

# **Second Quarter of FY2023**

## **Financial Results** (Three months ended September 30, 2023)

**Kioxia Holdings Corporation**

**Nov 14, 2023**

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# Financial Results Overview<sup>1</sup>

(in billion yen)	FY23 Q1	FY23 Q2	QoQ
Revenue	251.1	241.4	(9.7)
Operating Profit (Loss)	(130.8)	(100.8)	+30.0
<i>Margin</i>	(52)%	(42)%	+10pt
Net Income (Loss)	(103.1)	(86.0)	+17.1
<i>Margin</i>	(41)%	(36)%	+5pt

Additional detail (included in above figures)

Depreciation and Amortization <sup>2</sup>	94.3	86.9	(7.4)
PPA Impact <sup>3, 4</sup>	(4.0)	(1.6)	+2.4
Income Tax Expense	(43.5)	(36.4)	+7.1

<sup>1</sup> Based on the audited consolidated financial statements prepared under IFRS

<sup>2</sup> EBITDA is operating profit (loss) plus depreciation and amortization, which is indicative of our cash-based profitability. EBITDA for FY23 Q2 is calculated as follows: operating profit (loss) of (100.8) billion yen plus depreciation and amortization of 86.9 billion yen totaling (13.9) billion yen.

<sup>3</sup> Amount of financial impact of PPA on operating profit (loss) caused by the past business combinations.

<sup>4</sup> Non-GAAP measures are indicative of core ongoing operating results. Non-GAAP operating profit (loss) for FY23 Q2 is calculated as follows: operating profit (loss) of (100.8) billion yen plus PPA impact of 1.6 billion yen totaling (99.2) billion yen. Non-GAAP net income (loss) for FY23 Q2 is calculated as follows: net income (loss) of (86.0) billion yen plus PPA impact of 1.6 billion yen minus a tax adjustment for a total of (84.9) billion yen.

# Highlights (1/2)

## Recent Sales Trends

	FY23 Q1	FY23 Q2
Bit growth <sup>1</sup> (QoQ)	Mid-teens % increase	Low-teens % decrease
ASP <sup>1</sup> (JPY, QoQ)	Mid-single-digit-% decline	High-single-digit-% increase

1. Bit basis

- Kioxia revenue decreased quarter over quarter as shipments decreased. Operating profit (loss) improved due to ASP increase, benefitting from improved supply-demand balance, a weaker yen, and shipment mix.
- ASP on a U.S. dollar basis rose by low-single-digit-% in this quarter.

## New Products and Technology

- Introduced next generation e-MMC ver. 5.1-compliant embedded flash memory products

## Highlights (2/2)

### Industry/Market Trends and Outlook

- The supply-demand balance continues to improve and selling prices have bottomed out, as production adjustments by flash memory manufacturers impact overall supply and customer inventory normalizes.
- Demand for PCs and smartphones is expected to continue recovery driven by the normalization of customer inventories and the memory content growth in PCs and smartphones backed by price elasticity. PC and smartphone shipments are expected to increase in CY2024.
- Demand for data center and enterprise SSDs is expected to recover after the first half of CY2024, due to weak enterprise IT spending caused by macroeconomic uncertainties and weak demand for general-purpose servers.
- Industry experts remain confident in the growth potential of the flash memory market and the underlying demand drivers in the longer term horizon.
- Kioxia will continue production adjustments in line with market conditions and manage operating expenses, while reducing manufacturing costs, reviewing R&D and product development portfolios and accelerating development of focus products to ensure profitability regardless of market conditions.

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