TRANSCRIPT

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Investor Conference Call on
FY26 First Quarter Financial Results

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Presentation

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Hello everyone. This is Kristen. Welcome to Hon Hai's ("Foxconn") 2026 First Quarter Financial Results. Joining us today are Rotating CEO Michael Chiang, 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 1Q26, business outlook for the 2Q26 and full year 2026, major business developments and recent major events.

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

David Huang *Hon Hai Technology Group – CFO*
Thank you, Kristen. Hello everyone. I am David. I am going to start with some highlights on Foxconn's financial results for the first quarter of 2026.

Firstly, please refer to page 5 of the presentation for the income statement for the first quarter of 2026. The revenue for 1Q26 was NT$ 2.12 trillion, a YoY increase of 29%. In USD, revenue increased by approximately 35% YoY. Both continued to set new record highs for the same period in the company's history.

Gross margin was 6.18%, up 0.06 ppts YoY. Gross profit increased by 30%, mainly benefiting from revenue growth and a better product mix. Operating margin for the first quarter was 3.57%, up 0.74 ppts YoY. Operating profit increased significantly by 63%, benefiting from higher gross profit and appropriate cost control .

Net profit margin was 2.36%, down 0.21 ppts YoY, mainly affected by non-operating losses of NT$1.6 billion. Non-operating income decreased by NT$14.2 billion compared with the same period last year. The main differences came from three areas: investment, FX, and net interest.

In terms of investment, this decreased by NT$6.4 billion compared with the same period last year, mainly because last year we recognized gains from SHARP's asset disposal,

while valuation gains of fund investments declined this quarter due to market price fluctuations.

In terms of FX, FX losses increased by NT$4.5 billion compared to the same period last year. As foreign exchange gains and losses are inherently volatile, the company will continue to improve hedging efficiency and strategy to reduce the impact of FX volatility on future earnings.

Net interest expense increased by NT$3.8 billion compared with the same period last year, mainly because the continued expansion of the AI business and overall operating scale drove higher working capital and capital expenditure requirements. At the same time, first-quarter operating profit increased by NT$29.1 billion compared with the same period last year. This also reflects that capital investments are beginning to contribute to core operational growth and overall business efficiency.

Overall, although non-operating performance this quarter was affected by several factors, net profit after tax still increased by 19% YoY, demonstrating the continued improvement in the Group's core operations and profitability.

In terms of income tax, following what I explained during the previous investor conference, due to the impact of the international Pillar Two global minimum tax regime, Taiwan's CFC rules, and the repatriation of earnings from overseas subsidiaries, we still expect the full-year effective tax rate to remain in the range of 24% to 26%.

Additionally, the effective tax rate for the first quarter was 23.1%, which was better than our expectations.

For EPS, first-quarter EPS was NT$3.56, an increase of NT$0.53 from the same period last year, setting a new record high for the same period.

ROE for this quarter was 2.88%, an increase of 0.4 ppts from the same period last year. This reflects the Group's continued improvement in shareholder returns, supported by profit growth and improved operating efficiency.

Looking at page 6 for the balance sheet. In 2026, at the end of March, the cash and time deposits totaled NT$1.57 trillion, providing the Group with a solid funding foundation for global deployment, the AI business, and foreseeable operating growth.

Net cash was NT$325.1 billion, an increase of NT$43.9 billion compared with the same period last year, mainly due to an increase in accounts receivable factoring compared with the same period last year.

The cash conversion cycle for the first quarter was 44 days, a decrease of 8 days compared with the same period last year. Excluding the impact of receivables management programs, the cash conversion cycle was the same as the same period last year and remained stable.This reflects that, even amid rapid growth in the AI business and changes in product mix, the Group continued to maintain strong working capital management efficiency.

The debt ratio for the period was 62%, slightly higher than the same period last year. This mainly reflected continued business growth, which drove higher funding requirements. Accounts payable and interest-bearing liabilities also increased in line with the expansion in operating scale.

Finally, please turn to page 7 of the presentation for the cash flow statement. In the first quarter of 2026, cash inflow from operating activities was NT$3.2 billion, an increase of NT$54.3 billion compared with the same period last year. This was mainly due to improved overall profitability and optimized working capital management. On this basis, free cash flow was a net outflow of NT$32.6 billion.

In terms of capital expenditure, CAPEX for the quarter was NT$35.8 billion, down 18% YoY. However, this was mainly due to differences in the payment schedule for certain projects. Looking at the full year, as the business continues to grow and customer demand increases, capital expenditure is still expected to increase by more than 30% compared with last year.

This concludes the review of the financial statements for the first quarter of 2026. Next, I will hand the floor over to Rotating CEO Michael Chiang.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*
Thank you, David. Hello everyone. I am Michael Chiang, the current Rotating CEO.

First, let me briefly introduce myself. Since joining Foxconn in 1999, I have been with the Group for 27 years. During this period, I have participated in the development of several important businesses, including PC, smartphones, and tablets, etc. I have also experienced the Group's growth and transformation across different stages. I have been deeply involved

in, and have gained extensive experience with, Foxconn's strategic deployment, operations, and core competitiveness. Today, it is a great honor to represent the Group together with CFO David and Spokesperson James, and to share with you Foxconn's recent operating results and future outlook.

From the CFO's report just now, we can see that Foxconn's first-quarter both revenue and profits reached record highs for the same period. Revenue performance was in line with the expectations we provided during the March investor conference. From a seasonal perspective, performance was better than the average of the past five years, while on a YoY basis, revenue achieved strong growth.

Looking at the four major product segments, overall performance was broadly in line with our expectations.

For Cloud and Networking Products, shipment volume increased significantly compared with the previous quarter. However, in order to maximize capital utilization efficiency, we changed part of the server transaction model to a consignment model. As a result, revenue for this product category declined slightly QoQ. However, this does not affect our profitability level.

For Computing Products, the segment benefited from the launch of new products, and shipment momentum was better than expected. As a result, QoQ performance was flat.

From a product mix perspective, as the first quarter entered the traditional off-season for the ICT industry, combined with the rapid growth in demand for AI servers, the share of Cloud and Networking Products has now approached 50%.

This shows that Foxconn's AI strategy and investments has already brought about a structural change for the Group.

This change will help us balance the seasonal fluctuations of the ICT industry. At the same time, because AI customers are more diversified, the Group's product mix will also become more balanced.

From an overall profitability perspective, our performance in gross profit, operating profit, and net profit after tax all reached record highs for the same period.

This is not only the result of revenue scale expansion. It also represents the gradual results

of the Group's efforts in recent years to optimize product mix and improve operating efficiency.

Here, I would also like to especially thank Chairman Liu for his leadership, as well as the previous Rotating CEO Kathy and all colleagues across the Group worldwide for their hard work and dedication. They have continued to demonstrate Foxconn's execution capability and operating resilience.

Next, I would like to talk about our outlook for the second quarter of 2026. Overall, although the second quarter is traditionally the off-season for the ICT industry, benefiting from strong AI demand, we expect the Group's operating performance in the second quarter to continue its growth trend. Sequentially, we expect significant QoQ growth, while on a YoY basis, we expect strong growth.

For Cloud and Networking Products, AI demand continues to grow at a rapid pace. We are seeing strong demand for products including servers and switches. Combined with the continued ramp-up of AI racks, we expect Cloud and Networking Products to deliver strong growth both QoQ and YoY.

For Smart Consumer Electronics, major products have entered the transition period. However, overall demand remains stable. We expect second-quarter performance to be roughly flat QoQ. Compared with the same period last year, overall demand this year should still be better than last year. Therefore, we expect YoY performance to show significant growth.

For Computing Products, continuing the pull-in effect from new products launched toward the end of the previous quarter, we expect second-quarter performance to show significant QoQ growth. However, due to tight memory supply, performance compared with the same period last year is expected to be roughly flat.

As for Components and Other Products, shipments of components related to major businesses, including camera modules and connectors, are expected to grow. As a result, we expect significant YoY growth for this product category.

In terms of the full-year outlook, we maintain our view that the company will achieve strong growth. We also believe that current visibility is somewhat better than it was in March. However, considering the uncertainties in the global geopolitical and economic environment, we remain cautiously optimistic about this year.

Looking at the major products, AI remains the most important growth driver this year. I believe everyone has noticed that the four major US CSPs have recently raised their capital expenditure plans for this year. In total, these have exceeded US$700 billion. At the same time, they have also indicated that spending will continue to increase in 2027. We believe this will soon reach the trillion-dollar level. This also means that AI has already begun to generate tangible benefits for enterprises. Related investments will drive the next stage of the growth cycle.

This is also the view we have emphasized in the past: AI is not a short-term theme, but a structural transformation of the industry. From infrastructure to end applications, the entire industry chain is being rapidly reshaped. Foxconn will certainly capture this long-term growth opportunity.

For Smart Consumer Electronics, our current observations are consistent with the view we shared during the previous investor conference. We believe market demand this year will be slightly better than last year. We therefore remain optimistic about the full-year performance.

Of course, recent changes in the international geopolitical and economic environment remain very rapid. Factors including geopolitics, supply chain adjustments, and fluctuations in raw material costs may all have an impact on the industry. However, Foxconn has promoted global deployment and regional manufacturing strategies for many years. At the same time, through scale and supply chain management capabilities, we have built relatively solid operating resilience. Going forward, we will continue to monitor changes in the global market and adjust our operating strategies and resource allocation in a timely manner.

Next, I would like to explain Foxconn's value and the long-term competitive advantages we have built through several financial highlights. We have repeatedly emphasized in the past that the company's operating objective is to maximize profitability and create long-term, stable growth in absolute profit growth.

Looking back at Foxconn's business model, many of our assembly businesses adopt the buy and sell model. Product prices are adjusted according to cost changes. Therefore, cost fluctuations do not have such a significant impact on our absolute profit.

For us, what is more important is how to improve overall profitability. As long as a business

has long-term competitiveness and can generate reasonable returns, we will continue to invest in it. Looking back at Foxconn's development over the past 15 years, in terms of absolute amount, operating profit has grown faster than both revenue and gross profit.

In particular, in recent years, as AI's contribution to the Group began to increase rapidly from 2024, the growth gap between operating profit and revenue and gross profit has widened further. This indicates that AI has not only driven business growth but has also driven improvements in scale benefits and automation efficiency, further strengthening the profitability of our core business.

Next, I would like to share how Foxconn uses its solid financial structure to strengthen our competitive moat, even as expenditures and investments expand.

As AI demand grows rapidly, the overall industry chain has also entered a new round of expansion. Whether it is the build-out of AI server capacity or the advancement of large-scale global projects, considerable capital investment is needed to support future growth.

Last year, Foxconn's capital expenditure increased by approximately 27% YoY, reaching around NT$174 billion. We expect this to increase by more than 30% again this year. Capital expenditure will primarily focus on regional manufacturing deployment, automation implementation, and expansion of core production capacity. We believe this capital expenditure will gradually be reflected in our revenue and profitability performance going forward. Under this rapid expansion, stable cash flow becomes especially important.

Looking at the performance over the past several years, based on adjusted EBITDA, Foxconn has consistently maintained a relatively healthy level. This has enabled us not only to support the continued increase in capital expenditure requirements, but also to steadily increase cash dividend payouts.

Taking the first quarter of this year as an example, the Group's EBITDA has increased to NT$102.4 billion. This shows that even as we actively invest in future growth, our overall financial structure remains solid.

Lastly, in terms of ROE improvement, during the previous investor conference, we mentioned that under the Enterprise Value Enhancement Plan, one of our important goals is to raise the Group's ROE to 12% in the short term.

Looking at the first quarter of this year, Foxconn's single-quarter ROE reached 2.88%,

representing a clear improvement compared with the same period over the past two years. This shows that our efforts in improving profitability structure, optimizing product mix, and enhancing operating efficiency are gradually producing results.

We believe that as AI-related businesses continue to grow, the share of high-value-added products increases, and the benefits of global deployment and vertical integration continue to materialize, Foxconn's ROE still has room to continue improving in the future.

Combining the points above, I would like to further explain the meaning behind these numbers from three additional perspectives.

First is Foxconn's ability to convert forward-looking R&D into revenue. From PCs in the 1990s, notebook computers in the 2000s, and later smartphones and tablets, Foxconn has successfully captured every major growth opportunity. Taking the latest AI opportunity as an example, we began investing in this area in the mid-2010s, and nearly ten years later, these efforts are now beginning to bear fruit. Therefore, the investments we have made over the past several years in 3+3, especially in several new fields such as EV, robotics, space, and quantum computing, will certainly be able to take over as our new growth drivers in the future.

Second, Foxconn has already become a company built on two major foundations: AI infrastructure and Smart Consumer Electronics. AI is a B2B business, so the business model is easier to forecast, and the impact from seasonality is also more stable. With these two major technology hardware businesses as our foundation, the solutions Foxconn provides will become more diversified, and our pace of development can also become steadier.

Third, Foxconn has entered another stage of significant revenue and profit growth. Over the past two years, our revenue grew by more than ten ppts each year, while operating profit grew by 20% to 30% in each year. This shows that Foxconn's growth is strong and healthy. Given that the AI industry is still in a growth stage, we expect this development trend to continue. I believe everyone can also look forward to seeing this elephant that is Foxconn continue to dance.

Next, I will invite James to walk you through our major business development. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Thank you, Michael.

Next, I will walk everyone through the progress of several key businesses.

As Michael mentioned, AI has already become Foxconn's most important growth driver this year. Whether we look at AI capital expenditures in the market, or the orders that we have secured, current market demand remains extremely strong.

In terms of AI rack shipments, we expect the second quarter to maintain high double-digit sequential growth. For the full year, AI rack shipments are expected to achieve more than multiple foldgrowth, with shipment volume expanding quarter by quarter as customer projects continue to progress.

In addition, for 800G and above high-speed switches, benefiting from rising demand for high-speed network architecture in AI datacenters, both shipments and revenue this year could achieve double.

For the CPO optical switches that everyone has been paying attention to, mass production shipments will begin in the third quarter, and full-year shipments may reach the level of tens of thousands of units.

In terms of sovereign computing, we have also gradually participated in several major projects. Today, the Board approved a NT$30 billion capital increase in Taiwan's Visionbay.ai supercomputing center, to build Taiwan's largest AI supercomputing center. The first phase is expected to begin operation in the third quarter, focusing mainly on AI inference and GenAI, and providing enterprises with high-performance local sovereign AI computing power.

At the same time, we are also cooperating with AI infrastructure company Amini and the French state-owned enterprise Bull. This represents Foxconn's first deployment in infrastructure for the African sovereign AI market.

Next, in electric vehicles, we are honored to share our EV platform, full-vehicle development experience, and engineering capabilities with Poland's state-owned EV company, and to jointly build an AI-integrated manufacturing base to serve the European market.

We are also evaluating deeper deployment of key EV components with Mitsubishi Electric. In addition, the electric bus factory is now preparing for mass production.

In Smart Manufacturing, the Genesis platform is gradually moving toward practical production-line applications. Our Agentic AI architecture is designed to enable factories to further move toward autonomous decision-making and autonomous optimization. In the second quarter, we have also begun introducing humanoid robots and collaborative robots into our factories in the United States.

In Smart City, we will continue to deepen existing solutions and expand into more countries and cities.

In Digital Health, our AI surgical-scrub collaborative robot can improve surgical efficiency and reduce the workload of medical staff. In addition, our smart robotics collaboration project with Taipei Veterans General Hospital is designed to handle highly repetitive, labor-intensive, and high-risk tasks, thereby improving medical efficiency. At the same time, we are also advancing the use of AI technology in real-world healthcare applications. Looking ahead, Foxconn will continue to deepen its deployment in Digital Health, including hospital process automation, smart hospitals, and the establishment of medical GMP factories, with the goal of building a healthier Taiwan.

In semiconductors, new products at the 8-inch wafer fab have already entered mass production. The OSAT facility in India has already begun construction. In silicon carbide, the target is to complete final validation in the fourth quarter and accelerate adoption in commercial vehicles. For the AI ASIC chiplet project, we expect to complete the mass-production design tape-out in the second half of the year.

Foxconn's second-generation LEO satellites, PEARL, has successfully entered its planned orbit. Compared with the first-generation PEARL satellites, which focused on communication experiments between the satellite and ground stations, the second-generation satellite is further equipped with a Ka-band inter-satellite link payload. These two satellites not only can support broadband communication between satellites and ground stations but will also conduct docking and transmission verification between each other. Going forward, we will also focus on several diversified application scenarios and further expand the development of LEO satellite technologies and smart communications integration.

The above are the latest developments on our key businesses. Next, I will continue with recent major events.

First, at GTC, we showcased our AI server vertical integration capabilities. In Taipei, we also showcased Smart City platform solutions. At the automotive electronics exhibition, we showcased full vehicles, platforms, components, and software-hardware integrated solutions.

Additionally, Foxconn announced a strategic cooperation with SAP, combining the strengths of both sides in AI smart manufacturing and supply chain management to accelerate manufacturing transformation.

Finally, as everyone has seen today, Michael Chiang has officially taken over as Foxconn's third Rotating CEO, and will lead the team in achieving new goals.

On the technology side, we jointly developed a Micro-LED quantum random number generator, providing solutions for future encrypted communications and quantum security applications. In addition, we announced the world's first colonoscopy AI Agent application, which also attracted global attention at this year's GTC.

In the realm of ESG, the scale of this year's Foxconn Sustainability Awards reached a new high. We also recognized and brought together our supply chain partners to respond to Foxconn's sustainability goals. In addition, Foxconn launched a nature-based solutions initiative, accelerating biodiversity and carbon-reduction actions through cross-industry cooperation.

In terms of social participation, we also worked with Tzu Chi to improve healthcare capacity in Hualien. Foxconn's Satoyama Academy also uses environmental education to strengthen awareness of sustainability and coexistence with nature.

In overseas sites, in the Czech Republic, we participated in nationwide cleanup initiatives, implementing environmental sustainability and community engagement. Foxconn Lab also continues to strengthen local talent development and technology exchange. In the United States, the Wisconsin team also launched ecological conservation activities. In Vietnam, our Hanoi headquarters office has officially opened.

Recently, Foxconn was also selected by TIME as one of the world's 100 most influential companies. We were also the only Taiwanese company selected. Foxconn Education

Foundation was also recognized for its investment in education and humanistic care. In addition, we were selected for the Top 100 Global Innovators for nine consecutive years. In the AI 50 category, we were also the only Taiwanese company selected. Our U.S. legal executive, Robert Berry, was also recognized for his professional achievements and local influence.

Lastly, I would also like to preview several important upcoming international exhibitions, including COMPUTEX in Taipei in early June, VivaTech in France on June 17, and the Taiwan Expo in Japan in July.

We will showcase the Group's latest developments across various fields, including next-generation AI servers, electric vehicles, robotics, and applications across the three smart platforms.

We look forward to seeing everyone at our exhibitions. That concludes today's 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: The first question is for Michael. Since mid-March, geopolitical changes have brought increases in raw material costs. Could you explain whether this will affect our target of maintaining an operating margin of at least 3%? Thank you.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*
Thank you, Kristen. In response to geopolitical and global supply chain volatility, as we explained earlier, many of our businesses adopt the Buy and Sell model. Product prices are adjusted according to costs, so cost fluctuations have a relatively limited impact on our absolute profitability.

In the Enterprise Value Enhancement Plan we announced in March, we clearly set an operating margin above 3% as one of our important operating indicators. At present, we still maintain this basic operating level.

However, as the scale of AI-related businesses expands and the self-manufacturing ratio of components increases, we believe there is still a good opportunity this year to outperform our 2025 operating margin level of 3.2%. Of course, the external environment still contains many uncertainties. But overall, we remain cautiously optimistic about the improvement in profitability. Thank you.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Question 2: Thank you, Michael. The second topic is related to AI servers. Earlier, we saw that the company expects multiple AI solutions this year to drive AI rack shipments higher quarter by quarter.

Could you further share the growth drivers for these solutions, including GPU and ASIC chips? Thank you.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*

Thank you again, Kristen. We have very long-term and stable cooperation with major North American CSP customers. In response to customer demand, we supply a variety of AI server rack configurations. With each iteration and upgrade of AI server racks, new opportunities are created for us, allowing us to secure many new customers and new orders.

We expect growth momentum for both GPU and ASIC racks to remain very strong this year. Looking at GPU, we expect our customer coverage, depth of participation, and full-rack delivery capabilities for next-generation AI racks to further improve. Of course, our market share is also expected to increase compared with the previous generation.

For ASIC, major CSPs are actively developing ASIC projects, and these are also important partners for us. Our experience in system-level rack development and production is a value that customers place great importance on.

Of course, in addition to full-system production, we are also continuing to expand our deployment in high-value-added areas such as liquid cooling thermal solutions, mechanical components, high-speed transmission, power modules, and system validation.

By increasing the self-manufacturing ratio of key components, this not only can improve our supply chain control and cost efficiency, but also increase product flexibility, further strengthening our long-term competitiveness in the ASIC market. Thank you.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Thank you, Michael. 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 question.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Question 3: The third question is for the CFO. Earlier, we saw the company introduce its financial structure. Could you further explain how we manage cash flow when facing additional expansion in working capital requirements, together with the increase in AI server unit prices and the adoption of the Buy and Sell transaction model? Also, can the company's average funding cost be fully reflected in product profitability? Finally, regarding interest expense, what will be the impact on future non-op income or expenses? Thank you.

David Huang *Hon Hai Technology Group – CFO*

With the rapid growth of AI servers, working capital requirements are increasing at the same time.

Under the Buy and Sell model, the Group continues to focus on managing the cash conversion cycle. This includes optimizing AP and AR terms, especially strengthening inventory management, and using rolling cash flow forecasts to ensure that, while expanding CAPEX and overseas deployment, we continue to maintain sufficient liquidity and financial flexibility.

As for whether the cost of capital investment can be reflected in product profitability, as mentioned in the earlier report, first-quarter net interest expense increased by NT$3.8 billion compared with the same period last year, while operating profit increased by NT$29.1 billion YoY. This fully reflects that capital investment has driven growth in core operations and improved overall operating efficiency.

Regarding the impact of interest expense on future non-op income or expenses, basically, as the business continues to grow and funding requirements increase, interest expense may still rise accordingly. However, this is mainly a phased investment to support the growth of the AI business and overseas deployment.

Going forward, as working capital efficiency improves, the increase in interest expense will gradually become more balanced. At the same time, related capital investments will continue to translate into growth and profitability improvement within operations.

In terms of our funding management policy, we will continue to use S&P credit rating as a reference, with management targets including ROC above 12% and net debt divided by EBITDA below 1.5 times. We will continue to prudently manage debt and capital structure, while maintaining a solid credit rating and financial flexibility. Thank you.

Kristen Fang *Hon Hai Technology Group – Senior IR Manager*
Thank you, CFO. We will now open the floor for live questions from online investors and media. Please state your questions completely in one turn. Each participant may ask up to two questions. Thank you.

Now we will move to the Q&A session. English questions are also welcome.

James Wu *Hon Hai Technology Group – Spokesperson*

The first question comes from Laura from Citi. Laura, please.

Laura Chen *Cit Securities - Analyst*
Question: Thank you for taking my question. Thank you, Michael, for explaining the company's long-term profitability target and the changes in the operating model earlier.

Following this topic, I would like to ask about the current transaction models, Buy and Sell and Consignment. Could you share the current ratio between the two? If the proportion of consignment increases going forward, would that be more favorable for further improving profit? This is especially relevant as we are seeing more customized design requirements from different CSP customers.

In addition, as GB200 and GB300 enter the later stages of their product cycles, and Vera Rubin prepares to start in the second half of the year, will we see more use of the consignment model?

James Wu *Hon Hai Technology Group – Spokesperson*
For this topic, let us ask the CFO to respond.

David Huang *Hon Hai Technology Group – CFO*
When we cooperate with customers, we do not look only at a single transaction model. Instead, we comprehensively consider the overall commercial terms, profit margin, and capital efficiency.

For ASIC servers, because customer requirements are more customized, they usually require more collaboration in product development, system integration, and mass production ramp-up. Therefore, the value-add is relatively higher.

At present, in ASIC projects, Consignment is the main model. This has a positive effect in reducing working capital usage, improving capital efficiency, and improving margins.

As for GPU servers, as GB200 and GB300 enter the later stages of their product cycles, product maturity will improve and supply chain arrangements will become more stable. Going forward, if some customers consider cost, inventory efficiency, and supply chain resilience, the Consignment model indeed has the opportunity to expand.

However, overall, the transaction model still depends on customer requirements, product characteristics, and commercial terms. It will not be determined solely by the product

generation. The company's focus is to provide the most efficient and flexible cooperation model, while balancing growth, margins, and capital efficiency. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Next, we will invite the analyst from Daiwa to ask a question. Sheng, please.

Sheng Cheng *Daiwa Securities - Analyst*
Question: Thank you, Michael, David, and James for the introduction. I would also like to congratulate the company on delivering strong first-quarter results.

My question is about the different types of racks launched at GTC this year, such as LPU, Vera CPU, and switch racks. Could management give us more information on the shipment schedule for these products this year, as well as the company's market share in these products? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
For this question, we will ask Michael to respond.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*
Thank you, Sheng, for the question. In the AI server field, we have always been a co-development partner for major customers' new products. As long as customers have new products, we will participate.

For the various types of next-generation racks from customers, both sides are already moving at full speed on product development and preparation for mass production. For the related products, we expect shipments to begin gradually from around the third quarter. Of course, the actual delivery schedule will still depend on customers' platform introduction and validation progress, as well as datacenter deployment requirements. Thank you.

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

Angela Hsiang *KGI Securities - Analyst*
Question: Thank you. Thank you, Michael, CFO, and James. I have one follow-up question and another question asking for updates.

First, regarding the server pricing model that changed to consignment this time, is this more related to general servers, or to AI servers? Under this pricing model, does the company no

longer need to provide working capital support for customers? Or is this only an accounting presentation in the financial statements, while in reality the company still needs to provide working capital support? That is my first question.

My second question is about Cloud revenue. In the first quarter, Cloud already reached around 48% of revenue. Could you help us break this down between AI servers and general servers? Because we are also hearing that the market's growth outlook for general servers is being continuously revised upward. Could you share how you view the growth momentum for general servers and AI servers respectively this year? And what impact will this have on our margins? Those are my questions. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Regarding the server market outlook, we will first ask Michael to respond. After that, CFO David will answer the follow-up question on consignment. Michael, please.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*
Thank you, Angela, for the question. As the AI server market continues to grow, we have successfully expanded from key components into full systems and rack integration. The share of AI servers within overall server revenue has also continued to increase year by year. Last year, it already reached close to 50%.

This year, as AI rack shipments ramp up quarter by quarter, if supply chain material availability can meet demand, we expect rack shipments this year to grow by at least more than double. In the first quarter, AI server revenue already accounted for more than 50% of server revenue.

Over the past two years, our general server business has delivered double-digit growth, with particularly strong demand from CSP customers. This reflects that the build-out of AI data centers is also driving demand for general servers at the same time. We expect the general server market to continue growing steadily this year.

As a leading global server ODM, Foxconn has a complete customer base covering major CSPs and enterprise customers, as well as advantages in global manufacturing and supply chain integration.

We expect that in 2026, the general server business will still have the opportunity to maintain double-digit growth. Our performance should also be better than the overall industry average. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Regarding whether consignment is coming from general servers or AI servers, we will ask the CFO to respond.

David Huang *Hon Hai Technology Group – CFO*
The consignment model is basically more related to ASIC servers. Why is that the case? As everyone knows, ASIC chips are basically more tailor-made, so unlike general-purpose semiconductors, they do not necessarily have a fixed market price. For this part, using a consignment model is very suitable for our ASIC server customers.

As for other GB-series AI servers, some customers may also consider adopting the consignment model depending on their individual supply chain management policies. The adoption of the consignment model does indeed reduce our working capital requirements.

To put it simply, inventory can be significantly reduced, and accounts receivable and accounts payable amounts can also be significantly lowered. Therefore, for us as a supplier, the consignment model does indeed greatly reduce the amount of working capital preparation required. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Next, we will invite Arthur from Fubon Securities to ask a question. Arthur, please.

Arthur Liao *Fubon Securities - Analyst*
Question: Thank you. I have two questions. First, we have evaluated Foxconn's net profit growth. We see that, in 2025, growth was around 24%. Our estimate is that this year it may grow around 35%, and next year around 20%. So, on average, annual growth should be around 25% from 2025-2027. I would like to know whether the company feels that the market's valuation is somewhat unfair. What is the company's view? Based on such strong first-quarter revenue and results, EPS may potentially need to be revised upward again.

My second question is about the ASIC and GPU customers mentioned earlier. I think these are probably Google and NVIDIA, which are also very important customers for TSMC and Foxconn. We know that Google has recently also announced some roadmaps and upstream supplier allocation. Based on the supplier allocation, Google's volume next year appears to be very large. For Google TPU, with such large growth next year, our own estimate is around 75% YoY growth in the rack segment. We think it is unlikely that only one sole supplier can handle all of this. Could the company provide further comments on

this? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*

Thank you, Arthur, for your recognition and confidence in us. We are also very confident in our own long-term growth. As mentioned earlier, in the first quarter, our core operating profit showed very high YoY growth. This reflects that our growth is indeed very healthy.

Looking from a longer-term perspective, since 2024, AI server racks have developed very rapidly, creating a more structural change for us. Visibility has also become longer, and we are seeing larger opportunities.

Two to three years ago, when we shared our view on the AI market TAM, we expected the overall CAGR to exceed 40% by 2032. At present, it looks like this growth pace is even faster than we expected. Compared with the past, when the focus was more on ICT products, the potential customer base for the AI server market is broader. In addition, the product requirements of different customers do not obviously conflict with one another. Therefore, under the rapid growth in AI computing demand, for large CSPs and enterprise customers, the key is whether suppliers can rapidly expand AI infrastructure. With our global deployment and vertical integration advantages, we can participate in different AI infrastructure projects for multiple customers at the same time. In the past, we may already have reached around 40% market share in the AI market, with further upside potential going forward.

As for ICT, Foxconn is also a very unique and influential company. Together with AI, these have formed two major pillars, as CEO Michael specifically mentioned earlier.

Over the past two years, our revenue has grown by more than ten ppts each year, but operating profit growth has reached 20%-30%, higher than revenue growth. For a company of Foxconn's scale, this growth magnitude is quite significant. We expect the growth momentum to continue for some time. Therefore, personally, I believe Foxconn has returned to a trajectory of a growth company. It should therefore receive the valuation that a growth company deserves.

In addition to the strong development of the existing businesses, we continue to invest in areas that we believe will create long-term value for both the company and our shareholders, including EVs, robotics, and space technologies. We believe the contribution from these investments will gradually be reflected in the company's overall value

Thus, I believe that Foxconn's technological capabilities and profitability within the global technology manufacturing industry make it the most critical company in the downstream technology sector, and it deserves a more reasonable valuation from investors. That is our view regarding the first question on valuation.

As for the situation of ASIC projects, let me explain. Regarding the TPU part, our policy is basically not to comment on individual customers or individual products. However, we are seeing North American CSPs continue to expand deployment in AI inference applications. While GPU solutions continue to grow, adoption of AI ASIC servers is also showing very strong growth momentum.

As you mentioned, regardless of the exact number, the growth momentum is basically very strong. In the ASIC market, we will definitely grow together with our customers. We believe development this year and next year should be very clear, without any doubt. Our experience across the full stack is already very complete. This year, in addition to gradually launching liquid-cooled ASIC server projects, our goal is to participate comprehensively.

Depending on the characteristics of each project, across key areas such as modules, rack integration, system testing, and validation, we will take on different roles. Our goal is to help customers accelerate mass production ramp-up and full-rack delivery.

Finally, as our production capacity in North America and Europe gradually comes into place, our global supply capability and localized delivery advantages in ASIC servers will be further strengthened. We hope this will establish a more solid foundation for market share gains and revenue growth. Therefore, in 2026, the ASIC server business will show more than 1 time growth.

James Wu *Hon Hai Technology Group – Spokesperson*
Next, we will invite Dylan from Commercial Times to ask a question. Dylan, please.

Dylan Hou *Commercial Times - Reporter*
Question: Hello Michael, James, and David. Thank you for taking my question. My main question is about one of the Group's major customers, Apple. Apple previously announced that starting in September, John will take over as the new CEO. Because Apple is one of your very close major customers, I would like to ask for your views on how this leadership succession may affect Foxconn in the future.

Also, how do you observe Apple's future development strategy? In this investors' conference, you also mentioned some supply chain pressure from rising memory prices. How do you view the market in the second half of the year? For Foxconn, will there be an opportunity to improve market share or strengthen the company's competitive advantages through hardware upgrades or other methods? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
For this question, we will ask Michael to respond.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*
Thank you, Dylan, for the question. We tend to not comment on individual customers or individual products. Of course, it is also not convenient for us to comment on organizational changes of our customers.

As for our view on the market in the second half of the year, we currently maintain a relatively positive and cautiously optimistic view. Although memory prices and the cost of some components have indeed risen recently, for high-end products, compared with the mid- to low-end market, the impact from memory price fluctuations is relatively more limited.

In addition, many people believe that after many years of development, the Smart Consumer Electronics industry has already entered a mature stage, with limited growth momentum. However, as AI technology gradually develops and advances, we have also observed new development trends in the design and development of products including wearables, handheld devices, and mobile devices. For example, on the product side, in order to provide users with an optimized AI application experience, products are strengthening their edge computing capabilities.

At the same time, the introduction of new materials and new technologies is allowing products to become lighter, faster, and easier to use.

The overall market is also beginning to enter a new wave of hardware upgrade cycles, including higher memory capacity, stronger computing power, better thermal management, and better battery management. This actually has a positive effect on increasing the value content of the overall supply chain.

For Foxconn, we have very strong in-house manufacturing capabilities for key components, as well as strong vertical integration capabilities. This allows us to maintain stable growth in both business and profitability under the trend of next-generation product upgrades.

Overall, we remain positive on the performance of Smart Consumer Electronics this year, and we still expect significant growth momentum. Thank you.

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

Avery Liu *SETN - Reporter*
Question: Hello, Michael. This is Avery from SETN Finance. I would like to ask about COMPUTEX in June, which is now approaching. This time, NVIDIA CEO Jensen Huang and Intel CEO Lip-Bu Tan will both be coming to Taiwan. I want to know whether the company can preview the main themes of this year's exhibition. Also, many people are looking forward to whether there will be any related cooperation announcements during the exhibition. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
Thank you. I will answer this question. As for related announcements, let's keep some suspense for now. But we welcome you to come to the exhibition site to look for the answer.

Regarding COMPUTEX, in recent years, we have used our AI deployment as the main theme. This year, we will use AI diversified ecosystem integration as the core direction, further transforming from an AI server supplier into a Token Factory provider. We will also expand AI's influence into multiple fields, including Smart Manufacturing, Smart EV, Smart City, aerospace, and healthcare.

In AI, in addition to technology and automation, the most critical factors are vertical integration and a complete customer structure. Therefore, this exhibition will focus on AI infrastructure and vertical integration.

We will showcase key products covering L1 to L12, VR, LPU, and CPO. At the same time, we will also combine the Group's global AI ecosystem computing power deployment. We will work with partners including NVIDIA, Intel, and AMD to jointly present the results of our cooperation in AI datacenter total solutions.

In addition, this time we will also specially showcase forward-looking AI technologies including NemoClaw, humanoid robots, and space datacenters. We will combine these with applications across the Group's three smart platforms to demonstrate Foxconn's overall

deployment across the AI industry chain, computing power infrastructure, and future field applications. We welcome everyone to visit our exhibition area at that time.

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

Melody Chang *EBC Financial News- Reporter*
Question: Hello everyone, hello Michael, this is Melody from EBC Financial News. I would like to ask about the company's previous AI server capacity expansion in Mexico, the United States, and Taiwan. Could you separately explain the investment progress and targets for AI server capacity in these three locations? Also, how will future capacity distribution look like? Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
For this question, we will ask Michael to respond.

Michael Chiang *Hon Hai Technology Group – Rotating CEO*
Thank you, Melody. At present, the Americas region remains Foxconn's largest AI server production base. We have already established a fairly complete supply chain locally. At this stage, it remains an important core supporting global AI server shipments.

However, in response to changes in global geopolitics and customers' increasing demand for localized production, Foxconn has increased its investment efforts in the United States in recent years.

The Group's overall capital expenditure has increased by 20% to 30% in each of the past two years. A fairly large portion of this is related to capacity expansion for AI servers, including investments in factories, equipment, and automated production lines.

From the demand side, current demand from major CSP customers, whether for GPU or ASIC AI servers, as well as projects such as sovereign AI and large-scale datacenters, is still mainly concentrated in the U.S. market.

Therefore, the United States will gradually become Foxconn's largest AI server production base in the future. This is also an important direction of our Local for Local global manufacturing strategy. Overall, the United States and Mexico will remain our largest mass production bases.

As for Taiwan, in addition to continuing to serve as a core R&D hub, its production capacity has also continued to expand in recent years. Taiwan serves as our base for development validation and early-stage mass production.

As AI demand grows rapidly, and as projects including the Visionbay.ai supercomputing center continue to advance, Taiwan's deployment in high-end AI servers and key components is also gradually increasing.

Overall, Foxconn's future AI server capacity will continue to expand and provide stronger supply chain resilience and global delivery capability. Thank you.

James Wu *Hon Hai Technology Group – Spokesperson*
As the time is now 4:01pm, we will end our conference here. If you have any further questions, please feel free to contact our IR team. Thank you everyone, good bye.

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