

First Quarter of FY2022

Financial Results (Three months ended June 30, 2022)

Kioxia Holdings Corporation

Aug 10, 2022

Disclaimer

On April 1, 2017, Toshiba Corporation spun off its memory business into the former Toshiba Memory Corporation (“Former TMC”). On June 1, 2018, Toshiba Corporation sold all of the shares of Former TMC to K.K. Pangea, a special purpose acquisition company formed by a consortium led by Bain Capital Private Equity, LP, and as a result, Former TMC became a wholly-owned subsidiary of K.K. Pangea. On August 1, 2018, K.K. Pangea merged with Former TMC, with K.K. Pangea as the legally surviving entity. On the same date, K.K. Pangea was renamed Toshiba Memory Corporation (“TMC”). On March 1, 2019, Toshiba Memory Holdings Corporation (“TMCHD”) was established as the holding company for TMC through a sole-share transfer, whereby TMC’s then-existing shareholders became the shareholders of TMCHD and TMC became a wholly-owned subsidiary of TMCHD. On October 1, 2019, TMCHD and TMC were renamed Kioxia Holdings Corporation (“we”) and Kioxia Corporation, respectively.

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This presentation includes information and statements regarding the flash memory industry obtained from industry publications and surveys, publicly available sources and from third-party sources considered to be reliable. Whilst this presentation is provided in good faith, it does not purport to be comprehensive and has not been independently verified.

This presentation has been prepared to provide information on our consolidated financial results and does not constitute or form part of an offer or invitation to sell or a solicitation of an offer to buy or subscribe for or otherwise acquire any securities in any jurisdiction or an inducement to engage in investment activity nor shall it form the basis of or be relied on in connection with any contract thereof.

Financial Results Overview¹

(in billion yen)	FY21 Q4	FY22 Q1	QoQ
Sales	393.8	367.3	(26.5)
Operating Income	30.9	85.1	+54.2
<i>Margin</i>	8%	23%	+15pt
Net Income	10.7	42.6	+31.9
<i>Margin</i>	3%	12%	+9pt

Additional detail (included in above figures)

Depreciation and Amortization ²	117.2	103.7	(13.5)
Contamination Related Charges ^{3, 5}	(33.2)	-	+33.2
PPA Impact, etc ^{4, 5}	(22.8)	(14.8)	+8.0
Income Tax	3.7	15.6	+11.9

¹ Based on the audited consolidated financial statements prepared under IFRS

² EBITDA is operating profit plus depreciation and amortization, which is indicative of our cash-based profitability. EBITDA for FY22 Q1 is calculated as follows: operating profit of 85.1 billion yen plus depreciation and amortization of 103.7 billion yen totaling 188.8 billion yen.

³ Amount of financial impact of production issues on operating profit (loss) due to the contamination of material used in manufacturing processes in the three-dimensional (3D) flash memory BiCS FLASH™ at Kioxia's Yokkaichi Plant and Kitakami Plant in late January 2022.

⁴ Amount of financial impact of PPA on operating profit (loss) caused by the acquisition of the Former TMC by K.K. Pangea and the acquisition of SSSTC, the SSD business of LITE-ON, and the financial impact of power outage in Yokkaichi plant in June 2019.

⁵ Non-GAAP measures are indicative of core ongoing operating results. Non-GAAP operating profit for FY22 Q1 is calculated as follows: operating profit of 85.1 billion yen plus PPA impact, etc of 14.8 billion yen totaling 99.9 billion yen. Non-GAAP net income for FY22 Q1 is calculated as follows: net income of 42.6 billion yen plus Non-GAAP adjustment of 14.8 billion yen minus a tax adjustment for a total of 52.8 billion yen.

Highlights (1/3)

Recent Sales Trends

	FY21 Q4	FY22 Q1
Bit growth (QoQ) ¹	Low-single-digit-% increase	Low-20% decrease
ASP ¹ (JPY, QoQ)	Flat	Low-teens % increase

1. Bit basis

- Kioxia Q1 sales decreased quarter over quarter as shipments were impacted by both the previously disclosed FY21 Q4 fab contamination event, and by reduced output from our assembly/test/logistics providers due to COVID-19. Normal operations have resumed.
- Operating income increased as expenses from the previous quarter, such as those related to the contamination event and annual property tax, did not repeat. Operating Income also benefited from the strengthening of the dollar.
- ASP, on a Yen basis, rose by low-teens % from the previous quarter primarily driven by the strong dollar, while ASP on a U.S. dollar basis rose by low-single-digit-%.

Highlights (2/3)

New Products and Technology

- Introduced industry's first¹ XFM DEVICE Ver.1.0-compliant removable storage device (XFMEXPRESS™ XT2)
- Introduced next-generation enterprise SSD (CM7 series) with PCIe® 5.0² technology
- Launched the second generation of XL-FLASH™ storage class memory (SCM) solution

1. As of June 14, 2022. Kioxia survey.

2. PCIe is a registered trademark of PCI-SIG.

Japanese government subsidy for Yokkaichi Fab 7

- Kioxia Corporation and the joint ventures with Western Digital Corporation have been approved to receive up to 92.9 billion yen subsidy from the Japanese government for Yokkaichi Fab 7.

Highlights (3/3)

Industry/Market Trends and Outlook

- Macro-economic pressures including inflation, recession concerns, Russia-Ukraine war, pandemic impacts on the supply chain, etc. have led to a worsening of consumer sentiment over the course of FY22 Q1. NAND demand has weakened specifically in the PC and smartphone segments.
- Data center and enterprise SSD demand is expected to remain solid in the longer term horizon as cloud and enterprise IT systems investments continue. In the shorter term, the industry is cautiously monitoring the potential negative impacts on the second half of the year as customers adjust inventory levels in response to component shortages and recession concerns.
- Near term macroeconomic concerns aside, industry experts remain confident in the growth potential of the NAND market and the underlying demand drivers in the longer term horizon.

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