

Global memory

EQUITY: MEMORY

A series of evidence points to a structural memory shortage

Quick Note

While several macro factors (inflation risk and higher interest rate in the US) have weighed on the stock market since last Thursday (4 June), a handful of news items—including Broadcom's (AVGO US, Not rated) earnings, memory customers' letter to the White House requesting measures to address memory shortage, and Nvidia's (NVDA US, Not rated) decision to reduce the SO-CAMM LPDDR5X capacity of its Vera Rubin platform—have also negatively impacted semiconductor stocks broadly, and memory stocks in particular.

We think Broadcom's share price weakness is largely company-specific, reflecting results – despite being solid – that fell short of elevated expectations, as well as highly demanding valuation. In contrast, we believe, the memory-related newsflow does not point to weaker demand, as the market may have misinterpreted. Rather, all of these developments further reinforce the structural nature of the ongoing memory supply shortage, in our view.

We, therefore, view the recent share price weakness as an opportunity to accumulate the stocks. We remain bullish on memory names and reiterate our Buy ratings on Samsung Electronics (SEC; 005930 KS, Buy) and SK Hynix (000660 KS, Buy), with target prices of KRW590,000 and KRW4,000,000, respectively.

Customers have started raising concerns over memory shortages to governments, but shortages are unlikely to ease in the near- to mid-term

A coalition of US broadband and telecom groups (NCTA, ACA, NTCA, TIA) wrote to the White House last week, cautioning that AI-driven memory shortages and surging prices could “upend supply chains.” They urged the government to boost domestic memory production, better allocate existing capacity across sectors, and streamline alternative sourcing approvals (a request to alleviate restriction on using products from CXMT [unlisted], YMTC [unlisted], etc.; we think this is unlikely to be accepted by the US government).

We believe the current memory shortage is demand-driven (AI), rather than a result of supply-side restrictions. Political pressure from the US and China will persist, but governments lack effective tools to alter near- to mid-term pricing. Memory companies' willingness to pull in capacity expansion plan with incremental costs is the strongest evidence against any collusion. High prices are likely to sustain (high and flat) through at least 2026F-31F via LTA structures, in our view.

Historical precedents: political pressure, but no legal teeth

- **US (2018-22):** For a DRAM Antitrust Litigation, 9th Circuit affirmed dismissal. Court ruled parallel conduct, indicating that oligopoly does not imply conspiracy. Eight “plus factors” deemed insufficient to prove pre-existing agreement.
- **China (2018):** The NDRC investigated Samsung/SK Hynix/Micron (MU US, Not rated). Resulted in MOU with Samsung but no penalties. Probe ended as prices naturally declined.

While both the cases amounted to political pressure, no collusion was proven, and no memory suppliers were penalized in either jurisdiction

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Fig. 1: Capacity expansion by major memory suppliers

Company	Action	Investment
Samsung	P6 groundbreaking 6 months early; construction cost increase by 5x	1~KRW31tn
SK Hynix	Adding Yongin cleanroom 3 months early; doubling capacity in 5 years	1KRW31tn
Micron	Singapore advanced packaging + NAND expansion	1~USD31bn
Samsung + SK Hynix	China plant upgrades	1KRW1.5tn combined

Source: Company data, Nomura research

Future political pressure to be loud but limited; different from 2016-18 cycle

We expect political rhetoric regarding the memory sector will intensify (including pressure from the US government on memory companies to build more memory fabs in the US), but governments lack effective tools to control memory pricing in the near term.

Fig. 2: Potential political pressure on memory industry and expected impact

Vector	Impact
US domestic memory fab pressure	Requires 5+ years to build at minimum → No near-term price effect
CHIPS Act reform demands	Under discussion, but execution timeline is multi-year long
FAR ban on Chinese chips (2027)	Will tighten supply further
China's expansion (CXMT/YMTC)	Growing but still small (DRAM 5%, NAND 11%); now conflicted as an exporter

Source: Nomura research

We expect demand will overwhelm supply for at least 3-5 years. Unlike 2018, the shortage is structural, thanks to exponentially growing memory demand from AI boom, and self-reinforcing – buyers are locking in multi-year deals and pre-funding capacity. In light of such situations, we expect memory prices to remain high and solid. Price floor/ceiling structures of LTAs limit further upside to some extent but also defend against potential downside. OPM of +80% should be high enough and could be sustainable for at least the next 3-5 years.

Nvidia's Vera Rubin SO-CAMM capacity cut from 192GB/CPU to 96GB/CPU: strong proof of shortage, compromising performance for more shipment of standalone Vera CPUs

Nvidia halved SO-CAMM capacity on Vera Rubin (24GB → 12GB per module) due to LPDDR5X supply shortage, not due to cost burden. Surging standalone Vera CPU demand is consuming LPDDR5X supply that was originally earmarked for Vera Rubin racks. We believe real-world inference performance degradation in the near term is unavoidable, but SO-CAMM's modular design ensures a compressed upgrade cycle once more SO-CAMM supply becomes available.

Fig. 3: Change in Vera Rubin specification

	Original	Revised
Per-module capacity	24GB (3GB x 8 layers)	12GB
Per-CPU memory	192GB	96GB
Per-rack CPU memory (NVL72)	~55TB	~28TB
Per-rack HBM4 (GPU side)	~20.7TB	Unchanged

Source: Company data, Nomura research

We expect Vera CPU shipments to be at ~4mn units (2mn for Vera Rubin + 2mn standalone), and based on above changes, we expect total LPDDR5X demand to be ~3 exabytes (at 96GB/unit), which needs to be shared between Vera Rubin and standalone Vera CPUs.

Why? Standalone Vera CPU demand surge + LPDDR5X supply crunch

Nvidia is aggressively scaling standalone Vera CPU sales – a USD20bn revenue pipeline in 2026. This is why Nvidia accepted Vera Rubin performance degradation, in our view. We think Nvidia's priority is clear: to maximize Vera CPU unit shipments to capture the agentic AI market, even at the cost of reduced memory per Vera Rubin rack.

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Fig. 4: Strategic rationale for Nvidia to prioritize LPDDR5X allocation for Vera CPU

Strategic rationale	Details
Full-stack ownership	Vera eliminates Intel/AMD from the AI rack head-node; Nvidia can control CPU, GPU, and interconnection
Agentic AI workloads	Vera delivers 1.8x faster task completion vs. x86 for code execution, orchestration, RL post-training
Massive density	256 Vera CPUs per rack = ~22,500 concurrent sandboxes; 4x sandbox density vs. x86
Ecosystem lock-in	Hyperscalers (AWS [by Amazon], Azure [by Microsoft], OCI [by Oracle], CoreWeave) and AI labs (OpenAI, Anthropic, SpaceX) are already deploying
Revenue from zero	Standalone Vera is an entirely new revenue stream; first shipments in May 2026

Source: Nomura research

LPDDR5X suppliers cannot serve both Vera CPU and Vera Rubin

Samsung is facing restriction against expanding LPDDR5X capacity due to high-speed HBM4 demand surge, and Hynix’s relief for LPDDR5X supply will also be limited with only partial reallocation from HBM4. As such, all vendors have limited room to fulfill Nvidia’s request for additional supply, and limited LPDDR5X production pool must serve both standalone Vera (~2mn units) and Vera Rubin (~2mn units). We think Nvidia made a decision to cut per-unit memory to ship more CPUs across both segments.

Performance impact will likely be real and immediate

Production AI inference has characteristics of high concurrency and multi-tenant serving. CPU-side memory stores KV cache for each concurrent session.

- 28TB vs. 55TB per rack: ~50% reduction in simultaneous user capacity
- Most inference deployments serve thousands of concurrent users: performance degradation is the default result
- Increased KV cache eviction: leads to higher latency
- CMX (content memory storage technology) of 1.6TB per GPU could take some burden of HBM/LPDDR5X, but should be much slower

Fig. 5: Memory characteristics by hierarchy

Tier	Bandwidth	Latency	Capacity	Relative cost	KV role
HBM	~3.3TB/s	lowest (tens of ns)	80-192GB	1 (base case)	Active generation
DRAM	~60GB/s	low (~100ns)	TB-class	~0.1x	Near-reuse
HBF	~1.6TB/s	high (µs)	8-16x HBM	low	Long context
NAND SSD	~7GB/s	very high	PB-class	~0.01x	History

Source: Nomura research

Investment thesis: Pent-up demand

SO-CAMM is field-replaceable: 12GB modules can be swapped with 24GB later if customers can pay higher cost for SO-CAMM, or base content could go double next year if SO-CAMM supply increases as well.

Fig. 6: Pent-up demand dynamic

Phase	Dynamic
Now	Customers deploy 96GB configuration; experience throughput constraints immediately
Near-term	Upgrade demand becomes operationally necessary
2027E	LPDDR5X supply +61% y-y → Compressed module replacement wave

Source: Nomura estimates

Nvidia is making a well-calculated trade-off: sacrifice near-term Vera Rubin memory capacity to fuel standalone Vera CPU’s market capture. The USD20bn standalone Vera pipeline and full-stack AI rack ownership are strategically more valuable than maximizing per-rack memory today. The resulting inference performance gap creates a guaranteed upgrade demand – it is more of a matter of when, not if.

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Nvidia's new products to use LPDDR5X as well; hard to predict when supply can catch up demand yet

During his visit to South Korea last week, Nvidia's CEO Jensen Huang said "Nvidia introduced four new products this week. RTX Spark needs a lot of memory. LPDDR5, a lot of memory. And then, one more thing, Nvidia introduced a brand-new line of robotics processors, for self-driving cars ... This year, we have one product. Next year, we have four new products ... I brought four new businesses to Korea. Vera Rubin, Vera, RTX Spark, Jetson Thor, Korea is going to be very, very busy."

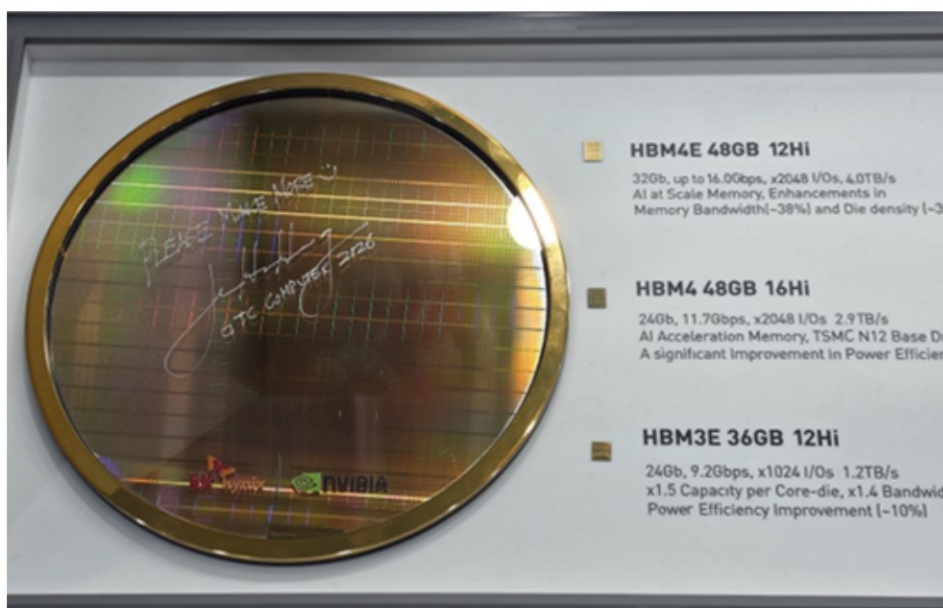
Fig. 7: Memory for Nvidia's new product lineup

Product	Purpose	Memory
Vera CPU (SO-CAMM)	Datacenter / AI factory	LPDDR5X (~3.25 EB+ in total)
RTX Spark	AI PC	LPDDR5X 128GB
Jetson Thor	Robot/physical AI	LPDDR5X 128GB
DRIVE Thor	Autonomous driving	LPDDR5X (for cars)

Source: Company data, Nomura research

Not only standalone Vera, but also RTX, Jetson Thor, and self-driving processors are all going to use 128GB LPDDR5X. This makes it hard to predict when can supply catch up with strong demand. We recommend that investors buy the dip in memory names.

Fig. 8: SK Hynix HBM4E wafer signed by Jensen Huang



Source: Korea JoongAng Daily, Company data, Nomura research

Fig. 9: Memory TAM (per USD1tn AI datacenter capex) by Nvidia's platform

		Blackwell	Blackwell Ultra	Rubin	Rubin Ultra
USDmn	Memory TAM (HBM + LPDDR5X + NAND)	68,083	55,686	118,751	189,977
	HBM	47,923	34,783	30,808	85,577
	LP DDR5X	20,160	20,903	38,571	38,571
	NAND	0	0	49,371	65,829
	Logic share	33%	23%	13%	8%
	HBM share	47%	48%	23%	42%
	LPDDR5X share	20%	29%	28%	19%
	NAND share	0%	0%	36%	32%
	Memory / Logic	200%	337%	677%	1190%

Note: TAM estimate is for every USD1tn AI datacenter capex (i.e. not per rack) and assumes that each platform is used to fully meet the computation demand.
Source: Company data, Nomura estimates

Appendix A-1

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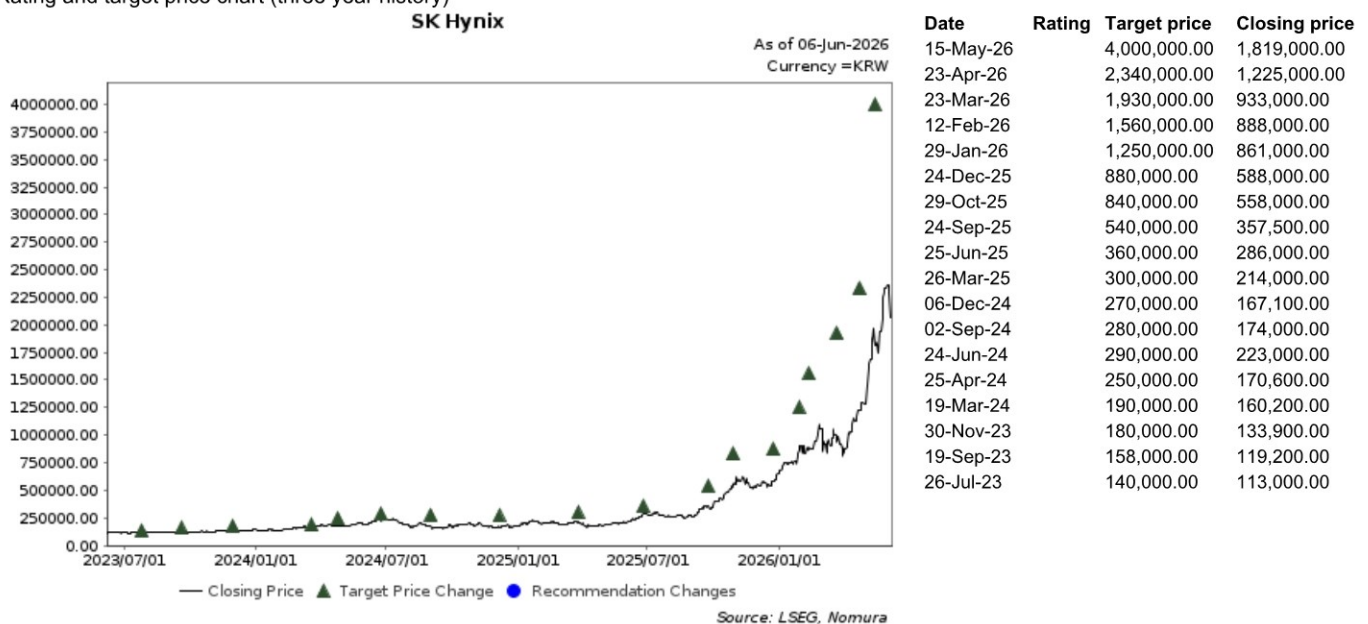
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
SK Hynix	000660 KS	KRW 2,070,000	05-Jun-2026	Buy	N/A	
Samsung Electronics	005930 KS	KRW 329,000	05-Jun-2026	Buy	N/A	

SK Hynix (000660 KS)

KRW 2,070,000 (05-Jun-2026) Buy (Sector rating: N/A)

Rating and target price chart (three year history)

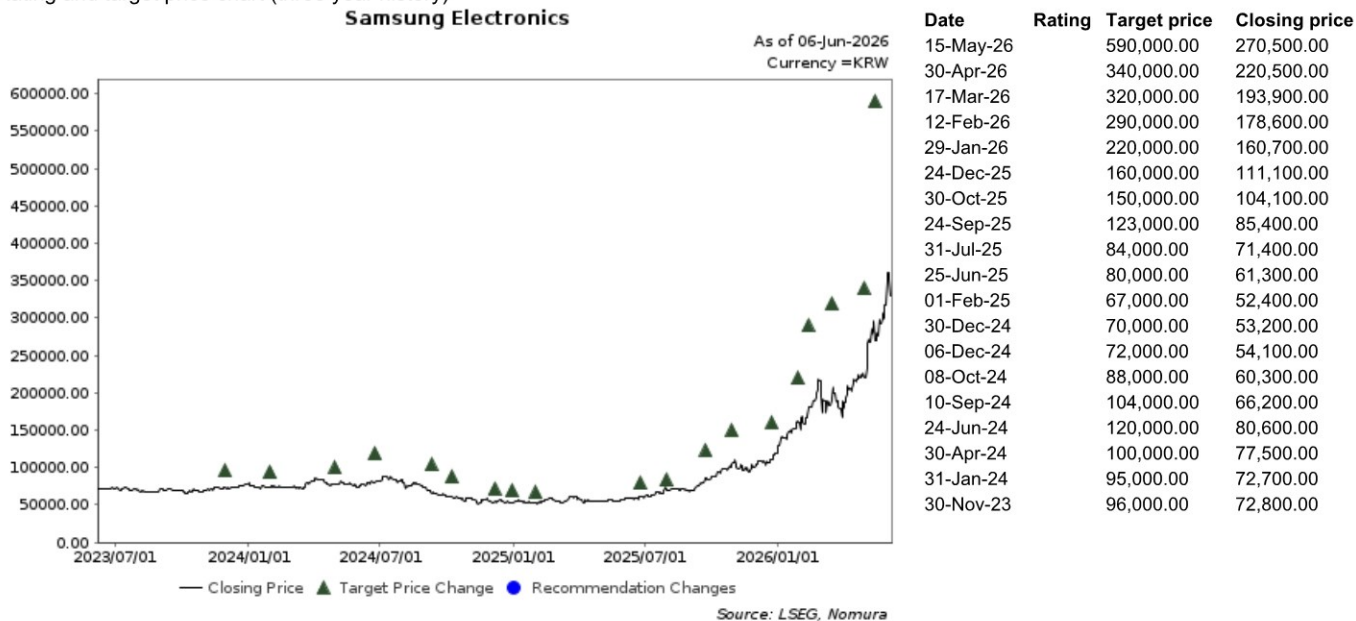


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Valuation Methodology Our 12-month target price of KRW4,000,000 is derived by applying a target P/B of 6.0x to 12MF BVPS of KRW673,248. Our target multiple reflects increased conviction for transition into longer-term cash flow scheme based on memory LTAs. The benchmark index for this stock is the KOSPI 200.

Risks that may impede the achievement of the target price Downside risk includes potential US tariffs on semiconductor products, delay in data center construction due to power supply shortage, and slowdown in AI capex under a higher interest rate environment.

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our 12-month TP of KRW590,000 is derived by applying a target P/B of 5.0x to 12MF BVPS of KRW117,669. The target multiple reflects increased confidence in transition into long-term cashflow structure that could be generated by memory LTAs. The benchmark index for the stock is the KOSPI 200.

Risks that may impede the achievement of the target price Downside risk includes potential US tariffs on semiconductor products, delay in data center construction due to power supply shortage, and slowdown in AI capex under a higher interest rate environment.

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