

**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 March 4, 2021

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



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

☐

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.

☐

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 March 25, 2021 was 1,121,415,561.

Micron Corporate Profile

Founded on October 5, 1978

Headquartered in
Boise, Idaho, USA

4th

Largest semiconductor company
in the world*

134

On the 2020 Fortune 500

44,000

Patents granted and growing**

17

Countries**

13

Manufacturing sites and
14 customer labs**

40,000

Team members**

*Based on Gartner Market Share: Semiconductors
by End Market, Worldwide, 2019 (April 2020),
excluding IP/software revenue

**Micron data as of September 3, 2020.

Media Inquiries

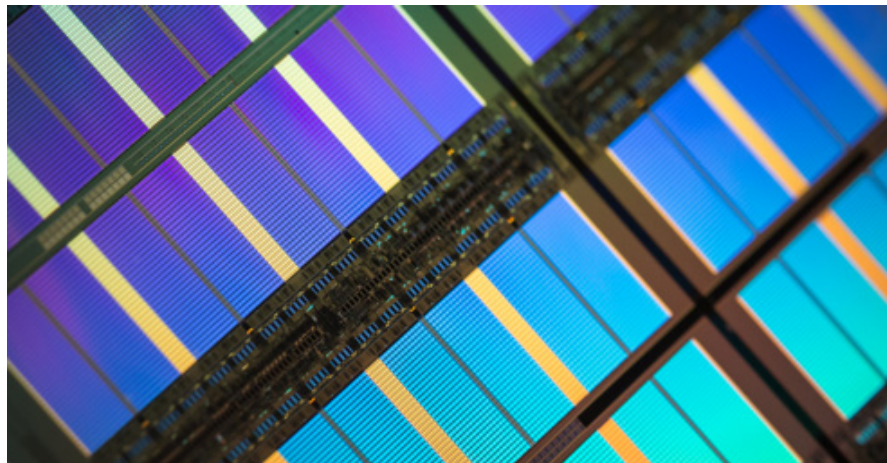
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It's All About Data

Data is today's new business currency, and memory and storage are emerging as strategic differentiators which will redefine how we extract value from data to learn, explore, communicate, and navigate our world.

Who We Are

Micron designs, develops, and manufactures industry-leading memory and storage products. By creating rapid advancements in artificial intelligence, 5G, machine learning, and autonomous vehicles, we unlock innovation in key market segments like mobile, data center, healthcare, automotive, and cloud networking. Our technology and expertise are central to 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 continue to lead the transformation of information intelligence. In a world of change, we remain nimble, allowing our products to continue inspiring the world to learn, communicate, and advance faster than ever.

Our Commitment

The world has come to expect our commitment to innovative solutions and people depend on our integrity. We rededicate ourselves daily to demonstrating our environmental conscience, an inclusive team culture where all voices are heard and respected, and sharing our philanthropic social giving for good.

Global Product Portfolio

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

Connect with us on micron.com

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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 2023	GDDR	Graphics Double Data Rate
2024 Notes	4.640% Senior Notes due 2024	IMFT	IM Flash Technologies, LLC
2024 Term Loan A	Senior Term Loan A due 2024	Inotera	Inotera Memories, Inc.
2025 Notes	5.500% Senior Notes due 2025	Intel	Intel Corporation
2026 Notes	4.975% Senior Notes due 2026	MCP	Multi-Chip Package
2027 Notes	4.185% Senior Notes due 2027	Micron	Micron Technology, Inc. (Parent Company)
2029 Notes	5.327% Senior Notes due 2029	MMJ	Micron Memory Japan, G.K.
2030 Notes	4.663% Senior Notes due 2030	Revolving Credit Facility	\$2.5 billion Revolving Credit Facility due July 2023
2032D Notes	3.125% Convertible Senior Notes due 2032	SSD	Solid State Drive
DDR	Double Data Rate		

Micron Technology, Inc., including its consolidated subsidiaries, is 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), filings with the U.S. Securities and Exchange Commission (the “SEC”), press releases, public conference calls, 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,” “plans,” “opportunities,” “future,” “believe,” “target,” “on track,” “estimate,” “continue,” “likely,” “may,” “will,” “would,” “should,” “could,” and variations of such words and similar expressions. Specific forward-looking statements include, but are not limited to, statements such as those made regarding the impact of coronavirus disease 2019 (“COVID-19”) to our business; the planned sale of our facility located in Lehi, Utah, and effect on depreciation expense; the sufficiency of our cash and investments; and capital spending in 2021. 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)

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Revenue	\$ 6,236	\$ 4,797	\$ 12,009	\$ 9,941
Cost of goods sold	4,587	3,442	8,624	7,220
Gross margin	1,649	1,355	3,385	2,721
Research and development	641	681	1,288	1,321
Selling, general, and administrative	214	223	428	434
Other operating (income) expense, net	131	11	140	8
Operating income	663	440	1,529	958
Interest income	10	34	20	78
Interest expense	(42)	(46)	(90)	(93)
Other non-operating income (expense), net	4	(1)	17	45
	635	427	1,476	988
Income tax (provision) benefit	(48)	(21)	(99)	(76)
Equity in net income (loss) of equity method investees	16	1	29	3
Net income	603	407	1,406	915
Net income attributable to noncontrolling interests	—	(2)	—	(19)
Net income attributable to Micron	\$ 603	\$ 405	\$ 1,406	\$ 896
Earnings per share				
Basic	\$ 0.54	\$ 0.37	\$ 1.26	\$ 0.81
Diluted	0.53	0.36	1.23	0.79
Number of shares used in per share calculations				
Basic	1,120	1,111	1,118	1,109
Diluted	1,144	1,133	1,139	1,131

See accompanying notes to consolidated financial statements.

Micron Technology, Inc.

Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Net income	\$ 603	\$ 407	\$ 1,406	\$ 915
Other comprehensive income (loss), net of tax				
Gains (losses) on derivative instruments	(28)	(18)	12	(15)
Gains (losses) on investments	(3)	3	(4)	(2)
Pension liability adjustments	1	—	1	(1)
Cumulative translation adjustments	1	—	1	—
Other comprehensive income (loss)	(29)	(15)	10	(18)
Total comprehensive income	574	392	1,416	897
Comprehensive income attributable to noncontrolling interests	—	(2)	—	(19)
Comprehensive income attributable to Micron	<u>\$ 574</u>	<u>\$ 390</u>	<u>\$ 1,416</u>	<u>\$ 878</u>

See accompanying notes to consolidated financial statements.

Micron Technology, Inc.

Consolidated Balance Sheets

(In millions, except par value amounts)

(Unaudited)

As of	March 4, 2021	September 3, 2020
Assets		
Cash and equivalents	\$ 6,507	\$ 7,624
Short-term investments	677	518
Receivables	3,353	3,912
Inventories	4,743	5,373
Assets held for sale	1,461	—
Other current assets	538	538
Total current assets	17,279	17,965
Long-term marketable investments	1,316	1,048
Property, plant, and equipment	31,848	31,031
Operating lease right-of-use assets	575	584
Intangible assets	342	334
Deferred tax assets	726	707
Goodwill	1,228	1,228
Other noncurrent assets	821	781
Total assets	\$ 54,135	\$ 53,678
Liabilities and equity		
Accounts payable and accrued expenses	\$ 4,550	\$ 5,817
Current debt	323	270
Other current liabilities	560	548
Total current liabilities	5,433	6,635
Long-term debt	6,298	6,373
Noncurrent operating lease liabilities	528	533
Noncurrent unearned government incentives	661	643
Other noncurrent liabilities	552	498
Total liabilities	13,472	14,682
Commitments and contingencies		
Shareholders' equity		
Common stock, \$0.10 par value, 3,000 shares authorized, 1,202 shares issued and 1,121 outstanding (1,194 shares issued and 1,113 outstanding as of September 3, 2020)	120	119
Additional capital	9,234	8,917
Retained earnings	34,723	33,384
Treasury stock, 81 shares held (81 shares held as of September 3, 2020)	(3,495)	(3,495)
Accumulated other comprehensive income (loss)	81	71
Total equity	40,663	38,996
Total liabilities and equity	\$ 54,135	\$ 53,678

See accompanying notes to consolidated financial statements.

Micron Technology, Inc.

Consolidated Statements of Changes in Equity

(In millions)

(Unaudited)

	Common Stock		Additional Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number of Shares	Amount					
Balance at September 3, 2020	1,194	\$ 119	\$ 8,917	\$ 33,384	\$ (3,495)	\$ 71	\$ 38,996
Net income	—	—	—	803	—	—	803
Other comprehensive income (loss), net	—	—	—	—	—	39	39
Stock issued under stock plans	5	1	33	—	—	—	34
Stock-based compensation expense	—	—	92	—	—	—	92
Repurchase of stock	(1)	—	(8)	(49)	—	—	(57)
Balance at December 3, 2020	1,198	\$ 120	\$ 9,034	\$ 34,138	\$ (3,495)	\$ 110	\$ 39,907
Net income	—	—	—	603	—	—	603
Other comprehensive income (loss), net	—	—	—	—	—	(29)	(29)
Stock issued under stock plans	4	—	105	—	—	—	105
Stock-based compensation expense	—	—	97	—	—	—	97
Repurchase of stock	—	—	(2)	(18)	—	—	(20)
Balance at March 4, 2021	1,202	\$ 120	\$ 9,234	\$ 34,723	\$ (3,495)	\$ 81	\$ 40,663

See accompanying notes to consolidated financial statements.

Micron Technology, Inc.

Consolidated Statements of Changes in Equity

(In millions)
(Unaudited)

	Micron Shareholders									
	Common Stock			Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Micron Shareholders' Equity	Noncontrolling Interest in Subsidiary	Total Equity	
	Number of Shares	Amount	Additional Capital							
Balance at August 29, 2019	1,182	\$ 118	\$ 8,214	\$ 30,761	\$ (3,221)	\$ 9	\$ 35,881	\$ 889	\$36,770	
Net income	—	—	—	491	—	—	491	15	506	
Other comprehensive income (loss), net	—	—	—	—	—	(3)	(3)	—	(3)	
Stock issued under stock plans	3	1	31	—	—	—	32	—	32	
Stock-based compensation expense	—	—	72	—	—	—	72	—	72	
Repurchase of stock	—	—	(6)	(34)	(50)	—	(90)	—	(90)	
Acquisition of noncontrolling interest	—	—	123	—	—	—	123	(904)	(781)	
Cash settlement of convertible notes	—	—	(6)	—	—	—	(6)	—	(6)	
Balance at November 28, 2019	1,185	\$ 119	\$ 8,428	\$ 31,218	\$ (3,271)	\$ 6	\$ 36,500	\$ —	\$36,500	
Net income	—	—	—	405	—	—	405	—	405	
Other comprehensive income (loss), net	—	—	—	—	—	(15)	(15)	—	(15)	
Stock issued under stock plans	7	—	121	—	—	—	121	—	121	
Stock-based compensation expense	—	—	85	—	—	—	85	—	85	
Repurchase of stock	(1)	—	(4)	(21)	(45)	—	(70)	—	(70)	
Settlement of capped calls	—	—	98	—	(98)	—	—	—	—	
Cash settlement of convertible notes	—	—	(3)	—	—	—	(3)	—	(3)	
Balance at February 27, 2020	1,191	\$ 119	\$ 8,725	\$ 31,602	\$ (3,414)	\$ (9)	\$ 37,023	\$ —	\$37,023	

See accompanying notes to consolidated financial statements.

Micron Technology, Inc.

Consolidated Statements of Cash Flows

(In millions)

(Unaudited)

Six months ended	March 4, 2021	February 27, 2020
Cash flows from operating activities		
Net income	\$ 1,406	\$ 915
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense and amortization of intangible assets	3,036	2,661
Amortization of debt discount and other costs	15	16
Stock-based compensation	189	157
(Gain) loss on debt prepayments, repurchases, and conversions	—	(42)
Change in operating assets and liabilities		
Receivables	533	104
Inventories	629	(69)
Accounts payable and accrued expenses	(777)	257
Deferred income taxes, net	(11)	38
Other	4	(25)
Net cash provided by operating activities	5,024	4,012
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(5,756)	(3,999)
Purchases of available-for-sale securities	(1,349)	(566)
Proceeds from maturities of available-for-sale securities	746	523
Proceeds from sales of available-for-sale securities	178	1,059
Proceeds from government incentives	176	105
Other	31	(21)
Net cash provided by (used for) investing activities	(5,974)	(2,899)
Cash flows from financing activities		
Payments on equipment purchase contracts	(123)	(29)
Repayments of debt	(103)	(1,676)
Acquisition of noncontrolling interest in IMFT	—	(744)
Proceeds from issuance of debt	—	1,250
Other	17	(8)
Net cash provided by (used for) financing activities	(209)	(1,207)
Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash	43	(14)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,116)	(108)
Cash, cash equivalents, and restricted cash at beginning of period	7,690	7,279
Cash, cash equivalents, and restricted cash at end of period	\$ 6,574	\$ 7,171

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 3, 2020. Except for the significant accounting policy associated with inventories as discussed below, there have been no changes to our significant accounting policies since our Annual Report on Form 10-K for the year ended September 3, 2020.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Micron 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 3, 2020, except for changes in accounting and presentation of inventories. See “Inventories” below for changes to our significant accounting policies, and the “Inventories” note for additional information.

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 2021 contains 52 weeks and our fiscal 2020 contained 53 weeks. The first and second quarters of fiscal 2021 and 2020 each contained 13 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 3, 2020.

Through October 31, 2019, IMFT was a consolidated variable interest entity. We acquired Intel’s noncontrolling interest in IMFT on October 31, 2019, at which time IMFT became a wholly-owned subsidiary.

Inventories

Effective as of the beginning of the second quarter of 2021, we changed the method of inventory costing from average cost to first-in, first-out (“FIFO”). The difference between average cost and FIFO was not material to any previously reported financial statements. Therefore, we have recognized the cumulative effect of the change as a reduction of inventories and a charge to cost of goods sold of \$133 million as of the beginning of the second quarter of 2021.

Inventories are stated at the lower of cost or net realizable value, with cost being determined on a FIFO basis. Cost includes depreciation, labor, material, and overhead costs, including product and process technology costs. When net realizable value (which requires projecting future average selling prices, sales volumes, and costs to complete products in work in process inventories) is below cost, we record a charge to cost of goods sold to write down inventories to their estimated net realizable value in advance of when inventories are actually sold. We review the major characteristics of product type and markets in determining the unit of account for which we perform the lower of average cost or net realizable value analysis and categorize all inventories (including DRAM, NAND, and other memory) as a single group. We remove amounts from inventory and charge such amounts to cost of goods sold on a FIFO basis.

Recently Adopted Accounting Standards

In November 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-18 – *Collaborative Arrangements*, which clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue when the collaborative arrangement participant is a customer in the context of a unit of account and precludes recognizing as revenue consideration received from a collaborative arrangement participant if the participant is not a customer. We adopted ASU 2018-18 in the first quarter of 2021 under the retrospective adoption method to the date we adopted ASC 606, which was August 31, 2018. The adoption of this ASU did not have a significant impact on our financial statements.

In June 2016, the FASB issued ASU 2016-13 – *Measurement of Credit Losses on Financial Instruments*, which requires a financial asset (or a group of financial assets) measured on the basis of amortized cost to be presented at the net amount expected to be collected. This ASU requires that the income statement reflect the measurement of credit losses for newly recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This ASU requires that credit losses of debt securities designated as available-for-sale be recorded through an allowance for credit losses and limits the credit loss to the amount by which fair value is below amortized cost. We adopted ASU 2016-13 in the first quarter of 2021 under the modified retrospective adoption method. The adoption of this ASU did not have a significant impact on our financial statements.

Recently Issued Accounting Standards

In August 2020, the FASB issued ASU 2020-06 – *Debt – Debt with Conversion and Other Options and Derivatives and Hedging – Contracts in Entity's Own Equity*, which simplifies the accounting for convertible debt instruments by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. This ASU requires a convertible debt instrument to be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. This ASU requires an entity to use the if-converted method in the diluted earnings per share calculation for convertible instruments. This ASU will be effective for us in the first quarter of 2023, with early adoption permitted beginning in the first quarter of 2022, and permits the use of either the modified retrospective or fully retrospective method of transition. We are evaluating the timing and effects of our adoption of this ASU on our financial statements.

Cash and Investments

Substantially all of our marketable debt and equity 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	March 4, 2021				September 3, 2020			
	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments ⁽¹⁾	Total Fair Value	Cash and Equivalents	Short-term Investments	Long-term Marketable Investments ⁽¹⁾	Total Fair Value
Cash	\$ 3,747	\$ —	\$ —	\$ 3,747	\$ 3,996	\$ —	\$ —	\$ 3,996
Level 1 ⁽²⁾								
Money market funds	1,332	—	—	1,332	1,828	—	—	1,828
Level 2 ⁽³⁾								
Certificates of deposit	1,409	50	—	1,459	1,740	10	2	1,752
Corporate bonds	—	268	797	1,065	3	266	592	861
Government securities	—	204	137	341	6	115	243	364
Asset-backed securities	—	43	382	425	1	31	211	243
Commercial paper	19	112	—	131	50	96	—	146
	6,507	\$ 677	\$ 1,316	\$ 8,500	7,624	\$ 518	\$ 1,048	\$ 9,190
Restricted cash ⁽⁴⁾	67				66			
Cash, cash equivalents, and restricted cash	<u>\$ 6,574</u>				<u>\$ 7,690</u>			

⁽¹⁾ The maturities of long-term marketable securities range from one to four years.

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

⁽³⁾ 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 March 4, 2021 or September 3, 2020.

⁽⁴⁾ Restricted cash is included in 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.

Receivables

As of	March 4, 2021	September 3, 2020
Trade receivables	\$ 3,007	\$ 3,494
Income and other taxes	176	232
Other	170	186
	<u>\$ 3,353</u>	<u>\$ 3,912</u>

Inventories

As of	March 4, 2021	September 3, 2020
Finished goods	\$ 736	\$ 1,001
Work in process	3,527	3,854
Raw materials and supplies	480	518
	<u>\$ 4,743</u>	<u>\$ 5,373</u>

Effective as of the beginning of the second quarter of 2021, we changed our method of inventory costing from average cost to FIFO. This change in accounting principle is preferable because in an environment with continuously changing production costs FIFO more closely matches the actual cost of goods sold with the revenues from sales of those specific units, better represents the actual cost of inventories remaining on hand at any period-end, and improves comparability with our semiconductor industry peers. The change to FIFO was not material to any prior periods, nor is the cumulative effect of \$133 million material to the second quarter of 2021. As such, prior periods were not retrospectively adjusted, and the cumulative effect was reported as an increase to cost of goods sold for the second quarter of 2021 of \$133 million, with an offsetting reduction to beginning inventories. This charge resulted in a corresponding reduction to operating income, a \$128 million reduction to net income, and an \$0.11 reduction to diluted earnings per share for the second quarter of 2021.

Beginning in the second quarter of 2021, we changed the classification of spare parts for equipment to better align with the manner in which they are used in operations. As a result, we now present spare parts as other current assets and no longer as a component of raw materials inventories. This reclassification was applied on a retrospective basis. As a result, \$270 million of spare parts were presented in other current assets as of March 4, 2021, and we reclassified \$234 million of spare parts from inventories to other current assets in the accompanying balance sheet as of September 3, 2020.

Assets Held for Sale

In the second quarter of 2021, we updated our portfolio strategy to further strengthen our focus on memory and storage innovations for the data center market. In connection therewith, we determined that there was insufficient market validation to justify the ongoing investments required to commercialize 3D XPoint™ at scale. Effective as of the end of the second quarter of 2021, we ceased development of 3D XPoint technology and engaged in discussions with potential buyers for the sale of our facility located in Lehi, Utah, that was dedicated to 3D XPoint production. As a result, we classified the property, plant, and equipment as held-for-sale and ceased depreciating the assets. As of March 4, 2021, the significant balances of assets and liabilities classified as held-for-sale in connection with our Lehi facility included \$1.44 billion of property, plant, and equipment included in assets held for sale and \$51 million of a finance lease obligation included in current portion of long-term debt. We also recognized a charge of \$49 million to cost of goods sold in the second quarter of 2021 to write down 3D XPoint inventory due to our decision to cease further development of this technology. We expect to reach an agreement for the sale of our Lehi facility within calendar year 2021.

Property, Plant, and Equipment

As of	March 4, 2021	September 3, 2020
Land	\$ 279	\$ 352
Buildings	12,819	13,981
Equipment ⁽¹⁾	48,649	48,525
Construction in progress ⁽²⁾	2,058	1,600
Software	920	873
	64,725	65,331
Accumulated depreciation	(32,877)	(34,300)
	<u>\$ 31,848</u>	<u>\$ 31,031</u>

⁽¹⁾ Included costs related to equipment not placed into service of \$2.27 billion as of March 4, 2021 and \$1.63 billion as of September 3, 2020.

⁽²⁾ Included building-related construction, tool installation, and software costs for assets not placed into service.

Intangible Assets and Goodwill

As of	March 4, 2021		September 3, 2020	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Product and process technology	\$ 646	\$ (304)	\$ 616	\$ (282)
Goodwill	1,228		1,228	

In the first six months of 2021 and 2020, we capitalized \$49 million and \$30 million, respectively, for product and process technology with weighted-average useful lives of 9 years and 11 years, respectively. Expected amortization expense is \$40 million for the remainder of 2021, \$64 million for 2022, \$56 million for 2023, \$50 million for 2024, and \$29 million for 2025.

Leases

Short-term and variable lease expenses were not significant and are presented within operating lease costs in the table below. Sublease income was not significant for any period presented. The components of lease expense are presented below:

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Finance lease cost				
Amortization of right-of-use assets	\$ 17	\$ 39	\$ 33	\$ 79
Interest on lease liabilities	5	5	10	11
Operating lease cost	27	24	54	48
	<u>\$ 49</u>	<u>\$ 68</u>	<u>\$ 97</u>	<u>\$ 138</u>

Other information related to our leases was as follows:

Six months ended	March 4, 2021	February 27, 2020
Cash flows used for operating activities		
Finance leases	\$ 11	\$ 12
Operating leases ⁽¹⁾	53	(10)
Cash flows used for financing activities from financing leases	41	129
Noncash acquisitions of right-of-use assets		
Finance leases	68	5
Operating leases	21	24

⁽¹⁾ Included \$48 million of reimbursements received for tenant improvements for the six months ended February 27, 2020.

As of	March 4, 2021	September 3, 2020
Finance lease right-of-use assets (included in property, plant, and equipment and assets held for sale)	\$ 461	\$ 426
Weighted-average remaining lease term (in years)		
Finance leases	5	5
Operating leases	7	7
Weighted-average discount rate		
Finance leases	4.09 %	4.51 %
Operating leases	2.63 %	2.67 %

Maturities of lease liabilities existing as of March 4, 2021 were as follows:

For the year ending	Finance Leases	Operating Leases
Remainder of 2021	\$ 48	\$ 33
2022	98	73
2023	86	68
2024	61	60
2025	45	49
2026 and thereafter	286	415
Less imputed interest	(102)	(114)
	<u>\$ 522</u>	<u>\$ 584</u>

The table above excludes any lease liabilities for leases that have been executed but have not yet commenced. As of March 4, 2021, we had such lease liabilities relating to 1) operating lease payment obligations of \$147 million for the initial 10-year lease term for a building, which may, at our election, be terminated after 3 years or extended for an additional 10 years, and 2) finance lease obligations of \$807 million over a weighted-average period of 15 years for leases embedded in gas supply arrangements. 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	March 4, 2021	September 3, 2020
Accounts payable	\$ 1,628	\$ 2,191
Property, plant, and equipment	1,884	2,374
Salaries, wages, and benefits	645	849
Income and other taxes	145	237
Other	248	166
	<u>\$ 4,550</u>	<u>\$ 5,817</u>

Debt

As of	March 4, 2021					September 3, 2020		
	Stated Rate	Effective Rate	Net Carrying Amount			Net Carrying Amount		
			Current	Long-Term	Total	Current	Long-Term	Total
Finance lease obligations	N/A	4.09 %	\$ 127	\$ 395	\$ 522	\$ 76	\$ 410	\$ 486
2023 Notes	2.497 %	2.64 %	—	1,246	1,246	—	1,245	1,245
2024 Notes	4.640 %	4.76 %	—	598	598	—	598	598
2024 Term Loan A	1.370 %	1.42 %	62	1,124	1,186	62	1,186	1,248
2026 Notes	4.975 %	5.07 %	—	498	498	—	498	498
2027 Notes	4.185 %	4.27 %	—	896	896	—	895	895
2029 Notes	5.327 %	5.40 %	—	696	696	—	696	696
2030 Notes	4.663 %	4.73 %	—	845	845	—	845	845
2032D Notes	3.125 %	6.33 %	133	—	133	131	—	131
MMJ Creditor Payments	N/A	N/A	1	—	1	1	—	1
			\$ 323	\$ 6,298	\$ 6,621	\$ 270	\$ 6,373	\$ 6,643

Revolving Credit Facility

As of March 4, 2021, no amounts were outstanding under the Revolving Credit Facility and \$2.50 billion was available to us. Any amounts outstanding under the Revolving Credit Facility would mature in July 2023 and we may repay amounts borrowed any time without penalty. The Revolving Credit Facility bears interest at a rate equal to LIBOR plus 1.25% based on our current corporate credit rating and leverage ratio.

2032D Convertible Senior Notes

The closing price of our common stock exceeded 130% of the conversion price for the 2032D Notes for at least 20 trading days in the 30 consecutive trading days ended on March 31, 2021. As a result, the 2032D Notes are convertible by the holders through June 30, 2021. As of March 4, 2021, based on the \$84.33 trading price of our common stock and the \$9.98 conversion price, the aggregate conversion value of \$1.13 billion exceeded the aggregate principal amount of \$134 million by \$995 million.

Contingencies

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 August 12, 2014, MLC Intellectual Property, LLC filed a patent infringement action against Micron in the U.S. District Court for the Northern District of California. The complaint alleges that Micron infringes a single U.S. patent and seeks damages, attorneys' fees, and costs.

On November 21, 2014, Elm 3DS Innovations, LLC ("Elm") filed a patent infringement action against Micron; Micron Semiconductor Products, Inc.; and Micron Consumer Products Group, Inc. in the U.S. District Court for the District of Delaware. On March 27, 2015, Elm filed an amended complaint against the same entities. The amended complaint alleges that unspecified semiconductor products of ours that incorporate multiple stacked die infringe 13 U.S. patents and seeks damages, attorneys' fees, and costs.

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.

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 infringe a 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 infringe a 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 April 3, 2018, MSS was served with another patent infringement complaint filed by Jinhua and two additional complaints filed by UMC in the Fuzhou Court. The three additional complaints allege that MSS infringes three Chinese patents by manufacturing and selling certain Crucial MX300 SSDs and certain GDDR5 memory chips. The two complaints filed by UMC each seek 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 for each complaint 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 October 9, 2018, UMC withdrew its complaint that alleged MSS infringed a Chinese patent by manufacturing and selling certain GDDR5 memory chips.

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. The affected products made up slightly more than 1% of our annualized revenue in 2018. 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.

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. On April 17, 2014, Micron and Micron B.V. filed a notice of appeal with the German Appeals Court challenging the District Court's decision. After opening briefs, the Appeals Court held a hearing on the matter on July 9, 2015, and 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 January 25, 2018, the court-appointed expert issued a report concluding that the amount paid by Micron was within an acceptable fair-value range. The Appeals Court held a subsequent hearing on April 30, 2019, and on May 28, 2019, the Appeals Court remanded the case to the expert for supplemental expert opinion. On March 31, 2020, the expert presented a revised opinion to the Appeals Court which reaffirmed the earlier view that the amount paid by Micron was still within an acceptable range of fair value. On March 4, 2021, the Appeals Court issued an order setting forth a new legal view that whether the 2008 sale of Inotera Shares is voidable depends on the question whether, in October 2008, Qimonda had a restructuring plan in place, and whether Micron was aware of and reasonably relied on that restructuring plan sufficient to form a belief that Qimonda was not imminently illiquid. The Appeals Court has scheduled a procedural hearing for June 29, 2021 to discuss next steps.

Antitrust Matters

On April 27, 2018, a complaint was filed against Micron and other DRAM suppliers in the U.S. District Court for the Northern District of California. Subsequently, two substantially identical cases were filed in the same court. The lawsuits purported to be on behalf of a nationwide class of indirect purchasers of DRAM products. On September 3, 2019, the District Court granted Micron's motion to dismiss and allowed the plaintiffs the opportunity to file a consolidated, amended complaint. On October 28, 2019, the plaintiffs filed a consolidated, amended complaint that purported to be on behalf of a nationwide class of indirect purchasers of DRAM products. The amended complaint asserted claims based on alleged price-fixing of DRAM products under federal and state law during the period from June 1, 2016 to at least February 1, 2018, and sought treble monetary damages, costs, interest, attorneys' fees, and other injunctive and equitable relief. On December 21, 2020, the District Court dismissed the plaintiffs' claims and entered judgment against them. On January 19, 2021, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit.

On June 26, 2018, a complaint was filed against Micron and other DRAM suppliers in the U.S. District Court for the Northern District of California. Subsequently, four substantially identical cases were filed in the same court. On October 28, 2019, the plaintiffs filed a consolidated, amended complaint. The consolidated complaint purported to be on behalf of a nationwide class of direct purchasers of DRAM products. The consolidated complaint asserted claims based on alleged price-fixing of DRAM products under federal and state law during the period from June 1, 2016 through at least February 1, 2018, and sought treble monetary damages, costs, interest, attorneys' fees, and other injunctive and equitable relief. On December 21, 2020, the District Court granted Micron's motion to dismiss and granted the plaintiffs permission to file a further amended complaint. On January 11, 2021, the plaintiffs filed a further amended complaint asserting substantially the same claims and seeking the same relief.

Additionally, six cases have been filed in the following Canadian courts: Superior Court of Quebec, the Federal Court of Canada, the Ontario Superior Court of Justice, and the Supreme Court of British Columbia. The substantive allegations in these cases are similar to those asserted in the cases filed in the United States.

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 seeks damages, fees, interest, costs, and other appropriate relief.

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

On December 5, 2017, Micron filed a complaint against UMC and Jinhua in the U.S. District Court for the Northern District of California. The complaint alleges that UMC and Jinhua violated the Defend Trade Secrets Act, the civil provisions of the Racketeer Influenced and Corrupt Organizations Act, and California's Uniform Trade Secrets Act by misappropriating Micron's trade secrets and other misconduct. Micron's complaint seeks damages, restitution, disgorgement of profits, injunctive relief, and other appropriate relief.

On June 13, 2019, current Micron employee, Chris Manning, filed a putative class action lawsuit on behalf of Micron employees subject to the Idaho Wage Claim Act who earned a performance-based bonus after the conclusion of 2018 whose performance rating was calculated based upon a mandatory percentage distribution range of performance ratings. On July 12, 2019, Manning and three other Company employees filed an amended complaint as putative class action representatives. On behalf of themselves and the putative class, Manning and the three other plaintiffs assert claims for violation of the Idaho Wage Claim Act, breach of contract, breach of the covenant of good faith and fair dealing, and fraud. On June 24, 2020, the court entered judgment in favor of Micron based on the statute of limitations, and the plaintiffs filed a notice of appeal on July 23, 2020.

On July 31, 2020, Micron and Intel entered into a binding arbitration agreement under which the parties agreed to present to an arbitral panel various financial disputes related to the IMFT joint venture between Micron and Intel, which ended October 31, 2019, and to other agreements relating to the joint development, production, and sale of non-volatile memory products. Each party alleges that the other owes damages relating to allegations of breach of one or more agreements.

On July 13, 2015, Allied Telesis, Inc. and Allied Telesis International (Asia) Pte Ltd. filed a complaint against Micron in the Superior Court of California in Santa Clara alleging breach of implied and express warranties and fraudulent inducement to contract arising from plaintiffs' purchase of certain allegedly defective DDR1 products between 2008 and 2010. Through subsequent amendments to the complaint, the plaintiffs substituted Allied Telesis K.K. as plaintiff, withdrew the warranty claims, and added claims of fraudulent concealment, negligent misrepresentation, negligence, and strict products liability. The plaintiff's amended complaint seeks an unspecified award of damages, including punitive damages and lost profits. On September 3, 2020, the Superior Court granted summary judgment dismissing the claims for negligence and strict products liability and denied summary judgment as to the claims for negligent misrepresentation, fraudulent concealment, and fraudulent inducement to contract. No trial date has been set; however, trial is expected to occur in the second half of calendar 2021.

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.

We are unable to predict the outcome of the patent matters, Qimonda matter, antitrust matters, securities matters, binding arbitration with Intel, or any other 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.

We are currently a party to legal actions other than those described in this note 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.

Equity

Micron Shareholders' Equity

Accumulated Other Comprehensive Income: Changes in accumulated other comprehensive income by component for the six months ended March 4, 2021 were as follows:

	Gains (Losses) on Derivative Instruments	Pension Liability Adjustments	Unrealized Gains (Losses) on Investments	Cumulative Foreign Currency Translation Adjustment	Total
As of September 3, 2020	\$ 45	\$ 19	\$ 8	\$ (1)	\$ 71
Other comprehensive income before reclassifications	17	2	(4)	1	16
Amount reclassified out of accumulated other comprehensive income	(10)	(1)	(1)	—	(12)
Tax effects	5	—	1	—	6
Other comprehensive income (loss)	12	1	(4)	1	10
As of March 4 , 2021	\$ 57	\$ 20	\$ 4	\$ —	\$ 81

Fair Value Measurements

The estimated fair values and carrying values of our outstanding debt instruments (excluding the carrying value of equity components of our convertible notes) were as follows:

As of	March 4, 2021		September 3, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes	\$ 6,565	\$ 5,966	\$ 6,710	\$ 6,026
Convertible notes	1,125	133	634	131

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

Assets classified as held for sale are carried at the lower of fair value less cost to sell or carrying value. Significant judgments and assumptions are required to estimate their fair values. Actual selling prices could vary significantly from our estimated fair value and we could recognize losses in the event that the sales prices of assets classified as held for sale are lower than their carrying values.

Derivative Instruments

	Gross Notional Amount	Fair Value of	
		Assets ⁽¹⁾	Liabilities ⁽²⁾
As of March 4, 2021			
Derivative instruments with hedge accounting designation			
Cash flow currency hedges	\$ 3,086	\$ 28	\$ (36)
Derivative instruments without hedge accounting designation			
Non-designated currency hedges	1,121	2	(8)
		\$ 30	\$ (44)
As of September 3, 2020			
Derivative instruments with hedge accounting designation			
Cash flow currency hedges	\$ 1,845	\$ 41	\$ (2)
Derivative instruments without hedge accounting designation			
Non-designated currency hedges	1,587	4	(1)
		\$ 45	\$ (3)

⁽¹⁾ Included in receivables – other and other noncurrent assets.

⁽²⁾ Included in accounts payable and accrued expenses – other and other noncurrent liabilities.

Derivative Instruments with Hedge Accounting Designation

We utilize currency forward contracts that generally mature within two years to hedge our exposure to changes in currency exchange rates. Currency forward contracts are measured at fair value based on market-based observable inputs including currency exchange spot and forward rates, interest rates, and credit-risk spreads (Level 2). We do not use derivative instruments for speculative purposes.

Cash Flow Hedges: We utilize cash flow hedges for our exposure from changes in currency exchange rates for certain capital expenditures and manufacturing costs. We recognized losses of \$30 million and gains of \$17 million for the second quarter and first six months of 2021, respectively, and losses of \$17 million and \$14 million for the second quarter and first six months of 2020, respectively, in accumulated other comprehensive income from cash flow hedges. Neither the amount excluded from hedge effectiveness nor the reclassifications from accumulated other comprehensive income to earnings was significant for the second quarters or first six months of 2021 or 2020. As of March 4, 2021, we expect to reclassify \$45 million of pre-tax gains related to cash flow hedges from accumulated other comprehensive income into earnings in the next 12 months.

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. Gains and losses for derivative instruments without hedge accounting designation were not significant for the periods presented.

Equity Plans

As of March 4, 2021, 70 million shares of our common stock were available for future awards under our equity plans.

Restricted Stock and Restricted Stock Units (“Restricted Stock Awards”)

Restricted Stock Awards activity is summarized as follows:

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Restricted stock award shares granted	—	—	10	8
Weighted-average grant-date fair value per share	\$ 82.10	\$ 54.71	\$ 52.02	\$ 46.38

Employee Stock Purchase Plan (“ESPP”)

For each six-month ESPP period ended January 2021 and January 2020, we issued 2 million shares at a per share price of \$42.55 and \$38.16, respectively. Assumptions used in the Black-Scholes option valuation model for ESPP grants for the periods below were as follows:

Quarter ended	March 4, 2021	February 27, 2020
Weighted-average grant-date fair value per share	\$ 22.40	\$ 14.43
Average expected life in years	0.5	0.5
Weighted-average expected volatility	48 %	43 %
Weighted-average risk-free interest rate	0.1 %	1.5 %
Expected dividend yield	0 %	0 %

Stock-based Compensation Expense

Stock based compensation expense recognized in our statements of operations is presented below. Stock-based compensation expense of \$33 million and \$42 million was capitalized and remained in inventory as of March 4, 2021 and September 3, 2020, respectively.

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Stock-based compensation expense by caption				
Cost of goods sold	\$ 57	\$ 37	\$ 98	\$ 68
Research and development	29	22	53	41
Selling, general, and administrative	26	26	53	48
	<u>\$ 112</u>	<u>\$ 85</u>	<u>\$ 204</u>	<u>\$ 157</u>
Stock-based compensation expense by type of award				
Restricted stock awards	\$ 94	\$ 70	\$ 171	\$ 127
Employee stock purchase plan	15	11	27	19
Stock options	3	4	6	11
	<u>\$ 112</u>	<u>\$ 85</u>	<u>\$ 204</u>	<u>\$ 157</u>

As of March 4, 2021, \$838 million of total unrecognized compensation costs for unvested awards, before the effect of any future forfeitures, was expected to be recognized through the second quarter of 2025, resulting in a weighted-average period of 1.4 years.

Revenue and Customer Contract Liabilities

Revenue by Technology

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
DRAM	\$ 4,444	\$ 3,083	\$ 8,500	\$ 6,552
NAND	1,650	1,514	3,224	2,936
Other (primarily 3D XPoint memory and NOR)	142	200	285	453
	<u>\$ 6,236</u>	<u>\$ 4,797</u>	<u>\$ 12,009</u>	<u>\$ 9,941</u>

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

Contract Liabilities

Our contract liabilities from customer advances are for advance payments received from customers to secure product in future periods. Other contract liabilities consist of amounts received in advance of satisfying performance obligations. These balances are reported within other current liabilities and other noncurrent liabilities. The following table presents contract liabilities:

As of	March 4, 2021	September 3, 2020
Contract liabilities from customer advances	\$ 43	\$ 40
Other contract liabilities	22	25
	<u>\$ 65</u>	<u>\$ 65</u>

Revenue recognized during the first six months of 2021 from the ending balance of 2020 included \$43 million from meeting performance obligations of other contract liabilities and shipments against customer advances.

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, in some cases, beyond one year. As of March 4, 2021, we expect future revenue related to these longer-term contracts of approximately \$291 million, of which approximately 92% relates to performance obligations and product shipments we expect to satisfy within the next 12 months and 8% beyond 12 months.

As of March 4, 2021 and September 3, 2020, other current liabilities included \$485 million and \$466 million, respectively, for estimates of consideration payable to customers, including estimates for pricing adjustments and returns.

Other Operating (Income) Expense, Net

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Patent license charges	\$ 128	\$ —	\$ 128	\$ —
Other	3	11	12	8
	<u>\$ 131</u>	<u>\$ 11</u>	<u>\$ 140</u>	<u>\$ 8</u>

Other Non-Operating Income (Expense), Net

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Gain (loss) on debt prepayments, repurchases, and conversions	\$ —	\$ —	\$ —	\$ 42
Other	4	(1)	17	3
	<u>\$ 4</u>	<u>\$ (1)</u>	<u>\$ 17</u>	<u>\$ 45</u>

Income Taxes

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

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Income before taxes	\$ 635	\$ 427	\$ 1,476	\$ 988
Income tax (provision) benefit	(48)	(21)	(99)	(76)
Effective tax rate	7.6 %	4.9 %	6.7 %	7.7 %

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 effect of tax incentive arrangements reduced our tax provision by \$45 million (benefiting our diluted earnings per share by \$0.04) and \$101 million (\$0.09 per diluted share) for the second quarter and first six months of 2021, respectively, and were not significant to our tax provision for the second quarter or first six months of 2020.

As of March 4, 2021, gross unrecognized tax benefits were \$415 million, substantially all of which would affect our effective tax rate in the future, if recognized. Amounts accrued for interest and penalties related to uncertain tax positions were not significant for any period presented. During the second quarter of 2021, we received notice from the Internal Revenue Service that they intend to examine our 2018 and 2019 tax years. We believe that adequate amounts of taxes and related interest and penalties have been provided.

Earnings Per Share

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Net income attributable to Micron – Basic	\$ 603	\$ 405	\$ 1,406	\$ 896
Assumed conversion of debt	—	—	—	(4)
Net income attributable to Micron – Diluted	\$ 603	\$ 405	\$ 1,406	\$ 892
Weighted-average common shares outstanding – Basic	1,120	1,111	1,118	1,109
Dilutive effect of equity plans and convertible notes	24	22	21	22
Weighted-average common shares outstanding – Diluted	1,144	1,133	1,139	1,131
Earnings per share				
Basic	\$ 0.54	\$ 0.37	\$ 1.26	\$ 0.81
Diluted	0.53	0.36	1.23	0.79

Antidilutive potential common stock shares that could dilute basic earnings per share in the future were 2 million for the second quarter and first six months of 2021 and were 1 million and 4 million for the second quarter and first six months of 2020, 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.

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.

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

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.

	Quarter ended		Six months ended	
	March 4, 2021	February 27, 2020	March 4, 2021	February 27, 2020
Revenue				
CNBU	\$ 2,636	\$ 1,967	\$ 5,182	\$ 3,946
MBU	1,811	1,258	3,312	2,715
SBU	850	870	1,761	1,838
EBU	935	696	1,744	1,430
All Other	4	6	10	12
	<u>\$ 6,236</u>	<u>\$ 4,797</u>	<u>\$ 12,009</u>	<u>\$ 9,941</u>
Operating income (loss)				
CNBU	\$ 709	\$ 283	\$ 1,192	\$ 684
MBU	464	183	834	478
SBU	(59)	(2)	(55)	(219)
EBU	141	79	257	192
All Other	2	(1)	2	1
	<u>1,257</u>	<u>542</u>	<u>2,230</u>	<u>1,136</u>
Unallocated				
Inventory accounting policy change to FIFO	(133)	—	(133)	—
Change in inventory cost absorption	(160)	—	(160)	—
3D XPoint inventory write-down	(49)	—	(49)	—
Stock-based compensation	(112)	(85)	(204)	(157)
Patent license charges	(128)	—	(128)	—
Restructure and asset impairments	(5)	(10)	(13)	(6)
Other	(7)	(7)	(14)	(15)
	<u>(594)</u>	<u>(102)</u>	<u>(701)</u>	<u>(178)</u>
Operating income	<u>\$ 663</u>	<u>\$ 440</u>	<u>\$ 1,529</u>	<u>\$ 958</u>

Certain Concentrations

Revenue from WPG Holdings Limited was 12% of total revenue for the first six months of 2021.

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 3, 2020. 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 2021 contains 52 weeks and our fiscal 2020 contained 53 weeks. Our second quarters and first six months of 2020 and 2021 each contained 13 and 26 weeks, respectively. All tabular dollar amounts are in millions, except per share amounts.

Overview

Micron Technology, Inc., including its consolidated subsidiaries, is 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 to perform certain manufacturing processes. In recent years, we have increased our manufacturing scale and product diversity through strategic acquisitions, expansion, and various partnering arrangements.

We make significant investments to develop proprietary product and process technology, which are implemented in our manufacturing facilities, and generally increase the density per wafer and reduce manufacturing costs of each generation of product through advancements in product and process technology, such as our leading-edge process technology and 3D NAND architecture. 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. A significant portion of our revenues are from sales of managed NAND and SSD products, which incorporate NAND, a controller, firmware, and in some cases, DRAM. An increasing portion of our SSDs incorporate proprietary controllers and firmware that we have developed. Development of advanced technologies enables us to diversify our product portfolio toward a richer mix of differentiated, high-value solutions and to target high-growth markets.

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. Our success is largely dependent on obtaining returns on our research and development (“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 return-driven capital spending.

Cessation of 3D XPoint Development and Planned Sale of Our Facility in Lehi, Utah

In the second quarter of 2021, we updated our portfolio strategy to further strengthen our focus on memory and storage innovations for the data center market. In connection therewith, we determined that there was insufficient market validation to justify the ongoing investments required to commercialize 3D XPoint at scale. Effective as of the end of the second quarter of 2021, we ceased development of 3D XPoint technology and engaged in discussions with potential buyers for the sale of our Lehi facility that was dedicated to 3D XPoint production. As a result, we classified the property, plant, and equipment as held-for-sale and ceased depreciating the assets. We expect to reach an agreement for the sale of our Lehi facility within calendar year 2021. Our 3D XPoint technology development and Lehi facility operations are primarily included in our CNBU business unit.

Assets classified as held for sale are carried at the lower of fair value less cost to sell or carrying value. Significant judgments and assumptions are required to estimate their fair values. Actual selling prices could vary significantly from our estimated fair value and we could recognize losses in the event that the sales prices of assets classified as held for sale are lower than their carrying values.

Impact of COVID-19 on Our Business

Events surrounding the ongoing COVID-19 outbreak have resulted in a reduction in economic activity across the globe. The ultimate severity and duration of these economic repercussions, including any resulting impact on our business, remain largely unknown and ultimately will depend on many factors. As a result, we have experienced volatility in the markets that our products are sold into, driven by the move to a stay-at-home economy and fluctuations in consumer and business spending, which has affected demand for certain of our products. The ultimate extent to which COVID-19 will impact demand for our products depends on future developments, which are highly uncertain and very difficult to predict, including the effectiveness and utilization of vaccines for COVID-19 and its variants, new information that may emerge concerning the severity of COVID-19 and its variants, and actions to contain or limit their spread.

From the start of the COVID-19 outbreak, we proactively implemented preventative protocols, which we continuously assess and update for changes in conditions and emerging trends. These protocols are intended to safeguard our team members, contractors, suppliers, customers, distributors, and communities, and to ensure

business continuity in the event government restrictions or severe outbreaks impact our operations at certain sites. While all our global manufacturing sites are currently operating with close to full staff and at normal capacity levels, our facilities could be required to temporarily curtail production levels or temporarily cease operations based on government mandates. We may be required, or deem it to be in the best interest of our employees, customers, partners, suppliers, and stakeholders, to alter our business operations in order to maintain a healthy and safe environment. It is not clear what potential effects any such alterations or modifications may have on our business, including effects on our customers, employees, and prospects, or on our financial results. We are following government policies and recommendations designed to slow the spread of COVID-19 and remain committed to the health and safety of our team members, contractors, suppliers, customers, distributors, and communities.

We continuously assess our efforts to respond to the COVID-19 outbreak, which have included the following:

- In locations experiencing continued community COVID-19 infections, we prohibit onsite visitors and are generally requiring team members to work from home where possible. Where work from home is not possible, all on-site team members must complete health questionnaires, pass through thermal scanning equipment to ensure they do not have an elevated body temperature, wear a mask while on site, and adhere to physical distancing requirements and team member separation protocols. We have also enhanced our contact tracing, significantly decreased business travel, and where possible, made ventilation and other health and safety enhancements at our facilities and provided COVID-19 testing and vaccinations for our team members.
- To respond to changing market conditions, we shift supply from markets which have experienced declines in demand to markets that have experienced demand increases.
- We evaluate our supply chain and communicate with our suppliers to identify supply gaps and have taken steps to ensure continuity. In some cases, we have added alternative suppliers and increased our on-hand inventory of raw materials needed in our operations.
- We have added assembly and test capacity to provide redundant manufacturing capability through our network of captive operations and external partners.
- We have evaluated all our construction projects across our global manufacturing operations and enacted protocols to enhance the safety of our team members, suppliers, and contractors.
- We have developed strategies and implemented measures to respond to a variety of potential economic scenarios, such as limitations on new hiring and business travel and reductions of discretionary spending.
- We are working with government authorities in the jurisdictions where we operate, and continuing to monitor our operations in an effort to ensure we follow government requirements, relevant regulations, industry standards, and best practices to help safeguard our team members, while safely continuing operations at our sites across the globe.

We believe these actions are appropriate and prudent to safeguard our team members, contractors, suppliers, customers, and communities, while allowing us to safely continue operations. We cannot predict how the steps we, our team members, government entities, suppliers, or customers take in response to the COVID-19 outbreak 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, NOR, and other technologies. We sell our products into various markets through our business units in numerous forms, including wafers, components, modules, SSDs, managed NAND, and MCP products. Our system-level solutions, including SSDs, managed NAND, and MCPs, typically include a controller and firmware and in some cases combine DRAM, NAND, and/or NOR.

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. Low-power DRAM (“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, networking, and consumer applications.

3D XPoint: 3D XPoint is a class of non-volatile technology between DRAM and NAND in the memory and storage hierarchy. Effective as of the end of the second quarter of 2021, we ceased development of our 3D XPoint technology and products.

Results of Operations

Consolidated Results

	Second Quarter 2021		First Quarter 2021		Second Quarter 2020		Six Months					
							2021		2020			
Revenue	\$	6,236	100%	\$	5,773	100%	\$	12,009	100%	\$	9,941	100%
Cost of goods sold		4,587	74%		4,037	70%		8,624	72%		7,220	73%
Gross margin		1,649	26%		1,736	30%		3,385	28%		2,721	27%
Research and development		641	10%		647	11%		1,288	11%		1,321	13%
Selling, general, and administrative		214	3%		214	4%		428	4%		434	4%
Other operating (income) expense, net		131	2%		9	—%		140	1%		8	—%
Operating income		663	11%		866	15%		1,529	13%		958	10%
Interest income (expense), net		(32)	(1)%		(38)	(1)%		(70)	(1)%		(15)	—%
Other non-operating income (expense), net		4	—%		13	—%		17	—%		45	—%
Income tax (provision) benefit		(48)	(1)%		(51)	(1)%		(99)	(1)%		(76)	(1)%
Equity in net income (loss) of equity method investees		16	—%		13	—%		29	—%		3	—%
Net income attributable to noncontrolling interests		—	—%		—	—%		—	—%		(19)	—%
Net income attributable to Micron	\$	603	10%	\$	803	14%	\$	1,406	12%	\$	896	9%

Total Revenue: Total revenue for the second quarter of 2021 increased 8% as compared to the first quarter of 2021 primarily due to increases in sales of DRAM and NAND products. Sales of DRAM products for the second quarter of 2021 increased 10% as compared to the first quarter of 2021 primarily due to an upper-single-digit percent increase in bit shipments driven by the mobile, server, automotive, and networking markets. Sales of NAND products for the second quarter of 2021 increased 5% as compared to the first quarter of 2021 primarily due to an upper-single-digit percent increase in bit shipments driven by managed NAND products sold in mobile markets and SSDs, partially offset by a lower-single-digit percent decline in average selling prices.

Total revenue for the second quarter and first six months of 2021 increased 30% and 21%, respectively, as compared to the corresponding periods of 2020 primarily due to increases in DRAM and NAND sales. Sales of DRAM products for the second quarter of 2021 increased 44% as compared to the second quarter of 2020 primarily

due to growth in bit shipments in the upper-40% range driven by the mobile, client, networking, and automotive markets. Sales of DRAM products for the first six months of 2021 increased 30% as compared to the first six months of 2020 primarily due to growth in bit shipments in the lower-30% range. Sales of NAND products for the second quarter of 2021 increased 9% as compared to the second quarter of 2020 primarily due to increases in bit shipments in the low-30% range driven by consumer and mobile markets, partially offset by an upper-teens percentage decline in average selling prices. Sales of NAND products for the first six months of 2021 increased 10% as compared to the first six months of 2020 primarily due to increases in bit shipments in the mid-20% range, partially offset by a low-teens percentage decline in average selling prices.

Overall Gross Margin: Our overall gross margin percentage decreased to 26% for the second quarter of 2021 from 30% for the first quarter of 2021, primarily due to one-time impacts of changes in our inventory costing method to FIFO and cost absorption processes in the second quarter of 2021, as detailed below. Our gross margins included the impact of underutilization costs at our Lehi facility of \$111 million for the second quarter of 2021, \$113 million for the first quarter of 2021, and \$142 million for the second quarter of 2020. Effective as of the end of the second quarter of 2021, we ceased development of 3D XPoint technology and recognized a charge of \$49 million to cost of goods sold in the second quarter of 2021 to write down 3D XPoint inventory due to our decision to cease further development of this technology. Our Lehi facility was dedicated to 3D XPoint production and we expect to reach an agreement for the sale of the facility within calendar 2021. As a result, we classified the property, plant, and equipment as held-for-sale and ceased depreciating the assets, which we expect to decrease depreciation expense by approximately \$75 million in the third quarter of 2021.

Our overall gross margin percentage decreased to 26% for the second quarter of 2021 from 28% for the second quarter of 2020 primarily due to the impact of inventory accounting and costing changes and declines in average selling prices, partially offset by manufacturing cost reductions resulting from strong execution in delivering products featuring advanced technologies and from continuous improvement initiatives to reduce production costs. Our overall gross margin percentage increased to 28% for the first six months of 2021 from 27% for the first six months of 2020 primarily due to manufacturing cost reductions, partially offset by the effects of inventory accounting and costing changes and declines in average selling prices.

Effective as of the beginning of the second quarter of 2021, we changed our method of inventory costing from average cost to FIFO. Concurrently, as of the beginning of the second quarter of 2021, we modified our inventory cost-absorption processes used to estimate inventory values, which affects the timing of when costs are recognized. These changes resulted in a one-time increase to cost of goods sold of approximately \$293 million in the second quarter of 2021.

Revenue by Business Unit

	Second Quarter 2021		First Quarter 2021		Second Quarter 2020		Six Months			
							2021		2020	
CNBU	\$ 2,636	42%	\$ 2,546	44%	\$ 1,967	41%	\$ 5,182	43%	\$ 3,946	40%
MBU	1,811	29%	1,501	26%	1,258	26%	3,312	28%	2,715	27%
SBU	850	14%	911	16%	870	18%	1,761	15%	1,838	18%
EBU	935	15%	809	14%	696	15%	1,744	15%	1,430	14%
All Other	4	—%	6	—%	6	—%	10	—%	12	—%
	<u>\$ 6,236</u>		<u>\$ 5,773</u>		<u>\$ 4,797</u>		<u>\$ 12,009</u>		<u>\$ 9,941</u>	

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

Changes in revenue for each business unit for the second quarter of 2021 as compared to the first quarter of 2021 were as follows:

- CNBU revenue increased 4% primarily due to increases in volume and pricing across data center, networking, and client markets, partially offset by declines in sales to the graphics market.
- MBU revenue increased 21% primarily due to increases in bit shipments of high-value mobile MCP products driven by demand growth in smartphone markets as 5G momentum increases.
- SBU revenue decreased 7% primarily due to price declines.

- EBU revenue increased 16% primarily due to bit shipment increases driven by strong demand growth in automotive as demand recovered from pandemic-related shutdowns and growth in industrial markets.

Changes in revenue for each business unit for the second quarter and first six months of 2021 as compared to the corresponding periods of 2020 were as follows:

- CNBU revenue increased 34% and 31%, respectively, primarily due to increases in bit shipments to the client, cloud server, and graphics markets.
- MBU revenue increased 44% and 22%, respectively, primarily due to increases in bit shipments for high-value mobile MCP products partially offset by price declines.
- SBU revenue decreased 2% and 4%, respectively, primarily due to price declines partially offset by increases in bit shipments for NAND products driven by consumer markets.
- EBU revenue increased 34% and 22%, respectively, primarily due to increases in bit shipments to the automotive, industrial, and consumer markets from transitions to an increasing mix of high-density DRAM and NAND products, partially offset by price declines.

Operating Income (Loss) by Business Unit

	Second Quarter 2021		First Quarter 2021		Second Quarter 2020		Six Months								
							2021		2020						
CNBU	\$	709	27%	\$	483	19%	\$	283	14%	\$	1,192	23%	\$	684	17%
MBU		464	26%		370	25%		183	15%		834	25%		478	18%
SBU		(59)	(7)%		4	—%		(2)	—%		(55)	(3)%		(219)	(12)%
EBU		141	15%		116	14%		79	11%		257	15%		192	13%
All Other		2	50%		—	—%		(1)	(17)%		2	20%		1	8%
	\$	1,257		\$	973		\$	542		\$	2,230		\$	1,136	

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 second quarter of 2021 as compared to the first quarter of 2021 were as follows:

- CNBU operating income increased primarily due to manufacturing cost reductions, increases in bit shipments, and increases in DRAM pricing.
- MBU operating income increased primarily due to increases in bit shipments and manufacturing cost reductions.
- SBU operating margin declined primarily due to declines in NAND selling prices.
- EBU operating income increased primarily due to increases in bit shipments.

Changes in operating income or loss for each business unit for the second quarter and first six months of 2021 as compared to the corresponding periods of 2020 were as follows:

- CNBU operating income increased primarily due to increases in bit shipments, manufacturing cost reductions, and higher selling prices, partially offset by higher R&D costs.
- MBU operating income increased primarily due to increases in sales of high-value MCP products, manufacturing cost reductions for low-power DRAM, and lower R&D costs, partially offset by declines in low-power DRAM and NAND pricing.
- SBU operating margin for the second quarter of 2021 declined from the second quarter of 2020 primarily due to decreases in selling prices, partially offset by manufacturing cost reductions and increases in bit shipments. SBU operating margin for the first six months of 2021 improved from the first six months of 2020 primarily due to lower manufacturing costs and increases in bit shipments, partially offset by decreases in selling prices.
- EBU operating income increased primarily due to increases in bit shipments and lower R&D costs, partially offset by lower selling prices.

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 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 second quarter of 2021 were relatively unchanged as compared to the first quarter of 2021.

R&D expenses for the second quarter and first six months of 2021 were 6% and 2% lower, respectively, as compared to the corresponding periods of 2020, primarily due to decreases in volumes of development and pre-qualification wafers, partially offset by increases in employee compensation and depreciation expense resulting from higher capital spending.

Selling, General, and Administrative: SG&A expenses for the second quarter of 2021 were relatively unchanged as compared to the first quarter of 2021. SG&A expenses for the second quarter and first six months of 2021 were relatively unchanged as compared to the corresponding periods of 2020.

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

	Second Quarter 2021	First Quarter 2021	Second Quarter 2020	Six Months	
				2021	2020
Income before taxes	\$ 635	\$ 841	\$ 427	\$ 1,476	\$ 988
Income tax (provision) benefit	(48)	(51)	(21)	(99)	(76)
Effective tax rate	7.6 %	6.1 %	4.9 %	6.7 %	7.7 %

Changes to our effective tax rate in the periods presented were primarily due to the geographic mix of our earnings.

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 effect of tax incentive arrangements reduced our tax provision by \$45 million (benefiting our diluted earnings per share by \$0.04) for the second quarter of 2021, by \$56 million (\$0.05 per diluted share) for the first quarter of 2021, by \$101 million (\$0.09 per diluted share) for the first six months of 2021, and were not significant to our tax provision for the second quarter or first six months of 2020.

See "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Income Taxes."

Other: Interest expense for the second quarter of 2021 decreased 13% as compared to the first quarter of 2021 primarily due to decreases in debt obligations and an increase in capitalized interest from higher levels of capital projects in process. Interest income for the second quarter of 2021 was relatively unchanged as compared to the first quarter of 2021.

Interest expense for the second quarter of 2021 decreased 9% as compared to the second quarter of 2020 primarily due to a decrease in interest rates and an increase in capitalized interest from higher levels of capital projects in process, partially offset by an increase in debt obligations. Interest expense for the first six months of 2021 was relatively unchanged as compared to the first six months of 2020. Interest income for the second quarter and first six months of 2021 decreased 71% and 74%, respectively, as compared to the corresponding periods of 2020 as a result of decreases in interest rates, partially offset by higher cash and investment balances.

Further discussion of other operating and non-operating income and expenses can be found in "Item 1. Financial Statements – Notes to Consolidated Financial Statements – Equity Plans," "– Other Operating (Income) Expense, Net" and "– Other Non-Operating Income (Expense), Net."

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. 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 March 4, 2021, \$2.50 billion was available to draw under our Revolving Credit Facility. 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.

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 2021 for property, plant, and equipment, net of partner contributions, to be approximately \$9 billion, focused on technology transitions and product enablement. Actual amounts for 2021 will vary depending on market conditions. As of March 4, 2021, we had purchase obligations of approximately \$2.02 billion for the acquisition of property, plant, and equipment, of which approximately \$1.82 billion is expected to be paid within one year.

In May 2018, 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 a Rule 10b5-1 trading plan. 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. Since the authorization in May 2018, through March 4, 2021, we had repurchased an aggregate of \$2.84 billion of the authorized amount.

Cash and marketable investments totaled \$8.50 billion as of March 4, 2021 and \$9.19 billion as of September 3, 2020. Our 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 March 4, 2021, \$2.45 billion of our cash and marketable investments was held by our foreign subsidiaries.

Cash Flows:

	Six Months	
	2021	2020
Net cash provided by operating activities	\$ 5,024	\$ 4,012
Net cash provided by (used for) investing activities	(5,974)	(2,899)
Net cash provided by (used for) financing activities	(209)	(1,207)
Effect of changes in currency exchange rates on cash, cash equivalents, and restricted cash	43	(14)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (1,116)	\$ (108)

Operating Activities: Cash provided by operating activities reflects net income 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 increase in cash provided by operating activities for the first six months of 2021 as compared to the first six months of 2020 was primarily due to higher net income compared with the prior period and changes in working capital.

Investing Activities: For the first six months of 2021, net cash used for investing activities consisted primarily of \$5.54 billion of expenditures for property, plant, and equipment (net of partner contributions) and \$425 million of net outflows from purchases, sales, and maturities of available-for-sale securities.

For the first six months of 2020, net cash used for investing activities consisted primarily of \$3.86 billion of expenditures for property, plant, and equipment (net of partner contributions) partially offset by \$1.02 billion of net inflows from sales, maturities, and purchases of available-for-sale securities.

Financing Activities: For the first six months of 2021, net cash used for financing activities consisted primarily of \$123 million for payments on equipment purchase contracts and \$103 million for repayments of debt.

For the six months of 2020, net cash used for financing activities consisted primarily of \$1.68 billion of cash payments to reduce our debt, including \$621 million for IMFT member debt repayments, \$534 million to prepay the 2025 Notes, \$198 million to settle conversions of notes, and \$129 million for scheduled repayment of finance leases; \$744 million for the acquisition of noncontrolling interest in IMFT; and \$94 million for the acquisition of 1.9 million shares of treasury stock under our \$10 billion share repurchase authorization. Cash used for financing activities was partially offset by net proceeds of \$1.25 billion from borrowing the 2024 Term Loan A.

See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt.”

Potential Settlement Obligations of Convertible Notes: See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Debt – 2032D Convertible Senior Notes.”

Contractual Obligations: See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Leases” and – Debt.”

Critical Accounting Estimates

For a discussion of our significant accounting estimates, see “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Estimates” of our Annual Report on Form 10-K for the year ended September 3, 2020. Except for the significant accounting estimate associated with inventories as discussed below, there have been no changes to our significant accounting estimates since our Annual Report on Form 10-K for the year ended September 3, 2020.

Inventories: Inventories are stated at the lower of cost or net realizable value, with cost being determined on a FIFO basis. Effective as of the beginning of the second quarter of 2021, we changed our method of inventory costing from average cost to FIFO. Cost includes depreciation, labor, material, and overhead costs, including product and process technology costs. Determining net realizable value of inventories involves significant judgments, including projecting future average selling prices and future sales volumes. To project average selling prices and sales volumes, we review recent sales volumes, existing customer orders, current contract prices, industry analyses of supply and demand, seasonal factors, general economic trends, and other information. Actual selling prices and volumes may vary significantly from projected prices and volumes due to the volatile nature of the semiconductor memory and storage markets. When these analyses reflect estimated net realizable values below our manufacturing costs, we record a charge to cost of goods sold in advance of when inventories are actually sold. As a result, the timing of when product costs are charged to costs of goods sold can vary significantly. Differences in forecasted average selling prices used in calculating lower of cost or net realizable value adjustments can result in significant changes in the estimated net realizable value of product inventories and accordingly the amount of write-down recorded. For example, a 5% variance in the estimated selling prices would have changed the estimated net realizable value of our inventory by approximately \$371 million as of March 4, 2021. Due to the volatile nature of the semiconductor memory and storage markets, actual selling prices and volumes often vary significantly from projected prices and volumes, which could significantly impact cost of goods sold.

U.S. GAAP provides for products to be grouped into categories in order to compare costs to net realizable values. The amount of any inventory write-down can vary significantly depending on the determination of inventory categories. We review the major characteristics of product type and markets in determining the unit of account for which we perform the lower of cost or net realizable value analysis and categorize all inventories (including DRAM, NAND, and other memory) as a single group.

Recently Adopted Accounting Standards

See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Recently Adopted Accounting Standards.”

Recently Issued Accounting Standards

See “Item 1. Financial Statements – Notes to Consolidated Financial Statements – Recently Issued Accounting Standards.”

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are affected by changes in currency exchange and interest rates. For further discussion about market risk and sensitivity analysis related to changes in 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 3, 2020.

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 decision regarding disclosure.

During the second quarter of 2021, we implemented new internal controls and modified existing internal controls related to our inventories as a result of changing from average cost to the FIFO inventory accounting method and our implementation of a standard cost inventory management system. Other than the foregoing, there were no other 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 3, 2020 and “Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies” and “Item 1A. Risk Factors” herein.

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

- the effects of the COVID-19 outbreak;
- volatility in average selling prices of our products;
- our ability to maintain or improve gross margins;
- the highly competitive nature of our industry;
- our ability to develop and produce new memory and storage technologies, products, and markets;
- 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;
- products that fail to meet specifications, are defective, or incompatible with end uses;
- disruptions to our manufacturing processes;
- breaches of our security systems or those of our customers, suppliers, or business partners;
- attracting, retaining, and motivating highly skilled employees;
- achieving or maintaining certain performance obligations associated with incentives from various governments;
- future acquisitions and/or alliances;
- restructure charges;
- customer responsible sourcing requirements and related regulations; and
- a downturn in the world-wide economy.

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;
- allegations of anticompetitive conduct;
- risks associated with our former IMFT joint venture with Intel;
- 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; and
- alleged patent infringement complaints in Chinese courts.

Risks Related to Laws and Regulations

- tariffs, trade restrictions, and/or trade regulations;
- tax expense and tax laws in key jurisdictions; and
- laws, regulations, or industry standards.

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 resulting impacts.

Risks Related to Our Business, Operations, and Industry

The effects of the COVID-19 outbreak could adversely affect our business, results of operations, and financial condition.

The effects of the public health crisis caused by the COVID-19 outbreak and the measures being taken to limit COVID-19's spread are uncertain and difficult to predict, but may include, and in some cases, have included and may continue to include:

- A decrease in short-term and/or long-term demand and/or pricing for our products and a global economic recession that could further reduce demand and/or pricing for our products, resulting from actions taken by governments, businesses, and/or the general public in an effort to limit exposure to and the spreading of COVID-19, such as travel restrictions, quarantines, and business shutdowns or slowdowns;
- Negative impacts to our operations, including:
 - reductions in production levels, R&D activities, product development, technology transitions, yield enhancement activities, and qualification activities with our customers, resulting from our efforts to mitigate the impact of COVID-19 through measures we have enacted at our locations around the world in an effort to protect our employees' and contractors' health and well-being, including working from home, limiting the number of meeting attendees, reducing the number of people in certain of our sites at any one time, quarantines of team members, contractors, or vendors who are at risk of contracting, or have contracted, COVID-19, and limiting employee travel;
 - increased costs resulting from our efforts to mitigate the impact of COVID-19 through physical-distancing measures, working from home, upgrades to our sites, COVID-19 testing, enhanced cleaning measures, and the increased use of personal protective equipment at our sites;
 - increased costs for, or unavailability of, transportation, raw materials, or other inputs necessary for the operation of our business;
 - reductions in, or cessation of operations at any site or in any jurisdiction resulting from government restrictions on movement and/or business operations or our failure to prevent and/or adequately mitigate spread of COVID-19 at one or more of our sites;
 - our inability to continue, or increased costs of, construction projects due to delays in obtaining materials, equipment, labor, engineering services, government permits, or any other essential aspect of projects, which could impact our ability to introduce new technologies, reduce costs, or meet customer demand;
 - disruptions to our supply chain in connection with the sourcing and transportation of materials, equipment and engineering support, and services from or in geographic areas that have been impacted by COVID-19 and by efforts to contain the spread of COVID-19; and
- Deterioration of worldwide credit and financial markets that could: limit our ability to obtain external financing to fund our operations and capital expenditures; result in losses on our holdings of cash and investments due to failures of financial institutions and other parties; or result in a higher rate of losses on our accounts receivables due to credit defaults.

While certain COVID-19 vaccines have been approved and become available for use in the United States and certain other countries in recent months, we are unable to predict how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), and when or if normal economic activity and business operations will resume.

These effects, alone or taken together, could have a material adverse effect on our business, results of operations, legal exposure, or financial condition. A sustained, prolonged, or recurring outbreak could exacerbate the adverse impact of such measures.

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, including dramatic declines as noted in the table below, and may continue to experience such volatility in the future. 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.

	DRAM	NAND
	(percentage change in average selling prices)	
2020 from 2019	(34)%	(9)%
2019 from 2018	(30)%	(47)%
2018 from 2017	36 %	(13)%
2017 from 2016	18 %	(10)%
2016 from 2015	(34)%	(16)%

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, including, but not limited to, process line-width, additional 3D memory layers, additional bits per cell (i.e., cell levels), architecture, number of mask layers, number of fabrication steps, and yield. In future periods, we may be unable to reduce our per gigabit manufacturing costs at sufficient levels to maintain or improve gross margins. Factors that may limit our ability to maintain or reduce costs include, but are not limited to, strategic product diversification decisions affecting product mix, the increasing complexity of manufacturing processes, difficulties in transitioning to smaller line-width process technologies, 3D memory layers, NAND cell levels, process complexity including number of mask layers and fabrication steps, manufacturing yield, technological barriers, changes in process technologies, and new products that may require relatively larger die sizes.

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, declining selling prices, and changes in supply agreements. 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.

In addition, per gigabit manufacturing costs may also be affected by a broader product portfolio, which may have smaller production quantities and shorter product lifecycles. Our business and the markets we serve are subject to rapid technological changes and material fluctuations in demand based on end-user preferences. As a result, we may have work in process or finished goods inventories that could become obsolete or in amounts that are in excess of our customers' demand. Consequently, we may incur charges in connection with obsolete or excess inventories. 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. 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; Samsung Electronics Co., Ltd.; SK Hynix Inc.; Kioxia Holdings Corporation; and Western Digital Corporation. 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 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. Some of our competitors may use aggressive pricing to obtain market share or take business of our key customers.

Our competitors generally seek to increase wafer capacity, improve yields, and reduce die size in their product designs which may 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 further 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.

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

Our key semiconductor memory and storage products and 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, and improving power consumption and reliability. We may face technological barriers to continue to shrink our products at our current or historical rate, which has generally reduced per-unit cost. We have invested and expect to continue to invest in R&D for new and existing products, which involves significant risk and uncertainties. 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. There can be no assurance of the following:

- that we will be successful in developing competitive new semiconductor memory and storage technologies;
- that we will be able to cost-effectively manufacture new products;
- that we will be able to successfully market these technologies; and
- that margins generated from sales of these products will allow us to recover costs of development efforts.

We develop and produce advanced memory technologies and there can be no assurance that our efforts to develop and market new product technologies will be successful. Unsuccessful efforts to develop new memory and storage technologies 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. Meaningful change in the inventory strategy of our customers, particularly those in China, 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, such as those relating to Huawei described herein, 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 sales and operations that could materially adversely affect our business, results of operations, or financial condition.

In 2020, 52% of our revenue was from sales to customers who have headquarters located outside the United States. We ship our products to the locations specified by our customers. Customers with global supply chains and operations may request we deliver products to countries where they own or operate production facilities or to

countries where they utilize third-party subcontractors or warehouses. As a result, 88% of our revenue in 2020 was from products shipped to customer locations outside the United States.

A substantial portion of our operations are conducted in Taiwan, Singapore, Japan, China, Malaysia, and India, and many of our customers, suppliers, and vendors also operate internationally. Our operations, and the global supply chain of the technology industry, are subject to a number of risks, including the effects of actions and policies of various governments across our global operations and supply chain. For example, political, economic, or other actions from China could impact Taiwan and its economy, and may adversely affect our operations in Taiwan, our customers, and the technology industry supply chain. 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 bans or other restrictions on sales to 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 while complying with such restrictions.

Our international sales and operations are subject to a variety 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 (for example, an outbreak of a contagious disease such as COVID-19, Severe Acute Respiratory Syndrome ("SARS-CoV"), avian and swine influenza, measles, or Ebola);
- compliance with U.S. and international laws involving international operations, including the Foreign Corrupt Practices Act of 1977, as amended, 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;
- government actions or civil unrest preventing the flow of products, including delays in shipping and obtaining products, cancellation of orders, or loss or damage of products;
- problems with the transportation or delivery of products;
- 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.

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 the dependency on third-party service providers for ourselves and our customers.

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 and services that meet our standards and, in some cases, materials, components, or services are provided by a single supplier. Various factors could reduce 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. Shortages or increases in lead times have occurred in the past and may occur from time to time in the future. Our manufacturing processes are also dependent on our relationships with third-party manufacturers of controllers used in a number of our products and with outsourced semiconductor assembly and test providers, contract manufacturers, logistic carriers, and other service providers. Although we have certain long-term contracts with some of our third-party service providers, most of these contracts do not provide for long-term capacity commitments. To the extent we do not have firm commitments from our third-party service providers over a specific

time period or for any specific quantity, our service providers may allocate capacity to their other customers. Accordingly, capacity for our products may not be available when we need it or at reasonable prices.

Certain materials are primarily available in a limited number of countries, including rare earth elements, minerals, and metals available primarily from China. Trade disputes or other political conditions, economic 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 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. Lead times for the supply of materials have been extended in the past. 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. 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.

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 at new facilities 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.

New product and market development may be unsuccessful.

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 made significant investments in product and process technology and anticipate expending significant resources for new semiconductor product and system-level solution development over the next several years. Additionally, 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.

For certain of our markets, 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 and performance, often well in advance of a planned ramp of production, in order to secure design wins with our customers. The effects of the public health crisis caused by the COVID-19 outbreak and the measures being taken to limit COVID-19's spread could 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 several months 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 that:

- our product development efforts will be successful;
- we will be able to cost-effectively manufacture new products;
- we will be able to successfully market these products;
- 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 be able to introduce new products into the market and qualify them with our customers on a timely basis; or
- margins generated from sales of these products will allow us to recover costs of development efforts.

Our unsuccessful efforts to develop new products and solutions 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 and qualify 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. If we fail to identify or develop products on a timely basis, or at all, that comply with our customers' specifications or achieve design wins with our customers, we may experience a significant adverse impact on our revenue and margins. 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.

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 exceed our 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. Additionally, 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 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 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 that 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 the manufacturing process 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 such as severe weather and geological events, including earthquakes or tsunamis, or drought such as is occurring in central Taiwan, that could disrupt operations, resulting in increased costs, or disruptions to our or our suppliers' or customers' manufacturing operations. In addition, our suppliers and customers also have operations in such locations. Additionally, other events including political or public health crises, such as an outbreak of contagious diseases like COVID-19, SARS-CoV, avian and swine influenza, measles, or Ebola, may 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. For example, in 2020, the government of Malaysia announced measures to restrict movement in that country in an effort to suppress the number of COVID-19 cases. Those restrictions temporarily limited our ability to fully operate our manufacturing facilities in that country. The events 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 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 or employees may gain access to our facilities or network systems to steal trade secrets or other proprietary information, compromise confidential information, create system disruptions, or cause shutdowns, including through cyberattacks. These parties may also be able to develop and deploy viruses, worms, and other malicious software programs that disrupt our operations and create security vulnerabilities. Breaches of our physical security and attacks on our network 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. The foregoing 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 employees, as well as effectively manage or plan for succession for key employees. Competition for experienced employees in our industry can be intense. Hiring and retaining qualified executives, engineers, technical staff, and sales representatives is critical to our business. Our inability to attract, retain, or effectively manage or plan for succession of key employees may inhibit our ability to maintain or expand our business operations. Additionally, changes to immigration policies in the numerous countries in which we operate, including the United States, as well as restrictions on global travel as a result of local or global public health crises requiring quarantines or other precautions to limit exposure to infectious diseases, may limit our ability to hire and/or retain talent in, or transfer talent to, specific locations. If our total compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate employees could be weakened, which 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 perform or maintain certain levels of investment, capital spending, employment, technology deployment, or research and development activities to qualify for such incentives. We 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 performance 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.

We may make future acquisitions and/or alliances, which 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;
- inability to realize synergies or other expected 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, technological advancements, or worse-than-expected performance of the acquired business.

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.

From time to time, we have, and in the future we may, enter into 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 restructure activities and may incur additional restructure charges or other losses in future periods associated with other initiatives, such as our cessation of 3D XPoint development and the planned sale of our Lehi facility. 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 customer responsible sourcing requirements and related regulations could limit the supply and increase the cost of certain materials, supplies, and services used in manufacturing our products.

Many of our customers have adopted responsible sourcing programs that require us to periodically report on our supply chain and responsible sourcing efforts to ensure we source the materials, supplies, and services we use and incorporate into the products we sell in a manner that is consistent with their programs. Some of our customers may elect to disqualify us as a supplier or reduce purchases from us if we are unable to verify that our products meet the specifications of their responsible sourcing programs. Meeting customer requirements may 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. This may affect our ability and/or the cost to obtain sufficient quantities of materials, supplies, and services necessary for the manufacture of our products.

Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and its implementing SEC regulations impose supply chain due diligence and disclosure requirements for certain manufacturers of products containing specific minerals that may originate in or near the Democratic Republic of the Congo and finance or benefit local armed groups. These conflict minerals are commonly found in materials used in the manufacture of semiconductors.

Our inability to comply with customers' requirements for responsible sourcing or with related regulations 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.

The health crisis caused by COVID-19 has adversely affected economic conditions and caused a downturn in the worldwide economy. Downturns in the worldwide economy have harmed our business in the past and the current downturn has adversely affected our business. As a result, demand for certain of our products, such as those used in smartphones, consumer electronics, and automotive, has been volatile. Reduced demand for these or other products could result in significant decreases in our average selling prices and product sales. If these adverse conditions persist or worsen, we could experience reduction in demand for our products and/or devices that incorporate our products. Future downturns could also adversely affect our business. 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 and/or 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.

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. Global competition for such skilled employees in our industry is intense. A decline in our operating results and/or stock price may adversely affect our ability to retain key employees whose compensation is dependent, in part, upon the market price of our common stock, achieving certain performance metrics, levels of company profitability, or other financial or company-wide performance. 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.

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. See “Part II. Other Information – Item 1. Legal Proceedings.” 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 could be subject to litigation or arbitration disputes arising from our relationships with vendors or customers, supply agreements, or contractual obligations with our subcontractors or business partners. We may also be associated with and subject to litigation arising from the actions of our vendors, subcontractors, or business partners. We may also be subject to litigation or claims as a result of 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. We may also be subject to claims or litigation arising from 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.

We are subject to allegations of anticompetitive conduct.

On April 27, 2018, a complaint was filed against Micron and other DRAM suppliers in the U.S. District Court for the Northern District of California. Subsequently, two substantially identical cases were filed in the same court. The lawsuits purported to be on behalf of a nationwide class of indirect purchasers of DRAM products. On September 3, 2019, the District Court granted Micron's motion to dismiss and allowed the plaintiffs the opportunity to file a consolidated, amended complaint. On October 28, 2019, the plaintiffs filed a consolidated, amended complaint that purported to be on behalf of a nationwide class of indirect purchasers of DRAM products. The amended complaint asserted claims based on alleged price-fixing of DRAM products under federal and state law during the period from June 1, 2016 to at least February 1, 2018, and sought treble monetary damages, costs, interest, attorneys' fees, and other injunctive and equitable relief. On December 21, 2020, the District Court dismissed the plaintiffs' claims and entered judgment against them. On January 19, 2021, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit.

On June 26, 2018, a complaint was filed against Micron and other DRAM suppliers in the U.S. District Court for the Northern District of California. Subsequently, four substantially identical cases were filed in the same court. On October 28, 2019, the plaintiffs filed a consolidated, amended complaint. The consolidated complaint purported to be on behalf of a nationwide class of direct purchasers of DRAM products. The consolidated complaint asserted claims based on alleged price-fixing of DRAM products under federal and state law during the period from June 1, 2016 through at least February 1, 2018, and sought treble monetary damages, costs, interest, attorneys' fees, and other injunctive and equitable relief. On December 21, 2020, the District Court granted Micron's motion to dismiss and granted the plaintiffs permission to file a further amended complaint. On January 11, 2021, the plaintiffs filed a further amended complaint asserting substantially the same claims and seeking the same relief.

Additionally, six cases have been filed in the following Canadian courts: Superior Court of Quebec, the Federal Court of Canada, the Ontario Superior Court of Justice, and the Supreme Court of British Columbia. The substantive allegations in these cases are similar to those asserted in the cases filed in the United States.

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.

We are unable to predict the outcome of these matters and cannot make a reasonable estimate of the potential loss or range of possible losses. The final resolution of these matters could result in significant liability and 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 face risks associated with our former IMFT joint venture with Intel.

Effective as of the end of the second quarter of 2021, we ceased development of 3D XPoint technology and engaged in discussions with potential buyers for the sale of our Lehi, Utah, facility (our former IMFT joint venture with Intel) that was dedicated to 3D XPoint production. The value we may receive upon the disposition of our Lehi facility could be affected by a number of factors. As such, our valuation requires significant estimates and judgments and the actual amounts received could be materially different from our estimates. If the value we receive upon disposition of the Lehi facility is below net book value, our business, results of operations, or financial condition could be materially adversely affected. We also face risks from our arbitration proceeding with Intel in connection with our former IMFT joint venture, in which we and Intel have made claims against each other for damages relating to the joint venture. For information regarding the arbitration proceeding, see "Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies." The foregoing 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.

We have been served with complaints in Chinese courts alleging patent infringement.

We have been served with complaints in Chinese courts alleging that we infringe certain Chinese patents by manufacturing and selling certain products in China. The complaints seek orders requiring us 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 plus court fees.

We are unable to predict the outcome of these assertions of infringement made against us 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 operations in China, products, and/or manufacturing processes. Any of the foregoing 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."

The acquisition of our ownership interest in Inotera from Qimonda AG ("Qimonda") has been challenged by the administrator of the insolvency proceedings for Qimonda.

In January 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 a share purchase agreement between Micron B.V. and Qimonda signed in 2008, pursuant to which Micron B.V. purchased substantially all of Qimonda's shares of Inotera, 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 a patent cross-license between us and Qimonda entered into at the same time as the share purchase agreement. See "Part I. Financial Information – Item 1. Financial Statements – Notes to Consolidated Financial Statements – Contingencies" for further information regarding the matter.

We are unable to predict the outcome of the matter and cannot make a reasonable estimate of the potential loss or range of possible losses. The final resolution of this lawsuit could result in the loss of the Inotera shares or monetary

damages, unspecified damages based on the benefits derived by Micron B.V. from the ownership of the Inotera shares, and/or the termination of the patent cross-license, which could have a material adverse effect on our business, results of operations, or financial condition.

Risks Related to Laws and Regulations

Increases in tariffs or other trade restrictions or taxes on our or our customers' products or equipment and supplies could have an adverse impact on our operations.

In 2020, 88% of our revenue was from products shipped to customer locations outside the United States. We also purchase a significant portion of equipment and supplies from suppliers outside the United States. Additionally, a significant portion of our facilities are located outside the United States, including in Taiwan, Singapore, Japan, Malaysia, and China.

The United States and other countries have levied tariffs and taxes on certain goods. General trade tensions between the United States and China have been escalating since 2018, with U.S. tariffs on Chinese goods and retaliatory Chinese tariffs on U.S. goods. Some of our products are included in these tariffs. Higher duties on existing tariffs and further rounds of tariffs have been announced or threatened by U.S. and Chinese leaders. Additionally, the United States has threatened to impose tariffs on goods imported from other countries, which could also impact certain of our customers' or our operations. If the United States were to impose current or additional tariffs on components that we or our suppliers source, our cost for such components would increase. We may also incur increases in manufacturing costs and supply chain risks due to our efforts to mitigate the impact of tariffs on our customers and our operations. Additionally, tariffs on our customers' products could impact their sales of such end products, resulting in lower demand for our products.

We cannot predict what further actions may ultimately be taken with respect to tariffs or trade relations between the United States and other countries, what products may be subject to such actions, or what actions may be taken by other countries in retaliation. Further changes in trade policy, tariffs, additional taxes, 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, which could have a material adverse effect on our business, results of operations, or financial condition.

Trade regulations have restricted our ability to sell our products to several customers, could restrict our ability to sell our products to other customers or in certain markets, or could otherwise restrict our ability to conduct operations.

International trade disputes have led, and may continue to lead, to new and increasing trade barriers and other protectionist 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 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.

Escalating tensions between the United States and China have led to increased trade restrictions and have affected customer ordering patterns. For example, the U.S. Bureau of Industry and Security ("BIS") has recently enacted increasingly broad trade restrictions with respect to Huawei (which represented approximately 10% of our revenue in the fourth quarter of 2020 and 12% in 2019), culminating with restrictions that took effect on September 15, 2020 and that currently prevent us and many other companies from shipping products to Huawei. We cannot predict the duration these restrictions will remain in place, whether the BIS will grant us or others licenses to ship products to Huawei, or whether the BIS or other U.S. or foreign government entities will enact similar restrictions with respect to other customers, markets, or products. We may not be able to replace the lost revenue opportunities associated with such restrictions.

The United States has also imposed other restrictions on the export of U.S. regulated products and technology to certain Chinese technology companies, including certain of our customers. These restrictions have reduced our sales, and continuing or future restrictions could adversely affect our financial results, result in reputational harm to us due to our relationship with such companies, or lead such companies to develop or adopt technologies that compete with our products. It is difficult to predict what further trade-related actions governments may take, and we may be unable to quickly and effectively react to such actions. For example, U.S. legislation has expanded the power of the U.S. Department of Commerce to restrict the export of “emerging and foundational technologies” yet to be identified, which could impact our current or future products.

Trade disputes and protectionist measures, or continued uncertainty about such matters, could result in declining consumer confidence and slowing economic growth or recession, and could cause our customers to reduce, cancel, or alter the timing of their purchases with us. Sustained trade tensions could lead to long-term changes in global trade and technology supply chains, which could adversely affect our business and growth prospects. Trade restrictions that may be imposed by the United States, China, or other countries may impact our business in ways we cannot reasonably quantify, including that some of our customers' products which incorporate our solutions may also be impacted. Restrictions on our ability to sell and ship our products to Huawei have had an adverse effect on our business, results of operations, or financial condition. In addition, further increases in trade restrictions or barriers may negatively impact our revenue, and any licenses we have received or could receive in the future could be rendered ineffective. Any such changes may have a further 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.

We may incur additional tax expense or become subject to additional tax exposure.

We operate in a number of locations outside the United States, including Singapore, where we have tax incentive arrangements that are conditional, in part, upon meeting certain business operations and employment thresholds. Our domestic and international taxes are dependent upon the geographic mix of our earnings among these jurisdictions. Our provision for income taxes and cash tax liabilities in the future could be adversely affected by numerous factors, including 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, and changes in tax laws and regulations. Additionally, we file income tax returns with the U.S. federal government, various U.S. states, and various other jurisdictions throughout the world and certain tax returns may remain open to examination for several years. The results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures may have an adverse effect on our provision for income taxes and cash tax liability. The foregoing items could have a material adverse effect on our business, results of operations, or financial condition.

A change in tax laws in key jurisdictions could materially increase our tax expense.

We are subject to income taxes in the United States and many foreign jurisdictions. 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. For example, our effective tax rate increased from 1.2% for 2018 to 9.8% for 2019 primarily as a result of the Tax Cuts and Jobs Act enacted in December 2017 by the United States. Additionally, various levels of government are increasingly focused on tax reform and other legislative actions to increase tax revenue. President Biden has indicated that he supports increasing the U.S. federal corporate income tax rate from its current 21%. 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, which represents a coalition of member countries and recommended changes to numerous long-standing tax principles. If implemented by taxing authorities, such changes, as well as changes in U.S. federal and state tax laws or in taxing jurisdictions' administrative interpretations, decisions, policies, and positions, 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 climate change, that may have a material adverse effect on our business, results of operations, or financial condition.

The manufacturing 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.

Climate change concerns and the potential resulting environmental impact may result in new environmental, health, and safety laws and regulations that may affect us, our suppliers, and our customers. Such laws or regulations 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. 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.

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;
- 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, 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 2021 for property, plant, and equipment, net of partner contributions, will be approximately \$9 billion, focused on technology transitions and product enablement. Investments in capital expenditures may not generate expected returns or cash flows. Delays in completion and ramping of new production facilities could significantly impact our ability to realize expected returns on our capital expenditures, which could have a material adverse effect on our business, results of operations, or financial condition.

In the past we have utilized external sources of financing when needed. As a result of our debt levels, expected debt amortization, and general 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. In addition, if our credit rating declines below a certain level, our credit facility will be required to become secured by certain of our assets, which may limit the amount or increase the cost of future financings. 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, 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 restructure our capital structure, including the refinancing of existing debt. As of March 4, 2021:

- we had debt with a carrying value of \$6.62 billion;
- \$2.50 billion of our Revolving Credit Facility was available to us; and
- the conversion value in excess of principal of our convertible notes was \$995 million, based on the trading price of our common stock of \$84.33 per share on such date.

Our debt obligations could adversely impact us. For example, these obligations could:

- 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 working capital, capital expenditures, acquisitions, R&D expenditures, and other business activities;
- require us to use cash and/or issue shares of our common stock to settle any conversion obligations of our convertible notes;
- result in certain of our debt instruments being accelerated to be immediately due and payable or being deemed to be in default if certain terms of default are triggered, such as applicable cross payment default and/or cross-acceleration provisions;
- 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 semiconductor memory and storage industry conditions;
- increase our exposure to interest rate risk from variable rate indebtedness;
- continue to dilute our earnings per share as a result of the conversion provisions in our convertible notes; and
- require us to continue to pay cash amounts substantially in excess of the principal amounts upon settlement of our convertible notes to minimize dilution of our earnings per share.

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. In 2019, we suspended the security interest in the collateral under our credit facility; however, if our corporate credit rating were to decline below a certain level, the security interest would be automatically reinstated, which may limit the amount or increase the cost of future financings. 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, 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 estimates by us or financial estimates and ratings by securities 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. For example, we repurchased 66.4 million shares for \$2.66 billion in 2019, 3.6 million shares for \$176 million in 2020, and did not repurchase any shares in the first six months of 2021. 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.

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. During the quarter ended March 4, 2021, we did not repurchase common stock under the authorization and as of March 4, 2021, \$7.16 billion of the authorization remained available for the repurchase of common stock.

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 considered common stock repurchases under an authorized common stock repurchase plan.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Filed Herewith	Form	Period Ending	Exhibit/ Appendix	Filing Date
3.2	Bylaws of the Registrant, Amended and Restated		8-K		3.1	2/16/21
10.4	Amended and Restated 2007 Equity Incentive Plan		DEF 14A		A	12/1/20
10.15	Deferred Compensation Plan, as amended	X				
18	Preferability Letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	X				
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	X				
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	X				
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350	X				
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350	X				
101.INS	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	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X				

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: April 1, 2021

By: /s/ David A. Zinsner

David A. Zinsner

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

/s/ Scott Allen

Scott Allen

Corporate Vice President and Chief Accounting Officer

(Principal Accounting Officer)

**MICRON TECHNOLOGY, INC.
DEFERRED COMPENSATION PLAN**

Effective March 1, 2017

As Amended Effective January 1, 2021

PREAMBLE

The Plan is intended to be a “plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees” within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended, or an “excess benefit plan” within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, or a combination of both. The Plan is further intended to conform with the requirements of Internal Revenue Code Section 409A and the final regulations issued thereunder and shall be interpreted, implemented and administered in a manner consistent therewith.

ARTICLE 1 - GENERAL

- 1.1 Purpose.** The purpose of the Plan is to provide Eligible Employees an opportunity to defer to a future date the receipt of base and bonus compensation for services performed for the Employer.
- 1.2 Effective Date.** The Effective Date of the Plan is March 1, 2017.

ARTICLE 2 - DEFINITIONS

Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise. Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

- 2.1 "Account"** means an account established for the purpose of recording amounts credited on behalf of a Participant and any income, expenses, gains, losses or distributions included thereon. The Account shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant or to the Participant's Beneficiary pursuant to the Plan.
- 2.2 "Administrator"** means, unless otherwise determined by the Plan Sponsor, the Micron Technology, Inc. Retirement at Micron (RAM) Committee.
- 2.3 "Base Compensation"** means the Participant's base rate of compensation (including regular compensation, holiday, vacation, personal and sick pay) payable for services performed for the Employer for the Plan Year, as adjusted to reflect increases and decreases to the base rate during the Plan Year.
- 2.4 "Beneficiary"** means the persons, trusts, estates or other entities entitled under Section 8.2 to receive benefits under the Plan upon the death of a Participant.
- 2.5 "Board" or "Board of Directors"** means the Board of Directors of the Plan Sponsor.
- 2.6 "Bonus Compensation"** means the Participant's bonus or incentive compensation payable for services performed for the Employer for the Plan Year pursuant to, among others designated by the Employer, the Micron Technology, Inc. Executive Incentive Plan, the Micron Technology, Inc. Annual Incentive Plan, and/or the Micron Technology, Inc. Incentive Pay Plan.
- 2.7 "Change in Control"** means the occurrence of an event involving the Plan Sponsor that is described in Section 9.6.
- 2.8 "Code"** means the Internal Revenue Code of 1986, as amended.
- 2.9 "Compensation"** means Base Compensation, Bonus Compensation and/or Performance-Based Compensation.

- 2.10 “Disability”** means a determination by the Administrator that the Participant is either (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Employer. A Participant will be considered to have incurred a Disability if he is determined to be totally disabled by the Social Security Administration or the Railroad Retirement Board.
- 2.11 “Discretionary Credits”** has the meaning set forth in Section 5.1 hereof.
- 2.12 “Distribution Date”** means the earliest to occur of: (1) a Specified Payment Date elected by the Participant or (2) the Participant's Separation from Service for any reason (including death or Disability). Notwithstanding the foregoing, in the case of a distribution to a Specified Employee on account of Separation from Service, the Distribution Date shall be the Specified Employee Delayed Payment Date.
- 2.13 “Election Period”** means the period established by the Administrator during which Participant deferral and distribution elections must be made in accordance with the requirements of Code Section 409A. The Election Period for Base Compensation and for Bonus Compensation that does not qualify as Performance-Based Compensation shall end no later than the last day of the Plan Year immediately preceding the Plan Year in which such Base Compensation or Bonus Compensation is earned, and the Election Period for Bonus Compensation qualifying as Performance-Based Compensation shall end no later than six (6) months before the end of the fiscal year or other period in which the Performance-Based Compensation is earned; provided, that the Eligible Employee is employed continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date an election is made to defer such Performance-Based Compensation and the amount of such Performance-Based Compensation has not become readily ascertainable as of the date the election is made; and further provided, however, that the Election Period with respect to the first Plan Year in which an Eligible Employee is eligible to participate in the Plan may, to the extent permitted under Code Section 409A, end no later than thirty (30) days after the Eligible Employee first becomes eligible under the Plan and shall apply only to compensation earned after such election is made. A former Eligible Employee who again becomes an Eligible Employee shall be treated as newly eligible to make deferrals under the Plan within thirty (30) days upon return to eligible status if: (i) the former Eligible Employee has received distribution of the full amount of his or her Account balance attributable to deferral contributions and on or before the last such distribution was not eligible to make deferral contributions for periods after the last distribution payment; or (ii) the former Eligible Employee has not been eligible to make deferral contributions at any time during the twenty-four (24)-month period ending on the date he or she again becomes an Eligible Employee. In addition, if an Eligible Employee is or was eligible to participate in another plan that is aggregated with the elective deferral portion of the Plan under Code Section 409A, participation in such plan shall be treated as participation in the Plan for purposes of determining whether the Eligible Employee is treated as newly eligible under the Plan. Except in the case of the first Plan Year in which an Eligible

Employee is eligible to participate in the Plan, including a former Eligible Employee who is treated as newly eligible to make deferrals, the effective date of elections to defer Base or Bonus Compensation shall be the first day of the calendar year following such election and in the case of an election to defer Performance-Based Compensation, such election shall be effective with respect to Performance-Based Compensation payable after the end of the applicable performance period.

2.14 “Eligible Employee” means an employee of the Employer selected by the Employer for participation in the Plan.

2.15 “Employer” means the Plan Sponsor and any other entity which is authorized by the Plan Sponsor to participate in and, in fact, does adopt the Plan.

2.16 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.17 “Participant” means an Eligible Employee who commences participation in the Plan in accordance with Article 3.

2.18 “Performance-Based Compensation” means any bonus, award or other compensation designated by the Employer, the amount of which, or the entitlement to which, is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months. For such bonus or award to be performance-based with respect to a Participant’s deferral election with respect to such bonus or award, the following requirements must be met: (i) the performance criteria must be established in writing no later than ninety (90) days after the beginning of the applicable “performance period”; (ii) the outcome of the performance criteria must be substantially uncertain when the criteria are established; (iii) no bonus or award, or portion of any bonus or award, that will be paid either regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria are established, shall be considered Performance-Based Compensation; (iv) Performance-Based Compensation shall not include payments based upon subjective performance criteria unless: (a) the subjective performance criteria are bona fide and relate to the Participant’s performance, the performance of a group of employees that includes the Participant, or the performance of a business unit for which the Participant provides services (which may include the entire organization); and (b) the determination that any subjective performance criteria have been met is not made by the Participant or a family member of the Participant (as defined in Code Section 267(c) (4), applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a family member, and no amount of the compensation of the person making such determination is effectively controlled in whole or in part by the Participant or such a family member. A performance-based bonus that otherwise meets the above criteria may provide for payment regardless of satisfaction of the performance criteria upon the Participant’s death, disability (defined as a medically determinable physical or mental impairment resulting in the Participant’s inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months), or a change in control event (as defined in Treasury Regulations Section 1.409A-3(i)(5)(i)). Any amount that actually

becomes payable upon such events without regard to the satisfaction of the performance criteria will not be considered Performance-Based Compensation.

2.19 “Plan” means the unfunded plan of deferred compensation set forth herein, as adopted by the Plan Sponsor and as amended from time to time.

2.20 “Plan Sponsor” means Micron Technology, Inc. or any successor by merger, consolidation or otherwise.

2.21 “Plan Year” means the period commencing January 1 and ending on December 31.

2.22 “Related Employer” means the Employer and (a) any corporation that is a member of a controlled group of corporations as defined in Code Section 414(b) that includes the Employer and (b) any trade or business that is under common control as defined in Code Section 414(c) that includes the Employer.

2.23 “Separation from Service” means the date that the Participant dies, retires or otherwise has a termination of employment with respect to all entities comprising the Related Employer. A Separation from Service does not occur if the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six months or such longer period during which the Participant's right to reemployment is provided by statute or contract. If the period of leave exceeds six months and the Participant's right to re-employment is not provided either by statute or contract, a Separation from Service will be deemed to have occurred on the first day following the six-month period. If the period of leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where the impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29 month period of absence may be substituted for the six month period.

Whether a termination of employment has occurred is based on whether the facts and circumstances indicate that the Related Employer and the Participant reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Participant would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the Related Employer if the employee has been providing services to the Related Employer for less than 36 months).

An independent contractor is considered to have experienced a Separation from Service with the Related Employer upon the expiration of the contract (or, in the case of more than one contract, all contracts) under which services are performed for the Related Employer if the expiration constitutes a good-faith and complete termination of the contractual relationship.

If a Participant provides services as both an employee and an independent contractor of the Related Employer, the Participant must separate from service both as an employee and as an independent contractor to be treated as having incurred a Separation from Service. If a Participant ceases providing services as an independent contractor and begins providing services as an employee, or ceases providing services as an employee and begins providing services as an independent contractor, the Participant will not be considered to have experienced a Separation from Service until the Participant has ceased providing services in both capacities.

If a Participant provides services both as an employee and as a member of the board of directors of a corporate Related Employer (or an analogous position with respect to a noncorporate Related Employer), the services provided as a director are not taken into account in determining whether the Participant has incurred a Separation from Service as an employee for purposes of a nonqualified deferred compensation plan in which the Participant participates as an employee that is not aggregated under Code Section 409A with any plan in which the Participant participates as a director.

If a Participant provides services both as an employee and as a member of the board of directors of a corporate related Employer (or an analogous position with respect to a noncorporate Related Employer), the services provided as an employee are not taken into account in determining whether the Participant has experienced a Separation from Service as a director for purposes of a nonqualified deferred compensation plan in which the Participant participates as a director that is not aggregated under Code Section 409A with any plan in which the Participant participates as an employee.

All determinations of whether a Separation from Service has occurred will be made in a manner consistent with Code Section 409A and the final regulations thereunder.

- 2.24** “**Specified Employee**” is an employee who on the date of his Separation from Service is a “specified employee” within the meaning given such term under Code Section 409A and the regulations thereunder applying the default criteria.
- 2.25** “**Specified Employee Delayed Payment Date**” means the first business day of the seventh month following the date of a Specified Employee's Separation from Service.
- 2.26** “**Specified Payment Date**” means a calendar year elected by the Participant to receive his her deferrals that is after the Plan Year for which the deferrals are made.
- 2.27** “**Valuation Date**” means each business day of the Plan Year that the Nasdaq Global Stock Market is open.
- 2.28** “**Years of Service**” shall be determined in accordance with the Participant's Years of Service credited under the Micron Technology, Inc. Retirement at Micron (RAM) Plan.

ARTICLE 3 - PARTICIPATION

- 3.1** **Participation.** An Eligible Employee shall commence participation in the Plan upon the effectiveness of his first deferral election in accordance with Section 4.1.
- 3.2** **Termination of Participation.** The Administrator may terminate a Participant's

participation in the Plan in a manner consistent with Code Section 409A. If the Employer terminates a Participant's participation before the Participant experiences a Separation from Service the Participant's vested Accounts shall be paid in accordance with the provisions of Article 9.

ARTICLE 4 - PARTICIPANT ELECTIONS

4.1 Deferral Agreement. An Eligible Employee may elect during the applicable Election Period, by executing in writing or electronically a deferral agreement on form(s) approved by the Administrator, to defer the receipt of a designated percentage of Base Compensation per payroll period that is earned and payable after the effective date of such election, a designated percentage of Bonus Compensation per payroll period that is earned and payable after the effective date of such election and a designated percentage of Performance-Based Compensation that is payable after the effective date of such election and have such amount credited to the Participant's Account pursuant to the terms of the Plan. The Participant shall make a separate deferral election for Base, Bonus and Performance-Based Compensation deferrals for each Plan Year.

A new deferral election must be timely executed for each Plan Year during which the Eligible Employee desires to defer Compensation. An Eligible Employee who does not timely execute a deferral election shall be deemed to have elected zero deferrals of Compensation for such Plan Year.

4.2 Revocation/Modification of Deferral Elections. Except as otherwise provided in Section 9.2, a Participant may not revoke or modify his deferral agreement after the Election Period. The Administrator in its discretion may cancel a deferral election if permitted under Code Section 409A (such as upon disability), provided that the Participant shall not be provided an election with respect to such cancellation. Notwithstanding anything in this Plan to the contrary, if a Participant receives a hardship distribution of elective deferrals from a qualified cash or deferred arrangement maintained by the Employer, then such Participant's deferral election shall be cancelled for the remainder of the calendar year in which he received such hardship distribution, to the extent necessary to satisfy the requirements of Treas. Reg. Section 1.401(k)-1(d)(3).

4.3 Amount of Deferrals. An Eligible Employee is not required to make a deferral election for any Plan Year. However, if an Eligible Employee makes a deferral election, the following minimums and maximums apply. These minimums and/or maximums may be modified by the Administrator for a given Plan Year on the election forms for such Plan Year without the need of a formal plan amendment.

(a) **Minimum Base Compensation Deferral Election.** The minimum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Base Compensation is 1% of Base Compensation.

(b) **Minimum Bonus Compensation Deferral Election.** The minimum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Bonus Compensation is 1% of such Eligible Employee's Bonus for a Plan Year.

(c) **Maximum Base Compensation Deferral Election.** The maximum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Base Compensation is 75% of Base Compensation.

(d) **Maximum Bonus Compensation Deferral Election.** The maximum deferral election percentage an Eligible Employee may make for a Plan Year with respect to Bonus Compensation is 100% of such Eligible Employee's Bonus for a Plan Year.

4.4 Timing of Election to Defer. Each Eligible Employee who desires to defer Compensation otherwise payable during a Plan Year must execute a deferral agreement within the Election Period.

4.5 Election of Payment Schedule and Form of Payment. All elections of a payment schedule and a form of payment will be made in accordance with rules and procedures established by the Administrator. At the time an Eligible Employee completes a deferral agreement during the Election Period, the Eligible Employee must elect a form of payment in which to receive such deferrals in a payment schedule permitted under Section 9.3 and may elect a Specified Payment Date that occurs during the Participant's employment. If an Eligible Employee fails to elect a form of payment permitted under Section 9.3, then he shall be deemed to have elected a lump sum form of payment.

4.6 No Deferrals from Severance. Deferral elections shall not apply to severance or other amounts payable after a Participant's Separation from Service.

ARTICLE 5 - EMPLOYER CONTRIBUTIONS

5.1 Employer Contributions. The Employer may, in its sole discretion, make discretionary Employer credits ("Discretionary Credits") on behalf of any Eligible Participant. In its sole discretion, the Employer shall determine the Eligible Participants to be credited with any Discretionary Credit, the amount of any such Discretionary Credit and the vesting schedule applicable thereto (including any accelerated vesting thereof and the events of such acceleration). In addition, the Employer may permit the Participant to elect the timing and form of distribution of such Discretionary Credits, provided that any such election shall be made no later than the latest time permitted by Code Section 409A.

ARTICLE 6 - ACCOUNTS AND CREDITS

6.1 Establishment of Account. For accounting and computational purposes only, the Administrator will establish and maintain an Account on behalf of each Participant which will reflect the credits made pursuant to Section 6.2, distributions or withdrawals, along with the earnings, expenses, gains and losses allocated thereto, attributable to the hypothetical investments made with the amounts in the Account as provided in Article 7. The Administrator will establish and maintain such other records and accounts, as it decides in its discretion to be reasonably required or appropriate to discharge its duties under the Plan.

6.2 Credits to Account. A Participant's Account will be credited for each Plan Year with the amount of his elective deferrals under Section 4.1 at the time the amount subject to the deferral election would otherwise have been payable to the Participant and the amount of Employer contributions treated as allocated on his behalf under Article 5.

ARTICLE 7 - INVESTMENT OF CONTRIBUTIONS

- 7.1 Investment Options.** The amount credited to each Account shall be treated as invested in the investment options selected in advance by the Administrator. The Administrator, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change.
- 7.2 Investment Allocations.** A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account.
- (a) A Participant shall specify an investment allocation for each of his Accounts in accordance with procedures established by the Administrator. Except as otherwise provided by the Administrator, the following provisions of this Section 7.2 shall apply to allocations under the Plan.
- (i) Allocation among the investment options must be designated in increments of 1%. The Participant's investment allocation will become effective on the same business day or, in the case of investment allocations received after a time specified by the Administrator, the next business day.
 - (ii) A Participant may change an investment allocation on any business day, both with respect to future credits to the Plan and with respect to existing Accounts, in accordance with procedures adopted by the Administrator. Changes shall become effective on the same business day or, in the case of investment allocations received after a time specified by the Administrator, the next business day, and shall be applied prospectively.
- 7.3 Adjustment of Accounts.** The amount credited to each Account shall be adjusted for hypothetical investment earnings, expenses, gains or losses in an amount equal to the earnings, expenses, gains or losses attributable to the investment options selected by the Participant from among the investment options provided in Section 7.1. A Participant (or the Participant's Beneficiary after the death of the Participant) may, in accordance with rules and procedures established by the Administrator, select the investments from among the options provided in Section 7.1 to be used for the purpose of calculating future hypothetical investment adjustments to the Account or to future credits to the Account under Section 6.2 effective as of the Valuation Date coincident with or next following notice to the Administrator. Each Account shall be adjusted as of each Valuation Date to reflect: (a) the hypothetical earnings, expenses, gains and losses described above; (b) amounts credited pursuant to Section 6.2; and (c) distributions or withdrawals. In addition, each Account may be adjusted for its allocable share of the hypothetical costs and expenses associated with the maintenance of the hypothetical investments provided in Section 7.1.

ARTICLE 8 - RIGHT TO BENEFITS

8.1 Vesting.

- (a) A Participant, at all times, has a 100% nonforfeitable interest in the amounts credited to his Account attributable to his elective deferrals made in accordance with Section 4.1.
- (b) A Participant's right to the amounts credited to his Account attributable to Discretionary Credits made in accordance with Article 5, if any, shall vest at to 100% of the applicable Discretionary Credit on the date that such Participant achieves two Years of Service (each, an "Employer Contribution Vesting Date"). Upon a Separation from Service prior to an Employer Contribution Vesting Date, the Participant shall forfeit the nonvested portion of his Account. Notwithstanding the foregoing, a Participant's rights to the amounts credited to his Account attributable to Discretionary Credits made in accordance with Article 5, if any, shall vest as to 100% of the applicable Discretionary Credit in the event of such Participant's death or Disability, or upon the occurrence of a Change in Control.

8.2 **Death; Disability.** A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries in accordance with rules and procedures established by the Administrator.

A copy of the death notice or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's vested Account, such amount will be paid to his estate (such estate shall be deemed to be the Beneficiary for purposes of the Plan) in accordance with the provisions of Article 9.

ARTICLE 9 - DISTRIBUTION OF BENEFITS

9.1 **Amount of Benefits.** The vested amount credited to a Participant's Account as determined under Articles 6, 7 and 8 shall determine and constitute the basis for the value of benefits payable to the Participant under the Plan.

9.2 **Method and Timing of Distributions.** Except as otherwise expressly provided herein, amounts credited to a Participant's Account for each Plan Year shall be paid to the Participant in accordance with the Participant's distribution election under Article 4. Distributions shall commence to be paid to the Participant as soon as administratively feasible following the Distribution Date, but in no event later than the time prescribed by Treas. Reg. Section 1.409A-3(d). A Participant may make a one (1) time change to his or her distribution election for a Plan Year to elect a later Specified Payment Date in accordance with this Section 9.2 and may make a one (1) time change to his or her distribution election for a Plan Year to elect a different payment schedule in accordance with this Section 9.2; provided, however, that an election to defer payment or change the form of distribution shall not take effect until at least 12 months after the date on which the election is made and shall be effective only if (i) the election is made at least twelve (12) months before the Specified Payment Date or payment schedule would otherwise commence or occur, and (ii) the Participant elects a new Specified Payment Date or payment schedule that delays the Specified Payment Date or payment schedule at least

five (5) years. For purposes of this Section 9.2, a series of installment payments is always treated as a single payment and not as a series of separate payments.

- 9.3 Form of Distribution.** Vested amounts credited to a Participant's Account shall, at the Participant's election specified in his deferral agreement in accordance with Article 4, be payable to the Participant in a single sum cash payment or in substantially equal annual cash installments over not less than two (2) years and not more than ten (10) years. Annual installment payments shall be calculated by dividing the Account balance by the remaining annual installments to be made.
- 9.4 Payment Election Overrides.** Notwithstanding the Participant's election as to the time and form of payment, upon the Participant's death or Disability, the Participant's entire Account (including any amounts with respect to which installment payments have previously commenced) shall be paid to the Participant or his Beneficiary in a single sum cash payment.
- 9.6 Change in Control.** Notwithstanding the Participant's election as to the time and form of payment, in the event of a Change in Control, the Participant's entire Account (including any amounts with respect to which installment payments have previously commenced) shall be paid to the Participant in a single sum cash payment upon the Change in Control.

A Change in Control, for purposes of the Plan, will occur upon a change in the ownership of the Plan Sponsor, a change in the effective control of the Plan Sponsor or a change in the ownership of a substantial portion of the assets of the Plan Sponsor. The Plan Sponsor, for this purpose, includes any corporation identified in this Section 9.6.

If a Participant continues to make deferrals in accordance with Article 4 after he has received a distribution due to a Change in Control, the residual amount payable to the Participant shall be paid at the time and in the form specified in the elections he makes in accordance with Article 4 or upon his death or Disability as provided in Article 8.

Whether a Change in Control has occurred will be determined by the Administrator in accordance with the rules and definitions set forth in this Section 9.6. A distribution to the Participant will be treated as occurring upon a Change in Control if the Plan Sponsor terminates the Plan in accordance with Section 10.2 and distributes the Participant's benefits within twelve months of a Change in Control as provided in Section 10.3.

- (a) **Relevant Corporations.** To constitute a Change in Control for purposes of the Plan, the event must relate to (i) the corporation for whom the Participant is performing services at the time of the Change in Control, (ii) the corporation that is liable for the payment of the Participant's benefits under the Plan (or all corporations liable if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of services by the Participant for such corporation (or corporations) or there is a bona fide business purpose for such corporation (or corporations) to be liable for such payment and, in either case, no significant purpose of making such corporation (or corporations) liable for such payment is the avoidance of federal income tax, or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii), or any corporation in a chain of corporations in

which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii). A majority shareholder is defined as a shareholder owning more than fifty percent (50%) of the total fair market value and voting power of such corporation.

- (b) **Stock Ownership.** Code Section 318(a) applies for purposes of determining stock ownership. Stock underlying a vested option is considered owned by the individual who owns the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). If, however, a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation Section 1.83-3(b) and (j)) the stock underlying the option is not treated as owned by the individual who holds the option.
- (c) **Change in the Ownership of a Corporation.** A change in the ownership of a corporation occurs on the date that any one person or more than one person acting as a group, acquires ownership of stock of the corporation that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of such corporation. If any one person or more than one person acting as a group is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of a corporation, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the corporation (or to cause a change in the effective control of the corporation as discussed below in Section 9.6(d)). An increase in the percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the corporation acquires its stock in exchange for property will be treated as an acquisition of stock. Section 9.6(c) applies only when there is a transfer of stock of a corporation (or issuance of stock of a corporation) and stock in such corporation remains outstanding after the transaction. For purposes of this Section 9.6(c), persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time or as a result of a public offering. Persons will, however, be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only with respect to ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.
- (d) **Change in the effective control of a corporation.** A change in the effective control of a corporation occurs on the date that either (i) any one person, or more than one person acting as a group, acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the corporation possessing thirty percent (30%) or more of the total voting power of the stock of such corporation, or (ii) a majority of members of

the corporation's board of directors is replaced during any twelve month period by directors whose appointment or election is not endorsed by a majority of the members of the corporation's board of directors prior to the date of the appointment or election, provided that for purposes of this paragraph (ii), the term corporation refers solely to the relevant corporation identified in Section 9.6(a) for which no other corporation is a majority shareholder for purposes of Section 9.6(a). In the absence of an event described in Section 9.6(d)(i) or (ii), a change in the effective control of a corporation will not have occurred. A change in effective control may also occur in any transaction in which either of the two corporations involved in the transaction has a change in the ownership of such corporation as described in Section 9.6(c) or a change in the ownership of a substantial portion of the assets of such corporation as described in Section 9.6(e). If any one person, or more than one person acting as a group, is considered to effectively control a corporation within the meaning of this Section 9.6(d), the acquisition of additional control of the corporation by the same person or persons is not considered to cause a change in the effective control of the corporation or to cause a change in the ownership of the corporation within the meaning of Section 9.6(c). For purposes of this Section 9.6(d), persons will or will not be considered to be acting as a group in accordance with rules similar to those set forth in Section 9.6(c) with the following exception. If a person, including an entity, owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in a corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation.

- (e) **Change in the ownership of a substantial portion of a corporation's assets.** A change in the ownership of a substantial portion of a corporation's assets occurs on the date that any one person, or more than one person acting as a group (as determined in accordance with rules similar to those set forth in Section 9.6(d)), acquires (or has acquired during the twelve month period ending on the date of the most recent acquisition by such person or persons) assets from the corporation that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the corporation immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the corporation or the value of the assets being disposed of determined without regard to any liabilities associated with such assets. There is no Change in Control event under this Section 9.6(e) when there is a transfer to an entity that is controlled by the shareholders of the transferring corporation immediately after the transfer. A transfer of assets by a corporation is not treated as a change in ownership of such assets if the assets are transferred to (i) a shareholder of the corporation (immediately before the asset transfer) in exchange for or with respect to its stock, (ii) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the corporation, (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding

stock of the corporation, or (iv) an entity, at least fifty (50%) of the total value or voting power of which is owned, directly or indirectly, by a person described in Section 9.6(e)(iii). For purposes of the foregoing, and except as otherwise provided, a person's status is determined immediately after the transfer of assets.

9.7 Permissible Delays in Payment.

Distributions may be delayed beyond the date payment would otherwise occur in accordance with the provisions of Articles 8 and 9 in any of the following circumstances as long as the Employer treats all payments to similarly situated Participants on a reasonably consistent basis.

- (a) The Employer may delay payment if it reasonably anticipates that its deduction with respect to such payment would be limited or eliminated by the application of Code Section 162(m). Payment must be made during the Participant's first taxable year in which the Employer reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year the deduction of such payment will not be barred by the application of Code Section 162(m) or during the period beginning with the Participant's Separation from Service and ending on the later of the last day of the Employer's taxable year in which the Participant separates from service or the 15th day of the third month following the Participant's Separation from Service. If a scheduled payment to a Participant is delayed in accordance with this Section 9.7(a), all scheduled payments to the Participant that could be delayed in accordance with this Section 9.7(a) will also be delayed.
- (b) The Employer may also delay payment if it reasonably anticipates that the making of the payment will violate federal securities laws or other applicable laws provided payment is made at the earliest date on which the Employer reasonably anticipates that the making of the payment will not cause such violation.
- (c) The Employer reserves the right to amend the Plan to provide for a delay in payment upon such other events and conditions as the Secretary of the Treasury may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

9.8 Permitted Acceleration of Payment. The Employer may permit acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to a payment under the Plan provided such acceleration would be permitted by the provisions of Reg. Sec. 1.409A-3(j)(4), including the following events:

- (a) **Domestic Relations Order.** A payment may be accelerated if such payment is made to an alternate payee pursuant to and following the receipt and qualification of a domestic relations order as defined in Code Section 414(p).
- (b) **Compliance with Ethics Agreements and Legal Requirements.** A payment may be accelerated as may be necessary to comply with ethics agreements with the Federal government or as may be reasonably necessary to avoid the violation of Federal, state, local or foreign ethics law or conflicts of laws, in accordance with the requirements of Code Section 409A.

- (c) **FICA Tax.** A payment may be accelerated to the extent required to pay the Federal Insurance Contributions Act tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) of the Code with respect to compensation deferred under the Plan (the "FICA Amount"). Additionally, a payment may be accelerated to pay the income tax on wages imposed under Code Section 3401 of the Code on the FICA Amount and to pay the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes. The total payment under this subsection (d) may not exceed the aggregate of the FICA Amount and the income tax withholding related to the FICA Amount.
- (d) **Section 409A Additional Tax.** A payment may be accelerated if the Plan fails to meet the requirements of Code Section 409A; provided that such payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Code Section 409A.
- (e) **Offset.** A payment may be accelerated in the Employer's discretion as satisfaction of a debt of the Participant to the Employer, where such debt is incurred in the ordinary course of the service relationship between the Participant and the Employer, the entire amount of the reduction in any of the Employer's taxable years does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.
- (f) **Other Events.** A payment may be accelerated in the Administrator's discretion in connection with such other events and conditions as permitted by Code Section 409A.

ARTICLE 10 - AMENDMENT AND TERMINATION

- 10.1 Amendment by Plan Sponsor.** The Plan Sponsor reserves the right to amend the Plan (for itself and each Employer) through action of its Board of Directors. No amendment can directly or indirectly deprive any current or former Participant or Beneficiary of all or any portion of his Account which had accrued and vested prior to the amendment.
- 10.2 Plan Termination Following Change in Control or Corporate Dissolution.** The Plan Sponsor reserves the right to terminate the Plan and distribute all amounts credited to all Participant Accounts within the 30 days preceding or the twelve months following a Change in Control as determined in accordance with the rules set forth in Section 9.6. For this purpose, the Plan will be treated as terminated only if all agreements, methods, programs and other arrangements sponsored by the Related Employer immediately after the Change in Control which are treated as a single plan under Reg. Sec. 1.409A-1(c)(2) are also terminated so that all participants under the Plan and all similar arrangements are required to receive all amounts deferred under the terminated arrangements within twelve months of the date the Plan Sponsor irrevocably takes all necessary action to terminate the arrangements. In addition, the Plan Sponsor reserves the right to terminate the Plan within twelve months of a corporate dissolution taxed under Code Section 331 or with the approval of a bankruptcy court pursuant to 11 U. S. C. Section 503(b)(1)(A) provided that amounts deferred under the Plan are included in the gross incomes of

Participants in the latest of (a) the calendar year in which the termination and liquidation occurs, (b) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (c) the first calendar year in which payment is administratively practicable.

- 10.3 Other Plan Terminations.** The Plan Sponsor retains the discretion to terminate the Plan if (a) all arrangements sponsored by the Plan Sponsor that would be aggregated with any terminated arrangement under Code Section 409A and Reg. Sec. 1.409A-1(c)(2) are terminated, (b) no payments other than payments that would be payable under the terms of the arrangements if the termination had not occurred are made within twelve months of the termination of the arrangements, (c) all payments are made within twenty-four months of the date the Plan Sponsor takes all necessary action to irrevocably terminate and liquidate the arrangements, (d) the Plan Sponsor does not adopt a new arrangement that would be aggregated with any terminated arrangement under Code Section 409A and the regulations thereunder at any time within the three year period following the date of termination of the arrangement, and (e) the termination does not occur proximate to a downturn in the financial health of the Plan sponsor. The Plan Sponsor also reserves the right to amend the Plan to provide that termination of the Plan will occur under such conditions and events as may be prescribed by the Secretary of the Treasury in generally applicable guidance published in the Internal Revenue Bulletin.

ARTICLE 11 - THE TRUST

- 11.1 Establishment of Trust.** The Plan Sponsor may but is not required to establish a trust to hold amounts which the Plan Sponsor may contribute from time to time to correspond to some or all amounts credited to Participants under Section 6.2. In the event that the Plan Sponsor wishes to establish a trust to provide a source of funds for the payment of Plan benefits, any such trust shall be constructed to constitute an unfunded arrangement that does not affect the status of the Plan as an unfunded plan for purposes of Title I of ERISA and the Code.
- 11.2 Rabbi Trust.** Any trust established by the Plan Sponsor shall be between the Plan Sponsor and a trustee pursuant to a separate written agreement under which assets are held, administered and managed, subject to the claims of the Plan Sponsor's creditors in the event of the Plan Sponsor's insolvency. The trust is intended to be treated as a rabbi trust in accordance with existing guidance of the Internal Revenue Service, and the establishment of the trust shall not cause the Participant to realize current income on amounts contributed thereto. The Plan Sponsor must notify the trustee in the event of a bankruptcy or insolvency.
- 11.3 Investment of Trust Funds.** Any amounts contributed to the trust by the Plan Sponsor shall be invested by the trustee in accordance with the provisions of the trust and the instructions of the Administrator. Trust investments need not reflect the hypothetical investments selected by Participants under Section 7.1 for the purpose of adjusting Accounts and the earnings or investment results of the trust need not affect the hypothetical investment adjustments to Participant Accounts under the Plan.

ARTICLE 12 - PLAN ADMINISTRATION

12.1 Powers and Responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however, to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

- (a) To make and enforce such rules and procedures as it deems necessary or proper for the efficient administration of the Plan;
- (b) To interpret the Plan, its interpretation thereof to be final, except as provided in Section 12.2, on all persons claiming benefits under the Plan;
- (c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;
- (d) To administer the claims and review procedures specified in Section 12.2;
- (e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;
- (f) To determine the person or persons to whom such benefits will be paid;
- (g) To authorize the payment of benefits;
- (h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;
- (i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;
- (j) By written instrument, to allocate and delegate its responsibilities, including the formation of an administrative committee to administer the Plan.

12.2 Claims and Review Procedures.

Claims Procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will be given within 90 days (45 days in the case of a claim regarding Disability) after the claim is received by the Administrator. The Administrator may extend the period for providing the notification by 90 days (30 days in the case of a claim regarding Disability) if special circumstances require an extension of time for processing the claim and if written notice of such extension and circumstance is given to such person within the initial 90 day period (45 day period in the case of a claim regarding Disability). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his claim. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to

perfect such claim and an explanation of why such material or information is necessary, and (iv) a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the person's right to bring a civil action following an adverse decision on review. In addition, for a claim regarding Disability, such notification will be provided in a culturally and linguistically appropriate manner and will contain (v) a discussion of the decision, including an explanation of the basis for disagreeing with or not following: (a) the views provided by the claimant's health care or vocation professionals who treated and evaluated the claimant; (b) the views of medical or vocational experts whose advice was obtained by the plan, regardless of whether the advice was relied upon in making the benefit determination; and (c) any disability determination made by the Social Security Administration, (vi) if the adverse benefit determination is based on medical necessity, experimental treatment, or similar exclusion or limit, either an explanation of the scientific or clinical judgement for the determination, applying the terms of the plan to the claimant's medical circumstances, or a statement that an explanation will be provided free of charge upon request, (vii) the specific internal rules, guidelines, protocols, standards or other similar criteria (a "Guideline") that were relied upon in making the adverse determination or a statement that such Guideline does not exist, and (viii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.

Review Procedure. Within 60 days (180 days in the case of a claim regarding Disability) after the date on which a person receives a written notification of denial of claim (or, if written notification is not provided, within 60 days (180 days in the case of a claim regarding Disability) of the date denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. The decision on review will be made within 60 days (45 days in the case of a claim regarding Disability). The Administrator may extend the period for making the decision on review by 60 days (45 days in the case of a claim regarding Disability) if special circumstances require an extension of time for processing the request such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period (45 days in the case of a claim regarding Disability). If the decision on review is not made within such period, the claim will be considered denied. In the case of a claim regarding Disability, before a final adverse benefit determination is made, the Administrator will provide the claimant, free of charge, with any new or additional evidence or rationale considered, relied upon, or generated by the plan in connection with the claim as soon as possible and sufficiently in advance of the final notice to give the claimant a reasonable opportunity to respond prior to that date.

The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The notification will explain that the person is entitled to receive, upon request and free of charge, reasonable access to and copies of all pertinent documents and has the right to bring a civil action following an adverse decision on

review. In addition, for a claim regarding Disability, the notification will be provided in a culturally and linguistically appropriate manner and will contain (i) a discussion of the decision, including an explanation of the basis for disagreeing with or not following the views provided by the claimant's health care or vocation professionals that treated and evaluated the claimant; the views of medical or vocational experts whose advice was obtained by the plan, regardless of whether the advice was relied upon in making the benefit determination; and any disability determination made by the Social Security Administration, (ii) if the adverse benefit determination is based on medical necessity, experimental treatment, or similar exclusion or limit, either an explanation of the scientific or clinical judgement for the determination, applying the terms of the plan to the claimant's medical circumstances, or a statement that explanation will be provided free of charge upon request, (iii) any Guideline that was relied upon in making the adverse determination or a statement that such Guideline does not exist.

Exhaustion of Claims Procedures and Right to Bring Legal Claim. No action at law or equity shall be brought more than one (1) year after the Administrator's affirmation of a denial of a claim, or, if earlier, more than four (4) years after the facts or events giving rise to the claimant's allegation(s) or claim(s) first occurred.

- 12.3 Plan Administrative Costs.** All reasonable costs and expenses (including legal, accounting, and employee communication fees) incurred by the Administrator in administering the Plan shall be paid by the Plan to the extent not paid by the Employer.

ARTICLE 13 - MISCELLANEOUS

- 13.1 Unsecured General Creditor of the Employer.** Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Employer. For purposes of the payment of benefits under the Plan, any and all of the Employer's assets shall be, and shall remain, the general, unpledged, unrestricted assets of the Employer. Each Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 13.2 Employer's Liability.** Each Employer's liability for the payment of benefits under the Plan shall be defined only by the Plan and by the deferral elections entered into between a Participant and the Employer. An Employer shall have no obligation or liability to a Participant under the Plan except as provided by the Plan and a deferral election or agreements. An Employer shall have no liability to Participants employed by other Employers.
- 13.3 Limitation of Rights.** Neither the establishment of the Plan, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to the Participant or any other person any legal or equitable right against the Employer, the Plan or the Administrator, except as provided herein; and in no event will the terms of employment or service of the Participant be modified or in any way affected hereby.

- 13.4 Anti-Assignment.** Except as may be necessary to fulfill a domestic relations order within the meaning of Code Section 414(p), none of the benefits or rights of a Participant or any Beneficiary of a Participant shall be subject to the claim of any creditor. In particular, to the fullest extent permitted by law, all such benefits and rights shall be free from attachment, garnishment, or any other legal or equitable process available to any creditor of the Participant and his or her Beneficiary. Neither the Participant nor his or her Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the payments which he or she may expect to receive, contingently or otherwise, under the Plan, except the right to designate a Beneficiary to receive death benefits provided hereunder. Notwithstanding the preceding, the benefit payable from a Participant's Account may be reduced, at the discretion of the administrator, to satisfy any debt or liability to the Employer.
- 13.5 Facility of Payment.** If the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Employer to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments therefore, and any such payment to the extent thereof, shall discharge the liability of the Employer, the Plan and the Administrator for the payment of benefits hereunder to such recipient.
- 13.6 Notices.** Any notice or other communication to the Employer or Administrator in connection with the Plan shall be deemed delivered in writing if addressed to the Plan Sponsor at the following address: 8000 South Federal Way, Boise, ID 83707, and if either actually delivered at said address or, in the case of a letter, 5 business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified.
- 13.7 Tax Withholding.** If the Employer concludes that tax is owing with respect to any deferral or payment hereunder, the Employer shall withhold such amounts from any payments due the Participant or from amounts deferred, as permitted by law, or otherwise make appropriate arrangements with the Participant or his Beneficiary for satisfaction of such obligation. Tax, for purposes of this Section 13.7 means any federal, state, local or any other governmental income tax, employment or payroll tax, excise tax, or any other tax or assessment owing with respect to amounts deferred, any earnings thereon, and any payments made to Participants under the Plan.
- 13.8 Indemnification.**
- (a) Each Indemnitee (as defined in Section 13.8(e)) shall be indemnified and held harmless by the Employer for all actions taken by him and for all failures to take action (regardless of the date of any such action or failure to take action), to the fullest extent permitted by the law of the jurisdiction in which the Employer is incorporated, against all expense, liability, and loss (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Indemnitee in connection with any

Proceeding (as defined in Subsection (e)). No indemnification pursuant to this Section shall be made, however, in any case where (1) the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness or (2) there is a settlement to which the Employer does not consent.

- (b) The right to indemnification provided in this Section shall include the right to have the expenses incurred by the Indemnitee in defending any Proceeding paid by the Employer in advance of the final disposition of the Proceeding, to the fullest extent permitted by the law of the jurisdiction in which the Employer is incorporated; provided that, if such law requires, the payment of such expenses incurred by the Indemnitee in advance of the final disposition of a Proceeding shall be made only on delivery to the Employer of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced without interest if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified under this Section or otherwise.
- (c) Indemnification pursuant to this Section shall continue as to an Indemnitee who has ceased to be such and shall inure to the benefit of his heirs, executors, and administrators. The Employer agrees that the undertakings made in this Section shall be binding on its successors or assigns and shall survive the termination, amendment or restatement of the Plan.
- (d) The foregoing right to indemnification shall be in addition to such other rights as the Indemnitee may enjoy as a matter of law or by reason of insurance coverage of any kind and is in addition to and not in lieu of any rights to indemnification to which the Indemnitee may be entitled pursuant to the by-laws of the Employer.
- (e) For the purposes of this Section, the following definitions shall apply:

- (i) "Indemnitee" shall mean each person serving as an Administrator (or any other person who is an employee, director, or officer of the Employer) who was or is a party to, or is threatened to be made a party to, or is otherwise involved in, any Proceeding, by reason of the fact that he is or was performing administrative functions under the Plan.

- (ii) "Proceeding" shall mean any threatened, pending, or completed action, suit, or proceeding (including, without limitation, an action, suit, or proceeding by or in the right of the Employer), whether civil, criminal, administrative, investigative, or through arbitration.

13.9 Successors. The provisions of the Plan shall bind and inure to the benefit of the Plan Sponsor, the Employer and their successors and assigns and the Participant and the Participant's designated Beneficiaries.

13.10 Disclaimer. It is the Plan Sponsor's intention that the Plan comply with the requirements of Code Section 409A. Neither the Plan Sponsor nor the Employer shall have any liability to any Participant should any provision of the Plan fail to satisfy the requirements of Code Section 409A.

13.11 Governing Law. The Plan will be construed, administered and enforced according to the laws of Delaware.

Executed this 30th day of March, but effective as of January 1, 2021, except as otherwise expressly provided herein.

MICRON TECHNOLOGY, INC.

/s/ April Arnzen

By: April Arnzen

Its: Senior Vice President and Chief People Officer

April 1, 2021

Board of Directors
Micron Technology, Inc.
8000 South Federal Way
Post Office Box 6
Boise, ID 83707-0006

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to Micron Technology, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the period ended March 4, 2021 (the "Form 10-Q") pursuant to Item 601 of Regulation S-K.

We have been provided a copy of the Company's Form 10-Q. The Significant Accounting Policies and Inventories notes to the consolidated financial statements therein describe a change in accounting principle from the average cost inventory accounting method to the first-in, first-out ("FIFO") inventory accounting method and a change in accounting principle in the classification of spare parts for equipment from raw materials inventories to other current assets. It should be understood that the preferability of one acceptable method of accounting over another for determining the cost of inventory or the classification of spare parts has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that these changes in accounting principle are preferable. Based on our reading of management's stated reasons and justification for these changes in accounting principle in the Form 10-Q, and our discussions with management as to their judgment about the relevant business planning factors relating to the changes, we concur with management that such changes represent, in the Company's circumstances, changes to preferable accounting principles in conformity with Accounting Standards Codification 250, *Accounting Changes and Error Corrections*.

We have not audited any financial statements of the Company as of any date or for any period subsequent to September 3, 2020. Accordingly, our comments are subject to change upon completion of an audit of the financial statements covering the period of the accounting changes.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

San Jose, California

**RULE 13a-14(a) CERTIFICATION OF
CHIEF EXECUTIVE OFFICER**

I, Sanjay Mehrotra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Micron Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2021

/s/ Sanjay Mehrotra

Sanjay Mehrotra
President and Chief Executive Officer and Director

**RULE 13a-14(a) CERTIFICATION OF
CHIEF FINANCIAL OFFICER**

I, David A. Zinsner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Micron Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2021

/s/ David A. Zinsner

David A. Zinsner
Senior Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350**

I, Sanjay Mehrotra, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Micron Technology, Inc. on Form 10-Q for the period ended March 4, 2021, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: April 1, 2021

/s/ Sanjay Mehrotra

Sanjay Mehrotra

President and Chief Executive Officer and Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350**

I, David A. Zinsner, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Micron Technology, Inc. on Form 10-Q for the period ended March 4, 2021, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Micron Technology, Inc.

Date: April 1, 2021

/s/ David A. Zinsner

David A. Zinsner
Senior Vice President and Chief Financial Officer