Asia Semi and Technology

EQUITY: TECHNOLOGY

Implications of CXMT's recent progress on 4F^2

Quick Note

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What happened?

On 10 October, at the 4th Integrated Chips and Chiplets Conference in Shanghai, ChangXin Memory Technologies (CXMT; 688825 CH, Buy) President Cao Kanyu disclosed progress on their next-generation DRAM cell architecture (4F²), expecting to launch a DDR5 RDIMM incorporating 4F² architecture plus wafer-level hybrid bonding by year-end (*news*). The key is the VSG (Vertical Surrounded Gate) transistor, where the channel is vertical and the gate wraps around it, improving gate control and mitigating leakage and short-channel effects while shrinking each cell's planar footprint.

In a 1T1C cell, F is the minimum feature size, so moving from the industry-standard 6F² to a more advanced 4F² architecture cuts cell area by roughly 33% and fits about 50% more cells per unit area. Furthermore, it decouples the array from peripheral CMOS onto separate bonded wafers, and is then integrated by wafer-to-wafer hybrid bonding. However, in practice, we think the actual cell-per-wafer increment should be lower than 50% but higher than 1 generation tech migration (~30%), which we estimate to be ~40%, considering that (1) moving CMOS into another wafer, along with 6F^2 to 4F^2 migration, will result in a ~150% cell-per-wafer increment on cell wafer; (2) but it will cost an extra wafer and dedicated production line for CMOS peripherals, resulting in capacity shrink (less capacity for cell wafer, but CMOS capacity will increase as it needs less advanced process nodes; net net, ~30% capacity shrink, by our estimate); (3) yield rates decline due to redesign of cells (two wafers combined ~80% yield, by our estimate); and (4) there is a lack of advanced lithography systems, meaning limited miniaturization capability. In addition, it is highly likely that it will be only sampling or experimental products by the end of this year, with no volume production until 2027-2028F.

Implications for the memory landscape: tech gap is still there

Samsung (005930 KS, Buy) and SK Hynix (000660 KS, Buy) have made a conscious strategic choice not to prioritize this technology migration (6F^2 to 4F^2) in favor of EUV-based processes, which offer superior efficiency, lower costs, and higher yields, in our view. Transitioning from traditional 6F² layouts to 4F² architecture requires a fundamental redesign of DRAM cell construction. In 4F² configurations, transistors are oriented vertically rather than horizontally to reduce cell footprint. This approach demands high-aspect-ratio pillar formations and precise gap-fills that push current lithography and etching capabilities to their limits. As CXMT lags behind in production nodes, the physical and technical challenges make it unlikely that CXMT will close the gap with Korean manufacturers in the near term, in our view. Currently, Korean companies' plan is: 1cnm (2025) → 1dnm (2027) → 4F^2 v1 (2028) → 4F^2 v2 (2030) → 3D DRAM (2032); while for CXMT it is likely to be, according to initial volume production time: G4 1znm (2024) → G4.5 1z-1anm (2025) → G5 1anm (2026) → G5 1anm 4F^2 (2027-28) → G6 (2028-29). We can see there is still at least three years' technology gap between CXMT and global leaders.

Implications for China capacity expansion and semiconductor equipment

A 4F²/hybrid-bonded flow raises per-wafer intensity in exactly the steps where domestic toolmakers have gained share, including (1) more dielectric and barrier layers plus bonding dielectrics (PECVD/ALD); (2) higher-aspect-ratio etch, (3) atomic-level planarization before bonding (CMP); (4) additional Cu/Ta/Co metallization. In the meantime, decoupling peripheral CMOS and cell array into different wafers will require additional production line (one wafer into two wafers). In our view, the most direct beneficiaries are: (1) Piotech (688072 CH, Buy) in PECVD and the Dione 300 wafer-to-

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wafer hybrid-bonding tool that array/CMOS decoupling would require; (2) AMEC (688012 CH, Buy) in high-aspect-ratio etch (60:1 already standard domestically, 90:1 near market), with offering expanding into CMP via Hangzhou Zhonggui (unlisted) acquisition.

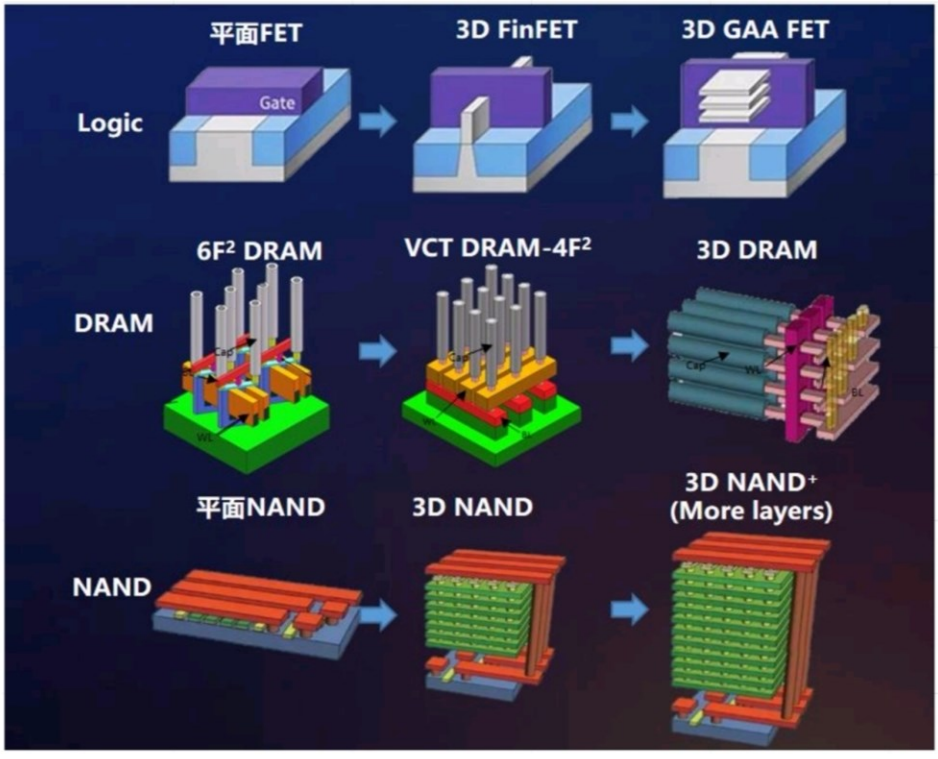
Reference reports:

Anchor Report: Greater China Semi - A guide to Semi renaissance in 2026-30F

ChangXin Memory Technologies (688825 CH) (Buy) - The DRAM in the Chinese crown; initiate at Buy

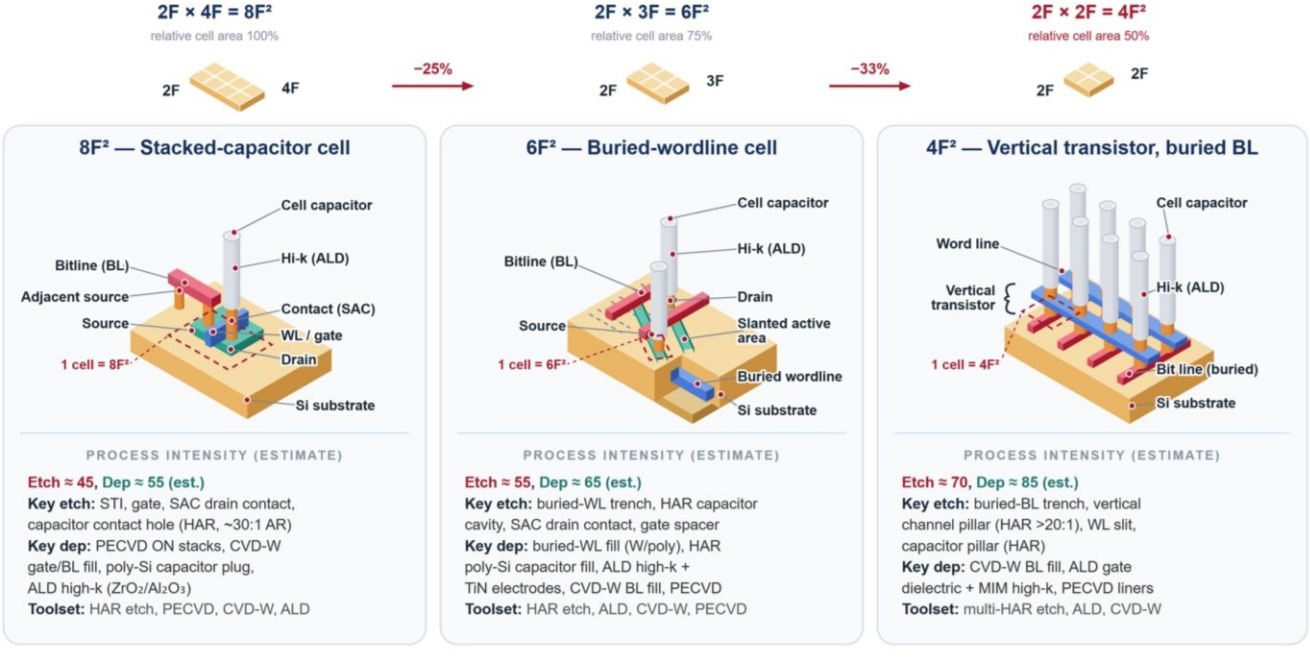
Anchor Report: China semiconductor equipment and materials - Fab capacity build-out and localization lead the way

Fig. 1: Difference between technology advancement in logic, DRAM, and NAND



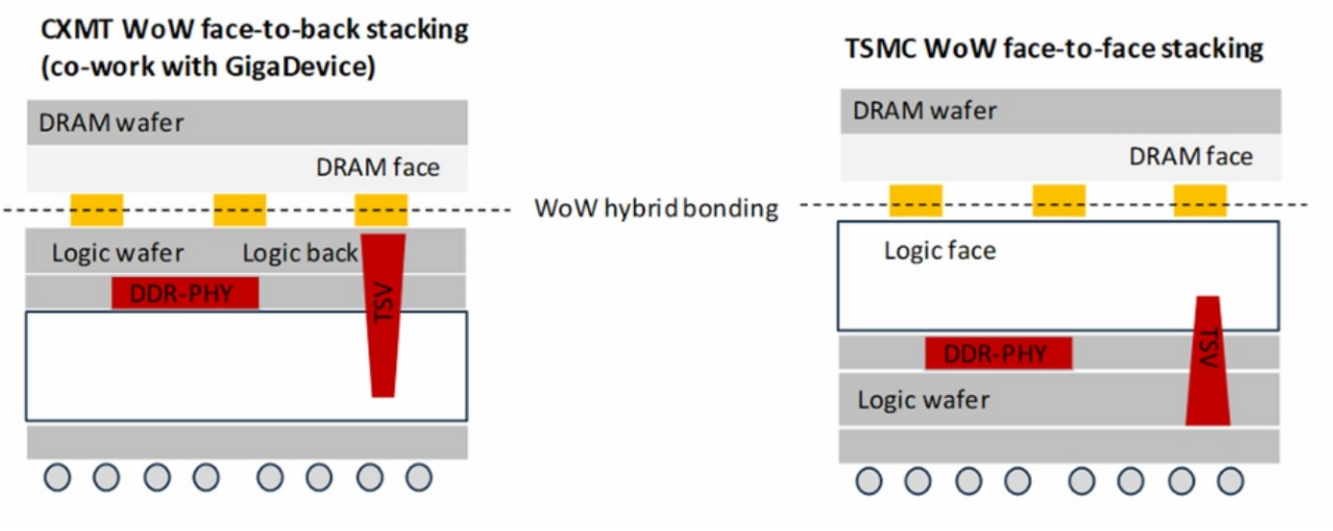
Source: AMEC, Nomura research

Fig. 2: DRAM cell topologies evolution – $8F^2$, $6F^2$, $4F^2$



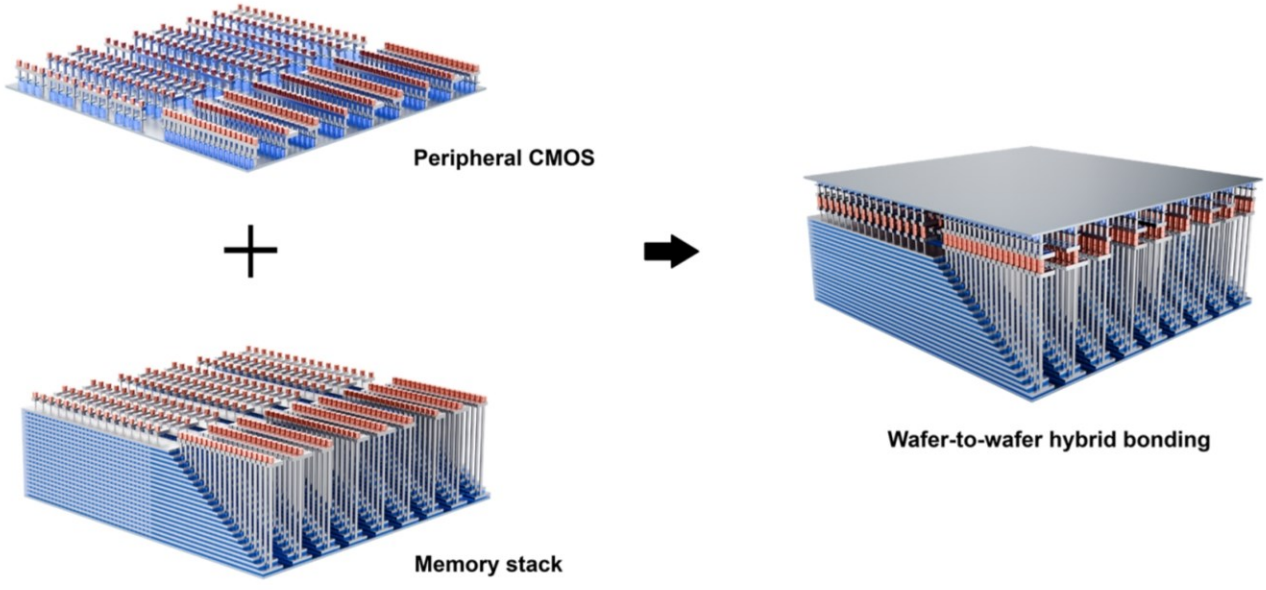
Source: Nomura research

Fig. 3: WoW stacking – take DRAM-on-logic as an example



Source: Company data, Nomura research

Fig. 4: WoW stacking – take YMTC Xtacking 3D NAND as an example



Source: YMTC, Nomura research

Appendix A-1

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SK Hynix	000660 KS	KRW 1,419,000	14-Oct-2026	Buy	N/A	A4,A5,A6,A7
Samsung Electronics	005930 KS	KRW 232,000	14-Oct-2026	Buy	N/A	
Advanced Micro-Fabrication Equipment China	688012 CH	CNY 295.05	14-Oct-2026	Buy	N/A	
Piotech Inc.	688072 CH	CNY 628.87	14-Oct-2026	Buy	N/A	
ChangXin Memory Technologies	688825 CH	CNY 46.00	14-Oct-2026	Buy	N/A	

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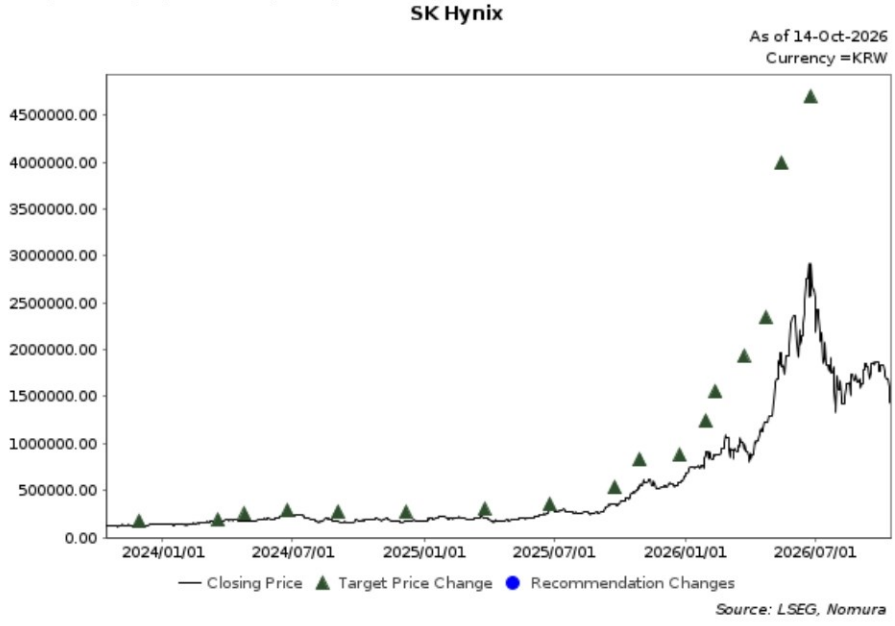
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SK Hynix (000660 KS) **KRW 1,419,000 (14-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
24-Jun-26		4,700,000.00	2,580,000.00
15-May-26		4,000,000.00	1,819,000.00
23-Apr-26		2,340,000.00	1,225,000.00
23-Mar-26		1,930,000.00	933,000.00
12-Feb-26		1,560,000.00	888,000.00
29-Jan-26		1,250,000.00	861,000.00
24-Dec-25		880,000.00	588,000.00
29-Oct-25		840,000.00	558,000.00
24-Sep-25		540,000.00	357,500.00
25-Jun-25		360,000.00	286,000.00
26-Mar-25		300,000.00	214,000.00
06-Dec-24		270,000.00	167,100.00
02-Sep-24		280,000.00	174,000.00
24-Jun-24		290,000.00	223,000.00
25-Apr-24		250,000.00	170,600.00
19-Mar-24		190,000.00	160,200.00
30-Nov-23		180,000.00	133,900.00

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

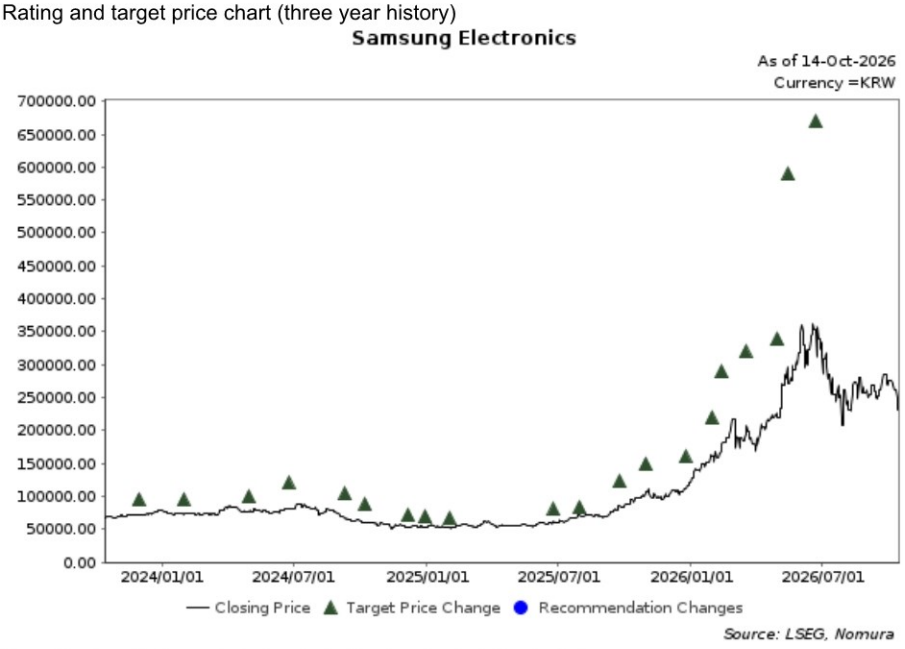
Valuation Methodology Our 12-month target price of KRW4,700,000 is derived by applying a target P/B of 6.0x) to 12MF BVPS of KRW836,330. We lower target multiple based on our ROE soft-landing outlook due higher risk-free rate. Benchmark for the stock is KOSPI 200.



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

Samsung Electronics (005930 KS) **KRW 232,000 (14-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
22-Jun-26		670,000.00	353,500.00
15-May-26		590,000.00	270,500.00
30-Apr-26		340,000.00	220,500.00
17-Mar-26		320,000.00	193,900.00
12-Feb-26		290,000.00	178,600.00
29-Jan-26		220,000.00	160,700.00
24-Dec-25		160,000.00	111,100.00
30-Oct-25		150,000.00	104,100.00
24-Sep-25		123,000.00	85,400.00
31-Jul-25		84,000.00	71,400.00
25-Jun-25		80,000.00	61,300.00
01-Feb-25		67,000.00	52,400.00
30-Dec-24		70,000.00	53,200.00
06-Dec-24		72,000.00	54,100.00
08-Oct-24		88,000.00	60,300.00
10-Sep-24		104,000.00	66,200.00
24-Jun-24		120,000.00	80,600.00
30-Apr-24		100,000.00	77,500.00
31-Jan-24		95,000.00	72,700.00
30-Nov-23		96,000.00	72,800.00

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

Valuation Methodology Our 12-month TP of KRW670,000 is derived by applying a target P/B of 4.3x to 12MF BVPS. We lower target multiple based on our outlook for ROE soft-landing and higher risk-free rate. The benchmark index for the stock is the KOSPI 200.

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

Advanced Micro-Fabrication Equipment China (688012 CH) **CNY 295.05 (14-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
07-Oct-26	Buy		318.55
07-Oct-26		480.00	318.55

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

Valuation Methodology Our target price of CNY480.00 is based on 20.0x EV/Sales multiple, and our 2027F revenue forecasts. We believe AMEC will continue to have higher valuation than domestic peers given its strength in etching, higher-than-market sales growth, and continuing market share increase. The reason for choosing EV/Sales include: (1) Chinese equipment 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 referrible. The benchmark index is CSI300.

Risks that may impede the achievement of the target price Downside risks include: (1) less aggressive wafer fab capacity expansion in China; (2) slower market share gain for AMEC; (3) substitution from overseas customers; (4) intensified competition; (5) easing of equipment export control from US, Japan, Netherlands.

Piotech Inc. (688072 CH) **CNY 628.87 (14-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
07-Oct-26	Buy		640.00
07-Oct-26		913.00	640.00

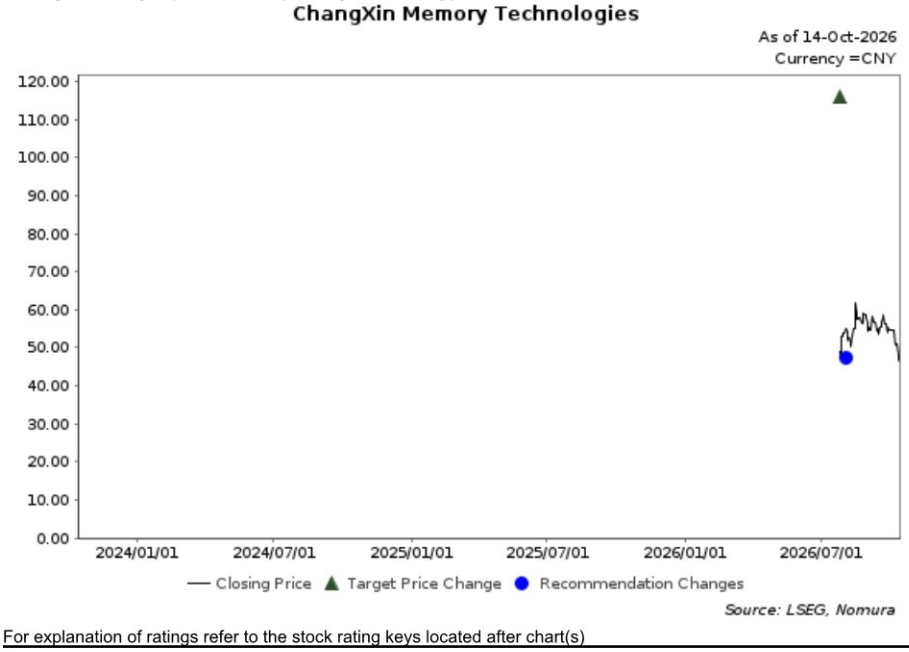
For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of CNY913.00 is based on 20.0x forward EV/sales multiple, and our revenue forecasts for 2027F. The reason for choosing EV/Sales include: (1) Chinese equipment 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 referrible. The benchmark index is CSI300.

Risks that may impede the achievement of the target price Downside risks include: (1) less aggressive wafer fab capacity expansion in China; (2) slower market share gain for Piotech; (3) substitution from overseas customers; (4) intensified competition; (5) easing of equipment export control from US, Japan, Netherlands.

ChangXin Memory Technologies (688825 CH) **CNY 46.00 (14-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
27-Jul-26	Buy		49.00
27-Jul-26		116.00	49.00

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

Valuation Methodology Our TP CNY116 is based on 20x 2028F EPS of CNY5.8. We assign a 20x target P/E multiple as we expect CXMT to trade twice the valuation of its major US competitor, Micron, which has traded at ~10x over the past five years, due to CXMT's market share gains and the higher valuation multiples in the China market. The benchmark index is CSI300

Risks that may impede the achievement of the target price Downside risks include: (1) worsening of end demand; (2) intensifying competition from domestic peers such as YMTC; (3) insufficient supply of IC and components such as CPUs; and (4) escalation of geopolitical tensions between the US and China.

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