Kioxia Holdings (285A.T)

Potential for shareholder returns to spur share price/multiple expansion, even with announced capex plan; reiterate Buy

285A.T	12m Price Target: **¥116,000**	Price: **¥52,500**	Upside: **121.0%**

BUY

Shuhei Nakamura
+81(3)4587-9932 | shuhei.nakamura@gs.com
Goldman Sachs Japan Co., Ltd.

Kaho Otake
+81(3)4587-7498 | kaho.otake@gs.com
Goldman Sachs Japan Co., Ltd.

Similar to Japanese shipping stocks, we expect share price/multiple to rise on proactive shareholder returns

Kioxia Holdings' FY3/28E P/E based on our estimates is a little over 3X (global memory peers are also trading at low-to-mid single-digit P/E multiples based on FY2), which is roughly equivalent to the valuation multiple applied at the peak of past cycles. We think the stock's upside is being capped by prevalent skepticism regarding the sustainability of current profit margins, but we see a high likelihood that sustained shareholder returns (following the recent share buyback of ¥800 bn) will prompt the share price/multiple to rise, with NAND supply/demand also remaining tight. Japanese shipping stocks, which saw container market rates rise substantially during the COVID-19 pandemic, also experienced a period when their P/E multiples dropped to 2-3X due to concerns over earnings sustainability, but their share prices/multiples subsequently rose in response to sustained shareholder returns, including share buybacks, even during the subsequent market downturn. We see strong similarities with the current situation for memory stocks.

Announces new building in Kitakami and medium-term capex plan

After the close on August 27, Kioxia announced a plan for capex in a new building (K3 building) at its Kitakami plant (the first report was published in the morning edition of the Nikkei on the same day). The new building is expected to begin operations during FY3/30. At the same time, the company and its JV partner SanDisk announced capex plans totaling c.¥5 tn in Japan by 2032. We confirmed the following points in a call held for sell-side analysts on the evening of the same day (JST).

(1) The investment totaling c.¥5 tn in Japan is slated for the six years from FY2026 (FY3/27) to FY2031 (FY3/32) and is to include some

Key Data

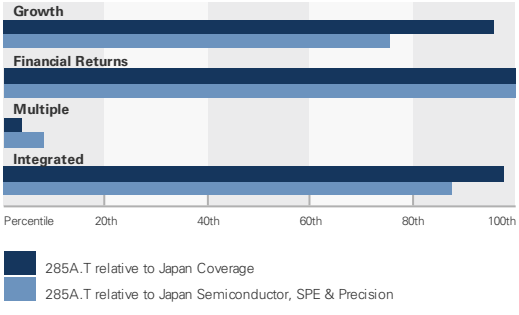
Market cap: ¥28.7tr / $179.9bn
Enterprise value: ¥27.4tr / $171.6bn
3m ADTV: ¥2.9tr / $17.7bn
Japan
Japan Semiconductor, SPE & Precision
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue (¥ bn)	2,337.6	10,528.2	13,775.0	16,421.3
Op. profit (¥ bn) New	**870.4**	**8,426.6**	**11,381.4**	**13,578.5**
Op. profit (¥ bn) Old	870.4	8,286.5	11,371.8	13,463.9
Op. profit CoE (¥ bn)	–	–	–	–
EPS (¥) New	**1,024.1**	**11,011.9**	**16,476.9**	**24,167.5**
EPS (¥) Old	1,024.1	10,827.8	14,918.7	17,669.1
P/E (X)	8.0	4.8	3.2	2.2
P/B (X)	3.2	4.7	2.6	1.6
CROCI (%)	25.5	104.6	101.7	103.9

	6/26	9/26E	12/26E	3/27E
EPS (¥)	1,539.9	2,520.7	3,177.6	3,773.6

GS Factor Profile



Source: Company data, Goldman S

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BUY

Kioxia Holdings (285A.T)

Rating since May 31, 2026

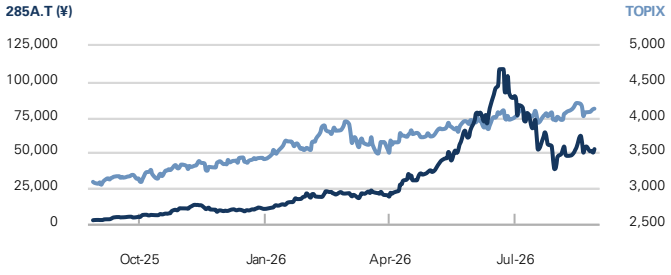
Ratios & Valuation

	3/26	3/27E	3/28E	3/29E
P/E (X)	8.0	4.8	3.2	2.2
P/B (X)	3.2	4.7	2.6	1.6
FCF yield (%)	13.8	14.0	28.6	43.7
EV/EBITDAR (X)	4.4	3.0	1.8	1.0
EV/EBITDA (excl. leases) (X)	4.3	3.0	1.8	1.0
CROCI (%)	25.5	104.6	101.7	103.9
ROE (%)	51.9	160.1	100.5	83.3
Net debt/equity (%)	55.9	(22.1)	(40.6)	(46.1)
Net debt/equity (excl. leases) (%)	41.2	(24.9)	(41.9)	(46.9)
Interest cover (X)	9.0	171.3	563.4	734.0
Days inventory outst, sales	59.8	17.0	16.3	16.1
Receivable days	70.2	63.0	91.0	94.8
Days payable outstanding	162.3	152.1	164.0	162.3
DuPont ROE (%)	39.6	98.9	80.4	73.6
Turnover (X)	0.6	1.3	1.2	1.1
Leverage (X)	2.6	1.3	1.2	1.2
Gross cash invested (ex cash) (¥)	4,552.4	7,282.8	8,710.6	10,004.3
Average capital employed (¥)	1,661.8	3,218.1	5,105.3	6,302.5
BVPS (¥)	2,562.0	11,135.8	20,486.4	32,841.3

Growth & Margins (%)

	3/26	3/27E	3/28E	3/29E
Total revenue growth	37.0	350.4	30.8	19.2
EBITDA growth	54.9	641.6	34.2	19.4
EPS growth	97.0	975.3	49.6	46.7
DPS growth	NM	NM	50.0	33.3
EBIT margin	37.2	80.0	82.6	82.7
EBITDA margin	50.6	83.3	85.5	85.6
Net income margin	23.7	55.8	57.8	57.8

Price Performance



	3m	6m	12m
Absolute	(13.3)%	147.5%	2,073.9%
Rel. to the TOPIX	(17.5)%	136.8%	1,520.8%

Source: FactSet. Price as of 27 Aug 2026 close.

Income Statement (¥ bn)

	3/26	3/27E	3/28E	3/29E
Total revenue	2,337.6	10,528.2	13,775.0	16,421.3
Cost of goods sold	(1,235.5)	(1,700.0)	(1,977.8)	(2,351.7)
SG&A	(146.6)	(242.6)	(278.2)	(324.3)
R&D	(89.3)	(129.7)	(149.6)	(178.8)
Other operating inc./(exp.)	4.0	(29.3)	12.0	12.0
EBITDA	**1,183.2**	**8,774.4**	**11,775.6**	**14,064.5**
Depreciation & amortization	(312.8)	(347.8)	(394.2)	(486.0)
EBIT	**870.4**	**8,426.6**	**11,381.4**	**13,578.5**
Net interest inc./(exp.)	(87.2)	(42.8)	(13.3)	(11.1)
Income/(loss) from associates	0.9	1.2	1.3	1.4
Pre-tax profit	**784.1**	**8,385.0**	**11,369.4**	**13,568.8**
Provision for taxes	(229.6)	(2,515.5)	(3,410.8)	(4,070.6)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**554.5**	**5,869.5**	**7,958.6**	**9,498.2**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**554.5**	**5,869.5**	**7,958.6**	**9,498.2**
EPS (basic, pre-except) (¥)	**1,024.1**	**11,011.9**	**16,476.9**	**24,167.5**
EPS (diluted, pre-except) (¥)	**1,024.1**	**11,011.9**	**16,476.9**	**24,167.5**
EPS (basic, post-except) (¥)	**1,024.1**	**11,011.9**	**16,476.9**	**24,167.5**
EPS (diluted, post-except) (¥)	**1,024.1**	**11,011.9**	**16,476.9**	**24,167.5**
DPS (¥)	–	1,000.0	1,500.0	2,000.0
Div. payout ratio (%)	0.0	9.1	9.1	8.3

Balance Sheet (¥ bn)

	3/26	3/27E	3/28E	3/29E
Cash & cash equivalents	470.7	1,947.4	4,591.7	6,473.8
Accounts receivable	660.6	2,975.0	3,892.5	4,640.3
Inventory	412.6	569.9	662.6	788.2
Other current assets	74.0	74.0	74.0	74.0
Total current assets	**1,617.8**	**5,566.2**	**9,220.7**	**11,976.2**
Net PP&E	1,055.3	1,193.3	1,349.1	1,463.1
Net intangibles	584.9	584.1	584.1	584.1
Total investments	227.3	228.5	229.8	231.2
Other long-term assets	204.8	261.9	488.2	758.2
Total assets	**3,690.1**	**7,834.0**	**11,871.8**	**15,012.8**
Accounts payable	594.9	821.7	955.4	1,136.4
Short-term debt	175.5	25.4	25.4	25.4
Short-term lease liabilities	43.9	30.1	26.6	22.0
Other current liabilities	283.7	283.7	283.7	283.7
Total current liabilities	**1,098.0**	**1,160.9**	**1,291.1**	**1,467.5**
Long-term debt	872.1	446.8	421.4	396.0
Long-term lease liabilities	161.7	131.6	105.0	83.0
Other long-term liabilities	159.2	159.2	159.2	159.2
Total long-term liabilities	**1,193.0**	**737.5**	**685.5**	**638.2**
Total liabilities	**2,291.0**	**1,898.4**	**1,976.6**	**2,105.7**
Preferred shares	–	–	–	–
Total common equity	**1,398.9**	**5,935.4**	**9,895.1**	**12,907.0**
Minority interest	**0.2**	**0.2**	**0.2**	**0.2**
Total liabilities & equity	**3,690.1**	**7,834.0**	**11,871.8**	**15,012.8**
Net debt, adjusted	576.9	(1,475.2)	(4,144.9)	(6,052.4)

Cash Flow (¥ bn)

	3/26	3/27E	3/28E	3/29E
Net income	554.5	5,869.5	7,958.6	9,498.2
D&A add-back	312.8	347.8	394.2	486.0
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(400.3)	(2,245.0)	(876.5)	(692.3)
Other operating cash flow	149.5	(58.3)	(227.6)	(271.5)
Cash flow from operations	**616.5**	**3,914.0**	**7,248.7**	**9,020.4**
Capital expenditures	(0.5)	(0.5)	(0.5)	(0.4)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	(221.0)	(484.5)	(549.5)	(599.6)
Cash flow from investing	**(221.5)**	**(485.0)**	**(550.0)**	**(600.0)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	–	(533.0)	(724.5)	(786.0)
Inc/(dec) in debt	(80.8)	(619.4)	(55.5)	(52.0)
Other financing cash flows	(11.5)	(800.0)	(3,274.4)	(5,700.3)
Cash flow from financing	**(92.3)**	**(1,952.4)**	**(4,054.4)**	**(6,538.3)**
Total cash flow	**302.8**	**1,476.6**	**2,644.3**	**1,882.1**
Free cash flow	616.0	3,913.5	7,248.2	9,020.0

Source: Company data, Goldman Sachs Research estimates.

R&D outlays, but the majority will be for buildings, facilities, and equipment. This investment will be in front-end production facilities (and exclude back-end processes) and include amounts for both Kioxia and SanDisk. Assuming the same allocation as past investment amounts, the split would be 60% for Kioxia and 40% for SanDisk.

(2) The company expects capex for the K3 building in Kitakami to be c.¥1,800 bn. While operations are expected to commence in FY3/30, management plans to determine the timing while monitoring market trends. In addition to capex in the K3 building, the overall total of c.¥5 tn includes investment in the No. 7 fabrication facility (Y7 building) at the Yokkaichi plant.

(3) As of the IR Day held in June, the company had planned capex of ¥470 bn per year on average over the three years from FY3/27 to FY3/29. While investment in the K3 building was partially included in this, this latest investment decision could lead to capex being executed slightly ahead of schedule in FY3/27 and FY3/28 (however, the outlook for an annual average of ¥470 bn over the three years remains unchanged).

Newly factor in possibility of expanded shareholder returns centered on share buybacks

Based on our research following 1Q results and current conditions, we slightly raise our FY3/27-FY3/29 operating profit estimates (our FY3/28-FY3/29 estimates remain at a level c.10-15% above the Bloomberg consensus). While we trim our bit shipment forecasts as lead times are longer than for NAND chips amid an increasing sales mix for enterprise SSDs (eSSDs), we revise our cost assumptions somewhat favorably for profits, reflecting factors such as smooth progress in the transition to 8th-generation BiCS. There are no major changes to our price (ASP) assumptions, and we think quarterly price increases are likely to continue, albeit gradually, through at least mid-CY27. Furthermore, we newly factor in the possibility that the bulk of surplus FCF (defined as cash exceeding four months of sales) from FY3/28 onward will be allocated to shareholder returns, centered on share buybacks. Based on the current market capitalization, our forecast for the total shareholder return yield over the two-year period of FY3/28-FY3/29 is at a high level of just under 20%. We maintain our 12-month target price of ¥116,000.

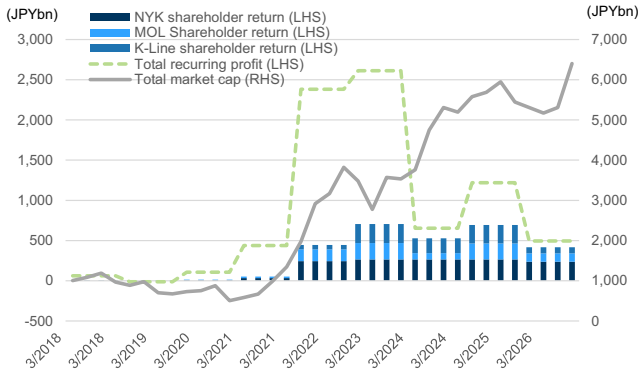
Exhibit 1: Current valuation reflects pricing in of cycle peak-out
Valuation comparison for global memory companies

Updated as of 27-Aug-2026

	Stock Price (LC)	Market Cap ($mn)	P/E multiple (x)			EV/EBITDA multiple (x)			LTM P/B	P/B multiple (x)			ROE (%)			Dividend Yield
			FY1	FY2	FY3	FY1	FY2	FY3		FY1	FY2	FY3	FY1	FY2	FY3	
Kioxia HD	***52,500***	***179,859***	***4.8***	***3.2***	***2.2***	***3.0***	***1.8***	***1.0***	***3.5***	***4.7***	***2.6***	***1.6***	***160.0***	***100.5***	***83.3***	***1.9%***
Samsung Electronics	266,000	1,289,573	5.8	3.7	3.0	3.4	1.9	1.2	1.8	2.4	1.6	1.1	52.0	50.9	42.8	4.4%
SK Hynix	1,730,000	882,056	4.3	3.5	3.1	3.9	2.4	1.9	2.3	3.3	1.9	1.3	113.5	67.6	49.4	2.3%
Micron	938	1,077,283	12.9	6.3	6.4	9.4	4.2	3.8	3.7	7.9	3.7	2.4	88.1	80.0	45.4	0.1%
SanDisk	1,499	223,406	6.5	5.3		4.6	3.0		4.0	4.5	2.5		107.4	61.2		0.0%
Global median			**5.8**	**3.7**	**3.1**	**3.9**	**2.4**	**1.5**	**3.5**	**4.5**	**2.5**	**1.4**	**107.4**	**67.6**	**47.4**	**1.9%**

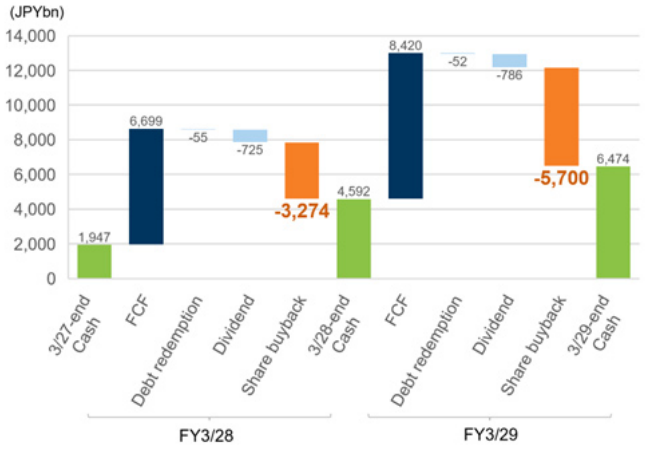
Source: Bloomberg, LSEG Data & Analytics

Exhibit 2: Shipping stocks maintained upward trend by implementing proactive and sustained returns despite lower profit levels due to container market peaking out
Recurring profits, share prices, and total return amounts for three Japanese shipping companies (FY3/20-FY3/26)



Source: Company data, LSEG Data & Analytics, Data compiled by Goldman Sachs Global Investment Research

Exhibit 3: Factor in possibility of expanded shareholder returns, defining cash and deposits equivalent to four or more months of sales as surplus cash
Kioxia: Cash flow and shareholder return forecasts



Source: Goldman Sachs Global Investment Research

Exhibit 4: Kioxia: Earnings summary

Kioxia HD (285A)													
(JPY mn)		GSE	GSE	GSE						GSE	GSE	GSE	CoE
Consolidated income statement	3/2026	3/2027	3/2028	3/2029	3/2026 1Q	3/2026 2Q	3/2026 3Q	3/2026 4Q	3/2027 1Q	3/2027 2Q	3/2027 3Q	3/2027 4Q	3/2027 2Q
Sales	2,337,628	10,528,200	13,775,000	16,421,300	342,799	448,346	543,631	1,002,852	1,767,117	2,470,800	3,024,600	3,265,600	2,390,000
Non-GAAP operating profits	876,170	8,483,400	11,381,400	13,578,500	45,214	87,163	144,654	599,139	1,326,200	1,976,300	2,489,600	2,691,283	1,900,000
IFRS operating profits	870,369	8,426,600	11,381,400	13,578,500	44,899	85,921	142,754	596,795	1,270,017	1,976,100	2,489,400	2,691,083	1,890,000
Pre-tax profits	784,095	8,385,000	11,369,400	13,568,800	27,294	56,716	121,740	578,345	1,234,720	1,973,400	2,487,700	2,689,180	
Non-GAAP net profits	559,638	5,914,300	7,958,600	9,498,200	18,507	40,436	89,519	411,176	887,000	1,381,600	1,741,600	1,904,100	1,280,000
IFRS net profits	554,496	5,869,500	7,958,600	9,498,200	18,284	40,662	87,810	407,740	842,165	1,381,400	1,741,400	1,904,535	1,270,000
Non-GAAP EBITDA	1,187,924	8,830,400	11,775,600	14,064,500	124,886	165,763	221,982	675,293	1,402,100	2,056,100	2,579,400	2,792,783	
IFRS EBITDA	1,183,195	8,774,400	11,775,600	14,064,500	124,886	164,773	220,334	673,202	1,346,117	2,056,100	2,579,400	2,792,783	
YoY % change													
Sales	*+37%*	*+350%*	*+31%*	*+19%*	*-20%*	*-7%*	*+21%*	*+189%*	*+415%*	*+451%*	*+456%*	*+226%*	*+589%*
Non-GAAP operating profits	*+93%*	*+868%*	*+34%*	*+19%*	*-64%*	*-48%*	*+18%*	*+1499%*	*+2833%*	*+2167%*	*+1621%*	*+349%*	*+4972%*
Non-GAAP EBITDA	*+55%*	*+643%*	*+33%*	*+19%*	*-39%*	*-32%*	*+11%*	*+489%*	*+1023%*	*+1140%*	*+1062%*	*+314%*	
Non-GAAP Net profits	*+110%*	*+957%*	*+35%*	*+19%*	*-74%*	*-62%*	*+17%*	*+433%*	*+4693%*	*+3317%*	*+1846%*	*+363%*	*+1558%*
Margins													
Non-GAAP operating profits	37.5%	80.6%	82.6%	82.7%	13.2%	19.4%	26.6%	59.7%	75.0%	80.0%	82.3%	82.4%	79.5%
IFRS operating profits	37.2%	80.0%	82.6%	82.7%	13.1%	19.2%	26.3%	59.5%	71.9%	80.0%	82.3%	82.4%	79.1%
Non-GAAP EBITDA	50.8%	83.9%	85.5%	85.6%	36.4%	37.0%	40.8%	67.3%	79.3%	83.2%	85.3%	85.5%	
IFRS EBITDA	50.6%	83.3%	85.5%	85.6%	36.4%	36.8%	40.5%	67.1%	76.2%	83.2%	85.3%	85.5%	
Pre-tax profits	33.5%	79.6%	82.5%	82.6%	8.0%	12.7%	22.4%	57.7%	69.9%	79.9%	82.2%	82.3%	
Non-GAAP net profits	23.9%	56.2%	57.8%	57.8%	5.4%	9.0%	16.5%	41.0%	50.2%	55.9%	57.6%	58.3%	53.6%
IFRS net profits	23.7%	55.8%	57.8%	57.8%	5.3%	9.1%	16.2%	40.7%	47.7%	55.9%	57.6%	58.3%	53.1%
R&D	141,100	200,000	230,000	275,000	34,479	35,731	34,277	36,613	39,400	50,600	50,000	60,000	
(As a % of revenues)	6.0%	1.9%	1.7%	1.7%	10.1%	8.0%	6.3%	3.7%	2.2%	2.0%	1.7%	1.8%	
D&A	312,826	347,800	394,200	486,000	79,987	78,852	77,580	76,407	76,100	80,000	90,000	101,700	
(As a % of revenues)	13.4%	3.3%	2.9%	3.0%	23.3%	17.6%	14.3%	7.6%	4.3%	3.2%	3.0%	3.1%	
Gross capex	283,700	500,000	550,000	600,000	53,577	91,473	70,933	67,717	52,400	90,000	150,000	207,600	
(As a % of revenues)	12.1%	4.7%	4.0%	3.7%	15.6%	20.4%	13.0%	6.8%	3.0%	3.6%	5.0%	6.4%	
Net capex	221,000	485,000	550,000	600,000	34,107	72,768	61,327	52,798	39,100	90,000	150,000	205,900	
(As a % of revenues)	9.5%	4.6%	4.0%	3.7%	9.9%	16.2%	11.3%	5.3%	2.2%	3.6%	5.0%	6.3%	
EPS(JPY)	1,024.1	11,011.9	16,476.9	24,167.5	33.9	75.3	162.4	752.4	1,539.9	2,520.7	3,177.6	3,773.6	
DPS(JPY)	0.0	1,000.0	1,500.0	2,000.0									
BPS(JPY)	2,561.7	11,135.5	20,486.1	32,840.9									
Sales by product													
SSD & storage	1,362,638	7,157,138	9,468,720	11,451,652	217,411	244,559	300,375	600,293	1,174,719	1,679,848	2,067,053	2,235,518	
Smart device	759,978	3,099,671	4,033,512	4,696,894	79,040	157,300	186,291	337,347	525,656	722,777	889,377	961,861	
Others	215,012	271,342	272,800	272,800	46,348	46,487	56,965	65,212	66,742	68,200	68,200	68,200	
Total	**2,337,628**	**10,528,200**	**13,775,000**	**16,421,300**	**342,799**	**448,346**	**543,631**	**1,002,852**	**1,767,117**	**2,470,800**	**3,024,600**	**3,265,600**	**2,390,000**
Sales related data													
USD/JPY					145	147	153	155	160	160	160	160	162
Shipment volume (Capacity basis, QoQ)					Flat	+High-30%	+MSD%	▲10%	+LSD%	+10%	+7%	+3%	
ASP (USD, QoQ)					+HSD%	▲LSD%	+Low-teens%	+2x+	+70%	+28%	+15%	+5%	

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis - Kioxia Holdings

We are Buy rated on Kioxia Holdings, the world's third-largest maker of NAND flash memory. We find Kioxia's relatively high profit margins (stemming from strong cost

competitiveness) and gradual progress in developing products for data centers, a segment expected to see high growth within the NAND market, as positive. NAND supply/demand is tightening due to rising demand for enterprise SSDs (eSSDs) for servers, tightness in HDDs (which are also used for storage applications), and concerns over US export controls on production equipment (for fabs of major South Korean memory makers located in China), resulting in continued increases in NAND prices in CY27. Although we maintain our view that the structure of the NAND market itself has not changed (i.e., cyclicality remains as there are still more players compared to the HDD and DRAM markets, which are dominated by 2-3 major companies), we believe higher profit levels compared to previous cycles can be sustained, and the market will recognize that profit levels over the next 2-3 years will be higher than its expectations as well as sustainable. This view is based on (1) the possibility that tight supply/demand will continue into CY28, as AI demand remains strong while near-term supply increases are limited, (2) major memory makers continuing to prioritize investment in DRAM, and (3) a path having been paved for procuring DRAM (used in eSSDs).

Price Target Risks and Methodology - Kioxia Holdings

Valuation methodology: Our 12-month target price of ¥116,000 is based on the correlation between ROE-P/B and the average of our FY3/27-FY3/28 ROE estimates (implies FY3/28E P/E 7.0X, P/B 5.7X).

Key risks: A slowdown in AI investment centered on hyperscalers, the rise of NAND players in China, decline in profit margins due to cost increases or fluctuations in capacity utilization, a sharp appreciation of the yen against the US dollar, and a slowdown in NAND demand for non-AI applications.