BERNSTEIN
SOCIETE GENERALE GROUP

Global Memory

KIOXIA Holdings Corp

Rating

Underperform

Price Target

285A.JP **49,000 JPY**



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KIOXIA 2QFY26: Major miss on FQ3 but catch up in FQ4?

FQ3 missed but KIOXIA suggested strong FQ4 to make it up. FQ2 results came in line with ASP up mid 20% QoQ (low 30s% on like for like basis). However, FQ3 guide of QoQ flattish revenue and profit, with bit shipment flattish & ASP up only slightly, was a massive miss. KIOXIA explained that it was mainly due long lead-time data center SSD products delaying some shipments into FQ4. Lower-price smart device hence will have a higher mix & weigh on ASP, and so will the smaller price increase in PC/mobile NAND. KIOXIA expects the delayed eSSD to become a major tailwind in FQ4 & guided bit shipment to grow HSD-10%, vs. typical seasonality of -10%. And with mix swinging back towards eSSD, ASP is likely to rise too, though given pricing remains in discussion, no concrete number was given.

Return 100% excess cash though with caveats. Instead of ~50% guided previously, KIOXIA now pledges to return 100% of excess cash over "mid to long term". Though the amount of excess cash depends on many priorities like capex, R&D & strategic investments such as M&A. KIOXIA announced an interim dividend of JPY90/share (pre-split basis), and will keep dividend "progressive" on top of flexible buybacks. No new buyback was announced, as KIOXIA appears to be expecting some major deals & tax payments.

KIOXIA expects shortage to continue throughout CY27, with capacity already sold out, and ASP will be on an upward trend, though with limited visibility on the magnitude. Demand is expected to stay robust in CY28, with well over 50% of volume already covered by LTA, which is said to feature no ceilings too. Though we still found no sign of deposits for LTAs.

Capex plan is unchanged and management still targets JPY470-480B in capex/year in the next 3 years though now it expects the spending to be a bit more front-end loaded.

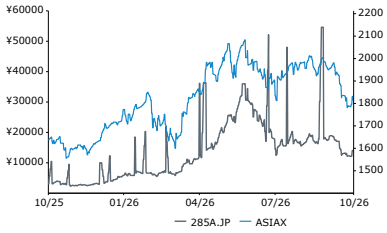
QLC mix to rise steadily. Good demand for TLC & QLC for KV cache & storage, respective. QLC's bit mix is expected to rise to 30% in CY27 and 40% in CY28.

Close Date	30 Oct 2026
285A.JP Close Price (JPY)	13,470
Price Target (JPY)	49,000
Upside/(Downside)	264%
52-Week Range	37,567/2,784.33
ASIAX	1,811.63
FYE	Mar
Div Yield	NA
Market Cap (JPY) (B)	22,175.76
EV (JPY) (B)	21,558.31

Performance	YTD	1M	6M	12M
Absolute (%)	287.3	(25.6)	7.6	273.3
ASIAX (%)	10.8	(6.8)	(1.4)	9.6
Relative (%)	276.5	(18.7)	8.9	263.7

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Overall, market may react negatively to the delay. Underperform.

Reported EPS	F25A	F26E	F27E
285A.JP (JPY)	1,014.00	10,485	14,140

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	2,338*	10,096*	12,680*	132.9%
EBIT (M)	871,304	8,039*	10,369*	245.0%
BV/Share (M)	2,587.93	11,301.89	20,414.40	180.9%
CapEx (M)	281,062	448,774	520,000	36.0%
Dividend Payout Ratio (%)	0.0	2.9	31.5	--
ROE (%)	51.9	152.1	89.4	--

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	13.3	1.3	1.0
EV/EBITDA (x)	18.2	2.6	2.0

*Values shown in billions;Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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EXHIBIT 1: **2QFY26 results were about in line.**

	1QFY26	2QFY26				Difference vs.	
(JPY in B)	Actual	Actual	QoQ	Bernstein	Consensus	Bernstein	Consensus
Revenue	1,767	2,480	40.3%	2,401	2,466	3.3%	0.6%
Gross Profit	1,380	2,053	48.8%	1,976	2,046	3.9%	0.3%
Margin	*78.1%*	*82.8%*	*4.7%*	*82.3%*	*83.0%*	*0.5%*	*-0.2%*
Operating Profit	1,270	1,995	57.1%	1,909	1,982	4.5%	0.6%
Margin	*71.9%*	*80.4%*	*8.6%*	*79.5%*	*80.4%*	*0.9%*	*0.1%*
Net Income	842	1,356	61.0%	1,350	1,421	0.4%	-4.6%
Margin	*47.7%*	*54.7%*	*7.0%*	*56.2%*	*57.6%*	*-1.6%*	*-3.0%*
EPS (JPY)	513.3	838.3	63.3%	848.0	851.0	-1.1%	-1.5%

28 day consensus
Source: Company reports, Bloomberg, Bernstein estiamtes and analysis

EXHIBIT 2: **3QFY26 guide came in as a big miss & KIOXIA blamed it on a seasonable mix effect & long-lead time products delaying some shipment by a quarter.**

	2QFY26	3QFY26			Difference vs.		QoQ		
(JPY in B)	Actual	Guidance	Bernstein	Consensus	Bernstein	Consensus	Guidance	Bernstein	Consensus
Revenue	2,480	2,500	2,887	2,955	-13.4%	-15.4%	0.8%	16.4%	19.2%
Operating Profit	1,995	1,995	2,346	2,385	-15.0%	-16.4%	0.0%	17.6%	19.6%
Margin	*80.4%*	79.8%	*81.3%*	*80.7%*	-1.5%	-0.9%	-0.6%	*0.8%*	*0.3%*
Net Income	1,356	1,360	1,665	1,648	-18.3%	-17.5%	0.3%	22.8%	21.6%
Margin	*54.7%*	54.4%	*57.7%*	*55.8%*	-3.3%	-1.4%	-0.3%	*3.0%*	*1.1%*
Basic EPS (JPY)	838.3	851.1	1,049.7	1,095.0	-18.9%	-22.3%	1.5%	25.2%	30.6%

28 day consensus
Source: Company reports, Bloomberg, Bernstein estimates and analysis

EXHIBIT 3: **Both ASP and bit shipment growth in FQ2 was solid.**

NAND	2QFY26	3QFY26
ASP QoQ (in US$)		
2Q Actual	+Mid 20s%	
Bernstein Forecast	25.0%	9.0%
Bit Shipment QoQ		
2Q Actual/3Q Guide	+LT%	Flattish
Bernstein Forecast	8.0%	10.7%
2Q Guidance	Increase	

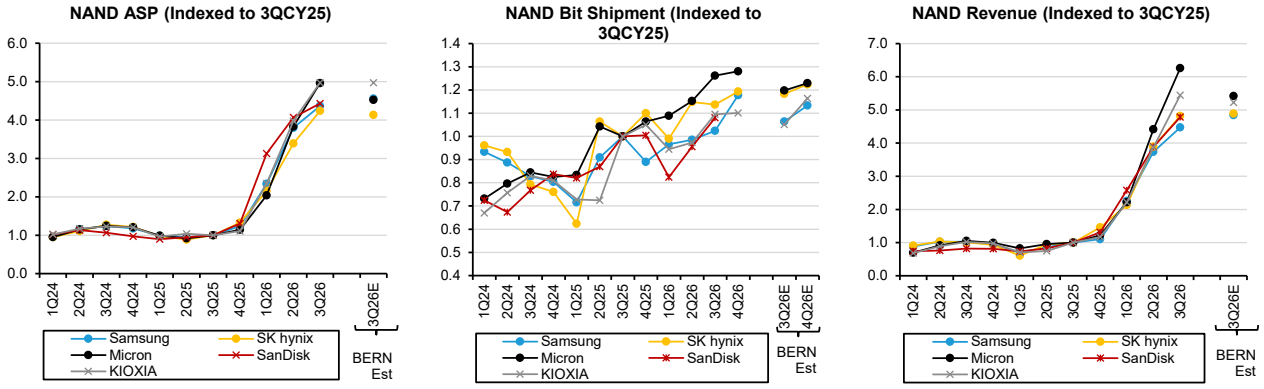
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 4: **Compared to peers, KIOXIA's NAND business also performed strongly in Sep Quarter.**

NAND	3QCY26	4QCY26
ASP QoQ (in US$)		
3Q Actual		
Samsung	+HT%	
SK hynix	+Mid 20s%	
Micron*	+approx 30%	
KIOXIA	+Mid 20s%	
Bit Shipment QoQ		
3Q Actual/4Q Guide		
Samsung	+MSD%	+MT%
SK hynix	Slightly down	+MSD%
Micron*	+approx 10%	+SD%
KIOXIA	+LT%	Flattish

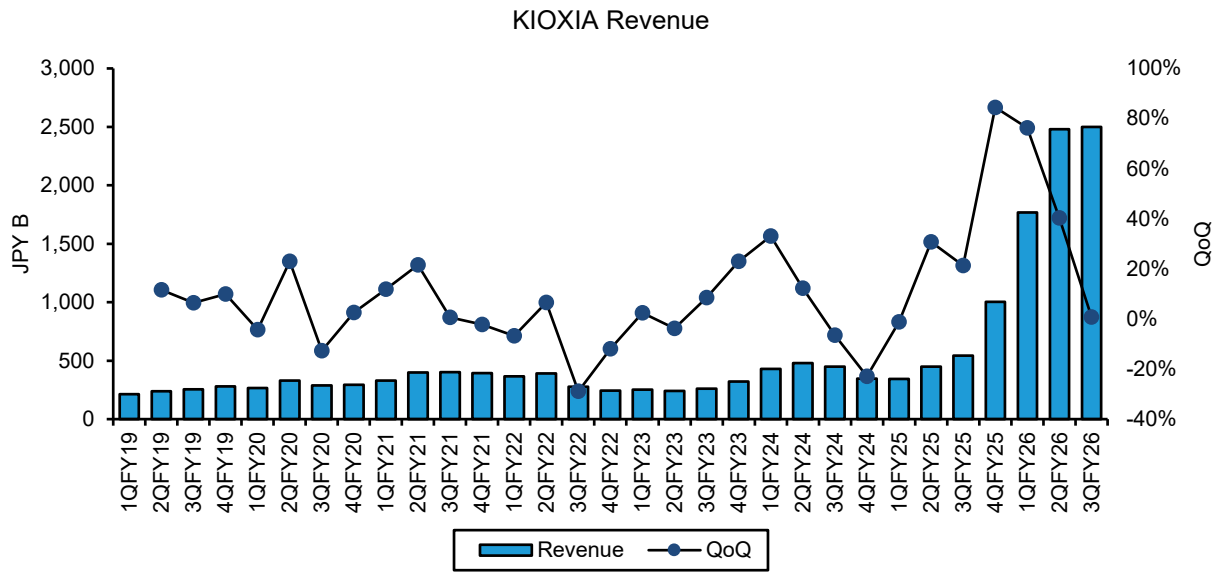
*Calendar quarters; Micron's quarter ends one month earlier
Source: Company reports and Bernstein analysis

EXHIBIT 5: **KIOXIA NAND performance in FQ2 (3QCY26) was largely in line though FQ3 (4QCY26) bit shipment guide is notably weak, due to delay of certain long lead time eSSD products. FQ3 ASP guide also came in below on unfavorable mix.**



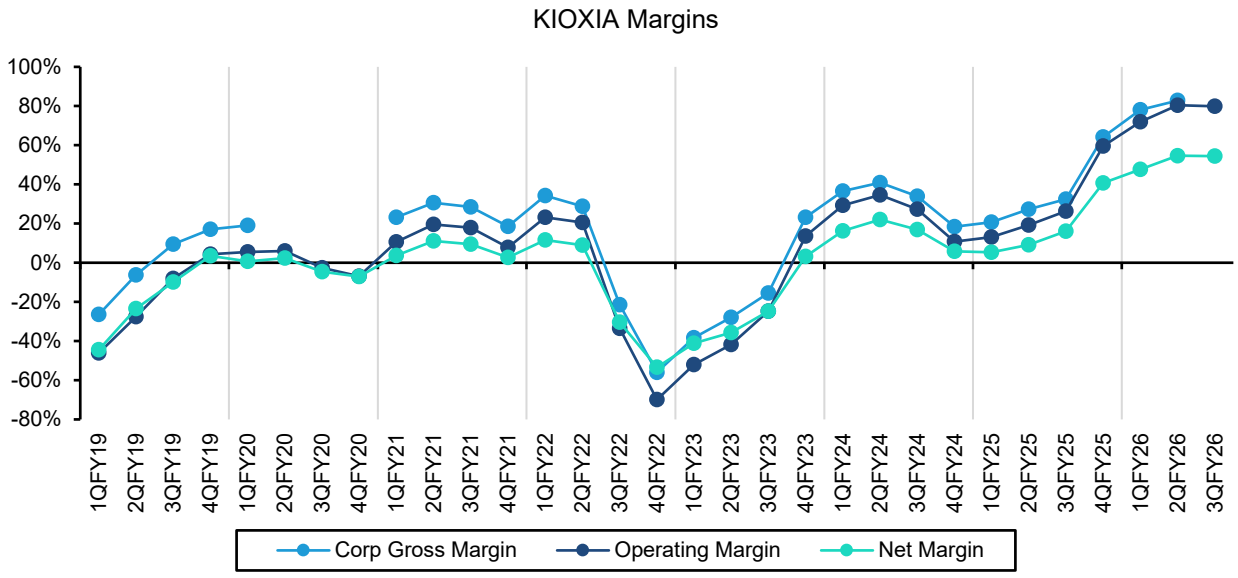
Calendar quarters; 4Q26 is based on company guidance; Micron's quarter ends 1 month earlier
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 6: **FQ3 sales was guided to be flat QoQ, due to delay of certain eSSD products to FQ4.**



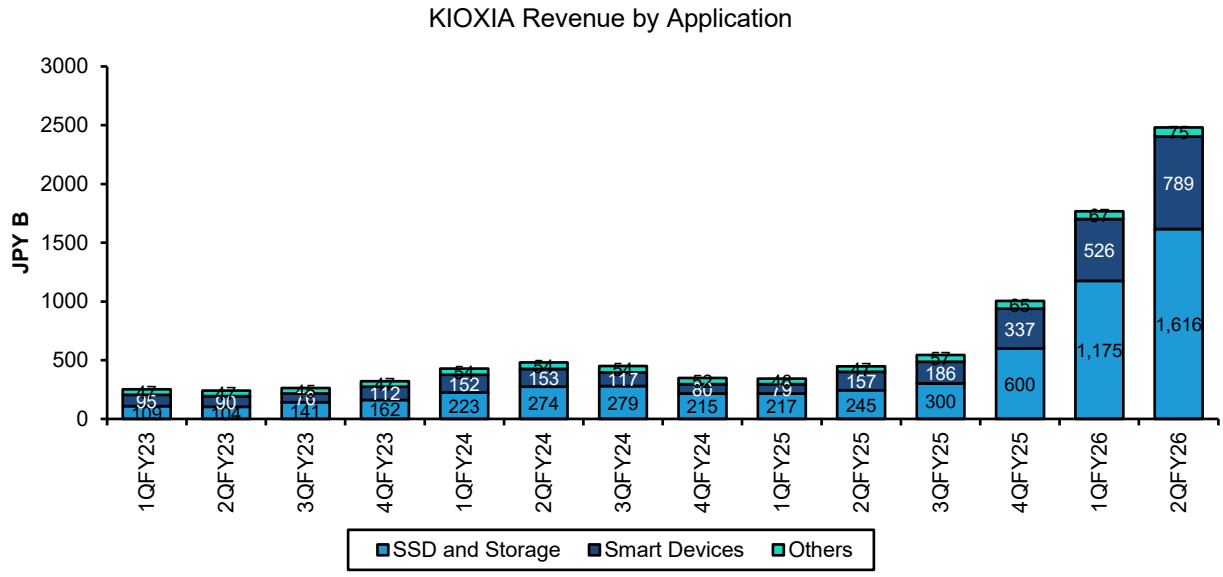
3QFY26 is guidance
Source: Company reports and Bernstein analysis

EXHIBIT 7: **As a result, FQ3 margin was expected to remain flattish due to mix shift to more smart device that carries lower ASP.**



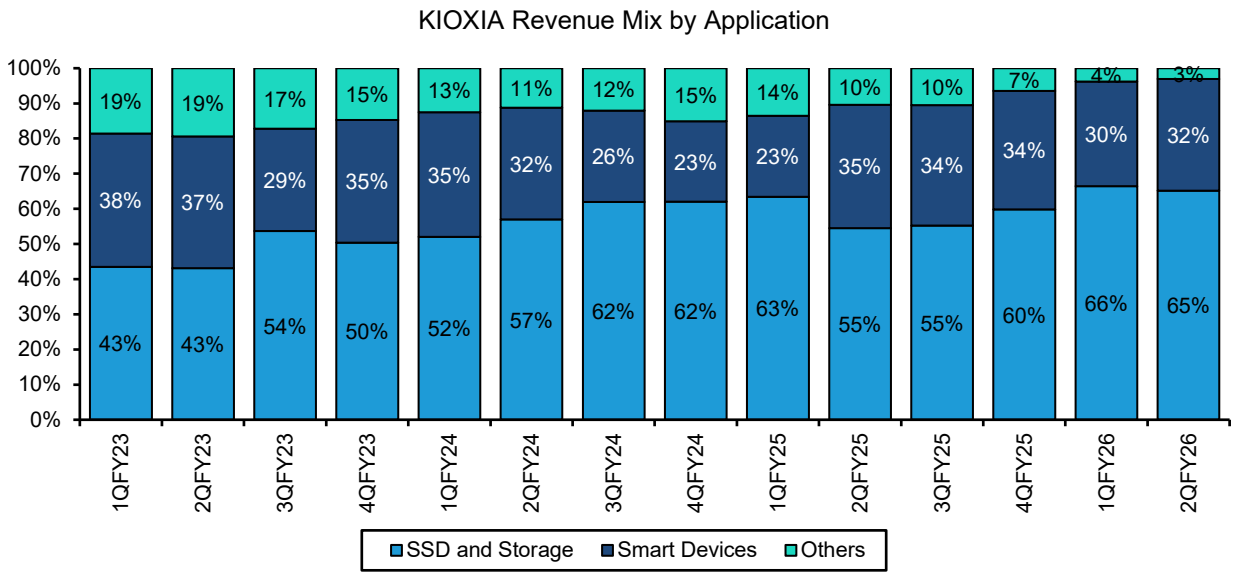
3QFY26 is guidance
Source: Company reports and Bernstein analysis

EXHIBIT 8: **Smart Devices grew faster than SSD in FQ2 due to smartphone seasonality and weak client SSD.**



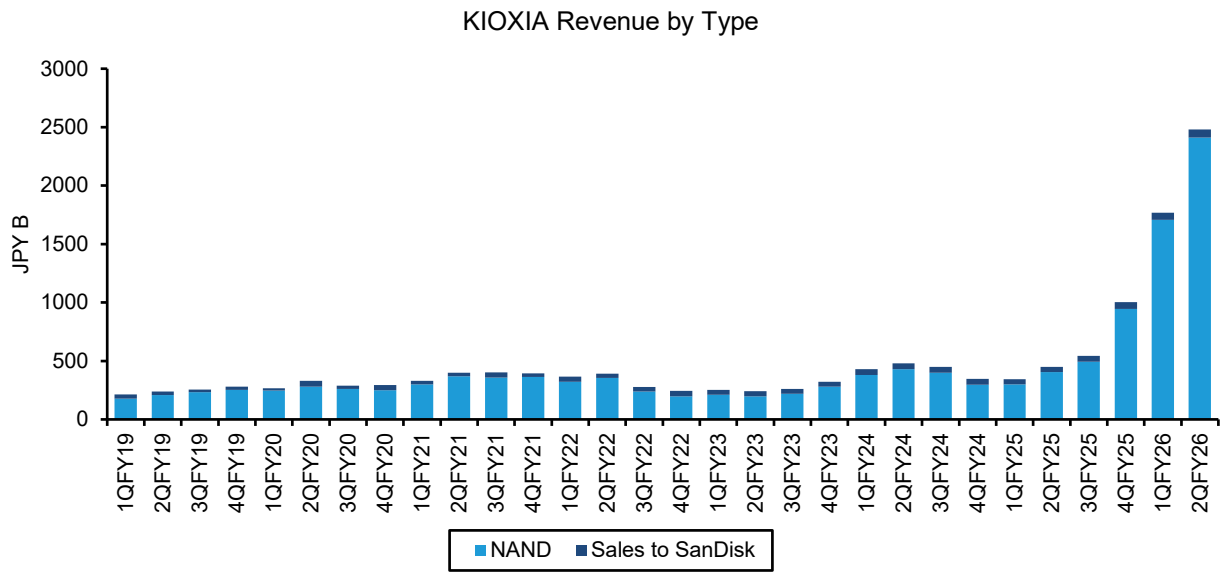
Source: Company reports and Bernstein analysis

EXHIBIT 9: **Mix of Smart Devices hence went up slightly QoQ though down YoY.**



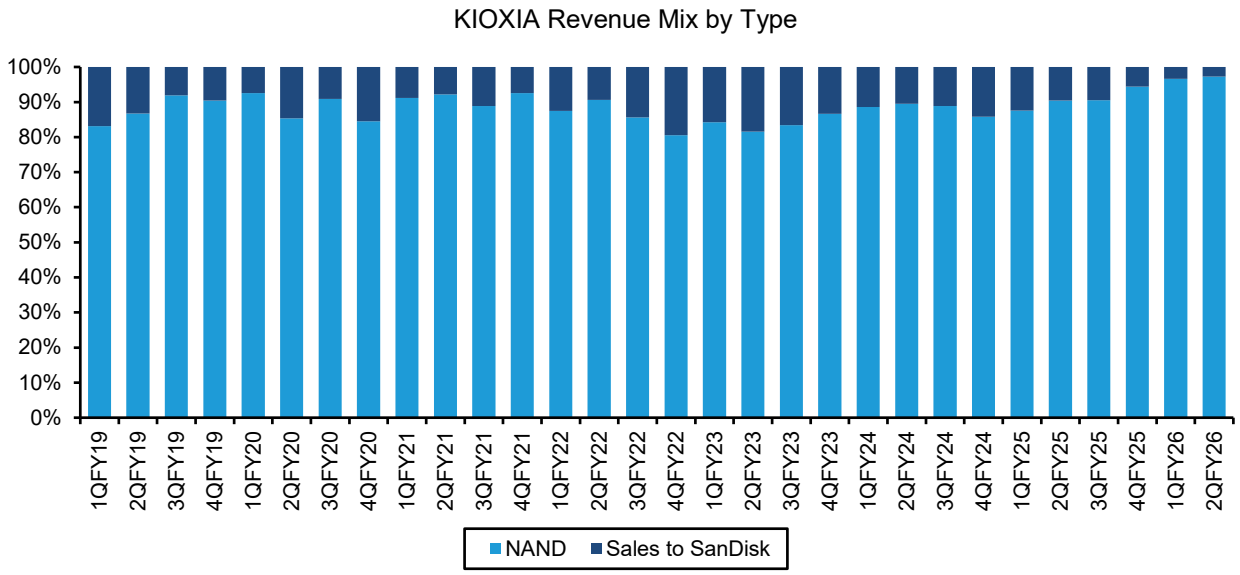
Source: Company reports and Bernstein analysis

EXHIBIT 10: **KIOXIA's NAND sales was up 41% QoQ in FQ2, and the total revenue grew 40%.**



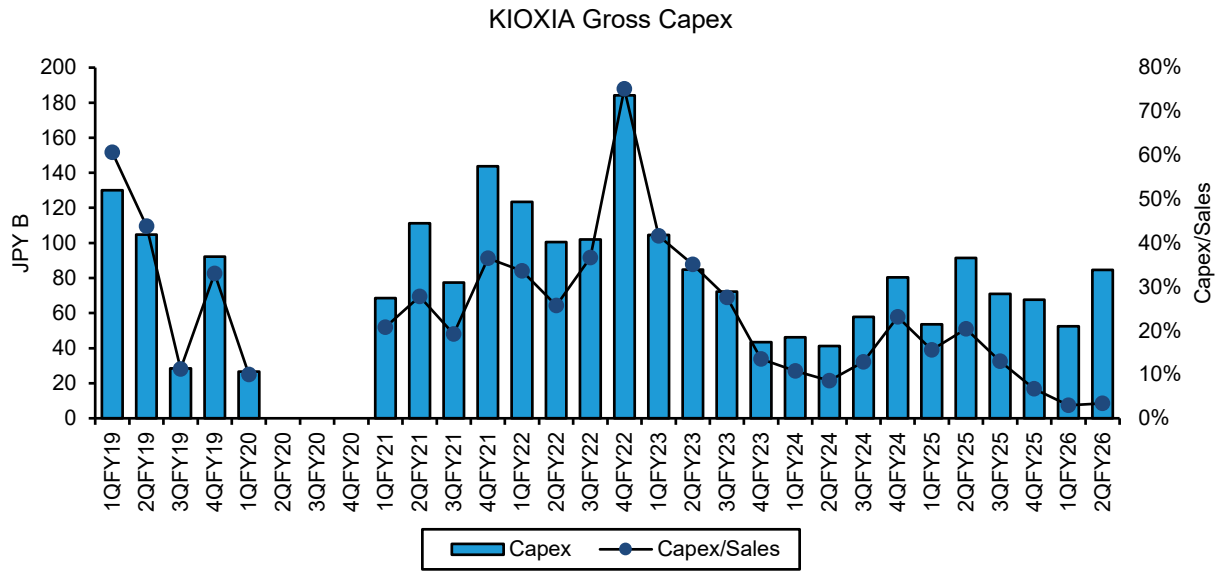
Source: Company reports and Bernstein analysis

EXHIBIT 11: **NAND sales was 97% of total sales.**



Source: Company reports and Bernstein analysis

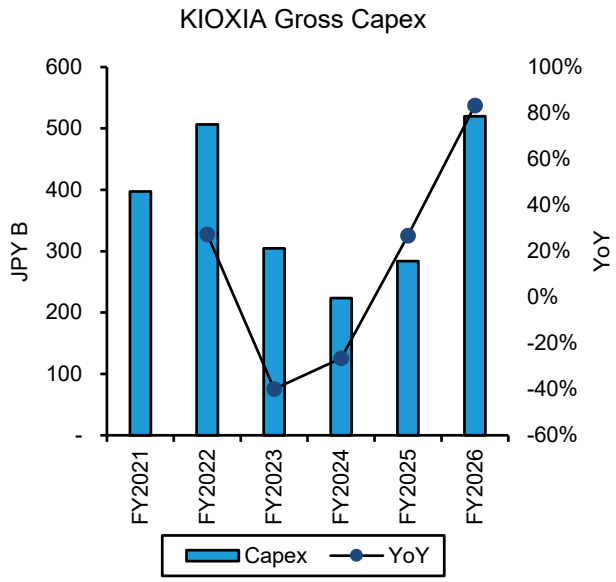
EXHIBIT 12: **FQ2 capex was JPY85B.**



Source: Company reports and Bernstein analysis

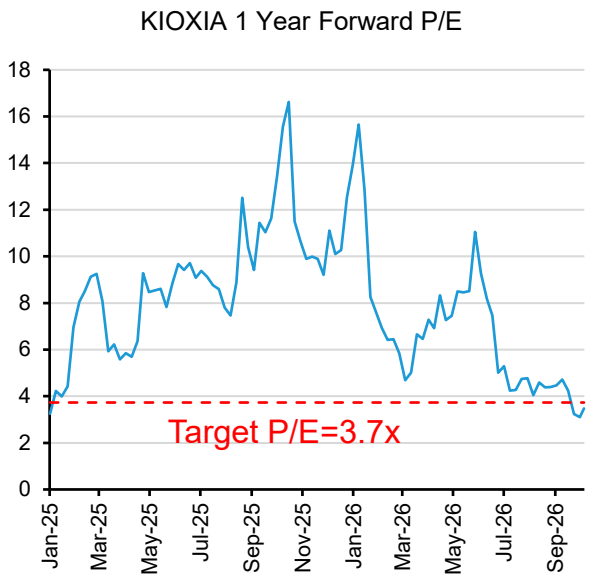
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EXHIBIT 13: **KIOXIA's 3 year capex plan is unchanged, though now may be more front-end loaded.**



FY26 is company guidance
Source: Company reports and Bernstein analysis

EXHIBIT 14: **KIOXIA valuation has corrected to 3.4x forward P/E.**



Source: Bloomberg and Bernstein analysis

INVESTMENT IMPLICATIONS

KIOXIA: We rate KIOXIA Underperform with target price of JPY 49,000 (pre-split basis).

BERNSTEIN TICKER TABLE

			30 Oct 2026		TTM	Reported EPS				Reported P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
285A.JP (KIOXIA)	U	JPY	13,470	49,000	263.7%	JPY	1,014.00	10,485	14,140	13.3	1.3	1.0
ASIAX			1,811.63									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

KIOXIA Holdings Corp

We value KIOXIA with 3.7x of 1-year forward EPS of ¥13,243 and arrive at price target of ¥49,000.

RISKS

KIOXIA Holdings Corp

Upside risks to our target price include 1) stronger than expected NAND demand growth, which likely would lead to better NAND pricing and hence company earnings, 2) favorable policy support from Japanese government such as capex subsidies, and 3) better than expected cost reduction

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

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Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

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The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

- Outperform (OP): Stock will outpace the relevant index by more than 10 pp
- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous preferred stock ratings are based on a 6-month time horizon.

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- Credit Underperform (C-UP): The total return of the Reference Credit Instrument is expected to underperform the credit spread of bonds of other issuers operating in similar sectors or rating categories over the next six months.

Autonomous credit ratings are based on a 6-month time horizon.

A list of all investment recommendations produced by the author(s) of this report alongside credit ratings history are available upon request.

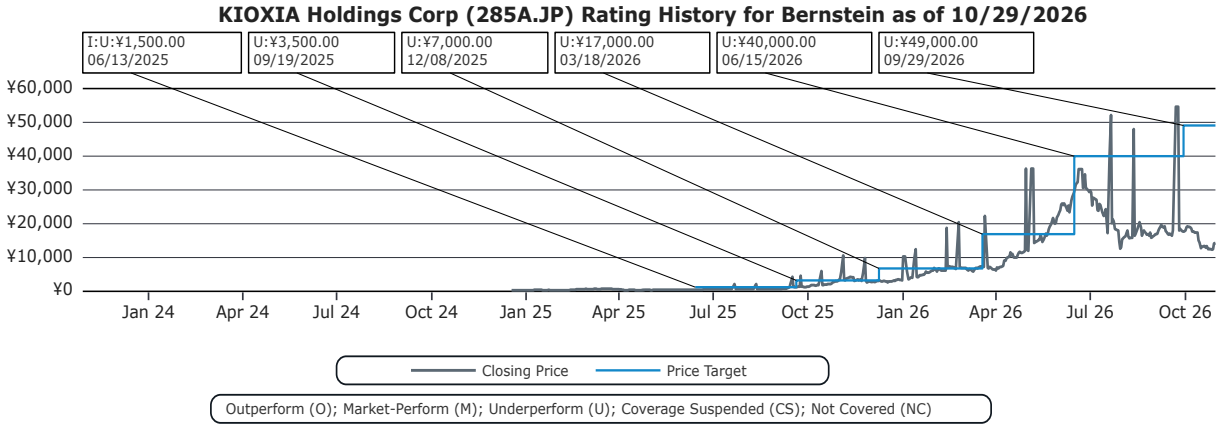
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Outperform	BUY	52.3%	14.2%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.6%	16.1%
Underperform	SELL	12.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
As of September 30, 2026. All figures are updated quarterly.

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