

Registered number: 07806324

KIOXIA TECHNOLOGY UK LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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KIOXIA TECHNOLOGY UK LTD

COMPANY INFORMATION

Directors	A J V Tout Y Matsuda K Tsuchiya H Kluchi A Menju
Company secretary	A J V Tout
Registered number	07806324 Registered in England and Wales
Registered office	25b-c Western Avenue Milton Park Milton Abingdon Oxon OX14 4SH
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford Hertfordshire WD17 1JJ
Bankers	Coutts & Co 440 Strand London WC2R 0QS

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their strategic report on the company for the year ended 31 March 2021.

Principal Activities

The principal activities of the Company are to develop Solid State Drive (SSD) solutions, in conjunction with KIOXIA America, Inc. (KAI), with whom we have a technical service contract.

This involves close co-operation with KAI and KIC (KIOXIA Corporation – Japan). We co-develop System on Chip (SoC) firmware, software and hardware solutions. The Company has taken the lead on the latest generation of standards for SSDs and are considered a key part of the KIOXIA roadmap, particularly for Data-Centre SSDs. More recently the Company's SoC developments have been more closely interacting with the Enterprise SSD development team which is primarily in KIC.

Review of Business

The company's key financial and other performance indicators during the year were as follows:

	2021	2020	Change
	£	£	%
Revenue	11,746,830	11,641,106	0.9%
Operating profit	1,293,886	1,182,713	9.4%
Profit for the financial year	1,052,506	971,284	8.0%
Total Shareholders' funds	6,207,649	5,155,143	20.3%
Average number of employees (No)	77	77	0.0%

The revenue of the company for the year was £11,746,830 compared to the previous year revenue £11,641,106. The profit for the year, after taxation, amounted to £1,052,506 (2020 - £971,284).

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Principle risks and uncertainties

There are two main risks facing the Company at this time. The first is complications around GDPR and the Schrems II ruling. This has meant that much effort has been spent on minimizing personal data flow between the UK and US. This has necessitated changes in how and where we store personal data, and has made the business interactions for pay reviews, surveys and the bonus scheme more difficult to manage. It has also created some difficulties in day-to-day interaction with KIOXIA America (KAI) with whom we closely work, particularly in IT. We also work closely with KIOXIA Europe (KIE) on Corporate issues and training. Concerns over possible divergence of the UK from GDPR in the future has meant that the Company has had to set up its own services for some aspects of the business that were previously provided via KIE. The Company believes it has mitigated the majority of risks in this area, but regulations are still changing, so there are likely to be further changes through 21/22.

The second is COVID-19. Like many companies, the staff have been working from home since March 2020, which creates some limitations on their effectiveness, which we saw through the course of the year. The Company has set up everyone to work from home successfully with occasional permission given to staff to go into the offices to support this effort. Over the year, the mechanisms in place to improve work-life balance and efficiency have gone a long way towards mitigating this, and staff have been more willing to come into the office on a voluntary basis when issues can't easily be resolved from home.

Other risks and uncertainties are considered below:

Operational Management

The Company's role is to develop SSDs for the Data-Centre market. We need to ensure we are aligned with KIC for this, as there are overlaps between this market and client/enterprise solutions. Roadmap decisions are made jointly between KIC and KAI. We primarily work on projects, as defined by KAI, however over the last year there have been efforts to combine some of the development between Enterprise and Data Centre projects. This has meant that one large project is now directed directly by KIC, complicating the reporting structure for Engineering.

The Company is currently audited by KIC to ensure that we are working to the standards expected. Corrective actions are applied through our quality system. This audit was done remotely in 2020/2021 and is likely to be performed remotely again this coming year.

Dependence on Key Customers

The Company is a design centre, so our only customer is KAI, through our Technical Services Agreement. We have no options for other customers so this is a significant risk to the company's future. One main development project underway is being directly driven by KIC, but at present there are no plans to change the TSA engagement route, and KAI remains our only customer.

Damage to KIOXIA Brand

The Company is primarily concerned with product development. Acceptance testing of the product is covered by KAI/KIC, so damage to KIOXIA's brand is mitigated by this. We follow KIC guidelines on use of internet, social forums, and give employee training to ensure KIOXIA's brand is not damaged. We also have maintained and revised over the last year roles and responsibilities between KAI and our owners KIE (KIOXIA Europe) to help manage this.

Contract Requirement

The Technical Services agreement between KAI and the Company is renewed every six months. This agreement covers the deliverables (which may change according to KAI guidance) and the investment made in the Company. The Company is measured against these deliverables. As part of this the Company provides KAI/KIC with a monthly update on project progress and financial forecasts.

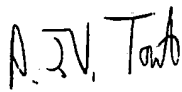
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Principle risks and uncertainties (continued)

Staff

Our key deliverable is intellectual property so we ensure retention of staff, by offering an attractive package, and the freedom to develop new ideas. We provide training to ensure that our employees develop. We have had third party reviews of our remuneration, and are fixing issues where we see them, within our budget constraints. The continued COVID pandemic has restricted travel and training, and created mental health challenges for all staff. As part of 2020/2021 we have put in place an Employee Assistance Programme (EAP) to help our staff as much as possible. For 2021/2022 we have engaged a wide ranging package of optional on-line training to help our staff to continue to develop their careers and skills.

On Behalf of the Board



A J V Tout
Director

22nd December 2021

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and audited financial statements for the year ended 31 March 2021.

Directors

The directors who served during the year and up to the date of signing, unless otherwise indicated, were:

A J V Tout
T Fujikawa (resigned 8th October 2020)
M Yokotsuka (resigned 8th October 2020)
Y Matsuda (appointed 8th October 2020)
K Tsuchiya (appointed 8th October 2020)
H Kiuchi (appointed 8th October 2020)
A Menju (appointed 8th October 2020)

Results and dividends

The profit for the year, after taxation, amounted to £1,052,506 (2020 - £971,284). The directors have not declared any dividends for the year ended 31 March 2021 (2020 - £nil)

Future Developments

For the coming year, the Company will be supporting the SSD PCI-e Gen4 development into production, and customization for lead customers. The Company are also helping to define and develop the next generation of SSDs, using new evolving standards, and are actively engaged in the next generation System on Chip developments for both Data-Centre and Enterprise markets.

Going concern

The financial statements are prepared on the going concern basis. The company is reliant on funding from its ultimate parent company, KIOXIA Corporation. The directors have assessed the existing cash position at the date of these financial statements, the future cash forecasts and revenue projections in their consideration for going concern. The company undertakes research activities only on behalf of KIOXIA and consequently a funding agreement has been signed with KIOXIA which supports company's activities for the next financial year. All of these matters have been taken into account by the directors in coming to their conclusions on the preparation of the financial statements on the going concern basis.

For the Company, the ongoing development efforts have been largely unaffected by Covid-19. Most staff continue to work from home, none were furloughed, and the Company continues to meet the development needs of KIOXIA via KAI. The Company's future revenues for the 2021/22 Financial year depend entirely on continuing TSA agreements with KAI. The products that are sold from this group's developments for the coming year are primarily those that have already been developed, with the main development efforts for 2020/21 likely to have more bearing on 2021/22 and future revenues. In particular, the current SoC development efforts will affect revenues around 3 years into the future. KIOXIA's revenues, particularly in the Data Centre businesses, where the Company's efforts are focused, are strong based on increased consumer consumption of on-line video services and social media. KAI and KIC (Japan) have also been affected by Covid-19, with similar circumstances of working from home. Travel between sites has been largely cancelled, with video-conferencing and flexible meeting times being used to compensate. This has caused some difficulties in product development, which may be seen in future years, though all of KIOXIA are working effectively to mitigate this. It is likely that KIOXIA's competitors have been affected similarly, and the overall market remains strong.

Overall KIC, KAI and the Company have been able to continue working to the KIOXIA Mid-term plan, and it is expected that this will continue. This is reflected in increasing revenues and can be seen within the Company results, as staff bonuses increased from a low of 2018/19.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)
Going concern (continued)

There have been some increased costs in enabling people to work from home, and to make the office Covid-Secure, however this has been more than offset by a reduction in travel expenses.

The Schrems II rulings on GDPR has led to some alterations in the way the Company shares data with KAI in particular. While this has created additional constraints, it does not affect the Company's ability to service the requirements of the TSA with KAI.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, currency risk and interest rate cash flow risk and liquidity risk.

In order to ensure stability of cash outflows and hence manage interest rate risk, the company is supported by fellow group operations. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Practical and Charitable Contribution

The Company has no formal charitable contribution scheme. Employees may take paid time off for charitable work, subject to review. There were no such applications in this financial year.

Research and Development

The Company is a leader in developing SSDs for the Data-Centre market. This will continue to be the main aim of the team, embracing and driving new standards. We rely heavily on the infrastructure and contacts that KAI/KIC give us access to.

Research and development expenditure in the year amounted to £2,467,127 (2020 - £2,968,221)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of disclosure of information to auditors

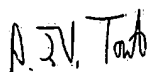
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on and signed on its behalf.



A J V Tout
Director
22nd December 2021

Independent auditors' report to the members of Kioxia Technology UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Kioxia Technology UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Balance Sheet as at 31 March 2021; Statement of Comprehensive Income for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with local tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate accounting entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Auditing the risk of management override of controls and testing accounting estimates
- Obtaining and assessing any correspondence from the relevant tax authorities
- Incorporating an element of unpredictability into our audit testing
- Reviewing minutes of meetings of those charged with governance

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Emma Sowerby (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 December 2021

KIOXIA TECHNOLOGY UK LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£	£
Revenue	4	11,746,830	11,641,106
Administrative Expenses	5	(11,145,994)	(11,067,490)
Other operating income – R&D tax credit		693,050	609,097
Operating profit	6	1,293,886	1,182,713
Interest receivable and similar income		-	-
Profit before tax		1,293,886	1,182,713
Tax on profit	7	(241,380)	(211,429)
Profit for the year		1,052,506	971,284

There were no recognised gains and losses for 2021 or 2020 other than those included in the Statement of Comprehensive Income. The notes on pages 12 to 23 form part of these financial statements.

KIOXIA TECHNOLOGY UK LTD

**BALANCE SHEET AS
AT 31 MARCH 2021**

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	8	12,448	48,681
Tangible assets	9	848,458	1,430,621
		860,906	1,479,302
Current assets			
Debtors: amounts falling due within one year	10	2,626,566	2,138,644
Cash at bank and in hand	11	4,187,749	2,909,049
		6,814,315	5,047,693
Creditors: amounts falling due within one year	12	(1,362,677)	(1,273,142)
Net current assets		5,451,638	3,774,551
Total assets less current liabilities		6,312,544	5,253,853
Provisions for liabilities			
Other provisions	14	(104,895)	(98,710)
		(104,895)	(98,710)
Net assets		6,207,649	5,155,143
Capital and reserves			
Called up share capital	15	1	1
Share premium account		245,138	245,138
Profit and loss account		5,962,510	4,910,004
Total Equity		6,207,649	5,155,143

The financial statements on pages 10 to 25 were approved and authorised for issue by the board and were signed on its behalf on 22nd December 2021

A. J. V. Tout

A J V Tout
Director
KIOXIA Technology UK Ltd, Registered number: 07806324

KIOXIA TECHNOLOGY UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up Share capital	Share Premium	Profit and loss account	Total Shareholder's funds
	£	£	£	£
At 1 April 2020	1	245,138	4,910,004	5,155,143
Profit for the financial year	-	-	1,052,506	1,052,506
Total Comprehensive income for the year	-	-	1,052,506	1,052,506
Dividend	-	-	-	-
At 31 March 2021	1	245,138	5,962,510	6,207,649
At 1 April 2019	1	245,138	3,938,720	4,183,859
Profit for the financial year	-	-	971,284	971,284
Total Comprehensive Income for the year	-	-	971,284	971,284
Dividend	-	-	-	-
At 31 March 2020	1	245,138	4,910,004	5,155,143

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. COMPANY INFORMATION

The principal activity of the Company is the development and design of a range of high-speed proprietary integrated circuits for use in the Solid State Drives (SSD's).

The company is a private limited company (registered number 07806324), which is incorporated and domiciled in the UK. The address of the registered office is 25b-c Western Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The entity is a qualifying entity and has taken advantage of the following disclosure exemptions under the FRS 102 reduced disclosure framework:

- (a) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS102;
- (b) from the requirements of section 11 Basic Financial Instruments paragraph 11.39 to 11.48A
- (c) from the requirements of section 33 Related Party Transactions paragraph 33.7
- (d) from the requirements of section 12 Other Financial Instruments paragraph 12.26 to 12.29A

The financial statements have been prepared in accordance with applicable accounting standards, which have been applied consistently throughout the financial year, and the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the company and under the historical cost convention.

Going concern

The financial statements are prepared on the going concern basis. The company is reliant on funding from its ultimate parent company, KIOXIA Corporation. The directors have assessed the existing cash position at the date of these financial statements, the future cash forecasts and revenue projections in their consideration for going concern. The company undertakes research activities only on behalf of KIOXIA and consequently a funding agreement has been signed with KIOXIA which supports company's activities for the next financial year. All of these matters have been taken into account by the directors in coming to their conclusions on the preparation of the financial statements on the going concern basis.

For the Company, the ongoing development efforts have been largely unaffected by Covid-19. Most staff continue to work from home, none were furloughed, and the Company continues to meet the development needs of KIOXIA via KAI. The Company's future revenues for the 2021/22 Financial year depend entirely on continuing TSA agreements with KAI. The products that are sold from this group's developments for the coming year are primarily those that have already been developed, with the main development efforts for 2020/21 likely to have more bearing on 2021/22 and future revenues. In particular, the current SoC development efforts will affect revenues around 3 years into the future. KIOXIA's revenues, particularly in the Data Centre businesses, where the Company's efforts are

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

focused, are strong based on increased consumer consumption of on-line video services and social media. KAI and KIC (Japan) have also been affected by Covid-19, with similar circumstances of working from home. Travel between sites has been largely cancelled, with video-conferencing and flexible meeting times being used to compensate. This has caused some difficulties in product development, which may be seen in future years, though all of KIOXIA are working effectively to mitigate this. It is likely that KIOXIA's competitors have been affected similarly, and the overall market remains strong.

Overall KIC, KAI and the Company have been able to continue working to the KIOXIA Mid-term plan, and it is expected that this will continue. This is reflected in increasing revenues and can be seen within the Company results, as staff bonuses increased from a low of 2018/19.

There have been some increased costs in enabling people to work from home, and to make the office Covid-Secure, however this has been more than offset by a reduction in travel expenses.

The Schrems II rulings on GDPR has led to some alterations in the way the Company shares data with KAI in particular. While this has created additional constraints, it does not affect the Company's ability to service the requirements of the TSA with KAI.

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- 2.2.1 the amount of revenue can be measured reliably;
- 2.2.2 it is probable that the Company will receive the consideration due under the contract;
- 2.2.3 the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- 2.2.4 the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Intangible assets

Intangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Intangible assets relate to purchased software and various licenses of minor value. Intangible assets acquired separately are measured on initial recognition at cost.

Amortisation is provided at rates estimated to write off intangible fixed assets by equal instalments over 3 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

L/Term Leasehold Property	- In line with the leasehold agreement
Office equipment	- 15% straight line
Computer equipment	- 33% straight line
Test equipment	- 20-33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

2.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The company holds only financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments include debtors and creditors. Debtors and creditors are initially recognised at transaction value and subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Foreign currency translation

Functional and presentational currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2 Accounting policies (continued)

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- 2.14.1 The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- 2.14.2 Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.15 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.16 Dilapidation provision

Provisions for dilapidations are recognised on a lease by lease basis and are based on the company's best estimate of the likely committed cash outflow.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3 Critical Accounting Judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- Property related matters such as provisions for lease dilapidations. The provision for the lease dilapidation has been calculated on an estimate of expenditure required to return the property to the landlord at the end of the lease period.
- Research and development tax credit (R & D Tax Credit). The R & D Tax Credit is based on an estimate calculated by the Company's Corporate Tax Consultants in accordance with current legislation and is based on the company's Research and Development activities.

4 Revenue

Revenue represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

The whole of the revenue is attributable to the value of fees receivable from KIOXIA America (KAI) for the provision of continuing research and development activities of SSD solutions.

KIOXIA TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5 Staff Costs

	2021	2020
	£	£
Wages and salaries	6,449,503	5,859,859
Social security costs	810,970	735,271
Other pension costs	368,275	342,561
	7,628,748	6,937,691

The average monthly number of employees

	2021	2020
	No.	No.
Administration	5	5
Engineering	71	71
Directors	1	1
	77	77

Directors' Emoluments

	2021	2020
	£	£
Remuneration	258,912	214,248
Company pension contributions to defined contribution pension scheme	-	-

During the financial year one (2020: one) Director was remunerated by the company for his General Manager and VP SoC Engineering role. The four (2020: two) other directors are employees of other companies within the KIOXIA Corporation group and are remunerated by their respective employers for their roles within their respective companies. No directors received any payment for their roles as director of the company. During the year retirement benefits were accruing to one Director of £nil (2020: £nil) in respect of defined contribution pension schemes. The highest paid Director received remuneration of £258,912 (2020: £ 199,055) and pension contributions of £0.00 (2020: £0.00).

6 Operating Profit

This is stated after charging/(crediting):

	2021	2020
	£	£
Research and development expenditure	2,467,127	2,968,221
Staff costs	7,628,748	6,937,691
Depreciation of tangible fixed assets	615,746	685,918
Amortisation of intangible assets	37,876	80,764
Rental Lease	377,046	377,046
Auditors' remuneration—audit of the financial statements	19,450	17,850
R&D Tax Credit	(693,050)	(609,097)
	10,452,943	10,458,393

KIOXIA TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

7 Tax on profit

Corporation Tax

	2021	2020
	£	£
Current tax on profits for the year	287,603	216,136
Adjustments in respect of previous periods	119	-
Total current tax	287,722	216,136

Deferred Tax

Origination and reversal of timing differences	(41,765)	7,798
Effect of tax rate change on opening balance	(4,577)	(12,505)
Total deferred tax	(46,342)	(4,707)

Tax on profit

241,380	211,429
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Reconciliation of tax charge

Profit on ordinary activities before tax	1,293,886	1,182,713
Tax on profit before tax at standard corporation tax rate of 19% (2019: 19%)	245,838	224,715
Fixed Asset Differences	-	(269)
Expenses not deductible for tax purposes	-	300
Adjustments in respect of previous periods	119	-
Adjustment to closing deferred tax rate	(4,577)	(12,591)
Deferred tax not recognized	-	(726)
Tax charge for the year	241,380	211,429

The tax rate for the current year is 19% (2019: 19%).

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. In March 2020 the Government announced that the tax rate would be held at 19%. Accordingly, the revised 19% tax rate was substantively enacted in 'The Provisional Collection of Taxes Act' on 17 March 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date.

KIOXIA TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8 Intangible assets

	Computer software £
Cost	
At 1 April 2020	483,452
Additions	8,452
Disposals	(43,317)
At 31 March 2021	448,587
Accumulated Amortisation	
At 1 April 2020	434,771
Charge for the year	37,876
Release on Disposal	(36,508)
At 31 March 2021	436,139
Net book value	
At 31 March 2020	48,681
At 31 March 2021	12,448

KIOXIA TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

9 Tangible assets

	L/Term Leasehold Property	Office equipment	Computer equipment	Test equipment	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2020	40,403	39,847	932,555	2,882,048	3,894,853
Additions	-	-	18,265	15,318	33,583
Disposals	-	-	(45,424)	(67,953)	(113,377)
At 31 March 2021	40,403	39,847	905,396	2,829,413	3,815,059
Accumulated Depreciation					
At 1 April 2020	28,841	30,840	669,977	1,734,574	2,464,232
Charge owned for the year	2,973	2,781	152,025	457,967	615,746
Disposals	-	-	(45,424)	(67,953)	(113,377)
At 31 March 2021	31,814	33,621	776,578	2,124,588	2,966,601
Net book value					
At 31 March 2021	8,589	6,226	128,818	704,825	848,458
At 31 March 2020	11,562	9,007	262,578	1,147,474	1,430,621

10 Debtors: amounts falling due within one year

	2021	2020
	£	£
Amounts owed by group undertakings	986,891	1,165,478
Other Debtors	1,023,739	527,388
Prepayments and accrued income	615,936	445,778
	2,626,566	2,138,644

KIOXIA TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11 Cash at bank and in hand

	2021 £	2020 £
Cash at bank and in hand	4,187,749	2,909,049
	<u>4,187,749</u>	<u>2,909,049</u>

12 Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	160,709	188,360
Amounts owed to group undertakings	59,211	-
Taxation and social security	174,522	165,488
Other creditors	82,346	74,163
Accruals and deferred income	885,889	845,131
	<u>1,362,677</u>	<u>1,273,142</u>

13 Deferred taxation

	Deferred tax £
At 1 April 2020	111,007
Credited to the profit or loss	46,342
At 31 March 2021	<u>157,349</u>

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	157,349	111,007
	<u>157,349</u>	<u>111,007</u>

KIOXIA TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

14 Other Provisions

	Dilapidation provision £
At 1 April 2020	98,710
Charged to the profit or loss	6,185
At 31 March 2021	<u>104,895</u>

Dilapidation provision

The dilapidation provision relates to amounts provided to reflect the cost of restoring the condition of the leased property in accordance with the lease agreement.

15 Called up Share capital

Allotted, called up and fully paid

100 (2020: 100) Ordinary Share Capital 'A' shares of £0.01 each	<u>1</u>	<u>1</u>
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16 Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £368,275 (2020: £342,561). Contributions totalling £82,346 (2020: £74,163) were payable to the fund at the balance sheet date and are included in creditors.

17 Commitments under operating leases

At 31 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
Not later than 1 year	402,510	170,885
Later than 1 year and not later than 5 years	918,604	1,241,274
Later than 5 years	-	-
Total	<u>1,321,114</u>	<u>1,412,159</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

18 Related party transactions

All of the company's revenue derives from its fellow KIOXIA Group company undertaking KIOXIA America (KAI). As at 31 March 2021, KAI owed £986,891 to KIOXIA Technology UK Ltd (2020: £1,165,478)

19 Controlling party

Until 1st October 2017, the ultimate parent company and controlling party was Toshiba Corporation, a company headquartered in Japan. The immediate parent company was Toshiba Electronics Europe GmbH, a company headquartered in Germany.

On 1st October 2017, OCZ Storage Solutions Limited was sold from Toshiba Electronics Europe GmbH to Toshiba Memory Europe GmbH.

From 1st October 2017 until 1st June 2018, the ultimate parent company and controlling party was Toshiba Corporation, a company headquartered in Japan. The immediate parent company was Toshiba Memory Europe GmbH, a company headquartered in Germany.

From 1st June 2018, Toshiba Corporation completed the sale of its subsidiary Toshiba Memory Corporation to K.K. Pangea, a company headquartered in Japan.

From 1st June 2018 until 1st August 2018, the ultimate parent company and controlling party was K.K. Pangea, a company headquartered in Japan. The immediate parent company was Toshiba Memory Europe GmbH, a company headquartered in Germany.

From 1st August 2018, Toshiba Memory Corporation merged with its parent company K.K. Pangea.

From 1st August 2018 onwards, the ultimate parent company and controlling party is Toshiba Memory Corporation, a company headquartered in Japan. The immediate parent company is Toshiba Memory Europe GmbH, a company headquartered in Germany.

From 1st March 2019 Toshiba Memory Holdings Corporation (TMCHD) was established as the holding company for TMC, with TMC positioned as its wholly owned subsidiary. There is no change to the Japanese and overseas companies and they remain subsidiaries of TMC.

From 1st July 2019 OCZ Storage Solutions Limited was renamed to KIOXIA Technology UK Ltd.

From 1st October 2019 All of Toshiba Memory Group was rebranded to KIOXIA.