TRANSCRIPT

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Investor Conference Call on
FY25 Third Quarter Financial Results

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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 Third 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 six topics, including performance review of the third quarter of 2025, business outlook for the fourth quarter of 2025 as well as full year 2025, the outlook for 2026, key business developments recent major events, and highlights for Hon Hai Tech Day.

I will now hand over the floor to CFO David to begin the presentation on our financial performance for 3Q25.

David Huang *Hon Hai Technology Group – CFO*

Thank you, Kristen. Hello everyone. I am David Huang. I am going to start with some highlights on Foxconn's financial results for the third quarter of 2025.

Firstly, please refer to page 5 of the presentation for the 3Q25 income statement.

Revenue for 3Q25 reached NT$2.06 trillion, a YoY increase of 11% compared with the same period last year, the highest level for the same period in our history. In USD, revenue grew approximately 18.3% YoY.

In terms of profitability, we demonstrated an upward trend across three indicators.

Gross margin was 6.35%, an increase of 0.16 percentage point YoY, mainly benefiting from higher revenue and a more favorable product mix.

Operating margin was 3.43%, an increase of 0.47 percentage point YoY, reflecting not only

improved gross margin but also effective expense management and enhanced operations.

Net profit margin was 2.80%, up 0.14 percentage point YoY, driven by simultaneous improvement in both operating and non-operating income.

Non-operating income totaled NT$16.4 billion, up NT$3.5 billion YoY, mainly due to gains from investment in financial assets as higher equity market valuations, and gains on disposal of assets.

3Q25 EPS was NT$4.15, an increase of NT$0.6 from the same period last year, marking the highest third-quarter EPS since 2008.

Next, please turn to page 6 for the balance sheet.

As of the end of September 2025, cash and cash equivalents totaled NT$1.29 trillion. Net cash was NT$91 billion, a decrease of NT$158.1 billion compared with the end of September last year. This decline was mainly due to the increase in working capital requirements, which rose by approximately NT$187.5 billion along with revenue growth, as well as higher capital expenditures, both of which contributed to the reduction in net cash.

The cash turnover days was 43 days, an increase of 1 day YoY, mainly due to revenue expansion driving higher accounts receivable and inventory.

The debt ratio was 63%, up from the same period last year, primarily reflecting the increase in accounts payable and loans associated with higher revenue and greater working capital needs. We have also modestly increased loans to enhance financial flexibility and to support the development of related businesses.

Finally, please turn to page 7 for the cash flow statement.

As of the end of September 2025, cash outflow from operating activities was NT$49.5 billion, an increase of NT$18.6 billion in outflow compared with the same period last year. This was mainly due to higher working capital requirements resulting from revenue growth.

Free cash flow recorded a net outflow of NT$162.3 billion, an increase of NT$47.6 billion in outflow YoY. The main reasons include higher capital expenditures to support business expansion and global deployment, along with the additional working capital needs arising from revenue growth.

Here, I conclude the summary of the financial statements for the third quarter of 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. This is Young Liu. It's been a while since we last met. As this is our final earnings conference of the year, I would like to take this opportunity to share with you Foxconn's recent developments as well as our progress and outlook for the coming year.

First, looking at our 3Q25 performance, revenue reached a record high for the same period in our history, with both QoQ and YoY growth showing significant increases. In USD, overall performance also achieved a level of strong growth, exceeding our expectations.

From a product mix perspective, as we entered the traditional peak season for the ICT industry, the share of Smart Consumer Electronics increased from 35% to 37%, representing the largest gain among product segments. Meanwhile, the robust growth in AI servers drove the Cloud and Networking Products segment to rise further, from 41% in the previous quarter to 42%. This remains our largest revenue contributor.

Looking across our four major product segments, Computing Products delivered better-than-expected QoQ results, while the Other product segment performed largely in line with expectations.

In terms of profitability, we achieved double-digit growth in gross profit, operating income, and net income, all reaching record highs for the same period.

For the first three quarters of 2025, accumulated revenue reached NT$5.5 trillion, representing a 16% YoY increase. Gross profit, operating income, and net income grew by 16%, 28%, and 35%, respectively. EPS reached NT$10.38, marking the best performance for the same period in our history. These results demonstrate that the benefits of product mix optimization and economies of scale are now materializing.

Such achievements once again confirm that leveraging Foxconn's 51 years of accumulated core competitiveness and execution strength, we can continue to seize growth opportunities amid a changing environment, always with our goal of maximizing profitability and creating

stable, long-term, and sustainable value for our shareholders.

Next, I will move on to discuss our outlook for 4Q25. Overall, with AI rack shipments continuing to ramp up and the second half of the year being the traditional peak season for the ICT industry, we expect fourth-quarter revenue to deliver significant growth, both QoQ and YoY.

Looking at our four major product segments:

For Smart Consumer Electronics, as we enter the peak shipment season in the fourth quarter, we expect strong QoQ growth. Based on current visibility, shipment momentum for this segment should be stronger than last year. However, FX effects may lead to a slight decline YoY.

For Cloud and Networking Products, with shipments of next-generation AI server racks continuing to ramp up, we expect AI server revenue to surge further in 4Q25, especially driven by accelerating growth from CSP customers. In addition, AI data center optimization and new platform transitions are fueling strong demand for general purpose servers. As a result, Cloud and Networking Products are expected to show significant growth QoQ and strong growth YoY.

For Computing Products, although new product launches and holiday sales will provide a boost in the fourth quarter, the high base from back-to-school demand in 3Q25 will result in a slight decline QoQ. Moreover, due to FX impacts and moderate PC demand, we expect a YoY decrease in this segment.

For Components and Other Products, higher shipments of key components related to core businesses will drive significant QoQ growth, while YoY, we expect sales to remain flattish.

Turning to the full year outlook, we maintain our view of significant growth for 2025. Among the major product segment, shipment momentum for Smart Consumer Electronics in the second half has been better than expected, so we are revising our full year outlook upward to approximately flat YoY, though we will continue to closely monitor FX impacts. For the other three major product segments, our guidance remains largely unchanged, with Cloud and Networking Products continuing to be the main growth driver.

Next, let me share some of my thoughts on our outlook for 2026.

At this time last year, we mentioned that the global economic and political landscape , monetary policy, and AI industry development would be the three most important factors shaping our performance this year. Indeed, throughout 2025, we have seen these dynamics play out as expected.

Looking ahead, we continue to view these as the three key factors influencing our business in 2026. However, in terms of priority, we believe the importance of the AI industry's development has risen substantially. At the same time, we will closely monitor potential changes stemming from geopolitical risks and monetary policy adjustments. Overall, based on our current observations, we remain highly optimistic about the AI market next year.

We expect deeper collaborations with major clients and partners, broader participation in diversified AI solutions, and securing more orders. In short, my initial outlook for 2026 is very positive.

Many people think of the EMS industry as being driven purely by workforce, but that is a misconception. In fact, it is a sector that competes on a combination of technology, capital, workforce, and management excellence.

Let me briefly explain Foxconn's core value proposition and competitive strengths to help you understand how we succeeded in the ICT industry and are now extending that success into the AI and EV sectors, becoming an indispensable partner to our customers.

The industry is constantly evolving, and our customers' products are continuously advancing. In system assembly, Foxconn has long delivered five core values to its clients: Speed, Quality, Engineering Service, Flexibility, and Cost. These five pillars enable our customers to accelerate their time-to-market, tim-to-cost , and time-to-technology, helping them deliver highly competitive products. Any high-tech product that values these capabilities are areas where Foxconn excels.

Our products and services span a broad spectrum, which can be categorized into four main segments: System Design, System Assembly, Modules, and Components. Each of these segments have their own competitive factors.

In System Design, success depends on system integration capability. In System Assembly, our largest business segment, the key success factors are managing large-scale talent, capital, and supply chains. Our decades of management experience have enabled us to secure a nearly 45% share of the global assembly market.

In Modules, automation capability is especially paramount. Foxconn has extensive capacity and a large automation engineering team. We continue to work with leading global partners to develop new solutions, and our level of automation remains ahead of the industry, bolstered by the integration of AI in smart manufacturing. This is one of the reasons we maintain leadership in the AI market.

In Components, our technology defines our competitiveness. With over 50 years of manufacturing expertise, Foxconn began as a component manufacturer and continues to launch complementary components alongside finished products, achieving a high degree of vertical integration. This allows us to offer one-stop services unmatched by our competitors.

Drawing on these core values and our deep experience in ICT, we believe that scale & automation, global footprint, vertical integration, and R&D capability form our strongest competitive advantages. Whenever new products emerge, whether in AI servers, EVs, robotics, quantum computing, or even space technology, Foxconn will be the preferred partner for its customers.

Having discussed our core strengths, let's return to AI, which remains the group's most important growth driver for next year. I would like to take this opportunity to clarify Foxconn's strategic roadmap in AI.

Our goal is to provide customers with comprehensive, end-to-end solutions. Beyond AI servers, we are moving upstream to develop key components and downstream to collaborate with partners in data center construction, positioning Foxconn as the most complete AI hardware solutions provider.

We continue to expand our AI footprint not only through vertical integration of hardware, but also through active development of AI applications and by taking on the role of AI data center operator.

Our FoxBrain LLM, launched earlier this year, is undergoing continuous iteration, focusing on applications across our three smart platforms and autonomous driving, with the goal of becoming the most influential Traditional Chinese LLM in the market.

Our supercomputing center, co-built with NvVIDIA in Taiwan, marks a key milestone in our AI strategy. Foxconn is also NVIDIA's first cloud partner (NCP) in Taiwan, providing computing power to industry, government, and academia, underscoring that we are not only

an integrator of AI solutions, but also a provider of sovereign AI.

Lastly, let me share my observations on the EV market. As I mentioned before, the automotive industry today mirrors the PC industry of the 1990s, which transitioned from vertical integration to outsourcing.

Traditionally, automakers handled everything in-house, from design and production to sales and service, much like early PC manufacturers. In recent years, however, as entry barriers for EVs have lowered and price competition has intensified, the market has evolved exactly as we anticipated. It now closely resembles the early-stage transformation of the PC industry.

Therefore, we expect that, just like the PC sector, the auto industry will move toward professional specialization. With that, this is precisely when the market needs manufacturing service providers like Foxconn, a company capable of supporting production while allowing brand players to sustain profitability.

Back in 1996, we secured our first major order from a leading PC brand Compaq, marking what we called the “Outsourcing Breaking Point.” At that time, PC brands still had their own manufacturing operations. But as the industry evolved, these factories were gradually sold to Foxconn, and manufacturing was entrusted to us. This allowed brand players to focus their resources on marketing, product design, and service innovation, maintaining their leadership positions in the market.

We believe that the EV industry’s own “Outsourcing Breaking Point” will emerge in the near future, when the EV contract manufacturing market approaches\ an inflection point. Opportunities for contract manufacturing services, and even contract design and manufacturing services, will continue to expand rapidly. Our CDMS business model is built precisely for this moment.

Next, I will hand over the call to James to share our key business developments. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

Thank you, Chairman. Next, I would like to share updates on our recent developments across AI, EV, Digital Health, Semiconductors, and our three smart platforms.

The AI industry continues to expand rapidly, supported by strong computing demand and the mass production ramp up of new generation AI servers.

In the third quarter, overall AI server shipments grew 300% quarter-on-quarter, hitting our target. And cumulatively by the third quarter, AI server revenue has already exceeded the “NT$1 trillion scale”. This is a milestone we had originally only expected to achieve later in the year. As automation and testing systems continue to improve, mass production of next generation AI servers is expected to scale up quickly.

For 4Q25, AI server shipment volume is projected to grow by a high double-digit percentage QoQ, consistent with our expectations for revenue growth in this segment.

Looking ahead to 2026, the combined capex of the top five U.S. CSPs is projected to be almost US$600 billion, nearly equivalent to the annual output of the semiconductor industry. This underscores that AI server demand will continue to remain strong, and that GPU and ASIC based solutions will continue to diversify, supporting a very optimistic outlook.

We have long-standing and stable partnerships with major North American CSP customers. Our AI server solutions have expanded from GPU-based systems to include ASIC chip architectures, and each iteration of AI server design provides new opportunities to win new customers and platforms.

In addition to CSP demand, we are also advancing in the sovereign AI space. We are currently involved in major sovereign AI projects in the U.S., Taiwan, and Japan, and we expect our AI server market share in 2026 to rise above the current 40% level.

In the EV segment, we successfully onboarded Mitsubishi Fuso as our second Japanese automotive customer, primarily in the commercial vehicle segment. Future cooperation will be based on our electric bus, Model T, and midi size bus, Model U, EV platforms, jointly developing and producing open-platform commercial vehicles, expanding this business into overseas markets.

Beyond vehicle production, we are also collaborating with Stellantis, NVIDIA, and Uber to jointly develop Level 4 (L4) autonomous vehicles. Under this partnership, each company will focus on its core technologies, while Foxconn will handle hardware and software system integration.

Additionally, the joint venture between our subsidiary FIT and Saudi Arabia will begin construction of an EV charging station manufacturing base in the Middle East before the end of the year, with operations expected to begin as early as next year.

In the Digital Health segment, we continue to strengthen our presence in smart healthcare, deepening collaborations with Taipei Veterans General Hospital, Mackay Memorial Hospital, and other medical partners. Our goal is to leverage AI as the core engine to create a highly efficient, user-centric smart healthcare ecosystem.

Laboratory automation is also a strategic focus. By the end of this year, we will establish a new testing center, reinforcing our capabilities in localized medical services and personalized healthcare.

Moreover, our semiconductor strategy supports the Group's EV and AI businesses, enabling clients to differentiate their end products through customized IC designs that deliver system-level competitiveness. The integration of SHARP's Toyama Laser Plant into the Group provides a new foundation for laser applications development.

In EV-related semiconductors, leveraging our strong vertical integration, we continue to advance 800V power semiconductor products to meet the demand for shorter charging times and longer driving range.

Meanwhile, automotive microprocessors supporting ADAS have already entered mass production, and we are currently in discussions with European automakers for further collaboration.

In AI semiconductors, our packaging technology has been deployed to meet the extreme power efficiency requirements of next-generation 800V power architectures. In addition, we are assisting clients with the design and development of customized AI SoCs.

On our three core smart platforms, progress continues across Smart Manufacturing, Smart EVs, and Smart City:

For Smart Manufacturing, our Kaohsiung data center project will be the first to adopt an 800V DC high-voltage direct current system and high-efficiency power infrastructure, laying the groundwork for our future AI Factory. We are also testing humanoid robots on production lines, exploring integration between factory AI systems and robotics.

For Smart EVs, we continue collaborating with Middle East automakers to develop a full-featured EEA architecture, along with complete facility deployment. Our next generation smart cockpit system is being developed to deliver a more immersive and intuitive 3D personalized interface, enabling autonomous driving experiences that feel as safe and natural as human driving.

For Smart City, we are expanding our Smart City Platform collaboration overseas, while in Taiwan, we are deepening our partnership with Kaohsiung City and working with other local governments on Smart City 2.0 initiatives.

Now, let me move on to share updates on major recent events.

During Taiwan Weeks, Chairman Liu shared how Foxconn strategically leverages capital markets to support transformation and upgrading. At the NVIDIA GTC DC pregame show, Chairman also highlighted the future prospects of AI in the field of manufacturing and robotics. Last week, at the Nikkei Forum, he further discussed potential areas for collaboration between Taiwan and Japan.

In our AI initiatives, we have approved the budget for AI Supercomputing Center equipment and will collaborate with Mitsubishi Electric to enhance AI data center solutions with higher energy efficiency and greater reliability.

As the mainland China economy continues to develop, we are also expanding into higher value-added businesses, launching Fox EnerStor brand in China to drive innovation in new energy solutions.

Additionally, Hon Hai Research Institute published 23 conference papers and 21 journal papers in the third quarter, including nearly 10 which were related to quantum computing, demonstrating Foxconn’s deep commitment to quantum research.

For ESG, we released our latest Sustainability Report, summarizing achievements over the past year. Foxconn TLPGA Players Championship, organized to support outstanding female golfers from Taiwan, will be jointly sanctioned by Taiwan and Japan next March. This also marks the return of the Japan LPGA Tour (JLPGA) to Taiwan after 48 years.

Additionally, Foxconn participated in the sustainability initiative launched by E.SUN Financial Holding and, for the fifth consecutive year, collected charitable products and gifts

to give back to society. Recently, FIH obtained two major certifications for anti-bribery system and circular economy standards.

The Hon Hai Education Foundation's AI Roots Program for rural schools is helping to bring AI literacy and awareness to underprivileged students, expanding their future opportunities.

Following the Hualien earthquake, we provided support through providing SHARP home appliances and scholarships to assist in disaster relief efforts.

Across our sites in mainland China, the Czech Republic, and the United States, we also hosted various community events to support local development and enhance employee well-being.

Foxconn's US team also gathered in Wisconsin (WI) to build consensus and unveil the direction for future development.
Regarding awards, Chairman Liu received the Outstanding Corporate Leadership Award. Rotating CEO Kathy Yang was recognized in one of the Most Powerful Women in Asia, while Chief Procurement Officer Max Chu was named second among the world's Top 30 Global Supply Chain Leaders. Foxconn itself also received seven major awards, including Most Honored Company.

In the ESG sector, Foxconn gained multiple recognitions in sustainability categories across Asia, Taiwan, and mainland China.

Next, regarding the demonstration of important products and skills, Fii introduced its latest cooling solutions at OCP Global Summit. Also, FIT hosted its first-ever Technology Day, unveiling several breakthrough innovations. FIH also participated in IAA Mobility, showcasing the latest in-vehicle electronics. Foxconn joined the Taiwan Expo in the U.S., where we exhibited the North America variant of the MODEL C and demonstrated AI-related applications.

Finally, in just nine days, we will host our annual Hon Hai Tech Day, to be held on November 21 and 22 at Nangang Exhibition Center. The second day will be open to the public, and we warmly invite everyone to register and attend.

Now in its sixth year, Hon Hai Tech Day has evolved from a new technology showcase into a comprehensive exhibition of the Group's 3+3+3 transformation achievements, marking our journey from manufacturing to technology services.

This year’s theme focuses on our three smart platforms and AI applications, featuring nine major topics including the AI Factory, robotics and semiconductors, highlighting our strength in vertical integration.

We are also partnering with China Airlines in a cross-industry collaboration, creating a VIP lounge, offering a unique guest experience.

For the first time, we are launching a dedicated event app, integrating registration, event information, and interactive map navigation. Participants who download the app and complete registration before this Saturday will also be eligible for prize drawings.

That concludes my presentation. 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: I would like to ask the Chairman about his outlook on 2026. You mentioned your positive view. Could you elaborate on your observations, including for each of the four major product segments as well as their growth drivers?

Young Liu *Hon Hai Technology Group – Chairman*

From a macroeconomic perspective, global GDP growth in 2026 is expected to be around 3.1%, roughly in line with this year. As inflationary pressures ease, monetary policies in major economies are turning more accommodative, which should support moderate and sustained economic growth. Meanwhile, AI investment momentum remains strong, further enhancing economic resilience.

We will continue to monitor the impact of tariff policies and geopolitical developments on global volatility and make timely adjustments as needed.

The AI industry continues its rapid expansion. U.S. CSP players have raised their capital expenditure outlook for both this year and next year. By 2026, the combined capex of the top five U.S. CSPs is expected to reach nearly US$600 billion.

Additionally, with the demand from sovereign AI projects, major customers expect the global AI industry to reach the US$1 trillion mark within the next two to three years. This represents tremendous potential for Foxconn, and we are very optimistic about our position in this market.

As for the ICT industry, our outlook for 2026 remains cautiously optimistic. We expect AI and edge computing capabilities to be increasingly integrated into smartphones and PCs, driving upgrade demand. With the launch of new models, both the AI applications and specifications will create higher value content.

Looking at our four major product segments, Cloud and Networking Products, especially AI servers and racks, will continue to be the primary growth driver. In addition, Modular Data Centers (MDCs) will also contribute to making this segment our largest revenue contributor. The ICT business will remain stable, while upgrades and new product development provide further opportunities.

In the EV segment, with MODEL B entering mass production for both domestic and overseas markets, we expect EV revenue to continue its steady growth.

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

Question 2: Thank you, Chairman. The second question is for the CFO. We've seen that both gross margin and operating margin improved compared with the same period last year. Could you share your view on whether this level of performance can be sustained, and your expectations for next year?

David Huang *Hon Hai Technology Group – CFO*

Both our gross margin and operating margin in the third quarter improved year-over-year, mainly benefiting from deepening our vertical integration. Beyond the growth in AI server system shipments, we also supplied more key components, such as compute board and NV links. We also adopted more diversified transaction models, and the benefits of scale expansion helped deliver stronger results in the third quarter.

Looking ahead to 2026, we will continue to enhance vertical integration of key components, as AI server demand remains strong. In addition to GPUs, we will also provide other AI chip products such as ASICs, and will work closely with customers to determine optimal transaction models to improve collaboration efficiency.

Operationally, we aim to leverage economies of scale to optimize procurement, strengthen expense control, and increase the automation ratio in production. Through these initiatives, we seek to strengthen our profitability structure, mitigate the margin dilution from high ASP products, and ensure that as revenue scale expands, both gross margin and operating margin remain stable.

Of course, we will continue to closely monitor FX movements, product mix changes, and transaction models, ensuring that our overall financial performance maintains steady growth.

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

Thank you, David. 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 final pre-submitted question.

The final question is for the Chairman. You have discussed AI quite a lot today. Could you also share your thoughts on another growth driver for the company: Smart Consumer Electronics? Have you seen signs of a stronger product cycle in the second half of the year?

Young Liu *Hon Hai Technology Group – Chairman*

In 3Q25, Smart Consumer Electronics revenue saw a slight YoY decline, yet actual customer pull-in momentum was stronger than last year, and better than our expectations. Based on current visibility, we expect pull-in momentum in 4Q25 to also be stronger than last year.

Overall, demand has improved compared to last year, although FX factors will likely result in revenue being roughly flat YoY.

Looking ahead, Edge AI will be an important next-stage growth driver for the ICT industry. We believe AI functions in personal devices will gradually be rolled out next year, accompanied by new model launches, which should stimulate overall market demand.

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*

Kaylin from Macquarie, please.

Kaylin Tsai *Macquarie - Analyst*

Question: Chairman, my first question is about market expectations for AI rack demand, which is projected to nearly double YoY next year. How is Foxconn preparing its production lines, workforce, and supply chain to ensure smooth capacity expansion and avoid bottlenecks? Can we expect another surge in shipments like we saw in the third quarter over the next one to two quarters?

My second question is on the competitive landscape beyond NVIDIA. We've observed major CSPs developing their own ASIC servers, as well as strong momentum from AMD's upcoming MI400 generation in the next couple of years. Could you share Foxconn's current and expected market share in ASIC and AMD-based systems? Also, what is the approximate revenue mix between NVIDIA and non-NVIDIA platforms for this year and next year?

Young Liu *Hon Hai Technology Group – Chairman*

Indeed, as Kaylin correctly mentioned, customers still have very strong demand for computing power. Based on market estimation, this year's total AI rack shipments are around 30,000 to 50,000 racks, probably toward the lower end. Next year, that number is expected to double to 50,000–60,000 racks, which we believe is still a conservative estimate. We see that some forecasts even suggest it could reach 100,000 units.

To meet this accelerating demand for AI infrastructure, over the past year, we have significantly expanded our AI server manufacturing capacity across our U.S. sites in Texas, Wisconsin, California, and Ohio. This is to better support the urgent needs of our major customers.

We continue to increase production and testing capacity across every process of AI server manufacturing, enabling us to deliver more comprehensive and differentiated solutions. At the same time, we are further enhancing automation, which is critical to improving production efficiency.

With these improvements, yields for next-generation AI racks have already reached the same level as our existing platforms, and mass production will ramp up quickly in 4Q25. We expect AI rack shipments to grow by a high double-digit percentage QoQ and continue

increasing over the next one to two quarters. However, as the base gets larger, the rate of growth will be impacted.

Whether it is GPU-based or ASIC-based AI chip solutions, we are ready to support customers with full services. Over the past year, as traditional single-server architectures have evolved into rack-level designs, we've gained extensive production experience. This has become one of our strongest competitive advantages.

We are already co-developing new platforms with customers, with launches expected next year, and we will allocate resources flexibly based on customer demand. On average, across different platforms and solutions, we maintain a market share of over 40%.

With CSPs accelerating their ASIC infrastructure buildout and AI inference applications expanding, research firms expect ASIC shipment volumes and market TAM to grow rapidly through 2026, potentially doubling. We will continue to grow alongside this demand.

Considering the price gap between GPU and ASIC chips, the market estimates next year's GPU-to-ASIC ratio to be around 8 to 2. Our product mix will roughly align with that ratio.

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

Sharon Shih *Morgan Stanley - Analyst*
Question: Thank you. Hello, Chairman Liu, David, James. My first question is about your AI infrastructure expansion strategy. You mentioned earlier that Foxconn is pursuing broader vertical integration in AI and that you're also engaging in MDC construction. Could you elaborate on what specific scope Foxconn will cover internally, which partners you'll collaborate with, and when we might begin to see revenue contribution? Also, will the profitability of this segment exceed the company's average margin?

And second, on capital expenditure, as AI server production expands rapidly, what is the company's CapEx outlook for this year and next? Given the significant funding needs, what financing or investment approaches will you adopt? Thank you.

Young Liu *Hon Hai Technology Group – Chairman*
I will ask our CFO to answer the question about fundraising, but I will start with the modular data center question. First, I would like to personally invite everyone to join our Hon Hai Tech Day on November 21st. I promise you'll see firsthand how deeply integrated our AI data center solutions have become. Even I was surprised by how far we've advanced in vertical integration! So, please come and experience it yourself.

In MDC, our goal is to serve as the turnkey provider. When customers entrust Foxconn, we can build the entire data center from end to end. Within the Group, we'll leverage our internal capabilities to supply IT equipment, modular components, and critical parts, such as AI and HPC servers, racks, and cooling systems, ensuring the highest efficiency and quality.

For areas that require highly specialized expertise, such as mechanical and electrical engineering, advanced cooling systems, and safety infrastructure, we will partner with our strategic collaborators to execute those components.

This approach extends our AI value chain downstream to the data center level, enabling us to provide more AI racks and modular components, which will also enhance our overall gross margin. Thus, we expect this business to achieve higher-than-average profitability for Foxconn group.

We are already in close collaboration with our partners on modular architecture and system integration, and the benefits from this cooperation should start to materialize next year. Once you see it in action on Hon Hai Tech Day, you'll understand why we're so confident in this direction.

David Huang *Hon Hai Technology Group – CFO*
Thank you, Chairman. And thank you, Sharon.

As of the third quarter, our CapEx reached NT$112.8 billion, representing a 17% YoY increase. At this pace, we expect full-year CapEx to be roughly 20% higher than last year, in line with our initial projections.

Given the rapid growth in AI and cloud computing demand, the regionalization of production, and our 3+3+3 strategic layout, we expect CapEx in 2026 to continue growing.

Beyond our internally generated cash flow, we maintain a flexible financing strategy to identify the most cost-effective funding sources for the Group, including domestic and international bond markets, convertible bonds, and syndicated loans.

We are also actively seeking strategic partners to co-invest in suitable projects, through models such as BOL or JVs, to share both investment and long-term operational results.

Overall, we remain highly flexible in our funding approach to support Foxconn group's long-term growth.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Dylan from Commercial Times, please.

Dylan Hou *Commercial Times - Reporter*
Question: Hello Chairman, recently OpenAI has formed partnerships with several global tech giants. You also previously met privately with OpenAI. Could you share what role Foxconn plays in the ongoing capital and computing power cycle that fuels the AI ecosystem?

Young Liu *Hon Hai Technology Group – Chairman*
Thank you for your question, Dylan.

We will definitely collaborate with OpenAI, which is one of the industry leaders in the AI space. As you may recall, OpenAI's vision is to achieve one gigawatt of computing power added every week. One gigawatt represents roughly US$50 billion in capital investment. To put that in perspective, that's US$50 billion per week, a truly massive market scale. This goal reflects not only the tremendous demand for computing power but also the urgency of the build-out.

As I mentioned before, the development of AI is still only at the beginning stage. We've all heard about the evolution from ANI to AGI and eventually to ASI. AI will also evolve from dialogue-based models to AI agent models, and ultimately to embodied AI, meaning AI with physical capabilities. Each of these stages will require exponentially more computing resources, leading to explosive growth in demand for infrastructure. From a business perspective, one gigawatt equates to approximately US$50 billion in business opportunity, which shows just how enormous the potential of this industry is.

Given this powerful demand, as one of the world's leading hardware developers and suppliers, Foxconn serves as a key strategic partner to these companies. We will fully support our partners in achieving their computing infrastructure goals, across every aspect.

And just as I invited Sharon earlier, I would also like to extend a formal invitation to you to join us at HHTD. At this year's event, we will be announcing relevant collaborations related to OpenAI, so please stay tuned for that exciting update. Thank you.

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

Wayne Liu *Neuberger Berman - Analyst*
Question: Hello, Chairman. Regarding investments in sovereign AI, the company previously mentioned that there would be around USD 1 trillion in sovereign AI investments over the next five years. Has that investment outlook been revised upward? Foxconn's role in the AI and sovereign AI value chain seems quite different from before. Previously, the company mainly acted as a manufacturer, but earlier you mentioned Foxconn also taking on a turnkey role. Does this turnkey model allow you to achieve higher profitability in sovereign AI projects? If we use the profitability levels of system integrator providers in domestic and international markets as a reference, would that be a reasonable way to think about Foxconn's potential margin profile in sovereign AI? That's my first question.

My second question is about your partnership and share swap with Teco. It has been a few months since the announcement. Could you update us on the current progress of that collaboration? Also, when can we expect the new MDC product to begin shipments? And will we be able to see it at Hon Hai Tech Day on November 21st-22nd? Thank you.

Young Liu *Hon Hai Technology Group – Chairman*
You'll be able to see the prototype of this new product at Hon Hai Tech Day on November 21st and 22nd, so I'd like to extend a warm invitation for you to join us in person.

Regarding sovereign AI, our observation is that demand continues to grow rapidly. To answer your question — yes, we expect investment levels to be revised upward. As for how

much higher, we still need to gather more data before sharing a precise figure. Qualitatively speaking, the outlook should be revised upward; quantitatively, we are still collecting further information.

As for our role as a system integrator, I believe profitability in this area will improve. If you're comparing our sovereign AI business with the system integrators' business model both domestically and overseas, I would say that's a very reasonable way to look at it.

On our collaboration with Teco, over the past few months both teams have held numerous joint meetings, particularly on the NCP project in Taiwan, where coordination has been progressing closely.

Regarding modular data centers, we expect to begin seeing shipments gradually next year, depending on the overall development plans for our modular data center project in Ohio, U.S.

These developments are related to what we plan to announce at HHTD, so please stay tuned for further updates.

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

Randy Abrams *UBS - Analyst*
Question: First question I wanted to ask is on AI Rack deliveries. It still seems moderate for the industry relative to very strong chip production. I wanted to see if you could you discuss bottlenecks with data center readiness still holding back the ramp? I noted in CoreWeave this week. How do you see datacenter readiness into 2026, because that could be a risk. That's the first question. Second question on Q4 guidance. I am curious why you are guiding significant rather than strong growth, because I do know you mentioned high double digit racks sequentially, and you reported strong October sales. Is there any offset keeping you from guiding strong growth?

Young Liu *Hon Hai Technology Group – Chairman*
For the second question, I will have James answer. And for the first question, you have to

understand that AI server rack itself is very complicated. There are more than 5,000 cables in one rack. And the complexity of it is so high, that to test it, it takes a lot of time. So, this is sort of a process that we have to go through before the product, which is the rack, is stable. So, I would say that most of the bottlenecks have been resolved. The holding back, like what you saw before, I would say, it will happen less and less.

For the second question, I will let James answer.

James Wu *Hon Hai Technology Group – Spokesperson*
We see that the shipment for AI server will be high double-digit growth for the fourth quarter. Overall, I think that AI server is only part of our Cloud and Networking business. So that's why we look at the whole sector, and we still guide significant growth instead of strong growth for the fourth quarter.

So that would be my answer to your question. I will wait to see if we can deliver better results for the fourth quarter.

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

Jordan Pong *Franklin Templeton - Analyst*
Question: Just one question from me regarding gross margin and operating margin going forward. The CFO has already mentioned that both ratios will still be stable, but based on the last two quarters, based on operating leverage, seems like the OP margin has quite a positive trend. Could you provide more details about the trends for the gross margin and OP margin going forward? Thank you.

David Huang *Hon Hai Technology Group – CFO*
Based on my previous explanation, I think the trend of OP margin and gross margin next year, based on our current expectation, it will be almost close to this year's performance, at least.

James Wu *Hon Hai Technology Group – Spokesperson*
Next question comes from Guo-Qiang from Kai Chiu Investment, please.

Guo-Qiang Song *Kai Chiu Investment*
Question: I have two questions. There have been some market rumors suggesting that Foxtron might be interested in acquiring the Luxgen brand. Could you confirm if there's any truth to this?
My second question is, when will the MODEL B officially launch in Taiwan?

Young Liu *Hon Hai Technology Group – Chairman*
Let me answer this. This is a question for Foxtron. For the details, I would suggest you check directly with Foxtron. As you may know, I have recently stepped down as Chairman of Foxtron, so it would be more appropriate for them to respond.

That said, I can share that EVs manufactured by Foxtron have been performing very well, and market feedback has been highly positive. The company's main goal has always been to scale up sales and expand market reach for these strong products.

The discussion centers around how best to collaborate with brand players and distribution partners, and under what models. The objective remains the same — to broaden sales and strengthen Foxtron's market position.

In this regard, I believe Foxtron and Luxgen share the same vision, both working toward this direction. I expect they will eventually establish a new collaboration model that helps Foxtron's EVs continue to gain market share.

As for MODEL B, mass production and shipment are still scheduled for 1Q26, based on the information I have. For the exact timeline, however, please check directly with Foxtron.

James Wu *Hon Hai Technology Group – Spokesperson*
As the time is now 3:59 pm, we have time for one final question. We will invite Tim to ask his question.

Tim Culpan

Question: Thank you for your time, Chairman. I know that you are now in production of AI server in the United States. Your key client, Jensen Huang, made that public, so it is not a secret anymore. Could you please tell us what kind of capacity you have in various regions for AI servers, for example, how much are you producing out of Taiwan, versus Mexico, versus the United States, or any other regions? Thank you.

Young Liu *Hon Hai Technology Group – Chairman*

Okay, I would say the capacity in the U.S. market is for the U.S. market. And the capacity in Taiwan will be for the rest of the world. And we also are building up capacity in Japan. You have probably heard the news that we announced last week.

So, we will build up capacities in these areas that I just mentioned. The trend that we see, is local for local. Local capacity for local consumption. So, that would be our target.

In terms of the U.S., if you look at the capital investment announced by CSPs in the U.S., that is how much capacity we will be required to have in the U.S. And if you calculate our market share, anywhere between 40-50%, then that is the capacity that we are going to prepare.

James Wu *Hon Hai Technology Group – Spokesperson*

Above is all the content for our investor's conference this time. As the time is now 4:01pm, we will end our conference here. Just a quick reminder: our Hon Hai Tech Day will be held on November 21st and 22nd, which is next Friday and Saturday.

For guests who have already completed registration for the Friday session, please arrive by 9:00 a.m. when entry opens. The event will officially begin at 10:00 a.m. For those who haven't yet registered, we welcome you to join us on Saturday, November 22. Attendees will receive exclusive event gifts, and we have prepared a series of keynote presentations as well as on-site product showcases.

We look forward to seeing everyone there. Thank you everyone, goodbye.

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