

Toshiba Recovering Slower Than Expected from the Power Outage, with 3Q Wafer Quotes Under Pressure to Rise in the Short Term, Says TrendForce

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Toshiba Memory Corp. (TMC) reported that its main NAND Flash production base in Yokkaichi, Japan, experienced a 13-minute power outage on June 15. All production facilities within the base (Fab 2, Fab 3, Fab 4, Fab 5, and Fab 6) were affected by the power outage, but we have yet to see all facilities return to normal operation as of now. An assessment by [DRAMeXchange](#), a division of [TrendForce](#), gives that wafer quotes will be pressured to rise in the short term due to this event, and there may be a rise in 2D NAND flash product prices and a slight shrink in price decline for 3D NAND flash products in the third quarter.

Toshiba and its joint venture partner Western Digital have made separate announcements about this event today (June 28). Western Digital states that the power outage at Yokkaichi impacted approximately 6 exabytes (EB) of its NAND Flash wafer availability, with the effect of this incident on the market supply to be felt mainly in the third calendar quarter of this year. Toshiba's announcement, on the other hand, does not reveal how much damage was done to its NAND Flash wafer production. A fallout that Toshiba and Western Digital can expect is some loss of confidence from their downstream clients. The reliability of their production lines is now under doubt as the base is not resuming normal operation as quickly as can be reasonably expected for a leading-edge semiconductor plant.

Taking account of the latest development, TrendForce has made adjustments to its view on price trends in the NAND Flash market for 3Q19. The supply of 2D NAND Flash, which caters more toward specialty storage applications, will tighten up noticeably in the short term due to the power outage. The Yokkaichi base remains a major supply source for 2D NAND products. Furthermore, NAND Flash suppliers are now holding lower inventories of 2D NAND products than before. Hence, TrendForce now expects some impetus for suppliers to raise quotes on 2D NAND products in 3Q19.

On the other hand, the power outage is not expected to reverse the decline in 3Q contract prices of mainstream 3D NAND products (e.g. eMMC/UFS solutions and SSDs) since the inventory level for these products is high on both the demand and supply ends. Still, there is a possibility that the downswing in prices of 3D NAND products will moderate somewhat in 3Q19 due to the disruptions caused by the event. In the channel and retail markets, the sudden lowering of Western Digital's production could further shore up prices, as the company has a significant presence there. Besides the power outage at Yokkaichi, Micron's recent decision to make larger cuts to its NAND Flash wafer production capacity (now by 10% as opposed to the earlier forecast) and prices lying near the cost level will put pressure on wafer quotes to rise in the short term. Yet it remains to see whether customers are going to buy it. Concerning the outlook for the fourth season, TrendForce predicts that contract prices will trend flat or drop slightly according to current assessments. As for whether facilities may resume normal operation, TrendForce will continue to keep a close watch on the latest developments.

About TrendForce

TrendForce is a global provider of the latest development, insight, and analysis of the technology industry. Having served businesses for over a decade, the company has built up a strong base membership base of 435,000 subscribers. TrendForce has established a reputation as an organization that offers insightful and accurate analysis of the technology industry through five major research divisions: DRAMXchange, WitsView, LEDinside, EnergyTrend and Topology. Founded in Taipei, Taiwan in 2000, TrendForce has extended its presence in China since 2004 with offices

in Shenzhen and Beijing. For more details about TrendForce, please visit www.trendforce.com

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