

Second Quarter of FY2020

Financial Results (Three months ended September 30, 2020)

Kioxia Holdings Corporation

Nov 12, 2020

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 Q1	FY20 Q2	QoQ
Sales	267.5	329.1	+61.6
Operating Profit	14.7	19.8	+5.1
<i>Margin</i>	5%	6%	+1pt
Net Income	1.7	8.0	+6.3
<i>Margin</i>	1%	2%	+1pt

Additional detail (included in above figures)

Depreciation and Amortization ²	102.4	106.2	+3.8
PPA Impact ³	(26.7)	(27.9)	(1.2)
Income Tax	1.1	2.5	+1.4

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 Q2 is calculated as follows: operating profit of 19.8 billion yen plus depreciation and amortization of 106.2 billion yen totaling 126.0 billion yen.

³ Amount of financial impact of PPA on operating profit 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 Q2 is calculated as follows: operating profit of 19.8 billion yen plus PPA impact of 27.9 billion yen totaling 47.7 billion yen. Non-GAAP net income for FY20 Q2 is calculated as follows: net income of 8.0 billion yen plus PPA impact of 27.9 billion yen minus a tax adjustment totaling 27.6 billion yen.

Highlights (1/2)

Recent Sales Trends

	FY20 Q1	FY20 Q2
Bit growth (QoQ)	Low-single-digit-% decrease	Mid-20% range increase ²
ASP ¹ (JPY, QoQ)	Low-single-digit-% increase	High-single-digit-% decline

1. Bit basis

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

- Revenue and operating profit margin came within our expectation.
- Seasonal growth in smartphones and solid growth in SSD resulted in strong bit growth in FY20 Q2.
- ASP declined for the first time in four quarters driven by seasonal mix shift to smartphones.
- Q2 results include the acquisition of Solid State Storage Technology Corporation, the SSD business of LITE-ON, which was completed in July 2020.

New Products and Technology

- Introduced high-performance NVMe-oF™ SSDs with an Ethernet interface (Sep 23, 2020)

Yokkaichi Plant Fab7

- Fab7 construction begins in the spring of 2021, expanding 3D flash memory production capacity. The first phase of construction scheduled to be completed by the spring of 2022. (Oct 29, 2020)

Highlights (2/2)

Industry/Market Trends and Outlook

- Currently projecting an oversupply in the market, as short-term end market demand has been impacted by the COVID-19 pandemic and China-US trade friction. Given the oversupply, ASP declines are expected in the short term.
- Overall short-term bit shipments are impacted primarily by recent US trade restrictions, partially offset by growth in SSD with strength in gaming.
- In the longer term horizon, industry experts stay confident in the strong NAND market growth potential and the underlying demand drivers.
- Executing on manufacturing cost declines consistent with our historical trend. Managing operating expenses given short-term business challenges.

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