Second Quarter of FY2022 Financial Results (Three months ended September 30, 2022)

Kioxia Holdings Corporation

Nov 11, 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 Overview[1]

(in billion yen)	FY22 Q1	FY22 Q2	QoQ
Revenue[2]	367.3	391.4	+24.1
Operating Income	85.1	80.6	(4.5)
Margin	23%	21%	(3)pt
Net Income[2]	42.6	34.8	(7.8)
Margin	12%	9%	(3)pt

Additional detail (included in above figures)

Depreciation and Amortization[3]	103.7	101.3	(2.4)
Contamination Related Charges[4, 6]	-	-	-
PPA Impact, etc[5, 6]	(14.8)	(5.5)	+9.3
Income Tax Expense[2]	15.6	13.1	(2.5)

[1] Based on the audited consolidated financial statements prepared under IFRS
[2] From this quarter, sales and income tax have been changed to revenue and income tax expense, respectively. There is no substantive change in the meaning. Net income means profit (loss) attributable to owners of parent under IFRS.
[3] EBITDA is operating profit plus depreciation and amortization, which is indicative of our cash-based profitability. EBITDA for FY22 Q2 is calculated as follows: operating profit of 80.6 billion yen plus depreciation and amortization of 101.3 billion yen totaling 181.9 billion yen.
[4] 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.
[5] Amount of financial impact of PPA on operating profit (loss) caused by the past business combinations and the financial impact of power outage in Yokkaichi plant in June 2019.
[6] Non-GAAP measures are indicative of core ongoing operating results. Non-GAAP operating profit for FY22 Q2 is calculated as follows: operating profit of 80.6 billion yen plus contamination related charges and PPA impact, etc ("Non-GAAP adjustment") of 5.5 billion yen totaling 86.1 billion yen. Non-GAAP net income for FY22 Q2 is calculated as follows: net income of 34.8 billion yen plus Non-GAAP adjustment of 5.5 billion yen minus a tax adjustment for a total of 38.6 billion yen.

Highlights (1/3)

Recent Sales Trends

	FY22 Q1	FY22 Q2
Bit growth (QoQ)[1]	Low-20% decrease	Mid-20% increase
ASP[1] (JPY, QoQ)	Low-teens % increase	Mid-teens % decrease

1. Bit basis

- Kioxia Q2 revenue increased but operating income decreased quarter over quarter as ASP fell due to supply-demand dynamics and product mix partially offset by the increase of shipments due to smartphone seasonality and recovery from the contamination-related impact in the previous quarter.
- ASP on a U.S. dollar basis fell in the low-20% range, which was more than the ASP decline on a Yen basis, due to the strong dollar.

Highlights (2/3)

New Products and Technology

- Developed industry's first[1] 2TB microSDXC memory card working prototypes
- Introduced next-generation SSDs (XD7P Series) for hyperscale data centers

1. As of September 28, 2022. Kioxia survey.

Adjustment to Flash Memory Production

- Kioxia Corporation announced production adjustments at its Yokkaichi and Kitakami flash memory plants. The company will reduce its wafer start production volume by approximately 30 percent, starting from October this year.
- This production adjustment is in line with current market conditions. The company will continue to review and adjust operations as needed.

Highlights (3/3)

Industry/Market Trends and Outlook

- Flash memory demand has weakened overall as macroeconomic uncertainties arose due to global inflation, rising interest rates, recession concerns and pandemic impacts on the supply chain.
- Unit sales for PCs and smartphones is forecasted to decline year over year, resulting in soft demand for flash memory despite increasing content per box.
- While cloud end demand is solid driven by secular growth in digital economy, there will be demand uncertainties affected by softening macroeconomic conditions. Demand for data center/enterprise SSDs is softening as customers reduce their inventories due to recession concerns.
- Despite near term macroeconomic concerns, industry experts remain confident in the growth potential of the NAND market and the underlying demand drivers in the longer term horizon.
- In response to the current market downturn, Kioxia adjusted production in line with market conditions. Longer term, Kioxia strives to improve profitability by executing on manufacturing cost reductions consistent with our historical trends and by managing operating expenses.

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