27 Aug 2026 10:44:59 ET | 13 pages

Kioxia Holdings (285A.T)

Officially announces Fab 3 at Kitakami, still Buy/High Risk

CITI'S TAKE

Kioxia HD announced after the August 27 close that it has commenced site preparation and other related work for the construction of Fab 3 at the Kitakami site. It also unveiled plans to invest c¥5trn jointly with SanDisk through 2032. We view this as a necessary decision for future growth, as space at the current Yokkaichi and Kitakami facilities may become insufficient as early as 2029 H1. The decision, which comes as LTAs increase confidence in longer-term demand, leaves a positive impression. We maintain our Buy/High Risk investment rating.

Announcements —Kioxia expects to invest ¥5trn with partner SanDisk through 2032. Kioxia is set to put forward c¥3trn of the total, which tallies with historical ratios. As part of this capex campaign, Kioxia is set to invest in K3, which is expected to be a ¥1.8trn project. These investments assume subsidies from the Japanese government (the Japanese government provided subsidies equivalent to roughly one-third of Micron's total 2025 investment amount). The announced ¥5trn appears to include investment in K2, Y7 Phase 2, K3, and other domestic sites.

Implications — We consider this move positive, as we believe capex is necessary for future growth. Kioxia also indicated that the capex schedule in FY26-FY27 is now set to run slightly ahead of the previously indicated timing. The firm put average annual capex for FY3/27-FY3/29 at ¥470bn in June.

Earnings outlook update — We now expect FY3/27 Q2 revenue of ¥2.35trn (+33% QoQ) and OP of ¥1.9trn (OPM 80.8%), which largely tallies with guidance. We assume a +12% QoQ volume increase and +25% ASP growth, with forex remaining flat (assuming $1=¥160). We lift our full-year FY3/27 and FY3/28 OP estimates to ¥8.1trn and ¥11.4trn, respectively. We assume YoY growth in volume of +20%, +21% (previously +20%, +23%) and ASP rises of +287%, +14% (previously +261%, +8%).

Shareholder returns — At June 2026 Investor Day, Kioxia disclosed plans to return roughly half of surplus FCF to shareholders. While K3 construction will require a c¥1trn outlay, we forecast FCF of ¥4.1trn in FY3/27 and ¥7.3trn in FY3/28, totaling ¥11.4trn, which is sufficient to cover this. Therefore, we forecast share buybacks of ¥2trn in FY3/27 and ¥3trn in FY3/28. If the company returns ¥5trn to shareholders, assuming the current share price as the average acquisition price, the share count would drop by over 15% (see Figure 1).

Consol.	Sales		OP			RP		NP		EPS	PE
	¥M	YOY (%)	¥M	YOY (%)	OPM(%)	¥M	YOY (%)	¥M	YOY (%)	¥	X
3/25A	1,706,460	58.5	451,748	nm	26.5	370,669	nm	272,315	nm	513	102.3
3/26A	2,337,628	37.0	870,369	92.7	37.2	784,095	111.5	554,490	103.6	1,013	51.8
3/27E	9,463,000	304.8	7,680,000	782.4	81.2	7,629,000	873.0	5,493,000	890.6	9,967	5.3
3/27RE	9,990,000	327.4	8,067,000	826.8	80.8	8,005,000	920.9	5,714,000	930.5	10,738	4.9
3/28E	11,948,000	26.3	9,700,000	26.3	81.2	9,664,000	26.7	6,958,000	26.7	12,626	4.2
3/28RE	13,866,000	38.8	11,386,000	41.1	82.1	11,351,000	41.8	8,059,000	41.0	16,178	3.2
3/29E	12,608,000	5.5	10,200,000	5.2	80.9	10,164,000	5.2	7,314,000	5.1	13,272	4.0
3/29RE	14,675,000	5.8	11,868,000	4.2	80.9	11,833,000	4.2	8,401,000	4.2	18,042	2.9

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

Buy / High Risk

Price (27 Aug 26 15:30)	¥52,500.0
Target price	¥130,000.0↓
from ¥140,000.0	
Expected share price return	147.6%
Expected dividend yield	1.9%
Expected total return	149.5%
Market Cap	¥27,946,698M
	US$175,429M

Price Performance
(RIC: 285A.T, BB: 285A JP)



Takero Fujiwara[AC]

285A.T: Fiscal year end 31-Mar | Price: ¥52,500.0; TP: ¥130,000.0; Market Cap: ¥27,946,698m; Recomm: Buy/High Risk

Profit & Loss (¥m)	2025	2026	2027E	2028E	2029E
Sales revenue	1,706,460	2,337,628	9,990,000	13,866,000	14,675,000
Cost of sales	-1,137,027	-1,324,724	-1,697,000	-2,270,000	-2,594,000
Gross profit	569,433	1,012,904	8,293,000	11,596,000	12,081,000
Gross Margin (%)	33.4	43.3	83.0	83.6	82.3
EBITDA (Adj)	**764,055**	**1,183,195**	**8,380,900**	**11,728,000**	**12,228,000**
EBITDA Margin (Adj) (%)	44.8	50.6	83.9	84.6	83.3
Depreciation	-312,307	-312,826	-313,900	-342,000	-360,000
Amortisation	0	0	0	0	0
EBIT (Adj)	**451,748**	**870,369**	**8,067,000**	**11,386,000**	**11,868,000**
EBIT Margin (Adj) (%)	26.5	37.2	80.8	82.1	80.9
Net interest	-81,621	-87,209	-63,000	-35,000	-35,000
Non-op/Except	542	935	1,000	0	0
Recurring profit	**370,669**	**784,095**	**8,005,000**	**11,351,000**	**11,833,000**
Tax	-98,348	-229,599	-2,291,000	-3,292,000	-3,432,000
Extraord./Min.Int./Pref.div.	-6	-6	0	0	0
Reported net profit	**272,315**	**554,490**	**5,714,000**	**8,059,000**	**8,401,000**
Net Margin (%)	16.0	23.7	57.2	58.1	57.2
Core NPAT	272,315	554,490	5,714,000	8,059,000	8,401,000

Per share data	2025	2026	2027E	2028E	2029E
Reported EPS (¥)	513.0	1,012.6	10,738.3	16,178.2	18,041.8
Core EPS (¥)	513.0	1,012.6	10,738.3	16,178.2	18,041.8
EPS* (¥)	511.8	1,042.0	10,738.3	15,145.2	15,787.9
DPS (¥)	0	0	1,000.0	1,250.0	1,500.0
CFPS (¥)	897.5	1,125.9	8,663.5	15,818.8	19,006.1
FCFPS (¥)	475.8	612.6	7,667.5	14,614.4	17,567.2
BVPS (¥)	1,408.3	2,583.6	8,726.8	18,372.3	28,873.2
Wtd avg ord shares (m)	524	541	527	493	461
Wtd avg diluted shares (m)	531	548	532	498	466
Growth rates	**2025**	**2026**	**2027E**	**2028E**	**2029E**
Sales revenue (%)	58.5	37.0	327.4	38.8	5.8
EBIT (Adj) (%)	nm	92.7	826.8	41.1	4.2
Core NPAT (%)	nm	103.6	930.5	41.0	4.2
Core EPS (%)	nm	97.4	960.5	50.7	11.5

Balance Sheet (¥m)	2025	2026	2027E	2028E	2029E
Cash & cash equiv.	167,932	470,707	1,640,000	5,290,000	9,250,000
Accounts receivables	238,594	660,559	2,540,000	3,170,000	3,020,000
Inventory	352,863	412,612	1,590,000	1,990,000	1,900,000
Net fixed & other tangibles	1,297,244	1,233,347	1,420,000	1,660,000	1,950,000
Goodwill & intangibles	405,914	406,777	410,000	410,000	410,000
Financial & other assets	457,132	506,069	540,000	560,000	560,000
Total assets	**2,919,679**	**3,690,071**	**8,140,000**	**13,080,000**	**17,090,000**
Accounts payable	504,011	594,917	2,290,000	2,860,000	2,720,000
Short-term debt	289,029	219,363	220,000	220,000	220,000
Long-term debt	710,492	1,033,826	590,000	500,000	410,000
Provisions & other liab	678,451	442,886	440,000	440,000	440,000
Total liabilities	**2,181,983**	**2,290,992**	**3,540,000**	**4,020,000**	**3,790,000**
Shareholders' equity	737,565	1,398,929	4,600,000	9,060,000	13,300,000
Minority interests	131	150	0	0	0
Total equity	**737,696**	**1,399,079**	**4,600,000**	**9,060,000**	**13,300,000**
Net debt (Adj)	**831,589**	**782,482**	**-830,000**	**-4,570,000**	**-8,620,000**
Net debt to equity (Adj) (%)	112.7	55.9	-18.0	-50.4	-64.8

Valuation ratios	2025	2026	2027E	2028E	2029E
PE (x)	na	51.8	4.9	3.2	2.9
PB (x)	37.3	20.3	6.0	2.9	1.8
EV/EBITDA (x)	37.3	23.9	3.3	2.1	1.7
FCF yield (%)	0.9	1.2	14.6	27.8	33.5
Dividend yield (%)	na	na	1.9	2.4	2.9
Payout ratio (%)	0	0	9	8	8
ROE (%)	45.9	51.9	190.5	118.0	75.1

Cashflow (¥m)	2025	2026	2027E	2028E	2029E
EBITDA	764,055	1,183,195	8,380,900	11,728,000	12,228,000
Working capital	-183,826	-400,296	-1,360,000	-460,000	100,000
Other	-103,813	-166,359	-2,410,900	-3,388,000	-3,478,000
Operating cashflow	**476,416**	**616,540**	**4,610,000**	**7,880,000**	**8,850,000**
Capex	-223,847	-281,062	-530,000	-600,000	-670,000
Net acq/disposals	0	0	0	0	0
Other	50,836	59,550	20,000	20,000	20,000
Investing cashflow	**-173,011**	**-221,512**	**-510,000**	**-580,000**	**-650,000**
Dividends paid	0	0	-510,000	-600,000	-660,000
Financing cashflow	**-322,679**	**-96,074**	**-2,983,000**	**-3,720,000**	**-4,280,000**
Net change in cash	**-19,661**	**302,775**	**1,169,293**	**3,650,000**	**3,960,000**
Free cashflow to s/holders	**252,569**	**335,478**	**4,080,000**	**7,280,000**	**8,180,000**

Note: Consolidated data. * EPS: NP/Est Shares OS.

■ **Target price —** We derive our new target price of ¥130,000 by applying a PER of 8x (previously 11x) to our revised FY3/28 forecast EPS of ¥16,342 (previously ¥12,742, ordinary shares basis, before potential c1% dilution). We lower our target multiple to reflect the recent downtrend in multiples in both the semiconductor and memory sectors. However, we expect multiples to gradually improve as LTAs heighten the possibility of high and stable earnings.

Figure 1. Simulation of share buyback effects

Average buyback price (Yen)	Total buyback (Ytn) 1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0
45,000	22.2	44.4	66.7	88.9	111.1	133.3	155.6	177.8
	4.2%	8.4%	12.5%	16.7%	20.9%	25.1%	29.2%	33.4%
50,000	20.0	40.0	60.0	80.0	100.0	120.0	140.0	160.0
	3.8%	7.5%	11.3%	15.0%	18.8%	22.6%	26.3%	30.1%
55,000	18.2	36.4	54.5	72.7	90.9	109.1	127.3	145.5
	3.4%	6.8%	10.3%	13.7%	17.1%	20.5%	23.9%	27.3%
60,000	16.7	33.3	50.0	66.7	83.3	100.0	116.7	133.3
	3.1%	6.3%	9.4%	12.5%	15.7%	18.8%	21.9%	25.1%
70,000	14.3	28.6	42.9	57.1	71.4	85.7	100.0	114.3
	2.7%	5.4%	8.1%	10.7%	13.4%	16.1%	18.8%	21.5%
80,000	12.5	25.0	37.5	50.0	62.5	75.0	87.5	100.0
	2.4%	4.7%	7.1%	9.4%	11.8%	14.1%	16.5%	18.8%
90,000	11.1	22.2	33.3	44.4	55.6	66.7	77.8	88.9
	2.1%	4.2%	6.3%	8.4%	10.4%	12.5%	14.6%	16.7%
100,000	10.0	20.0	30.0	40.0	50.0	60.0	70.0	80.0
	1.9%	3.8%	5.6%	7.5%	9.4%	11.3%	13.2%	15.0%

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Note: The upper rows contain the assumed number of treasury shares to be acquired (mn shares), while the lower rows show the ratio of treasury shares to the current 532mn shares (excluding the 16mn shares acquired in August from the 548mn shares at the end of June).

Source: Citi Research, company data

Figure 2. Kioxia HD: Actual and projected earnings summary

(in billion yen)	26/3 Q1	Q2	Q3	Q4	27/3 Q1	Q2E	Q3E	Q4E	24/3 FY	25/3 FY	26/3 FY	27/3 FYE New	28/3 FYE New	29/3 FYE New	27/3 FYE Old	28/3 FYE Old	29/3 FYE Old
Sales	342.8	448.3	543.6	1,002.9	1,767.1	2,352.9	2,822.0	3,048.0	1,076.6	1,706.5	2,337.6	9,990.0	13,866.0	14,675.0	9,463.0	11,948.0	12,608.0
YoY	-20%	-7%	21%	189%	415%	425%	419%	204%	-16%	59%	37%	327%	39%	6%	305%	26%	6%
QoQ	-1%	31%	21%	84%	76%	33%	20%	8%	-	-	-	-	-	-	-	-	-
Bit QoQ / YoY for FY	0%	36%	5%	-10%	3%	12%	8%	4%	13%	18%	18%	20%	21%	21%	20%	23%	23%
ASP QoQ / YoY for FY	8%	-2%	12%	115%	70%	25%	15%	8%	-32%	33%	24%	287%	14%	-6%	261%	8%	-6%
OP	44.9	85.9	142.8	596.8	1,270.0	1,900.0	2,350.0	2,547.0	-252.7	451.7	870.4	8,067.0	11,386.0	11,868.0	7,680.0	9,700.0	10,200.0
YoY	-64%	-48%	16%	1507%	2729%	2111%	1546%	327%	NM	NM	93%	827%	41%	4%	782%	26%	5%
QoQ	21%	91%	66%	318%	113%	50%	24%	8%	-	-	-	-	-	-	-	-	-
Margin(%)	13%	19%	26%	60%	72%	81%	83%	84%	-23%	26%	37%	81%	82%	81%	81%	81%	81%
Net income	18.3	40.7	87.8	407.7	842.2	1,361.8	1,686.0	1,824.0	-243.7	272.3	554.5	5,714.0	8,059.0	8,401.0	5,493.0	6,958.0	7,314.0
Margin(%)	5%	9%	16%	41%	48%	58%	60%	60%	-23%	16%	24%	57%	58%	57%	58%	58%	58%
Non-GAAP GP	71.5	122.4	176.9	643.1	1,380.2	1,937.1	2,388.2	2,588.2	-123.9	570.5	1,013.9	8,293.0	11,596.0	12,081.0	7,833.0	9,908.0	10,411.0
Margin(%)	21%	27%	33%	64%	78%	82%	85%	85%	-12%	33%	43%	83%	84%	82%	83%	83%	83%
Non-GAAP OP	45.2	87.2	144.7	599.2	1,326.2	1,900.2	2,350.2	2,547.2	-254.0	453.0	876.2	8,067.0	11,386.0	11,868.0	7,680.0	9,700.0	10,200.0
Margin(%)	13%	19%	27%	60%	75%	81%	83%	84%	-24%	27%	37%	81%	82%	81%	81%	81%	81%
Non-GAAP EBITDA	124.9	165.8	222.0	675.2	1,402.1	1,976.0	2,428.0	2,630.0	88.1	764.0	1,187.9	8,380.4	11,727.0	12,225.0	7,999.0	10,027.0	10,535.0
Margin(%)	36%	37%	41%	67%	79%	84%	86%	86%	8%	45%	51%	84%	85%	83%	85%	84%	84%
Non-GAAP Net income	18.5	41.7	89.5	409.9	887.0	1,361.8	1,686.0	1,824.0	-244.6	266.0	559.6	5,713.3	8,058.3	8,400.3	5,492.3	6,957.3	7,313.3
Margin(%)	5%	9%	16%	41%	50%	58%	60%	60%	-23%	16%	24%	57%	58%	57%	58%	58%	58%

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Source: Citi Research, company data



Bull/Bear: Kioxia Holdings (285A.T)

¥ 143,000.0	¥ 130,000.0	¥ 45,000.0
▲172% Upside	▲148% Upside	▼14% Downside



Spread 187pp
Current Price and expected returns (upside/downside) as of 27 Aug 2026

BULL Assumptions

- Multiple expansion

BASE Assumptions

- FY3/27 bit volume +20% YoY, ASP +287% YoY
- FY3/28 bit volume +21% YoY, ASP +14% YoY
- PER of 8x

BEAR Assumptions

- ASP rises less than expected
- Multiples contract