TRANSCRIPT

2317.TW – Q1 2025 Hon Hai Precision Industry Co., Ltd
Investor Conference Call
EVENT DATE/TIME: May 14, 2025 Taipei time 3:00 P.M.
(New York: May 14, 3:00 A.M. / London: May 14, 8:00 A.M.)

Investor Conference Call on

FY25 First Quarter Financial Results

Corporate Participants

Young Liu

Hon Hai Precision Industry Co., Ltd – Chairman

David Huang

Hon Hai Precision Industry Co., Ltd – CFO

James Wu

Hon Hai Precision Industry Co., Ltd – Spokesperson

Kristen Fang

Hon Hai Precision Industry Co., Ltd – Senior IR Manager

Conference Call Participants

Sharon Shih

Morgan Stanley – Analyst

Angela Hsiang

KGI Securities – Analyst

Carrie Liu

Citi – Analyst

Jacky Fang

SET iNews – Reporter

Pei Ying Hsieh

TVBS News – Reporter

Albert Hung

JP Morgan – Analyst

Arthur Liao

Fubon Securities – Analyst

Kaylin Tsai

Macquarie – Analyst

Presentation

Kristen Fang *Hon Hai Technology Group – Senior Manager*

Hello to all the investors and media. This is Kristen. Welcome to Hon Hai's First Quarter 2025 Investor Conference Call. Joining us today, are Chairman and CEO Young Liu, CFO David Huang and Spokesperson James Wu. The conference call is scheduled for one hour, starting with our presentation, followed by Q&A session.

As usual, please carefully read the safe harbor notice on the next page before we start the meeting.

We will now proceed to the first session, the presentation, which will cover four topics, including performance review of the first quarter of 2025, business outlook for the second quarter of 2025 and full year 2025, new business developments and recent major events.

I will now hand over the floor to CFO David to begin the presentation.

David Huang *Hon Hai Technology Group – CFO*

Thank you, Kristen. Hello everyone. I am David Huang, CFO of Hon Hai Technology Group. I am going to start with some highlights on Hon Hai's financial results for the first quarter of 2025.

Firstly, please refer to page 5 of the presentation for the 2025 first quarter income statement.

The revenue for 1Q25 was NT$1.64 trillion, a YoY increase of 24 %, a record high for the same quarter in previous years.

In terms of margins, the gross margin was 6.11%, a YoY decrease of 0.20 percentage point (pp) , mainly due to product mix impact. Operating margin was 2.83%, a YoY increase of 0.05pp, mainly due to a decrease in expense margin as the revenue grew by 24% and expenses only increased by 15%.

Net profit margin for the first quarter was 2.56 %, a YoY increase of 0.9pp, thanks to a large increase in non-operating income, with recognition of NT$3.2 billion in profit from SHARP, compared to a recognized loss of NT$10.5 billion last year. Additionally, gains from

Email : ir@foxconn.com | **Website** : https://www.honhai.com/en-us/

investment valuation, driven by the stock market rally at the end of March, contributed to the increase in non-operating income.

The EPS of 1Q25 was NT$3.03, a YoY increase of NT$1.44.

Next, looking at page 6 for the balance sheet. In 2025, at the end of March, the cash and cash equivalents were at NT$929.3 billion. Net cash was NT$281.2 billion, a decrease of NT$158.4 billion from the end of March last year, mainly due to an increase in debt in response to operational needs, as well as an increase in capex by NT$10.7 billion compared to last year.

Cash conversion days was 51 days, which was flat YoY. Debt ratio, at 60%, was an increase from last year, mainly due to revenue growth and increase in debt to meet operating needs.

Finally, looking at the cashflow statement on page 7, for 1Q25, cash outflow from operating activities was NT$51.1 billion, compared to an inflow of NT$18.8 billion in 1Q24, mainly due to an increase in inventory. The changes in inventory were mainly attributable to stocking up to accommodate customer pull through. However, we will continue to manage our inventory as necessary.

Free cashflow was negative by a margin of NT$94.9 billion, representing an increase in outflow of NT$80 billion, mainly due to an increase in cashflow out from operating activities and an increase in capex.

Here I conclude the summary of the financial statements for Q1 2025. Now, I would like to turn the call over to Chairman Liu.

Young Liu *Hon Hai Technology Group – Chairman and CEO*
Thank you, David. Good afternoon, everyone. In summary, operating results from the first quarter of this year have shown that revenue reached a record high for the same quarter in previous years, and seasonality was better than the average performance of the past five years. Seasonal performance also saw strong growth compared to 1Q24, and largely in line with our forecast from our previous investors' conference.

From a product mix perspective, through strong growth driven by AI server demand, Cloud and Networking Products significantly increased. Compared to 1Q24, there was an increase of 6pp, reaching 34% in the product mix.

At the same time, Smart Consumer Electronics revenue also saw some growth compared to 1Q24. However, its mix in the product mix declined to 40%, indicating that our product mix continues to develop to become more balanced across our different segments.

As I mentioned during our last investors' conference, this year, Cloud and Networking Products will reach similar levels to Smart Consumer Electronics in the product mix.

Between our four major product segments, the Computing Products segment's performance was better than expected. However, Smart Consumer Electronics as well as Cloud and Networking Products were slightly behind expectations. Nevertheless, overall, our performance remains stable.

On overall Gross Margin, Operating Margin and Net Income, we have reached record highs for the same quarter in previous years.

Next, I will address the company's outlook for second quarter 2025. In the past month, the US tariff policies have seen many rapid changes and brought volatility to the global market. This is in addition to FX changes. As such, we maintain a more conservative stance for future outlook. Overall, we still expect significant growth QoQ and YoY for 2Q25.

Between our four major product segments, major products within the Smart Consumer Electronics segment are entering product transition cycles. Due to new products launched in the first quarter, and FX impacts, we forecast that QoQ, there will be a slight decline, compared to the flat QoQ performance from last year.

On Cloud and Networking products, alongside the ramp up in AI server rack mass production and continued strong demand for general servers, we forecast the segment to see strong growth.

For Computing Products, we have seen new product launches in the second quarter, first quarter, and 1Q24. Therefore, we forecast performance for this quarter to be flattish.

Lastly, for Components and Other products, we expect this segment to see significant growth both QoQ and YoY, mainly due to an increase in shipments of key components.

Overall, for 2025 outlook, we see even more variables than during the last investors' conference. We believe that apart from tariffs, geopolitics, and FX changes within the global economy impacting the macro-environment, our sales forecasts remain largely unchanged. However, due to FX fluctuations, we may be impacted when converting other currencies to NTD.

As such, compared to March, our outlook for 2025 is more conservative. We slightly adjust our outlook for 2025 to significant growth. As for our outlook for our four major product segments, our stance remains unchanged. Cloud and Networking products continue to be our main growth driver, especially given the high visibility for AI server products.

Next, I would like to address new business developments.

Recently, due to rapid political and economic changes, the supply chain has faced great challenges. However, we foresaw that regional manufacturing would become a major trend 4-5 years ago. At that time, we worked on expanding our production capabilities to each geographical region. With agile supply chain management and regional manufacturing, we have already established 233 stable locations globally, crossing 24 countries. Apart from major production in Asia, we also have more than 54 locations in the Americas and 10+ locations in each Europe and India. Our accumulated experience in regional manufacturing in each geographical area and abundant human resources enable us to respond quickly to customer demand.

This year, our Cloud and Networking products are still a major growth driver. In 1Q25, AI servers performed strongly, growing 50% YoY. This demonstrates that demand for computing power is still very strong, with shipment volume significantly increasing for both AI and general servers.

From a customer's perspective, this year, major North American CSP manufacturers have announced that they will continue to expand their investment in AI infrastructure. Driven by substantial growth in training and reasoning AI, purchases of general servers have also increased simultaneously, which is why our overall server shipments have grown significantly.

As our level of automation continues to improve, the production yield is also getting better and better　As I mentioned during our last investor's conference, we expect AI server performance to improve each quarter. Thus far, we expect in second quarter AI server revenue will nearly double both QoQ and YoY. Along with AI servers entering high-volume deliveries, we expect even more significant contribution to our revenue, with AI server reaching our target of 50% of overall server revenue.

Next, I would like to share our developments in smart manufacturing and digital health.

In March at GTC, we showcased our AI Factory smart manufacturing applications. This was the first time we debuted Nurabot, which can safely help deliver hospital samples for testing, as well as our Semiconductor Hybrid Robot, which is integrated with automated material handling capabilities.

In addition, we have also introduced digital twin technology in projects such as server production lines, robot assembly, and final assembly simulation in electric bus manufacturing plant, which has helped us improve production efficiency and facility planning capabilities.
For GenAI, we have also actively implemented Agentic AI's intelligent management technology, hoping to improve the manufacturing plant's operational efficiency and data integration capabilities.

On EVs, I believe everyone has received the good news of our collaboration with Mitsubishi Motors. In the future, we expect to assist Mitsubishi in selling models we design and develop for Oceania. This hits one of our most important EV milestones: securing orders from traditional automakers. Step by step, we are realizing our EV business goals.
Last month, in Tokyo, we hosted a seminar detailing our three major EV strategies, attracting hundreds of Japanese automotive industry professionals. They were highly interested in our contract manufacturing services (CMS), and contract design and manufacturing services (CDMS), in addition to our vertical integration, global deployment strategy. We hope that our collaboration with Mitsubishi Motors will open the doors for more collaborations with international automotive companies including traditional Japanese automotive OEMs.

Additionally, we expect mass production for the MODEL B crossover SUV, a highly anticipated model, to occur in 2H25. On batteries, our Ho Fa Battery Plant now has mass production capability, and has already started providing products for customer testing. Going forward, we will complement the planning progress of domestic electric bus and commercial vehicle customers to assist in meeting the annual goal of localizing electric vehicles.

On semiconductor developments, automotive products are on track for mass production in 2Q25. We possess technical specifications that are superior to the industry in the field of next-generation SiC MOSFET, which can significantly improve power conversion efficiency and reduce energy waste. We expect this to enter mass production in 2H25.

As for 3DIC design services, we have also entered this high-barrier market to become a rare Taiwanese supplier that can provide this service. We also expect to start providing design services for AI ASIC this year and expand our business footprint in Europe, the US, and Southeast Asia.

I believe that everyone has also seen that we have acquired 100% of Fukuyama 8-inch Wafer Fab. Going forward, we hope that we can improve our vertical integration capabilities and ability to satisfy the supply chain through the Fukuyama plant. At the same time, we hope to diversify our production bases through the Fukuyama plant.

In the area of Low Earth Orbit (LEO), we have actively continued to participate in the Taiwan Space Agency's projects. We are also integrating top domestic and international competencies and resources to fully design, manufacture, and test 6G deployment.

Next, Foxsemicon, which is under Hon Hai Group, has acquired FairTech, which will help with our future development in the aerospace industry and allow us to enter the drone industry, and in the future, we will integrate our existing technologies to create more applications.

The above are our new business developments. Next, I will hand over the call to James. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Thank you. I will share some major recent developments with everyone.

First, Kathy Yang, our Global Chief Campus Operation Officer has taken the baton as a rotating CEO, symbolizing our Group's succession system is moving towards a more sustainable and diversified approach.

Next, is what our Chairman mentioned, that our CSO, Jun Seki, has held an EV strategy seminar in Tokyo, Japan.

Moreover, our CPO, Jerry Hsiao, was elected as a Board Member of National Association of Manufacturers (NAM) in the US. This also further emphasizes Foxconn's important position in the global manufacturing industry as well as the fact that we are gaining more prominence in the US.

On Smart City developments, we have started working with the Taipei City Government to co-create an AI-Driven Future Taipei, a Smart City solution.

Moreover, our EV Bus "Digital Twin for e-Bus Depot Operation" was awarded the 2025 Smart City Innovative Application. This also demonstrates our ability to apply AI in smart transportation.

On research and innovation, we have recently joined LOT Network to help protect our intellectual property.

Additionally, we have been recognized as a Top 100 Global Innovator for the eighth consecutive year, a testament to our long-term efforts investing in research and innovation.

On research on technologies, Hon Hai Research Institute has had a breakthrough in inter-satellite optical communication in a joint research effort with NTU and Japan's NICT, and also successfully mastered the key technologies for next-generation transistors through international collaborations in the application of fourth-generation semiconductors,.

On ESG, we have also seen progress in many areas. First, we were included in the S&P Global Sustainability Yearbook for the first time and received the "Industry Mover" award, indicating our large improvements on the ESG front. We also expanded our RBA VAP to integrate audit across 9 global sites. Last month, we presented our second Hon Hai - Foxconn Sustainability Awards to encourage employees and suppliers to continue progress in endeavor for ESG.

In terms of recent exhibits, at NVIDIA's GTC this year, we unveiled our latest generation of GB300 AI servers and shared the latest applications for our three major platforms to demonstrate our R&D capabilities and integration abilities in AI servers.

Moreover, we participated in the Taipei AMPA to showcase our progress in EVs, automotive components, and locally-made batteries.

Email : ir@foxconn.com | **Website** : https://www.honhai.com/en-us/

Lastly, we will be participating at COMPUTEX next week, and we welcome everyone to join us to view the latest generation of AI server racks and the application of robotics across our three major smart platforms.

Questions and Answers

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Thank you, James. Next, we will move to the Q&A session. We'll go through questions that were raised in advance of today's call and answer those first. After that, we will open the floor to any questions.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Question 1: First question is on tariffs. Currently, there are major shifts in global tariff policies. How should we evaluate its impact to Foxconn, including production capacity adjustments and global strategy. What are your corresponding strategies, and what advantages and challenges will these changes bring? Thank you.

Young Liu *Hon Hai Technology Group – Chairman*
Due to recent changes in tariff policies, the largest obstacle for corporates is the degree of deployment for global strategy and the resilience of the supply chain. Thankfully, we started our regional deployment many years ago to better respond to customer demands. Hence, on this front, impact is relatively small.

In order to respond to geopolitical risk and the diversification of the global supply chain, we are continuing to deploy our production capacity overseas and continue to speed up our preparations to improve our regional manufacturing and local delivery abilities. Our global manufacturing sites and offices grew by over 10% last year, reaching 233 locations, as a testament to our deployments.

Thus far, our production lines in Mexico, India, Vietnam, and Europe are also gradually falling into place and have effectively increased the company's agility and ability to mitigate risk. Our plans for new business developments in Taiwan, US, China, and India are also ongoing.

Even though tariffs may cause short-term raw material and logistic costs to rise, through vertical integration and customer negotiations, we continue to aim to maintain stable profitability and continue to maintain competitiveness through production automation and economies of scale.

Tariff policies will bring challenges but also help us increase speed in global deployment and stimulate our Group's rapid transformation. For new business deployment and serving diverse customers, this has actually created a long-term opportunity.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Question 2: Thank you. The next question is on FX impact. Recently, the New Taiwan dollar has appreciated rapidly against the US dollar. We would like to know how we should think about gross margins and foreign exchange gains/losses. Under the current revenue and cost structure, what is the mix of USD? Moreover, what is the status on USD denominated assets and liabilities? What are Foxconn's strategies on mitigating the impact of the rise in value of the NTD?

David Huang *Hon Hai Technology Group – CFO*
Our main transactions are done in USD and as such, our revenue costs are largely in USD. This is a natural hedge. However, our financials are reported in NTD. Hence, any large shifts in NTD to USD exchange rate will affect our NTD revenue performance.

On profitability, the major impact will be on operating inventory costs and non-operating profit and loss. For example, when the NTD to USD exchange rate changes by 1 on average over the course of 1 year, the impact to our revenue would be 3%, while the impact to the gross margin would be 0.1%. Thus far, we will continue to minimize risk of the depreciating USD through inventory management mechanisms. Non-operating income and loss will indeed be impacted by FX fluctuations. However, we have taken the measures to hedge against this to minimize risk. In addition, the company has a policy in place to address exchange rate fluctuations. For example, our contracts with our customers involve clauses for FX fluctuations. We could also respond by increasing the frequency of price quotations for customers as well as using appropriate financial hedging instruments to hedge the exchange rate risks arising from operating investments and financing activities. We have multiple strategies to decrease risk.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Thank you. This is the last question for this section. For those who want to ask questions, you may now click the "raise hand" button. After the next question, we will open the floor for questions from investors and media.

Email : ir@foxconn.com | **Website** : https://www.honhai.com/en-us/

Question 3: The question is about AI Servers. Could you elaborate on the differences between the forecast for 1Q25 versus the actual performance? And has your outlook for 2Q25 and full year 2025 server revenue changed?

Young Liu *Hon Hai Technology Group – Chairman*
In the first quarter, we benefited from the continued growth in computing power demand and the promotion of new platforms. The shipment performance of AI servers and general servers increased significantly, and the year-on-year revenue growth exceeded 50%, but did not double. This is mainly due to the GB series entering mass production at the end of 1Q25. Therefore, most products will be delivered in 2Q25 instead.

From the market's perspective, the North American CSP customer continues to expand its AI server deployment while increasing its general server purchases, supporting server shipment growth.

As for the outlook for 2Q25, we hope that the server segment will continue to grow and reach high double-digit growth for both quarter on quarter and year on year growth. On AI servers, the mass production of the GB series continues to. Moreover, we have also worked closely with multiple CSP customers on ASIC-based AI servers, which we have also started shipping. In addition, HGX demand will continue to expand. As such, AI server shipment volume is ramping up and we expect multiples of growth.

Under the conditions of improving Large Language Models (LLMs), the market has increased demand for AI infrastructure as well as local deployment solutions. Thus far, our visibility for customer orders and customers' forecasts informs us that we should be very confident about AI server revenue growth, forecasting it to reach over NT$1 trillion in revenue, and becoming over 50% of our overall server revenue.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Thank you, Chairman. Now, we will move to Q-and-A session for online investors as well as media. English questions are also welcome.

James Wu *Hon Hai Technology Group – Spokesperson*
First question will be from Sharon from Morgan Stanley, please.

Sharon *Morgan Stanley - Analyst*

Question: Hello, I am Sharon. I have two questions. My first question is about India's flagship smartphone manufacturing. One of your large customers mentioned recently during an online meeting that India-produced smartphones will be able to satisfy demand from the US market. Could you give us a hint on your plans for smartphone assembly capacity in India? Apart from assembly, are there other components that will be produced and supplied in India? Also, on profitability, will the profitability from India smartphone assembly match China's margins? As we understand, production efficiency in India could still be improved in terms of efficiency. Will this impact the profitability for the smart phone segment?

My second question is, as you mentioned, you have always been preparing for regional production, involving many countries globally. I would like to know if you could give us an update on overall capex for this year? Will it be higher than what we previously expected by 20%? How will you distribute this extra capex, especially for major production sites such as Mexico, US, and India? Also, today, we are interested in the Middle East. Do you have any plans for AI production capacity expansion in the Middle East? Will capex continue to remain high? If we assume that capex remains a large cost and that working capital continues to increase, apart from raising debt, do you have near-term plans to raise capital?

Young Liu *Hon Hai Technology Group – Chairman*
Thank you, Sharon. We do not comment on specific customers or specific customer's products, but we can comment on India overall. Overall, the deployment and expansion into each geographical region requires long-term planning, especially on technological competencies. We have strong training competencies and a large enough factories scale to quickly train employees. In recent years, our largest scale can reach over 900,000 employees, a testament to our comprehensive management system and training capacity.

For India, we entered the market in 2006. From then up until now, we have accumulated the ability to manage employees, supply chain management, and logistics management abilities. These are major competitive advantages and reasons for our ability to grow internationally at a rapid pace.

On global deployment, we will closely follow customer demand, including in future production capacity planning, assembly, and component production deployment. We are seeing more and more suppliers investing in production facilities in India. We believe that India's production competencies will gradually become apparent.

I will ask the CFO to answer the second question.

David Huang *Hon Hai Technology Group – CFO*
Thank you, Chairman. During our last investors' conference, we mentioned that this year, due to new business opportunities, and collaboration opportunities, we expect capex to increase by 20%.

We do not change our view on the 20% increase in capex. Within this capex, 60-70% will be for expanding production capacity, this includes India, Vietnam, US, and Mexico etc. That said, we do not see this for the Middle East yet for this year.

On our new businesses, we believe we will gradually start to see contributions. We will be expanding new energy-related businesses in China, as well as new investments in the US, India, and Taiwan. Over the past few years, our continued diversified global footprint has also enabled us to respond to changes in international trends. Through our regional manufacturing abilities, we can quickly and flexibly satisfy consumer demand. As for capex for next year, due to the many macroeconomic factors, we need to continue to observe the situation before we gain any visibility.

Moreover, as our financial management strategies all involve proactive planning and close work with our customers, we have already planned for both short and long-term financial needs, and we will use appropriate financing instruments to satisfy our requirements for short and long-term financing in response to the macro-environment to maintain our company's structural and financial stability. As such, from 4Q24, we have already completed the issuance of NT$29.85 billion in corporate bonds and US$700 million in overseas convertible bonds.

Young Liu *Hon Hai Technology Group – Chairman*
As you mentioned our Middle East AI deployment, I can answer this part. We can look at this from two perspectives. Firstly, we have been established in Saudi Arabia for many years. As everyone knows, in the EV sector, this includes our previous joint venture CEER with PIF to establish an electric vehicle company, and subsequently, FIT has also partnered with well-known local enterprises to develop EV charging devices. On ICT, we already have collaborative projects underway locally.

At the same time, in the AI supply chain, we have established strong collaborative relationships with upstream chip suppliers and important downstream customers. In addition, Foxconn's vertical integration capability and global presence have allowed us to work closely with the entire supply chain from up to downstream. We believe we will be involved in all of these important endeavors.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Angela from KGI, please.

Angela Hsiang *KGI Securities- Analyst*
Question: I have questions on demand and supply. First, on the demand side, you have mentioned that due to tariffs, some customers have accelerated their pull-in. I would like to ask about which product lines you see obvious pull-in in 1H25? Are you worried that the momentum for these products will be lower in 2H25 compared to 1H25?

Young Liu *Hon Hai Technology Group – Chairman*
From the performance of our four product segments in 1Q25, two segments including Computing and Smart Consumer Electronics have seen strong or significant growth when compared to the same period last year. This is something that has rarely been seen in the past 5 years, except during the pandemic when production and shipment schedules were adjusted. I believe these performance is likely driven by pull-in orders due to the tariffs.

From our April revenue performance, we see that the momentum for pull-in of Smart Consumer Electronics Products continues, though we still expect a gradual shift into the traditional slow season in 2Q25. On Computing products, we expect 2Q25 performance to be flat.

As the tariff situation is currently not clear and the economy facing uncertainty, we will continue to closely observe changes in end demand. Thus far, due to the large and rapid changes in the macro-environment, we are more cautious on our outlook for 2H25.

This year, I believe the macro-environment may be challenging. Nevertheless, under Foxconn's competitive advantage of global deployment, I believe we will actually be able to leverage our supply chain advantages to gain more opportunities to secure more orders.

Angela Hsiang *KGI Securities- Analyst*
Question: Thank you. Next, on the supply side, I understood just now that there is early pull-in for consumer-related products. On AI, you also mentioned that in 2Q25, there may be more mass production and more promising outlook. From the supply chain's perspective, some components, and even upstream chips, have already seen larger volumes in the past two quarters. I would like to ask if there are any bottlenecks in the final

Email : ir@foxconn.com | **Website** : https://www.honhai.com/en-us/

assembly and delivery process to customers, that need to be addressed, or is everything expected to run smoothly moving forward?

Young Liu *Hon Hai Technology Group – Chairman*
Our business model does not allow us to comment on specific customer's products. However, I can provide an overall perspective on the question. Thus far, we see that AI server rack production, is ramping up with yields also increasing. Overall, I believe performance will continue to improve.

In April, we can see from Cloud and Networking Product revenue that this segment has seen strong growth both month on month and year on year. From this, we can tell the contribution from AI server rack growth. Along with mass production getting more mature, I believe that our AI server racks shipments will continue to grow in the coming quarters, with each quarter improving from the last.

For system-level AI server racks production, there is large efforts for software and hardware integration testing. Our engineers also continue to improve our production processes and increase automation to increase our production efficiency through working with our customers. Thus far, our engineering capabilities have enabled us to effectively assist customers in resolving both hardware and software issues and requirements, earning significant recognition from our clients.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Carrie from Citi, please.

Carrie Liu *Citi- Analyst*
Question: My first question is on GB200. You mentioned that, thus far, most production bottlenecks have been resolved. From your perspective, do you see that due to lower mass production volume for 1Q25, that the forecast for 2025 orders has changed?

Young Liu *Hon Hai Technology Group – Chairman*
To answer this question, we are seeing a strong order backlog; the key now is whether our production and testing can catch up with customer demand.

Customer demand is currently not a bottleneck. You can imagine how many GPUs and connections would be on one AI rack, and imagine how long it would take to test them all when each one requires testing. I believe that this would be the challenge for AI server development going forward. That said, I believe that if we invest enough resources into this, these challenges can be surmounted. Demand is overwhelming.

Carrie Liu *Citi- Analyst*
Question: I would also like to follow up on the production bottleneck. GB200 is a new product for everyone and has high production complexity. However, GB300, its next generation, hopes to see improvements in design. Under these conditions, the supply chain is expecting production to go more smoothly. At the same time, the performance should be better than GB200. There has been chatter that our end customers may have a demand to shift from GB200 to GB300, leading 2025 shipment to be lower than expected. Is this what you see, or is this not the case?

Young Liu *Hon Hai Technology Group – Chairman*
I can say, "That gentleman is coming." I suggest you ask him this question when he arrives. Again, we do not comment on specific customers or specific products. In general, I can say that our experience in producing GB200, including design, heat dissipation system, automation and testing technology, can help us to greatly shorten our future production times for AI server racks and flatten learning curves, whether it is for GB300 or others. I believe that this will only improve in the future.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Jacky from SET iNews, please.

Jacky Fang *SET iNews- Reporter*
Question: In the beginning of the year, we spoke about Foxconn getting its third pillar. We have also seen good news shortly after, that you have received EV orders from Mitsubishi. Could you elaborate on your plans for collaboration with Japanese car players? Moreover, are there any traditional car players you are in the talks with? Especially traditional car players?

Young Liu *Hon Hai Technology Group – Chairman*
For our MOU with Mitsubishi Motors, which we worked on for nearly a year and hinted the good news to everyone, we still worked on the case for a long time. As for other automakers, we, of course, have made contact with them and have also made progress. However, we will not announce anything unless it's confirmed at the end. Please stay tuned.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Pei Ying from TVBS News, please.

Pei Ying *TVBS News- Reporter*
Question: Computex will be held next week. and the Chairman's keynote session is already fully booked. Could you give us a sneak peak of what you will be sharing and hint to us whether there will be a special guest appearance?

Young Liu *Hon Hai Technology Group – Chairman*
Thank you, Pei Ying. Our Keynote at Computex this year will be themed around AI Factory, combining our three major platforms with robot applications. We will be sharing how Foxconn has transformed from manufacturing services to platform solution provider. As for whether "that special guest" will appear, of course we will have a special guest. However, I'll keep it a secret for now. Please stay tuned.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Albert from JP Morgan, please.

Albert Hung *JP Morgan- Analyst*
Question: I have two questions. I remember that back in 2019, you mentioned the trend of regional production sites. Recently, this has become a trend in the industry. You have also mentioned capex increases, and the previous earnings call from our peers also mentioned that CAPEX would rise. I would like to know whether investors might be concerned that an industry-wide increase in capex may cause a decrease in ROIC? Or is it because the current geopolitical and economic environment is different, and now the so-called Regional HUBs are driven by customers, making them more willing to invest more in different production locations? That is my first question.

Young Liu *Hon Hai Technology Group – Chairman*
I will answer this question first. Our business model is primarily EMS based, where we generally reflect manufacturing costs plus a markup to our customers. This is something that customers would have to adapt. As for whether customers are willing to absorb this, I would like to explain that our cost structure is approximately 90% raw materials, with labor costs only around 5-6%. Thus, this 5-6% increase has a limited impact on overall costs.

I believe that, first, our customers need to make the final decision, and secondly, I believe it is a trend. Customers may have no choice but to adapt to this new trend. As for what you mentioned about factors from the US, it has also accelerated our customers' adjustments.

Albert Hung *JP Morgan- Analyst*
Question: Thank you. My second question is on the Middle East. My primary calculations have shown that this customer in the Middle East may contribute to 700-800 NVL 72 racks or even 1,000 racks per year. I understand you cannot comment on specific customers. That said, under this scale of 1,000 racks per year, will the customer possibly go from purchasing standardized products from Supermicro or Dell to doing ODM direct with companies like Foxconn and Quanta to design customised products? Will you be actively trying to obtain orders from these customers?

Also, as you mentioned that GB system production will increase, is this increase mainly due to increased yield? Or would it be possible to increase production capacity or equipment or ability?

Young Liu *Hon Hai Technology Group – Chairman*
Our capacity expansion is quite substantial. since we work very closely with our customers, these expectations are the result of discussions with them. This production capacity, through working on understanding customer demand and our continued improvement of manufacturing efficiencies, the shipment volume will keep increasing. This is why we expect continued quarter on quarter growth.

As for the Middle East, I believe you have all heard of this opportunity earlier. Such large demand, I believe, will have to be balanced between branded and direct purchasing. This balance is something that we have to work on through discussing and planning with our customers.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Arthur from Fubon, please.

Arthur Liao *Fubon Securities- Analyst*
Question: I have a few questions that go back to production. Your company's revenue is mostly from US-based customers, but production is mainly in China. I would like to seek your opinion, especially on smartphones from your largest customer. The revenue share from the US for this product line is about 30%, followed by China at 19%, and then Europe.

Interestingly, the sales of this product line to Southeast Asia, Japan, and India combined account for about 21%. If we want to avoid tariffs, does the company need to produce all products sold to the US in India? For the Indian market's production capacity, thus far, it should not be large enough to fulfill the US market's demand. Do you or your customers have any plans on this front? As you mentioned, there are many uncertainties here. I would like to hear your opinion on global deployment and planning with customers?

Young Liu *Hon Hai Technology Group – Chairman*
This is still a question on a specific customer, which I cannot answer. However, I can answer on the overall situation. Overall, our customers are all thinking of ways to diminish the impact from tariffs. There are many ways to do that.

One way is to change production locations to regions with lower tariffs. Another way would be to make adjustments or new arrangements on products content. For example, increasing local content within the products and manufacturing specific components in different production locations. These are all happening. Moving forward, you can verify with the customers you're concerned about to find out what approach they are adopting.

Arthur Liao *Fubon Securities- Analyst*
Question: Secondly, on ASIC servers, are you currently doing level 10? Is your customer large CSP from North America? Moreover, I have seen that the company has made investments in Houston. Would you be able to comment on whether this is also front-end AI Server assembly? My thought is that as the US is most concerned with moving production back to the US, and TSMC may be producing higher-end chips in the US in the future, will the customer likely move higher-end production to Arizona and complete the more front-end processes, before L6, there? Is this something that could happen in the next 2-3 years?

Young Liu *Hon Hai Technology Group – Chairman*
As for what is being done in the US, your logic is correct. ICs made there will, of course, be turned into modules, PCBA, assembled into servers, and then into racks, ultimately reaching level 11. As for the order and timing, it would depend on the readiness of the entire supply chain.

Regarding the ASIC, indeed, our CSP customers, as you know, develop their own ASICs. The CSP Customer's ASIC manufacturing process will be up to level 10.

James Wu *Hon Hai Technology Group – Spokesperson*
As the time is now 3:59pm, we have time for one final question. Next question comes from Kaylin from Macquarie, please.

Kaylin Tsai *Macquarie - Analyst*
Question: I looked at your revenue outlook for 2025. That said, looking at the different product segments, in terms of direction, it does not seem to have changed. I would like to know if the adjustment on outlook for all product segments is because of FX impacts? Do you see any larger downsides for specific product segments

Young Liu *Hon Hai Technology Group – Chairman*
You are correct that it is due to FX impact. However, we do not know how low the NTD to USD exchange rate would go. As we continue to emphasize, we err on the side of caution in terms of potential FX changes. Hence, our outlook on NTD revenue has been lowered, but we do not change our outlook on USD revenue.

James Wu *Hon Hai Technology Group – Spokesperson*
Above is all of the content for our investor's conference this time. As the time is now 4:01pm, we will end our conference here. If investors or media have any further questions, please feel free to reach out to our IR team. Thank you everyone, good bye.

Disclaimer

CONFERENCE CALLS. IN NO WAY DOES THE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN ANY TRANSCRIPT.