7th Period

Annual Securities Report

From April 1, 2024

To March 31, 2025

(Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Kioxia Holdings Corporation

3-1-21 Shibaura, Minato-ku, Tokyo

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【Document Name】	Annual Securities Report
【Basis】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
【Date】	June 26, 2025
【Fiscal Year】	April 1, 2024 to March 31, 2025
【Company Name】	Kioxia Holdings Corporation
【Representative】	Representative Director, President and CEO Nobuo Hayasaka
【Location of Head Office】	3-1-21 Shibaura, Minato-ku, Tokyo, Japan
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【Administrative Contact】	General Manager of Disclosure Division Makoto Sonoda

I. Consolidated Financial Statements and Related Notes

Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

Millions of yen

	Notes	As of March 31, 2025	As of March 31, 2024
Assets:			
Current assets:			
Cash and cash equivalents	7	167,932	187,593
Trade and other receivables	8 and 30	238,594	149,815
Other financial assets	9 and 30	3,971	5,353
Inventories	10	352,863	271,781
Other current assets		43,349	36,833
Total current assets		806,709	651,375
Non-current assets:			
Property, plant and equipment	11	1,100,181	1,168,765
Right-of-use assets	15	197,063	159,719
Goodwill	12	395,256	395,405
Intangible assets	12	10,658	11,259
Investments accounted for using equity method		7,401	6,869
Other financial assets	9 and 30	63,179	87,139
Other non-current assets		20,069	13,688
Deferred tax assets	13	319,163	370,722
Total non-current assets		2,112,970	2,213,566
Total assets		2,919,679	2,864,941

Millions of yen

	Notes	As of March 31, 2025	As of March 31, 2024
Liabilities and equity:			
Liabilities:			
Current liabilities:			
Borrowings	14, 30 and 37	246,508	826,413
Trade and other payables	16 and 30	504,011	512,502
Lease liabilities	30 and 37	42,521	40,025
Other financial liabilities	14,30 and 37	28,058	344,341
Income taxes payable		38,183	6,182
Provisions	18	3,328	4,694
Other current liabilities		122,564	131,970
Total current liabilities		985,173	1,866,127
Non-current liabilities:			
Borrowings	14, 30 and 37	531,198	284,899
Lease liabilities	30 and 37	179,294	142,871
Other financial liabilities	14, 30 and 37	321,261	—
Retirement benefit liability	17	46,477	48,492
Provisions	18	7,560	7,331
Other non-current liabilities		111,017	65,419
Deferred tax liabilities	13	3	36
Total non-current liabilities		1,196,810	549,048
Total liabilities		2,181,983	2,415,175
Equity:			
Share capital	19	25,239	10,000
Capital surplus	19	866,665	851,517
Other components of equity	19 and 29	35,208	51,172
Retained earnings (Accumulated deficit)	19	(189,547)	(463,054)
Total equity attributable to owners of parent		737,565	449,635
Non-controlling interests		131	131
Total equity		737,696	449,766
Total liabilities and equity		2,919,679	2,864,941

The accompanying notes are an integral part of these financial statements.

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

Millions of yen except per share amounts

	Notes	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Revenue	21	1,706,460	1,076,584
Cost of sales	10,22 and 26	1,137,027	1,205,927
Gross profit (loss)		569,433	(129,343)
Selling, general and administrative expenses	23 and 29	127,851	128,774
Other income	24	14,675	19,676
Other expenses	24	4,509	14,257
Operating profit (loss)		451,748	(252,698)
Finance income	25	3,707	1,847
Finance costs	20 and 25	85,328	92,740
Share of profit of investments accounted for using equity method		542	261
Profit (loss) before tax		370,669	(343,330)
Income tax expense	13	98,348	(99,609)
Profit (loss)		272,321	(243,721)
Profit (loss) attributable to:			
Owners of parent		272,315	(243,728)
Non-controlling interests		6	7
Profit (loss)		272,321	(243,721)
Earnings per share:			
Basic earnings (loss) per share in yen	28	519.96	(470.97)
Diluted earnings (loss) per share in yen	28	515.45	(470.97)

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Profit (loss)		272,321	(243,721)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair value through other comprehensive income	27 and 30	(16,979)	27,327
Remeasurements of defined benefit plans	17 and 27	1,652	(243)
Total of items that will not be reclassified to profit or loss		(15,327)	27,084
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	27	(1,526)	6,875
Effective portion of cash flow hedges	27 and 30	2,123	1,350
Share of other comprehensive income of investments accounted for using equity method	27	(10)	33
Total of items that may be reclassified to profit or loss		587	8,258
Other comprehensive income, net of tax		(14,740)	35,342
Comprehensive income		257,581	(208,379)
Comprehensive income attributable to:			
Owners of parent		257,581	(208,393)
Non-controlling interests		0	14
Comprehensive income		257,581	(208,379)

The accompanying notes are an integral part of these financial statements.

(3) Consolidated Statement of Changes in Equity

Millions of yen

	Notes	Share capital	Capital surplus	Other components of equity	Retained earnings (Accumulated deficit)	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2023	19	10,000	851,517	15,634	(219,083)	658,068	117	658,185
Profit (loss)		—	—	—	(243,728)	(243,728)	7	(243,721)
Other comprehensive income	27	—	—	35,335	—	35,335	7	35,342
Comprehensive income		—	—	35,335	(243,728)	(208,393)	14	(208,379)
Share-based payment transactions	29	—	—	(40)	—	(40)	—	(40)
Transfer from other components of equity to retained earnings	19 and 27	—	—	243	(243)	—	—	—
Total transactions with owners		—	—	203	(243)	(40)	—	(40)
Balance as of March 31, 2024	19	10,000	851,517	51,172	(463,054)	449,635	131	449,766
Profit (loss)		—	—	—	272,315	272,315	6	272,321
Other comprehensive income	27	—	—	(14,734)	—	(14,734)	(6)	(14,740)
Comprehensive income		—	—	(14,734)	272,315	257,581	0	257,581
Issuance of new shares	19 and 29	15,229	15,138	—	—	30,367	—	30,367
Share-based payment transactions	19 and 29	10	10	(40)	2	(18)	—	(18)
Transfer from other components of equity to retained earnings	19 and 27	—	—	(1,190)	1,190	—	—	—
Total transactions with owners		15,239	15,148	(1,230)	1,192	30,349	—	30,349
Balance as of March 31, 2025	19	25,239	866,665	35,208	(189,547)	737,565	131	737,696

The accompanying notes are an integral part of these financial statements.

(4) Consolidated Statement of Cash Flows

Millions of yen

	Notes	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Cash flows from operating activities			
Profit (loss) before tax		370,669	(343,330)
Depreciation and amortization		312,307	346,066
Impairment losses		30	764
Finance income		(3,707)	(1,847)
Finance costs		85,328	92,740
Share of loss (profit) of investments accounted for using equity method		(542)	(261)
Loss (gain) on sales and retirement of non-current assets		(6,883)	(5,691)
Decrease (increase) in inventories		(82,092)	94,472
Decrease (increase) in trade and other receivables		(89,361)	(24,412)
Increase (decrease) in trade and other payables		(12,373)	75,944
Increase (decrease) in retirement benefit liability		376	(1,652)
Other		(8,700)	(4,297)
Subtotal		565,052	228,496
Interest and dividends received		3,366	2,717
Interest paid	20	(82,409)	(32,333)
Income taxes refund (paid)		(9,593)	(3,769)
Net cash provided by operating activities		476,416	195,111
Cash flows from investing activities			
Purchase of property, plant and equipment		(223,847)	(304,436)
Proceeds from sale of property, plant and equipment		8,820	11,346
Purchase of intangible assets		(1,756)	(661)
Proceeds from government grants		43,748	18,562
Other		24	336
Net cash used in investing activities		(173,011)	(274,853)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings and Revolving Credit Facility balances executed	14 and 37	(126,400)	91,082
Proceeds from long-term borrowings	14 and 37	68,020	168,148
Repayments of long-term borrowings	14 and 37	(265,879)	(228,461)
Repayments of lease liabilities	37	(28,787)	(27,531)
Proceeds from issuance of shares	19 and 29	30,367	—
Net cash provided by (used in) financing activities		(322,679)	3,238
Effect of exchange rate changes on cash and cash equivalents		(387)	2,746
Net increase (decrease) in cash and cash equivalents		(19,661)	(73,758)
Cash and cash equivalents at beginning of period		187,593	261,351
Cash and cash equivalents at end of period	7	167,932	187,593

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Kioxia Holdings Corporation (the “Company”) is a corporation located in Japan. The registered address of the Company’s headquarters is 1-21, Shibaura 3-chome, Minato-ku, Tokyo, Japan. The consolidated financial statements as of, and for the fiscal year ended March 31, 2025 are comprised of the Company, its consolidated subsidiaries (collectively the “Group”) and interests in associates and joint arrangements. As of March 31, 2025, the ultimate controlling party of the Company is Bain Capital Investors LLC.

The Group engages in research and development activities, manufacturing, sales, and other services of memory and related products.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group meets the requirements of "specified company complying with designated international accounting standards" as stipulated in Article 1-2, Item 1 of the Ordinance on Consolidated Financial Statements. Therefore, the provisions of Article 312 of the same regulations are applied, and the Group’s consolidated financial statements are prepared in accordance with IFRS.

The consolidated financial statements were approved by Nobuo Hayasaka, President, Representative Director and Chief Executive Officer, and Hideki Hanazawa, Senior Managing Executive Officer on June 26, 2025.

(2) Measurement basis

The consolidated financial statements of the Group are prepared based on a historical cost basis except for financial instruments, etc. measured at fair value, as mentioned in “3. Material Accounting Policies.”

(3) Functional and presentation currencies

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Amounts are rounded to the nearest million yen.

3. Material Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial information of subsidiaries is included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiaries.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements of the Group, appropriate adjustments are made to that subsidiary’s financial information to the group accounting policies. When the end of the reporting period of a subsidiary is different from that of the Company, the subsidiary prepares additional financial information as of the same date as the financial statements of the Company to enable the Company to consolidate the financial information of the subsidiary.

Intra-group balances and any unrealized income and expense arising from intra-group transactions are eliminated in the process of preparing consolidated financial statements.

Changes in the Company’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. The difference between the amount of adjustment in non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to the owners of the parent.

When the Company ceases to have control, the assets and liabilities of the subsidiary and the non-controlling interests in the subsidiary are derecognized, and any retained interest in the entity is remeasured at fair value as of the date such control is lost, with the change in carrying amount recognized in profit or loss.

(ii) Associates

An associate is a company over which the Group has significant influence in financial and operating policies but is not in control or joint control over those policies. If the Group holds 20 percent or more but 50 percent or less of a company's voting rights, the Group is presumed to have significant influence over the company.

Investments in associates are accounted for using the equity method, in which the investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If an associate uses accounting policies other than those adopted in the consolidated financial statements of the Group, appropriate adjustments are made to that associate's financial information.

When the Group loses significant influence over an associate and no longer uses the equity method, the residual interest is remeasured at fair value. Gains or losses due to the loss of significant influence are recognized in profit or loss.

(iii) Joint arrangements

A joint arrangement is an arrangement in which the Group and other parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Joint arrangements of the Group are accounted for as follows:

・Joint operations

When the Group has rights to the assets, and obligations to the liabilities, relating to the arrangement, the Group recognizes its own assets, liabilities, incomes and expenses relating to the joint operations.

・Joint ventures

When the Group has rights to the equity of the arrangement, the Group accounts for joint ventures using the equity method, similar to associates.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of fair values on the acquisition date of the assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. When the cost of an acquisition exceeds the fair value of net identifiable assets and liabilities, the difference is recognized as goodwill in the consolidated financial statements. When the cost of an acquisition is below the fair value of identifiable assets and liabilities, the difference is immediately recognized in profit on the consolidated financial statements.

Transaction costs incurred in relation to a business combination such as agents' fees, legal fees, and due diligence fees are expensed as incurred.

If the initial accounting for a business combination has not been completed as of the end of the consolidated fiscal year in which the business combination occurs, those items not completed are reported at provisional amounts. If information on facts and circumstances existing at the date of the acquisition are obtained during the period in which the information would have affected the measurement of the amounts had the information been known at the date of acquisition ("measurement period"), provisional amounts recognized at the date of acquisition are retrospectively corrected in light of such information. If the newly obtained information leads to recognition of new assets and liabilities, such additional assets and liabilities are recognized. The measurement period is one year at the longest.

Additional acquisition of non-controlling interests that do not result from loss of control are accounted for as an equity transaction and therefore do not lead to recognition of goodwill.

Acquiree's identifiable assets and liabilities are measured at fair value on the date of acquisition, except for the following:

・deferred tax assets and liabilities, and assets and liabilities related to employee benefit contracts
・share-based payments of the acquiree
・assets or disposal groups classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Business combinations under common control, in which all combined companies or operations are ultimately controlled by the same parties before and after the business combination and the control is not temporary, are accounted for based on carrying amounts. Capital surplus is adjusted for if there is a difference between the consideration transferred at acquisition and the carrying value of the acquiree's equity.

(3) Foreign currency translations

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective group entity using the exchange rate at the date of the transaction. Foreign-currency denominated monetary assets and liabilities are translated into the functional currency using the exchange rate as of the end of the reporting period. Foreign-currency denominated nonmonetary assets and liabilities measured at fair value are translated into the functional currency using the exchange rate at the date when the fair value was measured.

Exchange differences arising from translation or settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income.

(ii) Financial information of foreign operations

Assets and liabilities of foreign operations are translated into the Japanese yen using the exchange rate as of the end of the reporting period, whereas incomes and expenses are translated using the average rate for the period, unless the rates fluctuate significantly. Exchange differences arising from translating financial information of foreign operations are recognized in other comprehensive income. Exchange differences of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

(4) Financial instruments

(i) Financial assets

i. Initial recognition and measurements

The Group initially recognizes a financial asset when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. This classification is determined at initial recognition.

(a) Financial assets measured at amortized cost

The Group classifies a financial asset as measured at amortized cost if both of the following conditions are met:

・the financial asset is held within a business model with an objective to hold financial assets in order to collect contractual cash flows and
・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value through other comprehensive income
The Group makes an irrevocable election to classify a financial asset as measured at fair value through other comprehensive income at initial recognition for particular investments in equity instruments such as an investee's equity held for the purpose of maintaining or enhancing the relationship with the investee.

(c) Financial assets measured at fair value through profit or loss
The Group classifies a financial asset as measured at fair value through profit or loss unless it is measured at amortized cost in accordance with (a) or at fair value through other comprehensive income in accordance with (b).

All financial assets are measured initially at fair value plus transaction costs except for those classified as financial assets measured at fair value through profit or loss. The transaction cost for a financial asset measured at fair value through profit or loss is recognized in profit or loss.

ii. Subsequent measurement
Financial assets are subsequently measured based on the classification as follows:
(a) Financial assets measured at amortized cost
Financial assets are measured at amortized cost using the effective interest method less impairment losses. Interest income is calculated using the effective interest method and is recognized in profit or loss for the period as a part of finance income.

(b) Financial assets measured at fair value through other comprehensive income
Equity instruments are measured at fair value on the reporting date and gain or loss recognized from changes in fair value are recognized in other comprehensive income. They are not subsequently transferred to profit or loss. However, the Group transfers the cumulative gain or loss from other components of equity to retained earnings when financial assets measured at fair value through other comprehensive income are derecognized.

Dividends received related to equity instruments are recognized in profit or loss on the date that the Group's right to the dividend is identified.

(c) Financial assets measured at fair value through profit or loss
Financial assets measured at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss.

iii. Impairment of financial assets
The Group recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost. The loss allowance is measured based on an assessment as to whether there are significant increases in the credit risk of the financial asset measured at each period end date, subsequent to initial recognition. The Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if it is determined that the credit risk of the financial asset has increased significantly since initial recognition. If the credit risk of a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to expected credit losses that arise within 12 months after the reporting date. However, for trade receivables which do not contain a significant financing component, the Group always measures the loss allowance at an amount equal to lifetime expected credit losses regardless of whether there are significant increases in the credit risk of the financial assets since initial recognition.

The amount of expected credit losses is measured at the present value of the difference between the contractual cash flows that are due to the Group under the contract and the future cash flows that the Group expects to receive. This amount is recognized in profit or loss.

The Group measures interest income using the effective interest method on the gross carrying amount less the loss allowance, when the objective evidence shows that a financial asset is credit-impaired. The objective evidence includes a significant financial difficulty of the borrower and a breach of contract such as a default or delinquency.

In addition, when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the Group directly reduces the related amount from the gross carrying amount of the financial asset.

iv. Derecognition of financial assets

The Group derecognizes its financial assets when the contractual rights to the cash flows from the assets expire or the Group transfers substantially all of the risks and rewards of ownership of the financial assets. When the Group retains control of the financial assets transferred, it continues to recognize financial assets and related liabilities to the extent of the Group's continuing involvement.

(ii) Financial liabilities

i. Initial recognition and measurements

The Group initially recognizes a financial liability when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial liabilities into financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. This classification is determined at initial recognition.

Financial liabilities measured at fair value through profit or loss are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value less directly attributable transaction costs.

ii. Subsequent measurement

Financial liabilities are subsequently measured based on the classification as follows:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured using the effective interest method. A gain or loss on a financial liability is recognized as a part of finance costs in profit or loss when the financial liability is derecognized or amortized using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss.

iii. Derecognition of financial liabilities

The Group derecognizes its financial liabilities when the financial liabilities are extinguished, that is, when obligations specified in the contracts are discharged, canceled, or the obligations expire.

(iii) Presentation of financial assets and liabilities

Financial assets and financial liabilities are offset against each other on the consolidated financial statements and shown in the net amounts, only when the Group has the legally enforceable right to offset and intent to either settle net or simultaneously realize asset and settle liabilities.

(iv) Derivatives

The Group utilizes forward exchange contracts in order to manage its exposure to foreign currency exchange rate risk.

The derivatives are initially measured at fair value when the contract is entered into and remeasured at fair value in subsequent periods.

The gains or losses on derivatives not designated as hedging instruments are recognized as profit or loss.

However, the derivatives that are designated as hedging instruments are accounted for as cash flow hedge. The Group formally documents the risk management strategies and objectives, the nature of risk to be hedged, and the hedge effectiveness when executing hedging transactions.

Under cash flow hedge, the effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is immediately recognized as profit or loss.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments with maturities within three months of purchase that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(6) Inventories

Raw materials, finished products held for sale or work-in-progress are measured at the lower of cost and net realizable value. Cost is calculated based on the average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Assets held for sale

A non-current asset or disposal group is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset is available for immediate sale in its present condition, management is committed to a plan to sell the asset or disposal group, and the sale will be completed within one year.

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to distribute.

(8) Property, plant and equipment

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenses directly related to acquisition of the asset, costs of dismantling and removing the asset and restoration costs.

Depreciation expense on assets other than land and construction-in-progress is recognized using the straight-line method over estimated useful lives. The estimated useful lives of major classes of assets are as follows:

・Buildings and structures: 3-60 years

・Machinery and other assets: 3-17 years

The estimated useful life, residual value and depreciation method of an asset are reviewed at least once in a reporting period, generally as of the end of each reporting period, and any changes are accounted for as a change in an accounting estimate and are accounted for prospectively.

(9) Goodwill

The measurement of goodwill at initial recognition is described in “(2) Business combinations.”

Goodwill is not amortized, but tested for impairment in every reporting period. Impairment is described in “(12) Impairment of non-financial assets.” Impairment losses of goodwill are recognized in profit or loss, and are not reversed in subsequent periods.

After initial recognition, goodwill is carried at the acquisition cost less any accumulated impairment losses.

(10) Intangible assets

(i) Research and development cost

Expenditures on research activities aimed at obtaining new scientific and technological knowledge and understanding are recognized as an expense when incurred.

Expenditures on development activities are recognized as an intangible asset when the expenditure attributable to the intangible asset is reliably measurable, products or processes are technically and commercially feasible, it is probable that future economic benefits to the Group will be generated, and the Group has the intention and sufficient resources to complete and use or sell those assets. Otherwise, the expenditure is recognized as an expense when it is incurred.

(ii) Other intangible assets

Separately acquired intangible assets are measured at cost at initial recognition.

Intangible assets other than those with indefinite useful lives are subsequently amortized over their estimated useful lives on a straight-line method and presented at carrying amounts equal to cost less accumulated amortization and impairment losses. Estimated useful lives of major classes of intangible assets are as follows. The Group does not have intangible assets with indefinite useful lives.

・Software: 5 years
・Technology related assets: 4 years
・Customer related assets: 5 years

The estimated useful life, residual value and the amortization method of an asset are reviewed at least once in a reporting period, generally as of the end of each reporting period, and any changes are accounted for as a change in an accounting estimate and are accounted for prospectively.

(11) Leases

The Group recognizes the right-of-use asset (real estate, machinery, etc.) and the lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which includes the amount of the initial measurement of the lease liability plus any initial direct costs, plus lease payments made at or before the commencement date less any lease incentives received. After the commencement date, the Group depreciates the right-of-use asset using the straight-line method over the shorter of the useful life of the asset or the lease term.

The lease liability is initially measured at the present value of the remaining lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments include fixed lease payments, variable lease payments that depend on an index or a rate, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. After the commencement date, the lease liability is adjusted to reflect interest on the lease liability and the lease payments made. Each lease payment is allocated between repayments of the lease liability and finance costs.

The carrying amount of the lease liability is remeasured and the amount of the remeasurement is recognized as an adjustment to the right-of-use asset if there is a change in the lease term, change in future lease payments resulting from a change in an index or a rate, or a change in the assessment of an option to purchase the underlying asset.

(12) Impairment of non-financial assets

The Group's non-financial assets other than inventories and deferred tax assets are assessed for indication of impairment as of the end of each reporting period. If an indication of impairment exists, the recoverable amount of the asset is estimated.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In calculating the asset's value in use, estimated future cash flows are discounted to present value using the pre-tax discount rate that reflects the time value of money and the risks specific to the asset. In calculating the asset's fair value less costs of disposal, the Group uses an appropriate valuation model supported by available indicators of fair value. Assets that are not individually tested for impairment are grouped into the smallest cash-generating units that generate largely independent cash inflows from other assets and asset groups through their continued use.

The Group's corporate assets do not generate independent cash flows. When there is indication of impairment on corporate assets, the recoverable amounts of the cash-generating units to which the corporate assets belong are determined.

Impairment losses are recognized in profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses recognized on cash-generating units are firstly allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then are allocated to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset within the cash-generating unit.

For non-financial assets excluding goodwill, as of the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognized in prior periods may have decreased or may no longer exist. An impairment loss recognized in prior periods is reversed if there has been a change in the estimate used to determine the asset's recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

(13) Employee benefits

(i) Post-employment benefits

The Group operates defined-benefit plans and defined-contribution plans as post-employment benefit plans.

Retirement benefit liability or asset is determined by deducting the fair value of plan assets from the present value of the defined benefit obligation. However, when the plan has a surplus, the amount of net defined benefit asset recognized is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group estimates the present value of the defined benefit obligation using the projected unit credit method.

The discount rate is determined as of the end of the reporting period based on market yields for high quality corporate bonds over the discount period, which is based on future expected benefit payment dates.

Remeasurements of defined benefit plans are recognized in other comprehensive income and immediately transferred from other components of equity to retained earnings in the period when they occur.

Net interest is calculated by multiplying the net liabilities or assets for retirement benefit by the discount rate and is included in defined benefit cost.

Past service costs are recognized in the profit or loss during the period in which they arise.

Expenses related to defined contribution plans are recognized in the period in which employees provide services.

(ii) Termination benefits

The Group provides termination benefits as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes a liability and expense for termination benefits at the earlier of the date when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring that involves the payment of termination benefits.

(iii) Short-term employee benefits

Expenses related to short-term employee benefits are not discounted and are recognized in the periods in which related services are received.

The Group recognizes the future payment of bonuses and paid absences as a liability when the Group has a present legal or constructive obligation to make such payments as a result of services provided by employees, and a reliable estimate of the obligation can be made.

(14) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount of a provision is determined by discounting estimated future cash flows using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount amount due to the passage of time are recognized as a finance cost.

(15) Revenue

The Group recognizes revenue based on the five-step approach below.

Step 1: Identify the contract with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations

Step 5: Recognize revenue when performance obligations are satisfied

The Group manufactures and sells memory and related products. The Group recognizes revenue at a point in time when performance obligations are satisfied by transferring such products to the customer (when the customer obtains control of the products). Revenue is measured at the price contracted with the customer less any discount, rebates, and other deductions.

(16) Government grants

Government grants are measured and recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Government grants related to acquisition of assets are deducted from the cost of the assets.

(17) Share-based payments

The Group has adopted a stock option plan which is accounted for as an equity-settled share-based payment plan as an incentive to officers and employees of the Group. Stock options are measured at fair value at the grant date and recognized as expense over the vesting periods with corresponding increases in equity, after considering the number of stock options that are expected to be eventually vested. If subsequent information indicates that the number of stock options expected to vest differs from previous estimates, the Group revises the estimates, as appropriate.

(18) Income tax

Income tax expenses consist of current and deferred taxes. Tax expenses are recognized in profit or loss, excluding those related to business combinations and items recognized directly in equity or other comprehensive income.

Current taxes are calculated based on estimated refunds received from or payments paid to taxation authorities. The Group’s current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period based on the taxable profit or loss for the Group’s operating activity in each jurisdiction.

Deferred taxes are recognized for temporary differences between the carrying amount in the statement of financial position and income tax basis of assets and liabilities, tax loss carryforwards and tax credits at the reporting date.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that there will be sufficient taxable profits against which the benefits of future deductible temporary differences, loss carryforwards, and tax deduction carryforwards can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred taxes are not recognized for:

・Temporary differences arising from the initial recognition of assets and liabilities in transactions (excluding business combinations) that do not affect either accounting profit or taxable profit (tax loss), and that do not give rise to taxable temporary difference and deductible temporary difference in the same amount.

・Taxable temporary differences arising from the initial recognition of goodwill.

・Deductible temporary differences related to investments in subsidiaries, associates and joint arrangements where they are not likely to reverse in the foreseeable future or sufficient taxable profit is not likely to be earned to utilize the temporary differences.

・Taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed as of the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same tax authority on the same taxable entity.

An asset or liability is recognized for the effect of uncertainty in income taxes, and the asset or liability is measured at the amount of the reasonable estimate for uncertain tax positions when it is possible, based on the interpretation of tax laws, that the tax position will be sustained.

(19) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares.

(20) Segment information

An operating segment is defined as a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other operating components).

The Group engages in integrated manufacturing and sale of memory and related products, for which financial data is available and regularly reviewed by the Group’s operating decision makers to allocate resources and evaluate results of operation. Therefore, the Group presents its business as a single segment.

(21) Changes in accounting policies

The material accounting policies presented in the consolidated financial statements for the fiscal year ended March 31, 2024 are applied consistently in the preparation of these consolidated financial statements, except for the following.

The Group has applied the following standards as of March 31, 2025. There was no material impact to the consolidated statement of financial position as of March 31, 2025 from applying the standards.

Standard	Name of Standard	Overview of newly established or revised standard
IAS 1	Presentation of Financial Statements	Clarification of classifying liabilities as current or non-current Improvement of information about long-term debt with covenants
IAS 7, IFRS 7	Statement of Cash Flows, Financial Instruments: Disclosures	Requirements to disclose information about supplier finance arrangements

4. Significant Accounting Estimates and Judgements

Preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that have significant effects on adopting accounting policies and the amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are continuously reviewed. The effects of a change in accounting estimates are recognized in the period of the change and future periods.

The estimates and underlying assumptions that have significant effects on the amounts recognized in the consolidated financial statements made by the management are as follows:

・Net realizable value of inventories (“3. Material Accounting Policies (6)” and “10. Inventories”)

・Impairment of non-financial assets (“3. Material Accounting Policies (12)” and “12. Goodwill and Intangible Assets”)

・Recoverability of deferred tax assets (“3. Material Accounting Policies (18)” and “13. Income Taxes”)

・Measurement of defined benefit obligation (“3. Material Accounting Policies (13)” and “17. Employee Benefits”)

5. New Standards Not Yet Adopted

Among the new accounting standards and interpretations that have been newly established or revised by the approval date of the consolidated financial statements, the major standards that the Group has not yet applied early are as follows. The impact of the adoption of the standards on the consolidated financial statements is under consideration.

Standard	Name of Standard	Mandatory adoption date (the starting fiscal year)	Adoption scheduled date of the Group	Overview of newly established or revised standard
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	April 1, 2027 (the beginning of fiscal year 2027)	New standard which replaces IAS 1 to improve comparability in the statement of profit or loss and to enhance transparency of management-defined performance measures
IFRS 9, IFRS 7	Financial Instruments, Financial Instruments: Disclosures	January 1, 2026	April 1, 2026 (the beginning of fiscal year 2026)	Amendments to the classification and measurement of financial instruments Amendments to better reflect contracts referencing nature dependent electricity in the financial statements

6. Segment Information

(1) Information about reportable segment

Segment information is omitted as the Group operates as a single reportable segment: the Memory business.

(2) Information about products and services

Revenue of the Group by application is as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
SSD & Storage	991,147	516,361
Smart Devices	501,142	374,293
Other	214,171	185,930
Total	1,706,460	1,076,584

(3) Information about geographical areas

Revenue and non-current assets (excluding financial instruments, deferred tax assets, and assets for retirement benefit) by geographical area are as follows:

Revenue from external customers

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Japan	243,849	191,555
North America and Europe	853,608	448,658
Asia	609,003	436,371
Total	1,706,460	1,076,584

Note: The revenue information above is based on the location of operating sites of the subsidiaries.

Revenues in the United States for the year ended March 31, 2025 and 2024 are 758,666 million yen and 393,909 million yen respectively. Revenues in China for the year ended March 31, 2025 and 2024 are 323,357 million yen and 217,870 million yen respectively.

Non-current assets

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Japan	1,714,351	1,737,806
North America and Europe	2,172	2,661
Asia	6,594	8,285
Total	1,723,117	1,748,752

Note: The non-current asset information above is based on the location of the non-current assets.

(4) Information about major customers

External customers who account for 10 percent or more of the Group's revenue reported on the consolidated statement of profit or loss are as follows:

Millions of yen

Customer name	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Apple Group	300,512	225,296
Sandisk Group	198,572	170,475
Dell Group	171,157	93,993

7. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Cash and deposits	167,932	187,593

Note: The balances of "Cash and cash equivalents" in the consolidated statement of financial position are equal to those in the consolidated statement of cash flows as of March 31, 2025 and 2024.

8. Trade and Other Receivables

The components of trade and other receivables are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Accounts receivable and electronically recorded monetary claims	215,835	128,293
Other receivables	23,447	22,135
Loss allowance	(688)	(613)
Total	238,594	149,815

Note 1: Trade and other receivables are classified as financial assets measured at amortized cost.

Note 2: Trade and other receivables are expected to be collected within 12 months.

9. Other Financial Assets

The components of other financial assets are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Equity instruments	57,003	80,629
Debt instruments	1,000	1,341
Derivative assets	3,848	5,219
Other	5,299	5,303
Total	67,150	92,492
Current assets	3,971	5,353
Non-current assets	63,179	87,139
Total	67,150	92,492

Note: Equity instruments are classified as financial assets measured at fair value through other comprehensive income. Debt instruments and derivative assets are classified as financial assets measured at fair value through profit or loss. Other is classified as financial assets measured at amortized cost.

10. Inventories

The components of inventories are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Finished products	50,549	26,332
Semi-finished products and work-in-progress	283,746	225,015
Raw materials	18,486	20,355
Other	82	79
Total	352,863	271,781

Inventories are measured at the lower of cost and net realizable value. In addition, for slow moving inventories that are outside of the operating cycle process, the net realizable value is measured by taking into account future demand and market trends. If the assumption of estimated selling price, which is the basis for calculating net realizable value, changes due to uncertain future economic conditions or other factors, the amount of inventories could be materially affected.

The amounts of write-down of inventories to net realizable value are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Write-down of inventories	20,740	55,284

Note: “Cost of sales” in the consolidated statement of profit or loss consists primarily of the cost of inventories sold during the period, as the main business of the Group is manufacturing and marketing of memory and related products used for applications such as SSD & Storage and Smart Devices.

11. Property, Plant and Equipment

Changes in the carrying amount of property, plant and equipment are as follows:
Cost of property, plant and equipment

Millions of yen

	Land	Buildings and structures	Machinery and other assets	Construction-in-progress	Total
As of April 1, 2023	30,649	436,246	2,356,692	96,053	2,919,640
Acquisitions	-	-	-	217,259	217,259
Reduction entry (Note)	-	(972)	(13,457)	-	(14,429)
Transfers from construction-in-progress	2	29,013	155,047	(184,062)	-
Sales or disposals	-	(800)	(25,316)	-	(26,116)
Other	-	172	1,342	-	1,514
As of March 31, 2024	30,651	463,659	2,474,308	129,250	3,097,868
Acquisitions	-	-	-	230,400	230,400
Reduction entry (Note)	-	(1,940)	(16,746)	-	(18,686)
Transfers from construction-in-progress	933	109,929	192,698	(303,560)	-
Sales or disposals	-	(45)	(25,881)	-	(25,926)
Other	-	(83)	(276)	22	(337)
As of March 31, 2025	31,584	571,520	2,624,103	56,112	3,283,319

Note: The reduction entry which was recognized for the fiscal year ended March 31, 2025 and 2024 is primarily due to a government grant received through the “Cutting-edge Semiconductor Production Facilities” initiative. There are no significant unfulfilled conditions or other contingencies associated with this government grant.

Accumulated depreciation and accumulated impairment losses

Millions of yen

	Land	Buildings and structures	Machinery and other assets	Construction-in-progress	Total
As of April 1, 2023	-	78,454	1,559,688	-	1,638,142
Depreciation (Note)	-	23,137	289,018	-	312,155
Sales or disposals	-	(304)	(22,845)	-	(23,149)
Other	-	200	1,755	-	1,955
As of March 31, 2024	-	101,487	1,827,616	-	1,929,103
Depreciation (Note)	-	25,582	253,726	-	279,308
Sales or disposals	-	(37)	(25,048)	-	(25,085)
Other	-	337	(525)	-	(188)
As of March 31, 2025	-	127,369	2,055,769	-	2,183,138

Note: Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

Millions of yen

	Land	Buildings and structures	Machinery and other assets	Construction-in-progress	Total
As of April 1, 2023	30,649	357,792	797,004	96,053	1,281,498
As of March 31, 2024	30,651	362,172	646,692	129,250	1,168,765
As of March 31, 2025	31,584	444,151	568,334	56,112	1,100,181

12. Goodwill and Intangible Assets

(1) Changes in goodwill and intangible assets

Changes in the carrying amount of goodwill and intangible assets are as follows:

Cost of goodwill and intangible assets

Millions of yen

	Goodwill	Intangible assets					
		Software	Technology related assets	Technology license fees	Customer related assets	Other	Total
As of April 1, 2023	395,167	23,577	3,158	33,523	702	6,135	67,095
Acquisitions	-	36	-	1,506	-	584	2,126
Sales or disposals	-	(631)	-	(19,051)	-	-	(19,682)
Transfer of accounts	-	-	-	(15,977)	-	(147)	(16,124)
Other	238	590	-	(1)	55	(506)	138
As of March 31, 2024	395,405	23,572	3,158	-	757	6,066	33,553
Acquisitions	-	1,089	-	-	-	1,040	2,129
Sales or disposals	-	(306)	-	-	-	-	(306)
Transfer of accounts	-	-	-	-	-	-	-
Other	(149)	(39)	-	-	(35)	(1)	(75)
As of March 31, 2025	395,256	24,316	3,158	-	722	7,105	35,301

Accumulated amortization and accumulated impairment losses

Millions of yen

	Goodwill	Intangible assets					
		Software	Technology related assets	Technology license fees	Customer related assets	Other	Total
As of April 1, 2023	-	18,247	660	26,687	386	296	46,276
Amortization (Note)	-	2,199	792	1,949	148	197	5,285
Sales or disposals	-	(596)	-	(18,919)	-	-	(19,515)
Transfer of accounts	-	-	-	(9,811)	-	-	(9,811)
Other	-	76	-	94	34	(145)	59
As of March 31, 2024	-	19,926	1,452	-	568	348	22,294
Amortization (Note)	-	1,708	792	-	151	51	2,702
Sales or disposals	-	(297)	-	-	-	-	(297)
Transfer of accounts	-	-	-	-	-	-	-
Other	-	(21)	-	-	(33)	(2)	(56)
As of March 31, 2025	-	21,316	2,244	-	686	397	24,643

Note: Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

Millions of yen

	Goodwill	Intangible assets					
		Software	Technology related assets	Technology license fees	Customer related assets	Other	Total
As of April 1, 2023	395,167	5,330	2,498	6,836	316	5,839	20,819
As of March 31, 2024	395,405	3,646	1,706	-	189	5,718	11,259
As of March 31, 2025	395,256	3,000	914	-	36	6,708	10,658

(2) Total amount of research and development cost

Research and development costs recognized during the fiscal years ended March 31, 2025 and 2024 are 132,798 million yen and 141,030 million yen, respectively. Research and development cost is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

(3) Impairment test of goodwill

Goodwill, mainly recognized in conjunction with the acquisition of former Toshiba Memory Corporation on June 1, 2018, is significant for the Group. The amounts of goodwill as of March 31, 2025 and 2024 are 395,256 million yen and 395,405 million yen, respectively. The Group identifies one cash-generating unit and all goodwill is allocated to this cash-generating unit in the impairment testing.

The Group conducts the impairment testing of goodwill at least once a year as of January 1, and whenever indicators of impairment exist. The result of the impairment test of the cash generating unit as of January 1, 2025 did not indicate any impairment of goodwill.

The recoverable amount of goodwill for the impairment test is determined based on the value in use, which is calculated by discounting estimated future cash flows to present value. The future cash flows are estimated based on the five-year business plan approved by management, reflecting historical experience and external information. The business plan is primarily influenced by the shipment growth rate, the future average selling price, and the future cost reduction rates. The cash flows for the period subsequent to the five-year business plan are estimated by referencing the long-term expected growth rate in the country which the cash-generating unit belongs (0.5% and 0.0% for fiscal years ended March 31, 2025 and 2024 respectively). The discount rate is calculated based on the weighted-average cost of capital before tax of the cash-generating unit (7.5% and 7.0%, for fiscal years ended March 31, 2025 and 2024 respectively). The Group mainly uses valuation experts in determining the growth and discount rates, and in calculating the present value of cash flows for the period subsequent to the five-year business plan.

Even if there were reasonably possible changes in key assumptions used in impairment testing, the value in use would exceed the carrying amount of the cash-generating unit.

13. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities and changes during the year is as follows:

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Millions of yen

	As of April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2025
Deferred tax assets					
Inventories	37,236	(16,469)	-	(36)	20,731
Property, plant and equipment	29,331	1,718	-	(1)	31,048
Lease liabilities	56,579	15,023	-	-	71,602
Accrued expenses	8,606	5,856	-	-	14,462
Retirement benefit liability	15,552	738	(765)	(5)	15,520
Tax loss carryforwards	276,498	(44,823)	-	(10)	231,665
Other	44,036	2,739	(960)	400	46,215
Total deferred tax assets	467,838	(35,218)	(1,725)	348	431,243
Deferred tax liabilities					
Inventories	-	-	-	-	-
Property, plant and equipment	7,479	(174)	-	1	7,306
Intangible assets	567	(265)	-	(1)	301
Right-of-use assets	51,925	14,561	-	-	66,486
Liabilities for retirement benefit adjustments	14,612	(2,955)	-	-	11,657
Other	22,569	9,953	(6,638)	449	26,333
Total deferred tax liabilities	97,152	21,120	(6,638)	449	112,083
Net deferred tax assets	370,686	(56,338)	4,913	(101)	319,160

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Millions of yen

	As of April 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2024
Deferred tax assets					
Inventories	58,269	(21,180)	-	147	37,236
Property, plant and equipment	24,272	5,082	-	(23)	29,331
Lease liabilities	56,326	253	-	-	56,579
Accrued expenses	9,743	(1,199)	-	62	8,606
Retirement benefit liability	15,746	(351)	153	4	15,552
Tax loss carryforwards	164,883	111,626	-	(11)	276,498
Other	24,480	19,305	(571)	822	44,036
Total deferred tax assets	353,719	113,536	(418)	1,001	467,838
Deferred tax liabilities					
Inventories	235	(243)	-	8	-
Property, plant and equipment	4,061	3,134	-	284	7,479
Intangible assets	1,014	(452)	-	5	567
Right-of-use assets	51,839	86	-	-	51,925
Liabilities for retirement benefit adjustments	12,190	2,422	-	-	14,612
Other	9,514	1,481	11,457	117	22,569
Total deferred tax liabilities	78,853	6,428	11,457	414	97,152
Net deferred tax assets	274,866	107,108	(11,875)	587	370,686

Net deferred tax assets are included in the following accounts in the consolidated statement of financial position.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Deferred tax assets	319,163	370,722
Deferred tax liabilities	(3)	(36)
Total	319,160	370,686

Deferred tax assets are recorded for deductible temporary differences, tax credits and tax loss carryforward arising in the future to the extent that the Group determines it is probable that there will be taxable profits and reversal of taxable temporary differences in the future to recover deferred tax assets.

Deferred tax assets are recognized for tax loss carryforwards as of March 31, 2025 and 2024, and the Group determines it is probable that the tax benefit will be realizable based on the forecast of future taxable profits according to the management-approved five-year business plan. The five-year business plan is primarily influenced by the shipment growth rate, the future average selling price, and the future cost reduction rates. Tax loss carryforward of the Company’s major subsidiary, Kioxia Corporation, will expire first in the fiscal year ending March 2030.

The deductible temporary differences and tax credit carryforwards for which the deferred tax assets are fully reserved are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Deductible temporary differences	32,380	32,313
Tax credit carryforwards	144	-
Total	32,524	32,313

Note: The amount of the previously unrecognized deferred tax assets that are used to reduce deferred tax expenses is not applicable for the fiscal year ended March 31, 2025 and March 31, 2024.

The expected expirations of tax credit carryforwards for which the deferred tax assets are fully reserved are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Over 1 to 5 years	144	-
Total	144	-

(2) Income tax expense

The components of income tax expense (benefit) are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Current tax expense	42,010	7,499
Deferred tax expense (benefit)	56,338	(107,108)
Total	98,348	(99,609)

The taxes levied on the Group mainly include income tax, inhabitant tax, and business tax. The effective statutory tax rate based on those taxes is 31.09% for the fiscal years ended March 31, 2025 and March 31, 2024, respectively. Foreign subsidiaries are subject to income taxes in the tax jurisdiction in which they are located.

In Japan, where the Company is domiciled, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2024), which introduces Special Defense Corporation Tax as a tax measure to secure financial resources for strengthening defense capabilities, was enacted on March 31, 2025. This Act will be applicable to the Company from the fiscal year commencing on April 1, 2026. Accordingly, for temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2026, deferred tax assets and liabilities are calculated using a revised statutory effective tax rate of 31.98%, instead of the previous 31.09%. Due to the impact of the tax rate change, deferred tax expense decreased 7,229 million yen for the fiscal years ended March 31, 2025.

The reconciliation between the statutory effective tax rates and the actual effective tax rates for continuing operations for each year is as follows:

	As of March 31, 2025	As of March 31, 2024
Statutory effective tax rates	31.09%	31.09%
Changes in unrecognized deferred tax assets	0.08%	(0.13%)
Tax credits	(4.28%)	0.20%
Tax reform	(1.95%)	-%
Permanent differences	1.50%	(1.23%)
Other	0.09%	(0.92%)
Actual effective tax rates	26.53%	29.01%

(3) Global minimum tax

In Japan, where the Company is domiciled, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 3 of 2023), which introduces a global minimum tax system in accordance with the Pillar Two model rules, was enacted on March 28, 2023. This Act will be applicable to the Company from the fiscal year commencing on April 1, 2024, the impact on the consolidated financial statements will be immaterial.

14. Borrowings and Other Financial Liabilities

(1) The components of borrowings and other financial liabilities

The components of borrowings and other financial liabilities are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024	Average rate	Payment term
Current liabilities:				
Financial liabilities measured at amortized cost:				
Short-term borrowings (Note 1)	-	126,180	-	-
Current portion of long-term borrowings (Note 1 and 2)	246,508	700,233	3.20%	-
Accrued interest	24,476	14,641	-	-
Preferred shares (Note 3)	-	322,741	-	-
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	3,582	6,959	-	-
Subtotal	274,566	1,170,754	-	-
Non-current liabilities:				
Financial liabilities measured at amortized cost:				
Long-term borrowings (Note 1 and 2)	531,198	284,899	3.50%	From April 2026 to March 2030
Preferred shares (Note 3)	321,261	-	7.36%	June 2028
Subtotal	852,459	284,899	-	-
Total	1,127,025	1,455,653	-	-

The balances unexecuted of borrowings related to the Revolving Credit Facility Agreement and other items are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Revolving Credit Facility The balances executed	210,000 —	110,000 110,000
The balances unexecuted	210,000	—

Note 1: Based on the resolution of the Board of Directors Meeting held on June 10, 2024, the Company signed an amendment agreement with financial institutions on the financing arrangements below in order to refinance existing loans as of June 12, 2024. The carrying amounts of current portion of long-term borrowings and long-term borrowings based on the agreement as of March 31, 2025 and 2024 are 429,417 million yen and 699,915 million yen, respectively.

Date of initial agreement	May 31, 2019

<table>
<tr><td>Major lenders</td><td>Sumitomo Mitsui Banking Corporation
MUFG Bank, Ltd.
Mizuho Bank, Ltd.
Sumitomo Mitsui Trust Bank, Limited</td></tr>
<tr><td>Financing amount</td><td>Term loan 544,541 Million yen
Revolving Credit Facility 210,000 Million yen</td></tr>
<tr><td>Interest rate</td><td>TIBOR + Spread</td></tr>
<tr><td>Repayment</td><td>June 17, 2027</td></tr>
<tr><td>Financial covenants</td><td>The amendment agreement has the following financial covenants.
(i) The “Consolidated Leverage Ratio” shall not exceed the figures in the table below for two consecutive quarters.
Since the Company has been approved for listing, the following “ii” applies from the period ended March 31, 2025.
i. During the period up to the IPO approval date (quarterly)
<table>
<tr><th></th><th>Fiscal year ending March 31, 2025</th><th>Fiscal year ending March 31, 2026</th><th>Fiscal year ending March 31, 2027</th></tr>
<tr><td>First Quarter</td><td>4.73:1</td><td>2.28:1</td><td>1.82:1</td></tr>
<tr><td>Second Quarter</td><td>3.69:1</td><td>2.17:1</td><td>1.70:1</td></tr>
<tr><td>Third Quarter</td><td>2.68:1</td><td>2.05:1</td><td>1.57:1</td></tr>
<tr><td>Fourth Quarter</td><td>2.39:1</td><td>1.94:1</td><td>1.45:1</td></tr>
</table>
ii. In the period after the IPO approval (interim)
<table>
<tr><th></th><th>Fiscal year ending March 31, 2025</th><th>Fiscal year ending March 31, 2026</th><th>Fiscal year ending March 31, 2027</th></tr>
<tr><td>Second Quarter</td><td>3.69:1</td><td>2.17:1</td><td>1.70:1</td></tr>
<tr><td>Fourth Quarter</td><td>2.39:1</td><td>1.94:1</td><td>1.45:1</td></tr>
</table>

(ii) The “Consolidated Equity” shall be greater than the figures below.
Since the Company has been approved for listing, the following “ii” applies from the period ended March 31, 2025.
i. During the period up to the IPO approval date (quarterly)
- As of June 30, 2024: 773,000 Million yen
- As of September 30, 2024: 823,000 Million yen
- As of December 31, 2024 and after the last day of each quarter: 823,000 million yen or 80 percent of “Total equity” in the consolidated statement of financial position of the corresponding period last year added 323,000 million yen, whichever is higher
ii. In the period after the IPO approval (interim)
- As of September 30, 2024: 823,000 Million yen
- As of the last day of each second quarter and fourth quarter after the third quarter of the fiscal year ending March, 2025: 823,000 million yen or 80 percent of “Total equity” in the consolidated statement of financial position of the corresponding period last year added 323,000 million yen, whichever is higher</td></tr>
</table>

	(iii) The "Consolidated Debt to Equity Ratio" shall not exceed the figures in the table below. Since the Company has been approved for listing, the following "ii" applies from the period ended March 31, 2025. i. During the period up to the IPO approval date (quarterly) <table><tr><td></td><td>Fiscal year ending March 31, 2025</td><td>Fiscal year ending March 31, 2026</td><td>Fiscal year ending March 31, 2027</td></tr><tr><td>First Quarter</td><td>151%</td><td>124%</td><td>99%</td></tr><tr><td>Second Quarter</td><td>137%</td><td>118%</td><td>93%</td></tr><tr><td>Third Quarter</td><td>137%</td><td>111%</td><td>86%</td></tr><tr><td>Fourth Quarter</td><td>130%</td><td>105%</td><td>80%</td></tr></table>ii. In the period after the IPO approval (interim) <table><tr><td></td><td>Fiscal year ending March 31, 2025</td><td>Fiscal year ending March 31, 2026</td><td>Fiscal year ending March 31, 2027</td></tr><tr><td>Second Quarter</td><td>137%</td><td>118%</td><td>93%</td></tr><tr><td>Fourth Quarter</td><td>130%</td><td>105%</td><td>80%</td></tr></table> (iv) During the period up to the IPO approval date, the "Consolidated Qualifying Capital Expenditure" shall not exceed the figures in the table below in each fiscal year. Since the Company has been approved for listing, the following doesn't apply. Millions of yen <table><tr><td>Fiscal year ending March 31, 2025</td><td>Fiscal year ending March 31, 2026</td><td>Fiscal year ending March 31, 2027</td><td>Fiscal year ending March 31, 2028</td></tr><tr><td>352,660</td><td>450,840</td><td>491,640</td><td>479,280</td></tr></table> (v) The Group shall not have negative consolidated profit for the year in any two consecutive full fiscal years ending on or after March 31, 2025. [Definitions and calculation formulas] (i) "Consolidated" means the amount in the consolidated financial statements prepared in accordance with IFRS. (ii) "Consolidated Leverage Ratio" means the ratio of "Consolidated Debt" to "Consolidated EBITDA". - "Consolidated Debt" is consolidated interest-bearing debt (excluding preferred shares and lease liabilities). - "Consolidated EBITDA" is consolidated operating profit plus depreciation and amortization regarding "Property, plant and equipment" and "Intangible assets" which are including consolidated operating profit. (iii) "Consolidated Equity" is "Total equity" in the consolidated statement of financial position plus the amount of preferred shares (323,000 million yen as of March 31, 2025). (iv) "Consolidated Debt to Equity Ratio" means the ratio of "Consolidated Debt" to "Consolidated Equity". (v) "Consolidated Qualifying Capital Expenditure" means the aggregate amount of capital expenditure minus the financing amount through sale and leaseback and plus the amount of repayment through sale and leaseback.
Collateral etc.	The Company offers collateral to the financing institutions for the amendment agreements. In addition, Kioxia Corporation not only offers collateral to the financial institutions but also provides a joint guarantee for the Company's borrowings.

Note 2: The Group raises funds through sale and leaseback of some Property, plant and equipment. Sale and leaseback transactions executed after the adoption of IFRS 16 "Leases" ("IFRS 16") are not accounted for as sales and leases since they do not meet the conditions for revenue recognition under IFRS 15

"Revenue from Contracts with Customers" ("IFRS 15"). Accordingly, funds raised through such transactions are accounted for as long-term borrowings. Borrowings associated with such transaction included in the current portion of long-term borrowings and long-term borrowings as of March 31, 2025 and 2024 are 336,709 million yen and 383,311 million yen, respectively. The long-term borrowings associated with the sale and leaseback transaction related to the land with leasehold interest of the Yokkaichi Plant is 59,498 million yen as of March 31, 2025. The payment term is expected to be long-term based on the contract, and therefore is not described in "Payment term" of the table above.

Note 3: Based on the resolution of the Board of Directors Meeting held on June 10, 2024, the Company agreed with Development Bank of Japan Inc. to extend the accrual date of request for acquisition of the Company's non-convertible preferred shares, and the conditions. The administrative procedures for the amendment to the Articles of Incorporation were completed as of July 18, 2024, and the Company also signed an amended investment agreement with Development Bank of Japan Inc. as of July 19, 2024. The holders of the issued and allotted preferred shares do not have voting rights and do not include any call or put options in exchange for ordinary shares. Therefore, these preferred shares do not have dilutive effects on the ordinary shares. The holders of the preferred shares have rights to dividends and residual assets in preference to the holders of the ordinary shares.

The preferred shares are classified as financial liabilities under IFRS, because the Company has an obligation to redeem these shares with cash on a specified date (June 17, 2028). The Company has the right to redeem the preferred shares prior to the required date based upon a resolution of the Board of Directors. This redemption right constitutes an embedded derivative. The embedded derivatives are not accounted for separately from the host contracts because they are closely related to the host contracts. Therefore, the Company classifies all of the preferred shares as financial liabilities measured at amortized costs.

(i) Series 1 (*Kou*) Preferred shares

Number of offered shares	Series 1 (*Kou*) Preferred shares 1,200 shares
Paid-in amount of offered shares	100,000,000 yen per share (The total amount to be paid in is 120,000 million yen.)
Paid-in date	June 17, 2019
Means of allotment of offered shares	All offered shares are allocated to Development Bank of Japan Inc. by third-party share allotment.

Dividends of surplus	(1) When the Company makes a distribution of dividends from surplus, the Company shall make a distribution of dividends in cash to the holders of the Series 1 (*Kou*) Preferred Shares (hereinafter referred to as the “Series 1 (*Kou*) Preferred Shareholders”) or to the registered pledgees of the Series 1 (*Kou*) Preferred Shares (hereinafter referred to as the “Registered Series 1 (*Kou*) Preferred Pledgees”) (such dividends to the Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees hereinafter referred to as the “Series 1 (*Kou*) Preferred Dividends Distribution”) whose names are listed or recorded on the shareholders’ register as of the close of the record date with respect to such distribution, in preference to the holders of Common Shares (hereinafter referred to as the “Common Shareholders”) or registered pledges of the Common Shares (hereinafter referred to as the “Registered Common Share Pledgees”) (such dividends to Common Shareholders and Registered Common Share Pledgees hereinafter referred to as the “Common Dividends Distribution”) in the amount set forth in Paragraph 2 of this Article per Series 1 (*Kou*) Preferred Share (hereinafter referred to as the “Series 1 (*Kou*) Preferred Dividends”). Payment of the Series 1 (*Kou*) Preferred Dividends Distribution to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees and the Series 2 (*Otsu*) Preferred Dividends Distribution (defined in Paragraph 2 of the Article for “(ii) Series 2 (*Otsu*) Preferred shares”; hereinafter the same shall apply) to the holders of the Series 2 (*Otsu*) Preferred Shares (hereinafter referred to as the “Series 2 (*Otsu*) Preferred Shareholders”) or the registered pledgees of the Series 2 (*Otsu*) Preferred Share (hereinafter referred to as the “Registered Series 2 (*Otsu*) Preferred Pledgees”) shall rank pari passu. (2) (a) The total amount of Series 1 (*Kou*) Preferred Dividends per Series 1 (*Kou*) Preferred Share shall be equal to an amount calculated as follows: the product of (i) the Series 1 (*Kou*) Preferred Dividend Rate and (ii) the Series 1 (*Kou*) Preferred Share Base Price for the business year to which the record date with respect to the distribution of dividends belongs (in case of the distribution of dividends is made in a business year to which the issue date belongs or as of a record date which is not the last day of any business year, the product of (i), (ii) and (iii) the actual days elapsed from the first day of such business year (in case that such business year is the one that the issue date belongs to, the issue date) (inclusive) to such record date (inclusive), divided by three hundred sixty five (365) (with divisions made at the end and rounded down to the nearest integral number) (the same shall apply to the following pro-rata calculations)); provided, however, that distributions of all or any part of dividends as of record dates that belong to such business year have been made, the accumulated amount of such dividends shall be deducted. (b) The “Series 1 (*Kou*) Preferred Share Base Price” shall be one hundred million Japanese Yen (JPY 100,000,000) in the business year to which the issue date belongs and, in the subsequent business years, equal to the sum of the amount of the Series 1 (*Kou*) Preferred Share Base Price on the last date of the previous business year and, if the Company did not make a distribution of all or any part of Series 1 (*Kou*) Preferred Dividends based of record dates that belong to such previous business year, the amount of such unpaid Series 1 (*Kou*) Preferred Dividends; provided, however, if the Company makes a distribution of Series 1 (*Kou*) Special Dividends, defined in Paragraph 4 of this Article, in a certain business year, the amount of such paid Series 1 (*Kou*) Special Dividends shall be deducted from the amount of the Series 1 (*Kou*) Preferred Share Base Price on the date of such payment. In the case the Company distributes the Series 1 (*Kou*) Special Dividends, the amount of the Series 1 (*Kou*) Preferred Dividends shall be calculated on the pro-rata basis (i) for the period until the day before the payment date (inclusive) of said Series 1 (*Kou*) Special Dividends, based on the Series 1 (*Kou*) Preferred Share Base Price without deduction of the amount of said Series 1 (*Kou*) Special Dividends, and (ii) for the period after the payment date (inclusive) of said Series 1 (*Kou*) Special Dividends, based on the Series 1 (*Kou*) Preferred Share Base Price with deduction of the amount of said Series 1 (*Kou*) Special Dividends.

	(c) The "Series 1 (*Kou*) Preferred Dividend Rate" shall be the rate per annum defined below; provided, however, in the case the Series 1 (*Kou*) Preferred Dividend Rate is to change during the period from the first day of a business year to the record date pertaining to such Series 1 (*Kou*) Preferred Dividend, the amount of Series 1 (*Kou*) Preferred Dividend shall be calculated pro rata, using the Series 1 (*Kou*) Preferred Dividend Rate before the change for the period before the change and the Series 1 (*Kou*) Preferred Dividend Rate after the change for the period after the change. - From the issue date to June 16, 2024: four point zero five percent (4.05%) - From June 17, 2024 to March 31, 2025: eight point zero five percent (8.05%) - From April 1, 2025 to September 30, 2026: seven point zero five percent (7.05%) - From October 1, 2026 to March 31, 2027: eight point thirty five percent (8.35%) - From April 1, 2027: nine point sixty five percent (9.65%) (3) In the event that the total amount of Series 1 (*Kou*) Preferred Dividends per share paid in cash in accordance with Paragraph 1 of this Article to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees as of any record date belonging in a business year is less than the amount of the Series 1 (*Kou*) Preferred Dividends of such business year, any such deficiencies shall not be cumulative for the subsequent business years respectively. (4) The Company may, at its option, make a distribution of dividends to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees prior to or after the payment of Common Dividends, Series 1 (*Kou*) Preferred Dividends or Series 2 (*Otsu*) Preferred Dividends (defined in Paragraph 4 of the Article for "(ii) Series 2 (*Otsu*) Preferred shares"; hereinafter the same shall apply), to the extent that the amount of such dividends does not exceed the amount of the Series 1 (*Kou*) Preferred Share Base Price at that time less 100,000,000 yen. The distribution of Series 1 (*Kou*) Special Dividends to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees and the distribution of Series 2 (*Otsu*) Special Dividends to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees shall rank pari passu. (5) Other than the dividends set forth in Paragraphs 1 and 4 of this Article, no dividend shall be paid to the Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees.
Distribution of residual assets	(1) If and when the Company distributes the residual assets upon its dissolution, the Company shall pay to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees, in preference to Common Shareholders or Registered Common Share Pledgees and Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees, the amount set forth in Paragraph 2 of this Article (hereinafter referred to as the "Series 1 (*Kou*) Preferred Shares Redemption Amount") per Series 1 (*Kou*) Preferred Share. (2) Series 1 (*Kou*) Preferred Shares Redemption Amount per Series 1 (*Kou*) Preferred Share shall be the Series 1 (*Kou*) Preferred Share Base Price of the business year to which the payment date of the residual assets belongs and the equivalent amount of unpaid dividends per Series 1 (*Kou*) Preferred Share on the payment date of the residual assets. The "equivalent amount of unpaid dividends per Series 1 (*Kou*) Preferred Share on the payment date of the residual assets" means the amount of Series 1 (*Kou*) Preferred Dividends calculated on a pro-rata basis using the actual number of days from the first day of the business year to which the payment date of residual assets belongs (in case that such business year is the one that the issue date belongs to, the issue date) (inclusive) to such payment date (inclusive), assuming the payment date of residual assets to be the record date for distribution of dividends; provided, however, that distributions of all or any part of dividends as of record dates that belong to such business year have been made, the accumulated amount of such dividends shall be deducted.

	(3) Other than the distribution set forth in Paragraph 1 of this Article, the Company does not distribute any residual asset to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees.
Put options in exchange for cash	The Series 1 (*Kou*) Preferred Shareholders shall, when and if any of the events listed in Items below occurs, to the extent permitted by laws and regulations, be entitled to demand the Company to deliver cash in exchange for any part or all of the Series 1 (*Kou*) Preferred Shares owned by them (the date that such demand is made is hereinafter referred to as the "Series 1 (*Kou*) Preferred Shares Demand Date"). Upon such demand, the Company shall pay to such Series 1 (*Kou*) preferred Shareholders, to the limited extent of the distributable amount calculated in accordance with Article 461, Paragraph 2 of the Companies Act on the Series 1 (*Kou*) Preferred Shares Demand Date, an amount of cash equivalent to Series 1 (*Kou*) Preferred Shares Redemption Amount set forth in Paragraph 2 of the Article of "Distribution of residual assets" (provided, however, that the amount shall be calculated as of the Series 1 (*Kou*) Preferred Shares Demand Date instead of the payment date of the residual assets); provided, however, that the number of the Series 1 (*Kou*) Preferred Shares to be acquired by the Company shall be determined on a pro rata basis or in any other reasonable and fair way that the Board of Directors of the Company decides in a case where Series 1 (*Kou*) Preferred Shareholders make such demand in the amount beyond the distributable amount. (a) After December 17, 2027; (b) The distributable amount of the Company on the last day of a business year calculated based on the financial statements for such business year that is approved at a shareholders' meeting of the Company in accordance with applicable law is less than the sum of (a) the aggregate amount of Series 1 (*Kou*) Preferred Shares Redemption Amount of all the outstanding Series 1 (*Kou*) Preferred Shares on the last day of such business year and (b) the aggregate amount of Series 2 (*Otsu*) Preferred Shares Redemption Amount of all the outstanding Series 2 (*Otsu*) Preferred Shares as of the last day of such business year (provided, however, that this shall not apply, on or before the date falling three (3) months from the date of the shareholders' meeting at which the financial statements of the Company for the relevant business year were approved, the distributable amount of the Company becomes equal to or more than the sum of (a) the aggregate amount of Series 1 (*Kou*) Preferred Shares Redemption Amount of all the outstanding Series 1 (*Kou*) Preferred Shares on the last day of such business year and (b) the aggregate amount of Series 2 (*Otsu*) Preferred Shares Redemption Amount of all the outstanding Series 2 (*Otsu*) Preferred Shares on the last day of such business year.); (c) Any financial indebtedness of the Company or Kioxia Corporation is declared to be immediately due and payable prior to its specified maturity as a result of an event of default (however described) with respect to such financial indebtedness; provided, however, this shall not apply to the financial indebtedness whose amount is less than JPY 2,000,000,000 (or its equivalent in any other currency) or the financial indebtedness incurred under intra-group loan or any subordinated debts. If put options are not exercised based on the above events (a) to (c), unless otherwise agreed, all of those put options shall be exercised, to the extent permitted by laws and this agreement, on June 17, 2028.
Call option in exchange for cash	The Company may, acquire, to the extent permitted by laws and regulations, on the day determined by a resolution of the Board of Directors of the Company (the day is hereinafter referred to as the "Series 1 (*Kou*) Preferred Shares Acquisition Day") any part or all of the Series 1 (*Kou*) Preferred Shares in exchange for an amount of cash equivalent to Series 1 (*Kou*) Preferred Shares Redemption Amount (provided, however, that the amount shall be calculated as of the Series 1 (*Kou*) Preferred Shares Acquisition Day instead of the payment date of the residual assets). The Series 1 (*Kou*) Preferred Shares to be acquired by the Company shall be determined on a pro rata basis or in any other reasonable and fair way that the Board of Directors of the Company decides in a case where the Company acquires a part of Series 1 (*Kou*) Preferred Shares.

(ii) Series 2 (*Otsu*) Preferred shares

Number of offered shares	Series 2 (*Otsu*) Preferred shares 1,800 shares
Paid-in amount of offered shares	100,000,000 yen per share (The total amount to be paid in is 180,000 million yen.)
Paid-in date	June 17, 2019
Means of allotment of offered shares	All offered shares are allocated to Development Bank of Japan Inc. by third-party share allotment.
Dividends of surplus	(1) When the Company makes a distribution of dividends from surplus the Company shall make a distribution of dividends in cash to Series 2 (*Otsu*) Preferred Shareholders or to Registered Series 2 (*Otsu*) Preferred Pledgees (such distribution of dividends to the Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees hereinafter referred to as the "Series 2 (*Otsu*) Preferred Dividends Distribution") whose names are listed or recorded on the shareholders' register as of the close of the record date with respect to such distribution, in preference to Common Dividends in the amount set forth in Paragraph 2 of this Article per Series 2 (*Otsu*) Preferred Share (hereinafter referred to as the "Series 2 (*Otsu*) Preferred Dividends"). Payment of the Series 2 (*Otsu*) Preferred Dividends Distribution to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees and the Series 1 (*Kou*) Preferred Dividends Distribution to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees shall rank pari passu. (2) (a) The total amount of Series 2 (*Otsu*) Preferred Dividends per Series 2 (*Otsu*) Preferred Share shall be equal to an amount calculated as follows: the product of (i) the Series 2 (*Otsu*) Preferred Dividend Rate and (ii) the Series 2 (*Otsu*) Preferred Share Base Price for the business year to which the record date with respect to the distribution of dividends belongs (in case of the distribution of dividends is made in a business year to which the issue date belongs or as of a record date which is not the last day of any business year, the product of (i), (ii) and (iii) the actual days elapsed from the first day of such business year (in case that such business year is the one that the issue date belongs to, the issue date) (inclusive) to such record date (inclusive); provided, however, that distributions of all or any part of dividends as of record dates that belong to such business year have been made, the accumulated amount of such dividends shall be deducted. (b) The "Series 2 (*Otsu*) Preferred Share Base Price" shall be JPY 100,000,000 in the business year to which the issue date belongs and, in the subsequent business years, equal to the sum of the amount of the Series 2 (*Otsu*) Preferred Share Base Price on the last date of the previous business year and, if the Company did not make a distribution of all or any part of Series 2 (*Otsu*) Preferred Dividends based of record dates that belong to such previous business year, the amount of such unpaid Series 2 (*Otsu*) Preferred Dividends; provided, however, if the Company makes a distribution of Series 2 (*Otsu*) Special Dividends in a certain business year, the amount of such paid Series 2 (*Otsu*) Special Dividends shall be deducted from the amount of the Series 2 (*Otsu*) Preferred Share Base Price on the date of such payment. In the case the Company distributes the Series 2 (*Otsu*) Special Dividends, the amount of the Series 2 (*Otsu*) Preferred Dividends shall be calculated on the pro-rata basis (i) for the period until the day before the payment date (inclusive) of said Series 2 (*Otsu*) Special Dividends, based on the Series 2 (*Otsu*) Preferred Share Base Price without deduction of the amount of said Series 2 (*Otsu*) Special Dividends, and (ii) for the period after the payment date (inclusive) of said Series 2 (*Otsu*) Special Dividends, based on the Series 2 (*Otsu*) Preferred Share Base Price with deduction of the amount of said Series 2 (*Otsu*) Special Dividends.

	(c) The "Series 2 (*Otsu*) Preferred Dividend Rate" shall be the rate per annum defined below; provided, however, in the case the Series 1 (*Kou*) Preferred Dividend Rate is to change during the period from the first day of a business year to the record date pertaining to such Series 1 (*Kou*) Preferred Dividend, the amount of Series 1 (*Kou*) Preferred Dividend shall be calculated pro rata, using the Series 1 (*Kou*) Preferred Dividend Rate before the change for the period before the change and the Series 1 (*Kou*) Preferred Dividend Rate after the change for the period after the change. - From the issue date to June 16, 2024: four point three percent (4.30%) - From June 17, 2024 to March 31, 2025: eight point three percent (8.30%) - From April 1, 2025 to September 30, 2026: seven point three percent (7.30%) - From October 1, 2026 to March 31, 2027: eight point six percent (8.60%) - From April 1, 2027: nine point nine percent (9.90%) (3) In the event that the total amount of Series 2 (*Otsu*) Preferred Dividends per share paid in cash in accordance with Paragraph 1 of this Article to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees as of any record date belonging in a business year is less than the amount of the Series 2 (*Otsu*) Preferred Dividends of such business year, any such deficiencies shall not be cumulative for the subsequent business years respectively. (4) The Company may, at its option, make a distribution of dividends to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees prior to or after the payment of Common Dividends, Series 1 (*Kou*) Preferred Dividends or Series 2 (*Otsu*) Preferred Dividends, to the extent that the amount of such dividends does not exceed the amount of the Series 2 (*Otsu*) Preferred Share Base Price at that time less 100,000,000 yen. The distribution of Series 2 (*Otsu*) Special Dividends to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees and the distribution of Series 1 (*Kou*) Special Dividends to Series 1 (*Kou*) Preferred Shareholders or Registered Series 1 (*Kou*) Preferred Pledgees shall rank pari passu. (5) Other than the dividends set forth in Paragraphs 1 and 4 of this Article, no dividend shall be paid to the Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees.
Distribution of residual assets	(1) If and when the Company distributes the residual assets upon its dissolution, the Company shall pay to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees, in preference to Common Shareholders or Registered Common Share Pledgees, the amount set forth in Paragraph 2 of this Article (hereinafter referred to as the "Series 2 (*Otsu*) Preferred Shares Redemption Amount") per Series 2 (*Otsu*) Preferred Share. (2) Series 2 (*Otsu*) Preferred Shares Redemption Amount per Series 2 (*Otsu*) Preferred Share shall be the Series 2 (*Otsu*) Preferred Share Base Price of the business year to which the payment date of the residual assets belongs and the equivalent amount of unpaid dividends per Series 2 (*Otsu*) Preferred Share on the payment date of the residual assets. The "equivalent amount of unpaid dividends per Series 2 (*Otsu*) Preferred Share on the payment date of the residual assets" means the amount of Series 2 (*Otsu*) Preferred Dividends calculated on a pro-rata basis using the actual number of days from the first day of the business year to which the payment date of residual assets belongs (in case that such business year is the one that the issue date belongs to, the issue date) (inclusive) to such payment date (inclusive), assuming the payment date of residual assets to be the record date for distribution of dividends; provided, however, that distributions of all or any part of dividends as of record dates that belong to such business year have been made, the accumulated amount of such dividends shall be deducted. (3) Other than the distribution set forth in Paragraph 1 of this Article, the Company does not distribute any residual asset to Series 2 (*Otsu*) Preferred Shareholders or Registered Series 2 (*Otsu*) Preferred Pledgees.

Put options in exchange for cash	The Series 2 (*Otsu*) Preferred Shareholders shall, when and if any events set forth in each of the Item in Paragraph (a) to (c) of the Article of "Put options in exchange for cash" for the Series 1 (*Kou*) Preferred Shares, to the extent permitted by laws and regulations, be entitled to demand the Company to deliver cash in exchange for any part or all of the Series 2 (*Otsu*) Preferred Shares owned by them (the date that such demand is made is hereinafter referred to as the "Series 2 (*Otsu*) Preferred Shares Demand Date"). Upon such demand, the Company shall pay to such Series 2 (*Otsu*) preferred Shareholders, to the limited extent of the distributable amount calculated in accordance with Article 461, Paragraph 2 of the Companies Act on the Series 2 (*Otsu*) Preferred Shares Demand Date, an amount of cash equivalent to Series 2 (*Otsu*) Preferred Shares Redemption Amount set forth in Paragraph 2 of the Article of "Distribution of residual assets" (provided, however, that the amount shall be calculated as of the Series 2 (*Otsu*) Preferred Shares Demand Date instead of the payment date of the residual assets); provided, however, that the number of the Series 2 (*Otsu*) Preferred Shares to be acquired by the Company shall be determined on a pro rata basis or in any other reasonable and fair way that the Board of Directors of the Company decides in a case where Series 2 (*Otsu*) Preferred Shareholders make such demand in the amount beyond the distributable amount. If put options are not exercised based on the above events (a) to (c), unless otherwise agreed, all of those put options shall be exercised, to the extent permitted by laws and this agreement, on June 17, 2028.
Call option in exchange for cash	The Company may, acquire, to the extent permitted by laws and regulations, on the day determined by a resolution of the Board of Directors of the Company (the day is hereinafter referred to as the "Series 2 (*Otsu*) Preferred Shares Acquisition Day") any part or all of the Series 2 (*Otsu*) Preferred Shares in exchange for an amount of cash equivalent to Series 2 (*Otsu*) Preferred Shares Redemption Amount (provided, however, that the amount shall be calculated as of the Series 2 (*Otsu*) Preferred Shares Acquisition Day instead of the payment date of the residual assets). The Series 2 (*Otsu*) Preferred Shares to be acquired by the Company shall be determined on a pro rata basis or in any other reasonable and fair way that the Board of Directors of the Company decides in a case where the Company acquires a part of Series 2 (*Otsu*) Preferred Shares.

Note 4: Based on the resolution of the Board of Directors Meeting held on September 13, 2024, the Group signed the Capex Facility Agreement with financial institutions for a loan facility of 120,000 million yen on September 19, 2024, for the purpose of specific capital expenditure. There was no balance of executed borrowings related to the agreement as of March 31, 2025.

(2) Assets pledged as collateral

Assets pledged as collateral for borrowings are as follows.

Security interest may be exercised in the case of a breach of financial covenants or non-fulfillment of a borrowing agreement.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Current assets:		
Cash and cash equivalents	66,266	5,535
Trade and other receivables	-	32,077
Inventories	-	84,076
Subtotal	66,266	121,688
Non-current assets:		
Property, plant and equipment	348,551	546,533
Other financial assets	-	4,043
Subtotal	348,551	550,576
Total	414,817	672,264

Liabilities corresponding to the assets pledged as collateral are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Current liabilities:		
Borrowings:		
Short-term borrowings	-	126,180
Current portion of long-term borrowings	138,657	590,241
Subtotal	138,657	716,421
Non-current liabilities:		
Borrowings:		
Long-term borrowings	302,340	11,580
Subtotal	302,340	11,580
Total	440,997	728,001

The following assets eliminated during the consolidation process are also pledged as collateral. The amounts are presented at acquisition cost for the Group.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Shares of subsidiaries and associates	44,287	927,550
Investments in capital of subsidiaries and associates	22,282	61,487
Trade receivables	-	107,836
Loans receivables	-	805,801
Total	66,569	1,902,674

(3) Assets and liabilities for sale and leaseback transactions

The Group does not have legal title to the assets below for sale and leaseback transactions since the transactions are not recognized as sales but continuously accounted for as property, plant and equipment.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Property, plant and equipment	205,157	279,611

Liabilities corresponding to assets that does not have legal title are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Current liabilities:		
Borrowings:		
Current portion of long-term borrowings	107,851	109,992
Subtotal	107,851	109,992
Non-current liabilities:		
Borrowings:		
Long-term borrowings	228,858	273,319
Subtotal	228,858	273,319
Total	336,709	383,311

15. Leases

At the inception of a contract of leases, outsourcing and power supply, etc., the Group assesses whether the contract is, or contains, a lease. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the Group determines that the contract is, or contains, a lease and recognizes the right-of-use assets and the lease liabilities at the lease commencement date.

Among these contracts, some lease contracts may include renewal options, termination options, or purchase options.

The Group raises funds through sale and leaseback of some property, plant and equipment. However, sale and leaseback transactions executed after the adoption of IFRS 16 are not accounted for as sales and leases since they do not meet the conditions for revenue recognition under IFRS 15. Please refer to "14. Borrowings and Other Financial Liabilities."

(1) Amounts related to right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Right-of-use assets (carrying amount):		
Land	10,969	11,199
Buildings and structures	26,319	28,657
Machinery and other assets	159,775	119,863
Total	197,063	159,719

Note: The amounts of right-of-use assets acquired for the fiscal years ended March 31, 2025 and 2024 are 67,683 million yen and 21,098 million yen, respectively.

(2) Costs and cash flows related to leases

Costs and cash flows related to leases are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Depreciation expense of right-of-use assets		
Land	391	393
Buildings and structures	3,215	4,065
Machinery and other assets	26,691	24,170
Total	30,297	28,628
Interest expenses (Note 1)	4,720	3,330
Expenses related to short-term leases (Note 1 and 2)	369	783
Expenses related to leases of low-value assets that are not short-term leases (Note 1 and 2)	349	345
Expenses related to variable lease payments not included in lease liabilities (Note 1)	263	269

Note 1: Interest expenses are included in "Finance costs" in the consolidated statement of profit or loss. Expenses of short-term leases, expenses of low-value asset leases, and expenses of variable lease payments not included in lease liabilities are included in "Cost of sales" and "Selling, general and administrative expenses".

Note 2: The payments of short-term leases and low-value leases are recognized as expenses on a straight-line basis over the lease term. A short-term lease refers to a lease with a lease term of 12 months or less at the commencement date. Assets such as low-value office equipment are considered low-value assets.

Total cash outflows related to leases are 34,488 and 32,258 million yen for the fiscal years ended March 31, 2025 and 2024.

16. Trade and Other Payables

The components of trade and other payables are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Notes and trade payables	86,664	112,901
Other payables	417,347	399,601
Total	504,011	512,502

Note: Trade and other payables are classified as financial liabilities measured at amortized cost.

The Group has entered into supplier finance arrangements with third-party financial institutions. Under these arrangements, the Group makes payments to the third-party financial institutions 120 to 180 days after the invoice date, based on agreements with each supplier. The due dates are similar to those of comparable trade payables that are not part of a supplier finance arrangement. Suppliers may, at their discretion, receive early payment at a discount from a third-party financial institution. The Group has not pledged any assets or provided any third-party guarantees for supplier finance arrangements.
The carrying amounts of financial liabilities related to supplier finance arrangements as of March 31, 2025 and 2024 are 165,743 million yen and 149,275 million yen, respectively, and are included in trade and other payables above. Of these amounts, 79,103 million yen is paid to suppliers as of March 31, 2025. The Group has applied the transitional provisions of "Supplier Finance Arrangements" (Amendments to "IAS 7” and "IFRS 7") and has not disclosed information at the beginning of the first year of application.

The supplier finance arrangements entered into by the Group are not expected to result in a concentration or significant extension of payment due dates compared to the normal payment terms agreed with other suppliers not participating in the arrangements, and the Group is not exposed to significant liquidity risk arising from these arrangements.

As of March 31, 2025, there were no non-cash changes in the carrying amounts of financial liabilities subject to the supplier finance arrangements.

17. Employee Benefits

(1) Post-employment benefits

The Company and certain of its subsidiaries have defined benefit pension plans and lump-sum retirement benefit plans. In addition, the Company and certain of its subsidiaries operate defined contribution plans.

All employees who retire from the Company and certain of its subsidiaries in Japan are generally entitled to lump-sum payments or pensions determined based on points granted up to retirement, the number of years of service, and reasons of retirement in accordance with the retirement benefit policies.

The Company and certain of its subsidiaries in Japan have a contract-type pension plan based on pension rules. The Company and the subsidiaries have established rules on the defined benefit corporate pension plan stipulating the details of the pension plan, such as eligibility requirements, details and method of benefit payments and details of contributions, by agreement with the labor union and their employees. The rules have been approved by the Minister of Health, Labor and Welfare. The Company and the subsidiaries operate the plan by signing contracts with trust banks, etc. for the payment of contributions and the management of the fund. The trust banks administer and manage the plan assets while they perform actuarial calculations and make lump-sum or pension payments. The Company and the subsidiaries are responsible for faithfully performing their duties for the participants, complying with laws and regulations and mandates and bylaws issued by the Minister of Health, Labor and Welfare pursuant to the laws and regulations. In addition, the Company and the subsidiaries in Japan are prohibited from entering into asset management contracts for the purpose of generating profits for themselves or third parties other than the participants or from directing that the fund should be managed in a specific method.

The defined benefit plan is exposed to actuarial risk and the risk of changes in the fair value of plan assets. Actuarial risk is primarily related to the risk of changes in interest rates, including yield rates for high-quality corporate bonds, which are used to discount the defined benefit obligation to present value and may result in changes to the obligation. Changes in the fair value of planned assets could impact the funding position of the defined benefit plan if the actual return on plan assets differs significantly from the planned rate of return.

(i) Amounts recognized relating to defined benefit pension plans
Relationship between defined benefit obligations, plan assets and amounts recognized in the consolidated statement of financial position is as follows.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Present value of funded defined benefit obligations	57,776	61,603
Fair value of plan assets	(75,185)	(75,659)
Net liability/(asset) on funded plans	(17,409)	(14,056)
Effect of the asset ceiling	19,279	16,676
Present value of unfunded defined benefit obligations	44,497	45,788
Net liability/(asset) recognized in the balance sheet	46,367	48,408
Amount in the consolidated statement of financial position:		
Retirement benefit liability	46,477	48,492
Retirement benefit asset	110	84

(ii) Reconciliation of present value of defined benefit obligations

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Present value of defined benefit obligations at the beginning of the year	107,391	109,460
Service cost	4,416	5,069
Interest cost	1,607	1,332
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	(66)	(733)
Actuarial gains and losses arising from changes in financial assumptions	(7,500)	(3,731)
Actuarial gains and losses arising from experience adjustments	349	925
Benefits paid	(3,906)	(4,577)
Other	(18)	(354)
Present value of defined benefit obligations at the end of the year	102,273	107,391

Note: The weighted average duration of the defined benefit obligations for the fiscal years ended March 31, 2025 and 2024 are 12.3 years and 12.9 years, respectively.

(iii) Reconciliation of plan assets

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Fair value of plan assets at the beginning of the year	75,659	68,837
Interest income	1,206	896
Remeasurements:		
Return on plan assets	(2,463)	3,584
Employer contributions	3,640	3,765
Benefits paid	(2,843)	(926)
Other	(14)	(497)
Fair value of plan assets at the end of the year	75,185	75,659

(iv) Reconciliation of effect of asset ceiling

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Effect of the asset ceiling at the beginning of the year	16,676	9,038
Interest on the effect of the asset ceiling	266	119
Remeasurements:		
Changes in the effect of the asset ceiling	2,337	7,519
Effect of the asset ceiling at the end of the year	19,279	16,676

(v) Breakdown of fair value by type of plan assets

Millions of yen

	As of March 31, 2025			As of March 31, 2024		
	Quoted prices in active markets			Quoted prices in active markets		
	With quoted prices	With no quoted prices	Total	With quoted prices	With no quoted prices	Total
Cash and cash equivalents	924	-	924	6,989	-	6,989
Jointly managed money trusts (Stocks)						
Domestic stocks	-	8,742	8,742	-	7,491	7,491
Foreign stocks	-	6,526	6,526	-	8,647	8,647
Other	-	1,474	1,474	-	376	376
Jointly managed money trusts (Bonds)						
Domestic bonds	-	33,870	33,870	-	29,132	29,132
Foreign bonds	-	15,377	15,377	-	17,052	17,052
Other	-	760	760	-	261	261
Life insurance company general accounts	-	7,512	7,512	-	5,711	5,711
Total	924	74,261	75,185	6,989	68,670	75,659

Note: The plan assets are mostly managed through jointly managed money trusts and classified as assets with no quoted prices in active markets.

The investment policy of the defined benefit pension plans of the Company and certain of its subsidiaries in Japan is designed to secure the total return required over a long term period under acceptable risks in order to ensure the future payment of pension benefits to its members and beneficiaries. From a medium- to long-term perspective, the Group determines an investment allocation, and manages risks by maintaining the optimum composition ratio through rebalancing and other means, in order to achieve the expected long-term rate of return on the plan assets.

The plan assets are mostly managed through jointly managed money trusts and appropriately diversified mainly in stocks and bonds listed in active markets according to the pension rules. The life insurance company general accounts invest individual insurance and corporate pension assets and others in a single account, and the assumed interest rate and principal are guaranteed.

The Group is obligated to make contributions. The amount of contributions is recalculated as of the end date of a fiscal year at least every five years to ensure that the financial stability can be maintained through the future. In addition, the plan stipulates minimum funding requirements and when the plan is in deficit, the Company is required to make additional contributions within the prescribed period.

Expected contributions to be made by the Group for the fiscal year ending March 31, 2026, is 3,586 million yen.

(vi) Significant actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:

	As of March 31, 2025	As of March 31, 2024
Weighted average discount rate	2.2%	1.5%

If the discount rate, a significant actuarial assumption, changes, the sensitivity analysis of impact to the present value of the defined benefit obligations would be as follows. This sensitivity analysis indicates the impact on the defined benefit obligations when only the discount rate changes, while all other assumptions remain constant as of the end of the reporting period. Negative value represents a decrease in defined benefit obligations, and a positive value represents an increase in defined benefit obligations.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Increase in discount rate by 0.5%	(5,078)	(5,891)
Decrease in discount rate by 0.5%	5,509	6,424

(vii) Expenses on defined contribution plans

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Expenses on defined contribution plans	1,612	1,604

(2) Employee benefit expenses

Total amounts of employee benefit expenses included in “Cost of sales”, “Selling, general and administrative expenses” and “Other expenses” in the consolidated statement of profit or loss are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Employee benefit expenses	156,155	152,009

18. Provisions

The components and reconciliation of provisions are as follows:

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Millions of yen

	Asset retirement obligations	Provision for product warranty	Provision for restructuring	Provision - other	Total
Balance as of April 1, 2024	5,110	3,620	3,124	171	12,025
Recognition during the year	33	2,193	-	92	2,318
Interest due to passage of time	45	-	-	-	45
Decrease (Utilization)	(1)	(1,865)	(1,467)	(12)	(3,345)
Decrease (Reversal)	-	(130)	-	-	(130)
Other	(1)	(20)	-	(4)	(25)
Balance as of March 31, 2025	5,186	3,798	1,657	247	10,888
Current liabilities	112	1,394	1,657	165	3,328
Non-current liabilities	5,074	2,404	-	82	7,560
Total	5,186	3,798	1,657	247	10,888

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Millions of yen

	Asset retirement obligations	Provision for product warranty	Provision for restructuring	Provision - other	Total
Balance as of April 1, 2023	5,060	2,661	-	224	7,945
Recognition during the year	394	2,822	3,124	35	6,375
Interest due to passage of time	43	-	-	-	43
Decrease (Utilization)	(298)	(1,877)	-	(84)	(2,259)
Decrease (Reversal)	(103)	-	-	-	(103)
Other	14	14	-	(4)	24
Balance as of March 31, 2024	5,110	3,620	3,124	171	12,025
Current liabilities	106	1,381	3,124	83	4,694
Non-current liabilities	5,004	2,239	-	88	7,331
Total	5,110	3,620	3,124	171	12,025

(1) Asset retirement obligations

Asset retirement obligations are attributable to costs primarily associated with the obligations under the lease contracts to restore factory equipment and land. The amount are recognized based on estimated future expenses, which are primarily calculated in accordance with actual historical expenses incurred. The estimates regarding the amount and the timing of those payments are based on current business plans and other factors, but the estimates may be changed due to future business plans and other factors.

(2) Provision for product warranty

The Group recognizes estimated servicing costs during warranty periods for providing after-sales support, which are primarily calculated in accordance with actual historical expenses incurred. The levels of expenditure in the future may differ from actual historical expenses incurred.

(3) Provision for restructuring

Provisions for restructuring are recognized when the Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The provision recognized for the fiscal year ended March 31, 2024 is related to the costs of removing machineries which are no longer needed as a result of the restructuring. The estimates for the amount and the timing of those payments are based on current business plans and other factors, but the estimates may be changed due to future business plans and other factors.

19. Share Capital and Other Equity Items

(1) Share capital and capital surplus

Total number of authorized shares, number of issued shares, and balances of share capital, etc. are as follows:

	Series of shares	Total number of authorized shares (Shares)	Number of issued shares (Shares)	Share capital in millions of yen	Capital surplus in millions of yen
As of April 1, 2023	Ordinary shares	2,070,000,000	517,500,000	10,000	851,517
	Preferred shares		3,000	-	-
	Total		517,503,000	10,000	851,517
Additions (reductions)	Ordinary shares	-	-	-	-
	Preferred shares		-	-	-
	Total		-	-	-
As of March 31, 2024	Ordinary shares	2,070,000,000	517,500,000	10,000	851,517
	Preferred shares		3,000	-	-
	Total		517,503,000	10,000	851,517
Additions (reductions)	Ordinary shares	-	21,855,180	15,239	15,148
	Preferred shares		-	-	-
	Total		21,855,180	15,239	15,148
As of March 31, 2025	Ordinary shares	2,070,000,000	539,355,180	25,239	866,665
	Preferred shares		3,000	-	-
	Total		539,358,180	25,239	866,665

Note 1: Proceeds from issued shares have been fully received. All the shares are non-par value shares.

Note 2: The transaction cost directly attributable to the issuance of new shares is recognized as a deduction from equity after considering the tax effect.

Note 3: Shares with right, priority, and restrictions

(i) Ordinary shares

The number of shares in one unit is 100 shares. It is a wholly-voting share and has no restrictions on the right.

(ii) Preferred shares

The holders of the preferred shares do not have voting rights and have transfer restrictions. The preferred shares are classified as financial liabilities measured at amortized cost under IFRS, because the Company has an obligation to redeem these shares by cash on a specific date. The details of the preferred shares are described in “14. Borrowings and Other Financial Liabilities.”

Note 4: As a result of the capital increase through a paid-in public offering with a payment date of December 17, 2024, the total number of issued shares increased by 21,562,500 shares, and share capital and capital surplus increased by 14,985 million yen and 14,894 million yen, respectively. The amount of increase in capital surplus is after deduction of 91 million yen in cost related to the capital transaction. The Company's stock was listed on the Tokyo Stock Exchange Prime Market on December 18, 2024.

Note 5: As a result of the exercise of subscription rights to shares, the total number of issued shares increased by 292,680 shares, and share capital and capital surplus increased by 254 million yen respectively.

(2) Details and purposes of capital surplus and retained earnings

(i) Capital surplus

Capital surplus of the Group includes legal capital surplus and other capital surplus, which are recorded in the Company’s separate financial statement.

The Companies Act of Japan (hereinafter referred to as the “Companies Act”) provides that at least 50 percent of the proceeds from an issuance of shares is required to be recorded as share capital, and the remainder is required to be recorded as legal capital surplus. According to the resolution of the General Meeting of Shareholders, legal capital surplus can be recorded as share capital.

(ii) Retained earnings

Retained earnings of the Group include legal retained earnings and other retained earnings, which are recorded in the Company’s separate financial statement.

The Companies Act provides that 10 percent of dividends of surplus shall be accumulated as legal capital surplus or legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings reaches 25 percent of the share capital.

Accumulated legal retained earnings can be appropriated as compensation for deficit. In addition, legal retained earnings can be reduced based on a resolution of the General Meeting of Shareholders.

Retained earnings available for dividends under the Companies Act are based on the amount recorded in the Company’s separate financial statement which are prepared in accordance with generally accepted accounting principles in Japan.

(3) Details and purposes of other components of equity

(i) Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations are those which arose when consolidating the financial statements of foreign subsidiaries prepared in foreign currencies.

(ii) Net change in financial assets measured at fair value through other comprehensive income

Net change in financial assets measured at fair value through other comprehensive income is the valuation difference between acquisition cost and fair value of financial assets measured at fair value.

(iii) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans comprise as follows:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

These are recognized in other comprehensive income and immediately transferred from other components of equity to retained earnings in the period when they occur.

(iv) Share acquisition rights

The Company has adopted stock option plans, and share acquisition rights are granted based on the Companies Act.

(v) Effective portion of cash flow hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss. The amounts of hedging instruments that are recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss.

Millions of yen

	Exchange differences on translation of foreign operations	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share acquisition rights (Note)	Effective portion of cash flow hedges	Total
As of April 1, 2023	12,521	6,156	-	937	(3,980)	15,634
Additions (reductions)	6,901	27,327	(243)	-	1,350	35,335
Transfer to retained earnings	-	-	243	-	-	243
Share-based remuneration transactions	-	-	-	(40)	-	(40)
As of March 31, 2024	19,422	33,483	-	897	(2,630)	51,172
Additions (reductions)	(1,530)	(16,979)	1,652	-	2,123	(14,734)
Transfer to retained earnings	-	462	(1,652)	-	-	(1,190)
Share-based remuneration transactions	-	-	-	(40)	-	(40)
As of March 31, 2025	17,892	16,966	-	857	(507)	35,208

Note: The terms of arrangements and the prices, and others are described in “29. Share-based Payment.”

20. Dividends

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

(1) The amount paid as dividends

Date of resolution	Series of shares	Total amount of dividends	Dividends per share	Record date	Effective date
June 10, 2024 the Board of Directors Meeting	Series 1 (Kou) Preferred shares	5,219 Million yen	4,349,156 Yen	March 31,2024	June 28,2024
	Series 2 (Otsu) Preferred shares	8,348 Million yen	4,637,595 Yen		

Note: Series 1 (Kou) and Series 2 (Otsu) preferred shares are recognized as financial liabilities under IFRS. Dividends are recognized as “Finance costs” in the consolidated statement of profit or loss.

(2) Dividends whose record date is during the fiscal year ended March 31, 2025, whereas the effective date is after March 31, 2025.

Date of resolution	Series of shares	Total amount of dividends	Dividends per share	Record date	Effective date
May 15, 2025 the Board of Directors Meeting	Series 1 (Kou) Preferred shares	9,286 Million yen	7,738,453 Yen	March 31,2025	June 30,2025
	Series 2 (Otsu) Preferred shares	14,475 Million yen	8,041,552 Yen		

Note: Series 1 (Kou) and Series 2 (Otsu) preferred shares are recognized as financial liabilities under IFRS. Dividends are recognized as “Finance costs” in the consolidated statement of profit or loss.

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) The amount paid as dividends
Not applicable

(2) Dividends whose record date is during the fiscal year ended March 31, 2024, whereas the effective date is after March 31, 2024.

Date of resolution	Series of shares	Total amount of dividends	Dividends per share	Record date	Effective date
June 10, 2024 the Board of Directors Meeting	Series 1 (Kou) Preferred shares	5,219 Million yen	4,349,156 Yen	March 31,2024	June 28,2024
	Series 2 (Otsu) Preferred shares	8,348 Million yen	4,637,595 Yen		

Note: Series 1 (Kou) and Series 2 (Otsu) preferred shares are recognized as financial liabilities under IFRS. Dividends are recognized as “Finance costs” in the consolidated statement of profit or loss.

21. Revenue

(1) Disaggregation of revenue from contracts with customers

The Group mainly provides memory and related products used for applications such as SSD & Storage and Smart Devices, and recognizes consideration for the products received from customers as revenue. Information on the main types of goods and services is described in “6. Segment Information.”

Regarding sales of products, revenue arising from products is recognized when control of the products is transferred to a customer. The legal title, physical possession, and the significant risks and rewards of ownership for products are transferred to a customer when products are delivered to a customer’s designated location.

The Group may offer rebates depending on certain conditions such as sales volume or sales value. The Group also provides price adjustment payments to compensate certain customers for market pricing declines compared to initial contractual values. In such cases, the transaction price is determined at the amount of consideration promised in a contract with a customer less the estimated amount of adjustments such as rebates. Adjustments, including rebates and price adjustments are estimated reasonably, using the most likely amount method based on all the available information (historical, current, and forecast) and revenue is recognized only to the extent that it is highly probable that a significant reversal of revenue will not occur.

Consideration for a transaction is generally received within a few months after the delivery of the product, which is the satisfaction of the performance obligation. Therefore, the transaction price of the Group does not include significant financing components.

In terms of product sales, payment for replacement of a functioning product resulting from product defect is considered as an assurance-type product warranty and is accounted for as a provision for product warranties. Please refer to “18. Provisions” for more details about the provision for product warranties.

(2) Contract balances

Contract balances of the Group are as follows:

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Millions of yen

	March 31, 2025	April 1, 2024
Accounts receivable and electronically recorded monetary claims (Trade and other receivables)	215,835	128,293
Contract liabilities	-	50,731

Note 1: As of March 31, 2025, a loss allowance of 687 million yen is recognized in relation to receivables from contracts with customers.

Note 2: All the amount of contract liabilities as of April 1, 2024 was recognized as revenue in the fiscal year ended March 31, 2025.

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Millions of yen

	March 31, 2024	April 1, 2023
Accounts receivable and electronically recorded monetary claims (Trade and other receivables)	128,293	99,567
Contract liabilities	50,731	-

Note: As of March 31, 2024, a loss allowance of 613 million yen is recognized in relation to receivables from contracts with customers.

(3) Transaction price allocated to the remaining performance obligations

As the Group does not have significant transactions for which the original expected contract duration of the remaining performance obligations is longer than one year, disclosure of the information related to the remaining performance obligations is omitted based on practical expedient.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

Costs for obtaining a contract are expensed as incurred, as the goods and services of the Group are transferred to customers within a year.

There is no asset recognized from the costs incurred to fulfill a contract with a customer.

22. Cost of Sales

The components of cost of sales are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Changes in inventories	(82,092)	94,472
Material costs, etc. (Note 1)	550,544	364,953
Depreciation and amortization	293,303	322,626
Research and development cost (Note 2)	80,497	83,849
Other	294,775	340,027
Total	1,137,027	1,205,927

Note 1: Material costs, etc. include direct material costs, indirect material costs, costs of outsourced processing costs and power costs.

Note 2: Research and development cost consist mainly of personnel expenses, depreciation and amortization, and costs of outsourced processing costs related to research and development.

23. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Depreciation and amortization	4,260	6,860
Research and development cost (Note)	52,301	57,181
Personnel expenses	37,357	34,932
Other	33,933	29,801
Total	127,851	128,774

Note: Research and development cost consist mainly of personnel expenses, depreciation and amortization, and costs of outsourced processing costs related to research and development.

24. Other Income and Other Expenses

The components of other income are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Gain on sales of non-current assets	8,752	9,894
Income from assets for rent	1,142	864
Insurance claim income	2,695	7,861
Other	2,086	1,057
Total	14,675	19,676

The components of other expenses are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Loss on sales and retirement of non-current assets	1,869	4,203
Expense on assets for rent	923	724
Restructuring costs (Note)	-	7,021
Other	1,717	2,309
Total	4,509	14,257

Note: The restructuring costs for the fiscal year ended March 31, 2024 is primarily related to the costs of removing machineries which are no longer needed and additional retirement benefits for early retirees as a result of the restructuring.

25. Finance Income and Finance costs

The components of finance income are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Interest income		
Financial assets measured at amortized cost	629	684
Dividend income		
Financial assets measured at fair value through other comprehensive income		
Financial assets held at end of year	2,458	1,087
Financial assets measured at fair value through profit or loss	114	76
Foreign exchange gain	506	-
Total	3,707	1,847

The components of finance costs are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Interest expense		
Lease liabilities	4,720	3,330
Financial liabilities measured at amortized cost	65,861	42,823
Other	2,331	2,484
Loss on valuation of securities		
Financial assets measured at fair value through profit or loss	333	308
Loss on valuation of derivatives		
Financial assets and financial liabilities measured at fair value through profit or loss	12,083	38,021
Foreign exchange loss	-	5,774
Total	85,328	92,740

26. Impact of Production Adjustment

The Group had been adjusting production volume by reducing wafer starts to significantly low capacity at the Yokkaichi Plant and the Kitakami Plant since October 2022. The manufacturing underutilization costs resulting from production adjustments recognized during the fiscal year ended March 31, 2024 was 188,160 million yen. These manufacturing underutilization costs are included in “Cost of sales” in the Consolidated Statement of Profit or Loss. The Group did not adjust production volume for the fiscal year ended March 31, 2025.

27. Other Comprehensive Income

Amounts arising during the year, reclassification adjustments to profit or loss, and tax effects for each component of other comprehensive income are as follows:

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Millions of yen

	Amounts arising during year	Reclassification adjustments	Before tax effects	Tax Effects	Net of tax effects
Items that will not be reclassified to profit or loss:					
Net change in financial assets measured at fair value through other comprehensive income	(23,618)	-	(23,618)	6,639	(16,979)
Remeasurements of defined benefit plans	2,417	-	2,417	(765)	1,652
Total of items that will not be reclassified to profit or loss	(21,201)	-	(21,201)	5,874	(15,327)
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations	(1,526)	-	(1,526)	-	(1,526)
Effective portion of cash flow hedges	(4,442)	7,526	3,084	(961)	2,123
Share of other comprehensive income of investments accounted for using equity method	(10)	-	(10)	-	(10)
Total of items that may be reclassified to profit or loss	(5,978)	7,526	1,548	(961)	587
Total	(27,179)	7,526	(19,653)	4,913	(14,740)

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Millions of yen

	Amounts arising during year	Reclassification adjustments	Before tax effects	Tax Effects	Net of tax effects
Items that will not be reclassified to profit or loss:					
Net change in financial assets measured at fair value through other comprehensive income	38,746	-	38,746	(11,419)	27,327
Remeasurements of defined benefit plans	(396)	-	(396)	153	(243)
Total of items that will not be reclassified to profit or loss	38,350	-	38,350	(11,266)	27,084
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations	6,875	-	6,875	-	6,875
Effective portion of cash flow hedges	(28,131)	30,090	1,959	(609)	1,350
Share of other comprehensive income of investments accounted for using equity method	33	-	33	-	33
Total of items that may be reclassified to profit or loss	(21,223)	30,090	8,867	(609)	8,258
Total	17,127	30,090	47,217	(11,875)	35,342

28. Earnings per Share

The basis for the calculation of basic earnings per share and diluted earnings per share are as follows:

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Profit (loss) attributable to owners of parent in millions of yen	272,315	(243,728)
Weighted average number of ordinary shares	523,718,990	517,500,000
Increase in the number of ordinary shares		
Capital increase by issuing new shares	21,562,500	-
Exercise of subscription rights to shares	292,680	-
Dilutive effect in shares	4,582,960	-
Number of shares after dilutive effect	528,301,950	517,500,000
Earnings per share:		
Basic earnings (loss) per share in yen	519.96	(470.97)
Diluted earnings (loss) per share in yen	515.45	(470.97)

Note: The number of dilutive potential shares not factored into earnings per share were no and 12,727,320 for the fiscal years ended March 31, 2025 and 2024, respectively.

29. Share-based Payment

(1) Equity-settled share-based payment plan

The Company has adopted stock option plans, and stock options are granted to officers and employees of the Group.

(i) Overview of stock options

The stock option plans for the fiscal years ended March 31, 2025 and 2024 are as follows:

	Grant date	Number of shares granted (Note 1 and 2)	Exercise price in yen (Note 2)	Expiration date	Vesting conditions
First series	March 31, 2019	6,703,440	1,667	March 11, 2029	(Note 3)
Second series	March 31, 2019	6,407,820	1,667	March 11, 2029	(Note 4)
Third series (Note 5)	March 31, 2019	621,060	1,667	March 11, 2029	(Note 4)
Forth series	March 31, 2019	163,260	1,667	March 11, 2029	(Note 3)
Fifth series	March 31, 2019	90,480	1,667	March 11, 2029	(Note 4)
Seventh series	March 31, 2019	289,800	1,667	March 11, 2029	(Note 4)
Eighth series	January 28, 2020	879,780	1,667	January 21, 2030	(Note 6)
Ninth series	February 22, 2022	579,600	2,600	March 11, 2029	(Note 7)
Tenth series	February 22, 2022	155,280	2,600	January 21, 2030	(Note 7)

Note 1: The number of stock options is converted into the number of shares.

Note 2: The Company implemented a sixty-for-one share split as of August 27, 2020. The number of shares granted and exercise price are converted to the numbers after the share split.

Note 3: The rights of stock option plans are vested in phases, subject to continuation of employment on or after March 31, 2021.

Note 4: The rights of stock option plans are vested in phases, subject to continuation of employment on or after March 31, 2020.

Note 5: The stock options are issued to the officers for an additional charge. Consideration to be received from the officers in exchange for the stock options is based on the grant date fair value of the stock, which takes vesting conditions into consideration.

Note 6: The rights of stock option plans are vested in phases, subject to continuation of employment. The rights of stock option plans are vested on or after November 1, 2020 for some part of stock options, and the rights of stock option plans are vested on or after January 28, 2021 for the other part of stock options.

Note 7: The rights of stock option plans are vested in phases, subject to continuation of employment on or after February 22, 2022.

(ii) Determination of the stock option price

There is no stock option granted during the fiscal years ended March 31, 2025 and 2024.

(iii) Number of stock options and weighted average exercise prices

	From April 1, 2024 to March 31, 2025		From April 1, 2023 to March 31, 2024	
	Number of shares	Weighted average exercise price in yen	Number of shares	Weighted average exercise price in yen
Unexercised balance at beginning of year	12,727,320	1,710	13,726,740	1,717
Exercised	292,680	1,667	-	-
Forfeited	292,920	1,667	999,420	1,812
Unexercised balance at end of year	12,141,720	1,711	12,727,320	1,710
Exercisable balance at the end of the year	12,141,720	1,711	-	-

Note 1: For the stock options exercised during the period, the weighted average share price as of the exercise date is 2,732 yen for the fiscal year ended March 31, 2025.

Note 2: The weighted average remaining contractual life as of March 31, 2025 and 2024 are 4.0 years and 5.0 years, respectively.

Note 3: The number of stock options is converted into the number of shares.

(2) Expense arising from share-based payment

Share-based payments recognized during the fiscal years ended March 31, 2025 and 2024 are (18) million yen and (40) million yen, respectively. Share-based payments are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

30. Financial Instruments

(1) Capital management

The Group makes capital expenditures and research and development expenditures, in order to enhance its corporate value through global growth. Those expenditures are managed to achieve an optimal balance between equity and net interest-bearing debt which is interest-bearing debt excluding cash and cash equivalents. The Group monitors the net debt-to-equity ratio and the ratio of equity attributable to owners of the parent as capital management indicators.

The net interest-bearing debt, the equity, the net debt-to-equity ratio, and the ratio of equity attributable to owners of the parent are as follows:

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Interest-bearing debt (Note)	1,098,967	1,434,053
Deduct: Cash and cash equivalents	(167,932)	(187,593)
Net interest-bearing debt (Note)	931,035	1,246,460
Equity	737,565	449,635
Net debt-to-equity ratio	1.26 times	2.77 times
Ratio of equity attributable to owners of parent	25.3%	15.7%

Note: Interest-bearing debt is the sum of borrowings and other financial liabilities (preferred shares) excluding lease liabilities.

No significant restrictions are imposed on the Group’s equity by outside authorities. Regarding the details of financial covenants imposed on equity, please refer to “14. Borrowings and Other Financial Liabilities.”

(2) Credit risk management

Credit risk is the risk of financial loss resulting from the failure of a customer to fulfill its contractual obligation. With regard to trade receivables, the Group sets and manages credit limits for counterparties in accordance with its credit management policy. The Group’s receivables are from a large number of counterparties, spread across diverse industries and geographical areas, and therefore the Group does not have significant concentrated credit risk exposure to any single counterparty or any group of counterparties.

The credit risk on derivatives is limited because the counterparties are limited to financial institutions with high credit ratings and the counterparties are diversified. The carrying amount of the financial assets after deducting impairment losses in the consolidated financial statements is the Group’s maximum exposure to the credit risk of the financial assets. With regard to all financial assets, if it is determined that all or a portion of financial assets cannot be recovered or it is extremely difficult to recover, they are regarded as defaulted debt and accounted for as credit-impaired financial assets.

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses. For receivables other than trade receivables, the loss allowance is generally measured at an amount equal to 12-month expected credit losses. However, if it is determined that the credit risk has significantly increased, the loss allowance is measured at an amount equal to lifetime expected credit losses. Receivables other than trade receivables are measured collectively when determining the allowance for losses over a 12-month period. The Group determines whether the credit risk has significantly increased based on changes in the default risk, including any adverse internal credit risk changes, deterioration in operating results, and past due data.

For trade receivables, the Group categorizes outstanding balances by credit risk characteristics using the simplified approach and determines historical credit loss rates for each category. The expected credit losses are determined by leveraging historical credit loss rates and forecasts of future economic conditions to determine the provision rate. The credit losses are calculated by multiplying the receivables due by the provision rate. However, when events occur that have a detrimental impact on future cash flows, expected credit losses are measured for each trade receivable as a credit-impaired financial asset. For receivables other than trade receivables for which credit risk is determined not to have significantly increased, expected credit losses are calculated by multiplying historical credit loss rates of similar assets by provision rates in consideration with forecasts of future economic conditions. Regarding assets for which credit risk is determined to have increased and credit-impaired financial assets, expected credit losses are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. For trade receivables that do not have reasonable expectation of recovering all or a portion of the trade receivables, the Group writes them off by reducing the carrying amounts after an internal review and approval process.

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

The changes in carrying amounts of trade and other receivables, and corresponding loss allowance are as follows:

Millions of yen

Trade and other receivables	Measured at the amount equal to 12-month expected credit losses	Measured at the amount equal to lifetime expected credit losses			Total
		Trade receivables	Financial assets that are not credit-impaired	Credit-impaired financial assets	
Balance as of April 1, 2024	22,135	128,293	-	-	150,428
New additions or recoveries	1,469	91,239	-	-	92,708
Changes from currency fluctuations	(157)	(3,697)	-	-	(3,854)
Balance as of March 31, 2025	23,447	215,835	-	-	239,282

Millions of yen

Loss allowance	Measured at the amount equal to 12-month expected credit losses	Measured at the amount equal to lifetime expected credit losses			Total
		Trade receivables	Financial assets that are not credit-impaired	Credit-impaired financial assets	
Balance as of April 1, 2024	-	613	-	-	613
New additions or recoveries	1	85	-	-	86
Changes from currency fluctuations	-	(11)	-	-	(11)
Balance as of March 31, 2025	1	687	-	-	688

The analysis by past due status for carrying amounts of trade and other receivables, and corresponding loss allowance is as follows:

Millions of yen

	Total	Current	Amount past due			
			Within 30 days	31 to 60 days	61 to 90 days	91 days or longer
Trade and other receivables	239,282	233,754	4,878	649	-	1
Loss allowance	688	687	-	-	-	1
Expected credit loss ratio	0.3%	0.3%	-	-	-	100.0%

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

The changes in carrying amounts of trade and other receivables, and corresponding loss allowance are as follows:

Millions of yen

Trade and other receivables	Measured at the amount equal to 12-month expected credit losses	Measured at the amount equal to lifetime expected credit losses			Total
		Trade receivables	Financial assets that are not credit-impaired	Credit-impaired financial assets	
Balance as of April 1, 2023	11,514	99,450	-	339	111,303
New additions or recoveries	10,205	17,729	-	(345)	27,589
Changes from currency fluctuations	416	11,114	-	6	11,536
Balance as of March 31, 2024	22,135	128,293	-	-	150,428

Millions of yen

Loss allowance	Measured at the amount equal to 12-month expected credit losses	Measured at the amount equal to lifetime expected credit losses			Total
		Trade receivables	Financial assets that are not credit-impaired	Credit-impaired financial assets	
Balance as of April 1, 2023	-	468	-	295	763
New additions or recoveries	-	101	-	(297)	(196)
Changes from currency fluctuations	-	44	-	2	46
Balance as of March 31, 2024	-	613	-	-	613

The analysis by past due status for carrying amounts of trade and other receivables, and corresponding loss allowance is as follows:

Millions of yen

	Total	Current	Amount past due			
			Within 30 days	31 to 60 days	61 to 90 days	91 days or longer
Trade and other receivables	150,428	146,623	3,799	5	1	-
Loss allowance	613	414	199	-	-	-
Expected credit loss ratio	0.4%	0.3%	5.2%	-	-	-

(3) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its repayment obligations on the due dates of its financial liabilities.

The Group manages liquidity risk by diversifying financing sources, securing appropriate funds for repayments, securing credit facilities from financial institutions that can be utilized at any time, and monitoring forecasted and actual cash flows on an ongoing basis.

The balance of financial liabilities (including derivative financial instruments) classified by maturity are as follows:

As of March 31, 2025

Millions of yen

	Carrying amount	Contractual cash flows	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Non-derivative financial liabilities:								
Trade and other liabilities	504,011	504,011	504,011	-	-	-	-	-
Accrued interests	24,476	24,476	24,476	-	-	-	-	-
Current portion of long-term borrowings	246,508	267,876	267,876	-	-	-	-	-
Long-term borrowings	531,198	611,561	2,708	237,630	230,994	24,082	15,203	100,944
Preferred shares	321,261	399,267	20,899	23,257	355,111	-	-	-
Derivative financial liabilities:								
Forward exchange contracts	3,582							
Cash inflows		(322,550)	(322,550)	-	-	-	-	-
Cash outflows		326,132	326,132	-	-	-	-	-
Lease liabilities:								
Short-term lease liabilities	42,521	47,606	47,606	-	-	-	-	-
Long-term lease liabilities	179,294	204,633	-	32,952	30,135	26,599	21,987	92,960
Total	1,852,851	2,063,012	871,158	293,839	616,240	50,681	37,190	193,904

Note: As described in “14. Borrowings and Other Financial Liabilities,” for Series 1 (*Kou*) and 2 (*Otsu*) preferred shares, it is decided every fiscal year whether the dividends are paid in cash or the amount of unpaid dividends is added to the base price. The amounts on the above table are calculated on the assumption that the amount of unpaid dividends whose record date is during the fiscal year ended March 31, 2026 is not added to the base price for both Series 1(*Kou*) and 2(*Otsu)* preferred shares.

As of March 31, 2024

Millions of yen

	Carrying amount	Contractual cash flows	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years
Non-derivative financial liabilities:								
Trade and other liabilities	512,502	512,502	512,502	-	-	-	-	-
Accrued interests	14,641	14,641	14,641	-	-	-	-	-
Short-term borrowings	126,180	126,180	126,180	-	-	-	-	-
Current portion of long-term borrowings	700,233	709,482	709,482	-	-	-	-	-
Long-term borrowings	284,899	353,021	2,696	98,382	75,166	57,038	16,128	103,611
Preferred shares	322,741	332,697	332,697	-	-	-	-	-
Derivative financial liabilities:								
Forward exchange contracts	6,959							
Cash inflows		(359,491)	(359,491)	-	-	-	-	-
Cash outflows		366,451	366,451	-	-	-	-	-
Lease liabilities:								
Short-term lease liabilities	40,025	40,373	40,373	-	-	-	-	-
Long-term lease liabilities	142,871	162,473	-	27,557	23,910	21,646	18,216	71,144
Total	2,151,051	2,258,329	1,745,531	125,939	99,076	78,684	34,344	174,755

(4) Foreign currency risk management

The Group's exposure to foreign currency risk relates primarily to assets and liabilities denominated in foreign currencies, especially the US dollar, associated with international business. The Group enters into forward exchange contracts, which are designed to mitigate its exposure to foreign currency exchange rate risk of assets and liabilities.

Foreign currency sensitivity analysis

The effect of 1 percent appreciation in yen against US dollar for financial instruments held as of the end of the reporting period on profit in the consolidated statement of profit or loss is as follows. The analysis does not include the effects of translating the assets and liabilities of foreign operations into yen. In addition, the analysis assumes that other variables (e.g., balance and interest rates) are held constant.

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Profit (loss)	5	452

(5) Interest rate risk management

The Group is exposed to various interest rate risks, particularly, the risk that interest rate fluctuations could have a significant impact on the Group's borrowing costs.

Interest rate sensitivity analysis

The effect of 1 percent increase in interest rates as of the end of the reporting period on profit in the consolidated statement of profit or loss is as follows. The analysis assumes that other variables (e.g., balance and foreign exchange rates) are held constant.

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Profit (loss)	(4,148)	(6,681)

(6) Market risk management

The Group is exposed to the risk of stock price fluctuations arising from equity instruments (shares). The Group periodically reviews the fair values and the financial condition of the issuers, and reviews the holdings of the shares as necessary, considering the relationship with related business counterparties.

The effect of 10 percent decrease in the market price of listed shares held by the Group as of the end of the reporting period on other comprehensive income (pre-tax) is as follows. The analysis assumes that other factors are held constant.

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Other comprehensive income (pre-tax)	(5,375)	(7,657)

(7) Fair Value of financial instruments

The carrying amount and the fair value of financial instruments are as follows. If the carrying amount of the instruments represents a reasonable appropriation of its fair value, disclosure is omitted.

Millions of yen

	As of March 31, 2025		As of March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial liabilities (Preferred shares)				
Current liabilities:	-	-	322,741	322,187
Non-current liabilities:	321,261	317,960	-	-
Total	321,261	317,960	322,741	322,187

Note: The fair value hierarchy of other financial liabilities (preferred shares) is Level 3.

The fair value of financial instruments is calculated as described below:

(Cash and cash equivalents, trade and other receivables, trade and other payables)

The fair value is determined at the carrying amount which approximates their fair value, as they are settled in a short period of time.

(Other financial assets, other financial liabilities)

The fair value of listed shares is the market price at the end of the period.

The fair value of unlisted shares is calculated based on an appropriate valuation technique such as comparable company analysis.

The fair value of debt instruments is calculated based on net assets method.

The fair value of accrued interest is determined at the carrying amount which approximates its fair value, as it is settled in a short period of time.

The fair value of derivatives is calculated based on observable market data, such as the price offered by a financial institution, at the end of the period.

The fair value of preferred shares is calculated based on the present value of estimated future cash flows.

(Borrowings)

The fair value of short-term borrowings is determined at the carrying amount which approximates its fair value, as it is settled in a short period of time.

The fair value of long-term borrowings is determined at the carrying amount which approximates its fair value, as long-term borrowings mainly have variable interest rates that regularly reflect market rates and considering the remaining term of the debt and the credit standing of the Group.

The fair value measurements of financial instruments are categorized into Levels 1, 2 or 3 according to the market observability of the inputs used in the fair value measurement. Transfers between levels of the fair value hierarchy are recognized on the date of the event or change in the circumstances that caused the transfer.

Level 1: Fair value is measured at the quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value is calculated based on directly or indirectly observable market data, other than Level 1 prices.

Level 3: Fair value is calculated based on a valuation technique that includes an unobservable input.

Level categories based on the fair value hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are as follows:

As of March 31, 2025

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative assets	-	3,848	-	3,848
Debt instruments	-	-	1,000	1,000
Financial assets measured at fair value through other comprehensive income				
Equity instruments	53,747	-	3,256	57,003
Total	53,747	3,848	4,256	61,851
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	3,582	-	3,582
Total	-	3,582	-	3,582

Note: There was no significant transfer between Level 1, 2 and 3 of the fair value hierarchy for the fiscal year ended March 31, 2025.

As of March 31, 2024

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative assets	-	5,219	-	5,219
Debt instruments	-	-	1,341	1,341
Financial assets measured at fair value through other comprehensive income				
Equity instruments	76,568	-	4,061	80,629
Total	76,568	5,219	5,402	87,189
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	6,959	-	6,959
Total	-	6,959	-	6,959

Note: There was no significant transfer between Level 1, 2 and 3 of the fair value hierarchy for the fiscal year ended March 31, 2024.

The reconciliation of financial instruments categorized in Level 3 from the opening balance to the closing balance is as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Opening balance	5,402	4,261
Gains and losses		
Profit or loss (Note 1)	(333)	(308)
Other comprehensive income (Note 2)	(805)	1,340
Other	(8)	109
Closing balance	4,256	5,402

Profit or loss which is attributable to the change in unrealized gains or losses relating to financial assets held at the end of the reporting period (Note 1)	(333)	(308)

Note 1: Profit or loss is recorded in “Finance income” and “Finance costs” in the Consolidated Statement of Profit or Loss for financial assets measured at fair value through profit or loss.

Note 2: Gains and losses included in other comprehensive income are recorded in “Net change in financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Assets categorized in Level 3 are evaluated and the valuation results are analyzed by the appropriate person in charge according to an internal regulation. The appropriateness of the valuation results is ensured through an appropriate approval process.

Assets categorized in Level 3 consist of equity instruments and debt instruments. Significant unobservable inputs for equity instruments primarily include illiquidity discounts of 20%. Fair value decreases (increases) due to an increase (decrease) in the illiquidity discount. Changing unobservable inputs to reflect reasonably possible alternative assumptions would not materially affect fair value. The debt instruments are mainly investments in funds and the fair value is calculated based on net assets method as a valuation technique.

(8) Other financial assets measured at fair value through other comprehensive income

Shares held by the Group in order to maintain and strengthen the business relationship with investees are designated as financial assets measured at fair value through other comprehensive income. The fair value of each major share is as follows:

As of March 31, 2025

Millions of yen

Name	Amount
PHISON ELECTRONICS CORP.	47,023
Powertech Technology Inc.	4,374
Other	5,606
Total	57,003

As of March 31, 2024

Millions of yen

Name	Amount
PHISON ELECTRONICS CORP.	66,381
Powertech Technology Inc.	7,539
Other	6,709
Total	80,629

The component of dividend income recognized from equity instruments are as follows:

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Financial assets derecognized during the year	-	-
Financial assets held at end of year	2,458	1,087

(9) Derivative transactions and hedging activities

The Group utilizes forward exchange contracts in order to manage its exposure to foreign currency exchange rate risk. Gains or losses on derivatives not designated as hedging instruments are recognized in profit or loss. Derivatives that are designated as hedging instruments are accounted for as cash flow hedge. The Group formally documents the risk management strategies and objectives, the nature of risk to be hedged, and the hedge effectiveness when executing hedging transactions.

Under cash flow hedge, the effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss. The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss.

The impact of hedging instruments that are designated as hedges on the consolidated statement of financial position is as follows. Derivative assets and liabilities are included in “Other financial assets” and “Other financial liabilities" respectively, in the consolidated statement of financial position.

The periods in which the cash flows associated with the cash flow hedge derivatives are expected to occur and the periods in which the cash flows are expected to enter into the determination of profit or loss are within 1 year.

As of March 31, 2025

Millions of yen

	Contract amount, etc.	Carrying amount of hedging instruments (fair value)		Cash flow hedge reserve for the cancellation of hedge accounting
		Assets	Liabilities	
Cash flow hedges				
Forward foreign exchange contracts (Selling)	159,477	14	551	-
Forward foreign exchange contracts (Buying)	41,511	1	199	-

As of March 31, 2024

Millions of yen

	Contract amount, etc.	Carrying amount of hedging instruments (fair value)		Cash flow hedge reserve for the cancellation of hedge accounting
		Assets	Liabilities	
Cash flow hedges				
Forward foreign exchange contracts (Selling)	275,160	-	3,890	-
Forward foreign exchange contracts (Buying)	47,108	72	0	-

The amount of the impact of hedged items that are designated as hedges on the consolidated statement of financial position is as follows.

As of March 31, 2025

Millions of yen

	Cash flow hedge reserve for ongoing hedges	Cash flow hedge reserve for the cancellation of hedge accounting
Cash flow hedges		
Planned transactions	(735)	-

Note: The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted which were used as a basis to recognize the ineffective portion.

As of March 31, 2024

Millions of yen

	Cash flow hedge reserve for ongoing hedges	Cash flow hedge reserve for the cancellation of hedge accounting
Cash flow hedges		
Planned transactions	(3,818)	-

Note: The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted which were used as a basis to recognize the ineffective portion.

(10) Transfer of Financial Assets

The Group transfers a part of trade receivables to a third party in order to diversify financing sources and to ensure stable financing. The third party has recourse only to the transferred assets upon the debtors’ default and cannot claim other assets of the Group. The Group bears credit risk on transferred receivables in their entirety, and the receivables do not qualify for derecognition. Therefore, the Group continues to recognize the transferred receivables and has recognized financial liabilities for the consideration received.

The carrying amounts of transferred receivables that do not qualify for derecognition and the related liabilities, which are recorded in “Trade and other receivables” and “Borrowings” respectively in the consolidated statement of financial position, are as follows.

Millions of yen

	As of March 31, 2025	As of March 31, 2024
Transferred financial assets	-	16,391
Related liabilities	-	16,266

Note: The fair values of the above table are equivalent to the carrying amounts.

31. Significant Subsidiaries

Significant subsidiaries of the Group are as follows:

Name	Location of incorporation and operation	Principal activity	Ratio of voting rights (%) (Note 1)	
			As of March 31, 2025	As of March 31, 2024
Kioxia Corporation	Minato-ku, Tokyo	Research, development, design, production and marketing of Memory and SSD products	100.0	100.0
Kioxia Iwate Corporation	Kitakami, Iwate	Production of Memory products	100.0 [100.0]	100.0 [100.0]
Kioxia Engineering Corporation	Nishi-ku, Nagoya, Aichi	Development, design, production of Memory products, and entrusted engineering work of CIM developments	100.0 [100.0]	100.0 [100.0]
Kioxia Energy Management Corporation (Note 2)	Yokkaichi, Mie	Energy management business	100.0 [100.0]	100.0 [100.0]
Kioxia Systems Co., Ltd.	Sakae-ku, Yokohama, Kanagawa	Design and development of Memory products, and customer support	100.0 [100.0]	100.0 [100.0]
Kioxia Etoile Corporation	Yokkaichi, Mie	Cleaning and health keeping services for development center	100.0 [100.0]	100.0 [100.0]
Kioxia America, Inc.	California, U.S.	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Europe GmbH	Land Nordrhein-Westfalen, Germany	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Technology UK Ltd.	Oxfordshire, England	Product development of SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Israel Ltd.	Tel-aviv, Israel	Software development of SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Asia, Ltd.	Hong Kong, China	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia (China) Co., Ltd.	Shanghai, China	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Korea Corporation	Seoul, Korea	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Singapore Pte. Ltd.	Singapore	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Taiwan Corporation	Taipei, Taiwan	Marketing of Memory and SSD products	100.0 [100.0]	100.0 [100.0]
Kioxia Semiconductor Taiwan Corporation	Taipei, Taiwan	Production management of subcontracted production in the post-process of Memory	100.0 [100.0]	100.0 [100.0]
Solid State Storage Technology Corporation	Taipei, Taiwan	Production, research, development and marketing of SSD products	100.0 [100.0]	100.0 [100.0]
Others - 5 companies				

Note 1: The figures in brackets represent the indirect ownership of voting rights.

Note 2: Kioxia Energy Management Corporation was newly established on August 1, 2023 and became a subsidiary of the Company.

32. Joint Agreements and Significant Associates

Joint agreements and significant associates are as follows:

Name	Location of incorporation and operation	Principal activity	Ratio of voting rights (%) (Note 1)	
			As of March 31, 2025	As of March 31, 2024
(Joint operations) Flash Partners, Ltd. (Note 2)	Yokkaichi, Mie	Production and distribution of Memory to the Group	50.1 [50.1]	50.1 [50.1]
(Joint operations) Flash Alliance Ltd. (Note 2)	Yokkaichi, Mie	Production and distribution of Memory to the Group	50.1 [50.1]	50.1 [50.1]
(Joint operations) Flash Forward LLC (Note 2)	Yokkaichi, Mie	Production and distribution of Memory to the Group	50.1 [50.1]	50.1 [50.1]
(Associates) D.T. Fine Electronics Co., Ltd.	Saiwai-ku, Kawasaki, Kanagawa	Production and distribution of photomask for semiconductor products	35.0 [35.0]	35.0 [35.0]
Others - 2 companies				

Note 1: The figures in brackets represent the indirect ownership of voting rights.

Note 2: Kioxia Corporation established joint ventures with the U.S. company SanDisk Limited Liability Company for the purpose of strengthening NAND flash memory production in the semiconductor business. The Group and Sandisk Corporation and its subsidiaries (Sandisk Group) have equal decision-making rights. The Group accounts for these entities as joint operations.

33. Related Parties

(1) Transactions with the Group’s related parties

Significant transactions between the Group and its related parties are as follows:

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Not applicable.

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

(2) Compensation for principal management personnel

Millions of yen

	From April 1, 2024 to March 31, 2025	From April 1, 2023 to March 31, 2024
Compensation and bonus	441	253
Share-based payments	-	10
Total	441	263

Note: Compensation for principal management equals the compensation for the Board of Directors and corporate auditors of the Company.

34. Contingent Liabilities

The Group is involved in several pending lawsuits.

Based on the currently available information, the Company does not believe that the results of these lawsuits will have a significant adverse impact on the financial position and results of operation of the Group.

35. Subsequent Events

Not applicable.

36. Commitments

The amounts of contractual obligation for the purchase of property, plant and equipment, and intangible assets are as follows:

Millions of yen

As of March 31, 2025	As of March 31, 2024
140,489	135,778

37. Reconciliation of Liabilities Arising from Financing Activities

The details of changes in liabilities (containing both cash and non-cash changes) arising from financing activities are as follows:

The fiscal year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)

Millions of yen

	Short-term borrowings	Long-term borrowings (including Current portion of long-term borrowings)	Lease liabilities	Other financial liabilities (preferred shares)	Total
As of April 1, 2024	126,180	985,132	182,896	322,741	1,616,949
Cash flows from financing activities	(126,400)	(197,859)	(28,787)	-	(353,046)
Cash flows from operating activities	-	(16,771)	-	(969)	(17,740)
Non-cash change					
New leases	-	-	67,768	-	67,768
Interest expenses	86	7,204	-	509	7,799
Foreign exchange gains (losses)	134	-	(62)	-	72
Other	-	-	-	(1,020)	(1,020)
As of March 31, 2025	-	777,706	221,815	321,261	1,320,782

The fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Millions of yen

	Short-term borrowings	Long-term borrowings (including Current portion of long-term borrowings)	Lease liabilities	Other financial liabilities (preferred shares)	Total
As of April 1, 2023	33,211	1,041,675	190,175	309,367	1,574,428
Cash flows from financing activities	91,082	(60,313)	(27,531)	-	3,238
Cash flows from operating activities	-	(642)	-	-	(642)
Non-cash change					
New leases	-	-	19,744	-	19,744
Interest expenses	223	2,189	-	355	2,767
Foreign exchange gains (losses)	1,973	-	508	-	2,481
Other	(309)	2,223	-	13,019	14,933
As of March 31, 2024	126,180	985,132	182,896	322,741	1,616,949

Other Information

Quarterly information for the fiscal year ended March 31, 2025

(Cumulative)	Fiscal year ended March 31, 2025	Nine months ended December 31, 2024	Six months ended September 30, 2024	Three months ended June 30, 2024
Revenue (Millions of yen)	1,706,460	1,359,366	909,408	-
Profit before tax (Millions of yen)	370,669	355,606	248,919	-
Profit attributable to owners of parent (Millions of yen)	272,315	252,048	175,980	-
Basic earnings per share (yen)	519.96	485.94	340.06	-
Diluted earnings per share (yen)	515.45	481.30	335.95	-

(Accounting period)	Three months ended March 31, 2025	Three months ended December 31, 2024	Three months ended September 30, 2024	Three months ended June 30, 2024
Basic earnings per share (yen)	37.59	146.00	205.26	-
Diluted earnings per share (yen)	37.38	145.99	202.79	-

Note: As the Company's stock was listed on the Tokyo Stock Exchange Prime Market on December 18, 2024, the semi-annual report has not been submitted. Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, however, the condensed quarterly consolidated financial statements have been reviewed by PwC Japan LLC during the period. Although the third quarterly report has not been submitted, each figure for the third quarter is based on the quarterly information prepared in accordance with the rules of the financial instruments exchange and has been reviewed by PwC Japan LLC during the period.

II. Management's Discussion and Analysis of Financial Position, Operating Results, and Cash Flows

Analysis of the financial condition, operating results, and cash flows ("operating results, etc.") of the Company and its subsidiaries (collectively the "Group") and management's discussion and analysis of operating results, etc. are as follows.

The forward-looking statements herein are based on judgments as of the date of submission of this document.

1. Overview of Operating Results, Etc.

An overview of the operating results, etc. of the Group and interests in associates and joint arrangements is as follows.

As the Group operates as a single reportable segment, the Memory business, it does not provide segment information. However, the Group provides revenue by the application of each product, in accordance with its purpose of use. "SSD & Storage" primarily includes solid-state drives ("SSDs") and memory products for PCs, data centers, and enterprises. "Smart Devices" include embedded memory products with control functions, which are used in consumer devices such as smartphones, tablets, and televisions, as well as in automotive and industrial devices. "Other" includes retail products such as SD memory cards and USB flash drives, as well as sales to the Sandisk group (previously the Western Digital group) recorded through its three manufacturing joint ventures.

A characteristic of the semiconductor and memory industry of which the Group is a part is volatility in the business environment within short time spans. As a result, in order to provide investors with useful information, the Group provides its consolidated business outlook for the upcoming quarter with a range of amounts, and does not provide plans or progress reports for the overall fiscal year.

The Group discloses consolidated operating results in the form of measures based on International Financial Reporting Standards ("IFRS"), as well as internal measures used by management when making decisions ("non-GAAP measures").

Non-GAAP measures exclude the impact of purchase price allocation ("PPA"), the impact on operations at the Yokkaichi and Kitakami facilities caused by use of contaminated material in certain manufacturing processes at the Group's Yokkaichi and Kitakami facilities for its BiCS FLASH™ 3D flash memory in late January 2022, and the impact of significant changes to tax policies as non-recurring items from profits based on IFRS.

Management believes that disclosing non-GAAP measures makes it easier for stakeholders to compare the Group's performance with that of other companies in the same industry and against previous fiscal years. In doing so the Group intends to provide useful information for understanding its regular operating results and business outlooks. Non-GAAP measures are used internally by management and are not accounting items based on IFRS, and have not been audited or reviewed by auditors. Therefore, such non-GAAP measures may not accurately reflect the Group's financial condition or operating results. Non-recurring items are temporary gains and losses that the Group deems it best to exclude based on certain rules.

In regards to the global economy for the fiscal year (April 1, 2024 to March 31, 2025), developed countries continued to grow, seeing active capital investments, as well as strong consumer spending supported by favorable employment, slowing inflation, and high stock prices. In developing countries, although government economic stimulus measures continued and exports saw recovery, weakness in the real estate market persisted, there was a lack of recovery in consumer spending, and the economy remained stagnant. High geopolitical risks, particularly in Ukraine and the Middle East, as well as changes in trade policies surrounding tariffs contribute to an uncertain outlook for the global economy. Regarding the average exchange rate during the fiscal year, the yen depreciated against the US dollar compared to the previous fiscal year.

In the flash memory market, bit shipments and average selling prices ("ASPs") have both seen recovery. For data center and enterprise servers, where the market is growing due to the building up of AI infrastructure, demand continues to grow steadily. For PCs and smartphones, while demand was strong during the first half of the fiscal year, during the second half bit shipment growth was limited due to inventory adjustment at customers.

(1) Operating Results

(JPY in billions unless indicated otherwise)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Year on year change
Revenue	1,076.6	1,706.5	+629.9
SSD & Storage	516.4	991.1	+474.8
Smart Devices	374.3	501.1	+126.8
Other	185.9	214.2	+28.2
Non-GAAP operating profit (loss)	(254.0)	453.0	+707.0
Impact (loss) from contaminated material	7.6	—	-7.6
PPA impact (loss)	(6.3)	(1.3)	+5.0
Operating profit (loss)	(252.7)	451.7	+704.4
Profit (loss) before tax	(343.3)	370.7	+714.0
Profit (loss)	(243.7)	272.3	+516.0
Non-GAAP profit (loss) attributable to owners of parent	(244.6)	266.0	+510.6
Profit (loss) attributable to owners of parent	(243.7)	272.3	+516.0
Non-GAAP basic earnings (loss) per share in yen	(472.63)	507.89	+980.52
Basic earnings (loss) per share in yen	(470.97)	519.96	+990.93
Average USD to yen exchange rate	144 yen	153 yen	+9 yen

Note: Figures in this table are rounded to the nearest billion yen from the figures in “I. Consolidated Financial Statements and Related Notes”, excluding Non-GAAP figures and PPA impact.

Revenue for the fiscal year ended March 31, 2025 was 1,706.5 billion yen, an increase of 629.9 billion yen from the fiscal year ended March 31, 2024. This was primarily due to significantly higher ASPs, increased bit shipment, and the positive effect of exchange rates.

Operating profit was 451.7 billion yen, an increase of 704.4 billion yen from the fiscal year ended March 31, 2024. This was primarily due to the aforementioned increase in revenue, as well as manufacturing underutilization costs resulting from production adjustments of 188.2 billion yen that were present in the fiscal year ended March 31, 2024. Profit before tax was 370.7 billion yen, an increase of 714.0 billion yen from the fiscal year ended March 31, 2024.

Due to tax reform in Japan in fiscal year 2025, there will be a change in the effective statutory tax rate from April 2026 onwards. As a result, income tax expenses for the fiscal year ended March 31, 2025 decreased by 7.2 billion yen.

Profit attributable to owners of parent was 272.3 billion yen, an increase of 516.0 billion yen from the fiscal year ended March 31, 2024, primarily due to the aforementioned operating profit.

Non-GAAP operating profit (excludes items such as a PPA impact of 1.3 billion yen) was 453.0 billion yen, an increase of 707.0 billion yen from the fiscal year ended March 31, 2024. Non-GAAP profit attributable to owners of parent (excludes the impact of the aforementioned change in tax rate of 7.2 billion yen) was 266.0 billion yen, an increase of 510.6 billion yen from the fiscal year ended March 31, 2024.

(2) Production, orders, and sales results

The Group manufactures and sells memory products and related products. Because the performance, structure, form, etc. differ even for the same type of product, and because the Group does not manufacture products for specific orders, the company does not disclose the production scale or order scale for each item in terms of monetary amount or quantity. As a result, the status of production, orders, and sales is included in “(1) Operating Results” above.

The sales results by major customers for the last two consolidated fiscal years and the ratio of these sales results to total sales results are as follows.

Customer	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2025	
	Billion yen	Ratio (%)	Billion yen	Ratio (%)
Apple group	225.3	20.9	300.5	17.6
Sandisk group	170.5	15.8	198.6	11.6
Dell group	94.0	8.7	171.2	10.0

2. Financial Position and Cash Flows

(1) Financial Position

(JPY in billions unless indicated otherwise)

	As of March 31, 2024	As of March 31, 2025	Change from the end of the previous fiscal year
Total assets	2,864.9	2,919.7	+54.7
Total liabilities	2,415.2	2,182.0	-233.2
Total equity	449.8	737.7	+287.9
Equity attributable to owners of parent	449.6	737.6	+287.9
Equity ratio attributable to owners of parent	15.7%	25.3%	+9.6 percentage points

Note: Figures in this table are rounded to the nearest billion yen from the figures in “I. Consolidated Financial Statements and Related Notes”.

(Assets)

Assets at the end of the fiscal year were 2,919.7 billion yen, an increase of 54.7 billion yen from the end of the previous fiscal year.

This was primarily due to an increase in trade and other receivables of 88.8 billion yen and an increase in inventories of 81.1 billion yen, partially offset by decrease in property, plant and equipment of 68.6 billion yen.

(Liabilities)

Liabilities at the end of the fiscal year were 2,182.0 billion yen, a decrease of 233.2 billion yen from the end of the previous fiscal year.

This was primarily due to a decrease in borrowings (both current and non-current) of 333.6 billion yen following the repayment of term loans and Revolving Credit Facility borrowings.

(Equity)

Equity at the end of the fiscal year was 737.7 billion yen, an increase of 287.9 billion yen from the end of the previous fiscal year.

This was primarily due to the net profit of 272.3 billion yen. As a result, the equity ratio attributable to owners of parent was 25.3%, up 9.6 percentage points from the end of the previous fiscal year.

(2) Cash Flows

(JPY in billions unless indicated otherwise)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Year on year change
Net cash provided by (used for) operating activities	195.1	476.4	+281.3
Net cash provided by (used for) investing activities	(274.9)	(173.0)	+101.8
Net cash provided by (used for) financing activities	3.2	(322.7)	-325.9

Note: Figures in this table are rounded to the nearest billion yen from the figures in “I. Consolidated Financial Statements and Related Notes”.

The balance of cash and cash equivalents at the end of the fiscal year was 167.9 billion yen, a decrease of 19.7 billion yen from the end of the previous fiscal year. Details of each cash flow are as follows.

(Operating Activities)

The Group recorded 476.4 billion yen in cash inflow as a result of its operating activities.

This included a profit before tax of 370.7 billion yen (the fiscal year ended March 31, 2024 saw a loss before tax of 343.3 billion yen), 312.3 billion yen in depreciation and amortization (346.1 billion yen in the fiscal year ended March 31, 2024). The main reason for the 281.3 billion yen increase in cash inflow year on year was the Group recording a profit before tax where it recorded a loss before tax in the fiscal year ended March 31, 2024.

(Investing Activities)

The Group recorded 173.0 billion yen in cash outflow as a result of its investing activities.

This included 223.8 billion yen for the purchase of property, plant and equipment. The main reason for the 101.8 billion yen decrease in cash outflow year on year was a decrease in cash used for the purchase of property, plant and equipment in accordance with a reduction in capital expenditures.

(Financing Activities)

The Group recorded 322.7 billion yen in cash outflow as a result of its financing activities.

This included 265.9 billion yen used for the repayment of long-term borrowings and a net decrease in short-term borrowings and Revolving Credit Facility balances executed of 126.4 billion yen (the fiscal year ended March 31, 2024 saw a net increase of 91.1 billion yen). The main reason for the change from a cash inflow to a cash outflow from the fiscal year ended March 31, 2024 was the amount of borrowings repaid exceeding the amount of funds raised, whereas the amount of funds raised exceeded the amount of borrowings repaid in the fiscal year ended March 31, 2024.

(3) Capital Resources and Liquidity of Funds

The Group primarily requires capital expenditure funds for product manufacturing. The Group’s basic approach to these funding needs is to allocate its own funds from cash flows from operating activities, but in the past in situations such as when market conditions deteriorate significantly, the Group has also allocated borrowings from financial institutions and remittance from the issuance of class shares. As of the end of the fiscal year ended March 2025, the Group's total borrowings were 777.7 billion yen, equity ratio attributable to owners of parent was 25.3%, the ratio of net interest-bearing debt to non-GAAP EBITDA was 1.22, and the balance of bond-type preferred shares was 321.3 billion yen. In addition, the balance of cash and cash equivalents of the Group at the end the fiscal year ended March 2025 was 167.9 billion yen. Although the Group's capital has been secured for the time being, in the future it may be difficult to obtain additional borrowings from financial institutions, issue class shares, or raise other funds in the event of rapid deterioration in the flash memory market.

3. Factors that Have a Material Impact on Operating Results

Factors that have a material impact on operating results are detailed in “III. Risk Factors”.

4. Significant Accounting Policies and Significant Accounting Estimates

The Group's consolidated financial statements are prepared in accordance with IFRS. In preparing the consolidated financial statements, the Group makes estimates and judgments based on past performance and circumstances and while taking into account various factors that are considered reasonable, but due to uncertainties inherent in estimates, actual results may differ from these estimates. For details, please refer to “I. Consolidated Financial Statements and Related Notes; Notes to Consolidated Financial Statements; 3. Material Accounting Policies” and “I. Consolidated Financial Statements and Related Notes; Notes to Consolidated Financial Statements; 4. Significant Accounting Estimates and Judgements”.

III. Risk Factors

In the memory industry, in which the Group does business, there is heavy global competition as advanced technologies are necessary for business execution. The Group appoints the Representative Director, President and CEO as the Officer Responsible for Risk Compliance, and through deliberations by the Risk and Compliance Committee and other committees, risks arising in the course of economic activities such as business risks, financial and accounting risks, and information security risks, are thoroughly analyzed and managed according to their characteristics. The following are the major risks in the Group's business that are recognized by the Company's management through such risk and compliance management, but these do not cover all of the risks of the Group, and there are risks other than those below that cannot be foreseen. If such risks materialize, they could have a material impact on the Group's business, operating results, financial position, or cash flow.

Forward-looking statements included in this document are based on the Group’s decisions in light of the information currently available to it as of the date of submission and may differ materially from actual results due to inherent uncertainties.

1. Risks related to the business environment and economic conditions

(1) Cyclical and short-term fluctuations in the flash memory market

Due to factors such as rapid technological innovation and productivity improvements, fluctuations in customer demand, continuous downward pressure on prices, and competition for market share, the flash memory market often sees cyclical fluctuations in supply and demand, as well as cyclical improvement and deterioration of market conditions. As the market experienced in the latter half of 2022 and through 2023, in the event there is an imbalance in the supply-demand balance due to such factors as increased production volume by the Group and its competitors or excess customer inventories, selling prices of flash memory products may decline rapidly and significantly. In response to such risks, the Group sets aside a time once a month to check the status of its business, such as business performance and market conditions, and check new trends in the market, customer product trends, retail prices, customer inventories, and competitor conditions. This opportunity is also used to stay up-to-date on economic conditions and the supply and demand situation based on information from research companies, as well as to confirm the status of sales, production, development, and finances within the Group. The Group strives to reflect this in its business decisions appropriately. However, it is extremely difficult to predict such economic and supply-demand conditions, and there is no guarantee that they will be reflected in the Group’s business decisions in a timely and appropriate manner. Therefore, in the event that the supply-demand balance is disrupted and customer demand or selling prices continue to stagnate, the Group's operating results and financial position may be materially adversely affected due to a decline in the Group's gross profit margin following a decrease in revenue and utilization rates at the Group’s facilities.

Research companies predict that in the flash memory market, demand will grow in the medium- to long-term due to the advancement of a digital society, such as in the expansion of cloud services, 5G, IoT, and in the spread of AI-related devices and services including AI-equipped smartphones, PCs, and data centers. However, these predictions did not foresee the most recent downturn and may not be accurate in the future. In addition, in the flash memory market the Group's ability to decide prices is limited, and in the medium- to long-term selling prices on a bit basis are expected to decline at the same pace as in the past. Although the Group strives to improve profitability by reducing costs and other measures, in the event that selling prices or demand for flash memory decrease more than the Group expects due to economic conditions or the supply and demand situation for flash memory, the Group's business, operating results, and financial position may be materially adversely affected.

(2) Fluctuations in demand

Demand for the Group's products is affected by factors such as economic conditions, consumer spending, technological innovation, and the regulatory environment, as well as consumer markets for end products in which the Group's products are used and customer trends. In particular the Group is strongly influenced by trends in SSDs for data centers, which currently contains major customers for the Group and will continue to be a focus going forward, as well as the smartphone market, which continues to account for a substantial portion of the Group's revenue. In addition, supply chains, including inventory management, are becoming more complex, and as a very limited number of large customers account for the majority of the market share of data center SSDs, predicting market trends and customer demand can be difficult. In response to the deterioration of the supply-demand balance due to inventory adjustments by large customers and fluctuations in the production volume of competitors following the spread of COVID-19, the Group reduced production from October 2022 to March 2024, and may take similar measures in the future in the event that the supply-demand balance in the market deteriorates again. In response to such risks, the Group strives to be aware of economic conditions and the latest supply and demand situation and reflect that in its management, as described in “(1) Cyclical and short-term fluctuations in the flash memory market” above, but it is difficult to accurately predict such demand in advance. In the event that the Group is unable to predict such changes in demand and is unable to respond to such changes in a timely and appropriate manner, the Group may not be able to supply products that meet the requirements of customers or consumers in the end product market, resulting in a loss of orders from customers, lower sales or profitability than expected, or a decline in selling prices due to oversupply, which may affect the Group's business, operating results, and financial position.

In addition, there is a possibility that demand may decline sharply or demand may not grow at the time or scale expected by the Group due to various factors such as the slow sales or delayed capacity increase of new products at customers who purchase the Group's products, including storage at data centers and other facilities, smartphones, and servers. This could lead to a decline in prices or an excess of production, which could affect the Group's operating results.

(3) Growth of AI-related markets

In recent years, with the advancement of AI technology, AI-related devices and services, including AI-equipped smartphones, PCs, and data centers, are rapidly spreading. Since these AI-related devices and services require large-capacity memory semiconductors, AI-related demand is expected to drive the demand for flash memory in the medium- to long-term. However there is no guarantee that the AI-related market will grow as expected, and with the existence of other memory semiconductors, including DRAM and HDDs, the growth of the AI-related market does not necessarily lead to demand for flash memory. In order to capture this new demand, the Group actively conducts market research and analysis, has dialogue with customers, strives to understand AI-related needs, and promotes research and development (“R&D”). However, the Group's operating results may be affected if it is unable to carry out R&D of cutting-edge flash memory technologies to meet AI-related needs and achieve mass production at competitive prices ahead of its competitors, or if the Group is unable to capture AI-related demand due to the demand being met by other memory semiconductors.

(4) Industry restructuring due to competition, acquisitions, and establishment of joint ventures with competitors

The Group is in heavy competition with large, mainly non-Japanese global companies, and due of the limited number of major competitors in the flash memory business, it tends to be heavily affected by the investment into technologies and equipment, sales volume, and strategies of its major competitors. Some competitors possess technologies that the Group does not have, such as DRAM and HDD, and have greater financial strength than the Group, which may give them an advantage over the Group in terms of competitiveness. While China is accelerating its efforts toward domestic production of semiconductors via government support, there is a possibility that the impact of U.S.-China trade frictions will restrict the entry of non-Chinese companies and their business activities in China in the future. The governments of places such as the U.S., the European Union, and South Korea have also provided substantial grants to semiconductor businesses, and there is a possibility that manufacturers who receive such grants will improve performance and capacity without regard to production efficiency, thus further accelerating global competition. In order to maintain and grow its market share going forward, it is essential for the Group to be aware of market trends for its main products and customer needs in a timely and appropriate manner, and to maintain an advantage over its competitors, especially in terms of selling prices, product performance, and production efficiency. In response to such risks, the Group constantly checks the trends of competitors in order to supply competitive products to the market, and continually makes efforts to improve profit margins through R&D, improvement of production efficiency, and increased layer stacking. However, in the event that the Group lags behind its competitors in terms of the realizing the aforementioned improvements, or in terms of production efficiency, product performance, and production volume, which are the basis for selling prices, the Group’s business, operating results, and financial position may be affected by pressure on profit margins, loss of orders for products from customers, or inability to maintain its market share.

In addition, the memory and semiconductor industry is subject to significant changes in market conditions, and there are many businesses that operate globally, including the Group. In this business environment, there is a possibility that acquisitions will happen or business alliances will be formed in the memory and semiconductor industry, such as when SK Hynix Inc. acquired Intel Corporation's flash memory business, and when the Western Digital Group separated its flash memory business into the Sandisk Group. Regardless of whether or not the Group is included in such acquisitions or alliances, the competitiveness of the Group may be adversely affected as a result of significant changes in the Group's competitive environment.

Kioxia Corporation and the Group’s three manufacturing joint ventures are scheduled to receive a grant of up to approximately 92.9 billion yen from the Japanese government for the production of flash memory at the Yokkaichi Plant (approximately 6.8 billion yen has not been received as of March 31, 2025). In addition, Kioxia Corporation, Kioxia Iwate Corporation, and the Group’s three manufacturing joint ventures are scheduled to receive a grant of up to 150.0 billion yen from the Japanese government for the production of flash memory at the Yokkaichi and Kitakami Plants (approximately 119.8 billion yen has not been received as of March 31, 2025). Including these grants, and excluding the portion received by the Sandisk Group, the Group has received grants for the purchase of assets of 18.6 billion yen in the fiscal year ended March 2024 and 43.7 billion yen in the fiscal year ended March 2025. However, there is no guarantee that the Group will receive grants under the same conditions going forward, nor guarantee that the Group will not be treated unfavorably by non-Japanese governments as a result of receiving grants. Future conditions may affect the Group's operating results and financial position, and the Group's business activities, including fundraising, may be restricted.

(5) Macroeconomic fluctuations

The Group operates globally, and its operating results are affected by economic trends in major countries and around the world. The Group strives to gather information to respond to the impact of the macroeconomic environment and has established a system to take necessary measures against changes, such as by strengthening supply chains. However, in the event that product demand, selling prices, and production activities are affected by factors such as U.S.-China trade frictions and resulting tightening of regulations on Chinese companies, changes in economic policies and tariff policies in the U.S., stagnation of economic activity and consumption in Japan and other countries due to a slowdown in the growth of China and other developing countries or the resulting deterioration of the market environment, rising geopolitical risks such as the situations in Ukraine and the Middle East and potential conflicts over Taiwan, rising prices of raw materials and energy, and sudden fluctuations in financial markets, the Group's business, operating results, and financial position may be adversely affected due to a decline in the Group's gross profit margin following a decrease in revenue and utilization rates at the Group’s facilities.

(6) Changes in the regulatory environment

As the Group operates all over the world and is subject to the regulations of each country in which it operates, regulations on semiconductors may change drastically and abruptly due to the recognition of the importance of economic security in regard to semiconductors in various countries. In response to such risks, the Company strives to obtain information on regulatory trends in major countries as soon as possible through media reports, materials published by authorities in various countries, advisors from legal firms, and the activities of industry associations such as JETRO, JEITA, CISTEC, and SIA of the United States. The Company then disseminates information internally as necessary to ensure thorough compliance with laws and regulations and minimize impact on its business. However, there is no guarantee that these countermeasures will function effectively, and changes in politics, social conditions, and policies both in Japan and in other regions, as well as regulations including those on investments, remittances of profits to their home countries, imports and exports, foreign currency exchange, taxes, bribery, and competition laws may adversely affect local demand and the Group's business structure, which may in turn affect the Group's business development and operating results. In particular, if sales to the Group's major customers located in China are restricted due to tariffs, taxes, and other import/export-related regulations or operational revisions as a result of U.S.-China trade frictions, or if the production volume of these customers decreases due to such regulations, the Group's revenue from such major customers may decrease significantly. As the Group's business with major customers located in the United States may be restricted due to the Group being subject to regulations, the Group’s revenue from major customers located in the United States who lose access to the Chinese market and reduce production volume may decrease, or the Group's suppliers of raw materials and production facilities may be subject to regulations thus affecting the procurement of necessary raw materials, there is a risk that the Group's business development and operating results will be materially affected. In addition, in the event of further intensification of U.S.-China trade frictions or increased regulations on China, there is a possibility that the U.S. or Chinese governments may further increase regulations, impose economic sanctions, or enact or revise laws and regulations against companies in the opposing country. Depending on the change and the responses to it by the Company and its competitors, the Group's business, operating results, and financial condition may be materially affected.

2. Risks related to management policies and decisions

(1) Risks related to management strategy and long-term financial models

In order to realize its mission and vision the Group has formulated a long-term financial model as of November 22, 2024 with the aim of using memory technology to enter into a new era and change the world while implementing management policies and strategies based on the Group's business environment. However, the figures set in this model are based on certain assumptions related to future market trends. These assumptions are (i) that the flash memory market grows as predicted by research firms and the Group's bit shipment recovers to the level of the Group's market share in 2021 and can maintain a growth rate in line with that of the market, (ii) that the average selling price of flash memory in the medium- to long-term from the fiscal year ended March 2025 onward will be generally similar to the market price trends seen from 2020 to 2022, (iii) that production efficiency per gigabyte will progress at a similar rate to the Group's past performance, and (iv) that the dollar-yen exchange rate continues at the level of the average over the last four years and that there will be no unpredictable abnormal events such as the global spread of COVID-19 or the shutdown of factories. The Company strives to build long-term financial models, but in the event that the aforementioned assumptions differ from the actual business environment, or that other risks described in “III. Risk Factors” materialize, the Group's operating results may not follow the model, and the Group's business, operating results, and financial position may be materially affected.

(2) Predictions about the flash memory market and capital expenditures

The Group plans to invest in production facilities at its Yokkaichi and Kitakami Plants, as well as in R&D, while comprehensively taking into account demand trends, the development status and investment efficiency of production process technologies. The Group aims to keep capital expenditures at 20% or less of revenue, averaged through-the-cycle for the flash memory market. However, in the event that the market fluctuates significantly compared to demand forecasts at the start of production, excess or lack of production facilities may lead to a deterioration in profit margins, excess inventories, a decline in sales volumes or selling prices, impairment of fixed assets, loss of sales opportunities, or a decline in market share. While the Company checks the latest demand forecasts and the business environment and evaluates risks when making decisions on capital expenditures, it is difficult to accurately predict demand in the flash memory market. As delivery times for orders for manufacturing facilities and infrastructure are long, there is no guarantee that these evaluations and predictions will be accurate, and in the event that the actual business environment differs from the Company's predictions, the Group's operating results and financial position may be affected.

In addition to these large capital expenditures, the Group continues to invest in R&D, resulting in high fixed costs. The Group is able to change its capital expenditure plan in response to market fluctuations, but there is a limit to how much fixed costs can be reduced. As a result, even a comparatively small decline in revenue may have a relatively large impact on operating profit and cash flows, which may affect the Group's business, operating results, and financial position.

(3) Discrepancy between investment plans and their outcomes

When making capital investment decisions, the Group continuously checks the delivery date and the availability of necessary human resources, equipment, and materials. In regard to technological development, the Group stays aware of its competitors and continually verifies the competitive advantages of its products. However, in regard to the Group's capital expenditures for the establishment of new buildings at the Yokkaichi and Kitakami Plants and investment in the development of technologies such as next-generation flash memory, there may be a discrepancy between plans at the time of investment and the time when production begins due to factors such as delays in equipment delivery dates, mass production start times, yield improvement, progress of development, and securing necessary human resources, equipment, and materials, as well as failure to realize planned yields, manufacturing periods, and product characteristics (the Group postponed some of its planned capital expenditures in response to the rapid deterioration in supply and demand in the memory market from the latter half of 2022 and through 2023). In addition, the investments may not yield the expected outcome due to failure to meet the expected production capacity, yield, or production efficiency, or failure to see commensurate demand even if the above expectations are met.

A decline in competitive advantage or market share due to delays in collecting amounts or inferiority to competitors in the development and sales of new products may lead to the Group failing to secure expected profits or effects on its business, operating results, and financial position.

(4) Success/failure of strategic alliances, joint ventures, acquisitions, investments, etc.

In the memory and semiconductor industry, restructuring occurs through alliances, joint ventures, acquisitions, investments, etc., and the Group may also take part in alliances, joint ventures, acquisitions, investments, etc. in order to acquire technologies, expand business domains, strengthen competitiveness, and improve profitability.

For example, the Group is in a manufacturing joint venture agreement with and operates a joint venture with Sandisk. In July 2020, the Company acquired all shares of Solid State Storage Technology Corporation, a subsidiary of the Taiwan-based LITE-ON Technology Corporation, as well as those of its affiliates. In June 2022, the Company acquired all shares of Chubu Toshiba Engineering Corporation from Toshiba Digital Solutions Corporation, an affiliate of Toshiba Corporation. In the case of alliances, joint ventures, acquisitions, investments, etc., the Company conducts a detailed preliminary investigation of the state of management, business, and finances, as well as compliance with laws and regulations and contractual relationships to assess risks and make decisions. However, in the event of a deterioration in the performance of the business with which the alliance, joint venture, acquisition, or investment will take place, the Company's consolidated profits may deteriorate and shares held and goodwill may be impaired, which in turn may have an impact on the Group’s operating results and financial position. In the event that the Group or one or more of its businesses are the subject of an alliance, joint venture, acquisition, investment, etc. but the integration does not proceed as expected or the synergies or economies of scale expected by the Group are not achieved, profitability may deteriorate due to a significant change in management policy, reduction in the scale of business, loss of economies of scale, etc., which may in turn have an impact on the Group’s business, operating results, or financial position. Depending on the form and content of the alliance, joint venture, acquisition, investment, etc., the Group may not be able to effectively control the actions of other parties, and as a result of the implementation of alliances or joint ventures with specific third parties, the Group's management options or business operations, such as alliances, collaborations, or transactions with outside parties, may be restricted.

(5) Joint venture with the Sandisk Group

The Group is in a manufacturing joint venture agreement with the Sandisk Group and has established three manufacturing joint ventures. Through these joint ventures, the Company is able to make investments on a larger scale than if it were to invest alone and enjoy economies of scale in terms of capital expenditures and production efficiency. The three manufacturing joint ventures procure production equipment through the borrowing of funds from the Group and the Sandisk Group or through a lease agreement with the three manufacturing joint ventures and install them at the Group’s Yokkaichi and Kitakami Plants. The Group then produces wafers using the production facilities loaned free of charge by the three manufacturing joint ventures and sells the processed wafers to the three manufacturing joint ventures. The three manufacturing joint ventures sell 50% of their products to the Group and 50% to the Sandisk Group. In accordance with the joint venture agreement, in the event of a breach of contract by the Sandisk Group or other grounds for termination under the joint venture agreement, there is a possibility that the Group may purchase an interest in the Sandisk Group equal to the remaining book value of the production facilities owned by the three manufacturing joint ventures. This may have an impact on the Group’s operating results and financial position. While Kioxia Corporation and Sandisk Corporation each currently guarantee 50% of the liabilities for the lease agreement for the production facilities owned by the three manufacturing joint ventures, in the event that Sandisk Corporation is unable to fulfill its liability guarantee due to the deterioration of its operating results or financial position, Kioxia Corporation may inherit Sandisk Corporation’s liabilities, or the joint venture agreement may be terminated due to default on said liabilities, and there is a possibility that the Group may purchase an interest in Sandisk Corporation equal to the remaining book value of the production facilities owned by the three manufacturing joint ventures, which may have an impact on the Group's operating results. The Group communicates extensively with the Sandisk Group regarding production, investment, R&D, operations, finance, etc., and under the joint venture agreement, the Company and the Sandisk Group have equal rights and obligations in terms of the operation of the joint venture. As the Sandisk Group is a competitor of the Group, in the event of a discrepancy in the management and strategic direction between the two companies, decisions may take longer than expected to be made, or there may be other interferences with the operation of the joint venture, which may affect the Group's business, operating results, and financial position.

In the event that Kioxia Corporation purchases an interest in the Sandisk Group, the three manufacturing joint ventures may be treated as consolidated subsidiaries of the Company. In such an event, the operating results of the three manufacturing joint ventures may be reflected in the Company's consolidated financial statements, which may affect the operating results and financial position of the Group.

The manufacturing joint venture agreement with the Sandisk Group is effective until 2029 for the Yokkaichi Plant and 2034 for the Kitakami Plant, and it has not yet been decided whether the joint venture will continue after the respective expiration dates. It is currently undecided what the terms of the agreement will be if the joint venture does continue. If it does not continue, the manufacturing joint venture will be dissolved or liquidated, which may affect the Group's business, operating results, and financial position.

The Sandisk Group separated from the Western Digital Group and listed on the Nasdaq Stock Market in February 2025. According to the announcement, the Western Digital Group will continue the HDD business, and the spun-off group will conduct the flash memory business. While the Company does not anticipate at this time that the Sandisk Group’s separation from the Western Digital Group will have a material impact on the Company or its manufacturing joint ventures, there is no guarantee that the Company will continue to enjoy the benefits that it has thus far through its joint ventures going forward. While there are certain restrictions regarding the manufacturing joint venture agreements, there is no guarantee that the Sandisk Group will not establish strategic alliances with third parties that would adversely affect the Company’s competitiveness.

(6) Technological innovation

Flash memory requires advanced technology and is produced through a complex production process. It is also a product where technological innovation occurs quickly, as seen through migration to next generation products, increased capacity, and other improvements. As there is a possibility that new technologies will emerge to replace flash memory in the future, a large amount of long-term and continuous R&D investment is required in order to quickly provide products that use the latest technology. In response, the Company checks the latest technology trends and reflect them in its R&D and investment plans, and checks that its R&D is consistent with its own strategies and meets market requirements. Specifically, we are working on increased layer stacking for BiCS FLASH™, the development of CBA technology, the transition to 4 bits per cell (QLC), and other new technologies. However, there is no guarantee that these efforts will be successful, and in the event that the Group falls behind its competitors, new entrants to the industry, or alternatives to flash memory in terms of migration to next generation products, technological innovation, or improvement of production efficiency and there is a decline in competitiveness in production efficiency per gigabyte or other product characteristics, or in the event that the inability to achieve the technical performance of new products desired by customers is not achieved, or in the event that development is successful but customer demand for the final product declines, there may be an impact on the Group’s operating results and financial position due to a decline of the Group’s technological superiority and competitiveness, loss of customers or decline in market share, or inability to obtain profitability commensurate with investment.

3. Risks associated with the Group's operations

(1) Dependence on specific customers

The Group is a specialized flash memory manufacturer, and much of its revenue depends on a limited number of customers and industries, such as major smartphone manufacturers and large IT companies, including hyperscalers that require SSDs. While the Group strives to promote sales and optimize its sales portfolio in line with market growth, there may be changes in the sales trends of these major customers and industries, the business environment, the intensification of U.S.-China trade frictions, the materialization of geopolitical risks surrounding Taiwan, U.S. tariff policies and the level of demand for the Group’s products, or major customers’ policies and terms related to transactions, such as the review of major suppliers in the case of multi-company procurement. These changes, in addition to a decrease in demand for a given customer's final product despite product development based on the needs of said customer, may lead to a major customer ceasing to use the Group's products, the number of orders decreases, or other terms related to the sale of products are changed to the disadvantage of the Group. In such an event, the Group's business, operating results, and financial position may be affected, such as through a decrease in revenue, excess inventory, or a review of selling prices associated with resale to customers.

In the fiscal year ended March 2025, sales to the Apple Group, the Sandisk Group, and the Dell Group accounted for more than 10% of the Group's consolidated revenue. Relationships with these customers, including those who are influenced by international circumstances such as U.S.-China trade frictions and U.S. tariff policies, may materially affect the Group's business, operating results, and financial position.

(2) Procurement of materials and energy

In order to continue its business activities and maintain and strengthen its competitiveness, it is necessary for Group to optimize its supply chain, such as by ensuring that parts, materials, manufacturing equipment, etc. are delivered in a timely and appropriate manner. However, for some parts, materials, and manufacturing equipment there are limited suppliers due to the nature of the goods, and it is difficult to switch suppliers. For example, from 2020 to 2023, there was a global shortage of semiconductors, which significantly hindered the activities of manufacturers, including the Group. In the event of such a shortage of supply of parts or materials, delayed supply, tightening of environmental regulations, materialization of geopolitical risks, regional conflicts, or interruptions in supply due such factors as accidents, natural disasters, epidemics of diseases like COVID-19, a shortage of parts or materials may interfere with or delay the manufacture of the Group's products, or may increase the cost of purchasing from other suppliers, which may in turn affect the Group's business, operating results, and financial position. In order to reduce such risks as much as possible, the Group has entered into long-term purchase contracts with suppliers for some materials that are indispensable for the manufacture of the Group's products, such as silicon wafers. However, in the event that the market price is lower than the Group’s contract price, the long-term purchase contract may not necessarily be advantageous for the Group, and may even be disadvantageous.

As the Group's production and other business activities require a stable supply of electricity, in the event that the operation of the Group's plants and other facilities is suspended or restricted due to a power outage or power supply shortage, or in the event that there is a further increase in electricity costs due to a shortage of power supply in accordance with the cessation of operation of nuclear power plants in Japan and an increase in fuel costs due to exchange rate fluctuations, or in the event that the procurement price of renewable energy does not decrease in line with the Sixth Strategic Energy Plan, the Group's competitiveness as well as production and sales activities may be adversely affected. In addition, although the Company is provided services such as technical support from outside the Group, the Company may not be able to be provided these services under reasonable conditions due to increased labor costs following a decrease in the working population, the depreciation of the yen, and the materialization of geopolitical risks.

In the fiscal year ended March 2022, the Group recorded a loss of 33.2 billion yen due to the impact on operations at its Yokkaichi and Kitakami facilities caused by use of contaminated material in certain manufacturing processes at both facilities for its BiCS FLASH™ 3D flash memory. In the event that there is a defect in procured parts or materials and specifications are not met, the reliability and reputation of the Group's products using said parts or materials may be adversely affected, and the Group may be subject to claims for damages. As a result, the reputation and social credibility of the Group's products and brands may decline, or compensation may be paid, which in turn may affect the Group's business, operating results, and financial position.

In addition to rising costs for raw materials and labor, competition for construction materials has intensified due to the simultaneous construction of factories by major domestic companies, and it has become extremely difficult to secure construction contractors with necessary expertise. This may lead to delays in construction, an increase in construction costs, and a decline in the quality of the Group's products.

In response to these risks, the Group is promoting stable procurement and cost reduction by building a supply chain that takes geopolitical risks into account, securing multiple suppliers, being aware of supply chain information, and reducing the risk of supplier incidents by holding inventory. However, there is no guarantee that these measures will always be effective, and in the event of disruptions in the supply chain by impediments in the international movement of goods, human resources, and information due to the materialization of geopolitical risks, there is a possibility that corporate activities may be hindered due to increased prices of raw materials and energy or a shortage of construction materials and contractors, and the Group's business, operating results, and financial position may be affected.

(3) Outsourcing of production

The Group outsources some processes related to product manufacturing, especially most assembly processes for the Group's memory and SSD products, to external partner companies. In addition to requesting these external partner companies to manufacture based on specifications given by the Group, the Group takes various quality control measures.

However, it is impossible for the Group to fully be aware of and control the production processes and quality control of third-party contractors, and in the event that there are unforeseen circumstances in the production processes at external partner companies outsourced by the Group, or if there is a delay in production, there may be interferences with the on-time delivery of the Group's products to its customers.

In addition, there is no guarantee that the Group will be able to secure another suitable contractor in a timely manner in the event that an existing contractor does not fulfill its assigned production. For example, in 2022, due to the lockdown in Shanghai due to China's zero-COVID policy, the back-end processing facilities and logistics warehouse in Shanghai to which the assembly process of the Group's memory products were outsourced were temporarily closed. In the event of a product defect caused by an outsourced production process, the relationship between the Group and its customers or the reputation of the Group or its products may deteriorate, or customers may make claims for damages, which may affect the Group's business, operating results, and financial position.

In addition, although the Group selects external production contractors based on geopolitical risks and the Group’s potential degree of dependence on the contractor, there is no guarantee that these measures will be successful, and if the Group's dependence on certain external contractors increases, it may become difficult to switch contractors, which may affect the Group's business, operating results, and financial position due to price increases and other factors.

(4) Dependence on management

Although the management activities of the Company are led by executive officers under the control of directors and Audit and Supervisory Board Members, it is not impossible that authority and management decisions will be concentrated in the hands of specific persons, such as Representative Director, President and CEO Nobuo Hayasaka and Executive Chairman Stacy Smith. In such a case, the judgment of said person may have a significant impact on the business and corporate governance may not function appropriately, and the Group's business activities may stagnate due to the absence or retirement of the manager, or the smooth succession to the successor may not proceed, which may affect the Group's business, operating results, and financial position. In addition, at the ordinary general meeting of shareholders to be held on June 27, 2025 a proposal for an increase in officer remuneration and the introduction of stock-based remuneration will be submitted in order to secure talented management in the future, which may affect the Group's business performance due to an increase in remuneration for the Company's management and the total number of shares issued.

(5) Securing of human resources

The success or failure of the Group's business is highly dependent on securing talented human resources in all processes and fields, including development, production, sales, and business management. In particular, it is essential to secure talented human resources in order to expand the Group’s business globally and promote cutting-edge development and research. In order to secure human resources, the Group is working to acquire talented human resources by promoting activities that increase the recognition and brand value of the Group and by promoting diverse management.

However, the number of talented human resources in each process and field is limited, and competition in securing human resources is becoming more intense given the depreciation of the yen and a growing global demand for technical human resources. As a result, in the event that the Group is not be able to acquire the necessary human resources at the required time and prevent the outflow of existing employees, more costs may be incurred than necessary in salaries and retention plans to acquire and retain new human resources, which in turn may affect the Group's business, operating results, and financial position.

(6) Delays, disruption, etc. in production due to large-scale disasters

The Group's flash memory production sites are concentrated in Japan. In its Risk Management & Compliance Committee, the Group checks the status of its crisis management system and business continuity plan ("BCP") in an effort to reduce the impact on its business in the event of an emergency such as a natural disaster.

In the event of an outbreak of a serious infectious disease including the novel coronavirus infection, power outages, accidents, system troubles, infrastructure failures, etc., production and sales may be significantly adversely affected due to a decrease in the operation or suspension of the operation of the Group's own plants, stagnation of supply from the supply chain, and a decline in demand, which may affect the Group's business, operating results, and financial position. In 2022, in response to the lockdown in Shanghai due to China's zero-COVID policy, the back-end factory and logistics warehouse in Shanghai to which the assembly process of the Group's memory products are outsourced were temporarily closed.

In response to the spread of COVID-19, the Group is taking measures such as actively implementing remote work and promoting purchasing from multiple companies in the supply chain. However, in the event that new infectious diseases arise within the company, the supply chain, sales offices, or in countries and regions where said offices are located, and restrictions on operations and movement arise as a result, production and sales may be materially adversely affected by a decrease in or suspension of operations at the Group's plants, stagnation of supply from the supply chain, and a decrease in orders. In addition, while demand for servers and games increased due to the increase of remote work, online learning, and video streaming services during the pandemic, demand for smartphones was sluggish. As such, new diseases may have a material impact on the demand for memory products, which in turn may have an impact on the Group's business, operating results, and financial position.

The Yokkaichi Plant, which is one of the Group's production sites, is located in an area with a high risk of earthquakes and floods, and the Kitakami Plant is located in an area that was severely damaged by the 2011 Tohoku Earthquake. In the event of a large-scale disaster such as an earthquake, flood, or typhoon, or power outage at the Group's production sites and sales offices, production and sales activities may be hindered due to damage to production facilities, suspension of operations, suspension of procurement of raw materials, or loss of logistics and sales functions, which may have materially adversely affect the Group's asset value and production and sales capabilities, which may in turn affect the Group's business development and operating results.

In addition to disasters, production and sales activities at the Group's production sites may be hindered due to failures in production equipment, defective parts, or malfunctions in production systems, which may materially adversely impact production and sales capabilities. In June 2019, due to the suspension of production following a power outage at Kioxia Corporation's Yokkaichi Plant, the Group recorded a loss of 34.5 billion yen (a loss of 33.4 billion yen when factoring in insurance proceeds of 1.1 billion yen) in the fiscal year ended March 2020. In the event of such incidents, the Group's business development and operating results may be affected.

(7) IT system failure, etc.

The Group uses IT systems for a wide range of operations, including production, sales, and management. Malfunctions of these systems, attacks by external computer viruses, or unauthorized access may cause serious failures in the Group's IT systems. In response to these risks, the Group monitors network and security failures, detects attacks and unauthorized access from outside, strives to prevent failures, holds meetings to check risks for large-scale system changes and maintenance, reduce the risk of failures, and regularly conducts BCP drills in anticipation of failures. However, there is no guarantee that such measures will always function effectively, and in the event of a serious failure of the IT system, a large amount of cost and effort will be necessary to deal with the failure, and the Group's business activities may be materially adversely affected by the suspension of production, ordering, and shipment at its plants while the system is down. This may have an impact on the Group's operating results and financial position.

(8) Leakage of personal information and other confidential information

The Group holds and manages, in various forms, personal information and other confidential information obtained through the technical, R&D, manufacturing, and sales activities of the Group, its business partners, and suppliers. In response to risks of leakage of such information, the Group has established internal rules regarding information security management and an Information Security Committee, and is engaged in continuous improvement of its security management through countermeasures and employee education and training. In addition, in response to the Act on the Protection of Personal Information, the Group has established an information security system that includes its production and sales sites and affiliated companies, as well as a communication and reporting system that can respond promptly. The Group has strengthened the management of information subject to protection by regularly managing access using internal IDs and taking inventory of access rights. However, there is no guarantee that these measures will always be effective, and in the event that information held or managed by the Group is leaked due to unforeseen circumstances and a third party illegally acquires or uses it, there may be a decline in competitiveness due to the leakage of trade secrets, credibility from customers, and social credibility, costs incurred related to response to the leakage of personal information and system modifications, or lawsuits filed against the Group from parties seeking compensation for damages. This may affect the Group's business, operating results, and financial position.

4. Financial Risks

(1) Large amount of borrowings and bond-type preferred shares

The Group has entered into loan agreements for a syndicated loan with financial institutions as the lenders and has used it to take out large borrowings. The total amount of short-term and long-term borrowings was 1,111,312 million yen in the fiscal year ended March 2024 and 777,706 million yen in the fiscal year ended March 2025. In the event that the interest rate on this interest-bearing debt rises, the interest burden borne by the Group may increase. In addition, in the fiscal year ended March 2020, the Group raised funds through the issue of Series 1 (*Kou*) preferred shares and Series 2 (*Otsu*) preferred shares (collectively referred to as “bond-type preferred shares”). As these bond-type preferred shares are designed to be redeemed at the end of their term, they are treated as liabilities under IFRS, which is used by the Company in its consolidated financial statements. The balance of bond-type preferred shares was 322,741 million yen for the fiscal year ended March 2024 and 321,261 million yen for the fiscal year ended March 2025. The ratio of outstanding borrowings and corporate bond-type preferred shares to consolidated total assets was 50.1% in the fiscal year ended March 2024 and 37.6% in the fiscal year ended March 2025. The Group is required to comply with certain conditions such as financial covenants based on the aforementioned loan agreements or underwriting agreements/investment agreements for bond-type preferred shares, and is required to provide collateral for the Group's assets under the loan agreements. In the event that the Group falls under the grounds for early repayment or redemption (monetary payment) due to a violation of the conditions in financial covenants based on loan agreements or underwriting agreements/investment agreements, it must immediately secure funds for repayment or redemption upon request from the lender or underwriter. However, there is no guarantee that the Group will be able to secure funds through methods such as loan refinancing in a timely manner and on conditions that are favorable for the Group, and in the event that the Group is unable to repay the loan under the loan agreement, the Group may grant a security interest. For details of financial covenants, etc., please refer to “I. Consolidated Financial Statements and Related Notes; Notes to Consolidated Financial Statements; 14. Borrowings and Other Financial Liabilities”. While the Group strives to strengthen its financial position by strengthening its competitiveness and improving its profitability, the aforementioned reasons may affect the Group's business, operating results, and financial position.

When paying dividends of surplus and residual assets, holders of bond-type preferred shares are entitled to payment of a certain amount of preferred dividends or residual assets, calculated in a predetermined manner, prior to common shareholders. As a result, in the event that the aforementioned preferred dividends or residual assets are not paid to the preferred shareholders, common shareholders of the Company will not be entitled to dividends of surplus and residual assets. The annual dividend rate for these preferred dividends is slated to increase over a certain period of time. In addition, the Company may, if it so chooses, pay special dividends to shareholders of bond-type preferred shares prior to or after dividends to common shareholders or the aforementioned preferred dividends, which may affect the Group's cash flow and ability to pay dividends.

In addition, the Company conducts sale-and-leaseback transactions on the land of Kioxia Corporation's Yokkaichi Plant, and pays 2,667 million yen per year in rent.

(2) Impairment of goodwill

Goodwill at the end of the fiscal year ended March 2025 was 395,256 million yen, accounting for 13.5% of total consolidated assets. Especially material for the Group is goodwill which was recognized when it acquired all shares of the former Toshiba Memory Corporation in June 2018. Under IFRS, which the Company uses in its consolidated financial statements, goodwill is not amortized, but an impairment test is conducted every fiscal year or when there are signs of impairment. In the event that the Group's revenue or capacity to generate cash flow are deemed to have declined, it may be necessary to record an impairment loss, which may affect the Group's operating results and financial position.

As described above, IFRS, which the Company uses in its consolidated financial statements, does not amortize goodwill, which differs from corporate accounting standards generally accepted in Japan. Therefore, in the event it becomes necessary to record an impairment loss on goodwill, the amount of impairment loss recorded may be larger than the amount of impairment loss recorded based on corporate accounting standards generally accepted in Japan.

(3) Deferred tax assets

Based on current accounting standards, the Group records deferred tax assets (net amount of which was 319,160 million yen as of the end of March 2025) after rationally estimating its future taxable income for tax carry-forward losses and future deductions and temporary differences and examining the probability of the recovery of the asset. In the event that it is determined that all or part of the deferred tax assets are not recoverable due to significant changes in the Company’s operating results or business environment and its group companies, or in the event that the tax system is revised, such as with a change in the tax rate, or the accounting standards are revised, such deferred tax assets may be reduced, which may affect the Group's operating results and financial position.

5. Financial Market Risks

(1) Exchange rate fluctuations

As the Group's business activities are conducted in various currencies in various regions around the world, the Group's business, operating results, and financial position are affected by fluctuations in exchange rates. In particular, since the Group's revenue is primarily denominated in foreign currencies and the production sites for front-end processes are located in Japan, a substantial portion of operating expenses are denominated in yen, and in the event that the yen appreciates, the Group's business, operating results, and financial position may be adversely affected.

While the Group strives to minimize the impact of foreign exchange rate fluctuations by conducting hedging transactions on a regular basis, the effect of this is limited due to the hedge period being set at several months, which is the scale of how far in advance actual demand can be predicted. In addition, due to sudden exchange rate fluctuations, there is a possibility that foreign exchange translation losses may be incurred due to differences in the exchange rates between the timing of the recording and settlement of payables and receivables denominated in foreign currencies.

In addition, foreign currency translation adjustments resulting from converting foreign currency-denominated assets and liabilities held by subsidiaries of the Group outside Japan into yen, the currency used in the Group’s consolidated financial statements, are included in equity as other comprehensive income. As a result, equity attributable to owners of parent for the Group may be adversely affected by fluctuations in exchange rates, which may affect the Group's financial position.

(2) Changes in the funding environment

The Group raises funds through borrowings from financial institutions, issuance of bond-type preferred shares, and raises capital funds through the issuance of shares on the capital market. However, the availability and conditions of fundraising are strongly affected by the financial and securities market, interest rates trends, the supply and demand of funds, and changes in financing and investment policies on the part of lenders and investors. These factors may adversely affect the Group's ability to raise funds. In the event a financial institution changes its lending policy with the Group, such as by reducing lending due to a decline in the Company's credibility following a deterioration in its financial position, turmoil in the financial markets, or tightening of capital adequacy regulations for financial institutions, the Group can not guarantee that it will be able to refinance or take out new loans under the same conditions in the future. In the event that the Group is unable to borrow the required amount in a timely manner or if financing costs increase, the Group's business, operating results, and financial position may be affected.

As the flash memory industry sees a large amount of mass production and heavy competition in the development of new products, a large amount of capital expenditures and R&D investments are necessary in order to maintain and strengthen competitiveness in terms of price and quality. However, if the Group is unable to procure the necessary funds in a timely manner due to the aforementioned reasons, it may not be able to perform the necessary capital expenditures and R&D investments at the necessary time, which may in turn have an impact on its operating results and financial position.

6. Legal Risks

(1) Matters related to significant litigation cases, etc.

The Group conducts business activities around the world and may be involved in litigation or other legal proceedings and may be subject to investigations by authorities. As judicial systems differ by region and the aforementioned legal procedures are inherently difficult to predict, it is not impossible that the Group may be ordered to restrict or suspend operations and transactions, such as the payment of amounts that exceed the Group's expectations or suspension of sales. For this reason, in the event that a decision is made that is disadvantageous to the Group as a result of litigation or other legal proceedings, or the result of investigations by authorities, depending on the nature of the decision, the Group's business, operating results, financial position, social reputation, and credibility may be affected. In addition, in the event that a lawsuit for a large sum of money due to various circumstances, even if it is unlikely that the Company will be ordered to pay compensation for damages, the social reputation of the Group may decline as a result of garnering public attention. In response to this risk, in transactions with external parties the Company strives to enter into contracts that clarify the scope of responsibility of the Group and the other party, and the Company has a policy to respond to individual cases while receiving advice from outside lawyers with a high level of expertise. However, there is no guarantee that these measures will always function effectively, and depending on the content and results of the case, the Group's business development, operating results, social reputation, and credibility may be affected.

(2) Protection of intellectual property rights

In order to protect its technologies and know-how, the Group strives to secure intellectual property rights through the cooperation of relevant departments. However, sufficient protection for intellectual property rights may not be obtained in some regions, and the sale of products that infringe the Company's intellectual property rights by third parties in these regions may affect the Group's business, operating results, and financial position. In addition, the Group outsources some of the manufacturing and R&D of its products to third parties, and allows third parties to use the Group's intellectual property rights, and it is not impossible that such third parties may inappropriately use the Group's technologies and know-how.

While the Group may use the intellectual property rights of a third party after permission to do so, there is a possibility that the Group is not able to receive the necessary permission from a third party in the future, or that it is only able to receive such permission under unfavorable conditions. In the event that such a situation occurs, the Group's business development and operating results may be affected. In addition, in the memory industry, each major manufacturer holds a number of important patents which are often reciprocally cross-licensed with those of other companies. In the event that other companies acquire a larger number of more effective patents than the Group, or in the event that the Group's management policy on cross-licensing changes, there may be restrictions on the manufacture and sale of the Group's products, or the payment of license fees may be high.

In addition, the Group may be the subject of litigation in relation to intellectual property rights, or may file lawsuits in order to preserve its own intellectual property rights. Such litigation may consume time, money, and other management resources, and depending on the outcome of the litigation, the Group may not be able to use important technologies or may be liable for damages, which may affect the Group's business development and operating results.

(3) Quality problems

In order to ensure optimal quality for each of its products, the Group has adopted the international standards ISO9001 and IATF16949 quality management systems, as well as the ISO14001 environmental management system. In order to prevent major quality problems, the Group performs quality control in the manufacturing process from the planning and development phase, performs product shipment quality assurance, promotes continuous quality improvement, and takes corrective and preventive measures in the event of a defect. However, it is not impossible that quality problems arise in the future, including those caused by the Group, its contractors, and suppliers. In addition, in the event that a serious quality problem occurs and delivery to the customer is significantly delayed or rework is required, the Group may incur a large financial cost or liability for damages, and liability may arise for general users of SSDs, USB memory, SD memory cards, etc., which could incur a large cost necessary to respond to the issue and compensation for damages, or public trust in the Group or its products may decline significantly. This may have an impact on the Group's business development, operating results, social reputation, and credibility.

(4) Environment-related matters

The Group is subject to various environment-related laws and regulations in various countries around the world which relate to air and water pollution, hazardous substances, waste disposal, product recycling, climate change prevention, energy, etc., and may be subject to new laws and regulations in the future (such as PFAS regulations). The Group strives to comply with laws and regulations, such as by establishing a system for checking laws and closely monitoring trends in relevant laws. It also monitors the impact of its business activities on the environment and strives to reduce risks. However, under the aforementioned laws and regulations, regardless of fault on the part of the Group or lack thereof, the Group may have to bear legal and social responsibilities related to the environment for its business activities, including those in the past, such as the remediation of land at its production sites. In addition, environmental regulations and social requirements may become more stringent in the future, or additional responsibilities such as the removal of hazardous substances and the reduction of greenhouse gas emissions may be added, which may restrict the Group's business activities or increase the cost of complying with such regulations. Failure to appropriately respond to such environmental regulations or social requirements may lead to a decline in the Group's social reputation and credibility, which may in turn affect the Group's business, operating results, and financial position.

(5) Compliance

The Group is subject to the laws and regulations of each country in which it operates. While the Group is working to introduce an internal control system to establish a compliance system for such laws and regulations and optimize its business operations, it may be difficult to comply with laws and regulations due to the limitations inherent in the internal control system or changes in laws, regulations, or legal interpretations. The Group has established the Risk Management and Compliance Committee to mitigate such risks. While the Group uses compliance education to ensure that compliance is thoroughly understood and conducts monitoring via internal audits, in the event of a compliance violation occurs despite these efforts and the Group is subject to administrative sanctions such as suspension of operations, the Group's business, operating results, and financial position may be affected due to impediments to its business, monetary penalties, claims for damages related to violations of laws and regulations, or a decline in its social reputation and credibility.

7. Risks related to relationships with shareholders, etc.

(1) Relationship with the Bain Capital Group

The Company is financed by funds advised by the Bain Capital Group, a global private equity firm, through BCPE Pangea Cayman, L.P., BCPE Pangea Cayman 1A, L.P., BCPE Pangea Cayman 1B, L.P. and BCPE Pangea Cayman2, Ltd. These funds are shareholders who indirectly hold 51.11% of the Company's outstanding common shares as of March 31, 2025. Yuji Sugimoto and Masashi Suekane, who are directors of the Company, and Shunsuke Nakahama, who is an Audit and Supervisory Board Member of the Company, are members of the Bain Capital Group.

The funds advised by the Bain Capital Group sold a portion of the Company's shares it owned at the time of the listing of the Company and the management agreement with Bain Capital Private Equity, L.P. was terminated. However, as the funds still currently hold a substantial number of shares of the Company, they have different interests in the Company than other general shareholders and may not exercise its voting rights or take other actions as expected by general shareholders.

(2) Relationship with Toshiba Group

a. Capital relationship with Toshiba Corporation

Toshiba Corporation holds 30.50% of the Company's outstanding common stock as of March 31, 2025. While Toshiba Corporation sold a portion of the Company's shares it owned at the time of the listing of the Company, as it still holds a substantial number of the Company's shares even after the listing and has different interests from the Company's general shareholders, such as cross-licensing of intellectual property, the voting rights related to the common shares held by Toshiba Corporation may be exercised differently from the interests of general shareholders.

b. Business and contractual relationship with Toshiba Group

The Company has entered into a cross-licensing agreement with Toshiba Corporation regarding patent rights and technical information necessary for the memory business. Going forward, in the event that this cross-license agreement is terminated or the terms are changed to be disadvantageous for the Company, the Group's business development and operating results may be affected.

While transactions between the Group and the Toshiba Group are conducted on an equal footing after confirming the reasonableness of the transaction and the appropriateness of the terms and conditions, as the transaction is with a party who is affiliated with the Company, in the event that the terms and conditions of the transaction with Toshiba Group etc. are affected, the Group's business, operating results, and financial position may also be affected.

(3) Relationship with SK Hynix Inc.

SK Hynix Inc., a competitor of the Group, holds convertible bonds that can be converted into substantially all of the voting rights of BCPE Pangea Cayman2, Ltd., which holds 77,400,000 common shares of the Company (corresponding to 14.35% of the issued common shares as of March 31, 2025). SK Hynix Inc. has agreed with the Company that it will not be able to hold more than 15% of the total voting rights of the Company until 2028 without the Company’s permission. While SK Hynix Inc. has not converted the bonds into shares as of March 31, 2025, it may have already commenced the necessary proceedings under the antitrust, foreign exchange, and foreign trade laws of various countries, upon completion of the which the bonds may be converted into shares of BCPE Pangea Cayman2, Ltd. at any time. It is reasonable to expect that such a conversion would be done soon after the completion of the aforementioned proceedings. As a result of such a conversion, SK Hynix Inc. would be able to exercise its voting rights at the Company's general meeting of shareholders via BCPE Pangea Cayman2, Ltd. (aside from the aforementioned agreement regarding holding voting rights of the Company, there are no special contracts between SK Hynix Inc. and the Company nor any other major shareholder of the Company, and the Company is not aware of any potential effects on the management of the Company from SK Hynix Inc. aside from SK Hynix Inc. exercising its rights on the common shares of the Company held by BCPE Pangea Cayman2, Ltd.). As SK Hynix Inc. is in a competitive relationship with the Group, its exercise of voting rights may differ from the interests of the Company's general shareholders.

(4) Related Party Transactions

In addition to transactions between companies in its Group, the Group has transactions with Toshiba Corporation and its subsidiaries related to the outsourcing of product processing as well as IT system maintenance services. The Group has established a system to conduct transactions under fair trading conditions after confirming the necessity and appropriateness of related-party transactions, and such related-party transactions are conducted on equal footing. However, as the transactions are with parties that have a relationship with the Group, the Group's operating results and financial position may be affected.

(5) Matters related to the handling of the Company's shares by its shareholders

As of March 31, 2025, entities held by funds advised by the Bain Capital Group (BCPE Pangea Cayman, L.P., BCPE Pangea Cayman 1A, L.P., BCPE Pangea Cayman 1B, L.P. and BCPE Pangea Cayman2, Ltd.), Toshiba Corporation, and HOYA Corporation respectively hold common shares of the Company equivalent to 51.11%, 30.50%, and 3.00% of the voting rights of the Company's total shareholders. The Company and these shareholders submitted a lock-up agreement to the joint global coordinators at the time of the listing of the Company's shares stating that, as a general rule, these shareholders will not dispose of the Company's shares from December 9, 2024 to June 15, 2025. However, this lock-up period has ended, and there are now no restrictions on these shareholders regarding the disposal of the Company's shares. In the event that these shareholders sell their common shares of the Company, or in the event that it becomes widely observed in the market that the supply-demand situation of the common shares of the Company would deteriorate as a result of such sale, the market trading and market price of the Company's common shares may be affected.

In addition, if a large number of stock options or restricted shares are issued in the future, the exercise or sale of these options may have a dilutive effect on the value of the shares.

(6) Application of special provisions for initial listings involving large-scale public offerings or offerings and liquidity of the Company's common shares

On December 18, 2024, the Company listed its shares on the Tokyo Stock Exchange Prime Market. With regard to the ratio of outstanding shares at the time of initial listing, if the scale of the public offering or secondary offering at the time of initial listing is expected to be 100.0 billion yen or more, the Tokyo Stock Exchange will have the required ratio of outstanding shares at the time of listing be an expected 10% or more if a “Plan for Compliance with Criteria for Ratio of Outstanding Shares” is submitted. This “Special provision for new listings with large-scale public offerings and secondary offerings” applied to the Company at the time of the initial listing of its shares. The ratio of outstanding shares for the common shares of the Company was 29.81% as of March 31, 2025. The Company intends to implement growth measures aimed at increasing corporate value such that its ratio of outstanding shares by the date of five years from the day after the last day of the first fiscal year after listing is 35% or more, as set by the TSE, in order to continue listing its shares. The Company will also continue to request each major shareholder to further sell the Company's shares. However, in the event that the Company is unable to achieve this ratio for any reason, the Company may be delisted after the period for which the above special provisions apply, or may be transferred from the Prime Market to another market, and trading of common shares of the Company on the market may stagnate, which in turn may adversely affect the supply-demand relationship of the common shares of the Company.

8. Climate change risks

Transitions and physical risks associated with climate change

In response to climate change, the Group has set a target of converting 100% of its electricity used to renewable energy by fiscal year 2040 and achieving net zero direct and indirect greenhouse gas emissions (Scopes 1 and 2) for its global business activities by fiscal year 2050. The Group is promoting the introduction of renewable energy, such as solar power generation, and the reduction of greenhouse gas emissions at its plants, as well as energy conservation in manufacturing. However, the Group's expenditures towards sustainability initiatives may increase due to the introduction of carbon taxes in various countries and regions to realize a decarbonized society, the introduction of renewable energy and renewable energy certificates, or increased costs due to the introduction of equipment to remove gases such as PFCs, which have high global warming potential, in line with increases in manufacturing output. As for physical risks associated with climate change, increases in air conditioning costs in order to adjust the temperature of clean rooms following a rise in external temperatures, increases in natural disasters such as floods and large-scale torrential rains, and changes in long-term climate patterns may affect the Group and its supply chain, and business activities may be restricted, such as in the reduction or suspension of plant operations. In response to such potential situations, in order to reduce electricity consumption and greenhouse gas emissions the Group has established a company-wide working group and is working to reduce energy used for air conditioning and equipment cooling, improve the efficiency of the manufacturing processes, and reduce the amount of PFC gases used. The Group is also implementing measures to reduce damage during floods for buildings that are at risk according to flood and landslide hazard maps. However, these initiatives may not produce results, and in such cases, the Group's business, operating results, and financial position may be affected.

Independent Auditor's Report

To the Board of Directors of Kioxia Holdings Corporation

THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Kioxia Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Evaluation of the reasonableness of the business plan in assessing goodwill impairment and recoverability of deferred tax assets (Notes 12 and 13 to the Consolidated Financial Statements)	
Key audit matter description	How our audit addressed the key audit matter
Goodwill of 395,256 million yen (14% of total assets) was recognized on the consolidated statement of financial position as of March 31, 2025, primarily in conjunction with the acquisition of the predecessor entity, Toshiba Memory Corporation, on June 1, 2018. Further, deferred tax assets of 319,163 million yen (11% of total assets) were recognized for the fiscal year. The related disclosures are in Note 12 and Note 13, respectively. The Company uses a management-approved five-year business plan as a basis in recognizing deferred tax assets and in determining the value in use for goodwill impairment testing. The business plan is primarily influenced by the shipment growth rate, the future average selling price, and the future cost reduction rates. These involve management's subjective judgements and are subject to uncertainty; therefore, it is necessary to carefully consider the reasonableness of future business plans. In addition, given the material nature of the balance of goodwill and deferred tax assets, we have determined that the assessments of the reasonableness of the business plan in the valuation of goodwill and deferred tax assets is a "Key Audit Matter" in our audit of the Company's consolidated financial statements for the current fiscal year.	In evaluating the reasonableness of the business plan in assessing goodwill impairment and deferred tax assets, we mainly performed the following audit procedures: ➢ Understood and evaluated the design and operating effectiveness of internal controls in regards to the determination and approvals of the business plan. ➢ Compared historical business plans to actual performance to assess the complexity and uncertainty of management's estimates. ➢ Compared the Company's results for the current period with those of competitors in the same industry to understand and evaluate market conditions. ➢ The following procedures were performed over the shipment growth rate, the future average selling price and the future cost reduction rates, included in the business plan: • Analyzed the shipment growth rate by comparing to forecast information from multiple external research companies and considered the Company's past market share performance. • Analyzed the future average selling price by comparing to forecast information from multiple external research companies and past actual selling price trends. • Analyzed the future cost reduction rates by comparing to historical cost reductions to assess reasonableness. • Performed procedures to ensure that the business plan reflects relevant capital investments necessary to achieve shipment growth rate and cost reductions. • Performed procedures to ensure the shipment growth rate, the future average selling price and the future cost reduction rates are consistent with each other and appropriate in light of current market conditions.

Evaluation of the reasonableness of the business plan in assessing goodwill impairment and recoverability of deferred tax assets (Notes 12 and 13 to the Consolidated Financial Statements)	
Key audit matter description	How our audit addressed the key audit matter
	➢ Reviewed the company's financial information after year-end, and noted no events that cast doubt on the feasibility of the business plan.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

FEE-RELATED INFORMATION

In connection with our audit of the consolidated financial statements for the year ended March 31, 2025, the amounts of fees for the audit and the other services charged to Kioxia Holdings Corporation and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are ¥503 million and ¥86 million, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

澤山宏行

Hiroyuki Sawayama
Designated Engagement Partner
Certified Public Accountant

臼杵大樹

Taiju Usuki
Designated Engagement Partner
Certified Public Accountant

小川雅嗣

Masashi Ogawa
Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Japan LLC
Tokyo, Japan

June 26, 2025