NOMURA

Global Markets Research
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# National Silicon Industry Group 688126.SS 688126 CH

EQUITY: TECHNOLOGY

## Time to revisit: uptrend just started

### Wafer industry in upcycle, pricing and utilization improving; SOI wafer sole domestic beneficiary

**Resume coverage of NSIG with Buy rating and target price of CNY36.20**

We resume coverage on Nation Silicon Industry Group (NSIG) with a Buy rating. Our TP of CNY36.20 is based on a target multiple of 20.0x forward EV/sales (which is around 2SD above its historical average; the stock had traded at an average of 15.0x in the industry downcycle, and we think 20.0x in the industry upcycle is fair) and our forecast of CNY6.7bn revenue in 2027F. We believe NSIG deserves a higher valuation given that: (1) we expect the company's sales growth rate to be higher than the industry average; (2) the company has wide product coverage spanning from 200mm to 300mm, and from wafer to SOI (silicon on insulator); and (3) China's memory and advanced process fab capacity expansion needs more domestic wafer supply to support production. Financially, we forecast NSIG to record a revenue CAGR of ~28% over 2025-28F, driven by strong growth in 300mm wafer and stable growth in 200mm. We expect gross loss to turn around from 2027F. We forecast the its net loss margin to continue narrowing with higher sales, but operating cash flow to remain positive after turning in 2Q26, as depreciation accounts for a large portion of its production cost and expense. Key risks to our TP include: price recovery failing to materialize, overcapacity concerns, prime-wafer qualification slips, and slowing demand.

**China's silicon wafer supplier with the widest product coverage**

NSIG is a dominant Chinese silicon wafer supplier, with a domestic market share of ~14% in 2025 and ranked no. 2, according to our estimates (after global leader Shin-Etsu [4063 JP, Neutral]). By end-1H26, NSIG had total 300mm wafer capacity of 1mn per month, 200mm wafer capacity (polished and epitaxial) of 500k per month, and 200mm SOI wafer capacity of 65k per month. Besides, it has 300mm SOI capacity in pilot production. NISG's product offerings span from 200mm to 300mm, from test wafer to prime wafer, and from regular wafer to SOI. It is the only Chinese supplier with SOI capability, partnering closely with Soitec (SOI FP, Buy).

**Wafer market in upcycle and NSIG's deep customer relations**

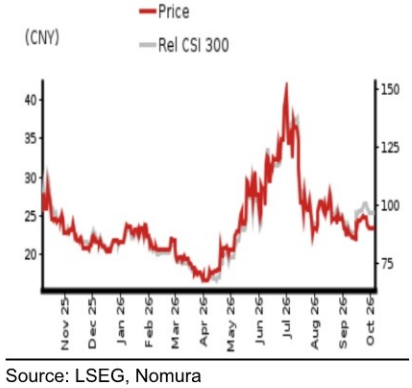
After years of downcycle and pricing pressure, the overall silicon wafer industry is now back on an uptrend, with stable pricing during 4Q25-1Q26 and slight improvement from 2Q26. Leading players are seeing an increase in pricing. Demand for wafer remains strong in fabs and memory makers, driven by strong AI. NSIG's capacity qualification is progressing well. Furthermore, its existing major customers include domestic foundries, memory makers and power IDMs, as well as leading overseas ones. Its Taiyuan facility also added 22 new customers and 42 new production-qualified products in 1H26, and a leading European IDM was qualified for 300mm prime wafers. Customer depth is one of NSIG's key moats, in our view.

| Year-end 31 Dec | FY25 | FY26F | | FY27F | | FY28F | |
|---|---|---|---|---|---|---|---|
| Currency (CNY) | Actual | Old | New | Old | New | Old | New |
| **Revenue (mn)** | 3,716 | 0 | 5,086 | 0 | 6,677 | 0 | 7,774 |
| **Reported net profit (mn)** | -1,508 | 0 | -1,656 | 0 | -1,049 | 0 | -796 |
| **Normalised net profit (mn)** | -1,508 | 0 | -1,656 | 0 | -1,049 | 0 | -796 |
| **FD normalised EPS** | -53.90c | | -49.41c | | -31.29c | | -23.76c |
| **FD norm. EPS growth (%)** | – | | – | | – | | – |
| **FD normalised P/E (x)** | – | – | – | – | – | – | – |
| **EV/EBITDA (x)** | – | – | 31.9 | – | 13.5 | – | 9.9 |
| **Price/book (x)** | 4.6 | – | 4.3 | – | 4.5 | – | 4.7 |
| **Dividend yield (%)** | – | – | – | – | – | – | – |
| **ROE (%)** | -10.3 | | -9.4 | | -6.0 | | -4.8 |
| **Net debt/equity (%)** | 19.0 | | 31.3 | | 52.8 | | 62.9 |

*Source: Company data, Nomura estimates*

| | |
|---|---|
| Rating<br>Up from Neutral | **Buy** |
| Target price<br>Increased from CNY 30.00 | **CNY 36.20** |
| Closing price<br>30 September 2026 | **CNY 23.38** |
| Implied upside | **+54.8%** |
| Market Cap (USD mn) | 1,013.7 |
| ADT (USD mn) | 434.2 |

Relative performance chart




Source: LSEG, Nomura


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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

# Key data on National Silicon Industry Group

**Performance**

| (%) | 1M | 3M | 12M | | |
|---|---|---|---|---|---|
| Absolute (CNY) | -5.3 | -41.4 | -9.4 | M cap (USDmn) | 1,013.7 |
| Absolute (USD) | -5.1 | -40.7 | -3.7 | Free float (%) | 52.0 |
| Rel to CSI 300 | 0.4 | -28.9 | -3.3 | 3-mth ADT (USDmn) | 434.2 |

**Income statement (CNYmn)**

| Year-end 31 Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| Revenue | 3,388 | 3,716 | 5,086 | 6,677 | 7,774 |
| Cost of goods sold | -3,692 | -4,350 | -5,309 | -6,144 | -6,850 |
| Gross profit | -304 | -634 | -223 | 533 | 924 |
| SG&A | -659 | -769 | -1,115 | -1,426 | -1,615 |
| Employee share expense | | | | | |
| Operating profit | -963 | -1,403 | -1,338 | -892 | -691 |
| EBITDA | 1 | -71 | 504 | 1,395 | 2,007 |
| Depreciation | -906 | -1,282 | -1,783 | -2,217 | -2,619 |
| Amortisation | -58 | -49 | -59 | -70 | -79 |
| EBIT | -963 | -1,403 | -1,338 | -892 | -691 |
| Net interest expense | -110 | -101 | -320 | -310 | -300 |
| Associates & JCEs | 145 | 33 | -15 | 10 | 20 |
| Other income | -237 | -418 | -146 | -45 | 20 |
| Earnings before tax | -1,164 | -1,889 | -1,819 | -1,237 | -951 |
| Income tax | 43 | 79 | 73 | 124 | 95 |
| Net profit after tax | -1,122 | -1,810 | -1,746 | -1,114 | -856 |
| Minority interests | 151 | 302 | 90 | 65 | 60 |
| Other items | | | | | |
| Preferred dividends | | | | | |
| Normalised NPAT | -971 | -1,508 | -1,656 | -1,049 | -796 |
| Extraordinary items | | | | | |
| Reported NPAT | -971 | -1,508 | -1,656 | -1,049 | -796 |
| Dividends | -110 | 0 | 0 | 0 | 0 |
| Transfer to reserves | -1,080 | -1,508 | -1,656 | -1,049 | -796 |
| **Valuations and ratios** | | | | | |
| Reported P/E (x) | – | – | – | – | – |
| Normalised P/E (x) | -66.2 | -43.4 | -46.6 | -73.6 | -96.9 |
| FD normalised P/E (x) | – | – | – | – | – |
| Dividend yield (%) | – | – | – | – | – |
| Price/cashflow (x) | – | – | 89.1 | 52.3 | 27.9 |
| Price/book (x) | 5.2 | 4.6 | 4.3 | 4.5 | 4.7 |
| EV/EBITDA (x) | 111.8 | – | 31.9 | 13.5 | 9.9 |
| EV/EBIT (x) | – | – | – | – | – |
| Gross margin (%) | -9.0 | -17.1 | -4.4 | 8.0 | 11.9 |
| EBITDA margin (%) | 0.0 | -1.9 | 9.9 | 20.9 | 25.8 |
| EBIT margin (%) | -28.4 | -37.7 | -26.3 | -13.4 | -8.9 |
| Net margin (%) | -28.6 | -40.6 | -32.6 | -15.7 | -10.2 |
| Effective tax rate (%) | – | – | – | – | – |
| Dividend payout (%) | – | – | – | – | – |
| ROE (%) | -7.1 | -10.3 | -9.4 | -6.0 | -4.8 |
| ROA (pretax %) | -7.4 | -4.8 | -4.2 | -2.5 | -1.8 |
| **Growth (%)** | | | | | |
| Revenue | 6.2 | 9.7 | 36.9 | 31.3 | 16.4 |
| EBITDA | -99.9 | -9,477.0 | – | 176.5 | 43.8 |
| Normalised EPS | – | – | – | – | – |
| Normalised FDEPS | – | – | – | – | – |

Source: Company data, Nomura estimates

**Cashflow statement (CNYmn)**

| Year-end 31 Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| EBITDA | 1 | -71 | 504 | 1,395 | 2,007 |
| Change in working capital | -836 | 1,728 | 119 | -100 | 549 |
| Other operating cashflow | 48 | -2,216 | 256 | 203 | 250 |
| Cashflow from operations | -788 | -559 | 880 | 1,498 | 2,805 |
| Capital expenditure | -5,069 | -4,909 | -4,897 | -4,512 | -3,702 |
| Free cashflow | -5,857 | -5,468 | -4,017 | -3,014 | -897 |
| Reduction in investments | 930 | 133 | -958 | 29 | 43 |
| Net acquisitions | 0 | -324 | 15 | -10 | -20 |
| Dec in other LT assets | 81 | 541 | 128 | 246 | 565 |
| Inc in other LT liabilities | 9 | -113 | 375 | 168 | 185 |
| Adjustments | -67 | -401 | -554 | -466 | -804 |
| CF after investing acts | -4,904 | -5,633 | -5,010 | -3,047 | -929 |
| Cash dividends | -110 | 0 | 0 | 0 | 0 |
| Equity issue | 0 | 2,092 | 2,059 | 0 | 0 |
| Debt issue | 806 | 2,288 | 1,055 | 2,277 | 1,721 |
| Convertible debt issue | | | | | |
| Others | 1,728 | 2,106 | 1,696 | -303 | -293 |
| CF from financial acts | 2,424 | 6,485 | 4,809 | 1,974 | 1,428 |
| Net cashflow | -2,480 | 852 | -200 | -1,073 | 499 |
| Beginning cash | 5,180 | 2,700 | 3,553 | 3,352 | 2,279 |
| Ending cash | 2,700 | 3,553 | 3,352 | 2,279 | 2,778 |
| Ending net debt | 2,614 | 3,218 | 5,673 | 9,024 | 10,246 |

**Balance sheet (CNYmn)**

| As at 31 Dec | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| Cash & equivalents | 2,700 | 3,553 | 3,352 | 2,279 | 2,778 |
| Marketable securities | 226 | 160 | 169 | 177 | 186 |
| Accounts receivable | 975 | 906 | 1,323 | 1,531 | 1,792 |
| Inventories | 1,542 | 1,966 | 2,165 | 2,549 | 2,669 |
| Other current assets | 3,627 | 3,759 | 3,519 | 3,281 | 2,852 |
| Total current assets | 9,070 | 10,344 | 10,527 | 9,816 | 10,277 |
| LT investments | 2,276 | 1,504 | 2,445 | 2,455 | 2,475 |
| Fixed assets | 9,245 | 14,069 | 17,168 | 19,611 | 21,174 |
| Goodwill | 789 | 419 | 419 | 419 | 419 |
| Other intangible assets | 555 | 656 | 807 | 898 | 970 |
| Other LT assets | 7,335 | 6,795 | 6,666 | 6,420 | 5,856 |
| Total assets | 29,270 | 33,787 | 38,032 | 39,619 | 41,170 |
| Short-term debt | 521 | 1,265 | 1,518 | 3,795 | 4,554 |
| Accounts payable | 474 | 557 | 752 | 763 | 964 |
| Other current liabilities | 2,808 | 4,940 | 5,240 | 5,483 | 5,784 |
| Total current liabilities | 3,803 | 6,763 | 7,510 | 10,042 | 11,302 |
| Long-term debt | 4,793 | 5,506 | 7,507 | 7,507 | 8,469 |
| Convertible debt | | | | | |
| Other LT liabilities | 1,472 | 1,359 | 1,734 | 1,903 | 2,088 |
| Total liabilities | 10,068 | 13,627 | 16,751 | 19,452 | 21,859 |
| Minority interest | 6,902 | 3,235 | 3,145 | 3,080 | 3,020 |
| Preferred stock | | | | | |
| Common stock | 2,747 | 3,305 | 3,305 | 3,305 | 3,305 |
| Retained earnings | 1,265 | -242 | -1,898 | -2,947 | -3,743 |
| Proposed dividends | | | | | |
| Other equity and reserves | 8,287 | 13,862 | 16,729 | 16,729 | 16,729 |
| Total shareholders' equity | 12,299 | 16,925 | 18,136 | 17,088 | 16,291 |
| Total equity & liabilities | 29,270 | 33,787 | 38,032 | 39,619 | 41,170 |
| **Liquidity (x)** | | | | | |
| Current ratio | 2.38 | 1.53 | 1.40 | 0.98 | 0.91 |
| Interest cover | -8.8 | -13.9 | -4.2 | -2.9 | -2.3 |
| **Leverage** | | | | | |
| Net debt/EBITDA (x) | 3,449.22 | – | 11.25 | 6.47 | 5.11 |
| Net debt/equity (%) | 21.2 | 19.0 | 31.3 | 52.8 | 62.9 |
| **Per share** | | | | | |
| Reported EPS (CNY) | -35.30c | -53.90c | -50.15c | -31.75c | -24.12c |
| Norm EPS (CNY) | -35.30c | -53.90c | -50.15c | -31.75c | -24.12c |
| FD norm EPS (CNY) | -35.30c | -53.90c | -49.41c | -31.29c | -23.76c |
| BVPS (CNY) | 4.48 | 5.12 | 5.49 | 5.17 | 4.93 |
| DPS (CNY) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Activity (days)** | | | | | |
| Days receivable | 83.1 | 92.4 | 80.0 | 78.0 | 78.2 |
| Days inventory | 147.8 | 147.2 | 142.0 | 140.0 | 139.4 |
| Days payable | 39.3 | 43.3 | 45.0 | 45.0 | 46.1 |
| Cash cycle | 191.7 | 196.3 | 177.0 | 173.0 | 171.5 |

Source: Company data, Nomura estimates

## Company profile

National Silicon Industry Group (688126 CH; "NSIG" for short), founded in 2015, is a publicly listed Chinese semiconductor company headquartered in Shanghai. The company engages in the development and sale of semiconductor wafers. It is the largest domestic producer of semiconductor wafers in China. In 2016, NSIG acquired Finnish company, Okmetic. In the same year, NSIG acquired a 14.5% stake in French company, Soitec. On 20 April 2022, NSIG held its initial public offering becoming a listed company on the Shanghai Stock Exchange STAR Market. The offering raised USD341mn.

## Valuation Methodology

Our target price of CNY36.20 is based on 20.0x forward EV/Sales multiple, and our 2027F revenue forecasts. The target multiple is around 2SD above its historical average; the stock had traded at an avg. of 15.0x in the industry downcycle, and we think 20.0x in the industry upcycle is fair. The reason for choosing EV/Sales include: (1) Chinese semi wafer vendors are now at sales expansion and market share gain stage, where revenue growth is focused; (2) EV/Sales is relatively market neutral, allowing comparison globally across different markets; (3) the relative low volatility of EV/Sales makes it more reliable and referrable. The benchmark index is CSI300.

## Risks that may impede the achievement of the target price

Downside risks include: (1) price recovery fails to materialize; (2) demand weaker-than-expected from AI spending concerns; (3) slower-than-expected qualification and capacity ramp up; (4) intensified competition from domestic peers, especially for mid-to-low-end products; (5) geopolitical uncertainties impact its overseas sales and customer relations.

## ESG

Environmental. Semiconductor wafer manufacturing is energy- and water-intensive by nature: crystal pulling runs continuously at high temperature, and polishing and cleaning consume large volumes of ultrapure water. NSIG's newest capacity (Taiyuan in particular) has been built to current standards, which is a genuine advantage over retrofitted legacy lines, and the group's 2025 annual report describes energy-consumption and emissions management as part of standard operations. The company does not yet publish a standalone ESG report with quantified Scope 1-3 emissions or time-bound reduction targets, which places it behind global peers: Siltronic and SUMCO both publish detailed decarbonisation roadmaps with 2030 and 2045-2050 milestones, and Siltronic reports a high recycled-water share. For investors applying an ESG screen, this is a disclosure gap rather than a proven performance gap, but it is a gap. Social. NSIG employed approximately 3,640 people at end-2025, up 19.6% year on year, and research headcount and R&D spending both rose sharply through the downturn (R&D up 32.6% in 2025 and 66.5% in 1H26). The company runs industry-academia collaborations with leading Chinese universities on crystal growth, polishing and SOI, and reports no material safety incidents. It has not published quantified safety, diversity or turnover KPIs. Governance. NSIG is a STAR Market listing with standard board committee structures and, unusually for a Chinese materials company, a genuinely international board-level exposure through the Okmetic business. The positive governance read is strategic consistency: management has maintained a single strategy through three years of deteriorating financials, backed by state shareholders willing to fund at the trough. The negative read is dilution: the repeated equity issuance and the 2025 minority buyout, while strategically sensible, have transferred value from public shareholders to the state bloc at low share prices. Related-party transactions with Shanghai Guosheng and with state-affiliated customers and suppliers warrant ongoing monitoring. Net assessment. NSIG's strongest ESG attribute is strategic: it is building capacity that Chinese semiconductor self-sufficiency requires, and its Okmetic subsidiary gives it a European manufacturing and compliance footprint. Its weakest attribute is disclosure — no standalone ESG report, no quantified emissions or safety targets. We expect improvement as the company approaches profitability and as institutional ownership broadens.

# Investment summary

National Silicon Industry Group (688126 CH, “NSIG” for short; 沪硅产业 in Chinese) was founded in 2015, with a target to improve domestic semiconductor wafer industry capability. It was listed on the STAR Market on 20 April 2020. By end-1H26, NSIG had total 300mm wafer capacity of 1mn per month, 200mm wafer capacity (polished and epitaxial) of 500k per month, and 200mm SOI wafer capacity of 65k per month.

The group now spans six operating entities: (1) Shanghai Zing (上海新昇; 300mm polished and epitaxial wafers); (2) Jinke Silicon Materials in Taiyuan (太原晋科; the second 300mm base), (3) Shanghai Simgui (新傲科技; 200mm epitaxial and SOI wafers); (4) Okmetic (its acquired Finland subsidiary; specialty 200mm/150mm/100mm wafers); (5) Simgui Xinyi ( 新傲芯翼; 300mm SOI pilot); and (6) Xinju Polymer (新硅聚合; monocrystalline piezoelectric thin-film substrates).

We believe it is time to revisit NSIG, and we are positive on its sales growth and margin recovery. Our view is mainly based on the following:

- **The overall wafer industry is back to an uptrend**: As we discussed earlier, after years of downcycle and pricing pressure, the overall silicon wafer industry is now back on an uptrend, with pricing stable during 4Q25-1Q26 and slightly improved from 2Q26. Leader players are seeing pricing increasing and low-price LTA near end (renegotiation also benefit pricing). Demand for wafer remains strong among fabs and memory makers, driven by strong AI infrastructure build-out.
- **One of the largest in scale in China:** The company has already built a sizeable capacity. Its 300mm capacity reached 100kwpm by end-1H26 across Shanghai and Taiyuan, and target to reach 120kwpm by end-2026E, with further upside potential. Besides, with the capex already incurred, we expect incremental capex intensity to reduce now.
- **SOI capability:** NSIG is now the only Chinese vendor that can supply SOI wafers, with 200mm in volume production, and 300mm in pilot production. Through its close relationship with Soitec (SOI FP, Buy), it has licensed the latter’s leading SOI technology “Smart Cut”. We think SOI will be soon be driven by an increase in silicon photonics demand, resulting in a higher-than-overall-market growth rate. And, NSIG may be the only beneficiary among Chinese vendors, in our view.
- **Capacity qualification is progressing well, with loading improving:** NSIG’s Taiyuan facility added 22 new customers and 42 new production-qualified products in 1H26 alone, and a leading European IDM was qualified for 300mm prime wafers. Prime wafer sales are rising, driving up the blended ASP (prime wafers usually have higher prices than test wafers).
- **Margin recovery amid upcycle:** Its gross margin has recovered q-q in the past two quarters, from -22.9% in 4Q25 to -5.3% in 2Q26. With pricing improving and product mix shifting towards 300mm (higher ASP), we expect its margins to continue improving.
- **Cash flow has turned, indicating a signal for profit turn:** NSIG’s operating cash flow swung from a negative CNY462mn in 1H25 to positive CNY179mn in 1H26, helped by higher sales. Although we expect a loss at the net level, we model positive operating cash flows in 2026-28F as depreciation acccounts for a large portion of its cost and expense.

Financially, we forecast NSIG to record a revenue CAGR of ~28% in 2025-28F driven by strong growth in 300mm wafer and stable growth in 200mm. We expect gross loss to turn around from 2027F. We forecast its net loss margin to continue narrowing with an increase in sales.

We resume coverage on NSIG with a **Buy** rating. Our target price of **CNY36.20** is based on a target multiple of **20.0x forward EV/sales**, and our forecast of CNY6.7bn in revenue in 2027F. NSIG has been trading at a premium to local peers because of its strong technology capabilities, wide product coverage, and deep customer relations. We believe this valuation premium will continue over the next few years as the positives remain.

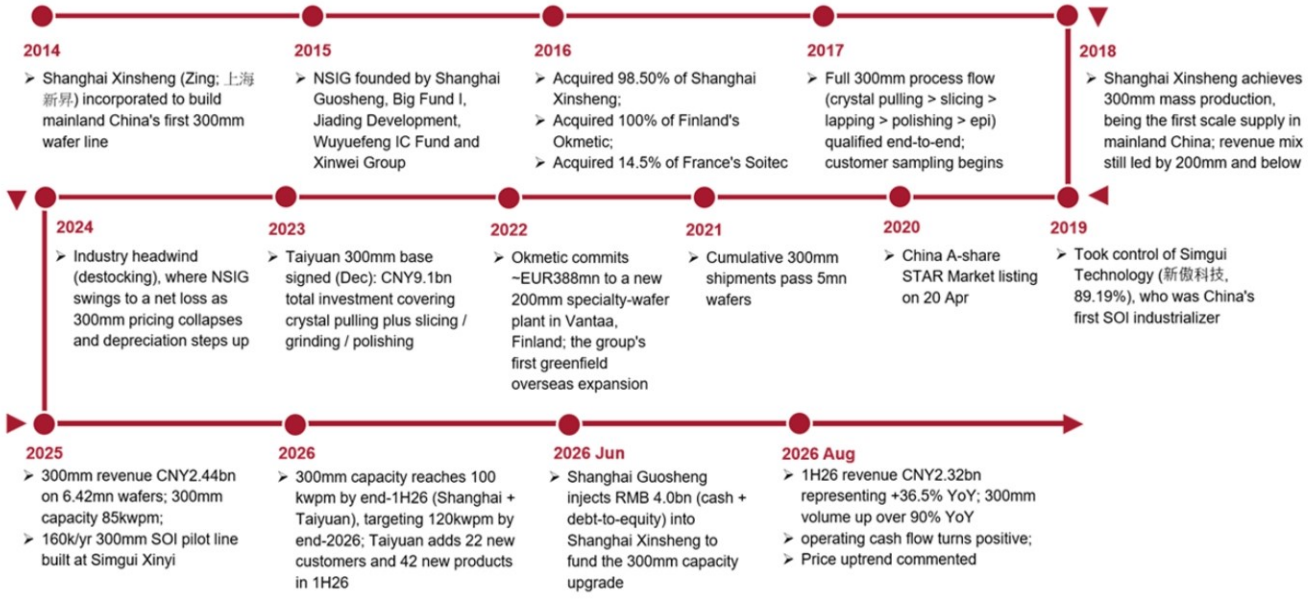
# Company overview: prominent semiconductor wafer player in China

## Company history and shareholding structure

National Silicon Industry Group was founded in 2015, with a target to improve domestic semiconductor wafer industry capability. It was listed on the STAR Market on 20 April 2020 with ticker of 688126 CH. By end-1H26, NSIG had total 300mm wafer capacity of 1mn per month, 200mm wafer capacity (polished and epitaxial) of 500k per month, and 200mm SOI wafer capacity of 65k per month.

The group now spans six operating entities: (1) Shanghai Zing (上海新昇; 300mm polished and epitaxial wafers); (2) Jinke Silicon Materials in Taiyuan (太原晋科; the second 300mm base), (3) Shanghai Simgui (新傲科技; 200mm epitaxial and SOI wafers); (4) Okmetic (its acquired Finland subsidiary; specialty 200mm/150mm/100mm wafers); (5) Simgui Xinyi ( 新傲芯翼; 300mm SOI pilot); and (6) Xinju Polymer (新硅聚合; monocrystalline piezoelectric thin-film substrates).

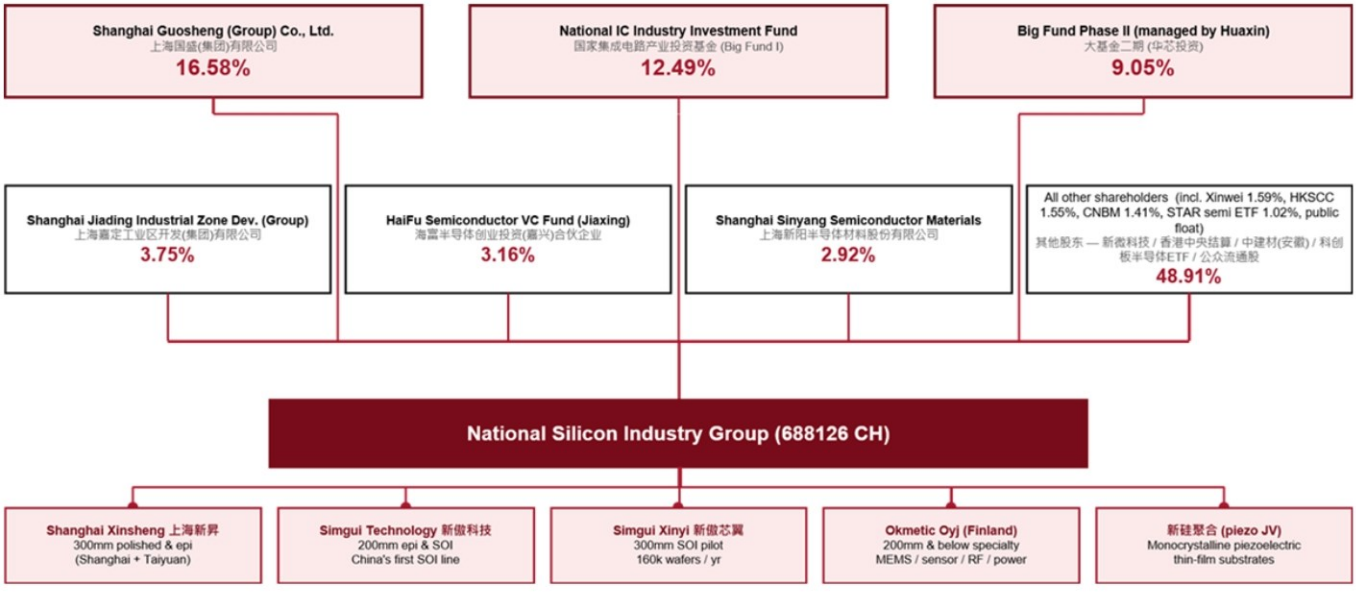
**Fig. 1: NSIG corporate history**




Source: Company data, Nomura research

NSIG's shareholding is dominated by Shanghai-state vehicles (Shanghai Guosheng Group and its affiliates) and by the National IC Investment Fund.

**Fig. 2: NSIG shareholding structure as of Jun-26**



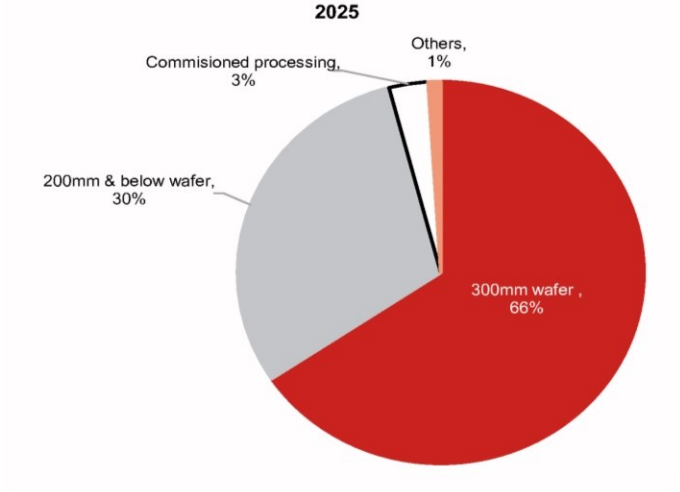

Source: Company data, Nomura research

## Business segments and product portfolio

NSIG is one of a few wafer makers globally that can supply polished, epitaxial and SOI products across 300mm, 200mm and 150mm. Considering that a fab qualifying a new wafer supplier prefers a single partner across multiple product lines, and qualification is the industry's most expensive switching cost, we view NSIG's broad portfolio as an important competitive advantage.

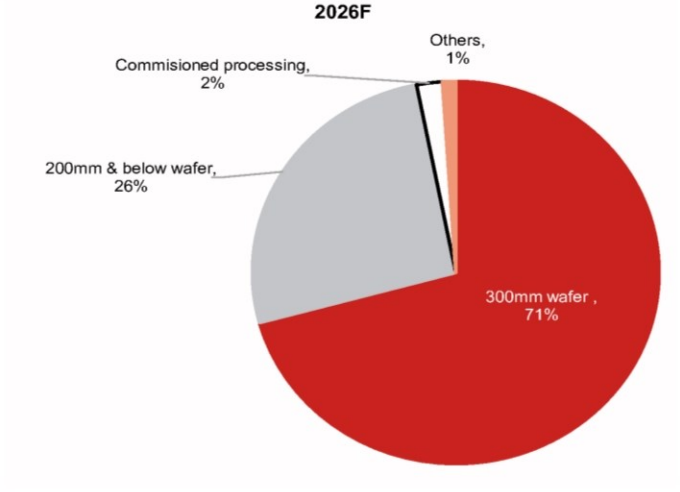
NSIG reported revenue mainly in three main segments: (1) 300mm wafers, which include revenue from the Shanghai Zing and Taiyuan Jinke; (2) 200mm & below wafers, which consists of revenue from Shanghai Simgui and Okmetic, including polished wafers, epitaxial wafers, and SOI wafer; and (3) commissioned processing, which is the net revenue from SOI processing for Soitec.

**Fig. 3: NSIG revenue split by segment**




Source: Company data, Nomura estimates

**Fig. 4: NSIG revenue split by segment**




Source: Company data, Nomura estimates

**300mm is the major growth engine:** 300mm wafers are also called 12-inch wafers, widely used in advanced logic, memory, and high-end power & analog. In 2025, NSIG shipped 6.42mn 300mm wafers, up 27.0% y-y, generating CNY2,439mn of revenue, up 15.8%. Volume was up 27% y-y in 2025, indicating that price down roughly 9%. During 2025, the company developed more than 160 new product specifications and brought nearly 60 of them into mass production, and 300mm products now cover logic, memory, CIS and power. Its ongoing development specifically targets the segments with the

strongest pricing: ultra-low-resistivity 300mm for high-power and EV traction, high-specification logic 300mm for AI datacenter, 300mm dToF for automotive LiDAR and robotics, and 300mm SOI for RF and silicon photonics.

**200mm in stable status:** The 200mm & below segment generated CNY1,125mn of revenue in 2025, up 7.5% y-y, with combined polished and epi capacity of more than 500kwpm. Products cater to the power, analog, MCU and sensor customers that are structurally less cyclical.

**We expect SOI and new materials to provide future upside:** The 300mm SOI pilot line at Simgui Xinyi now has a capacity of roughly 300k wafers per year by end-1H26, with high-voltage and silicon-photonics products in small-batch production. NSIG has held roughly 14.5% of Soitec since 2016, giving it a technology partner rather than a competitor. Furthermore, Xinju Polymer's monocrystalline piezoelectric thin-film substrate line was completed on schedule, which is an early but genuinely new materials business.

**Fig. 5: NSIG product offerings and key applications (shaded ones are newly ramping up products)**

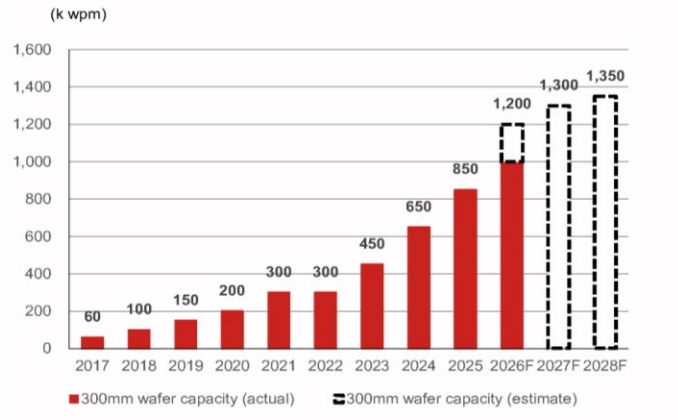
| Product Category | Product / Platform | Wafer Size | Device / Application Types | Process Node / Coverage | Key Applications & 2025-26 Status |
|---|---|---|---|---|---|
| 300mm Polished Wafers | 300mm polished wafer; for logic / memory grade | 300mm (12") | Logic (CPU / GPU / SoC); Memory (DRAM, 3D NAND); CIS | 65nm to 28nm in volume; 20-14nm qualified under the national 02 programme; 14nm and below in customer verification | Full logic-process and memory-process coverage and full coverage of China's major customers; 6.42mn wafers shipped in 2025 (+27% YoY); 1H26 volume up more than 90% YoY |
| | 300mm ultra-low-resistivity wafer (high-power) | 300mm | Power (IGBT / MOSFET modules); automotive | Specialty (heavily doped) | Key 2025-26 development targeting high-power AI datacenter and EV traction applications; fills a domestic special-specification gap |
| | 300mm high-specification logic wafer (high-compute) | 300mm | AI / HPC logic; datacentre | Advanced logic (14nm and below in verification) | Key development programme for AI datacenter demand; the spec set most exposed to the 2026-27 global price recovery |
| | 300mm dToF wafer (LiDAR / physical AI) | 300mm | Automotive LiDAR; robotics; physical AI | Specialty | Key development programme; also targeted at AI datacentre optical sensing |
| | Taiyuan (Jinke Silicon) 300mm output | 300mm | Logic; Memory; Power; CIS | 28nm and above ramping | 22 new customers and 42 new production-qualified products added in 1H26; prime-wafer batch sales started 2025 |
| 300mm Epitaxial Wafers | 300mm epi wafer; for logic / memory | 300mm | Logic; Memory; Power; CIS | 28nm and above in volume | Deposited on in-house polished substrates; epi carries a 20-30% price premium over polished and is the first beneficiary of the 2026-27 price recovery |
| 300mm SOI | 300mm SOI pilot line (Simgui Xinyi) | 300mm | RF-SOI (front-end modules); high-voltage power; silicon photonics | SOI (device-layer dependent) | ~300k wafers/year pilot line built; high-voltage and silicon-photonics products in small-batch production; 2025-26 focus is volume landing and market validation |
| 200mm & below Polished / Epi | 200mm polished & epi wafer (Simgui + Okmetic) | 200mm (8") | Power; analog; MCU; image sensor; automotive | 0.35um to 90nm equivalent | >500k wafers/month combined polished + epi capacity across the group; 1H26 volume +16% YoY |
| | 150mm and below polished & epi wafer | <150mm | Power discrete; sensor; specialty | Legacy | Legacy cash-generative lines; steadily being de-emphasised in favour of 300mm |
| 200mm & below SOI | 200mm SOI wafer (Simgui) | 200mm / 150mm | RF-SOI; FD-SOI; power; MEMS | SOI | ~65k wafers/month group SOI capacity; four SOI technologies mastered (SIMOX, Bonding, Simbond, Soitec-licensed Smart Cut) |
| | Okmetic 200mm specialty wafer (Vantaa new plant) | 200mm / 150mm / 100mm | MEMS; sensors; RF filters (BAW/SAW); power; automotive | Specialty / custom | ~EUR388mn new Vantaa plant; trial line-through from 2Q25; custom, high-value, small-lot model that differentiates from the big-five commodity wafer suppliers |
| Specialty Materials | Monocrystalline piezoelectric thin-film substrates (Xinju) | 150mm / 200mm | RF filters; acoustic devices; optical; MEMS | N/A | Revenue more than doubled in 2025; part of the group's second curve |

Source: Company data, Nomura research

## Capacity: 300mm to see further expansion

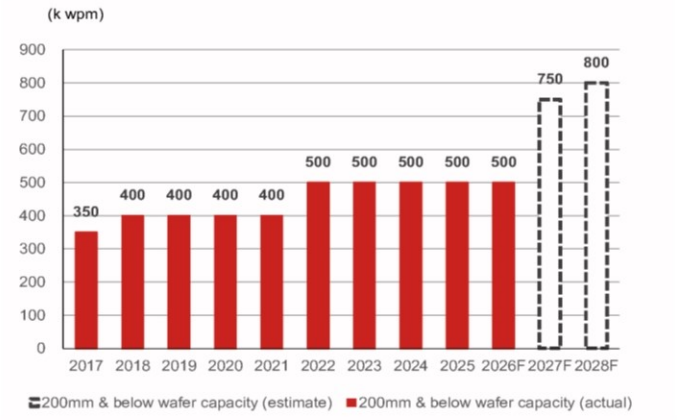
By end-1H26, NSIG had a total installed capacity of 1mn wafers per month across its Shanghai and Taiyuan bases (vs 850k wafers per month by end-2025), and it targets a capacity of 1.2mn by end-2027E. Excluding some trial lines and R&D lines, we estimate the 300mm utilization rate exceeded 90% in 1H26 (vs high-80% in 2025). For 200mm & below, NSIG has around 500k wafers per month of capacity in Simgui, including polished and epitaxial wafers, and another 65k wafers per month of capacity for 200mm SOI. Besides, the company also has some trial line capacity for 300mm SOI wafers of around 300k wafers annually (~25kwpm) in Simgui Xinyi.

**Fig. 6: NSIG 300mm wafer monthly capacity**




Source: Company data, Nomura estimates

**Fig. 7: NSIG 200mm wafer monthly capacity**




Source: Company data, Nomura estimates

## Customer base covering major domestic overseas fabs

NSIG's customer list is strong, with major domestic customers including SMIC (981 HK, Neutral), HuaHong Group (Hua Hong Grace [1347 HK, Neutral] and HLMC [unlisted]), YMTC (unlisted), CXMY (688825 CH, Buy), CR Micro (688396 CH, Not rated), etc., and major overseas customers including TSMC (2330 TT, Buy), UMC (2303 TT, Buy), STMicroelectronics (STMPA FP, Not rated) and Vishay (VSH US, Not rated). NSIG is among the largest suppliers to YMTC's 300mm lightly-doped wafer supply.

NSIG's customer concentration is relatively less, with the largest customer accounting for 13%/11% of revenue in 2024/25, and the top-five customers accounting for 40%/36% of total revenue in 2024/25. By our estimate, memory customers contribute the largest volume share of around 60-65%, mostly polished wafers; logic customers roughly contribute 30-35% of volume, but with the most number of customers, mainly for epitaxial wafers; power & analog IDMs contributed around ~5% of total volume.

**Fig. 8: NSIG's key customers**

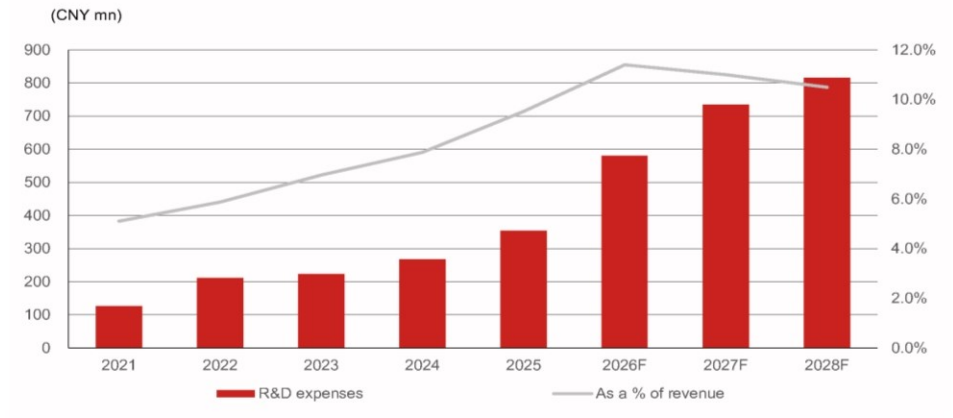
| Group | Customer | Segment | Relationship / Status | Key Detail |
|---|---|---|---|---|
| Domestic major customers | SMIC | Logic foundry | Anchor domestic customer; multi-year supply relationship since the qualification of Xinsheng's 300mm line | Mainland China's largest foundry and the single largest pull on domestic 300mm wafer demand; NSIG supplies polished and epi wafers across 28nm-and-above mature and specialty nodes |
| | YMTC | NAND memory | Largest share position of any domestic wafer maker; qualified across multiple 3D NAND generations | Very large supply share of YMTC's 300mm lightly-doped wafer; 3D NAND is the most layer-intensive consumer of polished wafers |
| | CXMT | DRAM memory | Qualified supplier across DDR4/DDR5 generations | DRAM capacity is the single largest incremental driver of mainland 300mm demand to 2030E |
| | Hua Hong Grace | Specialty foundry (power, MCU, CIS, eNVM) | Long-standing 200mm and 300mm customer | Second-largest mainland foundry; heavily weighted to 200mm |
| | HLMC | Logic foundry | Domestic foundry customer; 300mm | Part of the Shanghai-state foundry complex and a direct beneficiary of the localization push |
| | CR Micro | IDM: power discrete, analog, MEMS | Domestic IDM customer; heavily 200mm-weighted | Power and analog exposure makes it a stable, less cyclical outlet for NSIG's 200mm-and-below lines |
| | Nexchip | Foundry: CIS, DDIC, logic | Domestic foundry customer; 300mm and 200mm | One of the fastest-expanding mainland 300mm foundries; CIS and display-driver demand complements NSIG's CIS-grade 300mm development programme |
| | Silan Micro | IDM: power discrete, analog, IPM | Domestic IDM customer; 200mm-weighted | Power and analog IDM with its own 300mm expansion; a natural customer for NSIG's ultra-low-resistivity 300mm development program |
| Overseas major customers | UMC | Mature-node specialty foundry | Qualified international customer; 200mm and 300mm | Mature-node specialist whose demand profile maps well onto NSIG's current 28nm-and-above segment |
| | TSMC | Leading-edge logic foundry | Qualified international tier-1 customer | On TSMC's qualified list; proof of capability |
| | STMicroelectronics | IDM: power, automotive, MCU, sensors | Qualified international IDM; supplied through both NSIG and Okmetic channels | European IDM relationships are the strategic rationale for the Okmetic (Finland) acquisition |
| | Vishay Intertechnology | IDM: discrete, power, analog | Qualified international IDM | Typical of the long-tail specialty IDM base that Okmetic serves and that carries structurally higher gross margin than commodity 300mm |
| | An European leading IDM (new, 1H26) | IDM: automotive / power (undisclosed) | NEW in 1H26: qualified as an approved supplier and secured 300mm prime-wafer orders | Flagged in the 2026 half-year report as a 300mm prime-wafer breakthrough: the most important single customer event in 1H26 because prime wafers carry far higher ASP and margin than test wafers |
| Emerging customers | Taiyuan new customers (22 added in 1H26) | Mixed | NEW: 22 customers and 42 production-qualified new products added at Taiyuan in 1H26 alone | Indicating capacity is being absorbed |
| | Okmetic long-tail specialty customer base (Finland) | Sensor, MEMS, analog, RF, power IDMs (Europe / US) | Serves high-mix, low-volume specialty niches | Key overseas sales channel |

Source: Company data, Nomura research

R&D spending was CNY354mn in 2025, up 32.6% y-y, equal to 9.5% of revenue; CNY259mn in 1H26, up 66.5%, equal to 11.2% of revenue. As a technology and capital-intensive company, R&D is important for its development and future upside. Cumulative

granted patents reached 1,014 (697 invention) at 1H26, up from 957 at end-2025. The company's stated priorities are 300mm SOI for RF, silicon photonics and high-voltage applications, plus crystal growth, slicing, grinding, polishing and epitaxy.

**Fig. 9: NSIG: R&D expenses**




Source: Company data, Nomura estimates

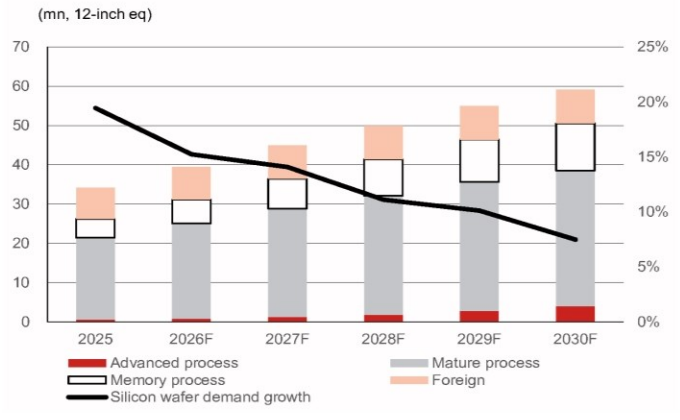
# Competitive advantages and growth drivers

As a prominent semiconductor silicon wafer supplier in China, NSIG is now riding on the industry uptrend with sales growth and market share expansion opportunities. In our view, NSIG has the following unique advantages: (1) dominant domestic market share and technology capability; (2) industry upcycle has started and expected to last for years; (3) NSIG is one of the few internationalized Chinese wafer suppliers; and (4) technology partnership with Soitec (SOI FP, Buy).

## One of the strong players in China with sizeable market share

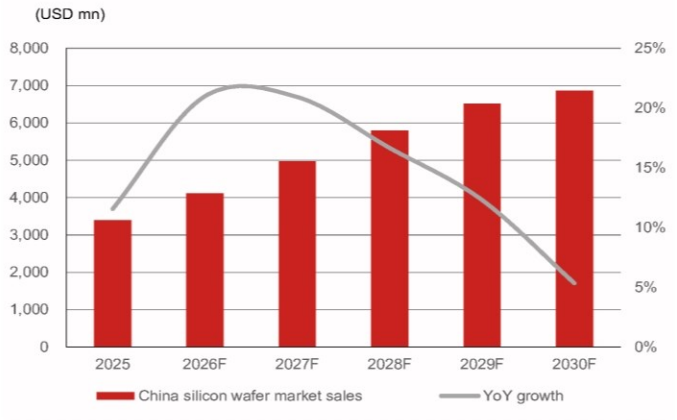
By our estimate, the overall semiconductor silicon wafer demand is expected to grow 21% in 2026F to USD4.1bn (from USD3.4bn in 2025), and maintain growth till 2030F with a CAGR of ~15% in 2025-2030F. However, despite a sizeable amount of capacity installed base in China, we estimate the overall utilization rate to be lower than 50%, mainly due to the following: (1) production line qualification requires time; (2) some high-end categories require additional time and adjustments; and (3) diverse supply-demand situation, where low-end products are in oversupply, and high-end products are in severe shortage. By our estimate, from a volume perspective, domestic suppliers are expected to supply around ~51% of total China silicon wafer demand (vs ~49% in 2025), and this ratio is expected to increase to ~62% with more capacity qualified and ramping up.

**Fig. 10: China semiconductor silicon wafer demand volume**



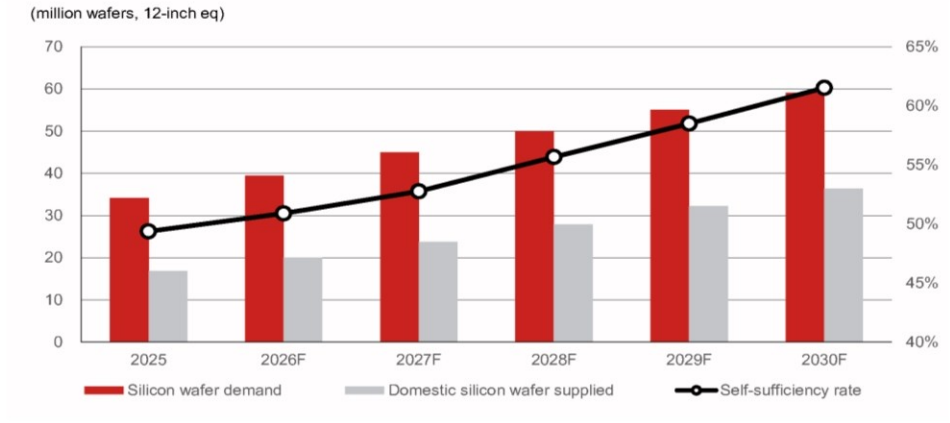

Source: Nomura estimates

**Fig. 11: China semiconductor silicon wafer market size**




Source: Nomura estimates

**Fig. 12: China semiconductor silicon wafer supply and self-sufficiency rate**

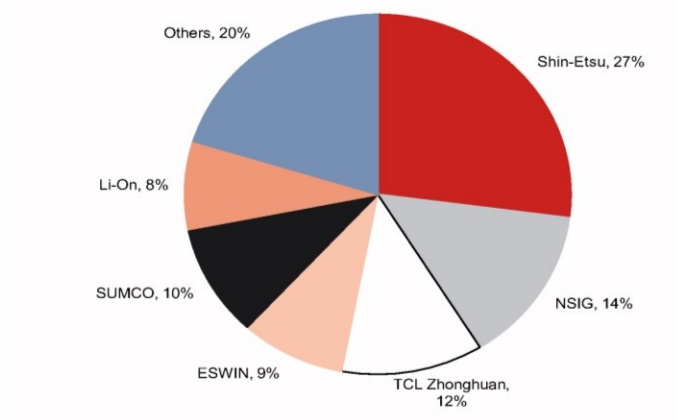



Source: Nomura estimates

Shin-Etsu, the global leader in semiconductor silicon wafer supply, is also taking up the largest market share in China, with a ~25% share in 2025 (see fig. 14 below). NSIG is the largest domestic supplier, with a market share of ~14% in 2025, followed by another two Chinese players TCL Zhonghuan (~13%; 002129 CH, Neutral) and ESWIN (~10%; 688783 CH, Not rated). Li-On (605358 CH, Not rated) ranked no.6 with a market share of

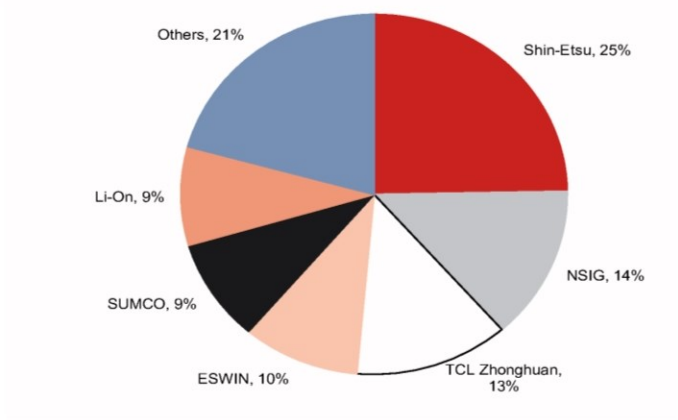
~9%.

**Fig. 13: China silicon wafer market share estimate (2024)**




Source: Company data, Nomura estimates

**Fig. 14: China silicon wafer market share estimate (2025)**




Source: Company data, Nomura estimates

## Broad coverage spanning from 200mm to 300mm; and from polished wafer to SOI

NSIG has been closing the gap with the global leaders. On product coverage, it is now the most diversified Chinese wafer maker, running the only domestic 300mm SOI pilot line (scaled to ~300k wafers/yr capacity in 1H26 from ~160k at end-2025), and deploying 150mm piezoelectric-on-insulator substrates into production and delivery. These two specialty platforms are led by Soitec, who is also a partner of NSIG. That being said, NSIG is still behind Shin-Etsu, SUMCO and GlobalWafers in terms of node depth and customer quality. Japanese leaders are qualified into 2nm/3nm-class GAA (gate-all-around) production with full long-term agreements with TSMC (2330 TT, Buy), Samsung (005930 KS, Buy), Micron (MU, Not rated), SK Hynix (000660 KS, Buy) and Kioxia (285A JP, Buy), whereas NSIG is in mass production at 14nm.

Among domestic peers, NSIG is strong in terms of coverage broadness and process node qualification. Xi'an ESWIN Material (688783 CH, Not rated) is another strong domestic player with 8mn 300mm wafers shipped in 2025, 168 verified customers, and 121 qualified prime products, with volume supply into TSMC, Micron, Kioxia, GlobalFoundries (GFS US, Not rated), PSMC (6770 TT, Not rated), UMC, Winbond (2344 TT, Not rated) and Nanya (2408 TT, Not rated), plus first test-wafer shipments to Samsung and Toshiba (6588 JP, Neutral). But ESWIN is a 12-inch pure play with no SOI and no sub-200mm capacity. TCL Zhonghuan (002129 CH, Neutral) is a full-size (4 inch to 12 inch) domestic supplier, owns the zone-refined FZ high-resistivity (~80% domestic share) for IGBT and automotive; however, its ~700k wpm of 300mm falls behind NSIG and ESWIN, and group PV losses constrain capex. Li-On Micro (605358 CH, Not rated) is the smallest at 12-inch (300kwpm polished plus 150kwpm epi) but is the differentiated specialist, with heavy-doped/low-resistivity crystal and epi, and also the first domestic AEC-Q100 automotive-grade 300mm supplier for BYD (1211 HK, Buy) and NIO (NIO US, Buy).

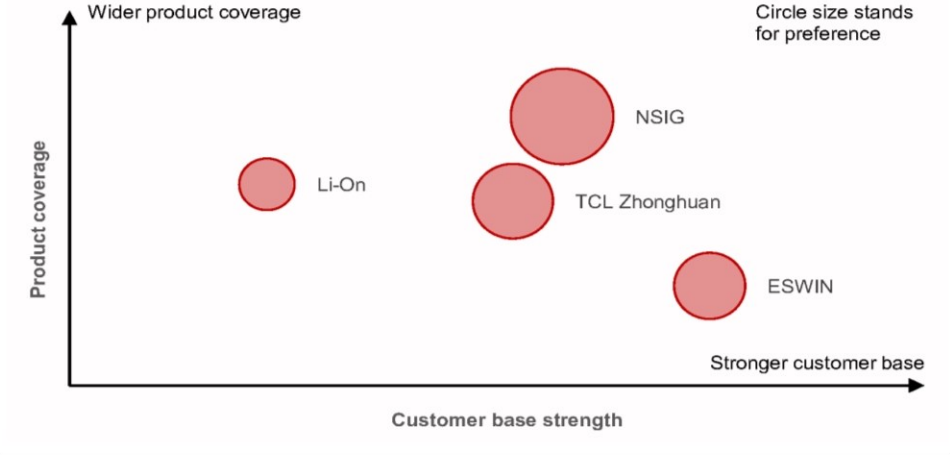
**Fig. 15: Product coverage and capability comparison**

| Dimension | Shin-Etsu | SUMCO | GlobalWafers | NSIG | Xi'an ESWIN | TCL Zhonghuan | Li-On |
|---|---|---|---|---|---|---|---|
| **Crystal growth & defect engineering** | | | | | | | |
| 300mm CZ single crystal, volume production | MASS | MASS | MASS | MASS | MASS | MASS | MASS |
| 300mm MCZ / magnetic-field CZ (low oxygen, high resistivity) | MASS | MASS | MASS | MASS | N/A | N/A | N/A |
| Heavy-doped (low-resistivity) crystal | MASS | MASS | MASS | N/A | N/A | MASS | MASS |
| Zone-refined (FZ) ultra-high resistivity | MASS | NO | MASS | NO | N/A | MASS | N/A |
| COP-free / denuded-zone control at <=28nm nodes | MASS | MASS | MASS | QUALIFIED | QUALIFIED | QUALIFIED | QUALIFIED |
| Low-defect 300mm qualified for GAA / 2-3nm class | MASS | MASS | N/A | N/A | N/A | N/A | N/A |
| **Wafering, polishing & cleaning** | | | | | | | |
| 300mm polished wafer (PW), volume production | MASS | MASS | MASS | MASS | MASS | MASS | MASS |
| Double-side polishing (DSP) / ultra-high flatness 300mm | MASS | MASS | MASS | QUALIFIED | QUALIFIED | QUALIFIED | QUALIFIED |
| Advanced cleaning; surface particle control at <=26nm | MASS | MASS | MASS | QUALIFIED | QUALIFIED | QUALIFIED | QUALIFIED |
| Edge geometry / edge-placement control for EUV multi-patterning | MASS | MASS | QUALIFIED | N/A | N/A | N/A | N/A |
| **Value-added layers & specialty substrates** | | | | | | | |
| 300mm epitaxy (epi) | MASS | MASS | MASS | MASS | MASS | MASS | MASS |
| <=200mm epitaxy | MASS | MASS | MASS | MASS | NO | MASS | MASS |
| Annealed / hydrogen-annealed wafers | MASS | MASS | MASS | QUALIFIED | QUALIFIED | MASS | QUALIFIED |
| 200mm SOI (bonded / Smart Cut) | MASS | QUALIFIED | EXITING by Jun-27 | MASS | NO | NO | NO |
| 300mm SOI | MASS | NO | EXITING by Jun-27 | PILOT | NO | NO | NO |
| Piezoelectric-on-insulator (POI) / special substrates | N/A | N/A | N/A | MASS (150mm) | NO | NO | NO |
| Test / dummy / reclaimed wafers | MASS | MASS | MASS | MASS | MASS | MASS | MASS |
| **Node qualification (mass production)** | | | | | | | |
| >=28nm | MASS | MASS | MASS | MASS | MASS | MASS | MASS |
| 14nm | MASS | MASS | MASS | MASS | N/A | QUALIFIED | MASS |
| 7nm | MASS | MASS | MASS | N/A | N/A | N/A | N/A |
| 5nm / 4nm | MASS | MASS | QUALIFIED | N/A | N/A | N/A | N/A |
| 3nm / 2nm class | MASS | MASS | N/A | N/A | N/A | N/A | N/A |

Source: Company data, Nomura research

In summary, NSIG wins on portfolio breadth and full-chain control; ESWIN is good at customer depth and scale, TCL Zhonghuan is good at FZ capability, and Li-On wins on specialty and auto.

**Fig. 16: Comparison of major domestic silicon wafer vendors**




Source: Nomura estimates

## SOI wafer capacity a key advantage: NSIG the only potential supplier in China

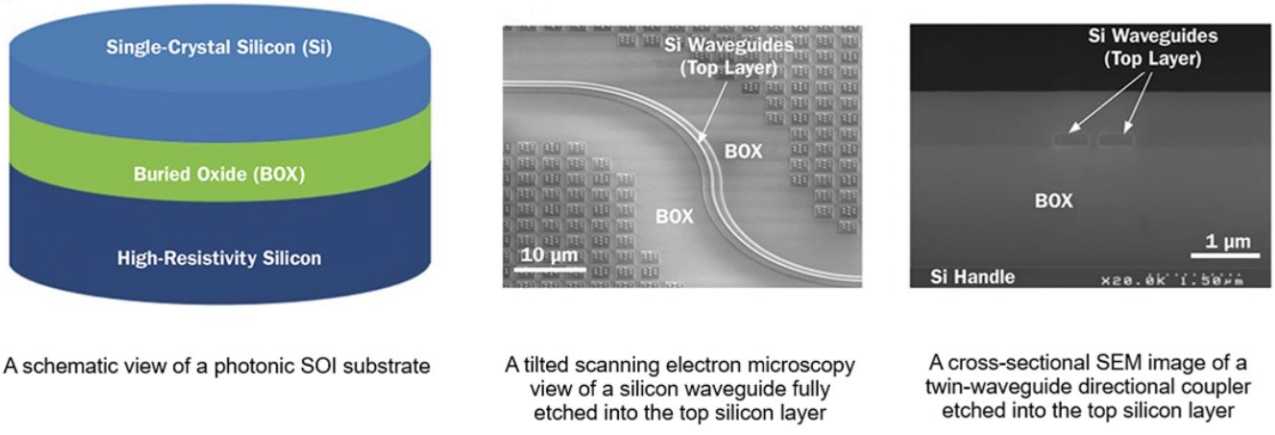
Driven by global AI leaders' buoyant demand for high-speed optical transceivers, as well as persistent component shortages (such as optical chips), we believe the component shortage for most products will continue into 2027F. Meanwhile, product innovation in the optical transceiver market is accelerating, and future technology trends including silicon photonics (SiPh), LPO/LRO, and NPO/CPO primarily target higher performance, lower energy consumption and costs. The 1.6T upgrade and SiPh migration are expected to be the key drivers, in our view. We think NPO/CPO technologies will continue to improve. If leading CPO solution providers use bundled sales strategies for their CPO switch products, which could accelerate adoption rates in scale out network in the medium term, while we believe there are more CPO use cases in the scale-up network in the long term.

Photonics SOI wafer is becoming an increasingly important material to build SiPh-based PIC, due to its scalability in most of the major foundries with lower cost per die. For example, under the same area size, photonics SOI wafer price is only 25% of InP substrate. Thus, we assume photonics SOI wafer demand will grow along with rising SiPh PIC demand in optical transceivers and CPO modules.

The reasons why silicon photonics need SOI include:

- Exceptional optical confinement enabled by the refractive index contrast between the layers, where in SOI wafer, the top silicon core has a high refractive index of approximately 3.5, while the underlying buried oxide layers has a significantly lower refractive index of around 1.45. This drastic difference creates a perfect environment for total internal reflection, which act as a "trap" that confines light entirely within the top silicon layer and prevents it from leaking into the substrate.
- Sub-micron optical waveguides: As the light is tightly bound, engineers can design and fabricate incredibly compact photonic components, such as splitters, modulators, and photodetector, directly on a chip. This high integration density is critical because it makes the optical components small enough to be compatible with existing CMOS fabrication lines.

**Fig. 17: SOI wafer needed in silicon photonics**




A schematic view of a photonic SOI substrate

A tilted scanning electron microscopy view of a silicon waveguide fully etched into the top silicon layer

A cross-sectional SEM image of a twin-waveguide directional coupler etched into the top silicon layer

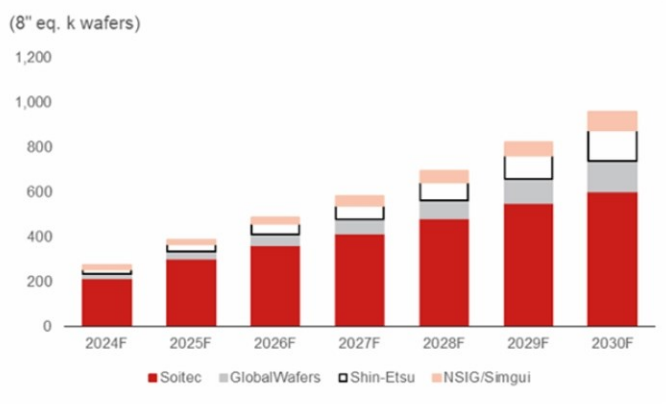
Source: CEA-Leti, Nomura research

We have analyzed the SOI wafer market in our Anchor Report "*Greater China Semi – A Guide to Semi renaissance in 2026-30F*" (published on 21 May 2026). As it is a niche market in terms of the volume shipments, we believe by 2030F, global photonics SOI wafer demand may only contribute a very small portion of total 12" semi wafer demand. However, the dollar content contribution would be much higher, in our view, since the ASP of photonics SOI wafer is 10x higher than that for 12" semi wafer.

Other than non-photonics SOI wafer, the rest of RF, FD and Power-SOI have been suffering from weak smartphone and automotive demand for more than one year already. However, downstream device vendors have been re-stocking those non-photonics SOI wafers since early 2Q26 due to the concern that AI applications will squeeze out the capacity for other applications. As a result, we believe the overall SOI wafer market

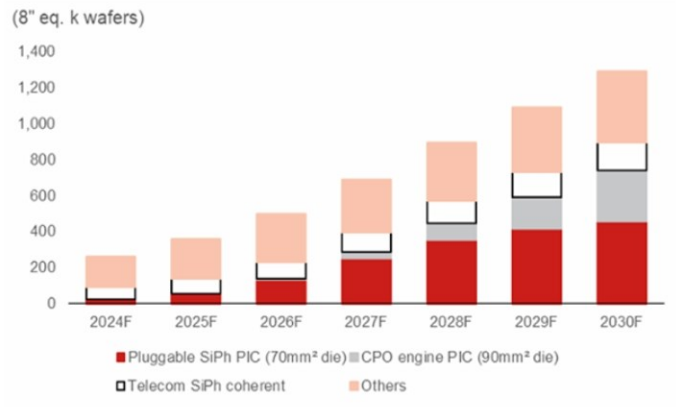
demand may recover faster than the overall wafer market.

**Fig. 18: Photonics SOI wafer capacity by supplier**




Source: Nomura research

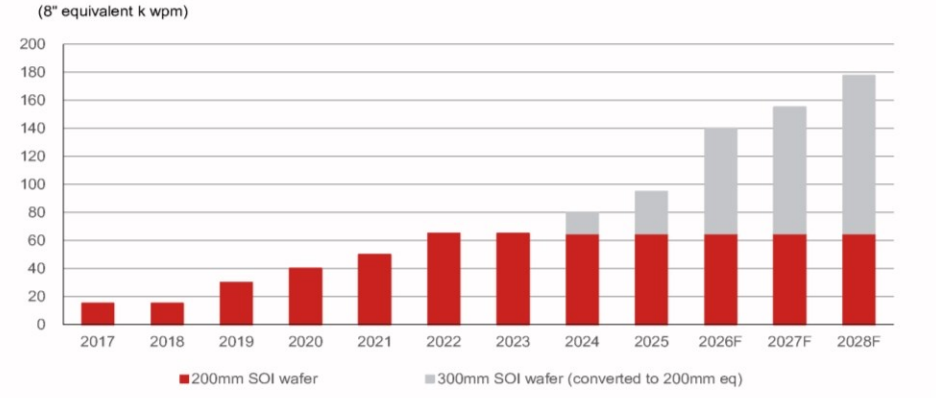
**Fig. 19: Photonics SOI wafer demand breakdown**




Source: Nomura research

Being the only one with SOI capacity in China, NSIG is poised to embrace this uptrend brought by AI. By 1H26, NSIG had 200mm SOI wafer capacity of 65k wafers per month, and 300mm SOI wafer pilot capacity of 300k wafers annually (~25k wafer per month). Total capacity including pilot line, all converted into 200mm equivalent wafer size, totaled 121k wafers per month, the largest in China.

**Fig. 20: NSIG SOI wafer capacity (all in 8-inch equivalent)**



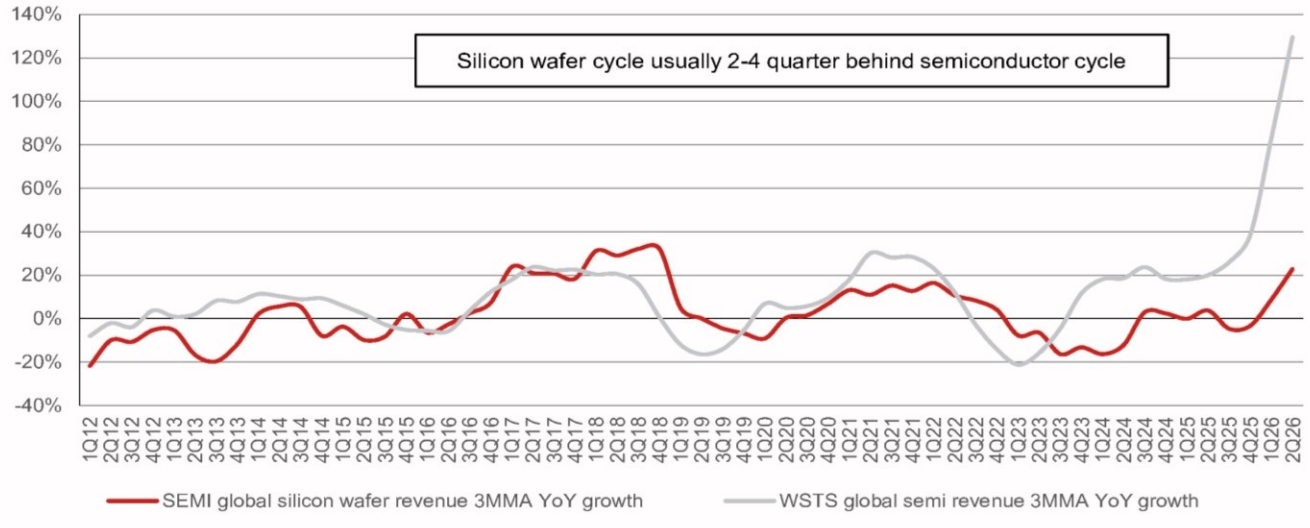

Source: Company data, Nomura estimates

Besides, NSIG's partnership with Soitec (one of the major SOI wafer suppliers globally) is also an advantage. Simgui, under NSIG, is the only Chinese vendor that has a license for Soitec's "Smart Cut" technology, which is a leading technology knowhow in SOI wafer manufacturing. In fact, Soitec only licensed this technology to three players: Shin-Etsu in Japan, GlobalWafers in Taiwan, and Simgui (NSIG).

## Silicon wafer industry uptrend started; pricing in recovery

Silicon wafer is the upstream of the semiconductor market. If looking together with the semiconductor cycle, it's easy to find that as an upstream material, the silicon wafer cycle is usually 2 to 4 quarters behind the semiconductor cycle. The reason for this phenomenon would be the following: (1) demand change needs extra time to transmit up along the supply chain due to the time required for action at each layer; (2) fabs and IDMs usually keep a certain level of healthy inventory (1.5 to 3 months) to mitigate some downstream volatility, which smoothens the cycle, (3) some vendors use LTA (long-term agreement) to lock in supply and price for years, which also smoothens the cycle.

**Fig. 21: Semiconductor silicon wafer industry cycle vs overall semiconductor market cycle**




Source: SEMI, WSTS, Nomura research

The semiconductor upcycle has lasted for over a year, mainly driven by the huge demand brought by AI and HPC related areas, as well as the supply-squeeze effect, which further tightened supply in some other fields. Our channel check indicates that the silicon wafer market just saw pricing bottoming out in 1Q26, and the gradual upward recovery started from 2Q26, which is in line with the typical cycle pattern. The semiconductor cycle is expected to last for years, with industry supply (foundry capacity and fab equipment constraint) expected to remain tight, in our view. In this circumstance, we expect the silicon wafer market to enjoy a prolonged upcycle, starting from early this year.

Industry pricing is already seeing a recovery. The two Japanese giants, Shin-Etsu and SUMCO, along with GlobalWafers have issued two rounds of price increase letters in 2026. The second round, in May, included a 5-8% increase in standard 12-inch wafers and an 18-22% increase for high-end wafers used in AI and HPC applications. GloblalWafers is also proactively communicating with customers in hope to see some more improvement in the 2H26E, with full utilization at 12-inch facilities. The domestic giant, NSIG, commented that price repair has begun and the market is entering an upward channel.

**Fig. 22: Pricing comments by global major silicon wafer suppliers**

| | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenue QoQ** | | | | | | | | | | |
| Shin-Etsu | -5.7% | 1.1% | 11.8% | -0.8% | -4.8% | -0.5% | 4.4% | -1.0% | -1.5% | 3.5% |
| SUMCO | -11.0% | 12.1% | -6.1% | 1.6% | 2.5% | 0.4% | -3.7% | 6.2% | -3.6% | 12.0% |
| GlobalWafers | -10.0% | 1.6% | 3.5% | 3.0% | -4.6% | 2.7% | -9.5% | 0.1% | -3.6% | 8.8% |
| Siltronic | -3.7% | 2.3% | 1.7% | 1.0% | -4.1% | -4.8% | -8.8% | 23.7% | -17.5% | 4.9% |
| SK Siltron | -1.8% | N/A | N/A | N/A | N/A | 12.2% | -0.3% | 8.5% | -19.1% | N/A |
| NSIG | -9.4% | 16.6% | 7.6% | 0.0% | -11.8% | 11.7% | 5.4% | 13.9% | 0.8% | 13.7% |
| **300mm wafer pricing** | | | | | | | | | | |
| Shin-Etsu | N/A | N/A | N/A | N/A | N/A | LTA flat | N/A | N/A | Spot ↑ (LTA hold) | N/A |
| SUMCO | Spot ↓ | Spot ↓ | Mixed | Mixed | LTA stable | Mixed | Mixed | Spot ↓ | Spot ↓ | Spot ↑ |
| GlobalWafers | Mixed | Mixed | N/A | N/A | N/A | Non-LTA ↓ | Spot ↓ (LTA hold) | N/A | Spot ↑ | Non-LTA ↑ |
| Siltronic | Low SD ↓ | Almost stable | Spot ↓ (LTA hold) | Slightly ↓ | ↓ | ↓ | Non-LTA ↓ | Non-LTA ↓ | N/A | Spot ↑ (LTA hold) |
| SK Siltron | N/A | N/A | N/A | ↓ | N/A | N/A | ↓ | N/A | N/A | ↑ |
| NSIG | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↑ | Price bottom | ↑ |
| **200mm wafer pricing** | | | | | | | | | | |
| Shin-Etsu | N/A | N/A | N/A | N/A | Soft ↓ | N/A | ↓ | N/A | Flat | ↑ |
| SUMCO | Spot ↓ | Mixed | Spot ↓ | Slightly ↓ | LTA stable | Spot ↓ | ↓ | Spot ↓ | ↓ | ↑ |
| GlobalWafers | Mixed | N/A | N/A | N/A | N/A | ↓ | ↓ | N/A | Limited ↑ | ↑ |
| Siltronic | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| SK Siltron | N/A | N/A | N/A | ↓ | N/A | N/A | ↓ | N/A | N/A | ↑ |
| NSIG | ↓ | ↓ | ↓ | ↓ | ↓ | Slightly ↑ | ↓ | ↓ | ↓ | ↓ |
| **150mm & lower wafer pricing** | | | | | | | | | | |
| Shin-Etsu | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | Flat | N/A |
| SUMCO | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| GlobalWafers | N/A | N/A | N/A | N/A | N/A | UTR<70% | ↓ | Recovering | Tightening | ↑ |
| Siltronic | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | N/A | N/A | Sales drag | Price pressure |
| SK Siltron | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| NSIG | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

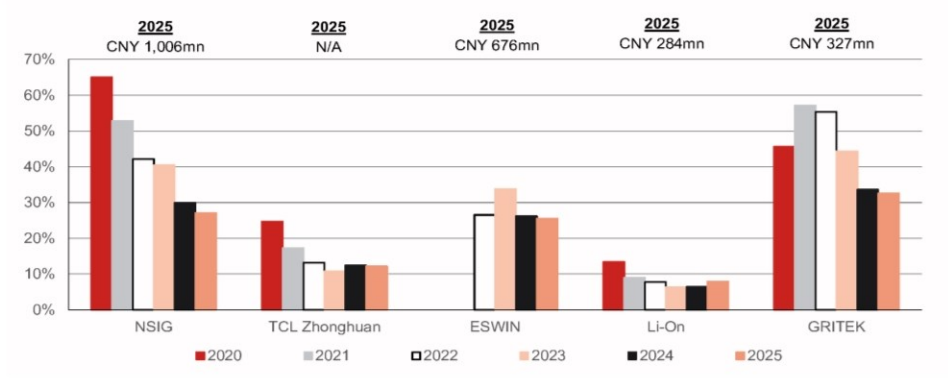
Source: Company data, Nomura research

## NSIG, an internationalized Chinese player

About 27% of NSIG's total revenue was from the overseas market, underpinned by the wholly-owned Okmetic facility in Finland and qualifications at TSMC, UMC, STMicroelectronics and Vishay. In 1H26, NSIG qualified a further leading European IDM and secured 300mm prime-wafer orders, which we think will benefit overall margin because prime wafers carry a far higher ASP and margin than test wafers.

Looking at domestic peers, TCL Zhonghuan had over 12% overseas sales, but mainly from photovoltaic related wafers and modules. Xi'an ESWIN and GRITEK (688432 CH, Not rated) had higher overseas sales percentage, but less sales scale.

**Fig. 23: Overseas revenue percentage of major Chinese silicon wafer vendors**




Source: Company data, Nomura research

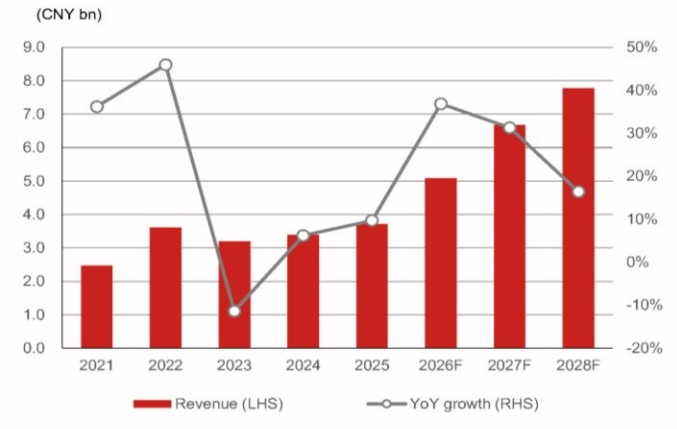
# Financial analysis and outlook

## Revenue to grow amid market uptrend

NSIG revenue underwent a decline in 2023 due to a decline in both 300mm and 200mm wafer segments. Revenue has been on an uptrend since 2024 mainly helped by 300mm ramp up, from CNY3.2bn in 2023 to CNY3.7bn in 2025, representing an ~8% CAGR. In 1H26, growth accelerated to 36.5% y-y on 300mm volume growth of more than 90% y-y. We forecast NSIG's revenue to record a ~28% CAGR in 2025-28F, driven by: (1) capacity expansion in coming years, (2) favorable pricing trend in the industry, and (3) new products potential including 300 SOI wafer and specialty piezoelectric-on-insulator (POI).

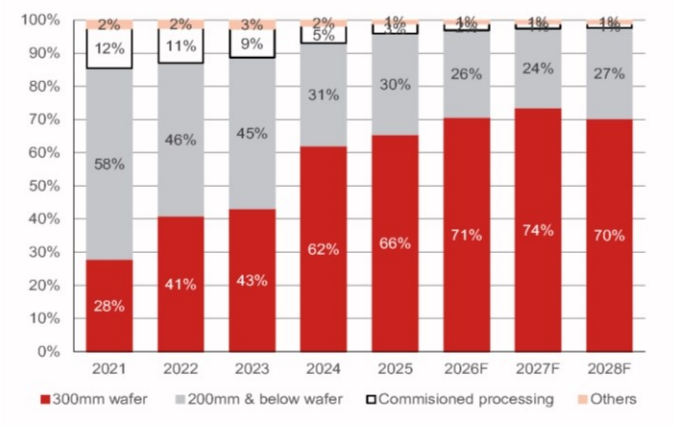
Driven by 300mm capacity ramp up, we believe the 300mm segment will contribute most of the growth. 300mm wafer revenue surpassed 200mm & below in 2024. We expect the 300mm wafer segment revenue to record a ~31% CAGR in 2025-30F, while 200mm & below segment revenue could post a ~23% CAGR in 2025-30F (SOI is faster than regular wafer). The specialty POI segment contributed around ~CNY100mn revenue in 2025 (from subsidiary NSIT, 新硅聚合). We forecast this segment to record a ~50% CAGR over 2025-28F.

**Fig. 24: NSIG revenue forecasts**



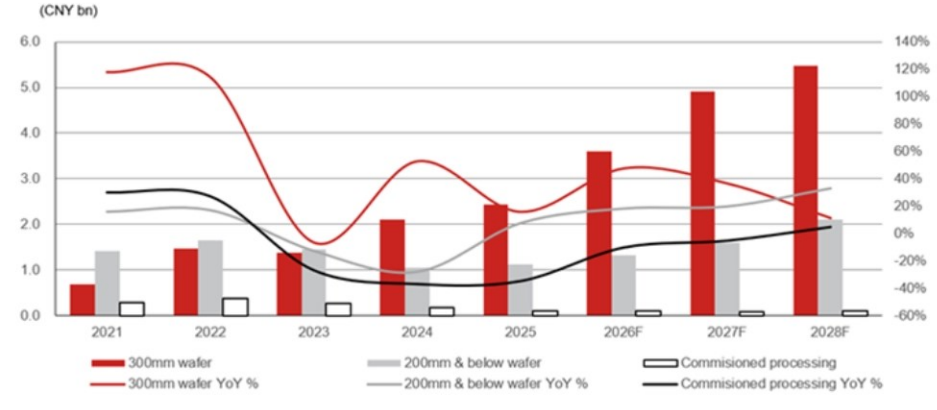

Source: Company data, Nomura estimates

**Fig. 25: NSIG revenue breakdown by segment**




Source: Company data, Nomura estimates

**Fig. 26: NSIG segment revenue and relevant growth rate**



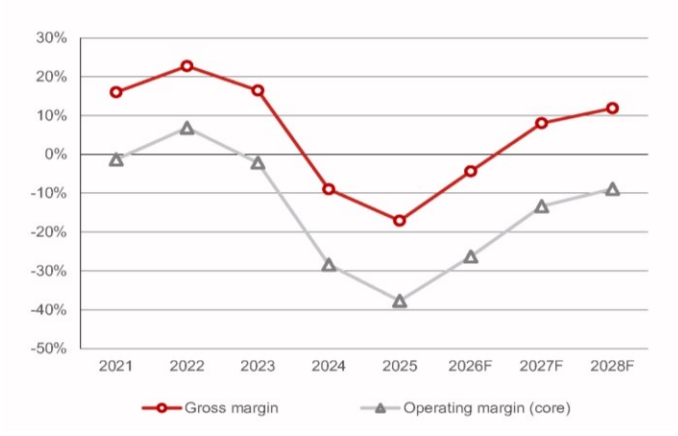

Source: Company data, Nomura estimates

## Gross margin to turn around in 2027F

NSIG's gross margin went from +16.5% in 2023 to -9.0% in 2024 and -17.06% in 2025, mainly hurt by unfavorable market conditions, where pricing pressure across 200mm and 300mm wafer segments, and also new capacity ramping up caused higher depreciation expenses. We forecast gross margins to recover quarter by quarter this year, and return to gross profit as early as 1Q27F. We expect the gross margin turnaround in 2027F with a GPM of ~8%, and further improvement to ~12% in 2028F.

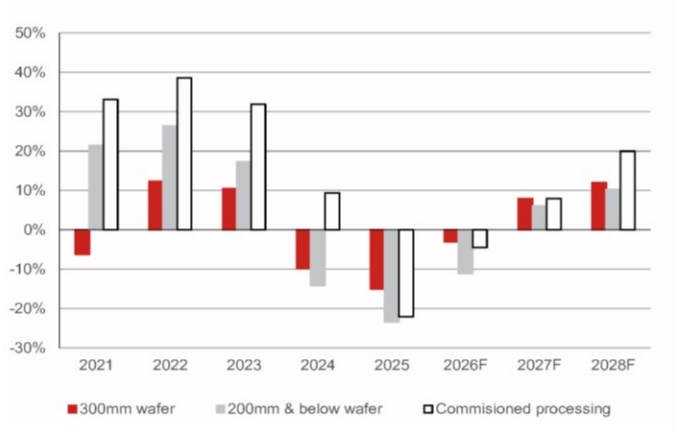
R&D expense has been the largest part of operating expenses since 2024 (administrative expenses used to be the largest portion). NSIG's R&D expense ratio (as percentage of revenue) has been increasing over the years (7.0% in 2023, 7.9% in 2024, 9.5% in 2025; most recently in 1H26 it was 11.2%), mainly due to new product development, capacity upgrades, etc. To maintain its technology strength and expanding market share, we expect NSIG to maintain the R&D expense ratio to around 10-11% level in 2026-28F.

**Fig. 27: NSIG gross margin and core operating margin**




Source: Company data, Nomura estimates

**Fig. 28: NSIG gross margins by segment**



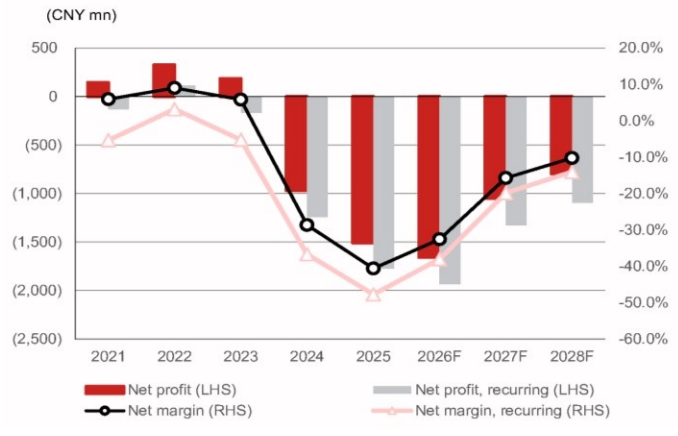

Source: Company data, Nomura estimates

## Net profit and EPS

Similar to the whole industry, NSIG has been suffering losses at the net level since 2024, where the industry started the downtrend. Recurring net profit has been lower due to the exclusion of some government subsidies, which were recognized in the P&L. We expect NSIG's net loss to increase a bit as sales increase, but net profit margin to continue narrowing in our forecast period.

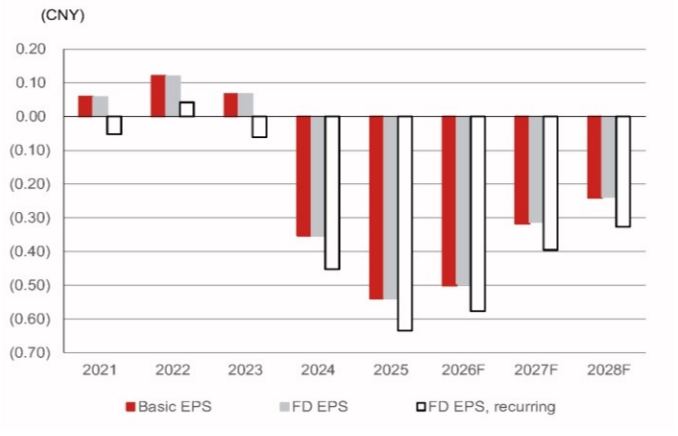
Basic and diluted EPS of NSIG was a loss of CNY0.54 in 2025 (basic and diluted weighted average shares of 2,797mn, no dilution effect).

**Fig. 29: NSIG net profit and net margin**




Source: Company data, Nomura estimates

**Fig. 30: NSIG basic, diluted, and recurring diluted EPS**




Source: Company data, Nomura estimates

Our estimates for revenue are largely in line with the Bloomberg consensus, but our forecasts for gross margin are lower than the consensus, as we believe more time is needed for a gross profit turnaround given higher depreciation due to new capacity ramps up. We also expect more R&D expenses as NSIG continues to expand its product coverage (SOI, new materials) and qualify new products.

**Fig. 31: Financial forecasts – Nomura versus consensus**

| (CNY mn) | 2026F | 2027F | 2028F |
|---|---|---|---|
| **Revenue - Nomura est** | **5,086** | **6,677** | **7,774** |
| Revenue - consensus | 5,220 | 6,743 | 7,468 |
| *Revenue - diff* | *-2.6%* | *-1.0%* | *4.1%* |
| **Gross margin - Nomura est** | **-4.4%** | **8.0%** | **11.9%** |
| Gross margin - consensus | 10.5% | 13.7% | 15.7% |
| *Gross margin - diff* | *-14.8%* | *-5.7%* | *-3.8%* |
| **Operating profit (as reported) - Nomura est** | **(1,814)** | **(1,237)** | **(951)** |
| Operating profit (as reported) - consensus | (753) | (198) | 111 |
| *Operating profit (as reported) - diff* | *n.a.* | *n.a.* | *n.a.* |
| **Net profit - Nomura est** | **(1,656)** | **(1,049)** | **(796)** |
| Net profit - consensus | (589) | 12 | 402 |
| *Net profit - diff* | *n.a.* | *n.a.* | *n.a.* |
| **Net profit, recurring - Nomura est** | **(1,934)** | **(1,324)** | **(1,093)** |
| Net profit, recurring - consensus | n.a. | n.a. | n.a. |
| *Net profit, recurring - diff* | *n.a.* | *n.a.* | *n.a.* |

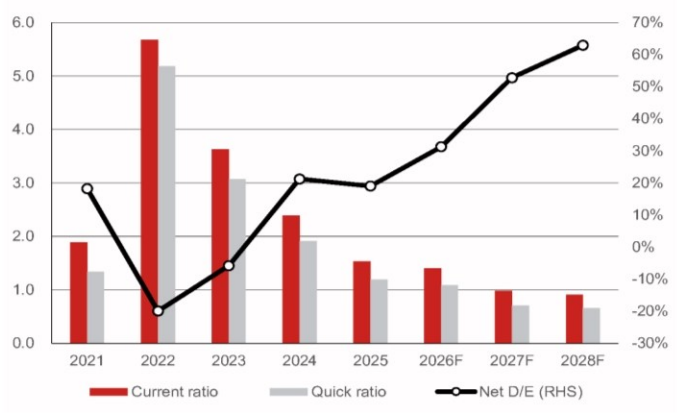
Source: Bloomberg Finance L.P., Nomura estimates

## Balance sheet: more funds may needed

NSIG's net debt to equity ratio saw a drastic decline in 2022, coupled with a surge in the current ratio and quick ratio. This was mainly due to the share placement in 2022, which increasedcash and equivalents. With new capacity being built and ramped up, the profit level deteriorated, net debt ratio increased and liquidity decreased. Accroding to its financial statements, the company transferred its other comprehensive income to retained earnings twice (CNY795mn in 2023; CNY651mn in 2024) to keep its retained earnings positive. But retained earnings turned negative in 2025. Our model indicates that if no further funding is raised, the constant negative cash flow (a result of net loss) will continue to drag down the cash level. Therefore, we assume some debt to be raised (both short-term and long-term) to keep the cash level at a relatively healthier level. This is why we estimate the net cash-to-debt ratio increase in 2026-28F. That being said, we believe if bonds are issued, or funds are raised via equity issuance (placement or dual-listing), it would be possible that no debt would be needed.

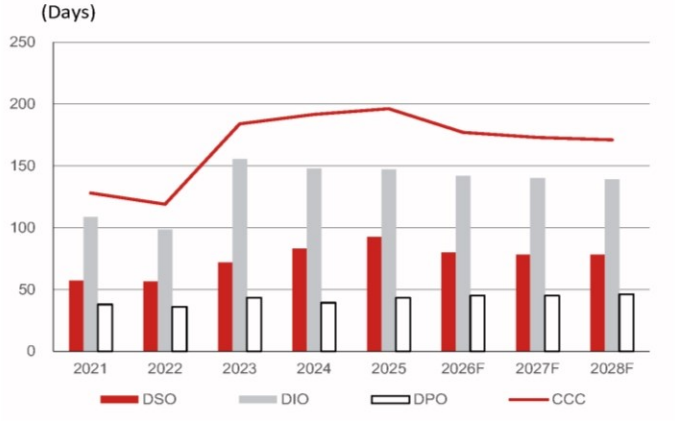
Working capital has been relatively stable, but inventory days (DIO) has been at a high level (over 140 days), resulting in positive and high cash conversion cycle (CCC). This is common in the semiconductor material industry, where the production cycle (from raw materials to final shipment) requires a long time.

**Fig. 32: NSIG liquidity and solvency ratios**




Source: Company data, Nomura estimates

**Fig. 33: NSIG working capital ratios**



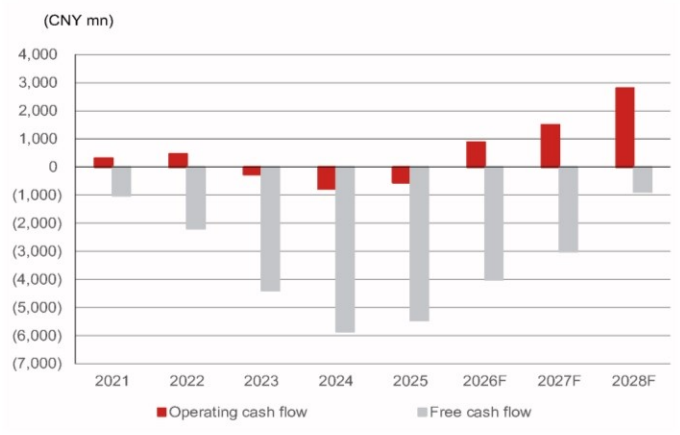

Source: Company data, Nomura estimates

## Cash flow: positive operating cash flow from 2026F

Operating cash flow has been negative since 2023, mainly due to decreased profit and increase in working capital days. Despite continuing net loss in our forecast period, depreciation accounts for a large portion of the expense and cost, and cash flow excludes these non-cash items. Therefore, our model indicates positive cash flow from 2026F, and

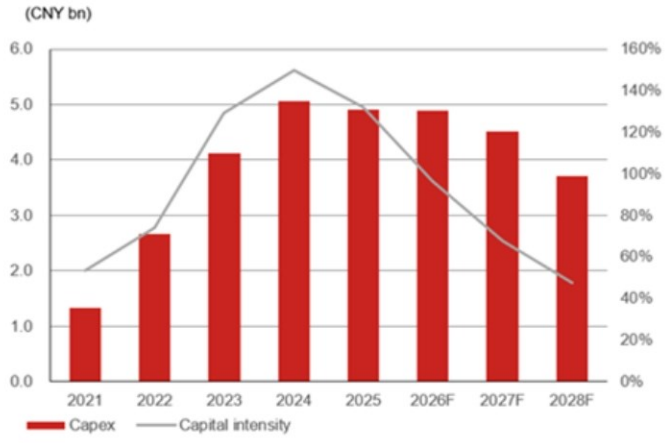
continued improvement. An evidence is that NSIG has already reported positive cash flow in 2Q26 (CNY345mn in 2Q26). Free cash flow also follows a similar pattern. With new capacity gradually completing its ramp up, we expect future capex to decline, and with higher sales capital intensity could drop.

**Fig. 34: NSIG operating cash flow and free cash flow**




Source: Company data, Nomura estimates

**Fig. 35: NSIG capex and capital intensity**




Source: Company data, Nomura estimates

# NSIG valuation: trading at a premium

Being a manufacturing company, sales and profit are the ones driving valuation. P/E is normally used for these kinds of companies. However, most Chinese silicon wafer vendors, including NSIG, are now reporting losses, making it impossible to value them with P/E. Furthermore, as a dominant player in China, NSIG is now primarily targeting sales growth and market share gain. Therefore, we think a sales-related valuation multiple should be more suitable for its valuation.

**Fig. 36: Global semiconductor silicon wafer companies valuation comparison**

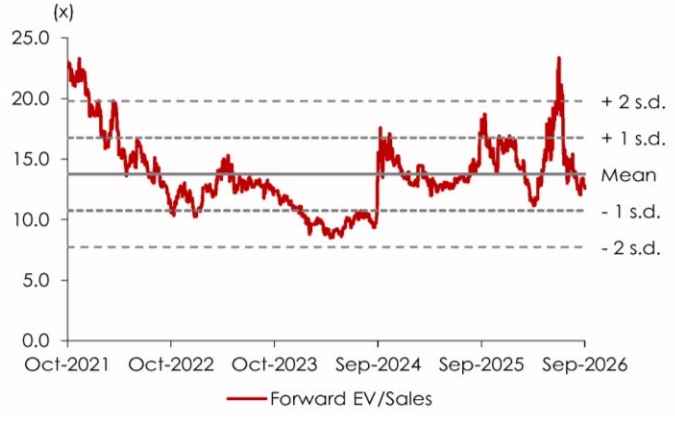
| Company | Stock Code | Nomura Rating | Stock Price (local currency) | Market Cap (USD mn) | P/E (x) | | | P/B (x) | | | P/S (x) | | | EV/Sales (x) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2026F | 2027F | 2028F | 2026F | 2027F | 2028F | 2026F | 2027F | 2028F | 2026F | 2027F | 2028F |
| **Overseas silicon wafer** | | | | | | | | | | | | | | | | |
| Shin-Etsu | 4063 JP | Neutral | 5,945.00 | 75,126 | 189.9 | 169.9 | 151.6 | 21.9 | 21.0 | 20.1 | 36.1 | 33.1 | 30.5 | 6.1 | 5.8 | 5.5 |
| GlobalWafers | 6488 TT | Buy | 1,035.00 | 17,158 | 39.6 | 26.1 | 13.0 | 4.9 | 4.4 | 3.5 | 1.0 | 1.0 | 1.2 | 9.3 | 6.9 | 4.9 |
| SUMCO | 3436 JP | Buy | 3,316.00 | 7,392 | n.a. | 46.4 | 21.4 | 2.1 | 2.0 | 1.9 | 2.5 | 2.2 | 1.9 | 32.6 | 27.7 | 23.7 |
| Soitec | SOI FP | Buy | 155.20 | 6,311 | n.a. | 96.3 | 51.9 | 3.7 | 3.5 | 3.3 | 9.1 | 8.2 | 6.9 | 9.3 | 8.1 | 6.6 |
| Formosa | 3532 TT | Not rated | 471.00 | 5,734 | 140.0 | 35.5 | 30.7 | n.a. | n.a. | n.a. | 12.2 | 10.2 | 8.0 | 13.4 | 11.3 | 8.9 |
| Siltronic | WAF GR | Not rated | 80.05 | 2,999 | n.a. | n.a. | n.a. | 1.4 | 1.6 | 1.6 | 2.0 | 1.7 | 1.5 | 2.8 | 2.4 | 2.1 |
| Wafer Works | 6182 TT | Not rated | 133.00 | 2,611 | 144.6 | 65.8 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| RS Technologies | 6445 JP | Not rated | 1,372.00 | 148 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Average - overseas silicon wafer** | | | | | **128.5** | **73.3** | **53.7** | **6.8** | **6.5** | **6.1** | **10.5** | **9.4** | **8.3** | **12.2** | **10.4** | **8.6** |
| **China silicon wafer** | | | | | | | | | | | | | | | | |
| ESWIN | 688783 CH | Not rated | 26.92 | 16,212 | n.a. | n.a. | 1,346.0 | 9.1 | 9.3 | 9.2 | 31.4 | 24.5 | 19.9 | 32.1 | 25.0 | 20.4 |
| NSIG | 688126 CH | Buy | 23.38 | 11,525 | n.a. | n.a. | n.a. | 4.3 | 4.5 | 4.7 | 15.4 | 11.7 | 10.1 | 17.1 | 13.5 | 11.8 |
| GRINM | 688432 CH | Not rated | 47.09 | 8,782 | 224.2 | 181.1 | 162.4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Li-On | 605358 CH | Not rated | 45.36 | 5,224 | 110.6 | 43.9 | 24.8 | 3.7 | 3.5 | 3.2 | 6.9 | 5.8 | 4.3 | 7.6 | 6.3 | 4.8 |
| TCL Zhonghuan | 002129 CH | Neutral | 9.20 | 5,548 | n.a. | 163.5 | n.a. | 1.8 | 1.8 | n.a. | 1.3 | 1.2 | n.a. | 3.8 | 2.7 | n.a. |
| Wafer Works Shanghai | 688584 CH | Not rated | 26.37 | 2,632 | 101.4 | 64.3 | 47.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Average - China silicon wafer** | | | | | **145.4** | **113.2** | **395.3** | **4.7** | **4.8** | **5.7** | **13.7** | **10.8** | **11.5** | **15.1** | **11.9** | **12.3** |
| **Compound semi** | | | | | | | | | | | | | | | | |
| Sumimoto Electric | 5802 JP | Buy | 2,318.00 | 46,864 | 20.1 | 17.6 | 14.2 | 2.3 | 2.2 | 2.0 | 1.3 | 1.2 | 1.2 | 1.4 | 1.3 | 1.2 |
| Resonac | 4004 JP | Buy | 14,985.00 | 18,235 | 25.8 | 15.4 | 12.8 | 3.5 | 2.9 | 2.5 | 2.5 | 2.2 | 2.0 | 2.9 | 2.4 | 2.1 |
| Wolfspeed | WOLF US | Not rated | 28.13 | 1,489 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.9 | 1.9 | n.a. | 2.9 | 2.8 | n.a. |
| IQE PLC | IQE LN | Not rated | 47.55 | 840 | n.a. | n.a. | n.m. | 426.5 | 479.8 | 432.7 | 4.9 | 4.2 | 3.5 | 4.9 | 4.2 | 3.5 |
| Sanan Optoelectronics | 600703 CH | Suspended | 11.48 | 8,542 | 60.4 | n.a. | n.a. | n.a. | n.a. | n.a. | 3.1 | n.a. | n.a. | 3.5 | n.a. | n.a. |
| Yunnan Germanium | 002428 CH | Not rated | 86.87 | 8,462 | 187.6 | 63.7 | 33.8 | 34.7 | 26.6 | 19.8 | 31.5 | 18.5 | 16.5 | 32.2 | 18.9 | 16.9 |
| SICC - A | 688234 CH | Suspended | 104.39 | 7,166 | 328.3 | 115.1 | 77.0 | 6.9 | 6.6 | 6.3 | 20.7 | 15.3 | 12.4 | 21.2 | 15.7 | 12.8 |
| SICC - H | 2631 HK | Not rated | 68.00 | 7,166 | 102.0 | 65.3 | 59.3 | 3.9 | 3.7 | 3.5 | 20.7 | 15.3 | 12.4 | 21.2 | 15.7 | 12.8 |
| InnoScience | 2577 HK | Not rated | 39.38 | 4,593 | n.a. | 117.7 | 24.9 | 8.1 | 7.5 | 5.5 | 14.3 | 7.9 | 4.9 | 14.4 | 7.9 | 5.0 |
| Unitechem Group | 603065 CH | Not rated | 14.23 | 889 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Average - Compound semi** | | | | | **120.7** | **65.8** | **37.0** | **69.4** | **75.6** | **67.5** | **11.2** | **8.3** | **7.6** | **11.6** | **8.6** | **7.8** |

Note: Bloomberg consensus for Not rated companies, Nomura estimates for rated ones. Priced as on 30 Sep 2026 .
Source: Bloomberg Finance L.P., Nomura estimates

We choose EV/sales as our major valuation multiple to value NSIG, mainly considering: (1) industry is now facing profit pressure, making it impossible to derive P/E; (2) Chinese players are now at sales expansion and market-share-driven stages, where sales growth and market share gain are the main focus for them, especially with the localization story.

During 2021-YTD26, NSIG largely traded at 8-23x forward EV/sales (average of ~14x), with the highest valuation in 2021, when the chipset shortage story dominated the China A-share market, and almost all semiconductor-related companies traded at their peak levels. Another peak appeared around May-Jun 2026, when the industry leaders sent a clear signal of positive pricing trend.

**Fig. 37: NSIG five-year EV/sales trend**




Source: Company data, Nomura estimates

**Fig. 38: NSIG five-year EV/sales bands**




Source: Company data, Nomura estimates

Local comparable peers are limited for NSIG. The most direct comparable is Xi'an ESWIN (688783 CH, Not rated), which is trading at ~26x 2027E EV/sales. Other domestic peers like Li-On (605358 CH, Not rated; mainly focuses 200mm heavy-doped wafers targeting power devices and automotive) and TCL Zhonghuan (002129 CH, Neutral; mainly focuses on solar) are not directly comparable.We believe NSIG deserves a higher-than-current valuation given that: (1) the semiconductor wafer industry is now in an upcycle, which we expect to last for several years; (2) the company's sales growth rate is expected to be higher than the industry; (3) the company has wide product coverage spanning from 200mm to 300mm, and from wafer to SOI; and (4) China's memory and advanced process fab capacity expansion needs more domestic wafer supply to support production. Therefore, we select 20.0x forward EV/sales as our target multiple, which is around 2SD above its historical average. NSIG traded at an average EV/sales of 15.0x in the industry downcycle, and hence, we think 20.0x in the industry upcycle is fair.

We resume coverage on NSIG with a Buy rating. Our target price of CNY36.20 is based on a target multiple of 20.0x forward EV/sales, and our revenue forecast of CNY6.7bn in 2027F.

**Fig. 39: NSIG – Valuation and target price**

| Valuation table | | |
|---|---|---|
| **Target EV/sales** | **20.0 x** | We use 20.0x EV/sales as our target multiple, based on: (1) semiconductor wafer industry is now in an upcycle, which we expect to last for several years, creating re-rating potentials; (2) we forecast NSIG's sales revenue to outperform the industry growth; (3) NSIG's wide product coverage and strong customer relations; (4) pricing and profitability recovery to drive re-rating ahead |
| Valuation base | 2027F | |
| Revenue in 2027F (CNY mn) | 6,677 | |
| Enterprise value (CNY mn) | 133,349 | |
| Nebt debt in 2027F (CNY mn) | 9,024 | |
| Minority in 2027F (CNY mn) | 3,080 | |
| Equity value (CNY mn) | 121,246 | |
| Wtd avg diluted shares in 2027F (mn) | 3,352 | |
| **Target price (CNY)** | **36.20** | |

Source: Nomura estimates

# Financial statements

**Fig. 40: NSIG – Income statement forecasts**

| FYE 31 Dec (CNY mn) | 2023 | 2024 | 2025 | 2026F | 2027F | 2028F | 1Q26 | 2Q26 | 3Q26F | 4Q26F |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | | | | |
| **Revenue** | **3,190** | **3,388** | **3,716** | **5,086** | **6,677** | **7,774** | **1,084** | **1,233** | **1,312** | **1,457** |
| COGS | (2,665) | (3,692) | (4,350) | (5,309) | (6,144) | (6,850) | (1,212) | (1,298) | (1,335) | (1,464) |
| **Gross profit** | **525** | **(304)** | **(634)** | **(223)** | **533** | **924** | **(128)** | **(65)** | **(23)** | **(7)** |
| Opex | (595) | (659) | (769) | (1,115) | (1,426) | (1,615) | (253) | (236) | (296) | (329) |
| Taxes and surcharges | (14) | (18) | (28) | (41) | (47) | (54) | (7) | (14) | (9) | (10) |
| S&M expense | (80) | (70) | (77) | (103) | (134) | (154) | (22) | (21) | (28) | (31) |
| Admin expense | (279) | (304) | (310) | (392) | (511) | (591) | (82) | (85) | (107) | (118) |
| R&D expense | (222) | (267) | (354) | (580) | (735) | (816) | (143) | (116) | (152) | (169) |
| **Operating profit (core)** | **(70)** | **(963)** | **(1,403)** | **(1,338)** | **(892)** | **(691)** | **(382)** | **(301)** | **(319)** | **(336)** |
| Finance cost | 1 | (110) | (101) | (320) | (310) | (300) | (101) | (77) | (71) | (71) |
| Investment income | (2) | 3 | (1) | 1 | 2 | 2 | - | (1) | 1 | 1 |
| Impairment loss | (100) | (426) | (690) | (442) | (372) | (332) | (134) | (118) | (95) | (95) |
| Other gains | 349 | 333 | 308 | 285 | 335 | 370 | 51 | 55 | 90 | 90 |
| Operating profit (as reported) | 179 | (1,163) | (1,886) | (1,814) | (1,237) | (951) | (566) | (442) | (395) | (411) |
| Non-operating items | (1) | (1) | (3) | (5) | - | - | (10) | 2 | 1 | 1 |
| **Pretax income** | **178** | **(1,164)** | **(1,889)** | **(1,819)** | **(1,237)** | **(951)** | **(576)** | **(440)** | **(393)** | **(410)** |
| Income tax | (17) | 43 | 79 | 73 | 124 | 95 | 48 | (61) | 42 | 44 |
| Minority interests | 26 | 151 | 302 | 90 | 65 | 60 | 45 | 19 | 13 | 13 |
| **Net profit (attr. to SH)** | **187** | **(971)** | **(1,508)** | **(1,656)** | **(1,049)** | **(796)** | **(483)** | **(482)** | **(338)** | **(353)** |
| Basic EPS (CNY) | 0.07 | (0.35) | (0.54) | (0.50) | (0.32) | (0.24) | (0.15) | (0.15) | (0.10) | (0.11) |
| **Diluted EPS (CNY)** | **0.07** | **(0.35)** | **(0.54)** | **(0.49)** | **(0.31)** | **(0.24)** | **(0.15)** | **(0.15)** | **(0.10)** | **(0.10)** |
| | | | | | | | | | | |
| **Recurring net profit (attr. to SH)** | **(166)** | **(1,243)** | **(1,774)** | **(1,934)** | **(1,324)** | **(1,093)** | **(524)** | **(433)** | **(421)** | **(556)** |
| **Recurring FD EPS (CNY)** | **(0.06)** | **(0.45)** | **(0.63)** | **(0.58)** | **(0.40)** | **(0.33)** | **(0.16)** | **(0.13)** | **(0.12)** | **(0.16)** |
| | | | | | | | | | | |
| ***YoY Growth (%)*** | | | | | | | | | | |
| *Revenue* | *(11.4)* | *6.2* | *9.7* | *36.9* | *31.3* | *16.4* | *35.2* | *37.7* | *39.0* | *35.5* |
| *Gross profit* | *(35.8)* | *N/A* | *N/A* | *N/A* | *N/A* | *73.2* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Operating profit (core)* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Net profit (attr. to SH)* | *(42.6)* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Diluted EPS* | *(42.9)* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Recurring net profit (attr. to SH)* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| *Recurring FD EPS* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* | *N/A* |
| | | | | | | | | | | |
| **Margins (%)** | | | | | | | | | | |
| Gross margin | 16.5 | (9.0) | (17.1) | (4.4) | 8.0 | 11.9 | (11.8) | (5.3) | (1.8) | (0.5) |
| Opex | 18.6 | 19.4 | 20.7 | 21.9 | 21.4 | 20.8 | 23.4 | 19.1 | 22.6 | 22.6 |
| Operating margin (core) | (2.2) | (28.4) | (37.7) | (26.3) | (13.4) | (8.9) | (35.2) | (24.4) | (24.3) | (23.0) |
| Pretax margin | 5.6 | (34.4) | (50.8) | (35.8) | (18.5) | (12.2) | (53.1) | (35.7) | (30.0) | (28.1) |
| Net margin | 5.8 | (28.6) | (40.6) | (32.6) | (15.7) | (10.2) | (44.6) | (39.1) | (25.8) | (24.2) |
| Recurring net margin | (5.2) | (36.7) | (47.7) | (38.0) | (19.8) | (14.1) | (48.4) | (35.1) | (32.1) | (38.1) |
| | | | | | | | | | | |
| **Segment revenue** | | | | | | | | | | |
| **300mm wafer** | **1,379** | **2,106** | **2,439** | **3,600** | **4,916** | **5,472** | | | | |
| *YoY Growth (%)* | *(6.6)* | *52.8* | *15.8* | *47.6* | *36.6* | *11.3* | | | | |
| Percentage of total (%) | 43 | 62 | 66 | 71 | 74 | 70 | | | | |
| **200mm & below wafer** | **1,452** | **1,047** | **1,125** | **1,329** | **1,590** | **2,112** | | | | |
| *YoY Growth (%)* | *(12.6)* | *(27.9)* | *7.5* | *18.1* | *19.6* | *32.8* | | | | |
| Percentage of total (%) | 45 | 31 | 30 | 26 | 24 | 27 | | | | |
| **Commisioned processing** | **278** | **176** | **115** | **104** | **99** | **103** | | | | |
| *YoY Growth (%)* | *(26.6)* | *(36.7)* | *(34.5)* | *(10.0)* | *(5.0)* | *5.0* | | | | |
| Percentage of total (%) | 9 | 5 | 3 | 2 | 1 | 1 | | | | |
| | | | | | | | | | | |
| **Segment gross margin (%)** | | | | | | | | | | |
| 300mm wafer | 10.5 | (9.8) | (15.0) | (3.0) | 8.0 | 12.0 | | | | |
| 20mm & below wafer | 17.2 | (14.1) | (23.4) | (11.1) | 6.1 | 10.2 | | | | |
| Commisioned processing | 31.9 | 9.4 | (22.0) | (4.5) | 8.0 | 20.0 | | | | |

Source: Company data, Nomura estimates

**Fig. 41: NSIG – Balance sheet forecasts**

| FYE 31 Dec (CNY mn) | 2023 | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|---|
| Cash and cash equivalent | 5,180 | 2,700 | 3,553 | 3,352 | 2,279 | 2,778 |
| Restricted cash | 2,121 | 2,455 | 2,521 | 2,395 | 2,156 | 1,725 |
| Financial assets - ST | 416 | 226 | 160 | 169 | 177 | 186 |
| Notes receivable | 17 | 8 | 6 | 6 | 7 | 8 |
| Account receivable | 568 | 975 | 906 | 1,323 | 1,531 | 1,792 |
| Prepayment | 163 | 251 | 344 | 228 | 228 | 228 |
| Other receivables | 52 | 14 | 26 | 28 | 29 | 31 |
| Inventory | 1,449 | 1,542 | 1,966 | 2,165 | 2,549 | 2,669 |
| Other current assets | 541 | 899 | 861 | 861 | 861 | 861 |
| **Current assets** | **10,508** | **9,070** | **10,344** | **10,527** | **9,816** | **10,277** |
| Financial assets - LT | 3,698 | 1,373 | 403 | 1,359 | 1,359 | 1,359 |
| Equity method investment | 754 | 902 | 1,101 | 1,086 | 1,096 | 1,116 |
| PP&E - net | 7,039 | 9,245 | 14,069 | 17,168 | 19,611 | 21,174 |
| Construction in progress | 4,350 | 6,377 | 5,328 | 5,168 | 4,898 | 4,309 |
| Right-of-use assets | 91 | 79 | 117 | 131 | 144 | 156 |
| Intangible assets | 566 | 555 | 656 | 807 | 898 | 970 |
| L/T Accrued expenses | 7 | 3 | 1 | 1 | 2 | 2 |
| Deferred tax asset | 3 | 32 | 88 | 105 | 116 | 127 |
| Other non-current assets | 2,017 | 1,633 | 1,680 | 1,680 | 1,680 | 1,680 |
| **Total non-current assets** | **18,524** | **20,200** | **23,442** | **27,505** | **29,803** | **30,893** |
| **Total assets** | **29,032** | **29,270** | **33,787** | **38,032** | **39,619** | **41,170** |
| S/T Borrowing | 325 | 521 | 1,265 | 1,518 | 3,795 | 4,554 |
| Notes payables | - | 100 | 132 | 198 | 297 | 446 |
| Account payables | 321 | 474 | 557 | 752 | 763 | 964 |
| Contract liabilities | 221 | 93 | 7 | 7 | 7 | 7 |
| Non-current liabilities within 1 year | 797 | 1,083 | 1,927 | 1,927 | 1,927 | 1,927 |
| Other current liabilities | 1,231 | 1,533 | 2,874 | 3,108 | 3,252 | 3,404 |
| **Total current liabilities** | **2,894** | **3,803** | **6,763** | **7,510** | **10,042** | **11,302** |
| L/T Borrowing | 2,638 | 2,956 | 4,009 | 4,810 | 4,810 | 5,772 |
| Lease liabilities | 70 | 59 | 95 | 100 | 105 | 110 |
| Deferred income | 1,430 | 1,271 | 1,158 | 1,508 | 1,659 | 1,825 |
| Deferred tax liabilities | 152 | 127 | 91 | 109 | 120 | 132 |
| Other non-current liabilities | 1,342 | 1,852 | 1,512 | 2,714 | 2,716 | 2,718 |
| **Total non-current liabilities** | **5,632** | **6,265** | **6,865** | **9,242** | **9,410** | **10,557** |
| **Total liabilities** | **8,526** | **10,068** | **13,627** | **16,751** | **19,452** | **21,859** |
| Share capital | 2,747 | 2,747 | 3,305 | 3,305 | 3,305 | 3,305 |
| Capital reserve | 7,024 | 7,029 | 13,306 | 15,365 | 15,365 | 15,365 |
| Statutory reserves | 13 | 20 | 20 | 20 | 20 | 20 |
| Retained earnings | 1,702 | 1,265 | (242) | (1,898) | (2,947) | (3,743) |
| Other capital adjustments | 3,629 | 1,238 | 536 | 1,345 | 1,345 | 1,345 |
| **Equity attributable to Company** | **15,114** | **12,299** | **16,925** | **18,136** | **17,088** | **16,291** |
| Minority interests | 5,391 | 6,902 | 3,235 | 3,145 | 3,080 | 3,020 |
| **Total equity** | **20,505** | **19,201** | **20,159** | **21,281** | **20,167** | **19,311** |
| **Total equity and liabilities** | **29,032** | **29,270** | **33,787** | **38,032** | **39,619** | **41,170** |

Source: Company data, Nomura estimates



**Fig. 42: NSIG – Cash flow statement forecasts**

| FYE 31 Dec (CNY mn) | 2023 | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|---|
| **Profit before taxation** | **178** | **(1,164)** | **(1,889)** | **(1,819)** | **(1,237)** | **(951)** |
| Provision for impairment loss | 100 | 426 | 690 | - | - | - |
| **D&A expenses** | **731** | **964** | **1,332** | **1,842** | **2,287** | **2,698** |
| Depreciation of PP&E | 645 | 879 | 1,254 | 1,747 | 2,178 | 2,576 |
| Depreciation of Right-of-use assets | 26 | 26 | 28 | 35 | 39 | 43 |
| Amortization of Intangible assets | 57 | 54 | 47 | 58 | 68 | 78 |
| Amortization of L/T Accrued expenses | 3 | 4 | 2 | 2 | 2 | 2 |
| Fair value change gains | (143) | 12 | (50) | (20) | (25) | (30) |
| Finance cost | 34 | 143 | 196 | 320 | 310 | 300 |
| Investment income (excl. JV/asso.) | 2 | (3) | 1 | (1) | (2) | (2) |
| Share of JV and associate | (11) | (145) | (33) | 15 | (10) | (20) |
| Deferred tax asset - decrease | (1) | (29) | (55) | (18) | (11) | (12) |
| Deferred tax liabilities - increase | 5 | (22) | (31) | 18 | 11 | 12 |
| Inventory - decrease | (705) | (204) | (664) | (199) | (384) | (120) |
| Account receivables - decrease | (384) | (821) | (76) | (418) | (208) | (262) |
| Account payables - increase | 115 | 188 | (60) | 195 | 11 | 201 |
| Tax paid | (13) | (8) | (7) | 73 | 124 | 95 |
| Others | (179) | (124) | 88 | 890 | 633 | 896 |
| **Net cash flows from operating activities** | **(275)** | **(788)** | **(559)** | **880** | **1,498** | **2,805** |
| | | | | | | |
| **Capex - total** | **(4,126)** | **(5,069)** | **(4,909)** | **(4,897)** | **(4,512)** | **(3,702)** |
| investments related - net | 1,845 | 930 | 133 | (958) | 29 | 43 |
| Acquisition & invest in JV/asso. - net | - | - | (324) | 15 | (10) | (20) |
| Disposal of assets | 0 | 0 | 16 | - | - | - |
| Others | 9 | 23 | 10 | (50) | (52) | (55) |
| **Net cash flows from Investing activities** | **(2,272)** | **(4,116)** | **(5,074)** | **(5,890)** | **(4,545)** | **(3,734)** |
| | | | | | | |
| Share issuance | 54 | - | 2,092 | 2,059 | - | - |
| Capital injection of MI | 148 | 1,683 | 1,706 | - | - | - |
| Debt raised (repaid) | 1,057 | 806 | 2,288 | 1,055 | 2,277 | 1,721 |
| Bond issuance | 1,338 | 500 | 1,000 | 1,200 | - | - |
| Interest paid | (105) | (179) | (224) | - | - | - |
| Dividend paid | - | (110) | - | - | - | - |
| Others | (29) | (261) | (390) | 496 | (303) | (293) |
| **Net cash flows from financing activities** | **2,462** | **2,440** | **6,472** | **4,809** | **1,974** | **1,428** |
| | | | | | | |
| **Net cash flows** | **(84)** | **(2,464)** | **839** | **(200)** | **(1,073)** | **499** |
| | | | | | | |
| Effect of FX | 22 | (16) | 13 | - | - | - |
| | | | | | | |
| Cash and cash equivalents - beg | 5,243 | 5,180 | 2,700 | 3,553 | 3,352 | 2,279 |
| **Cash and cash equivalents - end** | **5,180** | **2,700** | **3,553** | **3,352** | **2,279** | **2,778** |
| | | | | | | |
| **Free cash flow (FCF)** | **(4,401)** | **(5,857)** | **(5,468)** | **(4,017)** | **(3,014)** | **(897)** |

Source: Company data, Nomura estimates

# Key risks

**Price recovery fails to materialize (highest impact):** If the May 2026 increases do not translate into 2027 contracts, or the pricing situation is reversed, it would not only impact NSIG's sales outlook and profitability, but also impact the industry outlook and market sentiment.

**Overcapacity concerns:** Current domestic capacity utilization is quite diverse, where high-end products are in severe shortage, while low-end ones are in oversupply and suffering from underutilization. This may introduce intensified price competition and pressure margins.

**Prime-wafer qualification slips:** The prime-versus-test wafer mix is one important swing factor in ASP. Slower-than-expected prime qualification (at Taiyuan or Shanghai) would keep ASP well below market prices even if market prices rise.

**Inventory write-downs:** This likely happens when the industry pricing condition gets worse, and could directly impact NSIG's profitability.

**Demand shock:** A global recession or a pause in AI datacenter capex would hit advanced-node and HBM wafer demand, which would accordingly impact demand for wafers.

**Geopolitics:** Export-control escalation affecting equipment, materials or poly-silicon supply could delay the ramp-up. Furthermore, restrictions on sales to overseas customers could also impact NSIG's sales outlook and overseas market exposure.

**Valuation:** NSIG is trading at a premium to domestic peers, which we believe has been supported by its strong technology capabilities and market share, wide product coverage, and deep customer relations. Failure to keep the above-mentioned edge and advantages may result in de-rating for its valuation.

# Appendix A-1

This report has been produced by Nomura International (Hong Kong) Ltd. (NIHK), Hong Kong.
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We, Clint Su and Donnie Teng, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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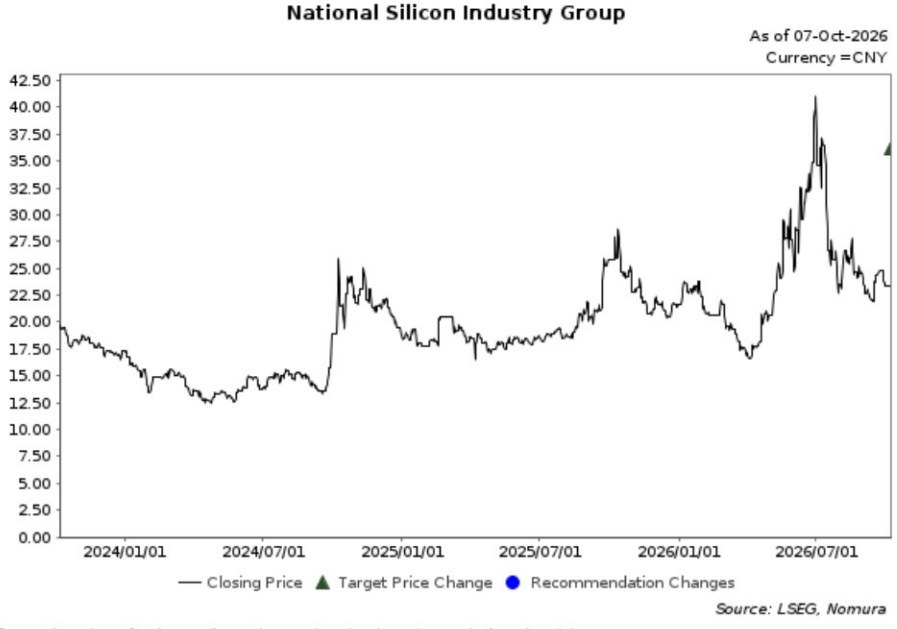
The terms "Nomura" and "Nomura Group" used herein refer to Nomura Holdings, Inc. and its affiliates and subsidiaries, including Nomura Securities International, Inc. ('NSI') and Instinet, LLC ('ILLC'), U. S. registered broker dealers and members of SIPC.

### Materially mentioned issuers

| Issuer | Ticker | Price | Price date | Stock rating | Sector rating | Disclosures |
|---|---|---|---|---|---|---|
| National Silicon Industry Group | 688126 CH | CNY 23.38 | 30-Sep-2026 | Buy | N/A | |

**National Silicon Industry Group (688126 CH)** **CNY 23.38 (30-Sep-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)




| Date | Rating | Target price | Closing price |
|---|---|---|---|
| 07-Oct-26 | Buy | | 23.38 |
| 07-Oct-26 | | 36.20 | 23.38 |

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

**Valuation Methodology** Our target price of CNY36.20 is based on 20.0x forward EV/Sales multiple, and our 2027F revenue forecasts. The target multiple is around 2SD above its historical average; the stock had traded at an avg. of 15.0x in the industry downcycle, and we think 20.0x in the industry upcycle is fair. The reason for choosing EV/Sales include: (1) Chinese semi wafer vendors are now at sales expansion and market share gain stage, where revenue growth is focused; (2) EV/Sales is relatively market neutral, allowing comparison globally across different markets; (3) the relative low volatility of EV/Sales makes it more reliable and referrable. The benchmark index is CSI300.
**Risks that may impede the achievement of the target price** Downside risks include: (1) price recovery fails to materialize; (2) demand weaker-than-expected from AI spending concerns; (3) slower-than-expected qualification and capacity ramp up; (4) intensified competition from domestic peers, especially for mid-to-low-end products; (5) geopolitical uncertainties impact its overseas sales and customer relations.

## Important Disclosures

### Online availability of research and conflict-of-interest disclosures

Nomura Group research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, LSEG.
Important disclosures may be read at http://go.nomuranow.com/research/m/Disclosures or requested from Nomura Securities International, Inc.
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As at 30 September 2026.
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*** As defined by the EU Market Abuse Regulation*

### Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

#### STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan:** please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: http://go.nomuranow.com/research/m/Disclosures; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan:** Russell/Nomura Large Cap.

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A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan:** Sector ratings are not assigned.

### Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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