

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 1, 2022

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-10658

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### Micron Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

8000 S. Federal Way, Boise, Idaho

(Address of principal executive offices)

(Registrant's telephone number, including area code)

75-1618004

(I.R.S. Employer Identification No.)

83716-9632

(Zip Code)

(208) 368-4000

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	MU	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	Smaller Reporting Company	Emerging Growth Company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock as of December 16, 2022 was 1,091,176,552.

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# Micron Corporate Profile

Founded on October 5, 1978

Headquartered in  
Boise, Idaho, USA

## 4th

Largest semiconductor  
company  
in the world\*

## 127

On the 2022 Fortune 500

## ~52,000

Patents granted and growing\*\*

## 17

Countries\*\*

## 11

Manufacturing sites and  
19 customer labs\*\*

## ~49,000

Team members\*\*

\*Based on Gartner Market Share:  
Semiconductors by End Market, Worldwide,  
2021 (April 2022), excluding IP/software  
revenue.

\*\*Micron data as of December 1, 2022.

**Media Inquiries**  
[mediarelations@micron.com](mailto:mediarelations@micron.com)

**Government Inquiries**  
[govaffairs@micron.com](mailto:govaffairs@micron.com)

**Investor Inquiries**  
[investorrelations@micron.com](mailto:investorrelations@micron.com)

## It's All About Data

Data is today's new business currency, and memory and storage are a critical foundation for the data economy. Memory and storage innovations will help transform society and enable significant value *for all*.

### Who We Are

Micron designs, develops, and manufactures industry-leading memory and storage products. By providing foundational capability for AI and 5G across data center, the intelligent edge, and consumer devices, we unlock innovation across industries including healthcare, automotive and communications. Our technology and expertise are central to maximizing value from cutting-edge computing applications and new business models which disrupt and advance the industry.

### Our Vision

As a global leader in memory and storage solutions, we are transforming how the world uses information to enrich life *for all*. By advancing technologies to collect, store and manage data with unprecedented speed and efficiency, we lead the transformation of data to intelligence. In a world of change, we remain nimble, delivering products that help inspire the world to learn, communicate and advance faster than ever.

### Our Commitment

Our customers depend on our innovative solutions every day. We dedicate ourselves to demonstrating our environmental conscience, an inclusive team culture where all voices are heard and respected, and engaging in our communities to enrich life *for all*.

### Global Product Portfolio

DRAM | NAND | NOR | Solid-State Drives | Graphics and High Bandwidth Memory (HBM) | Managed NAND and Multichip Packages

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## Definitions of Commonly Used Terms

As used herein, “we,” “our,” “us,” and similar terms include Micron Technology, Inc. and its consolidated subsidiaries, unless the context indicates otherwise. Abbreviations, terms, or acronyms are commonly used or found in multiple locations throughout this report and include the following:

Term	Definition	Term	Definition
2023 Notes	2.497% Senior Notes due April 2023, repaid November 2021	DDR	Double data rate DRAM
2024 Notes	4.640% Senior Notes due February 2024, repaid November 2021	EBITDA	Earnings before interest, taxes, depreciation, and amortization
2024 Term Loan A	Senior Term Loan A due October 2024	ESG	Environmental, social, and governance
2025 Term Loan A	Senior Term Loan A due November 2025	EUV	Extreme ultraviolet lithography
2026 Term Loan A	Senior Term Loan A due November 2026	GDDR	Graphics double data rate
2027 Term Loan A	Senior Term Loan A due November 2027	HBM	High-bandwidth memory, a stacked DRAM technology optimized for memory-bandwidth intensive applications
2026 Notes	4.975% Senior Notes due February 2026	Inotera	Inotera Memories, Inc.
2027 Notes	4.185% Senior Notes due February 2027	LIBOR	London Interbank Offered Rate
2029 A Notes	5.327% Senior Notes due February 2029	LPDRAM	Low-power DRAM
2029 B Notes	6.750% Senior Notes due November 2029	MCP	Multichip packaged solutions with managed NAND and LPDRAM
2030 Notes	4.663% Senior Notes due February 2030	Micron	Micron Technology, Inc. (Parent Company)
2032 Green Bonds	2.703% Senior Notes due April 2032	Qimonda	Qimonda AG
2041 Notes	3.366% Senior Notes due November 2041	Revolving Credit Facility	\$2.5 billion Revolving Credit Facility due May 2026
2051 Notes	3.477% Senior Notes due November 2051	SOFR	Secured Overnight Financing Rate
AI	Artificial intelligence	SSD	Solid state drive

We are an industry leader in innovative memory and storage solutions transforming how the world uses information to enrich life *for all*. With a relentless focus on our customers, technology leadership, and manufacturing and operational excellence, Micron delivers a rich portfolio of high-performance DRAM, NAND, and NOR memory and storage products through our Micron® and Crucial® brands. Every day, the innovations that our people create fuel the data economy, enabling advances in artificial intelligence and 5G applications that unleash opportunities — from the data center to the intelligent edge and across the client and mobile user experience.

Micron, Crucial, any associated logos, and all other Micron trademarks are the property of Micron. Intel and 3D XPoint are trademarks of Intel Corporation or its subsidiaries. Other product names or trademarks that are not owned by Micron are for identification purposes only and may be the trademarks of their respective owners.

## Available Information

Investors and others should note that we announce material financial information about our business and products through a variety of means, including our investor relations website ([investors.micron.com](https://investors.micron.com)), filings with the U.S. Securities and Exchange Commission (“SEC”), press releases, public conference calls, blog posts ([micron.com/about/blog](https://micron.com/about/blog)), and webcasts. We use these channels to achieve broad, non-exclusionary distribution of information to the public and for complying with our disclosure obligations under Regulation FD. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on such channels.

## Forward-Looking Statements

This Form 10-Q contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements may be identified by words such as "anticipate," "expect," "intend," "pledge," "committed," "plan," "opportunities," "future," "believe," "target," "on track," "estimate," "continue," "likely," "may," "will," "would," "should," "could," and variations of such words and similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. Specific forward-looking statements include, but are not limited to, statements such as those made regarding restructure plans and related charges; market conditions and profitability in our industry; reductions in our wafer starts and the corresponding impact on our costs in 2023; the timing for construction and ramping of production for new memory manufacturing fabs in the United States; the receipt of government grants and investment tax credits; the sufficiency of our cash and investments; capital spending in 2023; funding of sustainability-focused projects; and allocation and dispersal of the net proceeds of our 2032 Green Bonds. Our actual results could differ materially from our historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Part II. Other Information – Item 1A. Risk Factors."

**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**Micron Technology, Inc.**  
**Consolidated Statements of Operations**

(In millions, except per share amounts)  
(Unaudited)

Three months ended	December 1, 2022	December 2, 2021
Revenue	\$ 4,085	\$ 7,687
Cost of goods sold	3,192	4,122
Gross margin	893	3,565
Research and development	849	712
Selling, general, and administrative	251	259
Restructure and asset impairments	13	38
Other operating (income) expense, net	(11)	(75)
Operating income (loss)	(209)	2,631
Interest income	88	10
Interest expense	(51)	(45)
Other non-operating income (expense), net	(4)	(75)
	(176)	2,521
Income tax (provision) benefit	(8)	(219)
Equity in net income (loss) of equity method investees	(11)	4
Net income (loss)	\$ (195)	\$ 2,306
Earnings (loss) per share		
Basic	\$ (0.18)	\$ 2.06
Diluted	(0.18)	2.04
Number of shares used in per share calculations		
Basic	1,090	1,119
Diluted	1,090	1,130

*See accompanying notes to consolidated financial statements.*

# Micron Technology, Inc.

## Consolidated Statements of Comprehensive Income (Loss)

(In millions)  
(Unaudited)

Three months ended	December 1, 2022	December 2, 2021
Net income (loss)	\$ (195)	\$ 2,306
Other comprehensive income (loss), net of tax		
Gains (losses) on derivative instruments	108	(86)
Pension liability adjustments	1	—
Gains (losses) on investments	(19)	(7)
Foreign currency translation adjustments	(3)	—
Other comprehensive income (loss)	87	(93)
Total comprehensive income (loss)	\$ (108)	\$ 2,213

See accompanying notes to consolidated financial statements.

# Micron Technology, Inc.

## Consolidated Balance Sheets

(In millions, except par value amounts)  
(Unaudited)

As of	December 1, 2022	September 1, 2022
<b>Assets</b>		
Cash and equivalents	\$ 9,574	\$ 8,262
Short-term investments	1,007	1,069
Receivables	3,318	5,130
Inventories	8,359	6,663
Other current assets	663	657
Total current assets	22,921	21,781
Long-term marketable investments	1,426	1,647
Property, plant, and equipment	39,335	38,549
Operating lease right-of-use assets	693	678
Intangible assets	428	421
Deferred tax assets	672	702
Goodwill	1,228	1,228
Other noncurrent assets	1,171	1,277
Total assets	\$ 67,874	\$ 66,283
<b>Liabilities and equity</b>		
Accounts payable and accrued expenses	\$ 5,438	\$ 6,090
Current debt	171	103
Other current liabilities	916	1,346
Total current liabilities	6,525	7,539
Long-term debt	10,094	6,803
Noncurrent operating lease liabilities	625	610
Noncurrent unearned government incentives	516	589
Other noncurrent liabilities	808	835
Total liabilities	18,568	16,376
Commitments and contingencies		
Shareholders' equity		
Common stock, \$0.10 par value, 3,000 shares authorized, 1,232 shares issued and 1,091 outstanding (1,226 shares issued and 1,094 outstanding as of September 1, 2022)	123	123
Additional capital	10,335	10,197
Retained earnings	46,873	47,274
Treasury stock, 141 shares held (132 shares as of September 1, 2022)	(7,552)	(7,127)
Accumulated other comprehensive income (loss)	(473)	(560)
Total equity	49,306	49,907
Total liabilities and equity	\$ 67,874	\$ 66,283

See accompanying notes to consolidated financial statements.



# Micron Technology, Inc.

## Consolidated Statements of Changes in Equity

(In millions, except per share amounts)  
(Unaudited)

	Common Stock		Additional Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount					
<b>Balance at September 1, 2022</b>	1,226 \$	123 \$	10,197 \$	47,274 \$	(7,127) \$	(560) \$	49,907
Net income (loss)	—	—	—	(195)	—	—	(195)
Other comprehensive income (loss), net	—	—	—	—	—	87	87
Stock issued under stock plans	8	—	7	—	—	—	7
Stock-based compensation expense	—	—	146	—	—	—	146
Repurchase of stock - repurchase program	—	—	—	—	(425)	—	(425)
Repurchase of stock - withholdings on employee equity awards	(2)	—	(15)	(80)	—	—	(95)
Dividends and dividend equivalents declared (\$0.115 per share)	—	—	—	(126)	—	—	(126)
<b>Balance at December 1, 2022</b>	1,232 \$	123 \$	10,335 \$	46,873 \$	(7,552) \$	(473) \$	49,306

	Common Stock		Additional Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount					
<b>Balance at September 2, 2021</b>	1,216 \$	122 \$	9,453 \$	39,051 \$	(4,695) \$	2 \$	43,933
Net income (loss)	—	—	—	2,306	—	—	2,306
Other comprehensive income (loss), net	—	—	—	—	—	(93)	(93)
Stock issued under stock plans	5	—	5	—	—	—	5
Stock-based compensation expense	—	—	118	—	—	—	118
Repurchase of stock - repurchase program	—	—	—	—	(259)	—	(259)
Repurchase of stock - withholdings on employee equity awards	(1)	—	(12)	(90)	—	—	(102)
<b>Balance at December 2, 2021</b>	1,220 \$	122 \$	9,564 \$	41,267 \$	(4,954) \$	(91) \$	45,908

See accompanying notes to consolidated financial statements.

# Micron Technology, Inc.

## Consolidated Statements of Cash Flows

(In millions)  
(Unaudited)

Three months ended	December 1, 2022	December 2, 2021
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (195)	\$ 2,306
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense and amortization of intangible assets	1,921	1,671
Stock-based compensation	146	118
(Gain) loss on debt repurchases	—	83
Change in operating assets and liabilities:		
Receivables	1,842	67
Inventories	(1,697)	(344)
Accounts payable and accrued expenses	(1,056)	(42)
Other	(18)	79
Net cash provided by operating activities	943	3,938
<b>Cash flows from investing activities</b>		
Expenditures for property, plant, and equipment	(2,449)	(3,265)
Purchases of available-for-sale securities	(90)	(528)
Proceeds from maturities of available-for-sale securities	358	313
Proceeds from sales of available-for-sale securities	4	124
Proceeds from government incentives	2	55
Proceeds from sale of Lehi, Utah fab	—	893
Other	(91)	(77)
Net cash provided by (used for) investing activities	(2,266)	(2,485)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	3,349	2,000
Repurchases of common stock - repurchase program	(425)	(259)
Payments of dividends to shareholders	(126)	(112)
Payments on equipment purchase contracts	(47)	(78)
Repayments of debt	(20)	(1,949)
Other	(99)	(115)
Net cash provided by (used for) financing activities	2,632	(513)
Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash	(6)	(6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,303	934
Cash, cash equivalents, and restricted cash at beginning of period	8,339	7,829
Cash, cash equivalents, and restricted cash at end of period	\$ 9,642	\$ 8,763

See accompanying notes to consolidated financial statements.

# Micron Technology, Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts in millions, except per share amounts)  
(Unaudited)

### Significant Accounting Policies

For a discussion of our significant accounting policies, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended September 1, 2022. There have been no changes to our significant accounting policies since our Annual Report on Form 10-K for the year ended September 1, 2022.

#### Basis of Presentation

The accompanying consolidated financial statements include the accounts of Micron Technology, Inc. and our consolidated subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended September 1, 2022.

In the opinion of our management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, consisting of a normal recurring nature, to fairly state the financial information set forth herein. Certain reclassifications have been made to prior period amounts to conform to current period presentation.

Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Fiscal years 2023 and 2022 each contain 52 weeks. All period references are to our fiscal periods unless otherwise indicated. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended September 1, 2022.

## Cash and Investments

All of our short-term investments and long-term marketable investments were classified as available-for-sale as of the dates noted below. Cash and equivalents and the fair values of our available-for-sale investments, which approximated amortized costs, were as follows:

As of	December 1, 2022				September 1, 2022			
	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments <sup>(1)</sup>	Total Fair Value	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments <sup>(1)</sup>	Total Fair Value
Cash	\$ 6,706	\$ —	\$ —	\$ 6,706	\$ 6,055	\$ —	\$ —	\$ 6,055
Level 1 <sup>(2)</sup>								
Money market funds	925	—	—	925	1,196	—	—	1,196
Level 2 <sup>(3)</sup>								
Certificates of deposit	1,879	50	—	1,929	976	50	—	1,026
Corporate bonds	8	757	839	1,604	—	759	995	1,754
Asset-backed securities	—	20	547	567	—	20	608	628
Government securities	13	130	40	183	2	155	44	201
Commercial paper	43	50	—	93	33	85	—	118
	9,574	1,007	1,426	12,007	8,262	1,069	1,647	10,978
Restricted cash <sup>(4)</sup>	68				77			
Cash, cash equivalents, and restricted cash	<u>\$ 9,642</u>				<u>\$ 8,339</u>			

<sup>(1)</sup> The maturities of long-term marketable securities primarily range from one to four years.

<sup>(2)</sup> The fair value of Level 1 securities is measured based on quoted prices in active markets for identical assets.

<sup>(3)</sup> The fair value of Level 2 securities is measured using information obtained from pricing services, which obtain quoted market prices for similar instruments, non-binding market consensus prices that are corroborated by observable market data, or various other methodologies, to determine the appropriate value at the measurement date. We perform supplemental analysis to validate information obtained from these pricing services. No adjustments were made to the fair values indicated by such pricing information as of December 1, 2022 or September 1, 2022.

<sup>(4)</sup> Restricted cash is included in other current assets and other noncurrent assets and primarily relates to certain government incentives received prior to being earned and for which restrictions lapse upon achieving certain performance conditions.

Gross realized gains and losses from sales of available-for-sale securities were not significant for any period presented.

### Non-marketable Equity Investments

In addition to the amounts included in the table above, we had \$218 million and \$222 million of non-marketable equity investments without a readily determinable fair value that were included in other noncurrent assets as of December 1, 2022 and September 1, 2022, respectively.

## Receivables

As of	December 1, 2022	September 1, 2022
Trade receivables	\$ 2,875	\$ 4,765
Income and other taxes	279	251
Other	164	114
	<u>\$ 3,318</u>	<u>\$ 5,130</u>

## Inventories

As of	December 1, 2022	September 1, 2022
Finished goods	\$ 1,649	\$ 1,028
Work in process	5,839	4,830
Raw materials and supplies	871	805
	<u>\$ 8,359</u>	<u>\$ 6,663</u>

## Property, Plant, and Equipment

As of	December 1, 2022	September 1, 2022
Land	\$ 280	\$ 280
Buildings	17,133	16,676
Equipment <sup>(1)</sup>	63,450	61,354
Construction in progress <sup>(2)</sup>	1,828	1,897
Software	1,170	1,124
	<u>83,861</u>	<u>81,331</u>
Accumulated depreciation	<u>(44,526)</u>	<u>(42,782)</u>
	<u>\$ 39,335</u>	<u>\$ 38,549</u>

<sup>(1)</sup> Includes costs related to equipment not placed into service of \$4.10 billion as of December 1, 2022 and \$3.35 billion as of September 1, 2022.

<sup>(2)</sup> Includes building-related construction, tool installation, and software costs for assets not placed into service.

## Intangible Assets and Goodwill

As of	December 1, 2022		September 1, 2022	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	\$ 763	\$ (335)	\$ 742	\$ (321)
Goodwill	1,228		1,228	

In the first quarters of 2023 and 2022, we capitalized \$30 million and \$18 million, respectively, for product and process technology with weighted-average useful lives of 10 years, and 11 years, respectively. Amortization expense was \$23 million and \$20 million for the first three months of 2023 and 2022, respectively. Expected amortization expense is \$65 million for the remainder of 2023, \$76 million for 2024, \$55 million for 2025, \$46 million for 2026, and \$39 million for 2027.

# Leases

The components of lease cost are presented below:

Three months ended	December 1, 2022	December 2, 2021
Finance lease cost		
Amortization of right-of-use assets	\$ 24	\$ 25
Interest on lease liabilities	6	6
Operating lease cost <sup>(1)</sup>	36	29
	<u>\$ 66</u>	<u>\$ 60</u>

<sup>(1)</sup> Operating lease cost includes short-term and variable lease expenses, which were not material for the periods presented.

Supplemental cash flow information related to leases was as follows:

Three months ended	December 1, 2022	December 2, 2021
Cash flows used for operating activities		
Finance leases	\$ 5	\$ 5
Operating leases	33	27
Cash flows used for financing activities – Finance leases	20	20
Noncash acquisitions of right-of-use assets		
Finance leases	43	198
Operating leases	35	39

Supplemental balance sheet information related to leases was as follows:

As of	December 1, 2022	September 1, 2022
Finance lease right-of-use assets (included in property, plant, and equipment)	\$ 924	\$ 904
Current operating lease liabilities (included in accounts payable and accrued expenses)	61	60
Weighted-average remaining lease term (in years)		
Finance leases	11	12
Operating leases	12	12
Weighted-average discount rate		
Finance leases	2.67 %	2.65 %
Operating leases	3.04 %	2.90 %

As of December 1, 2022, maturities of lease liabilities by fiscal year were as follows:

For the year ending	Finance Leases	Operating Leases
Remainder of 2023	\$ 96	\$ 34
2024	105	72
2025	94	71
2026	93	74
2027	93	72
2028 and thereafter	569	524
Less imputed interest	(136)	(161)
	<u>\$ 914</u>	<u>\$ 686</u>

The table above excludes obligations for leases that have been executed but have not yet commenced. As of December 1, 2022, excluded obligations consisted of \$186 million of estimated finance lease payments over a weighted-average period of 13 years for gas supply arrangements deemed to contain embedded leases and equipment leases. We will recognize right-of-use assets and associated lease liabilities at the time such assets become available for our use.

## Accounts Payable and Accrued Expenses

As of	December 1, 2022	September 1, 2022
Accounts payable	\$ 1,789	\$ 2,142
Property, plant, and equipment	2,294	2,170
Salaries, wages, and benefits	594	877
Income and other taxes	419	420
Other	342	481
	<u>\$ 5,438</u>	<u>\$ 6,090</u>

## Debt

As of	December 1, 2022						September 1, 2022		
	Stated Rate	Effective Rate	Net Carrying Amount				Net Carrying Amount		
			Current	Long-Term	Total		Current	Long-Term	Total
2024 Term Loan A	4.720 %	4.76 %	\$ —	\$ 1,187	\$ 1,187		\$ —	\$ 1,187	\$ 1,187
2025 Term Loan A	5.436 %	5.57 %	—	925	925		—	—	—
2026 Term Loan A	5.561 %	5.70 %	28	717	745		—	—	—
2027 Term Loan A	5.686 %	5.82 %	34	890	924		—	—	—
2026 Notes	4.975 %	5.07 %	—	499	499		—	498	498
2027 Notes <sup>(1)</sup>	4.185 %	4.27 %	—	796	796		—	806	806
2029 A Notes	5.327 %	5.40 %	—	697	697		—	697	697
2029 B Notes	6.750 %	6.89 %	—	744	744		—	—	—
2030 Notes	4.663 %	4.73 %	—	846	846		—	846	846
2032 Green Bonds	2.703 %	2.77 %	—	995	995		—	994	994
2041 Notes	3.366 %	3.41 %	—	497	497		—	496	496
2051 Notes	3.477 %	3.52 %	—	496	496		—	496	496
Finance lease obligations	N/A	2.67 %	109	805	914		103	783	886
			\$ 171	\$ 10,094	\$ 10,265		\$ 103	\$ 6,803	\$ 6,906

<sup>(1)</sup> In 2021, we entered into fixed-to-floating interest rate swaps on the 2027 Notes with an aggregate \$900 million notional amount equal to the principal amount of the 2027 Notes. The resulting variable interest paid is at a rate equal to SOFR plus approximately 3.33%. The fixed-to-floating interest rate swaps are accounted for as fair value hedges, as a result, the carrying values of our 2027 Notes reflect adjustments in fair value.

### Debt Activity

The table below presents the effects of debt financing activities in the first quarter of 2023.

	Increase in Principal	Increase in Carrying Value	Increase in Cash
2025 Term Loan A	\$ 927	\$ 925	\$ 925
2026 Term Loan A	746	745	745
2027 Term Loan A	927	924	924
2029 B Notes	750	744	744
	\$ 3,350	\$ 3,338	\$ 3,338

### Term Loan Agreement

On November 3, 2022, we entered into a term loan agreement consisting of three tranches and borrowed \$2.60 billion in aggregate principal amount, including \$927 million due November 3, 2025; \$746 million due November 3, 2026; and \$927 million due November 3, 2027 (the "Term Loan Agreement"). We incurred aggregate fees of \$6 million in connection with these borrowings. The 2026 Term Loan A and 2027 Term Loan A each require equal quarterly installment payments in an amount equal to 1.25% of the original principal amount. The 2025 Term Loan A does not require quarterly installment payments. Borrowings under the Term Loan Agreement will generally bear interest at adjusted term SOFR plus an applicable interest rate margin ranging from 1.00% to 2.00%, varying by tranche and depending on our corporate credit ratings.

The Term Loan Agreement requires us to maintain, on a consolidated basis, a leverage ratio of total indebtedness to adjusted EBITDA, as defined in the Term Loan Agreement and calculated as of the last day of each fiscal quarter, not to exceed 3.25 to 1.00, subject to a temporary four fiscal quarter increase in such maximum ratio to 3.75 to 1.00 following certain material acquisitions. Our obligations under the Term Loan Agreement are unsecured.



## 2029 B Notes

On October 31, 2022, we issued \$750 million principal amount of senior unsecured 2029 B Notes in a public offering. The 2029 B Notes bear interest at a rate of 6.750% per year and will mature on November 1, 2029. Issuance costs and debt discount for these notes were \$6 million. We may redeem the 2029 B Notes, in whole or in part, at our option prior to their maturity date at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) the present value of the remaining scheduled payments of principal and interest, plus accrued interest in each case. We may also redeem the 2029 B Notes, in whole or in part, at a price equal to par two months prior to maturity in accordance with the terms of the 2029 B Notes.

The 2029 B Notes contain covenants that, among other things, limit, in certain circumstances, our ability and/or the ability of our restricted subsidiaries (which are generally domestic subsidiaries in which we own at least 80% of the voting stock and which own principal property, as defined in the indenture governing such notes) to (1) create or incur certain liens; (2) enter into certain sale and lease-back transactions; and (3) consolidate with or merge with or into, or convey, transfer, or lease all or substantially all of our properties and assets, to another entity. These covenants are subject to a number of limitations and exceptions. Additionally, if a change of control triggering event occurs, as defined in the indenture governing our 2029 B Notes, we will be required to offer to purchase such notes at 101% of the outstanding aggregate principal amount plus accrued interest up to the purchase date.

## Revolving Credit Facility

As of December 1, 2022, \$2.50 billion was available to us under the Revolving Credit Facility and no amounts were outstanding. Any amounts outstanding under the Revolving Credit Facility would mature in May 2026 and amounts borrowed may be prepaid any time without penalty. Any amounts drawn under the Revolving Credit Facility would generally bear interest at a rate equal to LIBOR plus 1.00% to 1.75%, depending on our corporate credit ratings. The credit facility agreement provides for a transition to SOFR or other alternate benchmark rate upon the retirement of LIBOR in 2023.

## Maturities of Notes Payable

As of December 1, 2022, maturities of notes payable by fiscal year were as follows:

Remainder of 2023	\$	42
2024		84
2025		1,271
2026		1,510
2027		1,562
2028 and thereafter		5,019
Unamortized discounts		(36)
Hedge accounting fair value adjustment		(101)
	\$	<u>9,351</u>

# Contingencies

We are currently a party to legal actions other than those described below arising from the normal course of business, none of which are expected to have a material adverse effect on our business, results of operations, or financial condition.

## Patent Matters

As is typical in the semiconductor and other high-tech industries, from time to time, others have asserted, and may in the future assert, that our products or manufacturing processes infringe upon their intellectual property rights.

On December 15, 2014, Innovative Memory Solutions, Inc. filed a patent infringement action against Micron in the U.S. District Court for the District of Delaware. The complaint alleges that a variety of our NAND products infringe eight U.S. patents and seeks damages, attorneys' fees, and costs. Subsequently, six patents were invalidated or withdrawn, leaving two asserted patents in the District Court. The complaint was dismissed on November 21, 2022 pursuant to an agreement between the parties.

On March 19, 2018, Micron Semiconductor (Xi'an) Co., Ltd. ("MXA") was served with a patent infringement complaint filed by Fujian Jinhua Integrated Circuit Co., Ltd. ("Jinhua") in the Fuzhou Intermediate People's Court in Fujian Province, China (the "Fuzhou Court"). On April 3, 2018, Micron Semiconductor (Shanghai) Co. Ltd. ("MSS") was served with the same complaint. The complaint alleges that MXA and MSS infringed one Chinese patent by manufacturing and selling certain Crucial DDR4 DRAM modules. The complaint seeks an order requiring MXA and MSS to destroy inventory of the accused products and equipment for manufacturing the accused products in China; to stop manufacturing, using, selling, and offering for sale the accused products in China; and to pay damages of 98 million Chinese yuan plus court fees incurred.

On March 21, 2018, MXA was served with a patent infringement complaint filed by United Microelectronics Corporation ("UMC") in the Fuzhou Court. On April 3, 2018, MSS was served with the same complaint. The complaint alleges that MXA and MSS infringed one Chinese patent by manufacturing and selling certain Crucial DDR4 DRAM modules. The complaint seeks an order requiring MXA and MSS to destroy inventory of the accused products and equipment for manufacturing the accused products in China; to stop manufacturing, using, selling, and offering for sale the accused products in China; and to pay damages of 90 million Chinese yuan plus court fees incurred. On November 26, 2021, pursuant to a settlement agreement between UMC and Micron, UMC filed an application to the Fuzhou Court to withdraw its complaints against MXA and MSS.

On April 3, 2018, MSS was served with another patent infringement complaint filed by Jinhua and an additional complaint filed by UMC in the Fuzhou Court. The additional complaints allege that MSS infringes two Chinese patents by manufacturing and selling certain Crucial MX300 SSDs. The complaint filed by UMC seeks an order requiring MSS to destroy inventory of the accused products and equipment for manufacturing the accused products in China; to stop manufacturing, using, selling, and offering for sale the accused products in China; and to pay damages of 90 million Chinese yuan plus court fees incurred. The complaint filed by Jinhua seeks an order requiring MSS to destroy inventory of the accused products and equipment for manufacturing the accused products in China; to stop manufacturing, using, selling, and offering for sale the accused products in China; and to pay damages of 98 million Chinese yuan plus court fees incurred. On November 26, 2021, pursuant to a settlement agreement between UMC and Micron, UMC filed an application to the Fuzhou Court to withdraw its complaint against MSS.

On July 5, 2018, MXA and MSS were notified that the Fuzhou Court granted a preliminary injunction against those entities that enjoins them from manufacturing, selling, or importing certain Crucial and Ballistix-branded DRAM modules and solid-state drives in China. We are complying with the ruling and have requested the Fuzhou Court to reconsider or stay its decision.

On May 4, 2020, Flash-Control, LLC filed a patent infringement action against Micron in the U.S. District Court for the Western District of Texas. The complaint alleges that four U.S. patents are infringed by unspecified DDR4 SDRAM, NVRDIMM, NVDIMM, 3D XPoint, and/or SSD products that incorporate memory controllers and flash memory. The complaint seeks damages, attorneys' fees, and costs. On July 21, 2020, in a separate matter, the District Court ruled that two of the four asserted patents are invalid, and on July 14, 2021, the U.S. Court of Appeals for the Federal Circuit affirmed the ruling of invalidity.

On April 28, 2021, Netlist, Inc. ("Netlist") filed two patent infringement actions against Micron, Micron Semiconductor Products, Inc. ("MSP") and Micron Technology Texas, LLC ("MTEC") in the U.S. District Court for the Western District of Texas. The first complaint alleges that one U.S. patent is infringed by certain of our non-volatile dual in-line memory modules. The second complaint alleges that three U.S. patents are infringed by certain of our load-reduced dual in-line memory modules ("LRDIMMs"). Each complaint seeks injunctive relief, damages, attorneys' fees, and costs. On March 31, 2022, Netlist filed a patent infringement complaint against Micron and Micron Semiconductor Germany, GmbH in Dusseldorf Regional Court alleging that two German patents are infringed by certain of our LRDIMMs. The complaint seeks damages and costs. On June 24, 2022, Netlist amended its complaint to also seek injunctive relief. On June 10, 2022, Netlist filed a patent infringement complaint against Micron, MSP, and MTEC in the U.S. District Court for the Eastern District of Texas ("E.D. Tex.") alleging that six U.S. patents are infringed by certain of our memory modules and HBM products. The complaint seeks injunctive relief, damages, and attorneys' fees. On August 1, 2022, Netlist filed a second patent infringement complaint against Micron, MSP, and MTEC in E.D. Tex. alleging that one U.S. patent is infringed by certain of our LRDIMMs. On August 15, 2022, Netlist amended the second complaint to assert that two additional U.S. patents are infringed by certain of our LRDIMMs. The second complaint in E.D. Tex. seeks injunctive relief, damages, and attorneys' fees.

On May 10, 2021, Vervain, LLC filed a patent infringement action against Micron, MSP, and MTEC in the U.S. District Court for the Western District of Texas. The complaint alleges that four U.S. patents are infringed by certain SSD products. The complaint seeks injunctive relief, damages, attorneys' fees, and costs.

Between April 27, 2022 and October 18, 2022, Bell Semiconductor, LLC ("Bell") filed four patent infringement complaints against Micron in the U.S. District Court for the District of Idaho. These complaints allege that a total of six U.S. patents are infringed by certain SSDs, a process for designing a NAND flash device included in certain SSDs, and an SSD controller. On September 30, 2022, Bell filed a complaint against Micron in the U.S. District Court for the District of Delaware alleging that six U.S. patents are infringed by certain SSD, GDDR5, GDDR6, GDDR6X, and DDR3 SDRAM products. Each of Bell's complaints in the District Courts seeks damages, injunctive relief, attorneys' fees, and costs. On October 6, 2022, Bell filed a complaint with the ITC alleging violations of Section 337 of the Tariff Act of 1930 based on alleged importation of certain SSDs that infringe two U.S. patents also asserted by Bell in two of the lawsuits pending in the District of Idaho. The complaint requests institution of an investigation, which was granted on November 8, 2022, and, after the investigation, issuance of a limited exclusion order and cease and desist orders prohibiting Micron from importing, selling, offering for sale, or marketing the accused products in the United States.

On August 16, 2022, Sonrai Memory Ltd. filed a patent infringement action against Micron in the U.S. District Court for the Western District of Texas. The complaint alleges that two U.S. patents are infringed by certain SSD and NAND flash products. The complaint seeks damages, attorneys' fees, and costs.

Among other things, the above lawsuits pertain to substantially all of our DRAM, NAND, and other memory and storage products we manufacture, which account for substantially all of our revenue.

## Qimonda

On January 20, 2011, Dr. Michael Jaffé, administrator for Qimonda's insolvency proceedings, filed suit against Micron and Micron Semiconductor B.V. ("Micron B.V."), in the District Court of Munich, Civil Chamber. The complaint seeks to void, under Section 133 of the German Insolvency Act, a share purchase agreement between Micron B.V. and Qimonda signed in fall 2008, pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera (the "Inotera Shares"), representing approximately 18% of Inotera's outstanding shares at that time, and seeks an order requiring us to re-transfer those shares to the Qimonda estate. The complaint also seeks, among other things, to recover damages for the alleged value of the joint venture relationship with Inotera and to terminate, under Sections 103 or 133 of the German Insolvency Code, a patent cross-license between us and Qimonda entered into at the same time as the share purchase agreement.

Following a series of hearings with pleadings, arguments, and witnesses on behalf of the Qimonda estate, on March 13, 2014, the court issued judgments: (1) ordering Micron B.V. to pay approximately \$1 million in respect of certain Inotera Shares sold in connection with the original share purchase; (2) ordering Micron B.V. to disclose certain information with respect to any Inotera Shares sold by it to third parties; (3) ordering Micron B.V. to disclose the benefits derived by it from ownership of the Inotera Shares, including in particular, any profits distributed on the Inotera Shares and all other benefits; (4) denying Qimonda's claims against Micron for any damages relating to the joint venture relationship with Inotera; and (5) determining that Qimonda's obligations under the patent cross-license agreement are canceled. In addition, the court issued interlocutory judgments ordering, among other things: (1) that Micron B.V. transfer to the Qimonda estate the Inotera Shares still owned by Micron B.V. and pay to the Qimonda estate compensation in an amount to be specified for any Inotera Shares sold to third parties; and (2) that Micron B.V. pay the Qimonda estate as compensation an amount to be specified for benefits derived by Micron B.V. from ownership of the Inotera Shares. The interlocutory judgments had no immediate, enforceable effect and Micron, accordingly, has been able to continue to operate with full control of the Inotera Shares subject to further developments in the case. Micron and Micron B.V. appealed the judgments to the German Appeals Court, which thereafter appointed an independent expert to perform an evaluation of Dr. Jaffé's claims that the amount Micron paid for Qimonda was less than fair market value. On March 31, 2020, the expert presented an opinion to the Appeals Court concluding that the amount paid by Micron was within an acceptable range of fair value. On October 5, 2022, the Appeals Court ruled that the relevant issue to be addressed is whether Qimonda's creditors were prejudiced such that the original transaction should be voided. The Appeals Court set a date of May 23, 2023 for issuing a decision.

## Antitrust Matters

Six cases have been filed against Micron alleging price fixing of DRAM products in the following Canadian courts on the dates indicated: Superior Court of Quebec (April 30, 2018 and May 3, 2018), the Federal Court of Canada (May 2, 2018), the Ontario Superior Court of Justice (May 15, 2018), and the Supreme Court of British Columbia (May 10, 2018). The plaintiffs in these cases are individuals seeking certification of class actions on behalf of direct and indirect purchasers of DRAM in Canada (or regions of Canada) between June 1, 2016 and February 1, 2018.

On May 15, 2018, the Chinese State Administration for Market Regulation ("SAMR") notified Micron that it was investigating potential collusion and other anticompetitive conduct by DRAM suppliers in China. On May 31, 2018, SAMR made unannounced visits to our sales offices in Beijing, Shanghai, and Shenzhen to seek certain information as part of its investigation. We are cooperating with SAMR in its investigation.

## Securities Matters

On March 5, 2019, a derivative complaint was filed by a shareholder against certain current and former officers and directors of Micron, allegedly on behalf of and for the benefit of Micron, in the U.S. District Court for the District of Delaware alleging securities fraud, breaches of fiduciary duties, and other violations of law involving misrepresentations about purported anticompetitive behavior in the DRAM industry. The complaint was dismissed on November 15, 2022, pursuant to a stipulation of voluntary dismissal.

On February 9, 2021, a derivative complaint was filed by a shareholder against Sanjay Mehrotra and other current and former directors of Micron, allegedly on behalf of and for the benefit of Micron, in the U.S. District Court for the District of Delaware alleging violations of securities laws, breaches of fiduciary duties, and other violations of law involving allegedly false and misleading statements about Micron's commitment to diversity and progress in diversifying its workforce, executive leadership, and Board of Directors. The complaint seeks damages, fees, interest, costs, and an order requiring Micron to take various actions to allegedly improve its corporate governance and internal procedures.

## Other Matters

In the normal course of business, we are a party to a variety of agreements pursuant to which we may be obligated to indemnify another party. It is not possible to predict the maximum potential amount of future payments under these types of agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, our payments under these types of agreements have not had a material adverse effect on our business, results of operations, or financial condition.

## Contingency Assessment

We are unable to predict the outcome of any of the matters noted above and cannot make a reasonable estimate of the potential loss or range of possible losses. A determination that our products or manufacturing processes infringe the intellectual property rights of others or entering into a license agreement covering such intellectual property could result in significant liability and/or require us to make material changes to our products and/or manufacturing processes. Any of the foregoing, as well as the resolution of any other legal matter noted above, could have a material adverse effect on our business, results of operations, or financial condition.

## Equity

**Common Stock Repurchases:** Our Board of Directors has authorized the discretionary repurchase of up to \$10 billion of our outstanding common stock through open-market purchases, block trades, privately-negotiated transactions, derivative transactions, and/or pursuant to Rule 10b5-1 trading plans. The repurchase authorization has no expiration date, does not obligate us to acquire any common stock, and is subject to market conditions and our ongoing determination of the best use of available cash. In the first quarter of 2023, we repurchased 8.6 million shares of our common stock for \$425 million. Through December 1, 2022, we had repurchased an aggregate of \$6.89 billion under the authorization. Amounts repurchased are included in treasury stock.

**Dividends:** In the first quarter of 2023, we declared and paid dividends of \$126 million (\$0.115 per share) to shareholders of record as of October 11, 2022.

**Accumulated Other Comprehensive Income (Loss):** Changes in accumulated other comprehensive income (loss) by component for the three months ended December 1, 2022 were as follows:

	Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Pension Liability Adjustments	Cumulative Foreign Currency Translation Adjustment	Total
<b>As of September 1, 2022</b>	\$ (538)	\$ (47)	\$ 25	\$ —	\$ (560)
Other comprehensive income (loss) before reclassifications	70	(7)		(3)	60
Amount reclassified out of accumulated other comprehensive income (loss)	68	1	1	—	70
Tax effects	(30)	(13)	—	—	(43)
Other comprehensive income (loss)	108	(19)	1	(3)	87
<b>As of December 1, 2022</b>	\$ (430)	\$ (66)	\$ 26	\$ (3)	\$ (473)

## Fair Value Measurements

The estimated fair values and carrying values of our outstanding debt instruments were as follows:

As of	December 1, 2022		September 1, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes	\$ 8,902	\$ 9,351	\$ 5,472	\$ 6,020

The fair values of our debt instruments were estimated based on Level 2 inputs, including the trading price of our notes when available, discounted cash flows, and interest rates based on similar debt issued by parties with credit ratings similar to ours.

## Derivative Instruments

	Notional or Contractual Amount	Fair Value of	
		Assets <sup>(1)</sup>	Liabilities <sup>(2)</sup>
As of December 1, 2022			
Derivative instruments with hedge accounting designation			
Cash flow currency hedges	\$ 4,604	\$ 59	\$ (182)
Cash flow commodity hedges	111	1	(10)
Fair value interest rate hedges	900	—	(101)
Derivative instruments without hedge accounting designation			
Non-designated currency hedges	2,042	16	(5)
		<u>\$ 76</u>	<u>\$ (298)</u>
As of September 1, 2022			
Derivative instruments with hedge accounting designation			
Cash flow currency hedges	\$ 5,427	\$ —	\$ (330)
Cash flow commodity hedges	97	1	(6)
Fair value interest rate hedges	900	—	(91)
Derivative instruments without hedge accounting designation			
Non-designated currency hedges	2,821	7	(13)
		<u>\$ 8</u>	<u>\$ (440)</u>

<sup>(1)</sup> Included in receivables and other noncurrent assets.

<sup>(2)</sup> Included in accounts payable and accrued expenses and other noncurrent liabilities.

### Derivative Instruments with Hedge Accounting Designation

**Cash Flow Hedges:** We utilize forward and swap contracts that generally mature within two years designated as cash flow hedges to minimize our exposure to changes in currency exchange rates or commodity prices for certain capital expenditures and manufacturing costs. Forward and swap contracts are measured at fair value based on market-based observable inputs including market spot and forward rates, interest rates, and credit-risk spreads (Level 2). We recognized gains from cash flow hedges of \$53 million and losses of \$100 million for the first quarters of 2023 and 2022, respectively, in accumulated other comprehensive income (loss). As of December 1, 2022, we expect to reclassify \$239 million of pre-tax losses related to cash flow hedges from accumulated other comprehensive income (loss) into earnings in the next 12 months.

**Fair Value Hedges:** We utilize fixed-to-floating interest rate swaps designated as fair value hedges to minimize certain exposures to changes in the fair value of fixed-rate debt that result from fluctuations in benchmark interest rates. Interest rate swaps are measured at fair value based on market-based observable inputs including interest rates and credit-risk spreads (Level 2). The changes in the fair values of derivatives designated as fair value hedges and the offsetting changes in the underlying fair values of the hedged items are both recognized in earnings. When a derivative is no longer designated as a fair value hedge for any reason, including termination and maturity, the remaining unamortized difference between the carrying value of the hedged item at that time and the face value of the hedged item is amortized to earnings over the remaining life of the hedged item, or immediately if the hedged item has matured or been extinguished. The effects of fair value hedges on our consolidated statements of operations, recognized in interest expense, were not significant for the periods presented.

## Derivative Instruments without Hedge Accounting Designation

**Currency Derivatives:** We generally utilize a rolling hedge strategy with currency forward contracts that mature within three months to hedge our exposures of monetary assets and liabilities from changes in currency exchange rates. At the end of each reporting period, monetary assets and liabilities denominated in currencies other than the U.S. dollar are remeasured into U.S. dollars and the associated outstanding forward contracts are marked to market. Currency forward contracts are valued at fair values based on the middle of bid and ask prices of dealers or exchange quotations (Level 2). Realized and unrealized gains and losses on derivative instruments without hedge accounting designation as well as the changes in the underlying monetary assets and liabilities from changes in currency exchange rates are included in other non-operating income (expense), net. The amounts recognized for derivative instruments without hedge accounting designation were not significant for the periods presented. We do not use derivative instruments for speculative purposes.

## Equity Plans

As of December 1, 2022, 51 million shares of our common stock were available for future awards under our equity plans, including 18 million shares approved for issuance under our employee stock purchase plan ("ESPP").

### Restricted Stock and Restricted Stock Units ("Restricted Stock Awards")

Restricted Stock Awards activity is summarized as follows:

Three months ended	December 1, 2022	December 2, 2021
Restricted stock award shares granted	14	10
Weighted-average grant-date fair value per share	\$ 53.94	\$ 70.42

## Stock-based Compensation Expense

Stock-based compensation expense recognized in our statements of operations is presented below. Stock-based compensation expense of \$69 million and \$48 million was capitalized and remained in inventory as of December 1, 2022 and September 1, 2022, respectively.

Three months ended	December 1, 2022	December 2, 2021
Stock-based compensation expense by caption		
Research and development	\$ 53	\$ 38
Selling, general, and administrative	37	35
Cost of goods sold	36	43
Restructure	—	(5)
	<u>\$ 126</u>	<u>\$ 111</u>
Stock-based compensation expense by type of award		
Restricted stock awards	\$ 109	\$ 96
ESPP	17	14
Stock options	—	1
	<u>\$ 126</u>	<u>\$ 111</u>

As of December 1, 2022, \$1.59 billion of total unrecognized compensation costs for unvested awards, before the effect of any future forfeitures, was expected to be recognized through the first quarter of 2027, resulting in a weighted-average period of 1.5 years.

## Revenue

Revenue is primarily recognized at a point in time when control of the promised goods is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods. Substantially all contracts with our customers are short-term in duration at fixed, negotiated prices with payment generally due shortly after delivery. From time to time, we have contracts with initial terms that include performance obligations that extend beyond one year. As of December 1, 2022, our future performance obligations beyond one year were not significant.

As of December 1, 2022 and September 1, 2022, other current liabilities included \$829 million and \$1.26 billion for estimates of consideration payable to customers, respectively, including estimates for pricing adjustments and returns.

### Revenue by Technology

Three months ended	December 1, 2022	December 2, 2021
DRAM	\$ 2,829	\$ 5,587
NAND	1,103	1,878
Other (primarily NOR and 3D XPoint memory)	153	222
	<u>\$ 4,085</u>	<u>\$ 7,687</u>

See "Segment and Other Information" for disclosure of disaggregated revenue by market segment.



## Other Non-Operating Income (Expense), Net

Three months ended	December 1, 2022	December 2, 2021
Gain (loss) on investments	\$ (9)	\$ 10
Gain (loss) on debt repurchases	—	(83)
Other	5	(2)
	<u>\$ (4)</u>	<u>\$ (75)</u>

## Income Taxes

Our income tax (provision) benefit consisted of the following:

Three months ended	December 1, 2022	December 2, 2021
Income (loss) before taxes	\$ (176)	\$ 2,521
Income tax (provision) benefit	(8)	(219)
Effective tax rate	(4.5) %	8.7 %

The change in our effective tax rate for the first quarter of 2023 as compared to the first quarter of 2022 was primarily due to a loss before taxes in the first quarter of 2023, which eliminated substantially all of our U.S. tax on foreign operations. The geographic mix of our income, together with U.S. and foreign tax rules, results in more variability in our tax rate at lower profitability levels.

We operate in a number of jurisdictions outside the United States, including Singapore, where we have tax incentive arrangements. These incentives expire, in whole or in part, at various dates through 2034 and are conditional, in part, upon meeting certain business operations and employment thresholds. The benefit from tax incentive arrangements was not material for the first quarter of 2023. These arrangements reduced our tax provision by \$290 million (\$0.26 per diluted share) for the first quarter of 2022.

## Earnings Per Share

Three months ended	December 1, 2022	December 2, 2021
Net income (loss) – Basic and Diluted	\$ (195)	\$ 2,306
Weighted-average common shares outstanding – Basic	1,090	1,119
Dilutive effect of equity plans	—	11
Weighted-average common shares outstanding – Diluted	<u>1,090</u>	<u>1,130</u>
Earnings (loss) per share		
Basic	\$ (0.18)	\$ 2.06
Diluted	(0.18)	2.04

Antidilutive potential common shares excluded from the computation of diluted earnings per share, that could dilute basic earnings per share in the future, were 35 million and 3 million for the first quarters of 2023 and 2022, respectively.

## Segment and Other Information

Segment information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision maker. We have the following four business units, which are our reportable segments:

**Compute and Networking Business Unit (“CNBU”)**: Includes memory products sold into client, cloud server, enterprise, graphics, and networking markets.

**Mobile Business Unit (“MBU”)**: Includes memory and storage products sold into smartphone and other mobile-device markets.

**Embedded Business Unit (“EBU”)**: Includes memory and storage products sold into automotive, industrial, and consumer markets.

**Storage Business Unit (“SBU”)**: Includes SSDs and component-level solutions sold into enterprise and cloud, client, and consumer storage markets, and other discrete storage products sold in component and wafer form.

Certain operating expenses directly associated with the activities of a specific segment are charged to that segment. Other indirect operating income and expenses are generally allocated to segments based on their respective percentage of cost of goods sold or forecasted wafer production. We do not identify or report internally our assets (other than goodwill) or capital expenditures by segment, nor do we allocate gains and losses from equity method investments, interest, other non-operating income or expense items, or taxes to segments.

Three months ended	December 1, 2022	December 2, 2021
Revenue		
CNBU	\$ 1,746	\$ 3,406
MBU	655	1,907
EBU	1,000	1,220
SBU	680	1,150
All Other	4	4
	<u>\$ 4,085</u>	<u>\$ 7,687</u>
Operating income (loss)		
CNBU	\$ 190	\$ 1,524
MBU	(195)	624
EBU	194	422
SBU	(257)	152
All Other	3	3
	<u>(65)</u>	<u>2,725</u>
Unallocated		
Stock-based compensation	(126)	(116)
Restructure and asset impairments	(13)	(38)
Other	(5)	60
	<u>(144)</u>	<u>(94)</u>
Operating income (loss)	<u>\$ (209)</u>	<u>\$ 2,631</u>

## Certain Concentrations

Revenue for key market segments as an approximate percent of total revenue is presented in the table below:

Three months ended	December 1, 2022		December 2, 2021	
Automotive, industrial, and consumer	25	%	15	%
Enterprise and cloud server	20	%	20	%
Client and graphics	15	%	20	%
SSDs and other storage	15	%	15	%
Mobile	15	%	25	%

## Subsequent Events

On December 19, 2022, we reached an agreement in principle to settle an insurance claim involving an operational disruption in 2017, under which we will receive \$120 million in cash, the majority of which is for business interruption and will be recognized in revenue.

On December 19, 2022, our Board of Directors declared a quarterly dividend of \$0.115 per share, payable in cash on January 19, 2023, to shareholders of record as of the close of business on January 3, 2023.

On December 21, 2022, we announced a restructure plan in response to challenging industry conditions. Under the restructure plan, we expect to reduce our headcount by approximately 10% over calendar year 2023, through a combination of voluntary attrition and personnel reductions. In connection with the plan, we expect to incur charges of at least \$30 million in the second quarter of fiscal 2023.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended September 1, 2022. All period references are to our fiscal periods unless otherwise indicated. Our fiscal year is the 52 or 53-week period ending on the Thursday closest to August 31. Fiscal years 2023 and 2022 each contain 52 weeks. All tabular dollar amounts are in millions, except per share amounts.*

### Overview

We are an industry leader in innovative memory and storage solutions transforming how the world uses information to enrich life *for all*. With a relentless focus on our customers, technology leadership, and manufacturing and operational excellence, Micron delivers a rich portfolio of high-performance DRAM, NAND, and NOR memory and storage products through our Micron® and Crucial® brands. Every day, the innovations that our people create fuel the data economy, enabling advances in artificial intelligence and 5G applications that unleash opportunities — from the data center to the intelligent edge and across the client and mobile user experience.

We manufacture our products at wholly-owned facilities and also utilize subcontractors for certain manufacturing processes. Our global network of manufacturing centers of excellence not only allows us to benefit from scale while streamlining processes and operations, but it also brings together some of the world's brightest talent to work on the most advanced memory technology. Centers of excellence bring expertise together in one location, providing an efficient support structure for end-to-end manufacturing, with quicker cycle times, in partnership with teams such as research and development ("R&D"), product engineering, human resources, procurement, and supply chain. For our locations in Singapore and Taiwan, this is also a combination of bringing fabrication and back-end manufacturing together. We make significant investments to develop proprietary product and process technology, which generally increases bit density per wafer and reduces per-bit manufacturing costs of each generation of product. We continue to introduce new generations of products that offer improved performance characteristics, including higher data transfer rates, advanced packaging solutions, lower power consumption, improved read/write reliability, and increased memory density.

We face intense competition in the semiconductor memory and storage markets and to remain competitive we must continuously develop and implement new products and technologies and decrease manufacturing costs in spite of ongoing inflationary cost pressures. Our success is largely dependent on obtaining returns on our R&D investments, efficient utilization of our manufacturing infrastructure, development and integration of advanced product and process technologies, market acceptance of our diversified portfolio of semiconductor-based memory and storage solutions, and efficient capital spending.

### Impact of COVID-19 on Our Business

The COVID-19 pandemic has had, and continues to have, a significant impact around the world, prompting governments and businesses to take measures such as restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The pandemic and efforts to address it have at times significantly curtailed global economic activity and caused volatility and disruption in global financial markets and may do so in the future. In addition, our workforce and operations, the operations of our customers, and those of our vendors and suppliers around the world have been impacted at times and may in the future be impacted by the pandemic and related measures to address it.

Throughout the pandemic, we have implemented and updated our protocols and procedures in an effort to maintain a healthy and safe environment. We remain committed to the health and safety of our team members, contractors, suppliers, customers, distributors, and communities. We cannot predict how the pandemic or the steps we, our team members, government entities, suppliers, or customers take in response will ultimately impact our business, outlook, or results of operations.

## Product Technologies

Our product portfolio of memory and storage solutions, advanced solutions, and storage platforms is based on our high-performance semiconductor memory and storage technologies, including DRAM, NAND, and NOR. We sell our products into various markets through our business units in numerous forms, including components, modules, SSDs, managed NAND, MCPs, and wafers. Our system-level solutions, including SSDs and managed NAND, combine NAND, a controller, firmware, and in some cases DRAM.

**DRAM:** DRAM products are dynamic random access memory semiconductor devices with low latency that provide high-speed data retrieval with a variety of performance characteristics. DRAM products lose content when power is turned off (“volatile”) and are most commonly used in client, cloud server, enterprise, networking, graphics, industrial, and automotive markets. LPDRAM products, which are engineered to meet standards for performance and power consumption, are sold into smartphone and other mobile-device markets (including client markets for Chromebooks and notebook PCs), as well as into the automotive, industrial, and consumer markets.

**NAND:** NAND products are non-volatile, re-writeable semiconductor storage devices that provide high-capacity, low-cost storage with a variety of performance characteristics. NAND is used in SSDs for the enterprise and cloud, client, and consumer markets and in removable storage markets. Managed NAND is used in smartphones and other mobile devices, and in consumer, automotive, and embedded markets. Low-density NAND is ideal for applications like automotive, surveillance, machine-to-machine, automation, printer, and home networking.

**NOR:** NOR products are non-volatile re-writable semiconductor memory devices that provide fast read speeds. NOR is most commonly used for reliable code storage (e.g., boot, application, operating system, and execute-in-place code in an embedded system) and for frequently changing small data storage and is ideal for automotive, industrial, and consumer applications.

# Results of Operations

## Consolidated Results

	First Quarter 2023		Fourth Quarter 2022		First Quarter 2022	
Revenue	\$	4,085	100 %	\$	6,643	100 %
Cost of goods sold		3,192	78 %		4,021	61 %
Gross margin		893	22 %		2,622	39 %
Research and development		849	21 %		839	13 %
Selling, general, and administrative		251	6 %		280	4 %
Restructure and asset impairments		13	— %		5	— %
Other operating (income) expense, net		(11)	— %		(23)	— %
Operating income (loss)		(209)	(5) %		1,521	23 %
Interest income (expense), net		37	1 %		9	— %
Other non-operating income (expense), net		(4)	— %		23	— %
Income tax (provision) benefit		(8)	— %		(56)	(1) %
Equity in net income (loss) of equity method investees		(11)	— %		(5)	— %
Net income (loss)	\$	(195)	(5) %	\$	1,492	22 %
					\$	2,306
						30 %

**Industry Conditions:** The memory and storage industry environment deteriorated sharply in the fourth quarter of 2022 and first quarter of 2023 due to global and macroeconomic challenges combined with downward inventory adjustments by customers and weak demand in many end markets. This led to significant reductions in bit shipments and average selling prices for both DRAM and NAND as well as declines in revenue across nearly all our end markets. Given the challenging pricing environment, elevated levels of inventories for suppliers and customers, and significant supply demand mismatch, we expect industry profitability will remain challenged throughout calendar 2023. As a result of these conditions and increases in our inventory levels, we are reducing wafer starts and capital expenditures. We estimate an approximate \$460 million increase to our costs of goods sold in 2023 from wafer start reductions, starting in the second quarter of 2023, with most of the impact expected in the second half of 2023.

We are also taking significant steps to reduce our costs and operating expenses. These actions include reductions in external spending, productivity programs across the business, suspension of our 2023 bonus company-wide, select product program reductions, lower discretionary spending, and cuts to 2023 executive salaries across the company. In addition, in the second quarter of 2023, we initiated a restructure plan to reduce our headcount by approximately 10% over calendar 2023, through a combination of voluntary attrition and personnel reductions. In connection with the plan, we expect to incur charges of at least \$30 million in the second quarter of 2023.

**Total Revenue:** Total revenue for the first quarter of 2023 decreased 39% as compared to the fourth quarter of 2022 primarily due to decreases in sales of both DRAM and NAND products.

- Sales of DRAM products decreased 41% primarily due to decreases in bit shipments in the mid-20 percent range and a low-20 percent range decline in average selling prices.
- Sales of NAND products decreased 35% primarily due to a low-20 percent range decline in average selling prices and a mid-teens percent range decrease in bit shipments.

Total revenue for the first quarter of 2023 decreased 47% as compared to the first quarter of 2022 primarily due to decreases in sales of both DRAM and NAND products.

- Sales of DRAM products decreased 49% primarily due to a high-30 percent range decline in average selling prices and decreases in bit shipments in the high-teens percent range.
- Sales of NAND products decreased 41% primarily due to a mid-20 percent range decline in average selling prices and decreases in bit shipments in the low-20 percent range.

**Consolidated Gross Margin:** Our consolidated gross margin percentage decreased to 22% for the first quarter of 2023 from 39% for the fourth quarter of 2022, as a result of reductions in margins for both DRAM and NAND products, primarily due to declines in average selling prices. Our consolidated gross margin percentage declined to 22% for the first quarter of 2023 from 46% for the first quarter of 2022 as a result of reductions in margins for both DRAM and NAND products, primarily due to declines in average selling prices. Cost of goods sold for the first quarter of 2023 were adversely impacted by reductions in sales volumes and inflationary cost pressures.

## Revenue by Business Unit

	First Quarter 2023		Fourth Quarter 2022		First Quarter 2022	
CNBU	\$	1,746	43 %	\$	2,931	44 %
MBU		655	16 %		1,511	23 %
EBU		1,000	24 %		1,303	20 %
SBU		680	17 %		891	13 %
All Other		4	— %		7	— %
	\$	<u>4,085</u>		\$	<u>6,643</u>	
					<u>\$</u>	<u>7,687</u>

Percentages of total revenue may not total 100% due to rounding.

Changes in revenue for each business unit for the first quarter of 2023 as compared to the fourth quarter of 2022 were as follows:

- CNBU revenue decreased 40% primarily due to declines in DRAM average selling prices and decreases in bit shipments reflecting weakness across markets.
- MBU revenue decreased 57% primarily due to decreases in bit shipments and declines in average selling prices for both DRAM and NAND.
- EBU revenue decreased 23% primarily due to decreases in bit shipments and declines in DRAM average selling prices.
- SBU revenue decreased 24% primarily due to declines in average selling prices for NAND.

Changes in revenue for each business unit for the first quarter of 2023 as compared to the first quarter of 2022 were as follows:

- CNBU revenue decreased 49% primarily due to declines in DRAM average selling prices and decreases in bit shipments.
- MBU revenue decreased 66% primarily due to declines in average selling prices and decreases in bit shipments for both DRAM and NAND.
- EBU revenue decreased 18% primarily due to lower DRAM revenue resulting from declines in DRAM average selling prices and decreases in bit shipments.
- SBU revenue decreased 41% primarily due to declines in average selling prices and decreases in bit shipments for NAND.

## Operating Income (Loss) by Business Unit

	First Quarter 2023		Fourth Quarter 2022		First Quarter 2022	
CNBU	\$	190	11 %	\$	980	33 %
MBU		(195)	(30)%		308	20 %
EBU		194	19 %		405	31 %
SBU		(257)	(38)%		(38)	(4)%
All Other		3	75 %		7	100 %
	\$	(65)		\$	1,662	
					\$	2,725

Percentages reflect operating income (loss) as a percentage of revenue for each business unit.

Changes in operating income or loss for each business unit for the first quarter of 2023 as compared to the fourth quarter of 2022 were as follows:

- CNBU operating income decreased primarily due to declines in average selling prices and lower bit shipments.
- MBU operating income (loss) deteriorated primarily due to declines in average selling prices and lower bit shipments.
- EBU operating income decreased primarily due to lower bit shipments and declines in DRAM average selling prices.
- SBU operating loss increased primarily due to declines in average selling prices.

Changes in operating income or loss for each business unit for the first quarter of 2023 as compared to the first quarter of 2022 were as follows:

- CNBU operating income decreased primarily due to declines in average selling prices and lower bit shipments.
- MBU operating income (loss) deteriorated primarily due to declines in average selling prices and lower bit shipments.
- EBU operating income decreased primarily due to declines in average selling prices.
- SBU operating income (loss) deteriorated primarily due to declines in average selling prices and lower bit shipments.

## Operating Expenses and Other

**Research and Development:** R&D expenses vary primarily with the number of development and pre-qualification wafers processed, the cost of advanced equipment dedicated to new product and process development, and personnel costs. Because of the lead times necessary to manufacture our products, we typically begin to process wafers before completion of performance and reliability testing. Development of a product is deemed complete when it is qualified through internal reviews and tests for performance and reliability. R&D expenses can vary significantly depending on the timing of product qualification.

R&D expenses for the first quarter of 2023 were relatively unchanged as compared to the fourth quarter of 2022. R&D expenses for the first quarter of 2023 were 19% higher as compared to the first quarter of 2022 primarily due to higher volumes of development and prequalification wafers, increases in employee compensation, and depreciation expense.

**Selling, General, and Administrative:** SG&A expenses for the first quarter of 2023 were 10% lower as compared to the fourth quarter of 2022 primarily due to incremental decreases across multiple expense categories. SG&A expenses for the first quarter of 2023 were relatively unchanged as compared to the first quarter of 2022.



**Income Taxes:** Our income tax (provision) benefit consisted of the following:

	First Quarter 2023	Fourth Quarter 2022	First Quarter 2022
Income (loss) before taxes	\$ (176)	\$ 1,553	\$ 2,521
Income tax (provision) benefit	(8)	(56)	(219)
Effective tax rate	(4.5)%	3.6 %	8.7 %

The changes in our effective tax rate for the first quarter of 2023 as compared to the fourth quarter of 2022 and the first quarter of 2022 were primarily due to a loss before taxes in the first quarter of 2023, which eliminated substantially all of our U.S. tax on foreign operations. The geographic mix of our income, together with U.S. and foreign tax rules, results in more variability in our tax rate at lower profitability levels.

We operate in a number of jurisdictions outside the United States, including Singapore, where we have tax incentive arrangements. These incentives expire, in whole or in part, at various dates through 2034 and are conditional, in part, upon meeting certain business operations and employment thresholds. The benefit from tax incentive arrangements was not material for the first quarter of 2023. These arrangements reduced our tax provision by \$161 million (\$0.15 per diluted share) for the fourth quarter of 2022 and by \$290 million (\$0.26 per diluted share) for the first quarter of 2022.

**Other:** Further information on other items can be found in “Item 1. Financial Statements – Notes to Consolidated Financial Statements.”

## Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from operations and financing obtained from capital markets and financial institutions. Cash generated from operations is highly dependent on selling prices for our products, which can vary significantly from period to period. Cash and marketable investments totaled \$12.01 billion as of December 1, 2022, and \$10.98 billion as of September 1, 2022. Our cash and investments consist primarily of bank deposits, money market funds, and liquid investment-grade, fixed-income securities, which are diversified among industries and individual issuers. To mitigate credit risk, we invest through high-credit-quality financial institutions and by policy generally limit the concentration of credit exposure by restricting the amount of investments with any single obligor. As of December 1, 2022, \$1.37 billion of our cash and marketable investments was held by our foreign subsidiaries.

We are continuously evaluating alternatives for efficiently funding our capital expenditures and ongoing operations. We expect, from time to time, to engage in a variety of financing transactions for such purposes, including the issuance of securities. As of December 1, 2022, \$2.50 billion was available to draw under our Revolving Credit Facility. Funding of certain significant capital projects is also dependent on the receipt of government incentives, which are subject to conditions and may not be obtained.

To develop new product and process technology, support future growth, achieve operating efficiencies, and maintain product quality, we must continue to invest in manufacturing technologies, facilities and equipment, and R&D. We estimate capital expenditures in 2023 for property, plant, and equipment, net of partner contributions, to be in the range of \$7.0 billion to \$7.5 billion. Actual amounts for 2023 will vary depending on market conditions. As of December 1, 2022, we had purchase obligations of approximately \$3.56 billion for the acquisition of property, plant, and equipment, of which approximately \$2.73 billion is expected to be paid within one year. For a description of other contractual obligations, such as debt and leases, see “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Leases” and “– Debt.”

To support expected memory demand in the second half of the decade, we will need to add new DRAM wafer capacity. Following the enactment of the U.S. CHIPS and Science Act of 2022 (“CHIPS Act”), we announced plans to invest in two leading-edge memory manufacturing fabs in the United States, contingent on CHIPS Act support through grants and investment tax credits. As part of this plan, in September 2022, we broke ground on a leading-edge memory manufacturing fab in Boise, Idaho. Construction of the fab is expected to begin in calendar 2023 with DRAM production targeted to start in calendar 2025. In addition, in October 2022, we announced plans to build a second leading-edge DRAM manufacturing fab in Clay, New York. We plan to start site preparation work in calendar 2023 and expect construction to begin in calendar 2024, with production anticipated to ramp in the latter half of the decade. We expect these new fabs to fulfill our requirements for additional wafer capacity starting in the second half of the decade and beyond, in line with industry demand trends.

On November 1, 2021, we issued \$1 billion in aggregate principal amount of unsecured 2032 Green Bonds. Over time, we plan to allocate an amount equal to the net proceeds to fund eligible sustainability-focused projects involving renewable energy, green buildings, energy efficiency, water management, waste abatement, and a circular economy. Through November 1, 2022, the date of our 2022 Green Bond Report, we had allocated \$676 million toward this commitment. We currently anticipate that 100% of net proceeds of the 2032 Green Bonds will be allocated and dispersed for eligible projects by November 1, 2023.

Our Board of Directors has authorized the discretionary repurchase of up to \$10 billion of our outstanding common stock through open-market purchases, block trades, privately-negotiated transactions, derivative transactions, and/or pursuant to Rule 10b5-1 trading plans. The repurchase authorization has no expiration date, does not obligate us to acquire any common stock, and is subject to market conditions and our ongoing determination of the best use of available cash. Through December 1, 2022, we had repurchased an aggregate of \$6.89 billion of the authorized amount. See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Equity.”

On December 19, 2022, our Board of Directors declared a quarterly dividend of \$0.115 per share, payable in cash on January 19, 2023, to shareholders of record as of the close of business on January 3, 2023. The declaration and payment of any future cash dividends are at the discretion and subject to the approval of our Board of Directors. Our Board of Directors’ decisions regarding the amount and payment of dividends will depend on many factors, including, but not limited to, our financial condition, results of operations, capital requirements, business conditions, debt service obligations, contractual restrictions, industry practice, legal requirements, regulatory constraints, and other factors that our Board of Directors may deem relevant.

We expect that our cash and investments, cash flows from operations, and available financing will be sufficient to meet our requirements at least through the next 12 months and thereafter for the foreseeable future.

## Cash Flows

	First Quarter	
	2023	2022
Net cash provided by operating activities	\$ 943	\$ 3,938
Net cash provided by (used for) investing activities	(2,266)	(2,485)
Net cash provided by (used for) financing activities	2,632	(513)
Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash	(6)	(6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 1,303	\$ 934

**Operating Activities:** Cash provided by operating activities reflects net income (loss) adjusted for certain non-cash items, including depreciation expense, amortization of intangible assets, and stock-based compensation, and the effects of changes in operating assets and liabilities. The decrease in cash provided by operating activities for the first quarter of 2023 as compared to the first quarter of 2022 was primarily due to a net loss in the current quarter adjusted for non-cash items and the effect of lower receivables, partially offset by an increase in inventories and a decline in accounts payable and accrued expenses.

**Investing Activities:** For the first quarter of 2023, net cash used for investing activities consisted primarily of \$2.45 billion of expenditures for property, plant, and equipment, partially offset by \$272 million of net inflows from maturities, sales, and purchases of available-for-sale securities.

For the first quarter of 2022, net cash used for investing activities consisted primarily of \$3.27 billion of expenditures for property, plant, and equipment; inflows of \$55 million of partner contributions for capital expenditures; \$893 million of net inflows from the sale of the Lehi, Utah fab; and \$91 million of net outflows from purchases, sales, and maturities of available-for-sale securities.

**Financing Activities:** For the first quarter of 2023, net cash provided by financing activities consisted primarily of \$2.60 billion of proceeds from our 2025, 2026, and 2027 Term Loan A borrowings and \$749 million (net of original issue discount) from the issuance of the 2029 B Notes. See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt." Cash used for financing activities included \$425 million for the acquisition of 8.6 million shares of our common stock under our share repurchase authorization, \$126 million of cash payments of dividends to shareholders, and \$47 million of payments on equipment purchase contracts.

For the first quarter of 2022, net cash used for financing activities included \$1.95 billion of repayments of debt primarily to redeem the 2023 Notes and 2024 Notes, \$259 million for the acquisition of 3.6 million shares of our common stock under our share repurchase authorization, \$112 million of cash payments of dividends to shareholders, \$102 million used for stock repurchases related to tax withholdings for employee equity awards, and \$78 million of payments on equipment purchase contracts. Cash used for financing activities was partially offset by aggregate proceeds of \$2.00 billion from the issuance of the unsecured 2032 Green Bonds, 2041 Notes, and 2051 Notes.

## Critical Accounting Estimates

For a discussion of our critical accounting estimates, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" of our Annual Report on Form 10-K for the year ended September 1, 2022. There have been no changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended September 1, 2022.

## Recently Adopted Accounting Standards

No material items.

## Recently Issued Accounting Standards

No material items.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk related to our indebtedness. As of December 1, 2022 and September 1, 2022, we had fixed-rate debt with an aggregate carrying value of \$4.77 billion and \$4.03 billion, respectively, and as a result, the fair value of our debt fluctuates with changes in market interest rates. In the first quarter of 2023, we issued \$750 million principal amount of new fixed-rate debt. We estimate that, as of December 1, 2022 and September 1, 2022, a hypothetical 1% decrease in market interest rates would increase the fair value of our fixed-rate debt by approximately \$325 million and \$275 million, respectively.

As of December 1, 2022 and September 1, 2022, we had floating-rate debt as well as fixed-rate debt that is swapped to floating-rate debt with an aggregate principal amount of \$4.69 billion and \$2.09 billion, respectively. In the first quarter of 2023, we borrowed \$2.60 billion principal amount of new floating-rate debt. We estimate that, as of December 1, 2022 and September 1, 2022 a hypothetical 1% increase in the interest rates of this floating-rate debt would result in an increase in annual interest expense of approximately \$47 million and \$21 million, respectively.

For further discussion about market risk and sensitivity analysis related to changes in interest rates and currency exchange rates, see “Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended September 1, 2022.

## ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decisions regarding disclosure.

During the first quarter of 2023, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see “Part I – Item 3. Legal Proceedings” of our Annual Report on Form 10-K for the year ended September 1, 2022 and the sections titled “Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies” and “Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q.

SEC regulations require disclosure of certain proceedings related to environmental matters unless we reasonably believe that the related monetary sanctions, if any, will be less than a specified threshold. We use a threshold of \$1 million for this purpose.

## ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Form 10-Q, this section discusses important factors which could cause actual results or events to differ materially from those contained in any forward-looking statements made by us. The order of presentation is not necessarily indicative of the level of risk that each factor poses to us. Any of these factors could have a material adverse effect on our business, results of operations, financial condition, or stock price. Our operations could also be affected by other factors that are presently unknown to us or not considered significant.

### Risk Factor Summary

#### ***Risks Related to Our Business, Operations, and Industry***

- volatility in average selling prices of our products;
- our ability to maintain or improve gross margins;
- the highly competitive nature of our industry;
- a downturn in the worldwide economy;
- our ability to develop and produce new and competitive memory and storage technologies and products;
- dependency on specific customers, concentration of revenue with a select number of customers, and customers who are located internationally;
- our international operations, including geopolitical risks;
- limited availability and quality of materials, supplies, and capital equipment and dependency on third-party service providers for ourselves and our customers;
- the effects of the COVID-19 pandemic;
- products that fail to meet specifications, are defective, or are incompatible with end uses;
- disruptions to our manufacturing process from operational issues, natural disasters, or other events;
- breaches of our security systems or products, or those of our customers, suppliers, or business partners;
- attracting, retaining, and motivating highly skilled employees;
- realizing expected returns from capacity expansions;
- achieving or maintaining certain performance obligations associated with incentives from various governments;
- acquisitions and/or alliances;
- restructure charges;
- responsible sourcing requirements and related regulations; and
- ESG considerations.

#### ***Risks Related to Intellectual Property and Litigation***

- protecting our intellectual property and retaining key employees who are knowledgeable of and develop our intellectual property;
- legal proceedings and claims; and
- claims that our products or manufacturing processes infringe or otherwise violate the intellectual property rights of others or failure to obtain or renew license agreements covering such intellectual property.

#### ***Risks Related to Laws and Regulations***

- compliance with tariffs, trade restrictions, and/or trade regulations;
- tax expense and tax laws in key jurisdictions; and
- compliance with laws, regulations, or industry standards, including ESG considerations.

#### ***Risks Related to Capitalization and Financial Markets***

- our ability to generate sufficient cash flows or obtain access to external financing;
- our debt obligations;
- changes in foreign currency exchange rates;
- counterparty default risk;
- volatility in the trading price of our common stock; and
- fluctuations in the amount and timing of our common stock repurchases and payment of cash dividends and resulting impacts.

## Risks Related to Our Business, Operations, and Industry

### Volatility in average selling prices for our semiconductor memory and storage products may adversely affect our business.

We have experienced significant volatility in our average selling prices and may continue to experience such volatility in the future. For DRAM, annual percentage changes in average selling prices have ranged from approximately plus 35% to minus 35% since 2017. For NAND, annual percentage changes in average selling prices have ranged from nearly flat to approximately minus 50% since 2017. In some prior periods, average selling prices for our products have been below our manufacturing costs and we may experience such circumstances in the future. Average selling prices for our products that decline faster than our costs could have a material adverse effect on our business, results of operations, or financial condition.

### We may be unable to maintain or improve gross margins.

Our gross margins are dependent, in part, upon continuing decreases in per gigabit manufacturing costs achieved through improvements in our manufacturing processes and product designs. Factors that may limit our ability to reduce our per gigabit manufacturing costs at sufficient levels to maintain or improve gross margins include, but are not limited to:

- strategic product diversification decisions affecting product mix;
- increasing complexity of manufacturing processes;
- difficulties in transitioning to smaller line-width process technologies or additional 3D memory layers or NAND cell levels;
- process complexity including number of mask layers and fabrication steps;
- manufacturing yield;
- technological barriers;
- changes in process technologies;
- new products that may require relatively larger die sizes;
- start-up or other costs associated with capacity expansions; and
- higher costs of goods and services due to inflationary pressures or market conditions.

Many factors may result in a reduction of our output or a delay in ramping production, which could lead to underutilization of our production assets. These factors may include, among others, a weak demand environment, industry oversupply, inventory surpluses, difficulties in ramping emerging technologies, supply chain disruptions, and delays from equipment suppliers. A significant portion of our manufacturing costs are fixed and do not vary proportionally with changes in production output. As a result, lower utilization and corresponding increases in our per gigabit manufacturing costs may adversely affect our gross margins, business, results of operations, or financial condition.

We have a broad portfolio of products to address our customers' needs, which span multiple market segments and are subject to rapid technological changes. Our manufacturing costs on a per gigabit basis vary across our portfolio as they are largely influenced by the technology node in which the solution was developed. We strive to balance our demand and supply for each technology node, but the dynamics of our markets and our customers can create periods of imbalance, which can lead us to carry elevated inventory levels. Consequently, we may incur charges in connection with obsolete or excess inventories or we may not fully recover our costs, which would reduce our gross margins. In addition, due to the customized nature of certain of the products we manufacture, we may be unable to sell certain finished goods inventories to alternative customers or manufacture in-process inventory to different specifications, which may result in excess and obsolescence charges in future periods.

In addition, if we are unable to supply products that meet customer design and performance specifications, we may be required to sell such products at lower average selling prices, which may reduce our gross margins. Our gross margins may also be impacted by shifts in product mix, driven by our strategy to optimize our portfolio to best respond to changing market dynamics.

Our inability to maintain or improve gross margins could have a material adverse effect on our business, results of operations, or financial condition.

### The semiconductor memory and storage markets are highly competitive.

We face intense competition in the semiconductor memory and storage markets from a number of companies, including Intel Corporation; Kioxia Holdings Corporation; Samsung Electronics Co., Ltd.; SK hynix Inc.; and Western Digital Corporation. Our competitors may use aggressive pricing to obtain market share. Some of our competitors are large corporations or conglomerates that may have greater resources to invest in technology, capitalize on growth opportunities, and withstand downturns in the semiconductor markets in which we compete. Consolidation of industry competitors could put us at a competitive disadvantage as our competitors may benefit from increased manufacturing scale and a stronger product portfolio.

In addition, some governments may provide, or have provided and may continue to provide, significant assistance, financial or otherwise, to some of our competitors or to new entrants and may intervene in support of national industries and/or competitors. In particular, we face the threat of increasing competition as a result of significant investment in the semiconductor industry by the Chinese government and various state-owned or affiliated entities, such as Yangtze Memory Technologies Co., Ltd. ("YMTC") and ChangXin Memory Technologies, Inc. ("CXMT"), that is intended to advance China's stated national policy objectives. In addition, the Chinese government may restrict us from participating in the China market or may prevent us from competing effectively with Chinese companies.

We and our competitors generally seek to increase wafer output, improve yields, and reduce die size, which could result in significant increases in worldwide supply and downward pressure on prices. Increases in worldwide supply of semiconductor memory and storage also result from fabrication capacity expansions, either by way of new facilities, increased capacity utilization, or reallocation of other semiconductor production to semiconductor memory and storage production. Our competitors may increase capital expenditures resulting in future increases in worldwide supply. We, and some of our competitors, have plans to ramp, or are constructing or ramping, production at new fabrication facilities. Increases in worldwide supply of semiconductor memory and storage, if not accompanied by commensurate increases in demand, could lead to declines in average selling prices for our products and could materially adversely affect our business, results of operations, or financial condition. If competitors are more successful at developing or implementing new product or process technology, their products could have cost or performance advantages.

The competitive nature of our industry could have a material adverse effect on our business, results of operations, or financial condition.

### A downturn in the worldwide economy may harm our business.

Downturns in the worldwide economy, due to inflation, geopolitics, major central bank policy actions including interest rate increases, public health crises, or other factors, have harmed our business in the past and current and future downturns could also adversely affect our business. Adverse economic conditions affect demand for devices that incorporate our products, such as personal computers, smartphones, automobiles, and servers. Reduced demand for these or other products could result in significant decreases in our average selling prices and product sales. In addition, to the extent our customers or distributors have elevated inventory levels, we may experience a decrease in short-term and/or long-term demand resulting in industry oversupply and declines in pricing for our products.

A deterioration of conditions in worldwide credit markets could limit our ability to obtain external financing to fund our operations and capital expenditures. In addition, we may experience losses on our holdings of cash and investments due to failures of financial institutions and other parties. Difficult economic conditions may also result in a higher rate of losses on our accounts receivable due to credit defaults. As a result, downturns in the worldwide economy could have a material adverse effect on our business, results of operations, or financial condition.

## Our future success depends on our ability to develop and produce new and competitive memory and storage technologies and products.

Our key semiconductor memory and storage technologies face technological barriers to continue to meet long-term customer needs. These barriers include potential limitations on stacking additional 3D memory layers, increasing bits per cell (i.e., cell levels), meeting higher density requirements, improving power consumption and reliability, and delivering advanced features and higher performance. We may face technological barriers to continue to shrink our products at our current or historical rate, which has generally reduced per gigabit cost. We have invested and expect to continue to invest in R&D for new and existing products and process technologies, such as EUV lithography, to continue to deliver advanced product requirements. Such new technologies can add complexity and risk to our schedule and may affect our costs and production output. We may be unable to recover our investment in R&D or otherwise realize the economic benefits of reducing die size or increasing memory and storage densities. Our competitors are working to develop new memory and storage technologies that may offer performance and/or cost advantages to existing technologies and render existing technologies obsolete. Accordingly, our future success may depend on our ability to develop and produce viable and competitive new memory and storage technologies.

We are developing new products, including system-level memory and storage products and solutions, which complement our traditional products or leverage their underlying design or process technology. We have invested and expect to continue to invest in new semiconductor product and system-level solution development. We are increasingly differentiating our products and solutions to meet the specific demands of our customers, which increases our reliance on our customers' ability to accurately forecast the needs and preferences of their customers. As a result, our product demand forecasts may be impacted significantly by the strategic actions of our customers. In addition, our ability to successfully introduce new products often requires us to make product specification decisions multiple years in advance of when new products enter the market.

It is important that we deliver products in a timely manner with increasingly advanced performance characteristics at the time our customers are designing and evaluating samples for their products. If we do not meet their product design schedules, our customers may exclude us from further consideration as a supplier for those products. The process to develop new products requires us to demonstrate advanced functionality, performance, and reliability, often well in advance of a planned ramp of production, in order to secure design wins with our customers. Many factors may negatively impact our ability to meet anticipated timelines and/or expected or required quality standards with respect to the development of certain of our products. In addition, some of our components have long lead-times, requiring us to place orders up to a year in advance of anticipated demand. Such long lead-times increase the risk of excess inventory or loss of sales in the event our forecasts vary substantially from actual demand.

There can be no assurance of the following:

- we will be successful in developing competitive new semiconductor memory and storage technologies and products;
- we will be able to cost-effectively manufacture new products;
- we will be able to successfully market these technologies;
- margins generated from sales of these products will allow us to recover costs of development efforts;
- we will be able to establish or maintain key relationships with customers, or that we will not be prohibited from working with certain customers, for specific chip set or design requirements;
- we will accurately predict and design products that meet our customers' specifications; or
- we will be able to introduce new products into the market and qualify them with our customers on a timely basis.

Unsuccessful efforts to develop new memory and storage technologies and products could have a material adverse effect on our business, results of operations, or financial condition.



### A significant portion of our revenue is concentrated with a select number of customers.

In each of the last three years, approximately one-half of our total revenue was from our top ten customers. A disruption in our relationship with any of these customers could adversely affect our business. We could experience fluctuations in our customer base or the mix of revenue by customer as markets and strategies evolve. Our customers' demand for our products may fluctuate due to factors beyond our control. In addition, any consolidation of our customers could reduce the number of customers to whom our products may be sold. Our inability to meet our customers' requirements or to qualify our products with them could adversely impact our revenue. A meaningful change in the inventory strategy of our customers could impact our industry bit demand growth outlook. The loss of, or restrictions on our ability to sell to, one or more of our major customers, or any significant reduction in orders from, or a shift in product mix by, customers could have a material adverse effect on our business, results of operations, or financial condition.

### We face geopolitical and other risks associated with our international operations that could materially adversely affect our business, results of operations, or financial condition.

In addition to our U.S. operations, a substantial portion of our operations are conducted in Taiwan, Singapore, Japan, Malaysia, China, and India, and many of our customers, suppliers, and vendors also operate internationally. In 2022, nearly half of our revenue was from sales to customers who have headquarters located outside the United States, while over 80% of our revenue in 2022 was from products shipped to customer locations outside the United States.

Our international operations are subject to a number of risks, including:

- export and import duties, changes to import and export regulations, customs regulations and processes, and restrictions on the transfer of funds, including currency controls in China, which could negatively affect the amount and timing of payments from certain of our customers and, as a result, our cash flows;
- imposition of bans on sales of goods or services to one or more of our significant foreign customers;
- public health issues;
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act of 1977, as amended, sanctions and anti-corruption laws, export and import laws, and similar rules and regulations;
- theft of intellectual property;
- political and economic instability, including the effects of disputes between China and Taiwan and Russia's invasion of Ukraine;
- government actions or civil unrest preventing the flow of products and materials, including delays in shipping and obtaining products and materials, cancellation of orders, or loss or damage of products;
- problems with the transportation or delivery of products and materials;
- issues arising from cultural or language differences and labor unrest;
- longer payment cycles and greater difficulty in collecting accounts receivable;
- compliance with trade, technical standards, and other laws in a variety of jurisdictions;
- contractual and regulatory limitations on the ability to maintain flexibility with staffing levels;
- disruptions to manufacturing or R&D activities as a result of actions imposed by foreign governments;
- changes in economic policies of foreign governments; and
- difficulties in staffing and managing international operations.

If we or our customers, suppliers, or vendors are impacted by any of these risks, it could have a material adverse effect on our business, results of operations, or financial condition. For example, political, economic, or other actions may adversely affect our operations in Taiwan. A majority of our DRAM production output in 2022 was from our fabrication facilities in Taiwan and any loss of output could have a material adverse effect on us. Any political, economic, or other actions may also adversely affect our customers and the technology industry supply chain, for which Taiwan is a central hub, and as a result, could have a material adverse impact on us.

In addition, the U.S. government has in the past restricted American firms from selling products and software to certain of our customers and may in the future impose similar restrictions on one or more of our significant customers. These restrictions may not prohibit our competitors from selling similar products to our customers, which may result in our loss of sales and market share. Even when such restrictions are lifted, financial or other penalties or continuing export restrictions imposed with respect to our customers could have a continuing negative impact on our future revenue and results of operations, and we may not be able to recover any customers or market share we lose, or make such recoveries at acceptable average selling prices, while complying with such restrictions.

**Our business, results of operations, or financial condition could be adversely affected by the limited availability and quality of materials, supplies, and capital equipment, or dependency on third-party service providers.**

Our supply chain and operations are dependent on the availability of materials that meet exacting standards and the use of third parties to provide us with components and services. We generally have multiple sources of supply for our materials and services. However, only a limited number of suppliers are capable of delivering certain materials, components, and services that meet our standards and, in some cases, materials, components, or services are provided by a single or sole source, and we may be unable to qualify new suppliers on a timely basis. The availability of materials or components such as chemicals, silicon wafers, gases, photoresist, controllers, substrates, lead frames, printed circuit boards, targets, and reticle glass blanks is impacted by various factors. These factors could include a shortage of raw materials or a disruption in the processing or purification of those raw materials into finished goods. Shortages or increases in lead times have occurred in the past, are currently occurring with respect to some materials and components, and may occur from time to time in the future. Constraints within our supply chain for certain materials and integrated circuit components could limit our bit shipments, which could have a material adverse effect on our business, results of operations, or financial condition.

Our manufacturing processes are also dependent on our relationships with third-party manufacturers of controllers, analog integrated circuits, and other components used in some of our products and with outsourced semiconductor foundries, assembly and test providers, contract manufacturers, logistics carriers, and other service providers, including providers of electricity and other utilities. Although we have certain long-term contracts with some of our suppliers, many of these contracts do not provide for long-term capacity or pricing commitments. To the extent we do not have firm commitments from our third-party suppliers over a specific time period or for any specific capacity, quantity, and/or pricing, our suppliers may allocate capacity to their other customers and capacity and/or materials may not be available when needed or at reasonable prices. Inflationary pressures and shortages have increased, and may continue to increase, costs for materials, supplies, and services. Regardless of contract structure, large swings in demand may exceed our contracted supply and/or our suppliers' capacity to meet those demand changes resulting in a shortage of parts, materials, or capacity needed to manufacture our products. In addition, if any of our suppliers was to cease operations or become insolvent, this could impact their ability to provide us with necessary supplies, and we may not be able to obtain the needed supply in a timely way or at all from other providers.

Certain materials are primarily available in a limited number of countries, including rare earth elements, minerals, and metals. Trade disputes, geopolitical tensions, economic circumstances, political conditions, or public health issues, such as COVID-19, may limit our ability to obtain such materials. Although these rare earth and other materials are generally available from multiple suppliers, China is the predominant producer of certain of these materials. If China were to restrict or stop exporting these materials, our suppliers' ability to obtain such supply may be constrained and we may be unable to obtain sufficient quantities, or obtain supply in a timely manner, or at a commercially reasonable cost. Constrained supply of rare earth elements, minerals, and metals may restrict our ability to manufacture certain of our products and make it difficult or impossible to compete with other semiconductor memory manufacturers who are able to obtain sufficient quantities of these materials from China.

We and/or our suppliers and service providers could be affected by regional conflicts, sanctions, tariffs, embargoes, or other trade restrictions, as well as laws and regulations enacted in response to concerns regarding climate change, conflict minerals, responsible sourcing practices, public health crises, contagious disease outbreaks, or other matters, which could limit the supply of our materials and/or increase the cost. Environmental regulations could limit our ability to procure or use certain chemicals or materials in our operations or products. In addition, disruptions in transportation lines could delay our receipt of materials. Our ability to procure components to repair equipment essential for our manufacturing processes could also be negatively impacted by various restrictions or disruptions in supply chains, among other items. The disruption of our supply of materials, components, or services, or the extension of our lead times could have a material adverse effect on our business, results of operations, or financial condition.

Our operations are dependent on our ability to procure advanced semiconductor manufacturing equipment that enables the transition to lower cost manufacturing processes. For certain key types of equipment, including photolithography tools, we are sometimes dependent on a single supplier. From time to time, we have experienced difficulties in obtaining some equipment on a timely basis due to suppliers' limited capacity. Our inability to obtain equipment on a timely basis could adversely affect our ability to transition to next generation manufacturing processes and reduce our costs. Delays in obtaining equipment could also impede our ability to ramp production and could increase our overall costs of a ramp. Our inability to obtain advanced semiconductor manufacturing equipment in a timely manner could have a material adverse effect on our business, results of operations, or financial condition.

Our construction projects to expand production and R&D capacity are highly dependent on available sources of labor, materials, equipment, and services. Increasing demand, supply constraints, inflation, and other market conditions could result in increasing shortages and higher costs for these items. Difficulties in obtaining these resources could result in significant delays in completion of our construction projects and cost increases, which could have a material adverse effect on our business, results of operations, or financial condition.

Our inability to source materials, supplies, capital equipment, or third-party services could affect our overall production output and our ability to fulfill customer demand. Significant or prolonged shortages of our products could halt customer manufacturing and damage our relationships with these customers. Any damage to our customer relationships as a result of a shortage of our products could have a material adverse effect on our business, results of operations, or financial condition.

Similarly, if our customers experience disruptions to their supplies, materials, components, or services, or the extension of their lead times, they may reduce, cancel, or alter the timing of their purchases with us, which could have a material adverse effect on our business, results of operations, or financial condition.

#### **The continued effects of the COVID-19 pandemic could adversely affect our business, results of operations, and financial condition.**

The ongoing effects of the public health crisis caused by the COVID-19 pandemic and the measures being taken to limit COVID-19's impact on our business, results of operations, and financial condition are uncertain and difficult to predict, but may include, and in some cases, have included and may continue to include:

- Disruptions to our supply chain and our operations, or those of our suppliers, especially as a result of public health measures;
- Impacts to customer demand, resulting in industry oversupply and declines in pricing for our products;
- Adverse impacts to our business activities and increased costs from our efforts to mitigate the impact of COVID-19;
- Increased costs for, or unavailability of, transportation, raw materials, components, electricity and/or other energy sources, or other inputs necessary for the operation of our business;
- Reductions in, or cessation of, operations at one or more of our sites or those of our subcontractors or suppliers, resulting from government restrictions and/or our own measures to prevent and/or mitigate the spread of COVID-19; and
- Adverse impacts to our construction projects, which could hamper our ability to introduce new technologies, reduce costs, or meet customer demand.

These effects and other impacts of the pandemic, alone or taken together, could have a material adverse effect on our business, results of operations, or financial condition.

### **Increases in sales of system solutions may increase our dependency upon specific customers and our costs to develop, qualify, and manufacture our system solutions.**

Our development of system-level memory and storage products is dependent, in part, upon successfully identifying and meeting our customers' specifications for those products. Developing and manufacturing system-level products with specifications unique to a customer increases our reliance upon that customer for purchasing our products at sufficient volumes and prices in a timely manner. Even if our products meet customer specifications, our sales of system-level solutions are dependent upon our customers choosing our products over those of our competitors and purchasing our products at sufficient volumes and prices. Our competitors' products may be less costly, provide better performance, or include additional features when compared to our products. Our long-term ability to sell system-level memory and storage products is reliant upon our customers' ability to create, market, and sell their products containing our system-level solutions at sufficient volumes and prices in a timely manner. If we fail to successfully develop and market system-level products, our business, results of operations, or financial condition may be materially adversely affected.

Manufacturing system-level solutions, such as SSDs and managed NAND, typically results in higher per-unit manufacturing costs as compared to other products. Even if we are successful in selling system-level solutions to our customers in sufficient volume, we may be unable to generate sufficient profit if our per-unit manufacturing costs are not offset by higher per-unit selling prices. Manufacturing system-level solutions to customer specifications requires a longer development cycle, as compared to discrete products, to design, test, and qualify, which may increase our costs. Some of our system solutions are increasingly dependent on sophisticated firmware that may require significant customization to meet customer specifications, which increases our costs and time to market. Additionally, we may need to update our controller and hardware design as well as our firmware or develop new firmware as a result of new product introductions or changes in customer specifications and/or industry standards, which increases our costs. System complexities and extended warranties for system-level products could also increase our warranty costs. Our failure to cost-effectively manufacture system-level solutions and/or controller, hardware design, and firmware in a timely manner may result in reduced demand for our system-level products and could have a material adverse effect on our business, results of operations, or financial condition.

### **Products that fail to meet specifications, are defective, or are otherwise incompatible with end uses could impose significant costs on us.**

Products that do not meet specifications or that contain, or are perceived by our customers to contain, defects or that are otherwise incompatible with end uses could impose significant costs on us or otherwise materially adversely affect our business, results of operations, or financial condition. From time to time, we experience problems with nonconforming, defective, or incompatible products after we have shipped such products. In recent periods, we have further diversified and expanded our product offerings, which could potentially increase the chance that one or more of our products could fail to meet specifications in a particular application. Our products and solutions may be deemed fully or partially responsible for functionality in our customers' products and may result in sharing or shifting of product or financial liability from our customers to us for costs incurred by the end user as a result of our customers' products failing to perform as specified. In addition, if our products and solutions perform critical functions in our customers' products or are used in high-risk consumer end products, such as autonomous driver assistance programs, home and enterprise security, smoke and noxious gas detectors, medical monitoring equipment, or wearables for child and elderly safety, our potential liability may increase. We could be adversely affected in several ways, including the following:

- we may be required or agree to compensate customers for costs incurred or damages caused by defective or incompatible products and to replace products;
- we could incur a decrease in revenue or adjustment to pricing commensurate with the reimbursement of such costs or alleged damages; and
- we may encounter adverse publicity, which could cause a decrease in sales of our products or harm our reputation or relationships with existing or potential customers.

Any of the foregoing items could have a material adverse effect on our business, results of operations, or financial condition.

**If our manufacturing process is disrupted by operational issues, natural disasters, or other events, our business, results of operations, or financial condition could be materially adversely affected.**

We and our subcontractors manufacture products using highly complex processes that require technologically advanced equipment and continuous modification to improve yields and performance. Difficulties in the manufacturing process or the effects from a shift in product mix can reduce yields or disrupt production and may increase our per gigabit manufacturing costs. We and our subcontractors maintain operations and continuously implement new product and process technology at manufacturing facilities, which are widely dispersed in multiple locations in several countries including the United States, Singapore, Taiwan, Japan, Malaysia, and China. As a result of the necessary interdependence within our network of manufacturing facilities, an operational disruption at one of our or a subcontractor's facilities may have a disproportionate impact on our ability to produce many of our products.

From time to time, there have been disruptions in our manufacturing operations as a result of power outages, improperly functioning equipment, disruptions in supply of raw materials or components, or equipment failures. We have manufacturing and other operations in locations subject to natural occurrences and possible climate changes, such as severe and variable weather and geological events resulting in increased costs, or disruptions to our manufacturing operations or those of our suppliers or customers. In addition, climate change may pose physical risks to our manufacturing facilities or our suppliers' facilities, including increased extreme weather events that could result in supply delays or disruptions. Other events, including political or public health crises, such as an outbreak of contagious diseases like COVID-19 may also affect our production capabilities or that of our suppliers, including as a result of quarantines, closures of production facilities, lack of supplies, or delays caused by restrictions on travel or shipping. Events of the types noted above have occurred from time to time and may occur in the future. As a result, in addition to disruptions to operations, our insurance premiums may increase or we may not be able to fully recover any sustained losses through insurance.

If production is disrupted for any reason, manufacturing yields may be adversely affected, or we may be unable to meet our customers' requirements and they may purchase products from other suppliers. This could result in a significant increase in manufacturing costs, loss of revenue, or damage to customer relationships, any of which could have a material adverse effect on our business, results of operations, or financial condition.

**Breaches of our security systems or products, or those of our customers, suppliers, or business partners, could expose us to losses.**

We maintain a system of controls over the physical security of our facilities. We also manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, we process, store, and transmit large amounts of data relating to our customers and employees, including sensitive personal information. Unauthorized persons, employees, former employees, or other third parties may gain access to our facilities or technology infrastructure and systems to steal trade secrets or other proprietary information, compromise confidential information, create system disruptions, or cause shutdowns. This risk is exacerbated as competitors for talent, particularly engineering talent, increasingly attempt to hire our employees. Through cyberattacks on technology infrastructure and systems, unauthorized parties may obtain access to computer systems, networks, and data, including cloud-based platforms. The technology infrastructure and systems of our suppliers, vendors, service providers, cloud solution providers, and partners have in the past experienced, and may in the future experience, such attacks, which could impact our operations. Cyberattacks can include ransomware, computer denial-of-service attacks, worms, supply chain attacks, social engineering, and other malicious software programs or other attacks, including those using techniques that change frequently or may be disguised or difficult to detect, or designed to remain dormant until a triggering event, impersonation of authorized users, and efforts to discover and exploit any design flaws, "bugs," security vulnerabilities, as well as intentional or unintentional acts by employees or other insiders with access privileges. Globally, cyberattacks are increasing in number and the attackers are increasingly organized and well-financed, or supported by state actors, and are developing increasingly sophisticated systems to not only attack, but also to evade detection. In addition, geopolitical tensions or conflicts may create a heightened risk of cyberattacks. Breaches of our physical security, attacks on our technology infrastructure and systems, or breaches or attacks on our customers, suppliers, or business partners who have confidential or sensitive information regarding us and our customers and suppliers, could result in significant losses and damage our reputation with customers and suppliers and may expose us to litigation if the confidential information of our customers, suppliers, or employees is compromised.

Our products are also targets for cyberattacks, including those products utilized in cloud-based environments. While some of our products contain encryption or security algorithms to protect third-party content or user-generated data stored on our products, these products could still be hacked or the encryption schemes could be compromised, breached, or circumvented by motivated and sophisticated attackers. Further, our products contain sophisticated hardware and firmware and applications that may contain security vulnerabilities or defects in design or manufacture, including “bugs” and other problems that could interfere with the intended operation of our products. To the extent our products are hacked, or the encryption schemes are compromised or breached, this could harm our business by requiring us to employ additional resources to fix the errors or defects, exposing us to litigation, claims, and harm to our reputation.

Any of the foregoing security risks could have a material adverse effect on our business, results of operations, or financial condition.

#### **We must attract, retain, and motivate highly skilled employees.**

To remain competitive, we must attract, retain, and motivate executives and other highly skilled, diverse employees, as well as effectively manage succession for key employees. Competition for experienced employees in our industry is intense. Hiring and retaining qualified executives and other employees is critical to our business. If our total compensation programs, employment benefits, and workplace culture are not viewed as competitive and inclusive, our ability to attract, retain, and motivate employees could be compromised.

At times, we experience higher levels of attrition, increasing compensation costs, and more intense competition for talent across our industry. To the extent we experience significant attrition and are unable to timely replace employees, we could experience a loss of critical skills and reduced employee morale, potentially resulting in business disruptions or increased expenses to address any disruptions. Additionally, changes to immigration policies in the countries in which we operate, as well as restrictions on travel due to public health crises or other causes, may limit our ability to hire and/or retain talent in, or transfer talent to, specific locations.

Our inability to attract, retain, and motivate executives and other employees or effectively manage succession of key roles may inhibit our ability to maintain or expand our business operations.

#### **We may not be able to achieve expected returns from capacity expansions.**

We have announced our intent to expand our DRAM production capacity in the United States and we also make capital investments in projects outside the United States.

These expansions involve several risks including the following:

- capital expenditure requirements for capacity expansions during periods of relatively low free cash flow generation, resulting from challenging memory and storage industry conditions;
- availability of necessary funding, which may include external sources;
- ability to realize expected grants, investment tax credits, and other government incentives, including through the CHIPS Act and foreign, state, and local grants;
- potential changes in laws or provisions of grants, investment tax credits, and other government incentives;
- potential restrictions on expanding in certain geographies;
- availability of equipment and construction materials;
- ability to complete construction as scheduled and within budget;
- availability of the necessary workforce;
- ability to timely ramp production in a cost-effective manner;
- increases to our cost structure until new production is ramped to adequate scale; and
- sufficient growth in customer demand to meet our increased output.

We invest our capital in areas that we believe best align with our business strategy and optimize future returns. Investments in capital expenditures may not generate expected returns or cash flows. Significant judgment is required to determine which capital investments will result in optimal returns, and we could invest in projects that are ultimately less profitable than those projects we do not select. Delays in completion and ramping of new production facilities, or failure to optimize our investment choices, could significantly impact our ability to realize expected returns on our capital expenditures.

Any of the above factors could have a material adverse effect on our business, results of operations, or financial condition.

**Our incentives from various governments are conditional upon achieving or maintaining certain performance obligations and are subject to reduction, termination, or clawback.**

We have received, and may in the future continue to receive, benefits and incentives from national, state, and local governments in various regions of the world designed to encourage us to establish, maintain, or increase investment, workforce, or production in those regions. These incentives may take various forms, including grants, loan subsidies, and tax arrangements, and typically require us to achieve or maintain certain levels of investment, capital spending, employment, technology deployment, or research and development activities to qualify for such incentives or could restrict us from undertaking certain activities. We may be unable to obtain significant future incentives to continue to fund a portion of our capital expenditures and operating costs, without which our cost structure would be adversely impacted. We also cannot guarantee that we will successfully achieve performance obligations required to qualify for these incentives or that the granting agencies will provide such funding. These incentive arrangements typically provide the granting agencies with rights to audit our compliance with their terms and obligations. Such audits could result in modifications to, or termination of, the applicable incentive program. The incentives we receive could be subject to reduction, termination, or clawback, and any decrease or clawback of government incentives could have a material adverse effect on our business, results of operations, or financial condition.

**Acquisitions and/or alliances involve numerous risks.**

Acquisitions and the formation or operation of alliances, such as joint ventures and other partnering arrangements, involve numerous risks, including the following:

- integrating the operations, technologies, and products of acquired or newly formed entities into our operations;
- increasing capital expenditures to upgrade and maintain facilities;
- increased debt levels;
- the assumption of unknown or underestimated liabilities;
- the use of cash to finance a transaction, which may reduce the availability of cash to fund working capital, capital expenditures, R&D expenditures, and other business activities;
- diverting management's attention from daily operations;
- managing larger or more complex operations and facilities and employees in separate and diverse geographic areas;
- hiring and retaining key employees;
- requirements imposed by government authorities in connection with the regulatory review of a transaction, which may include, among other things, divestitures or restrictions on the conduct of our business or the acquired business;
- underestimating the costs or overestimating the benefits, including product, revenue, cost and other synergies and growth opportunities that we expect to realize, and we may not achieve those benefits;
- failure to maintain customer, vendor, and other relationships;
- inadequacy or ineffectiveness of an acquired company's internal financial controls, disclosure controls and procedures, compliance programs, and/or environmental, health and safety, anti-corruption, human resource, or other policies or practices; and
- impairment of acquired intangible assets, goodwill, or other assets as a result of changing business conditions or technological advancements.

The global memory and storage industry has experienced consolidation and may continue to consolidate. We engage, from time to time, in discussions regarding potential acquisitions and similar opportunities. To the extent we are successful in completing any such transactions, we could be subject to some or all of the risks described above, including the risks pertaining to funding, assumption of liabilities, integration challenges, and increases in debt that may accompany such transactions. Acquisitions of, or alliances with, technology companies are inherently risky and may not be successful and could have a material adverse effect on our business, results of operations, or financial condition.



**We may incur restructure charges in future periods and may not realize expected savings or other benefits from restructure activities.**

In the second quarter of 2023, we initiated a restructure plan in response to current market conditions. See “Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Subsequent Events.” In addition, we may in the future, enter into other restructure initiatives in order to, among other items, streamline our operations, respond to changes in business conditions, our markets, or product offerings, or to centralize certain key functions.

We may not realize expected savings or other benefits from our current or future restructure activities and may incur additional restructure charges or other losses in future periods associated with other initiatives. In connection with any restructure initiatives, we could incur restructure charges, loss of production output, loss of key personnel, disruptions in our operations, and difficulties in the timely delivery of products, which could have a material adverse effect on our business, results of operations, or financial condition.

**Compliance with responsible sourcing requirements and any related regulations could increase our operating costs, or limit the supply and increase the cost of certain materials, supplies, and services, and if we fail to comply, customers may reduce purchases from us or disqualify us as a supplier.**

We and many of our customers have adopted responsible sourcing programs that require us to meet certain ESG criteria, and to periodically report on our performance against these requirements, including that we source the materials, supplies, and services we use and incorporate into the products we sell as prescribed by these programs. Many customer programs require us to remove a supplier within a prescribed period if such supplier ceases to comply with prescribed criteria, and our supply chain may at any time contain suppliers at risk of being removed due to non-compliance with responsible sourcing requirements. Some of our customers may elect to disqualify us as a supplier (resulting in a permanent or temporary loss of sales to such customer) or reduce purchases from us if we are unable to verify that our performance or products (including the underlying supply chain) meet the specifications of our customers’ responsible sourcing programs on a continuous basis. Meeting responsible sourcing requirements may increase operating requirements and costs or limit the sourcing and availability of some of the materials, supplies, and services we use, particularly when the availability of such materials, supplies, and services is concentrated to a limited number of suppliers. From time to time, we remove suppliers or require our suppliers to remove suppliers from their supply chains based on our responsible sourcing requirements or customer requirements, and we or our suppliers may be unable to replace such removed suppliers in a timely or cost-effective manner. Any inability to replace removed suppliers in a timely or cost effective manner may affect our ability and/or the cost to obtain sufficient quantities of materials, supplies, and services necessary for the manufacture of our products. Our inability to replace suppliers we have removed in a timely or cost-effective manner or comply with customers’ responsible sourcing requirements or with any related regulations could have a material adverse effect on our business, results of operations, or financial condition.



### **Failure to meet ESG expectations or standards or achieve our ESG goals could adversely affect our business, results of operations, financial condition, or stock price.**

In recent years, there has been an increased focus from stakeholders on ESG matters, including greenhouse gas emissions and climate-related risks, renewable energy, water stewardship, waste management, diversity, equality and inclusion, responsible sourcing and supply chain, human rights, and social responsibility. Given our commitment to ESG, we actively manage these issues and have established and publicly announced certain goals, commitments, and targets which we may refine or even expand further in the future. These goals, commitments, and targets reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Evolving stakeholder expectations and our efforts to manage these issues, report on them, and accomplish our goals present numerous operational, regulatory, reputational, financial, legal, and other risks, any of which could have a material adverse impact, including on our reputation and stock price.

Such risks and uncertainties include:

- reputational harm, including damage to our relationships with customers, suppliers, investors, governments, or other stakeholders;
- adverse impacts on our ability to sell and manufacture products;
- the success of our collaborations with third parties;
- increased risk of litigation, investigations, or regulatory enforcement action;
- unfavorable ESG ratings or investor sentiment;
- diversion of resources and increased costs to control, assess, and report on ESG metrics;
- our ability to achieve our goals, commitments, and targets within timeframes announced;
- increased costs to achieve our goals, commitments, and targets;
- unforeseen operational and technological difficulties;
- access to and increased cost of capital; and
- adverse impacts on our stock price.

Any failure, or perceived failure, to meet evolving stakeholder expectations and industry standards or achieve our ESG goals, commitments, and targets could have an adverse effect on our business, results of operations, financial condition, or stock price.

## **Risks Related to Intellectual Property and Litigation**

### **We may be unable to protect our intellectual property or retain key employees who are knowledgeable of and develop our intellectual property.**

We maintain a system of controls over our intellectual property, including U.S. and foreign patents, trademarks, copyrights, trade secrets, licensing arrangements, confidentiality procedures, non-disclosure agreements with employees, consultants, and vendors, and a general system of internal controls. Despite our system of controls over our intellectual property, it may be possible for our current or future competitors to obtain, copy, use, or disclose, illegally or otherwise, our product and process technology or other proprietary information. The laws of some foreign countries may not protect our intellectual property to the same degree as do U.S. laws, and our confidentiality, non-disclosure, and non-compete agreements may be unenforceable or difficult and costly to enforce.

Additionally, our ability to maintain and develop intellectual property is dependent upon our ability to attract, develop, and retain highly skilled employees. If our competitors or future entrants into our industry are successful in hiring our employees, they may directly benefit from the knowledge these employees gained while they were under our employment, and this may also negatively impact our ability to maintain and develop intellectual property.

Our inability to protect our intellectual property or retain key employees who are knowledgeable of and develop our intellectual property could have a material adverse effect on our business, results of operations, or financial condition.

**Legal proceedings and claims could have a material adverse effect on our business, results of operations, or financial condition.**

From time to time, we are subject to various legal proceedings and claims that arise out of the ordinary conduct of our business or otherwise, both domestically and internationally. Such claims include, but are not limited to, allegations of anticompetitive conduct and infringement of intellectual property. See “Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies.”

Any claim, with or without merit, could result in significant legal fees that could negatively impact our financial results, disrupt our operations, and require significant attention from our management. We may be associated with and subject to litigation, claims, or arbitration disputes arising from, or as a result of:

- our relationships with vendors or customers, supply agreements, or contractual obligations with our subcontractors or business partners;
- the actions of our vendors, subcontractors, or business partners;
- our indemnification obligations, including obligations to defend our customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, trademarks, copyrights, or trade secrets; and
- the terms of our product warranties or from product liability claims.

As we continue to focus on developing system solutions with manufacturers of consumer products, including autonomous driving, augmented reality, and others, we may be exposed to greater potential for personal liability claims against us as a result of consumers’ use of those products. We, our officers, or our directors could also be subject to claims of alleged violations of securities laws. There can be no assurance that we are adequately insured to protect against all claims and potential liabilities, and we may elect to self-insure with respect to certain matters. Exposures to various legal proceedings and claims could lead to significant costs and expenses as we defend claims, are required to pay damage awards, or enter into settlement agreements, any of which could have a material adverse effect on our business, results of operations, or financial condition.

**Claims that our products or manufacturing processes infringe or otherwise violate the intellectual property rights of others, or failure to obtain or renew license agreements covering such intellectual property, could materially adversely affect our business, results of operations, or financial condition.**

As is typical in the semiconductor and other high technology industries, from time to time others have asserted, and may in the future assert, that our products or manufacturing processes infringe upon, misappropriate, misuse, or otherwise violate their intellectual property rights. We are unable to predict the outcome of these assertions made against us. Any of these types of claims, regardless of the merits, could subject us to significant costs to defend or resolve such claims and may consume a substantial portion of management’s time and attention. As a result of these claims, we may be required to:

- pay significant monetary damages, fines, royalties, or penalties;
- enter into license or settlement agreements covering such intellectual property rights;
- make material changes to or redesign our products and/or manufacturing processes; and/or
- cease manufacturing, having made, selling, offering for sale, importing, marketing, or using products and/or manufacturing processes in certain jurisdictions.

We may not be able to take any of the actions described above on commercially reasonable terms and any of the foregoing results could have a material adverse effect on our business, results of operations, or financial condition. See “Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies.”

We have a number of intellectual property license agreements. Some of these license agreements require us to make one-time or periodic payments. We may need to obtain additional licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on terms acceptable to us. The failure to obtain or renew licenses as necessary could have a material adverse effect on our business, results of operations, or financial condition.

## Risks Related to Laws and Regulations

**Government actions and regulations, such as export restrictions, tariffs, and trade protection measures, may limit our ability to sell our products to certain customers or markets, or could otherwise restrict our ability to conduct operations.**

International trade disputes, geopolitical tensions, and military conflicts have led, and continue to lead, to new and increasing export restrictions, trade barriers, tariffs, and other trade measures that can increase our manufacturing costs, make our products less competitive, reduce demand for our products, limit our ability to sell to certain customers or markets, limit our ability to procure, or increase our costs for, components or raw materials, impede or slow the movement of our goods across borders, impede our ability to perform R&D activities, or otherwise restrict our ability to conduct operations. Increasing protectionism, economic nationalism, and national security concerns may lead to further changes in trade policy, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in, or restrict our access to, some markets and/or customers.

We cannot predict what further actions may ultimately be taken with respect to export regulations, tariffs or other trade regulations between the United States and other countries, what products or companies may be subject to such actions, or what actions may be taken by other countries in retaliation. Further changes in trade policy, tariffs, restrictions on exports or other trade barriers, or restrictions on supplies, equipment, and raw materials including rare earth minerals, may limit our ability to produce products, increase our selling and/or manufacturing costs, decrease margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase necessary equipment and supplies. Such changes may also result in reputational harm to us, the development or adoption of technologies that compete with our products, long-term changes in global trade and technology supply chains, or negative impacts on our customers' products which incorporate our solutions. Any of the effects described in this risk factor could have a material adverse effect on our business, results of operations, or financial condition.

The technology industry is subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties. Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, or agents will not violate such laws or our policies. Violations of trade laws, restrictions, or regulations can result in fines; criminal sanctions against us or our officers, directors, or employees; prohibitions on the conduct of our business; and damage to our reputation.

**Tax-related matters could have a material adverse effect on our business, results of operations, or financial condition.**

We are subject to income taxes in the United States and many foreign jurisdictions. Our provision for income taxes and cash tax liabilities in the future could be adversely affected by numerous factors, including changes in the geographic mix of our earnings among jurisdictions, mandatory capitalization of R&D expenses beginning in 2023, challenges by tax authorities to our tax positions and intercompany transfer pricing arrangements, failure to meet performance obligations with respect to tax incentive agreements, expanding our operations in various countries, fluctuations in foreign currency exchange rates, adverse resolution of audits and examinations of previously filed tax returns, and changes in tax laws and regulations.

Changes to income tax laws and regulations, or the interpretation of such laws, in any of the jurisdictions in which we operate could significantly increase our effective tax rate and ultimately reduce our cash flows from operating activities and otherwise have a material adverse effect on our financial condition. Beginning in 2024, the Inflation Reduction Act of 2022 imposes a 15% book minimum tax on corporations with three-year average annual adjusted financial statement income exceeding \$1 billion. We are in the process of assessing whether the book minimum tax would impact our effective tax rate. Further changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting project undertaken by the Organisation for Economic Co-operation and Development. If implemented by taxing authorities in countries where we do business, such changes, could have a material adverse effect on our business, results of operations, or financial condition.

**We and others are subject to a variety of laws, regulations, or industry standards, including with respect to ESG considerations, which may have a material adverse effect on our business, results of operations, or financial condition.**

The manufacture of our products requires the use of facilities, equipment, and materials that are subject to a broad array of laws and regulations in numerous jurisdictions in which we operate. Additionally, we are subject to a variety of other laws and regulations relative to the construction, maintenance, and operations of our facilities. Any changes in laws, regulations, or industry standards could cause us to incur additional direct costs, as well as increased indirect costs related to our relationships with our customers and suppliers, and otherwise harm our operations and financial condition. Any failure to comply with laws, regulations, or industry standards could adversely impact our reputation and our financial results. Additionally, we engage various third parties as sales channel partners or to represent us or otherwise act on our behalf who are also subject to a broad array of laws, regulations, and industry standards. Our engagement with these third parties may also expose us to risks associated with their respective compliance with laws and regulations.

New ESG considerations, including those related to climate change and the potential resulting environmental impact, may result in new laws, regulations, or industry standards that may affect us, our suppliers, and our customers. Such laws, regulations, or industry standards could cause us to incur additional direct costs for compliance, as well as increased indirect costs resulting from our customers, suppliers, or both incurring additional compliance costs that are passed on to us. These costs may adversely impact our results of operations and financial condition.

As a result of the items detailed in this risk factor, we could experience the following:

- suspension of production or sales of our products;
- remediation costs;
- increased compliance costs;
- alteration of our manufacturing processes;
- regulatory penalties, fines, and legal liabilities; and
- reputational challenges.

Compliance with, or our failure, or the failure of our third-party sales channel partners or agents, to comply with, laws, regulations, or industry standards could have a material adverse effect on our business, results of operations, or financial condition.

## Risks Related to Capitalization and Financial Markets

**We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations, make scheduled debt payments, pay our dividend, and make adequate capital investments.**

Our cash flows from operations depend primarily on the volume of semiconductor memory and storage products sold, average selling prices, and manufacturing costs. To develop new product and process technology, support future growth, achieve operating efficiencies, and maintain product quality, we must make significant capital investments in manufacturing technology, capital equipment, facilities, R&D, and product and process technology. We estimate capital expenditures in 2023 for property, plant, and equipment, net of partner contributions, will be in the range of \$7.0 billion to \$7.5 billion.

In the past we have utilized external sources of financing when needed. As a result of our debt levels, expected debt amortization, and general capital market and other economic conditions, it may be difficult for us to obtain financing on terms acceptable to us or at all. We have experienced volatility in our cash flows and operating results and may continue to experience such volatility in the future, which may negatively affect our credit rating. Our credit rating may also be affected by our liquidity, financial results, economic risk, or other factors, which may increase the cost of future borrowings and make it difficult for us to obtain financing on terms acceptable to us or at all. There can be no assurance that we will be able to generate sufficient cash flows, access capital or credit markets, or find other sources of financing to fund our operations, make debt payments, pay our quarterly dividend, and make adequate capital investments to remain competitive in terms of technology development and cost efficiency. Our inability to do any of the foregoing could have a material adverse effect on our business, results of operations, or financial condition.

**Debt obligations could adversely affect our financial condition.**

We have incurred in the past, and expect to incur in the future, debt to finance our capital investments, business acquisitions, and to realign our capital structure. As of December 1, 2022, we had debt with a carrying value of \$10.27 billion and may incur additional debt, including under our \$2.50 billion Revolving Credit Facility. Our debt obligations could adversely impact us as follows:

- require us to use a large portion of our cash flow to pay principal and interest on debt, which will reduce the amount of cash flow available to fund our business activities;
- adversely impact our credit rating, which could increase future borrowing costs;
- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, R&D, and other general corporate requirements;
- restrict our ability to incur specified indebtedness, create or incur certain liens, and enter into sale-leaseback financing transactions;
- increase our vulnerability to adverse economic and industry conditions;
- increase our exposure to rising interest rates from variable rate indebtedness; and
- result in certain of our debt instruments becoming immediately due and payable or being deemed to be in default if applicable cross default, cross-acceleration and/or similar provisions are triggered.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flows or obtain external financing in the future. This, to some extent, is subject to market, economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in amounts sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. Additionally, events and circumstances may occur which would cause us to not be able to satisfy applicable draw-down conditions and utilize our Revolving Credit Facility. If we are unable to generate sufficient cash flows to service our debt payment obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business, results of operations, or financial condition.

**Changes in foreign currency exchange rates could materially adversely affect our business, results of operations, or financial condition.**

Across our global operations, significant transactions and balances are denominated in currencies other than the U.S. dollar (our reporting currency), primarily the euro, Malaysian ringgit, Singapore dollar, New Taiwan dollar, and yen. In addition, a significant portion of our manufacturing costs are denominated in foreign currencies. Exchange rates for some of these currencies against the U.S. dollar have been volatile and may be volatile in future periods. If these currencies strengthen against the U.S. dollar, our manufacturing costs could significantly increase. Exchange rates for the U.S. dollar that adversely change against our foreign currency exposures could have a material adverse effect on our business, results of operations, or financial condition.

**We are subject to counterparty default risks.**

We have numerous arrangements with financial institutions that subject us to counterparty default risks, including cash deposits, investments, and derivative instruments. Additionally, we are subject to counterparty default risk from our customers for amounts receivable from them. As a result, we are subject to the risk that the counterparty will default on its performance obligations. A counterparty may not comply with its contractual commitments which could then lead to its defaulting on its obligations with little or no notice to us, which could limit our ability to mitigate our exposure. Additionally, our ability to mitigate our exposures may be constrained by the terms of our contractual arrangements or because market conditions prevent us from taking effective action. If one of our counterparties becomes insolvent or files for bankruptcy, our ability to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceedings. In the event of such default, we could incur significant losses, which could have a material adverse effect on our business, results of operations, or financial condition.

**The trading price of our common stock has been and may continue to be volatile.**

Our common stock has experienced substantial price volatility in the past and may continue to do so in the future. Additionally, we, the technology industry, and the stock market as a whole have on occasion experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to the specific operating performance of individual companies. The trading price of our common stock may fluctuate widely due to various factors, including, but not limited to, actual or anticipated fluctuations in our financial condition and operating results, changes in financial forecasts or estimates by us or financial or other market estimates and ratings by securities and other analysts, changes in our capital structure, including issuance of additional debt or equity to the public, interest rate changes, regulatory changes, news regarding our products or products of our competitors, and broad market and industry fluctuations.

For these reasons, investors should not rely on recent or historical trends to predict future trading prices of our common stock, financial condition, results of operations, or cash flows. Investors in our common stock may not realize any return on their investment in us and may lose some or all of their investment. Volatility in the trading price of our common stock could also result in the filing of securities class action litigation matters, which could result in substantial costs and the diversion of management time and resources.

The amount and frequency of our share repurchases may fluctuate, and we cannot guarantee that we will fully consummate our share repurchase authorization, or that it will enhance long-term shareholder value. Share repurchases could also increase the volatility of the trading price of our stock and will diminish our cash reserves.

The amount, timing, and execution of our share repurchases pursuant to our share repurchase authorization may fluctuate based on our operating results, cash flows, and priorities for the use of cash for other purposes. Our expenditures for share repurchases were \$2.43 billion in 2022, \$1.20 billion in 2021, \$176 million in 2020, and \$2.66 billion in 2019. These other purposes include, but are not limited to, operational spending, capital spending, acquisitions, and repayment of debt. Other factors, including changes in tax laws, could also impact our share repurchases. Although our Board of Directors has authorized share repurchases of up to \$10 billion of our outstanding common stock, the authorization does not obligate us to repurchase any common stock.

We cannot guarantee that our share repurchase authorization will be fully consummated or that it will enhance long-term shareholder value. The repurchase authorization could affect the trading price of our stock and increase volatility, and any announcement of a pause in, or termination of, this program may result in a decrease in the trading price of our stock. In addition, this program will diminish our cash reserves.

**There can be no assurance that we will continue to declare cash dividends in any particular amounts or at all.**

Our Board of Directors has adopted a dividend policy pursuant to which we currently pay a cash dividend on our common shares on a quarterly basis. The declaration and payment of any dividend is subject to the approval of our Board of Directors and our dividend may be discontinued or reduced at any time. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all.

Future dividends, if any, and their timing and amount, may be affected by, among other factors: our financial condition, results of operations, capital requirements, business conditions, debt service obligations, contractual restrictions, industry practice, legal requirements, regulatory constraints, and other factors that our Board of Directors may deem relevant. A reduction in or elimination of our dividend payments could have a negative effect on the trading price of our stock.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In May 2018, we announced that our Board of Directors authorized the discretionary repurchase of up to \$10 billion of our outstanding common stock through open-market purchases, block trades, privately-negotiated transactions, derivative transactions, and/or pursuant to Rule 10b5-1 trading plans. The repurchase authorization has no expiration date, does not obligate us to acquire any common stock, and is subject to market conditions and our ongoing determination of the best use of available cash.

Period		Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under publicly announced plans or programs (in millions)
September 2, 2022	— October 6, 2022	8,577,145	\$ 49.58	8,577,145	
October 7, 2022	– November 3, 2022	—	—	—	
November 4, 2022	– December 1, 2022	—	—	—	
		<u>8,577,145</u>	<u>\$ 49.58</u>	<u>8,577,145</u>	\$3,106

Shares of common stock withheld as payment of withholding taxes and exercise prices in connection with the vesting or exercise of equity awards are also treated as common stock repurchases. Those withheld shares of common stock are not required to be disclosed under Item 703 of Regulation S-K and accordingly are excluded from the amounts in the table above.



## ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Filed Herewith	Form	Period Ending	Exhibit/ Appendix	Filing Date
4.1	<u>Fifth Supplemental Indenture, dated as of October 31, 2022, by and between Micron Technology, Inc. and U.S. Bank Trust Company, National Association, as Trustee</u>		8-K	10/31/22	4.2	10/31/22
4.2	<u>Form of Note for Micron Technology, Inc.'s 6.750% Senior Notes due 2029 (included in Exhibit 4.1)</u>		8-K	10/31/22	4.3	10/31/22
10.1*	<u>Amended and Restated 2004 Equity Incentive Plan</u>	X				
10.2*	<u>2004 Equity Incentive Plan Forms of Agreement and Terms and Conditions</u>	X				
10.3*	<u>2007 Equity Incentive Plan Forms of Agreement and Terms and Conditions</u>	X				
10.4	<u>Term Loan Credit Agreement, dated as of November 3, 2022, by and among Micron Technology, Inc., as borrower, Wells Fargo Bank, National Association, as administrative agent, the other agents party thereto, and each financial institution party from time to time thereto</u>	X				
31.1	<u>Rule 13a-14(a) Certification of Chief Executive Officer</u>	X				
31.2	<u>Rule 13a-14(a) Certification of Chief Financial Officer</u>	X				
32.1	<u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350</u>	X				
32.2	<u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350</u>	X				
101.INS	<u>Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document</u>	X				
101.SCH	<u>Inline XBRL Taxonomy Extension Schema Document</u>	X				
101.CAL	<u>Inline XBRL Taxonomy Extension Calculation Linkbase Document</u>	X				
101.DEF	<u>Inline XBRL Taxonomy Extension Definition Linkbase Document</u>	X				
101.LAB	<u>Inline XBRL Taxonomy Extension Label Linkbase Document</u>	X				
101.PRE	<u>Inline XBRL Taxonomy Extension Presentation Linkbase Document</u>	X				
104	<u>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit X 101)</u>					

\* Indicates management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Micron Technology, Inc.

(Registrant)

Date: December 22, 2022

By: /s/ Mark Murphy

Mark Murphy

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

/s/ Scott Allen

Scott Allen

Corporate Vice President and Chief Accounting Officer

(Principal Accounting Officer)