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TRANSCRIPT

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Investor Conference Call on
FY25 Second Quarter Financial Results

Corporate Participants

Kathy Yang

Hon Hai Technology Group – rotating CEO

David Huang

Hon Hai Technology Group – CFO

James Wu

Hon Hai Technology Group – Spokesperson

Kristen Fang

Hon Hai Technology Group – Senior IR Manager

Conference Call Participants

Sharon Shih

Morgan Stanley – Analyst

Angela Hsiang

KGI Securities – Analyst

Wayne Liu

Neuberger Berman – Analyst

Dylan Hou

Commercial Times – Reporter

Min Yang

FTV News – Reporter

Arthur Liao

Fubon Securities – Analyst

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

Presentation

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*

Hello to all the investors and media. This is Kristen. Welcome to Hon Hai's Second Quarter 2025 Investor Conference Call. Joining us today, are rotating CEO Kathy Yang, 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 second quarter of 2025, business outlook for the third quarter of 2025 as well as full year 2025, new business developments and recent major events.

I will now hand over the floor to CFO David to detail the 2Q25 financial performance.

David Huang *Hon Hai Technology Group – CFO*

Thank you, Kristen. Hello everyone. I am David Huang. The company has been implementing the rotating CEO system for over a year, and we are now on the second term. Overall, it is increasingly running on track. In line with the Group's core values of "Share, Collaborate, and Thrive", starting this quarter, we will invite the rotating CEO to participate in the earnings conference. We want the CEO to have direct exchanges with everyone.

We would like to take this opportunity to outline the arrangement for the four quarterly earnings conferences in a year. The Chairman will preside over the March and November sessions, reviewing the past year's achievements and sharing the outlook for the coming year. The rotating CEO will preside over the May and August sessions.

Our current rotating CEO, Kathy Yang, assumed the position in March this year. She also serves as Global Chief Campus Operation Officer and is responsible for integrating global campus operations. In the face of pressures from a changing geopolitical landscape, we are relying even more on Kathy's professional expertise in supply chain management to strengthen the Foxconn's global presence.

Next, I am going to start with some highlights on Foxconn's financial results for the second quarter of 2025. Firstly, please refer to page 5 of the presentation for the 2Q25 income statement.

The revenue for 2Q25 was NT$1.79 trillion, an increase of 16% compared to the same period last year — the highest level for the same period in our history. If calculated in USD dollars, this is an annual increase of 18.6%.

In terms of profitability, gross margin was 6.33%, a YoY decrease of 0.09 percentage points, mainly due to FX rate impacts. The operating margin was 3.16%, a YoY increase of 0.28 percentage points, primarily benefiting from a decrease in the OPEX ratio. This was because revenue grew by 16% this quarter, while expenses only increased by 4%. Overall, the operating margin performance is in line with our previous expectation at the start of the year that it would be similar to last year's operating margins.

In 2Q25, net profit margin was 2.47%, a YoY increase of 0.21 percentage points. On EPS, the 2Q25 EPS was NT$3.19, an increase of NT$0.66 from the same quarter last year.

Looking at page 6 for the balance sheet. As of the end of June 2025, cash and cash equivalents was NT$870.5 billion. Net cash of NT$243.6 billion, down NT$164.9 billion from the end of June last year. This is mainly attributable to the impact of FX rate fluctuations, increased working capital needs driven by revenue growth, and capital expenditures that were NT$14.1 billion higher than in the same period last year.

Cash conversion cycle was 48 days, a YoY increase of two days. This ismainly due to significant revenue growth, which in turn drove corresponding increases in accounts receivable and inventory.

Debt ratio was 61%, an increase of 4% YoY. This is mainly due to a growth in revenue, which led to an increase in accounts payable and borrowings.

Finally, looking at the cashflow statement on page 7. As of the end of June 2025, cash inflow from operating activities was NT$21.9 billion, down NT$21.9 billion compared to an inflow of NT$43.8 billion in the same period last year. This was mainly due to continued pull-ins for new products, in line with customers' inventory builds.

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Free cashflow was a net outflow of NT$55.3 billion, an increase in outflow of NT$36 billion compared to the same period last year. There are three main reasons. Firstly, capital expenditure was NT$77.2 billion, up NT$14.1 billion YoY. Second, operating cash inflow decreased by NT$21.9 billion YoY.

Here I conclude the summary of the financial results for 2Q25. Now, I would like to turn the call over to our rotating CEO, Kathy.

Kathy Yang *Hon Hai Technology Group – rotating CEO*

Thank you, David. Hello everyone, I am the current rotating CEO, Kathy. I am very pleased today to be able to represent Foxconn alongside David and James to share the content of today's earnings conference with our investors, analysts, and the media.

Next, I will walk you through a review of 2Q25, give you an outlook for 3Q25, and a full-year guidance. Of course, I will also cover important business developments that are of great interest to you all. So, let's begin the first part of it.

First, let's take a look at the overall performance in 2Q25. Our revenue hit a record high for the same period in our history and showed significant growth compared to the previous quarter. Overall, performance was largely in line with our original expectations. Compared to the same period last year, I think we can conclude that we experienced strong, robust growth. This performance exceeded our expectations. If we measure in US dollars, our overall results showed strong momentum, reflecting our growth momentum and operational resilience.

From a product mix perspective, driven by the strong growth of AI servers, the share of Cloud and Networking Products increased significantly, up 9 percentage points YoY to reach 41%. This means Cloud and Networking Products performed very well in 2Q25. And, for the first time, Cloud and Networking Products surpassed Smart Consumer Electronics. This shift is steering our product mix toward a more balanced structure.

Looking at the four product categories, Smart Consumer Electronics outperformed expectations, and Components and Other Products delivered better-than-expected YoY performance as well. However, Computing Products lagged slightly behind expectations compared to the same period last year.

In terms of overall profitability, our 2Q25 results for revenue, operating income, and net profit after tax all reached record highs for the same period in our history. This, once again, proves that despite uncertainties in the macroenvironment, Foxconn can continue to rely on a solid strategic layout and adaptability to achieve strong operational resilience, delivering stable and growth-oriented performance.

Let me walk through the 3Q25 outlook.

So far this year, AI has been our primary growth driver. In addition, with ICT products entering peak season in 2H25, order shipments are gradually heating up.

Next, looking ahead to 3Q25, we expect significant growth compared to both 2Q25 and 3Q24. However, we should continue to pay close attention to the potential impact of tariffs and FX fluctuations.

Next, let me go over the performance of the four product categories in detail.

First, in Smart Consumer Electronics, we have begun preparations for our upcoming new product launches. Therefore, we expect QoQ growth for 3Q25 to be strong. This category involves a wide range of products. In terms of unit volume, we anticipate it will be roughly flat YoY. However, due to FX effects, the outlook for this segment will slightly decline YoY.

Second, in Cloud and Networking Products, with AI server opportunities gradually ramping up and strong demand for general purpose servers this year, we expect this segment to maintain strong growth and continue to be the largest revenue driver for the year.

Third, for Computing Products, demand in 3Q25 looks to be better than what we expected during the last earnings call. But in the second quarter and for the same period last year, there were new product launches, in addition to an early inventory pull-in effect due to tariff issues. As a result, the base for comparison is relatively high, so 3Q25 performance is expected to decline slightly.

Lastly, for Components and Other Products, our key business is in shipment of components. I believe this segment will see significant growth both QoQ and YoY. The above is our outlook for 3Q25.

Next, moving onto our full year 2025 outlook. Overall, for 2025 outlook, we maintain our stance of significant growth. However, FX fluctuations could affect revenue when converted into NT dollars. In addition, changes in tariffs, geopolitical factors, and global monetary policy could bring about uncertainty to the economy. Taking all these factors into account, we are taking a more cautious stance toward this year's outlook.

As for our four primary product segments: Cloud and Networking Products remain, without question, our strongest growth momentum. Our visibility for AI server products is also excellent. For Smart Consumer Electronics as well as Components and Other Products, we adjust their full-year outlooks down slightly due to the impact of FX fluctuations.
In contrast, we revise our outlook for Computing Products up slightly, mainly because demand in 3Q25 is expected to be better than anticipated, which means the degree of decline for the full-year will be smaller than we had previously thought.

Over the past three months, the overall business environment has undergone significant changes, and we know that many of you are closely watching Foxconn's strategic positioning.

With that in mind, I will now share updates on several new business developments, which I believe are of interest to you.

First, on our AI server business, which is currently the most closely watched segment in the market. As you see from my presentation, AI servers continued to perform strongly in 2Q25, with growth exceeding 60% YoY, fully demonstrating the rapid expansion of AI computing and strong momentum in the industry. Looking ahead in 3Q25, we expect AI server revenue to grow more than 170% YoY, with rack shipments projected to rise 300% QoQ. This indicates that our customers' pull-in momentum continues to strengthen. Based on the market demand we are currently seeing, full-year AI server revenue is expected to surpass the NT$1 trillion mark.

Moreover, I believe many of you have noticed that several important clients have recently emphasized in their earnings calls that investment in AI infrastructure will continue to expand. As such, we also anticipate that related capital expenditures will extend through 2026 and beyond. These signals confirm our view that AI is not a temporary fad, but a true industrial revolution and a structural, long-term growth trend. We expect market demand for high-performance computing power should continue to rise. As a leading global technology manufacturing services platform, Foxconn will keep assisting its customers in expanding

their AI infrastructure. Our goal is very clear: In this AI wave, we help customers seize this rapidly growing opportunity.

To further strengthen our AI infrastructure strategy, as many of you know, at the end of July, we announced a major collaboration. Our alliance with TECO via a new shares exchange, a first. This is a highly complementary alliance, where both parties leverage their respective strengths and resources. By combining TECO's expertise in infrastructure with our capabilities, we can accelerate our creation of more comprehensive and competitive modular data centers, what we refer to as MDC one-stop solutions.

In response to the rapidly growing demand for AI computing power in the US market, we will also revitalize our Ohio site to manufacture cloud and networking products. This an important investment to further strengthen Foxconn's position in the global AI industry and serves as proof of our robust partnerships and our comprehensive worldwide footprint.

I also want to emphasize that Foxconn's ability to demonstrate such strong competitiveness in the AI sector today is the result of our long-standing accumulation of core strengths in the ICT industry. This foundation comes from continuous investment in vertical integration capabilities and R&D technology, enabling us to build significant competitive advantages across multiple fields, including servers, data centers, and end products. These advantages not only solidify our market position but also deepen our long-term capabilities and strengthen our relationships with customers. We will continue to focus on enhancing these core competencies going forward. In addition, Foxconn's economies of scale and global footprint allow us to respond quickly to AI trends and seize early opportunities, extending AI applications from cloud infrastructure to edge computing and a diversified range of AI end products.

Overall, Foxconn's core competitiveness is the key to our ability to participate fully in the AI era without missing a beat, and we have strong confidence that Foxconn will be one of the leaders in this AI wave.

Next, let's turn to the latest developments in our EV business. First, in the auto segment, we have officially signed a contract with Mitsubishi Motors to jointly enter the Australian and New Zealand markets, with production planned for 2H26. This represents a very important milestone in Foxconn's EV development.

Naturally, we also see that there is strong interest in the MODEL B crossover EV, which is

now in the final stage of launch preparations, with the related work scheduled for completion in 4Q25. As for the (North American variant) MODEL C, it has entered the certification process in the US, and we are actively preparing to expand into that market.

Moving on to batteries, construction of our He Fa Battery plant in Kaohsiung has been fully completed, and it has already entered mass production, supplying customers in the electric passenger and commercial vehicle sectors. To meet the recent surge in customer demand, we are actively ramping up the plant's capacity. Our target is to achieve a monthly production capacity of 25,000 units by the end of 3Q25. Lastly, our e-bus plant in Qiaotou, Kaohsiung, is expected to obtain its operating license in 3Q25 and will be ready for production by the end of the year.

Overall, Foxconn's EV operations are steadily transitioning from strategic planning to full-scale production. We will continue deepening supply chain integration and expanding into international markets, driving forward our strategic positioning in the EV industry.

Next, is the digital health segment, where Foxconn's strategy focuses on the practical application of AI technology, integrating the strength of the entire group to deliver greater impact. We are advancing initiatives in AI-assisted nursing collaborative robots and digital twin smart hospital environments, while also introducing MONAI medical models to drive AI implementation in healthcare. Our Nurabot, nursing collaborative robot, has already been deployed in real medical settings, working alongside healthcare staff. We are also using digital twin models to simulate nursing station operation and human traffic flows, helping hospitals optimize operational efficiency and improve medical quality.

In terms of digital healthcare transformation, we are simultaneously advancing laboratory automation and digital medical transformation. In 4Q25, we plan to establish a new medical testing facility that will integrate precision diagnostic technology with skill-based distribution channels, laying a strong foundation for elderly care and preventive medicine. In short, Foxconn is actively creating new smart healthcare environments through AI technology and our ability to integrate its resources, addressing the challenges of an aging society while generating new growth momentum.

Turning to the semiconductor business, which has drawn significant interest, our overall deployment is progressing steadily. In the field of power semiconductors, we began shipping SiC wafers to Europe automotive customers in 2Q25. At the same time, we have initiated cooperation with a European electric drive systems manufacturer to develop next-

generation SiC modules, which are scheduled to be introduced to European automakers in 4Q25. Our SiC module plant in Hsinchu is also expected to receive certification and enter mass production in the same quarter.

For automotive processors, we have completed the initial design program and will begin pilot production in the fourth quarter. At the same time, we continue to invest in the development of automotive vision and display applications, with progress in line with our expectations.

Beyond automotive applications, our power IC products have been successfully integrated into AI server cooling systems, significantly enhancing system performance. This is further evidence of the expanding scope of our semiconductor technology applications.

In advanced packaging and global expansion, we have signed MOUs with France's Thales and Radiall, with plans to establish a joint venture focused on the space industry as well as advanced packaging and testing businesses.

In summary, these strategic initiatives will further strengthen Foxconn's role in the global semiconductor supply chain and enhance our long-term competitiveness.

Next, I'd like to share updates on our three key platforms: the third "3" in the Chairman's 3+3+3 framework highlighted in his Computex keynote. I will begin with Smart Manufacturing. Foxconn is combining manufacturing with AI to realize our Chairman's AI factory vision. On GenAI deployment, we are embedding advanced AI into design and production flows through our Genesis platform to enable cross-functional analytics and decision optimization. As the Chairman has emphasized, AI is not here to replace people but to offload repetitive work so our teams can focus on more creative work.

In industrial humanoid robotics, we are leveraging NVIDIA's Omniverse to develop multi-task collaborative robots trained through digital-twin technology, which boosts line flexibility, elevates throughput, and strengthens predictive maintenance. To truly achieve AI at scale, we need serious compute power. Drawing on Foxconn's NCP supercomputing resources, we train large models and deploy them across sites, while integrating our AI platform with Agent Store to build a complete ecosystem that continuously replicates and amplifies AI value. In short, Foxconn is aggressively bringing AI into smart manufacturing to make our operations more efficient and adaptable, laying a strong foundation for the future.

Turning to Smart EV, we have signed a joint development agreement with a German partner to create a new AI software platform, EV.OS. This is not just a technical collaboration, but a pivotal step in our EV software roadmap, and will be the core foundation for future in-vehicle systems.

On modules, we are working closely with an automaker in the Middle East to co-develop the next-generation EEA, delivering smart cockpit and smart gateway solutions. Preliminary cross-module integration testing has been completed. In terms of the smart cockpit, we will further incorporate AI technology to enhance the human-machine interaction experience, enabling users to operate the system easily using natural language without the need for highly precise commands.

On in-vehicle connectivity, along with key partners, we have developed a 4G TCU (telematics control unit) that was successfully installed in 1 million vehicles in 1H25, and we are steadily progressing toward an ultimate goal of 30 million vehicles.

Finally, in Smart City, we are actively bringing our CityGPT platform to international markets while deepening local deployments in Taiwan. Overseas, cooperation in Mexico continues to advance, and we have begun broader discussions with enterprises in the Philippines to bring our AI city solutions to more global municipalities. In Taiwan, we are expanding collaboration with Kaohsiung across traffic safety, public governance, and digital health, with the goal of mobilizing domestic software providers to build application services. We hope to use Kaohsiung as a flagship smart city showcase to catalyze Taiwan's software industry and extend these solutions to additional cities including Taipei, Yunlin, and Tainan to create smarter, more convenient urban living solutions.

Next, I will hand over the call to James for recent major business events. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

Thank you, Kathy. I'd now like to share some of the more notable recent events.

At Computex, our Chairman presented Foxconn's vision for the "AI Factory" concept, explaining how this initiative will form the core foundation for our operations across our three smart platforms. At the end of May, during our annual general shareholders' meeting, we reviewed Foxconn's achievements in innovation and transformation over the past few

years. We also confirmed a cash dividend of NT$5.8 per share, fulfilling our commitment to returning value to shareholders.

In June, we hosted our Group investor's conference. By holding one to two such events each year, we aim to give stakeholders deeper insight into Foxconn's capabilities and strategic deployment.

At the Hon Hai Research Institute, our R&D strength continues to shine. In 2Q25 alone, we published 15 international papers and 25 journal articles. We made breakthroughs in quantum technology and AI, including presentations at leading optoelectronics conferences and acceptance of our quantum cryptography research. The Hon Hai Research Institute also unveiled advanced chip research focused on AI server components, released a new multimodal trajectory prediction model, and won first place in an autonomous driving competition.

We are also committed to diverse community engagement initiatives worldwide, aimed at creating positive change for society and the environment. For example, we organized a plastic pollution reduction program in Mexico, a beach-cleaning event in Wisconsin, and a calligraphy competition in China. In Europe, our Czech campus celebrated its 25th anniversary, symbolizing Foxconn's dedication to local community engagement.

On environmental programs, we have pursued many industry-government-academia collaborations. For example, we have promoted a coastal biodiversity initiative in Taiwan for three consecutive years and are now working with National Taiwan University on a sustainable ecology project to protect the country's forest biodiversity.

In addition, in partnership with New Taipei City and local communities, we have launched regional ecological conservation initiatives. To enhance supplier capabilities in sustainability, we have teamed up with the Commonwealth Sustainable Alliance to empower our supply chain and have released our second Supplier Responsibility Report alongside the latest TCFD Net Zero Strategy Report. Please feel free to have a read on our website.

Moving on, the Hon Hai Education Foundation continues to advance initiatives supporting disadvantaged groups and expanding access to technology education. These include the Starlight Project, Quantum Silver Program, the Hon Hai Technology Awards, and the Hon Hai Scholarship, with the goal of bringing quality educational resources to more diverse

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communities. This year also marks the third year of our internship program, in which we selected 18 outstanding interns from over 1,000 applicants to work closely with the Chairman's Office and experience Foxconn's innovative culture firsthand.

In terms of recognition, Foxconn was included for the first time in the S&P Global Sustainability Yearbook, winning the Industry Mover Award for best improvement in our sector, demonstrating that we balance operational performance with sustainable development. We also received the "Best Companies to Work for in Asia" award for the second consecutive year and ranked sixth among the top 100 most influential companies in the Czech Republic, reflecting recognition for our employee care, labor rights, and local engagement.

Additionally, many of you may know that we have a showroom in our Neihu office building, which has been open to visitors since last year. It showcases our products, global footprint, EV prototypes, and low-Earth orbit satellite designs. As our offerings continue to evolve, we encourage you to visit to see our latest innovations.

Finally, our annual flagship event, Hon Hai Tech Day, will be held on Nov 21-22 at the Nangang Exhibition Center in Taipei. This year's theme will focus on deep integration of the three smart platforms with AI technologies, featuring the AI factory, robotics, Foxbrain, and more. Building on last year's enthusiastic response, the first day will be invitation-only, while the second day, will be open to the public. We especially welcome government agencies and school groups to visit, with guided tours available to help everyone gain a deeper understanding of Foxconn's technological capabilities and future strategy.

That concludes my presentation for today. Thank you.

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: The first question is on tariffs. In the past three months, we've seen notable shifts in the global economy, including changes to tariffs and trade policies worldwide. We would like to know how the CEO views the impact of tariff changes on the company, and how Hon Hai plans to respond in the future.

Kathy Yang *Hon Hai Technology Group – rotating CEO*

Thank you, Kristen. I'd like to address the impact of tariff changes from a few perspectives. First, tariffs are indeed a major challenge facing global companies today. However, I believe the real challenge is not the tariffs themselves, but the high variability in policy. This truly tests a company's agility and adaptability. Unlike other industries, manufacturing cannot simply relocate operations at a moment's notice. Global deployment requires long-term planning and cannot merely be a reactive move after a need arises.

This is why Foxconn began preparing for these shifts many years ago. As Chairman Liu has previously shared, we established manufacturing hubs in key regions worldwide well in advance. Beyond production capabilities, we place great emphasis on supply chain service capabilities. Especially as global geopolitical complexity increases, the ability to manage and service supply chains becomes critical.

Our strategy has proven to be the right one. To date, Foxconn operates over 230 campuses globally, and this number continues to grow. In major regions around the world, we also have dedicated customs and logistics teams with deep expertise in local import and export regulations. We've built a real-time global customs monitoring system integrated with a flexible logistics network. These capabilities enable us to help customers quickly solve

problems and meet their needs through close, real-time communication, delivering the best possible solutions.

Currently, Foxconn has teams in more than 20 countries and 150 locations worldwide, equipped with trade compliance, supply chain, and logistics expertise. This is what truly differentiates us from other companies. We don't just provide manufacturing, we offer full end-to-end service capabilities, allowing us to work closely with customers to rapidly adjust supply chain configurations. This gives us the confidence to remain calm and respond effectively in the face of volatile tariff policies.

In the long run, while tariff changes do present challenges, they also create opportunities for us to accelerate the optimization of our global supply chain footprint. This benefits our ability to enter new markets and serve a more diverse customer base. So, although this is a challenge, we see it as a driver of long-term growth. In short, we are confident in our ability to turn this challenge into a competitive advantage.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*

Question 2: Thank you, CEO. Next, we have a question about AI servers. Earlier in the presentation, you mentioned that the outlook for AI servers for 3Q25 remains very strong. We would like to hear more about the demand we're seeing for AI servers in 2H25, Foxconn's involvement in major AI projects. Is there a chance that there is still room for our AI server market share to grow?

Kathy Yang *Hon Hai Technology Group – rotating CEO*

Thank you, Kristen. On your second question: yes, we are seeing strong and sustained AI server demand, and in fact, it continues to strengthen. The capital expenditure outlooks of several major CSPs are trending upward, and many national sovereign AI projects are being launched across different countries. These developments clearly show that the AI industry is in a supply-constrained environment. To address this, we are aggressively expanding production capacity to meet rapidly rising market demand to satisfy customer needs.

Our customer base is highly diverse. In addition to holding significant market share with multiple major CSPs, we are also participating in large-scale sovereign AI projects. One

notable example is our recent strategic alliance with TECO, which further enhances Foxconn's value-add in the AI server supply chain. This partnership enables us to extend beyond AI server manufacturing and turnkey delivery into the construction of modular data centers, providing customers with more complete solutions.

Market share is always a focal point, and we have consistently been a co-development partner for major customers' new products. This ensures that we are involved in the development of next-generation and even next-next-generation products ensures that we can participate in next generation upon next generation of product development, meaning we do not miss out on key opportunities at any stage. Every cycle of AI server rack innovation brings us opportunities to secure new customers and orders.

From a mid- to long-term perspective, the trend toward modular data centers will accelerate the adoption and expansion of AI server opportunities. As the market grows and our capacity scales, we expect our market share in AI servers to continue increasing.

In summary, whether from the demand side, supply side, or the standpoint of our competitive strengths, we are highly confident in the growth prospects of our AI server business, fully in line with the expectations I shared earlier in the presentation.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*

Question 3: Thank you, CEO. 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. This is the third question.

The question is on FX impact. We want to ask the CFO about the financial performance. it appears that the FX impact was relatively contained. How does the company view the effect of currency on revenue and profit in 3Q25? And will we maintain our goal of keeping full-year operating profit roughly in line with last year's level?

David Huang *Hon Hai Technology Group – CFO*

Thank you, Kristen. As we mentioned in our last earnings call, for every NT$1 appreciation in the New Taiwan dollar, our revenue is impacted by roughly 3%, and gross margin by about 0.1%. This assumption remains valid.

For 3Q25, if we estimate the USD/TWD exchange rate to be 1:29, instead of approximately 1:32.3 in the same period last year, that implies a US dollar depreciation of about 10%. This would have a certain negative impact on both gross margin and operating margin. However, we will continue to offset this through revenue growth and expense control, minimizing the effect on operating profit.

The New Taiwan dollar has been relatively stable recently, and we will keep leveraging economies of scale, optimizing procurement, and increasing automation to control operating costs. Therefore, we are maintaining our full-year target of keeping operating profit margin roughly in line with last year's level.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*

Thank you, CFO. Now, we will move to Q-and-A session for online investors as well as media. Please clearly state your question, and note that each participant may ask up to two questions. English questions are also welcome.

James Wu *Hon Hai Technology Group – Spokesperson*

Sharon from Morgan Stanley, please.

Sharon Shih *Morgan Stanley – Analyst*

Question: Thank you, Kathy, James, David. Hello, I am Sharon from Morgan Stanley. First, congratulations on a very strong 2Q25 performance and a positive operational outlook for 2H25. I have two follow-up questions: one on AI server production opportunities and another on your investment progress in the U.S.

My first question is in terms of AI server production ramp-up, are there currently any bottlenecks in validation or testing? Based on what you see now, when do you expect shipment volumes to surpass 3,000 units per month? Yesterday, some of your peers mentioned in their earnings calls that they are seeing the impact of a transition between old

and new models. Do you see a similar effect? And in which quarter this year do you expect the transition impact to appear?

My second question is regarding your U.S. investment progress. From our estimates, based on the company's public announcements since July last year, Foxconn has announced around US$1.5 billion in production-related investment within the US, primarily for AI server operations. Is this accurate? Could Kathy please give us an update on future US investment plans, the types of projects involved, and how these plans align with current customer demand? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

We will ask our CEO to answer this question.

Kathy Yang *Hon Hai Technology Group – rotating CEO*

Thank you, Sharon. Thank you for the congratulations. We will continue working hard to deliver even better results in the future.

On your first question, I believe 2Q25 marked a significant turning point for AI server system production. We have achieved major breakthroughs and yield improvements in production, assembly, and structural testing. We are continuing to accelerate efficiency through increased automation, which will speed up the expansion of our global capacity to meet customers' urgent delivery needs. In 3Q25, both production and shipments will climb sharply from our 2Q base, with QoQ shipment growth expected to reach 300%.

While we are in mass production of the current generation of AI servers, we are already preparing for the production of the next generation. With the experience we've accumulated over the past year, production ramp-up and yield improvement for the next generation will be even smoother. As you've seen from our guidance, 3Q25 AI server growth will be very strong, and this momentum will continue into the fourth quarter. To answer your question: no, there will not be a gap period. Our technology and planning are solid, and we are fully prepared to ensure a seamless transition.

On your second question regarding US investments, Foxconn has been building its US. presence for many years. We currently have operations in 12 states, covering four major product areas. Over the past year, driven by the surge in AI server demand, our related investments have actually exceeded the amount you mentioned. We have existing server manufacturing facilities in Texas and Wisconsin. Also, given the strong visibility for AI server demand over the next two years, we are continuing to expand in these locations, including adding AI server liquid-cooling testing capacity. In addition, in California and at our Ohio campus, we will be adding capacity for Cloud and Networking Products. Through these efforts, we aim to fully satisfy our customers' growing demand.

James Wu *Hon Hai Technology Group – Spokesperson*

Next question comes from Angela from KGI, please.

Angela Hsiang *KGI Securities – Analyst*

Question: Hello Kathy, James and CFO. I also have a few questions about AI. Recently, we have seen news that your customers' AI demand is very strong. On customers like CSPs, they have also significantly increased capex. Given this momentum, your global footprint is actively ramping capacity in response. In the first half of this year, Foxconn's capex exceeded NT$77 billion. Earlier, your full-year capex outlook was set at around 20%, which translates to over NT$160-170 billion. I would like to know if you have made any adjustments to this plan, and whether you have any new plans for next year?

My second question goes back to something mentioned in the earlier presentation. In 2Q25, AI server revenue grew by more than 60% YoY. Could you provide an update on the share of revenue from AI? Last time, you mentioned that it was moving toward 50%? I'd like to know how you are tracking toward that target.

Also, following on from the previous question about 3Q25, it sounds like there will be little to no impact from a transition between old and new models. I would like to ask about the GB200 and GB300 models. Given that their designs don't appear to differ much, on what basis are customers deciding whether to adopt the GB300 or stay with the GB200? Is it mainly chip booking priority, or by their computing power requirements? Lastly, could you also share

when the GB300 is expected to reach mass-production scale? Those are my two main questions. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

We will ask our CFO to answer your capex question.

David Huang *Hon Hai Technology Group – CFO*

Thank you, Angela. In 1H25, our capital expenditure actually grew by about 22% YoY, which is in line with the above 20% growth we previously expected. We have not changed our stance and are still maintaining a plan for growth of more than 20%.

For next year's capex, we are not able to provide specific figures at this time. We believe that global demand for AI cloud computing is still rising rapidly, and with the ongoing trend toward regionalized production, there is a continuing need for deployment in multiple regions, including the US. We will maintain close communication with our customers and make the necessary investments based on their actual needs.

James Wu *Hon Hai Technology Group – Spokesperson*

I will answer the second question. AI servers are expected to be around 50% of our total server segment for year 2025. However, as AI servers performed better than expected, they have reached beyond 50% in the mix comfortably. That answers the first part.

For the second part, on the progress of old and new product generations: while we cannot comment on individual products, what we can say is that customers are still eager to obtain these rack products as quickly as possible. This strong demand applies to both current-generation and next-generation products.

As our CEO Kathy mentioned earlier, with the experience we have gained over the past year in mass-producing current models, we are highly confident in our readiness for the potential ramp-up of next-generation products. We do not expect a meaningful gap or disruption during the transition, as these two generations can be considered part of the same product family. Hence, we see strong demand for both existing server models as well as new server models.

Overall AI server demand or shipments are expected to grow sequentially each quarter this year.

Next question comes from Wayne from Neuberger, please.

Wayne Liu *Neuberger Berman – Analyst*

Question: I have two questions. First, on ASIC AI servers. I recall that you previously mentioned that non-GPU AI servers accounted for about 20% of AI server revenue. However, this year the company has been shipping more high-end GPU AI servers, so the share for non-GPU AI servers may be lower. That said, will annual revenue for this segment still reach around NT$100 billion-NT$200 billion? How does the company view its strategy and outlook for this market? Will there be market share gains for the company, and are they coming from new customers or existing ones?

Second, regarding the company's previously announced sale of equipment and facilities in Ohio State, will this have any impact on the delivery of the MODEL C EVs in the U.S. in the second half of this year? In terms of the transaction itself, could you share more about the background and details? The buyer's (Crescent Ddune) public information is quite limited, so is this linked to sovereign AI projects or to enterprises investing US$100 billion in data centers? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

We will also ask our CEO to answer this, thank you.

Kathy Yang *Hon Hai Technology Group – rotating CEO*

Thank you, Wayne. Regarding your question on ASIC AI servers, let me first address the revenue figure you asked about. In 2024, around 20% of our AI server revenue was from ASIC-based solutions. While the rapid growth of high-value GPU AI servers may shift the overall GPU and ASIC mix, the ASIC market is expanding quickly. As a result, we believe the absolute revenue from ASIC AI servers will remain very substantial.

We began taking on customer-developed AI chip server projects quite some time ago, and today we work with major CSP customers on ASIC server programs. What we provide goes beyond just the servers themselves. We deliver a fully vertical service offering that spans from motherboard and server assembly to complete rack systems. This vertical integration is one of our core competitive strengths and is exactly the kind of value our customers prioritize.

To meet these needs, in addition to providing production capacity in the US, we are also implementing liquid cooling test systems. We are building liquid-cooling test systems to support production of next-generation liquid-cooled ASIC AI servers.

There is a clear trend. While GPU demand is rising sharply, more customers are also developing their own ASIC solutions to complement GPUs. This market is growing at a very fast pace and remains a key growth driver for our AI server business. Our ASIC customer base continues to expand, and in the next one to two years, we will add new customers and new ASIC programs, covering three CSP customers that are particularly active in ASIC development. Given our advantages in technical capability, production capacity, and customer relationships, we expect our growth in ASIC AI servers to outpace the industry average.

In short, ASIC is one of the most important growth engines in our AI server business, and Foxconn will remain a primary supplier in this space. Thus, finally, to answer on your question about our outlook, we are extremely optimistic.

James Wu *Hon Hai Technology Group – Spokesperson*

I will answer the second question. This adjustment to our Ohio site is our way of responding to a rapidly changing industry environment in a manner that best aligns with our 3+3 strategy, while also capturing market growth opportunities. The goal is to strengthen our financial flexibility, enhance operational efficiency, and, at the same time, support both our expanding EV business as well as Cloud and Networking Products business.

The MODEL C plan remains unchanged. For our US customers' initial orders, production will start in Taiwan, but our goal of manufacturing the MODEL C in the US has not changed. We will continue to seek a suitable site for US production. Looking ahead, the US will remain a very important market for autos, and we will maintain strong collaborative

relationships with customers and suppliers in that market. In the coming months, we expect to have more progress to share.

The funds from this asset revitalization will continue to be invested in expanding our US footprint. As for the Lordstown facility, we will continue to operate it and manufacture products for customers, with a focus on the fast-growing and high-potential Cloud and Networking segment. Demand driven by AI continues to increase, and our market share in this area will certainly keep rising. We will continue deepening our deployment in the U.S. to meet this sustained demand, and if there are any concrete plans, we will provide further updates to everyone.

Next question comes from Dylan from Commercial Times, please.

Dylan Hou *Commercial Times – Reporter*

Question: Hello Kathy, hello James. You mentioned earlier that this year's Hon Hai Tech Day might feature AI factory-related humanoid robots. NVIDIA recently introduced its latest Cosmos Reason, VLM for robotic vision and reasoning. Could you please provide some clarification on the collaboration between Foxconn and NVIDIA in the robotics field? And could you share any additional details on whether there will be any particularly special joint showcases from the two companies at this year's Hon Hai Tech Day? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

Vision and language technology for robotics are currently the most popular areas in the robotics field, and there are many different solutions available. We are closely following developments in this space. NVIDIA is an extremely important partner for us in the AI Factory, and in addition to our own work, our robotics partners also collaborate closely with NVIDIA. We are stepping up our efforts in automation and robotics to further raise the level of smart manufacturing.

Foxconn and NVIDIA have a very close collaboration in robotics, particularly in developing the brain for humanoid robots. Together, we have trained AI models and deployed multiple types of humanoid robots in factory applications.

At this year's Hon Hai Tech Day, we will once again showcase the latest generation of humanoid robots along with real-world application scenarios. We warmly welcome everyone to visit and see these innovations firsthand.
Next question comes from Min from FTV, please.

Min Yang *FTV News – Reporter*

Question: Hello Kathy, hello James. My question is: previously, at the AGM, the company mentioned the possibility of a second Japanese automaker becoming a Foxconn EV customer. There has been speculation externally that this partner is Fuso, and that Foxconn's MODEL T will also be exported to Japan. Could you give us a preview of the opportunity and background for this potential collaboration between the two sides? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

After we signed the formal contract with Mitsubishi Motors at the end of June, many Japanese automakers have shown strong interests in Foxconn's EV models as well as in our CDMS (Contract Design and Manufacturing Service) business model. Our EV chief strategy officer, Mr. Seki, also held a Foxconn EV strategy briefing in Tokyo last quarter, where he stated that we will help Japanese automakers develop more EVs, including small passenger cars based on the MODEL A, as well as electric buses and mid-size buses. We believe we'll soon be able to share some positive news about new Japanese customers.

Over the past one to two years, competition in the EV market has significantly intensified, and we've seen brand customers' needs for smart EVs become increasingly diverse. Foxconn possesses complete capabilities in the EV sector from design, components, and manufacturing to software, making this one of the most unique end-to-end solutions in the industry today.

Looking ahead, whether it's through platform licensing, joint development, or contract manufacturing, we will remain flexible and choose the form of cooperation based on mutual needs and complementary strengths. Our goal is to help brand customers achieve time-to-market and time-to-cost, enabling them to compete effectively in the global marketplace.

As the time is now 3:59 pm, we have time for one final question. We will invite Arthur from Fubon Securities to ask his question.

Next question comes from Arthur from Fubon Securities, please.

Arthur Liao *Fubon Securities – Analyst*

Question: Hello, I have a few questions. First, from what I saw in the company's guidance for AI servers in 3Q25, if I didn't misread it, the YoY growth is 170%. That would suggest AI servers could account for more than 70% of total revenue in 3Q25. Based on that calculation and the guidance figure, it seems your 3Q25 revenue could exceed NT$2.5 trillion. Could you explain why AI servers are performing so strongly? Just a few days ago, some peers gave guidance that wasn't nearly as strong, so has something changed from the company's clients or operations that explains this outperformance? That's my first question.

My second question relates to the second-largest product line, the iPhone. The company also guided that iPhone revenue may decline YoY for 3Q25, mainly due to the impact of the Taiwan dollar and factors such as ASP. Could you clarify whether there are any issues with ASP in particular? These are my main questions. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

On the growth of AI servers, overall, our production yields have been steadily improving and are now at a healthy level. In addition, whether with existing customers or new ones, we are gradually increasing orders. As mentioned earlier, with every new product generation, we typically add new customers or secure new orders, so we also expect our overall market share to continue rising. This is one of the main reasons we foresee more significant and robust growth for AI servers in 3Q25 and 4Q25.

As our CEO mentioned in the presentation, our guidance for the Group's revenue in 3Q25 would be significant growth.

On your second question regarding ICT products, as our CEO also noted, our ICT portfolio is very diverse, so we cannot comment on a single customer or a single product. The Smart

Consumer Electronics category includes mobile phones, game consoles, and televisions. From a shipment volume perspective, quantities have been very stable. However, when we look at 2Q25 and 3Q25 compared to the same periods last year, the exchange rate difference is roughly 10%, and this is the primary reason why, despite stable unit volumes, revenue has declined in this product category. In short, the drop in revenue is mainly due to foreign exchange impacts.

Above is all the content for our investor's conference this time. As the time is now 4:02pm, we will end our conference here. If you have any further questions, please feel free to get in touch with our IR team. Thank you everyone, goodbye.