【Samsung Electronics 2025 Q1 Earnings Call】

[Operator]
Hello, and welcome to the Samsung Electronics 2025 first quarter financial results conference call. I'll be your coordinator.

All participants will be in a listen-only mode until we open the question and answer session following the presentation. As a reminder, this call is being recorded.

I would now like to turn the conference over to the Investor Relations team. Please go ahead.

Welcome to all the participants worldwide, and thank you for joining the Samsung Electronics earnings call for the first quarter of 2025. I am Daniel Oh, Head of Investor Relations.

Before we proceed, I have some legal house matters to take care of. First, I want to remind you that the quarterly results and supplementary materials to our earnings call are on the Samsung Electronics Investor Relations website at www.samsung.com/global/ir. A webcast of today’s call will also be uploaded to the website.

Secondly, we must state that today’s call may contain forward-looking statements. These statements represent our predictions and expectations of future events, but numerous risks and uncertainties could cause actual results to differ from those projected.

Furthermore, the information provided herein reflects the Company's views as of the date of today's call; and the Company undertakes no obligation to update the information subsequently.

With that, now, let me briefly outline today's agenda: I will first start the discussion with the first quarter financial performance, capex, and sustainability management, and; Our Chief Financial Officer will follow with a summary of our business outlook going forward and any updates on shareholder value. We will then turn the call over to executives for details on their respective business areas before opening the call for analyst questions.

The executives joining us on the call today are
EVP, Sooncheol Park, Head of Corporate Management Office and CFO
EVP, Jaejune Kim, representing Memory,
VP, Hyeokman Kwon for System LSI,
VP, Mijung Noh for Foundry,
EVP, Charles Hur for Samsung Display Corporation,
VP, Daniel Araujo for the Mobile eXperience,
And finally, EVP, K.L. Rho, for Visual Display.

Let's begin with our consolidated financial performance for the first quarter 2025.

The Company's revenue increased by 4% quarter-on-quarter to 79.14 trillion won, a new all-time high for any quarter. Revenue in the DX Division was up 28%, driven by increased sales of flagship smartphones and high-value-added home appliances. However, revenue in the DS Division decreased by 17%, impacted by a decline in HBM sales due to deferred customer demand, which will be addressed further in detail by EVP Jaejune Kim from the memory business later.

SG&A expenses decreased by 0.6 trillion won quarter-on-quarter to 21.4 trillion won thanks to efficient execution; and SG&A expenses as a percentage of sales declined 2.0%pts to 27.1%.

Operating profit increased 0.2 trillion won sequentially to 6.7 trillion won, led by strong sales of the Galaxy S25 series and high-value-added products in the Visual Display and Digital Appliances Businesses, despite headwinds from the DS division. Operating margin was 8.4%, comparable to the previous quarter.

Regarding currency effects, the appreciation of major currencies, including the US dollar, had a positive impact of approximately 0.5 trillion won on operating profit compared to the previous quarter, felt mainly in the component business, which has a high proportion of US dollar-based transactions.

Next, I will cover capital expenditures.

Capex in the first quarter of 2025 decreased by 5.8 trillion won quarter-on-quarter to 12 trillion won, of which 10.9 trillion won was invested in the DS Division and 0.5 trillion won was invested in Display.
In Memory, investments also declined sequentially, reflecting our more flexible approach to better align with supply and demand. However, we remain committed to investing in R&D and advanced technology.
Foundry investments decreased as we prioritized tech migration, considering market conditions and investment efficiency.
In Display, capex declined sequentially following the completion of major investments in 8.6 generation IT OLED panels.

I will now comment on one of our key achievements in sustainability management.

Our company recently ranked first in a supply-chain human-rights assessment of 45 leading global ICT companies, conducted by the non-profit organization KnowTheChain.

This recognition reflects our strengthened efforts to improve supply chain due diligence and grievance mechanisms, with a particular attention to managing forced labor risks by expanding protections for migrant workers. Our enhanced transparency through broader public disclosure of supply chain information was also positively received.

The Company remains committed to advancing its sustainability management practices to drive long-term value for all stakeholders.

At this point, I will pass the conference over to our CFO, Sooncheol Park.

Thank you, Daniel, and good morning, everyone. It’s a pleasure to join you once again on our earnings call. I will now present our outlook and review shareholder value initiatives.

Recently, global trade tensions have led to a slowdown in global growth and increased fluctuations in financial markets, raising concerns over the performance of tech companies, especially in the semiconductor industry. We expect to encounter elevated uncertainties throughout the year. In this situation, we will continue our efforts to launch top-tier, innovative products and services to overcome the challenges and maintain our position as a leading tech company.

First of all, in an environment that is changing faster than ever, we are pursuing new growth opportunities by developing diverse new businesses, including robotics and AI. For robotics in particular, we are sparing no effort to outpace peers by advancing both hardware and software through internal development and external partnerships. Through these efforts, we are committed to positioning ourselves as an industry leader.

To this end, we have emphasized our R&D investments, which reached their highest ever annual total in 2024. Moreover, our R&D spending in the first quarter increased by 16% year on year, setting a new record high for the first quarter.

For our full year outlook, we cautiously expect the overall performance to gradually improve as we move into the second half, assuming an easing of the current uncertainties.

In the DS Division, we expect AI server demand to continue growing, while mobile and PC demand should benefit from the on-device AI trend. We will proactively address demand for high-density products, such as HBM, and improve our market position by focusing high-value-added products. Also, in Foundry, we plan to focus on improving profitability by securing more customer orders in both advanced and mature nodes.

In the DX Division, despite concerns over global trade and an economic slowdown, we will strive to increase sales of foldable devices and other flagship products. The second half launch of these products will provide unique, tailored AI experiences. For wearables, we will capitalize on rising demand across the entire lineup and prospects for broader adoption in emerging markets. Our plan is to reinforce our AI leadership by enhancing and expanding the integration of innovative AI features, including in our TVs and home appliances.

However, it is widely understood that the current unpredictable environment is a product of major shifts in the global politics and international trade, resulting in heightened market uncertainties.
Drawing on our experience from overcoming numerous crises since our

founding, we are managing risks by preparing tailored countermeasures for multiple scenarios, aiming to turn this crisis into an opportunity for us to leap forward. As a global company, we are thoroughly reviewing all options to flexibly utilize our global production facilities and sales infrastructure in response to the changing environment. Through these efforts, every member of Samsung Electronics will work together to minimize business impacts and enhance corporate value.
Last, amid rapidly shifting paradigms, we are committed to setting direction with speed and executing without hesitation.

Additionally, we are applying AI and robotics technologies to our businesses and continuously expanding their use to improve operational efficiency. On top of these efforts, we will harness diverse cutting-edge technologies, including AI, to develop smarter products and services.

We aim to advance technology innovation in new growth opportunities, through cross-collaborations that combine the strengths of each business unit.

Moving on to enhancements to shareholder value.
The Board of Directors today approved a quarterly per-share dividend of 365 Korean won for both common stock and preferred stock.

Following our three-year shareholder return policy covering 2024 to 2026, the total annual dividend is 9.8 trillion won. Thus, the payout for the first quarter is 2.45 trillion won, scheduled for payment in late May.

In November 2024, we announced our plan to repurchase 10 trillion won worth of shares to enhance shareholder value. Of this amount, we purchased and cancelled 2.7 trillion won in common shares and 0.3 trillion won in preferred shares by mid-February. For the remaining 7 trillion won, the repurchase of 3 trillion won worth of shares is in progress.

Turning to stock-based compensation, after thorough discussions, we decided to increase the scope of stock-based compensation for all executives to encourage and reinforce long-term value creation.
Linking all executive compensation to stock performance and business results, better aligned with our shareholders' interest, encourages a strong focus on corporate & shareholder value as well as sustainable results.
In addition, we hope to further enhance shareholder value through clear incentive structures that promote value creation in the mid to long term.

Thank you. Back to you, Daniel.

Now, the executives will provide more detailed information on their respective business unit’s first quarter performance followed by their outlook.

We will start with Jaejune Kim, EVP of Memory Business.

Good morning. This is Jaejune Kim from Memory Global Sales & Marketing.

In the memory market in the first quarter, demand for AI servers stayed solid, and the recovery of PC and mobile demand also became more visible than initially expected. But, for server SSD market, demand remained relatively weak following the previous quarter, as some datacenter projects were delayed. In this market situation, for DRAM, by expanding our bit shipments focused on servers, we exceeded the initial Guidance by a high single-digit percentage in bit shipments. As a result, our QoQ bit growth increased by a low single digit.

However, HBM sales decreased quarter-on-quarter caused by impacts of export controls on AI chips and deferred demand in anticipation of the upcoming enhanced HBM3E products. For NAND, as server SSD demand weakened, bit growth decreased by about 10% compared to the previous quarter, but we slightly exceeded our Bit Guidance which was projected at the previous earnings call, due to additional purchase demand arising from the perceptions that the market price had reached a bottom.

Now, let's move on to the outlook for the second quarter.

In the second quarter, along with robust demand for AI servers, we have seen preemptive purchasing activities after the pause on the reciprocal tariffs. Especially, since memory inventory for PC and mobile has been normalized earlier than anticipated because of the stimulated domestic demand in China in the first quarter, we expect the demand to continue its momentum.

However, we need to keep monitoring the direct and indirect impacts on demand, which result from additional changes in tariff policies of major countries. In this circumstance, we continue to operate our business focusing on profitability.

For DRAM, we plan to strengthen our position in the high-value-added market by expanding our initial response to demand for enhanced HBM3E products and operating product-mix focused on high-density products for servers. However, from a profitability perspective, we plan to flexibly respond to the demand from PC and mobile segments, where market price increase has been recently observed.

For NAND, based on our flexible product-mix operation, we plan to focus supply on applications showing signs of recovery and improve cost competitiveness by accelerating the transition to V8 for all applications.

Lastly, let me talk about the outlook for the second half of 2025.

For server, demand for AI servers is forecasted to remain robust in conjunction with the launch of new GPUs, and demand for server SSD is also likely to recover as the previously suspended datacenter projects resume.
For PC, we expect demand to improve due to the discontinuation of Windows 10 service and the arrival of the replacement cycle.
Moreover, demand momentum for mobile devices is also projected to increase thanks to the spread of AI services and increased content-per-box.

However, as macro uncertainties such as the changes of tariff policy continue to expand, demand volatility is expected to be quite high accordingly.

In this situation, for DRAM, we plan to continue expanding the transition to 1b nanometer. In addition, in the server market, we will increase sales of our enhanced HBM3E products as well as high-density DDR5 modules such as 128GB and higher.
As for the mobile and PC markets, in which On-Device AI trends are expected to keep spreading, we plan to proactively respond to the high-density and high-performance trends with our industry-leading 10.7Gbps LPDDR5x products.

For NAND, we will actively address the growing demand for high-performance computing SSDs for AI server by offering full PCIe Gen5 line-up of both 16 and 8 channels, and, in the mobile market, we plan to promote UFS 4.1 products, featured with the industry's highest performance. In addition, we will keep strengthening cost competitiveness by accelerating the transition to V8 across all applications.

Thank you.

Good morning. This is Hyeokman Kwon from the System LSI Business.

In the first quarter, revenue was initially pressured by a sluggish smartphone market and delayed adoption of our flagship SoC at our key customer. Nonetheless, stronger seasonal demand from major customers enabled us to expand shipments of image sensors and LSI products, resulting in a slight increase in total sales and a modest improvement in profitability.

Looking to the second quarter, rising geopolitical risks are leading to global customers diversifying supply chains and adjust inventory strategies, which may heighten demand volatility and discourage new investment and development. Seasonal softness could reduce sensor and LSI volumes versus the previous quarter, yet we aim to maintain revenue steady by entering our SoCs in to major customers' new flagship models and taking advantage of the growing adoption of 200 megapixel sensors in the Chinese market.

In the second half, overall mobile market momentum is expected to remain limited, but component specification upgrades driven by on device AI should stay resilient, and demand for premium mobile and IT devices is likely to persist. For SoCs, we will maximize supply of next generation products for flagship line ups. For DDIs, we will sharpen our solution competitiveness, particularly in Touch and T CON. For image sensors, we will actively address high resolution demand for main and telephoto cameras and expand our automotive sensor portfolio. By launching higher value added products, optimizing costs, and improving product mix, we will reinforce the division's profitability.

Thank you.

Hello everyone. This is Mijung Noh from the Foundry Business.

In the first quarter, the market recorded a quarter-over-quarter decline due to seasonal weakness in mature nodes.
Our short-term performance was also negatively impacted by the ongoing U.S.-China trade tensions, continued inventory adjustments by customers on mature nodes, and the fact that revenue from the new advanced nodes is expected to be concentrated in the second half of the year.

Despite the challenges, we remained focuses on enhancing yield and ensuring seamless readiness for mass production of 2-nanometer GAA process.
Furthermore, we achieved a quarter-over-quarter increase in order intake for HPC/AI applications, primarily driven by advanced process nodes, including 2nm and 4nm, and under the 5-nanometer category.

Looking ahead to the second quarter, demand for legacy nodes is projected to be somewhat subdued, but we anticipate a gradual recovery supported by HPC and AI demand.
To address strong demand from certain U.S. mobile / automotive, we plan to ramp up production while simultaneously implementing hedging strategies against risks related to U.S.-China trade tensions. However, ongoing uncertainty surrounding U.S. tariff policies continues to pose a potential risk of demand slowdown.

From a technical perspective, we completed the reliability assessment of the first-generation 2-nm GAA process and will start fab-in for mass production in the second quarter. Simultaneously, for the second-generation 2nm and the performance- and power-optimized 4nm process, we are systematically building the technical infrastructure required to support customer design enablement in a timely and efficient manner. We are strengthening our position in advanced node competition by focusing on securing orders from

Tier-1 customers in the HPC and Automotive sectors. In parallel, we are enhancing the competitiveness of our PPAC within the mature nodes by advancing the FinFET process development of low-power CIS and Mobile DDI applications.

In the second half, geopolitical and policy risks may intensify, and demand associated with mobile and PC markets could remain weak. Nevertheless, robust AI and HPC momentum is expected to sustain strong growth at advanced nodes. We will drive earnings higher by increasing the revenue contribution from advanced nodes, underpinned by the full ramp up of new advanced node products, a seasonal rebound in mature node demand, and sustained strength in AI and HPC applications.
We will begin mass production for our first generation 2 nm GAA process and accelerate customer orders for the second generation 2 nm node by stabilizing the process. For 4 nm, we will continue our long node strategy by steadily improving yields and ensuring mass production capability for automotive grade products. In mature nodes, we will deepen our specialty portfolio and expand orders for consumer and automotive products.

Thank you.

Good morning. This is Charles Hur from the Corporate Strategy Team at Samsung Display.

I will now brief you on our results for the first quarter of 2025.

For the mobile display business, we responded to the demand of our major customer’s high-end smartphones in a timely manner. As a result, our performance improved year-on-year, supported by favorable exchange rates. However, our performance declined quarter-on-quarter due to seasonal effects.

For the large display business, our major customers launched new QD-OLED products, including 27-inch UHD monitor which features the highest resolution of 160 ppi. Given the positive market feedback, the QD-OLED demand continued to grow. By focusing on new products, we achieved double-digit growth in monitor sales, which contributed performance improvement compared to the previous quarter.

Next, I will share our outlooks and strategies for the second quarter of 2025.

For the mobile display business, our performance outlook is a little bit conservative due to external uncertainties such as changes in tariff policies. We will strengthen our product competitiveness and ensure a stable panel supply for our major customers' new products, including foldable smartphones. Furthermore, we will strive to expand our sales in IT and Automotive applications.

For the large display business, while keeping our sales performance stable, we are planning to launch monitors featuring an ultra-high refresh rate. We expect the market to grow as the new monitors enrich gaming experiences.

Next, I will share our outlooks and strategies for the second half of 2025. Market uncertainties are expected to increase due to intensified competition and weak consumer sentiment.

For the mobile display business, with the growing demand of AI devices, we will reinforce our competitive edge and expand sales by enhancing our differentiated technologies in smartphones such as low-power consumption and diverse form factors. In addition, we will continue to increase sales in IT and Automotive segments, aiming for a double digit revenue contribution to the mobile display business. We believe it will stabilize overall business portfolio.

For the large display business, QD-OLED demand continues to grow in the premium TV and monitor markets supported by high-definition image quality and superior performance. We will expand our product lineup to include not only premium monitors but also mainstream models. As a result, we will broaden our presence in both B2C and B2B monitor markets.

Through continuous efforts, we will accelerate OLED penetration in the monitor market and solidify technology leadership of QD-OLED.

Thank you.

Hi everyone, this is Daniel Araujo from the MX Division.

I’d like to share our results for Q1 and the future outlook.

The smartphone market entered into the seasonally lower Q1, with a decline compared to the previous quarter.
For the MX Business, Q1 smartphone and tablet shipments were 61 million units and 7 million units, respectively, with a smartphone ASP of $326.
We achieved revenue and operating profit growth QoQ with the launch of the S25 series. Its more robust Galaxy AI experience has helped it maintain the strong sales momentum of its predecessor.

We saw flagship revenue within the smartphone segment expand YoY.
We also continued to enhance cost competitiveness through resource efficiency initiatives, while some component prices also showed a downward trend in Q1. As a result, we maintained solid double-digit profitability and improved operating profit compared to the previous year.

Moving on to our Q2 outlook, overall smartphone demand is expected to decrease QoQ due to seasonality trends. Additionally, there is potential for further adjustments in the forecast due to global tariff policies.
The MX business expects a decrease in smartphone shipments and ASP due to the fading effects of our new flagship model launches, while tablet shipments are expected to grow sequentially. We plan to sustain flagship-centric sales with a successful launch of the new S25 Edge and continued strong sales of the S25 series.

We will also expand our AI phone lineup by introducing "Awesome Intelligence" to our newest A Series devices. This brings over many of the highly used AI features from our flagship devices, such as Circle to Search and Now Bar.

Given the backdrop of volatility in U.S. tariff policies and anticipated increases in key component prices, we are pushing ahead with our premium product strategy and continuing to focus on resource efficiencies.

Looking ahead to the 2nd half of the year, given macroeconomic uncertainty caused by U.S. tariff policies, smartphone market demand is expected to be revised downward and decline year-on-year. The tablet market will also see slower growth, but premium demand is expected to remain robust. Wearable product categories are projected to grow due to increased demand for premium products and expansion into emerging markets.

Looking across the MX Division, for our upcoming new foldable devices, we are enhancing the performance, design, and durability, while also optimizing AI functionality to offer a differentiated user experience. We plan to strengthen our product lineup in order to create new demand and expand our foldable customer base.

With the S25 series, including the soon-to-be-added Edge, we will continue flagship-centric sales along with seasonal promotions and sustained marketing efforts. On the A Series, we're reinforcing our efforts to increase market share by offering the differentiated 'Awesome Intelligence' experience and expanding channel presence in growth markets.

We will also launch new ecosystem products with enhanced core functionality, including AI and health capabilities, to strengthen product competitiveness and differentiation.
In tablets, we will drive premium revenue growth by launching the AI-enhanced Tab S11 series in the latter half of the year and strengthening targeted marketing across the Tab S lineup to capture new demand.
For wearables, we will expand our market presence with a strengthened premium experience, while expanding our lineup across all price segments.

We plan to launch a new Galaxy Watch with an innovative design and enhanced health-related features.
In TWS, while we strengthen premium marketing on one hand, we'll also address demand across all price segments by launching a new entry-level model.

Furthermore, beginning with the successful launch of our XR headset, we will proactively explore new products that meet the diverse needs of consumers while also ensuring market viability.

Despite ongoing macroeconomic uncertainty and anticipated increases in material costs, the MX Division will drive growth in flagship-centric sales and our ecosystem business with a focus on new premium products, while we continue to optimize operations across the board to sustain robust profitability.

Thank you.

Hello, everyone. I'm KL RHO from the Sales and Marketing Team of Visual Display.

Let me brief you on the market conditions and our results in the first quarter of 2025.

TV market demand decreased quarter-on-quarter after the year-end peak season, but it increased slightly year-on-year due to continued growth in demand for premium and big TVs.

For Samsung, we expanded sales shares of high-value-added products compared to last year through proactively addressing solid demand for Neo QLED, OLED, and above 75 inches. Also, we improved quarter-on-quarter profitability by raising prices and reducing material costs. Even so, our profitability decreased year-on-year due to stagnant TV market demand and increased costs driven by intensified competition.

Now, let me go over the outlook for the second quarter and second half of 2025.

In the second quarter, TV market demand is expected to remain the same year-on-year while uncertainties such as the impact of U.S. tariffs are likely to continue. With Vision AI, which is the direction our AI screen should move forward, we will launch the 'new 2025 AI TV models' globally with advanced features and line-ups and focus on enhancing sales of premium products and profitability.

As for the second half of this year, economic uncertainties are projected to continue. However, demand for high-value-added products including Super Big TVs, QLED, and OLED models will stay solid.

With newly launched AI TVs, we will lead the AI screen market not only by strengthening the core competitiveness of our TV products including improved picture and sound quality, but also by actively promoting differentiated viewing experiences.

In addition, based on reinforced line-ups of Super Big TVs, QLED, and OLED, we will preemptively capture peak season demand in the second half through strategic collaborations with major retailers.

Finally, as the global leader in the TV market for 19 consecutive years,
we will advance service businesses through enhancing TV Plus content and diversifying advertisements, thereby strengthening profitability and new growth engines.

Thank you.

Thank you all our executives for their comments. That concludes our presentation on the first quarter performance of 2025 and brings us to the Q&A session, which will be conducted in Korean.

Operator, you may now open the line for analyst questions.

(Q&A session)

* Simon Woo, Bank of America

Q.
- I want to ask about tariff. There are a lot of uncertainties in the IT sector. What are your response strategies including supply chain management?

A.
- I believe this is one of the most important questions.

Due to the rapid changes in policies and geopolitical tensions among major countries, it's difficult to accurately predict the business impact of tariffs and establish countermeasures. For example, the US enacted a 90-day pause on reciprocal tariffs imposed in early April, excluding the 10% baseline. Our flagship products such as semiconductors, smartphones and tablets are exempt from reciprocal tariffs. But a product-specific tariff investigation is underway for these categories. So there are a lot of uncertainties ahead of us. By monitoring likely policy paths in major countries, we are communicating with related countries to minimize negative effects. Also by utilizing our core strengths, managing global production and customer relationships, our agile response measures enable immediate action.

The MX Business, if tariffs are imposed on semiconductor derivatives and other products, we expect the purchase price of core components to rise. The MX by expanding sales of flagship smartphones, including for the soon-to-launch S25 Edge and new premium ecosystem devices, will secure profitability. For VD and DA we will pursue sales expansion of premium products. And if necessary, we will consider options such as relocating production volumes by leveraging our global manufacturing footprint to minimize tariff impacts. The DS Division will monitor the direction of US semiconductor tariff policies, and will review countermeasures based on various scenarios.

* Jay Kwon, JP Morgan

Q.
I also have one question. You explained about the performance for your memory business in the first quarter. I'd appreciate if you could provide a little bit more detail, please?

A.
- Let me explain further on our Memory performance.

Over the first quarter, AI server demand remained solid, and there were growing perceptions that prices have pretty much bottomed out for both PC and mobile applications, and as a result we saw a pickup in additional purchasing demand. Also, amid concerns ahead of changes to global tariffs, companies have been increasing pre-production of their finished products leading to a faster-than-expected drawdown of their components inventories, and recovery in demand has been gaining more visibility versus our initial outlook.

That said, for HBM, clients have been deferring demand ahead of the planned launch of our enhanced HBM products. And together with the impact of export controls on AI chips, this led to a gap in HBM demand as we had projected in January in our earnings call, with sales decreasing quarter-on-quarter. Despite these conditions, our server DRAM bit shipments increased by a mid-teen percentage Q-on-Q which helped conventional DRAM post high single-digit bit growth.

Meanwhile, ASP decreased by a mid-single percentage Q-on-Q.
For NAND, as some data center storage projects were postponed, overall, we saw weaker demand in the server SSD market. Previously in the first quarter though with server SSDs enjoying higher margins, there was a supply concentration in server SSDs within the industry with server SSD product prices falling by more than other products. As server SSDs take up a big share of our revenue mix, our ASP in the first quarter fell by mid-teen percentage, while bit growth was down by about 10% Q-on-Q. Still, as overall demand conditions improved compared to the start of the quarter, bit growth came in slightly above our previous guidance.

* Sung-kyu Kim, Daiwa Securities

Q.
- Regarding the KRW10 trillion stock repurchase, are there any plans to cancel the shares acquired in the second phase? And do you have any plans for possible M&A deals?
- Regarding MX's first quarter profit growth, what drove the growth? And is the improved cost structure sustainable throughout the year?

A.
- I will answer the first question.

Of the KRW3 trillion in the second phase, excluding the share designated for employee stock compensation, we will cancel KRW2.5 trillion worth of shares in line with the first phase to enhance shareholder value. For the program's remaining KRW4 trillion, the Board will identify options to enhance shareholder value. They will thoroughly review the timing and the scale of potential cancellations, accounting for the company's management, financial and regulatory environment. We'll provide updates when plans have been confirmed.

Last, we plan to utilize our cash reserves so that even in the currently challenging and uncertain environment, we can facilitate operational stability, continue to invest in initiatives for future growth, and faithfully implement our shareholder return policy. We are continuously exploring strategies for our cash holdings to enhance shareholder value and pursue M&A opportunities.
We will also share details when plans are more concrete.

- And on your question about smartphone profitability.

So, in Q1, overall sales of flagship models grew, and the product mix also improved. So the portion of flagship model revenue within smartphones increased compared to last year. We also saw profit improvement from optimization and efficiency enhancements across our development, manufacturing and logistics processes, including sales costs. We also secured additional cost competitiveness as the Memory and Display prices declined compared to last year, while we also optimized product specs and standardized components across more products.

So, given the uncertainty surrounding US tariff policies as well as the rising component prices, we aim to expand the portion of flagship revenue through the launch of the S25 Edge and grow our premium ecosystem to sustain profitability.

* Dong-won Kim, KB Securities

Q.
- First on HBM, within the market, I believe there is still high degree of interest in Samsung Electronics HBMs. So, what is your business outlook for HBM from the second quarter onwards?
- For your TV business, it seems that your TV market share has been decreasing recently. Do you think that a rebound will be possible this year? If so, what is your main VD rebound strategy?

A.
- Regarding our HBM business, let me cover that first.

So, our enhanced HBM3E samples have already been shipped out to major accounts. We expect a gradual contribution to our top-line starting from the second quarter. Considering uncertainty surrounding the tariffs and semiconductor export controls, this may introduce some volatility to improvement in sales.
However, we expect HBM sales which bottomed out in the first quarter will likely start showing step-by-step recovery with every quarter as we expand sales of our enhanced HBM3E product.

For HBM4, development is underway in accordance with customer project timelines, with mass production set for the second half as planned. Custom HBMs, which have been drawing great interest from the industry are also under discussions with multiple clients for their HBM4 or 4E based projects. At present, we're expecting custom HBM4 projects to start contributing to revenue starting 2026 alongside standard HBM4. And we are continuously making necessary investments to respond to customer demand for HBM4 and 4E.

- I'd like to answer about the TV market.

In the TV market, demand for QLED and Big TV products of 75 inches and larger is continually rising. But in each segment, the demand centering on entry level products is growing. So the entry-level share of the TV market is rising, leading to intensified market competition. Amid this environment, we'll further differentiate our TVs competitiveness and recover market share.

First, as mentioned earlier, based on Vision AI, we will enhance the core competitiveness of our TV such as picture and sound quality. Also, we will advance sophisticated and improved AI features that identify and understand customer needs to provide tailored experience and expand our AI TV lineup to previous Neo QLED and OLED to QLED and the frame to create new demand.

Second, to solidify our leadership in the premium market, we will expand the lineup of OLED and Super Big TVs of 98 inches and larger, while strengthening the entry-level lineup of QLED and big TVs of 75 inches and lager to respond to intensifying competition in the entry-level market.

Last, the key strengths of our TV such as security, design and Smart Things will be communicated more broadly. At the same time, we'll strengthen our service business such as TV Plus and advertisements to secure profitability and growth engines.

* Dong-hee Han, SK Securities

Q.

- For foundry, you have been seeing widening losses recently. It seems profitability is deteriorating. So what are the reasons? And do you expect an improvement in the second half?

A.
- Let me cover that question from the Foundry business.

In the short-term, as global economic uncertainties persist, demand from mobile and PCs are also seeing a continuous slowdown. Poor demand from major customers has resulted in a drop in utilization rates and rising fixed costs, which are the main reasons for the recent deterioration in our profitability. In terms of our second half outlook, uncertainties of course will continue to remain, but we are expecting a gradual recovery in demand which in turn will help improve utilization and gradually help narrow our loss.

More specifically, we are securing stable mass production across our advanced process nodes, helping boost customer trust and pursue new order opportunities more assertively. For more mature nodes, we will be optimizing power, performance, cost competitiveness and develop specialty process nodes as we seek to maximize cost competitiveness and expand our markets. This way, we can secure competitiveness in both technology and cost at the same time, which will help us achieve our mid to longer-term objective of improving performance on a sustainable basis.

* Giuni Lee, Goldman Sachs

Q.
- For Memory, due to changes in the tariff policies, market uncertainty is on the rise. So, what is your outlook for memory given these developments, and what is Samsung Electronics strategy?
- For Display, the small to medium-sized OLED market has been seeing intense competition. So, what is your strategy to stay competitive?

A.

- In terms of our outlook for the Memory market, let me cover that.

In the second quarter, we believe that customers component inventories will be normalized, and driven by continued AI-related demand we expect strong fundamentals underlying the memory market to continue. However, we believe changes to the tariff policies of major economies as well as stronger export controls against AI have already been adding to rising uncertainty of expected demand in the second half.

Especially in the second quarter, the grace period on tariffs have prompted some customers to increase pre-production, and we've actually been seeing some pull in demand for our components. And this preemptive purchasing may likely have some negative impact on demand in the second half. Still to assess the actual impact, it depends on additional changes to tariff policies, also available supply capacity relative to forward demand, so we'll have to monitor developments and see.

Given these market conditions, in the short term for DRAM, we expect mobile and PC applications, which had relatively lower ASP, to start seeing pricing recovery first in the second quarter. For NAND, in the second quarter, we expect the decline in prices to slow down. Some product prices may be flat or slightly increase.

To sum up, while there may be a slight fluctuation in our Q2 performance, we expect DRAM to see increased sales driven by an increase in overall shipments Q-on-Q. Meanwhile, given different supply and demand dynamics by application and end market, pricing trends may end up quite different by product, which is why we plan on managing supply flexibly between different applications to manage profitability.

We expect DRAM bit growth to increase by low 10% Q-on-Q. For NAND, amid growing perceptions that prices have reached the bottom, we expect customer demand to recover as they rebuild inventory. We will expand supply in line with growth in demand in the Gen 5 server PCIe market while managing supply across different applications centered on profitability. We'll also be accelerating our tech migration to V8 to enhance cost competitiveness, and we expect NAND bit growth to be up by mid-teens percentage Q-on-Q in the second quarter.

- I'll answer the question about Display.

Despite high uncertainties such as changing tariff policies and the challenging business environment caused by intensified competition among OLED panel makers, we are striving to strengthen our competitive edge and maintain our leadership.

First, from the early stages of developing new technologies with differentiated performance, we will closely cooperate with customers to continually deliver high-quality products that meet their needs, while further strengthening our cost competitiveness. Especially technologies with improved brightness, low power consumption, foldable devices and next-gen form factors will continually be enhanced so that in the AI smartphone era, we can lead the display market.

Also, we will utilize the 5.5 gen, 6 gen and the upcoming 8.6 gen IT line to secure and expand our position with optimized products for each line, not only in smartphones, but also in emerging OLED markets such as IT and automotive, thus solidifying leadership in the OLED market.

* Khun-chang Rho, Hyundai Motor Securities

Q.

- I'd like to ask about the MX business. First, it's about the foldable shipments. The foldable shipment is decreasing and some people say that it may show reverse growth rate. And can you talk about Samsung's foldable shipment target? The second question is about tri-fold. Huawei and many other Chinese companies are coming up with new smartphones. Does Samsung have any plans on launching tri-fold? And when we will be able to meet this new smartphone?

A.
- We've continued to lead the foldable market through our innovation.

And this year, with more innovation on the foldable form factor, we'll improve the competitiveness of our products even further, enabling more customers to experience the benefits of foldables. In terms of technological innovation, we're significantly improving the portability and performance which are key buying factors for our customers.

The advanced Galaxy AI experience from the S25 series will be tailored individually to each of the foldable form factors, fold and flip to deliver a more differentiated and specialized experience. With the fold, we'll offer an optimized large screen AI experience. And on the flip, it will feature a portable AI experience that can be used anywhere, anytime. We will expand sales of the high-end models while also strengthening the foldable lineup in order to attract new customers aiming for meaningful growth.

Now, as for new form factors, we believe that beyond the form factor itself, it's essential to ensure a level of product quality and usability in real world scenarios that's aligned with market demands and customer expectations. We are reviewing products with new form factors with a focus on securing meaningful competitive advantage in performance and quality.

* Peter Lee, Citi

Q.
- I have a question on Memory just on your mid to longer-term perspective. So, DeepSeek obviously caused a big buzz early in the year, and it's expected to prompt a lot of change regarding AI. So, has there been any changes beyond servers like in PCs or the mobile market in terms of demand or product requirements?

A.
- As you mentioned at the start of this year there was a great deal of attention toward DeepSeek and it prompted rising expectations about high accuracy AI inference models built on smaller LLMs. And it seems not only for servers, but for PCs and smartphones and other edge devices, we expect lots of different ideas to be tested out on the use of AI functionality.

First, workstation-grade AI PCs have shown the first signs of market traction. High-spec systems deploying at least 128 to 512 gigabyte DRAM per system are being released, and we're seeing a rapid increase in demand.
For conventional PCs, considering the size of AI models, current hardware specifications are just not enough, so it will likely take more time to uncover a killer application for AI. Still with end of support for Windows 10 in the second half of this year, we expect replacement demand mostly for AI PCs. In the mid to long term, as hardware specifications become increasingly upgraded, there will be continuous solid demand for higher memory density and performance.

For mobile applications to enable AI processing at the device level, we expect demand for DRAM with improved power efficiency, performance and density to increase. This year as AI competition heated up in the flagship segment, the trend toward higher density LPDDR5x products, for example, has become more visible.
To target the future market, looking beyond the second half of 2026, different products such as LPW or LP-PIM with improved power efficiency and performance are under active discussions along with standard LPDDR6 as well. So, the spread of generative AI is unfolding in many different forms, not only in servers, but at the edge as well. We are committed to timely development of differentiated products demanded by today's changing market dynamics to preemptively capture new market opportunities.

I'd like to thank everybody who participated in this earnings call. And also I'd like to thank everybody who shared their valuable opinion, and we'll refer to them in our decision-making process.

That completes our conference call for this quarter. We wish all of you and those close to you stay strong and healthy. We thank everyone for your participation, and we look forward to speaking with all of you soon.

Thank you.