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Global Markets Strategy
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Kioxia Holdings Corp - Potential US ADR Listing

Potential Index Impact

Global Quantitative and Derivatives Strategy

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In this note, we examine the potential index impact of a U.S. ADR listing by Kioxia Holdings Corporation.

Kioxia Holdings Corporation is currently incorporated and headquartered in Japan.

Index Membership:

- Kioxia Holdings Corporation (285A JP) is a constituent of the MSCI Developed Market (Japan), FTSE Developed Markets (Japan), Nikkei 225 and TOPIX indices.

Potential Passive Index Impact:

- Following an ADR offering, Kioxia's shares outstanding will increase because the company will issue new ordinary shares to support the ADR listing.
    - **FTSE All-World Series**: FTSE will reflect the resulting share increase at the next quarterly review..
    - **MSCI:** If the offering size is more than 5% of shares outstanding (>27.4M shares), MSCI will implement the share increase when the new common shares are listed on TSE with T+2 notice.
    - **Topix**: TPX will implement the share increase on the listing date of the new common shares.
- **Potential inclusion in U.S. indices**: In general, ADRs are not eligible for broad U.S. market indices. Notable exceptions include the Nasdaq-100 and some industry-focused ETFs/indices.
    - **Nasdaq-100**: The index includes the 100 largest Nasdaq-listed companies by market cap. For companies that also have a local listing, Nasdaq typically considers the size of the ADR line only for ranking purposes. Recent Nasdaq-100 additions have generally been in the $60–90bn market-cap range. As a result, Kioxia would likely be considered only if the ADR line reaches a similar scale.
- **Potential inclusion in semiconductor indices/ETFs:**
    - **MVIS US Listed Semiconductor 25 Index (ETF: SMH)**
      Components of the index are reconstituted semi-annually, in March and September. To be considered for the March review, the ADR line would need to begin trading by the last trading day of January; otherwise, it would be assessed for eligibility in the September review. The current inclusion threshold for SMH is about $290 billion in market cap. Assuming the current market cap and float of 285A JP are replicated in the ADR line, Kioxia would likely not be added to the index. If and when Kioxia is added to SMH, we estimate demand would be about $2.2 billion.

See page 3 for analyst certification and important disclosures.

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- **ICE Semiconductor Index (ETF: SOXX)**
  The Index undergoes a reconstitution annually in September. Last month, the Index introduced a "Fast Entry" rule to allow expedited inclusion of qualifying newly listed securities (such as IPOs, direct listings, spin-offs, or transfers from an ex-U.S. exchange or the OTC market) between annual reconstitutions. If the newly listed security ranks within the top 15 securities, it is added to the Index as a Fast Entry addition after the close of trading on the ninth business day following the listing date. Assuming the current market cap and float of 285A JP are replicated in the ADR line, it would likely not be eligible for "Fast Entry" inclusion. It would instead be eligible for inclusion at the next scheduled annual reconstitution in September 2027. We estimate demand of US$435mn from the addition.

Figure 1: Potential Indexer Demand for ADR Offering of $10 Billion

Ticker	Name	Index	Index Action	Value $ (M)	Shares (M)	xADV	Exp. Timing
285A JP	KIOXIA HOLDINGS CORP	FTSE All World	Share Inc	405	1.3	4%	Quarterly Review
285A JP	KIOXIA HOLDINGS CORP	MSCI EM	Share Inc	670	2.1	6%	when common shares listed on TSE
285A JP	KIOXIA HOLDINGS CORP	TOPIX	Share Inc	951	2.9	9%	when common shares listed on TSE
ADR	KIOXIA HOLDINGS CORP	SMH	Add	2,150	6.7	21%	
ADR	KIOXIA HOLDINGS CORP	SOXX	Add	435	1.3	4%	Sep 2027
			Total	4,611	14.3	44%	

Source: MSCI, FTSE, TPX, Bloomberg Finance L.P., J.P. Morgan Estimates

