

Third Quarter of FY2020 Financial Results (Three months ended December 31, 2020)

Kioxia Holdings Corporation

Feb 12, 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 Q2	FY20 Q3	
			QoQ
Sales	329.1	287.2	(41.9)
Operating Profit (Loss)	19.8	(7.7)	(27.5)
<i>Margin</i>	6%	(3)%	(9)pt
Net Income (Loss)	8.0	(13.2)	(21.2)
<i>Margin</i>	2%	(5)%	(7)Pt

Additional detail (included in above figures)

Depreciation and Amortization ²	106.2	107.4	+1.2
PPA Impact ³	(27.9)	(27.6)	+0.3
Income Tax	2.5	(5.9)	(8.4)

¹ Based on quarterly reviewed 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 Q3 is calculated as follows: operating loss of 7.7 billion yen plus depreciation and amortization of 107.4 billion yen totaling 99.7 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 Q3 is calculated as follows: operating loss of 7.7 billion yen plus PPA impact of 27.6 billion yen totaling 19.9 billion yen. Non-GAAP net income for FY20 Q3 is calculated as follows: net loss of 13.2 billion yen plus PPA impact of 27.6 billion yen minus a tax adjustment for a total of 6.0 billion yen.

Highlights (1/2)

Recent Sales Trends

	FY20 Q2	FY20 Q3
Bit growth (QoQ) ^{1,2}	Mid-20% range increase	Low-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

- On an year-on-year basis, our revenue grew in line with continued growth in the overall NAND flash market: 25% year-on-year.
- While smartphone-related shipments decreased from our highest levels and enterprise demand was weak, solid growth in gaming devices, PCs and data centers resulted in modest positive bit growth in this quarter.
- ASP continued to decline since the last quarter driven by supply / demand imbalance in the NAND flash memory market

Expansion of Kitakami Plant Site

- Kitakami Plant site expanded for the future construction of K2 manufacturing facility, with site preparation work to commence in spring 2021

Highlights (2/2)

Industry/Market Trends and Outlook

- Current supply / demand imbalance in the NAND flash memory market is primarily caused by the COVID-19 pandemic and China-US trade friction, however, general consensus is that NAND market will stabilize towards the second half of CY2021 as demand for datacenter SSDs, client SSDs and smartphones is expected to remain strong and demand for enterprise SSD is expected to recover steadily.
- 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. Managing operating expenses given short-term business challenges.

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