

FY2020 ended March 31, 2021

Financial Results

Kioxia Holdings Corporation

May 14, 2021

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)	FY20 Q3	FY20 Q4	FY20			
			QoQ	FY19	FY20	YoY
Sales	287.2	294.7	+7.5	987.2	1,178.5	+191.3
Operating Income	(7.7)	(20.2)	(12.5)	(173.1)	6.6	+179.7
<i>Margin</i>	(3)%	(7)%	(4)pt	(18)%	1%	+18pt
Net Income	(13.2)	(21.0)	(7.8)	(166.7)	(24.5)	+142.2
<i>Margin</i>	(5)%	(7)%	(3)pt	(17)%	(2)%	+15pt

Additional detail (included in above figures)

Depreciation and Amortization ²	107.4	109.6	+2.2	411.7	425.6	+13.9
PPA Impact ³	(27.6)	(26.9)	+0.7	(112.8)	(109.1)	+3.7
Income Tax	(5.9)	(12.6)	(6.7)	(72.8)	(14.9)	+57.9

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 FY20 Q4 is calculated as follows: operating loss of 20.2 billion yen plus depreciation and amortization of 109.6 billion yen totaling 89.4 billion yen. EBITDA for FY20 is calculated as follows: operating income of 6.6 billion yen plus depreciation and amortization of 425.6 billion yen totaling 432.2 billion yen.

³ 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. Non-GAAP measures are indicative of our core ongoing operating results. Non-GAAP operating profit for FY20 Q4 is calculated as follows: operating loss of 20.2 billion yen plus PPA impact of 26.9 billion yen totaling 6.7 billion yen. Non-GAAP net loss for FY20 Q4 is calculated as follows: net loss of 21.0 billion yen plus PPA impact of 26.9 billion yen minus a tax adjustment for a total of 2.3 billion yen. Non-GAAP operating profit for FY20 is calculated as follows: operating profit of 6.6 billion yen plus PPA impact of 109.1 billion yen totaling 115.7 billion yen. Non-GAAP net profit for FY20 is calculated as follows: net loss of 24.5 billion yen plus PPA impact of 109.1 billion yen minus a tax adjustment for a total of 51.6 billion yen.

Highlights (1/2)

FY2020 Overview

- Kioxia revenue grew 19%, in line with market growth, as the strong demand for NAND flash memory continued through the COVID-19 pandemic with work-from-home, online education, video streaming service trends, and 5G content expansion.
- Profitability improved significantly, returning to positive operating income for the year as a result of cost reduction efforts, including the migration to fourth-generation BiCS FLASH™ and operating expense management.

FY2020 Q4 Trends

	FY20 Q3	FY20 Q4
Bit growth (QoQ) ^{1,2}	Low-single-digit-% increase	Mid-single-digit-% increase
ASP ¹ (JPY, QoQ)	High-single-digit-% decline	High-single-digit-% decline

1. Bit basis

2. Excluding third party NAND used in Solid State Storage Technology Corporation's SSDs

- Revenue increased from the previous quarter driven by SSD sales growth. Operating loss expanded primarily due to the timing of annual property tax of 9.4 billion yen (in accordance with IFRS).
- Strong demand for datacenter SSDs and client SSDs resulted in positive bit growth in Q4 despite the seasonal decrease in smartphone-related shipments.
- ASP decline slowed with an improving supply/demand balance in the NAND flash memory market.

Highlights (2/2)

New Products and Technology

- Developed the sixth-generation, 162-layer 3D flash memory technology which applies an advanced architecture of memory hole array and Circuit Under Array CMOS placement technology.

Yokkaichi Plant Fab7

- Fab 7 construction commenced to support sixth-generation 3D flash memory production. The first phase of construction scheduled to be completed by the spring of 2022.

Industry/Market Trends and Outlook

- Demand for datacenter SSDs and client SSDs stays strong driven by work-from-home and remote online education trends. Demand in smartphones continues to increase in the mid-term on expanding 5G lineups. Further, demand for enterprise SSD shows signs of recovery. Market consensus expects NAND supply/demand balance to continue to improve through the second half of CY2021.
- In the longer term horizon, industry experts remain confident in the NAND market growth potential and the underlying demand drivers.
- Executing on manufacturing cost reductions consistent with our historical trends through the transition to the next generation products, Kioxia is managing operating expenses given short-term business challenges.

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