KIOXIA Holdings (285A)

Kioxia and SanDisk announce ¥5 trillion of investments in Japan through FY2031

Overweight

285A.T, 285A JP
Price (27 Aug 26):¥52,500
Price Target (Dec-27):¥130,000

Kioxia announced on the 27th at 17:50 JST that it will invest roughly ¥5 trillion (over $31 billion) in Japan through FY2031 jointly with SanDisk (covered by Harlan Sur) and on the assumption of support from the Japanese government. Each company's actual amount could change depending on the scale of support. Without any support, Kioxia's amount would be 60% of the ¥5 trillion total, or about ¥3 trillion. Kioxia said there is no change to its NAND flash memory market (bit growth) forecast presented at its June Investor Day (22% CAGR in CY2025–28E) and that it plans to continue investing in line with the market's growth. The announcement itself is not a major surprise, given management's existing view that current capacity can meet demand through early 2029 but that greenfield investment will be needed thereafter. The amount is somewhat larger than we expected, though. Key issues include the specific timeline for the new K3 fab (about ¥1.8 trillion for the building and equipment; operations to start in FY2029) and for additional equipment at the existing Y7 fab, as well as clarification of investment areas other than K3/Y7.

- **Breakdown of two companies' combined investment (about ¥5 trillion):** Kioxia and SanDisk plan to invest roughly ¥5 trillion in NAND front-end production equipment in Japan in FY2026–31. The total includes ¥1.8 trillion for the construction of the third fab (K3) at the Kitakami plant and additional equipment at the seventh fab (Y7) at the Yokkaichi plant. The investments are to be in line with NAND flash memory market (bit growth) forecasts (a bit growth forecast for CY2029 onward has not been disclosed), but management noted that the amount could vary depending on changes in the outlook. The investments are targeted for Japan for now, but management appears to be leaving room to consider sites in Japan and overseas if additional capacity is required.
- **Kioxia's share of the investment:** Assuming a 60% joint venture stake, we estimate Kioxia's share of the investment in FY2026–31 will be ¥3 trillion (60% of the ¥5 trillion total), or an annual average of ¥500 billion (front-end equipment only; gross amount). Kioxia said there is no change to its plan announced during its June Investor Day to invest a total of ¥1.4 trillion in FY2026–28 (annual average of ¥470 billion; includes both front- and back-end equipment but mostly front-end equipment). However, management said it is front-loading the investment somewhat to meet strong demand. The ¥1.4 trillion of planned investment for FY2026–28 already includes part of the K3 investment and the investment in additional equipment for Y7.

Japan Equity Research
Technology - Semiconductor/ Technical Materials

Mio Shikanai [AC]
(81-3) 6736 1313
mio.shikanai@jpmorgan.com
JPMorgan Securities Japan Co., Ltd.

Jay Kwon [AC]
(82-2) 758-5725
jay.h.kwon@jpmorgan.com
J.P. Morgan Securities (Far East) Limited, Seoul Branch

Sangsik Lee
(82-2) 758 5146
sangsik.lee@jpmorgan.com
J.P. Morgan Securities (Far East) Limited, Seoul Branch

Neelay Y Kamath
(91-22) 6157 3764
neelay.kamath@jpmchase.com
J.P. Morgan India Private Limited

See page 3 for analyst certification and important disclosures, including non-US analyst disclosures.

JPMorgan Securities Japan Co., Ltd.
Mio Shikanai AC
(81-3) 6736 1313
mio.shikanai@jpmorgan.com

J.P.Morgan

Investment Thesis, Valuation and Risks

KIOXIA Holdings (285A) *(Overweight; Price Target: ¥130,000)*

Investment Thesis

We expect Kioxia to deliver above-market growth driven by three durable levers: (1) a mix upgrade from rising enterprise SSD (eSSD) demand, positioning it to outgrow peers as generative AI accelerates server storage adoption; (2) sustained industry-leading low bit cost, underpinned by prudent cost control and advanced technology (e.g., CBA/OPS architectures, QLC), supporting superior profit margins; and (3) high investment efficiency enabled by large-scale capex through the SanDisk JV, which amplifies economies of scale and enhances returns. Combined with high operating leverage, these factors should translate into faster revenue growth and outsized profit compounding versus the broader NAND market

Valuation

Our end-December 2027 price target of ¥130,000 is based on our FY2027 EPS estimate and a P/E of around 9x, in line with the past 15-year average P/E of global memory manufacturers.

Risks to Rating and Price Target
Upside Scenario to Target Price/Rating

- AI demand exceeding or sustaining above expectations
- Continued disciplined capital investment to avoid overinvestment
- Expansion of SSD market share in the nearline HDD segment

Downside Scenario to Target Price/Rating

- Slowdown in AI-related demand
- Deterioration in the supply-demand balance due to aggressive capital investment
- Demand deteriorating resulting from a sharp rise in NAND prices
- Delays in new product development
- Semiconductor downcycle leading to earnings deterioration
- Macro downturn resulting in greater consumer NAND demand deceleration

