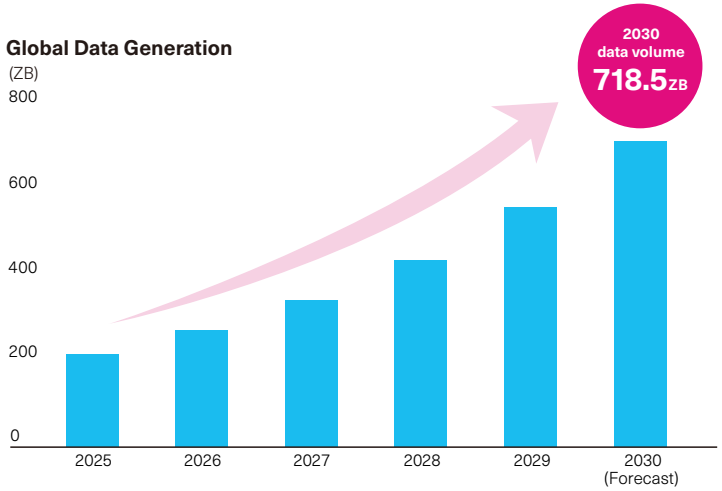
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Market and Social Environment

Expansion of the Flash Memory Market Driven by Rapid Advances in AI

Increase in Worldwide Digital Data Generation

With the advancement of a digital society driven by AI, the volume of digital data continues to grow. The total volume of data generated worldwide is projected to reach 718.5 zettabytes (ZB) annually in 2030.



Note: A zettabyte (ZB) is 10^{21} bytes, and is a unit that indicates the volume of data.
Source: *IDC, Worldwide IDC Global DataSphere Forecast, 2025–2030*, #US53425426

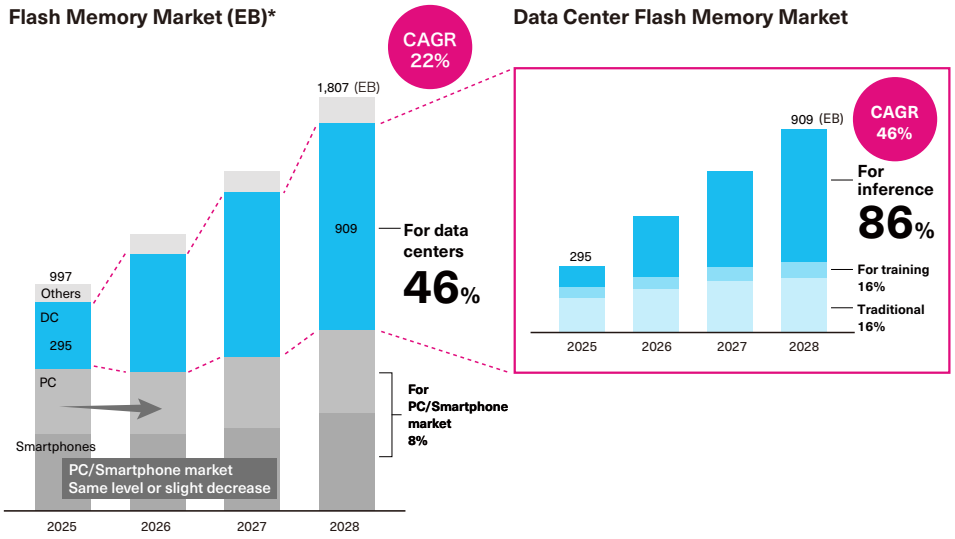
Soaring Flash Memory Demand Driven by AI Inference

The main applications in the flash memory market are data centers, smartphones, and PCs. We believe that the market will continue to grow through a virtuous cycle of increasing data volumes, driven by expanding AI server storage capacity, and technological advances in flash memory.

The NAND flash memory market is expected to grow at a compound annual growth rate (CAGR) of 22% from 2025 to 2028. Compared with the overall volume of data generated, approximately 0.25% is recorded on flash memory.

Focusing on demand for flash memory in data centers, the market is expected to grow at a CAGR of 46% from 2025 to 2028. Within this market, AI inference applications are projected to grow at a CAGR of 86%, making them a major driver of flash memory market growth.

Flash Memory Market Growth



*An exabyte (EB) is 10^{18} bytes.
Source: TechInsights Inc., *NAND Market Report Q2, 2026*

* As of Investor Day 2026 (June 2026)

Market and Social Environment

Changing Role of Storage in the AI Ecosystem

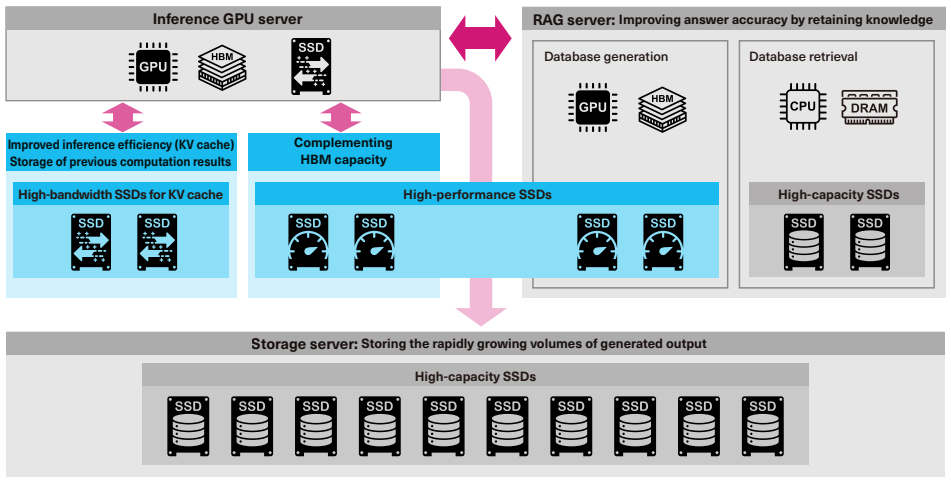
Rapid Increase in Inference Workload

Since the second half of 2025, AI has been shifting from a focus on training to inference for real-world applications. Moreover, AI is evolving from a tool used by people, such as generative AI, into an autonomous agent, typified by agentic and physical AI, that uses a wide range of data to achieve its objectives. Explosive growth in the volume of information processing required for AI inference is driving rapid evolution in technologies such as Retrieval-Augmented Generation (RAG), which leverages external knowledge, and key-value (KV) caching, which stores past inference results.

Storage as Key Determinant of AI System Performance

Traditionally, storage in AI systems has functioned primarily as a storage repository for large volumes of training data and computation results. As AI use expands, the importance of high-speed, energy-efficient storage is increasing. Furthermore, rapid advances in AI inference are prompting discussion across the AI ecosystem about redefining AI systems as a whole. Within this context, storage is expanding beyond its traditional role as a data repository to become a core component that, alongside GPUs and HBM, plays a key role in determining the performance of AI systems.

New Uses for SSDs Created by AI Inference Systems (Conceptual Illustration)



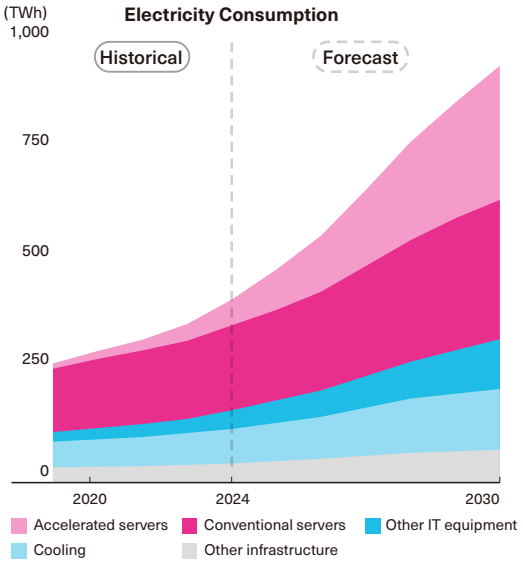
Increase in Electricity Consumption by Data Centers

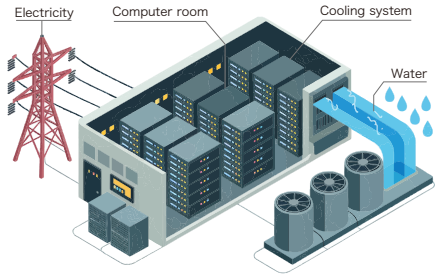
As data centers proliferate globally with the advance of AI, their growing electricity consumption is becoming a social issue.

According to the *Energy and AI* report released by the International Energy Agency (IEA) in April 2025, electricity consumption by data centers worldwide is projected to double from 2024 to 2030 to approximately 945 TWh, slightly exceeding Japan's current total electricity consumption. The report also notes that the rise of AI is accelerating the adoption of high-performance, high-speed servers, increasing the power density of data centers.

Kioxia Group is working to reduce the power consumption and increase the capacity of flash memory and SSDs, thereby contributing to the development of a sustainable society underpinned by AI.

Global Data Center Electricity Consumption in the Base Case, 2020–2030 (Historical and Forecast)





Source: IEA, *Energy and AI, 2025*. https://www.iea.org/reports/energy-and-ai/, License: CC BY 4.0

Our Strengths

In the rapidly growing storage market driven by the spread of AI, Kioxia Group has secured a strong position by building solid relationships with customers and suppliers. For nearly 40 years since the invention of NAND flash memory, we have cultivated industry-leading technological competitiveness. By supplying products from cost-competitive plants, we aim to achieve sustainable growth and enhance corporate value.

Strong Position in High-Growth Markets Driven by AI

Driving Innovation Through Co-Creation with Key Players in the AI Ecosystem

As a specialist in flash memory and SSDs, which play a central role in next-generation AI systems, we are working with partners to lead the AI paradigm shift through a range of technologies and solutions.

Network for Capturing Business Opportunities

Through our global sales, technology, and support network, we will work with customers to capture business opportunities as the use of AI inference expands, thereby growing our business.

Strong Relationships with Leading Global Companies

We do business with global industry leaders in smartphones, PCs, and data centers, and have built strong relationships with many customers.

Relevant Management Capital

- Partnerships P. 40
- Human Resources P. 43

Technological Competitiveness for Leading the AI Inference Era

Pursuit of High-Capacity, High-Performance, and Low-Power-Consumption Flash Memory Technologies

We will drive the development of competitive BiCS FLASH™ 3D flash memory, delivering added value through high capacity, high performance, and low power consumption to address the exponential growth in data volumes in an AI-powered society.

Creating New Memory and Solutions for the AI Era

Looking ahead to a future in which agentic AI and physical AI are put into practical use, we are pursuing research and technology development of semiconductor memory and solutions based on new concepts that address diverse needs.

Technologies That Maximize the Value of Memory

As a pioneer in flash memory, we have supported the foundation of our information society with memory technologies refined over nearly 40 years. Going forward, we will continue to accurately identify changing social needs and create new value.

Relevant Management Capital

- Technology P. 36
- Human Resources P. 43

Cost Competitiveness and a Stable Supply Enabled by Production Scale and Efficiency

World-Class Flash Memory Production System to Meet Growing Demand

The Yokkaichi Plant has one of the world's largest flash memory production volumes, while the Kitakami Plant supports growing demand. Together, their flash memory output on a storage capacity basis, including production by the manufacturing joint venture between Kioxia Group and Sandisk Group, accounted for approximately 28% of global production in FY2025, placing it among the largest shares worldwide.

Source: TechInsights Inc., NAND Market Report Q1 2026

High Productivity Enabled by Smart Factories

The Yokkaichi Plant and the Kitakami Plant operate as smart factories, utilizing cutting-edge AI and big data to achieve advanced control of production equipment, higher productivity and rigorous quality control.

Stable Supply Through a Resilient Supply Chain

Through co-creation with suppliers of materials, manufacturing equipment, and other inputs, we have built a resilient supply chain, enabling a stable supply of high-performance, high-quality products.

Relevant Management Capital

- Flash Memory Production Scale P. 32
- Partnerships P. 40

Growth Strategy in the AI Inference Era

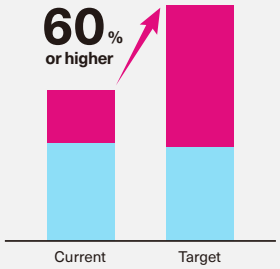
As the use of AI inference enters the phase of full-scale adoption, Kioxia Group will support the core of AI infrastructure with state-of-the-art flash memory and SSD products optimized for AI inference. Leveraging our strengths, we will further enhance corporate value through growth investments centered on the AI market and by strengthening our financial position.

Strategic Shift in Business Portfolio

——Shift the focus to the AI infrastructure market——

By focusing on the data center and enterprise business, we aim to increase the percentage of revenue from this business to over 60% in the medium to long term. As well as increasing the competitiveness of existing products, we will develop high-value-added products that contribute directly to greater efficiency in AI systems, thereby improving profitability. In smartphones and PCs, the main markets for flash memory, we will maintain our current scale of sales as a solid business foundation. We will also expand our efforts to develop the edge AI market segment.

Sales Portfolio
(Excluding Sandisk sales)



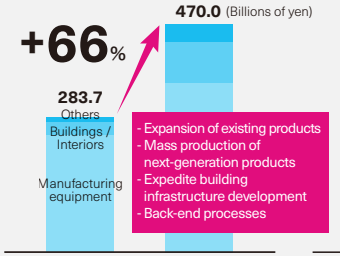
Percentage of revenue from products for the data center and enterprise markets:
60% or higher

Strengthen Capital Investment and Cost Competitiveness

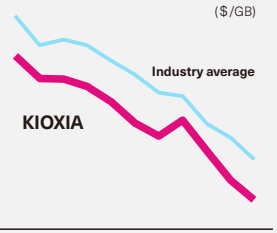
——Capture opportunities for sustainable growth——

In response to the expansion of the NAND market, which is driven by AI and data center demand, we currently plan capital expenditures averaging approximately 470.0 billion yen per year over the next three years. Through disciplined and efficient capital investment and production that leverages our world-class economies of scale, we will maintain gigabyte costs below the industry average. We will also focus on ensuring a stable supply system by strengthening supply chain resilience, as well as on investing in human capital to support growth.

Planned Annual Capex: Approx. 470 billion yen
(Three-year average)



Achieving High Capital Investment Efficiency
Five-Year Cumulative Capex/ Annual GB Output



Source: TechInsights Inc.
NAND Market Report Q2 2026

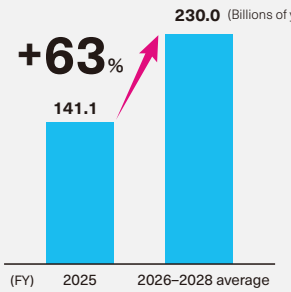
Invest In and Accelerate R&D

——Maintain technology leadership——

We plan to increase annual R&D investment by 63% from FY2025 to 230.0 billion yen over the next three years. We are developing a diverse range of products tailored to the needs of AI and data centers. Specifically, we are allocating R&D resources to the development of next-generation BiCS FLASH™ products and, in our key focus area of SSDs, to accelerating the introduction of Super High IOPS SSDs. We will also focus on recruiting and developing researchers and engineers to maintain our technology leadership.

Technology ▶P. 36

Annual R&D Investment: 230 Billion Yen
(Three-year average)



- New Memory Technologies Including OCTRAM
- Device Development BiCS FLASH™ Gen. 10/Gen. 11
- Strengthening SSD Development, Including in New Areas

As a core company underpinning the AI inference era and driving the next technology paradigm shift, we aim to further enhance our corporate value through growth investments and a stronger financial position.

Note: As of Investor Day 2026 (June 2026)

Business Activities

Supporting an AI-Powered Society Through Flash Memory and SSDs

Kioxia Group develops, manufactures, and sells flash memory and SSDs. Since inventing NAND flash memory in 1987, we have spent nearly 40 years leading the industry in making technological innovations that increase the capacity, enhance the performance, and reduce the power consumption of flash memory and SSDs. Growing alongside the development of a digital society, we have continued to expand our business. Underpinned by AI, society continues to advance, and we aim to achieve medium- to long-term growth as a corporate group supporting this transformation.

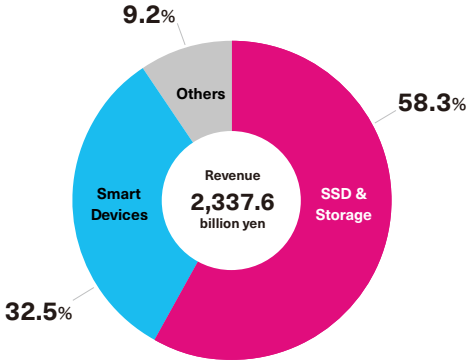
Breakdown of Revenue by Application

Our products are used in a variety of applications, with revenue classified into three categories by application. “SSD & Storage” primarily comprises SSD and memory products for PCs, data centers, and enterprises. “Smart Devices” comprises embedded memory products with control functions, used in consumer devices such as smartphones, tablets, and televisions, as well as in automotive and industrial devices. “Others” comprises retail products such as SD memory cards and USB flash drives, as well as sales to the Sandisk Group recorded through our manufacturing joint venture.

In FY2025, we achieved record-high revenue across all applications, supported by a favorable external environment with growth in demand, mainly for AI inference applications, and higher selling prices, as well as beneficial effects from productivity gains and the successful strengthening of our business foundation, including an improved capital structure.



Breakdown of Revenue by Application (FY2025)



SSD & Storage	Primarily SSD and memory products for PCs, data centers, and enterprises
Smart Devices	Embedded memory products with control functions, used in consumer devices such as smartphones, tablets, and televisions, as well as in automotive and industrial devices
Others	Retail products such as SD memory cards and USB flash drives, as well as sales to the Sandisk Group recorded through our manufacturing joint venture

Creating Market Value Through Cross-Divisional Collaboration and Co-Creation with Partners

Kioxia Group has built robust partnerships with leading companies across markets, and has a track record of business relationships with major global customers in the data center, smartphone, and PC sectors. We also collaborate with server and GPU manufacturers to further expand our AI-related business opportunities. The Research and Technology Development Division, Manufacturing Division, and Sales and Marketing Division coordinate closely to respond swiftly to increasingly sophisticated and diverse market needs by providing products that address those requirements.

Business Activities

Development of High-Capacity, High-Performance 3D Flash Memory

Four technologies enable high-capacity 3D flash memory: vertical memory cell stacking, lateral shrinking of memory cells, multi-level cell technology,* which logically increases the amount of data that can be stored, and the introduction of new architectures. By using a combination of all of these technologies, not just vertical stacking technology, Kioxia Group is increasing bit density (the amount of information stored per unit area) and promoting the development of cost-competitive high-capacity products.

* A technology that increases the amount of data stored in a single memory cell. Depending on the number of bits per cell, memory is classified as SLC (Single-Level Cell: 1 bit/cell), MLC (Multi-Level Cell: 2 bits/cell), TLC (Triple-Level Cell: 3 bits/cell), or QLC (Quad-Level Cell: 4 bits/cell).

Dual-Axis Strategy: A Development Roadmap for 3D Flash Memory BiCS FLASH™

Kioxia Group is pursuing a Dual-Axis Strategy: one axis focuses on increasing the number of layers in 3D flash memory to deliver a line of higher-capacity, higher-performance products, while the other leverages CBA technology to achieve high performance with lower per-layer investment. Through these approaches, we will provide competitive products that meet increasingly sophisticated and diverse needs.

Starting Point: 8th-Generation BiCS FLASH™ with CBA Technology

CMOS directly Bonded to Array (CBA) technology involves separately manufacturing the CMOS circuit wafer and the memory cell array wafer under their respective optimal processes and temperature conditions, then bonding the wafers together. This approach achieves high performance while reducing the surface area of the chip, thereby increasing bit density and enabling the delivery of cost-competitive products.

We plan to transition around 80% of our output to 8th-generation products on a GB basis by the end of FY2026.

First Axis: 10th-Generation BiCS FLASH™ Combining High Capacity, High Performance, and Low Power Consumption

Along the first development axis, we combine increased vertical stacking technology with lateral shrink technology, as in previous generations, to achieve products with higher bit density and higher capacity. Development along this axis primarily targets the enterprise and data center SSD markets.

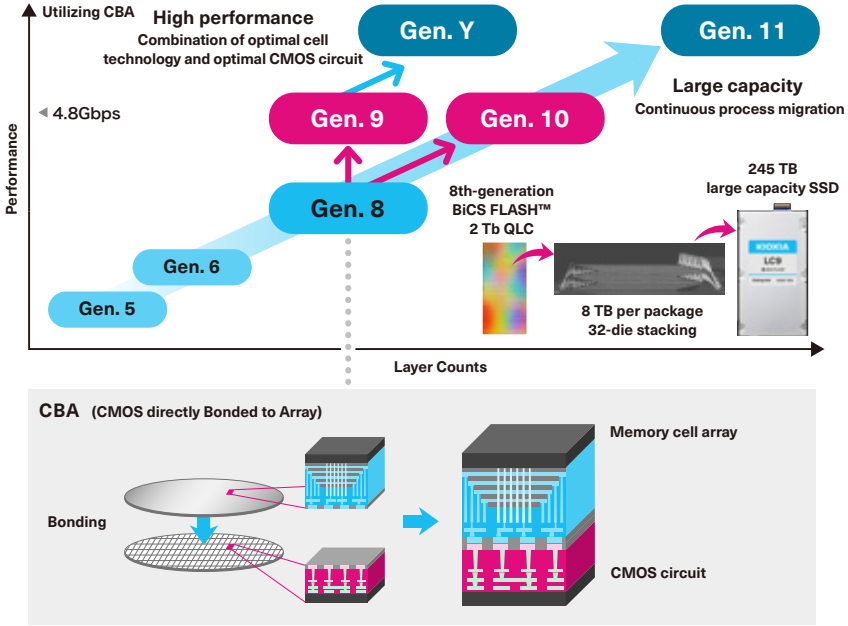
In July 2026, we began sample shipments of 10th-generation BiCS FLASH™, which delivers the high capacity, high performance, and low power consumption required for the next-generation AI inference market. This generation provides higher interface performance using CBA and OPS* technologies, as well as increased bit density through the combination of a 332-layer architecture and lateral shrink technology optimized for power efficiency and reliability.

*On Pitch Select Gate Drain: A design technology that makes it possible to shorten the bit line and reduce word line capacitance by removing unused memory holes.

Second Axis: Pursuing Higher Performance Through CBA Technology

Along the second development axis, we focus on achieving high performance by combining cell technology featuring a lower layer count and the latest CMOS technology. This approach is used in our 9th-generation BiCS FLASH™, for which sample shipments began in July 2025. We are developing products for the low- to medium-capacity range, primarily targeting the market for AI-enabled PCs and mobile devices.

BiCS FLASH™ Development Roadmap



Business Activities

SSD Product Development

SSDs are storage devices that use flash memory to store data. They feature resistance to vibration and shock, are lightweight, and boast low power consumption. Kioxia Group's SSD products combine BiCS FLASH™ with a controller and firmware. We will combine the latest flash memory and SSD technologies to provide products that meet increasingly advanced and diverse needs as AI evolves.

Kioxia Group SSD Products for the AI Inference Market

The Group views advances in AI as an important growth opportunity and will support the AI inference market through cutting-edge products that address increasingly advanced and diverse market needs and respond to emerging market trends. As industry players advance the development of next-generation infrastructure for AI inference, SSDs are taking on an increasingly critical role that goes beyond storage, becoming key to improving AI performance and cost efficiency.

1 Addressing System Memory Shortages

In AI inference, insufficient GPU memory capacity, particularly high-bandwidth memory (HBM) is an issue. SSDs are used as an extension of the KV cache that stores previous computation results, helping to improve inference efficiency. We are also developing SSDs designed for direct interaction with GPUs, complementing HBM capacity.

2 Enabling Larger Databases and Faster Generation and Retrieval

As the databases used by RAG servers continue to grow larger, DRAM capacity becomes a constraint in conventional systems. High-performance, high-capacity SSDs that can replace DRAM help achieve both scalability and cost efficiency.

3 Storing Large Volumes of Data and Enabling High-Speed Access

The continued spread of generative AI is driving a rapid increase in data volumes. We are actively developing high-capacity SSDs that underpin high storage density and high throughput.

KIOXIA CM Series: High-Bandwidth SSDs with TLC Flash Memory

The CM Series can efficiently store and utilize the growing volume of data generated by long-duration, multi-step inference in agentic AI, enabling high power efficiency. Furthermore, it supports liquid cooling systems and delivers stable performance even in environments with high heat loads.



KIOXIA GP Series: High-Performance SSDs with XL-FLASH™

Combining dedicated XL-FLASH™ NAND-type flash memory with a dedicated controller, the KIOXIA GP Series delivers exceptional processing performance to support next-generation AI systems. Designed for direct interaction with GPUs, the GP Series complements HBM capacity.



KIOXIA LC Series: High-Capacity SSDs with QLC Flash Memory

The KIOXIA LC Series is suitable for efficiently storing the large volumes of data generated by AI. Products incorporate 32 stacked 2 Tb QLC dies of 8th-generation BiCS FLASH™ in a single package, enabling an ultra-high capacity of 245 TB. The LC Series also contributes to greater overall data center efficiency and optimization of total cost of ownership (TCO).





Atsushi Inoue
Executive Officer
Vice President of Memory Division
Kioxia Corporation

The Evolution of BiCS FLASH™: Meeting the Diverse Needs of the AI Era

As AI continues to evolve, flash memory performance requirements are becoming increasingly sophisticated and diverse. High performance and power efficiency have emerged as critical specifications across a broad spectrum of applications, from AI infrastructure to edge devices. The rapid expansion of generative AI has created a surge in demand for higher-capacity solutions, particularly in the data center and enterprise segments. Recognizing these market dynamics as a growth opportunity, the Kioxia Group is accelerating the development of our cutting-edge three-dimensional flash memory "BiCS FLASH™" in order to address the evolving needs of our customers.

Our development roadmap is based on a dual-axis strategy: pursuing both high capacity and high density alongside high performance. The 8th-generation BiCS FLASH™—our roadmap's foundation—incorporates CBA technology (▸ P. 28), achieving exceptional levels of performance, bit density, and power efficiency. We are expanding mass production, with plans to transition approximately 80 percent of our memory output to 8th-generation products by the end of fiscal 2026.

Our first strategic axis targets high-capacity and high-density products designed for large-capacity storage in data centers and enterprise markets. The 10th-generation BiCS FLASH™, sample shipments of which commenced in July, is optimized for next-generation AI inference applications across multiple dimensions, offering higher layer counts, lower cost, enhanced reliability, and greater power efficiency. By continuing to develop CBA technology, we will maintain this performance advantage and deliver highly competitive solutions to the market.

The second strategic axis focuses on high-performance products. Leveraging CBA technology allows us to minimize our investment costs and to target the AI-enabled PC and mobile device markets, where fast processing and power efficiency are increasingly important.

This dual-axis strategy is a key strength of Kioxia Group, enabling us to provide products optimized for a wide range of applications.

We are strengthening internal collaboration between our Memory Division and SSD Division in order to continue developing more advanced flash memory technology, the foundation underpinning AI-era data infrastructure. By integrating our comprehensive technical capabilities—from front-end technologies such as stacking and CBA to back-end processes—we are demonstrating clear technological leadership. We remain committed to solving our customers' challenges and making our contribution to the development of a sustainable AI society.



Masashi Yokotsuka
Managing Executive Officer
Vice President of SSD Division
Kioxia Corporation

SSDs That Create New Value in the AI Ecosystem

The Kioxia Group provides a broad range of SSD products designed for diverse applications, including client PCs, enterprise, and data centers. As the practical application and widespread adoption of inference AI continue to advance, SSDs are evolving beyond their role as mere storage devices for data. They have now become a critical foundational technology that determines the overall performance and efficiency of AI systems; a major expansion of their scope of application.

Looking back on fiscal 2025, our SSD business made significant progress by capitalizing on growing demand driven by advances in AI. Noteworthy achievements include the introduction of our Ultra High-Capacity SSD products designed to support evolving AI functionality, and the technological advancement of KIOXIA AiSAQ™, our proprietary open-source software that enhances the precision and speed of AI inference in RAG (Retrieval-Augmented Generation).

In the emerging ecosystem of inference AI, SSDs transcend their traditional role as auxiliary storage devices and assume critical, core functions. New demand has emerged for a diverse range of advanced capabilities: memory expansion through direct integration with GPUs, the storage of exponentially increasing data volumes, and high-speed data access and processing. Kioxia Group has developed a diverse product lineup that supports these SSD applications; these boost AI system performance and operational efficiency while helping our customers address their various challenges. Additionally, we are helping to optimize power consumption across entire data centers by improving the power efficiency of our products, and we are promoting the development of a sustainable AI ecosystem through our deployment of liquid cooling technology.

Kioxia Group possesses a competitive advantage: the ability to rapidly integrate our cutting-edge flash memory technology into SSD products and provide solutions that maximize storage utilization within AI systems. Through collaborative innovation with our customers and partners, we continue to embrace the challenge of developing new applications and opening up new markets for them.

Going forward, we remain committed to anticipating the evolution of our markets and to creating new value for the AI era through the further enhancement of SSD functionality.