NOMURA

Global Markets Research
3 September 2026

Global Memory

EQUITY: MEMORY

Discrepancies between fundamentals and share prices

Maintain TP of KRW670,000/KRW4,700,000 for Samsung/Hynix; strong demand from virtuous AI investment cycle and limited supply ramp-up

Memory makers continue to assert that the severe supply shortage will persist, and that the newly introduced LTAs will transform the memory industry's business model into a more visible and stable one. Meanwhile, customers requiring memory are, alongside the burden of rising memory prices, accepting most of the unfavorable terms in LTAs amid the memory supply shortage. At the same time, insufficient memory allocation is forcing them to reduce per-device memory capacity (despite the resulting performance degradation) or to curtail set production. Memory makers are employing a variety of means to increase supply, but it is generally believed that—despite Chinese players' aggressive moves to expand supply—room to increase output remains limited through 2028.

Despite this, while memory makers' share prices have rebounded after falling ~50% from their peak, they still stand at a level down 37% from the peak, with an average 2027F P/E of ~3x (based on our estimates). Compared with the time we published our *report* titled "Unprecedented super-cycle" last September, memory demand actually appears stronger, and the supply shortage is deepening due to supply constraints. While accurate information on LTA terms is not yet well known, introduction of the new business model in the form of LTAs makes the memory market more stable, in our view. In this note, we seek to re-examine our view on memory fundamentals and the share price—and what the gap is between the expected fundamentals and the share price.

Part 1: Our view on memory market's fundamentals

De-spec and memory demand

Memory companies we met with (Samsung Electronics [SEC; 005930 KS, Buy], SK Hynix [000660 KS, Buy], Sandisk [SNDK US, Not rated], and Micron [MU US, Not rated]) view de-spec as an inevitable consequence of supply shortages — a view that we share. We expect data center (DC) memory demand that started to surge in 3Q25 to remain elevated through 2027F, with demand fulfillment rates likely to reach only 70%–80% for DC customers and ~50% for non-DC customers. Under these conditions, customers will have little choice but to reduce memory content per device or to cut set shipments resulting in losing market share, in our view. Trend in September 2026 appears similar to, or even more intense than, September 2025, when the current upcycle began.

Had Nvidia (NVDA US, Not rated) and Google (GOOGL US, Not rated) not abandoned 16hi/12hi HBM, HBM demand would increase by more than 80% y-y in 2027F, and had they insisted on it, commodity DRAM output would have declined y-y, driving commodity prices to rise even further. Widespread adoption of high-layer HBMs, from the outset, was no more than an unfeasible expectation by Nvidia, we think.

(Continued on the next page)

Fig. 1: Memory – Stocks for action

Company	Ticker	Rating	Target price (KRW)	Current price (KRW)	Potential Upside
Samsung Electronics	005930 KS	**Buy**	670,000	250,500	167.5%
SK Hynix	000660 KS	**Buy**	4,700,000	1,613,000	191.4%

Note: Current share prices as of 2 September 2026.
Source: Bloomberg Finance L.P., Nomura research

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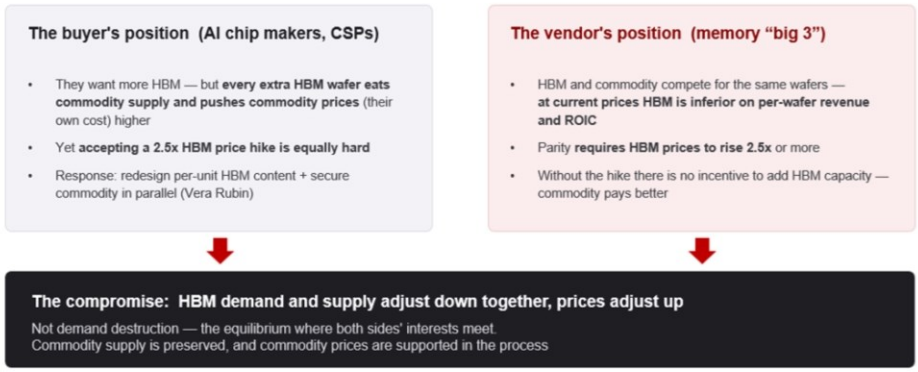
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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

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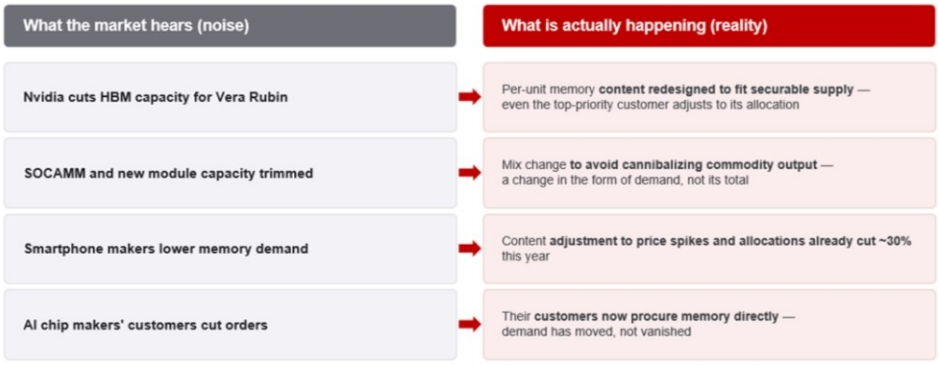
In the case of SOCAMM, 2026F supply stands at ~30bn Gb (3.1bn GB), and had the capacity for the Vera CPU and Vera Rubin been maintained at the originally planned 1.5TB, Nvidia would have had to halve Vera output. Unlike consumer demand—for which set demand decrease can be considered as partial disappearance of memory demand—in the case of CSPs, memory capacity constrains their data center capacity, so it seems logical to us that demand unfulfilled this year will be deferred to future.

Fig. 2: Memory de-spec: buyer's position vs. vendor's position



Source: Nomura research

Fig. 3: Memory de-spec: noise in the market and reality



Source: Nomura research

LTAs are changing rules of game, but not everything about LTA is known yet

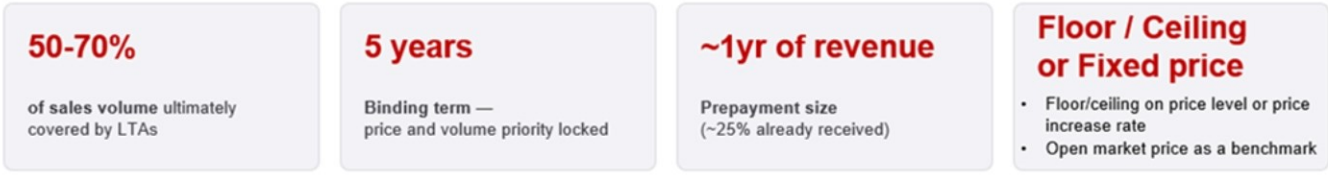
Memory companies have indicated that LTAs are enhancing the stability and visibility of their business models over the mid-to-long term, with guaranteed minimum profitability levels exceeding market expectations (Sandisk: OPM above 75% over three years; Micron: minimum profitability guidance well above the prior historical peak GPM of 60%). They have also noted that LTAs make customer decommitment structurally more difficult, offering a materially more stable outlook than the pre-LTA era. Building on this potentially more stable business model, memory companies signaled intentions to pursue large-scale shareholder returns. Accordingly, investors should apply valuation frameworks suitable to this new business model. That said, since LTA negotiations have not yet been fully finalized across the industry, investors currently lack full visibility into exact contract terms, and appear uncomfortable with the resulting uncertainty around both upside and downside — notwithstanding the guidance memory makers have already provided on minimum profitability for next 3-5 years and prepayment terms. Sell-side analysts likewise face limited information and analytical difficulty, implying that market consensus is likely to be less reliable than in the past for the time being, we think. Based on the fragmented information available, we have made a set of assumptions regarding the future market outlook, which underpin our revised earnings estimates.

First, we expect LTAs to account for roughly 50%–70% of total DRAM (including HBM), NAND, and SSD sales volumes — a share that has gradually risen amid expanding customer demand and a growing pool of counterparties seeking LTAs. These agreements appear to be made for 10–20 customers, primarily CSPs and major US tech companies. Volumes outside LTA scope will continue to trade in the open market, much as under the current contract-market structure, and open-market pricing will serve as the benchmark for LTA pricing, in our assessment. As open-market supply continues to tighten, we expect open-market prices to run higher and for longer than the market currently expects. The ceiling on LTA pricing appears to be set at or up to ~20% above current price levels.

Second, LTA terms typically run around five years, with pricing firmer during the first three years and greater flexibility built in for the remaining two years. Price terms appear to take various forms, including price floors and ceilings, caps and floors on price increase rate, and fixed pricing during the contract period. Within our forecast horizon through 2028F, we expect price visibility for memory makers to remain high, and companies' flow-through margin guidance to be built on this basis.

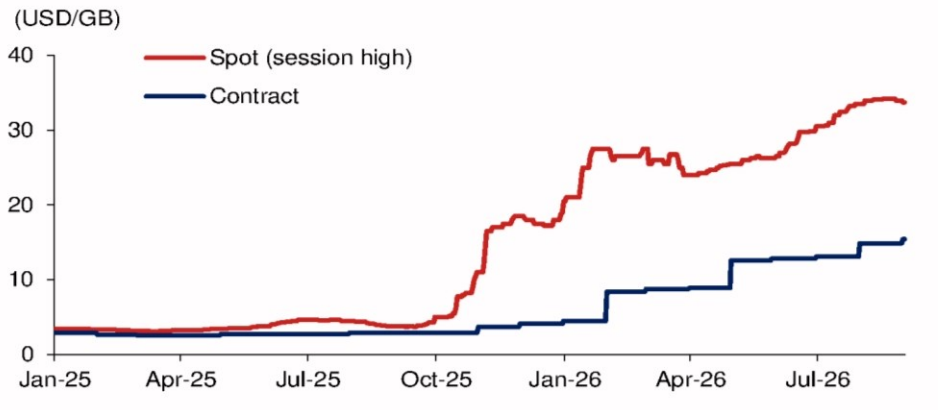
Third, prepayments are structured at roughly 20%–30% of expected revenue over the 3-5 year contract term, with customers who decommit forfeiting a penalty equivalent to roughly one year's worth of purchase value. If prices are expected to fall meaningfully below the LTA price floor for an extended period, customers retain the option to decommit but must forgo their prepayment. For memory makers, this structure allows prepayments to be recognized as revenue even in the event of decommitment, while also serving as an early signal that enables supply adjustments 1-2 years in advance — meaningfully strengthening their ability to respond to short-term market deterioration.

Fig. 4: Known terms for memory LTAs



Source: Nomura research

Fig. 5: DDR5 spot vs. contract price trend

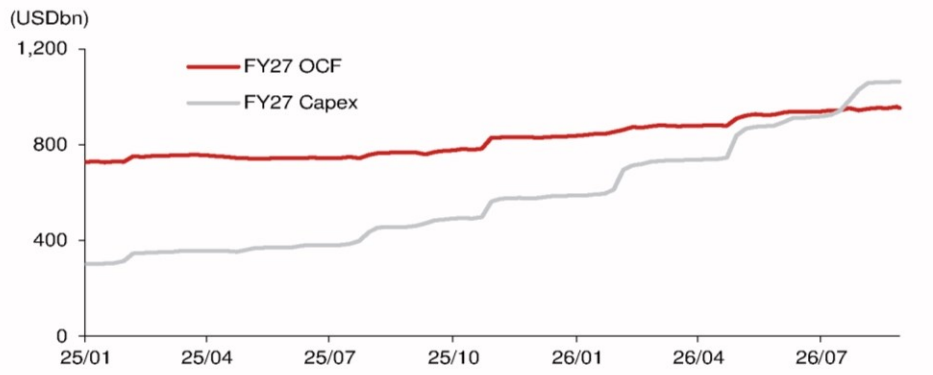


Note: Spot price based on DDR5 16Gb (2Gx8) 4800/5600 session high prices; contract prices based on DDR5 16GB U-DIMM; both prices converted into USD/GB terms
Source: DRAMeXchange, Nomura research

Continuity of data center capex

For the past several years, market's consensus on CSPs' capex has been overly conservative compared to Asian hardware companies' consensus, in our view – it now turned out that forecasts for Asian hardware suppliers were largely correct. For 2027F, while the Street's consensus is that CSPs' capex will grow by 30-40% y-y, hardware new orders to Nvidia and memory vendors are exhibiting at least 60% y-y growth (Nvidia guided at least 70% y-y growth in 2027E, and this is capped with component supply bottleneck; we expect TPU demand to even outgrow Nvidia's demand in 2027F as well). We think that the market's consensus on CSPs' OCF is way too conservative – while the estimates are being revised up, outlook for declining OCF yield does not reflect substantial improvement of CSPs' cloud service sales price vs. 2-3 years ago, in our view. If OPM of big techs does not decline, their EBITDA/OCF margins should grow faster than OP growth, but we think the Street consensus does not reflect this point. As it gets proved through big techs' earnings releases in the future, it should become an important catalyst that can trigger improvement of sentiment on AI supply chain investments, in our view.

Fig. 6: US big techs' FY27E OCF and capex – Consensus trend



Note: Based on combined FY27E consensus OCF and Capex for Microsoft (MSFT US, NR), Google (GOOGL US, NR), Meta (META US, NR), Amazon (AMZN US, NR), and Oracle (ORCL US, NR).
Source: Bloomberg Finance L.P., Nomura research

Fig. 7: Big tech capex outlook (consensus)

	Actual				Consensus as of Sep 2 2026	
(USD mn)	2022	2023	2024	2025	2026E	2027E
CAPEX	**162,248**	**161,215**	**261,104**	**448,965**	**943,297**	**1,248,736**
y-y	*20%*	*-1%*	*62%*	*72%*	*110%*	*32%*
Normal server and Infra	162,248	113,574	126,067	160,105	216,141	287,468
y-y	*20%*	*-30%*	*11%*	*27%*	***35%***	***33%***
AI server and infra	-	**47,641**	**135,037**	**288,860**	**727,155**	**961,268**
y-y	-	-	183%	114%		
Microsoft	28,400	41,200	75,600	118,000	153,970	207,770
Google	31,485	32,251	52,535	91,447	201,509	308,131
Meta	32,040	28,100	39,225	72,192	190,589	206,698
Amazon	63,645	52,729	82,999	131,849	220,548	277,249
Oracle	6,678	6,935	10,745	35,477	76,681	98,888
Open AI	-	-	-	-	100,000	150,000
OCF	**288,181**	**377,491**	**478,374**	**723,318**	**929,299**	**1,176,201**
Microsoft	84,386	102,647	125,583	160,506	203,145	240,471
Google	91,495	101,746	125,299	208,812	271,410	346,354
Meta	50,475	71,113	91,328	132,114	169,709	214,612
Amazon	46,752	84,946	115,877	199,590	245,430	316,569
Oracle	15,073	17,039	20,287	22,296	39,605	58,195
CAPEX/OCF (%)	56%	43%	55%	62%	91%	93%

Source: Company data, Bloomberg Finance L.P.

Drastic change in wafer capacity needed to fulfill memory demand

Memory makers are currently doing their utmost to ramp up supply substantially, but their capacity to expand output remains limited through 2028. Chinese memory makers, too, have announced aggressive capacity expansion plans, though it is somewhat doubtful whether they can continue raising capacity through equipment localization under US restrictions.

With the memory demand growth rate having risen from the 15–20% range of the past several years to above 30-40%, lifting memory supply by 15pp would require raising the wafer capacity growth rate—recently around 5%—to more than 20%. This implies that current DRAM and NAND capacity would need to double within four years and triple within six years. In other words, if current DRAM capacity stands at 2.1mn wafers/month, NAND at 1.5mn wafers/month, for a total of 3.6mn wafers/month, this would need to reach 7.2mn wafers/month within four years and 11mn wafers/month in six years—an increase of nearly 6.4mn wafers/month over six years. That equates to increase by 1mn wafers/month every year, or the equivalent of three Pyeongtaek-scale fabs every year.

Against this backdrop, each Chinese maker adding 100k wafers/month of capacity per year does not appear to be a significant enough variable to sway market supply-demand. In particular, in 2027–2028F, expansion by only around 500k wafers/month per year—far short of the scale of capacity additions required—falls significantly short of resolving the supply shortage. Post-2029F, achieving the required figure (1mn wafer/month capacity) would necessitate Samsung and Hynix each bringing on a 350k-wafer fab every year, with the remaining players adding 350k wafers/month as well.

Because excessively high memory prices or severe supply shortages are negative for the AI ecosystem, it would be preferable—up to a point—for volume to increase while price makes a soft-landing. However, there appears to be little likelihood of this materializing before 2029F. This is precisely why customers are keen on LTAs, in our view.

Fig. 8: Total DRAM (commodity + HBM) – Demand and supply outlook

Total DRAM supply and demand	2024	2025	2026F	2027F	2028F	2029F	2030F
Production (mn GB)	35,173	39,768	51,060	63,185	79,390	104,827	138,225
y-y	**21%**	**13%**	**28%**	**24%**	**26%**	**32%**	**32%**
Wafer capa year-average (k/wpm)	1,811	1,918	2,116	2,278	2,555	3,042	3,661
Wafer output year-average (k/wpm)	1,681	1,870	2,126	2,363	2,633	3,104	3,674
Utilization	93%	98%	100%	104%	103%	102%	100%
Wafer output y-y	19%	11%	14%	11%	11%	18%	18%
Bit/wafer y-y	2%	2%	13%	11%	13%	12%	11%
Shipment (mn GB)	32,939	42,677	53,234	65,713	80,085	101,474	133,078
y-y	**18%**	**30%**	**25%**	**23%**	**22%**	**27%**	**31%**
Inventory (mn GB)	8,885	5,977	3,803	1,275	580	3,934	9,081
Inventory weeks	14.0	7.3	3.7	1.0	0.4	2.0	3.5
Price (USD/GB)	3.2	4.0	13.5	18.7	19.1	17.3	14.4
y-y	**66%**	**26%**	**240%**	**39%**	**2%**	**-9%**	**-17%**
Revenue (mn USD)	103,824	169,080	717,055	1,227,738	1,525,706	1,754,269	1,910,357
y-y	**95%**	**63%**	**324%**	**71%**	**24%**	**15%**	**9%**

Source: Nomura estimates

Fig. 9: Commodity DRAM – Demand and supply outlook

Commodity DRAM supply and demand	2024	2025	2026F	2027F	2028F	2029F	2030F
Production (mn GB)	33,632	36,591	46,147	56,208	69,153	90,131	117,760
y-y	**18%**	**9%**	**26%**	**22%**	**23%**	**30%**	**31%**
Wafer capa year-average (k/wpm)	1,630	1,600	1,686	1,705	1,793	2,052	2,375
Wafer output year-average (k/wpm)	1,499	1,568	1,720	1,791	1,883	2,134	2,446
Utilization	92%	98%	102%	105%	105%	104%	103%
Wafer output y-y	11%	5%	10%	4%	5%	13%	15%
Bit/wafer y-y	6%	4%	15%	17%	17%	15%	14%
Shipment (mn GB)	31,417	39,929	48,713	58,456	69,563	86,954	113,040
y-y	**14%**	**27%**	**22%**	**20%**	**19%**	**25%**	**30%**
Inventory (mn GB)	8,845	5,507	2,940	692	282	3,460	8,180
Inventory weeks	14.6	7.2	3.1	0.6	0.2	2.1	3.8
Price (USD/GB)	2.7	3.4	13.5	18.0	18.0	16.0	13.0
y-y	**50%**	**24%**	**298%**	**33%**	**0%**	**-11%**	**-19%**
Revenue (mn USD)	85,930	135,694	659,377	1,052,211	1,252,131	1,391,257	1,469,515
y-y	**71%**	**58%**	**386%**	**60%**	**19%**	**11%**	**6%**

Source: Nomura estimates

Fig. 10: HBM – Demand and supply outlook

HBM DRAM supply and demand	2024	2025	2026F	2027F	2028F	2029F	2030F
Production (mn GB)	1,541	3,177	4,913	6,977	10,237	14,696	20,466
y-y	**314%**	**106%**	**55%**	**42%**	**47%**	**44%**	**39%**
Wafer capa year-average (k/wpm)	181	318	430	573	761	990	1,287
Wafer output year-average (k/wpm)	181	302	406	573	750	970	1,228
Utilization	100%	95%	95%	100%	100%	100%	100%
Wafer output y-y	187%	66%	35%	41%	31%	29%	27%
Bit/wafer y-y	44%	24%	15%	1%	12%	11%	10%
Shipment (mn GB)	1,522	2,748	4,521	7,257	10,522	14,521	20,038
y-y	**320%**	**80%**	**65%**	**61%**	**45%**	**38%**	**38%**
Inventory (mn GB)	41	470	863	583	298	474	901
Inventory weeks	1.4	8.9	9.9	4.2	1.5	1.7	2.3
Price (USD/GB)	11.8	12.2	12.8	24.2	26.0	25.0	22.0
y-y	**45%**	**3%**	**5%**	**90%**	**7%**	**-4%**	**-12%**
Revenue (mn USD)	17,894	33,386	57,678	175,527	273,575	363,013	440,843
y-y	**508%**	**87%**	**73%**	**204%**	**56%**	**33%**	**21%**
HBM bit mix	4.6%	6.4%	8.5%	11.0%	13.1%	14.3%	15.1%
HBM revenue mix	17%	20%	8%	14%	18%	21%	23%
HBM wafer mix	10.8%	16.1%	19.1%	24.2%	28.5%	31.2%	33.4%

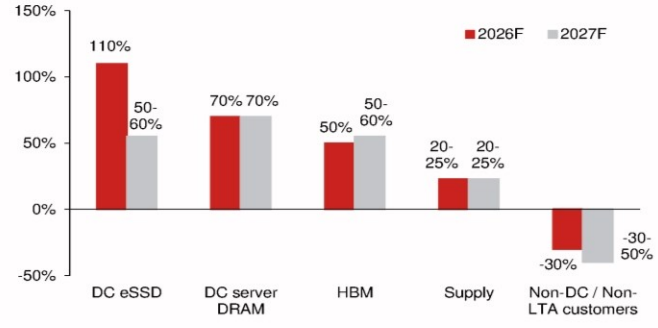
Source: Nomura estimates

Fig. 11: NAND – Demand and supply outlook

NAND supply and demand	2024	2025	2026F	2027F	2028F	2029F	2030F
Production (bn GB)	852	1,074	1,303	1,540	1,947	2,686	3,667
y-y	**2%**	**26%**	**21%**	**18%**	**26%**	**38%**	**37%**
Wafer capa year-average (k/wpm)	1,481	1,542	1,572	1,523	1,592	1,860	2,228
Wafer output year-average (k/wpm)	1,407	1,542	1,572	1,523	1,592	1,860	2,228
Utilization	95%	100%	100%	100%	100%	100%	100%
Wafer output y-y	-8%	10%	2%	-3%	4%	17%	20%
Bit/wafer y-y	10%	15%	19%	22%	21%	18%	14%
Shipment (bn GB)	825	979	1,234	1,542	1,912	2,409	3,204
y-y	**15%**	**20%**	**26%**	**25%**	**24%**	**26%**	**33%**
Inventory (bn GB)	369	464	533	531	566	843	1306
Inventory weeks	23.3	24.6	22.5	17.9	15.4	18.2	21.2
Price (USD/8GB)	0.64	0.58	2.23	3.06	2.93	2.64	2.24
y-y	**60%**	**-10%**	**285%**	**37%**	**-4%**	**-10%**	**-15%**
Revenue (USD, mn)	66,427	70,900	343,934	588,986	701,129	795,081	898,839
y-y	**84%**	**7%**	**385%**	**71%**	**19%**	**13%**	**13%**
Price (US cents/GB)	0.08	0.07	0.28	0.38	0.37	0.33	0.28
y-y	**60%**	**-10%**	**110%**	**50%**	**10%**	**-10%**	**-15%**

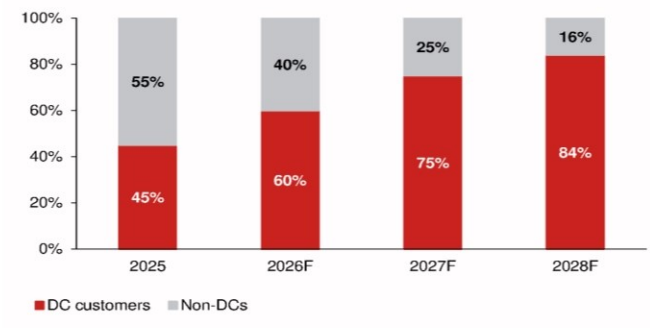
Source: Nomura estimates

Fig. 12: Memory allocation y-y change by category



Source: Nomura estimates

Fig. 13: Memory demand share – DC vs. non-DC



Source: Nomura estimates



Fig. 14: Memory players' wafer capacity until 2030F

(unit: k wafers/month)		end-2024	end-2025	end-2026	end-2027	end-2028	end-2029	end-2030
SEC	**DRAM**	**655**	**698**	**752**	**798**	**900**	**1037**	**1264**
			7%	*8%*	*6%*	*13%*	*15%*	*22%*
	others	**570**	**540**	**510**	**490**	**470**	**447**	**424**
	P3	90	110	110	110	110	100	100
	P4	0	50	140	200	200	200	200
	P5	0	0	0	0	120	240	240
	P6(P5-2)						50	240
	Y1							60
	NAND	**351**	**323**	**341**	**315**	**313**	**413**	**533**
			-8%	*6%*	*-8%*	*-1%*	*32%*	*29%*
	others	291	263	271	245	203	193	183
	P3	40	40	50	50	50	50	50
	P4	20	20	20	20	0	0	0
	P5	0	0	0	0	60	120	120
	P6(P5-2)						50	120
	Y1						0	60
	Y2						0	0
SK Hynix	**DRAM**	**474**	**547**	**592**	**628**	**783**	**938**	**1,183**
			15%	*8%*	*6%*	*25%*	*20%*	*26%*
	others	**474**	**547**	**532**	**523**	**513**	**488**	**463**
	M15X	0	0	60	90	90	90	90
	Y1				15	180	240	270
	Y2					0	120	240
	Y3						0	120
	NAND	**260**	**270**	**230**	**200**	**315**	**430**	**580**
			4%	*-15%*	*-13%*	*58%*	*37%*	*35%*
	others	**260**	**270**	**230**	**200**	**200**	**200**	**200**
	Y1		0	0	0	100	100	100
	Y2		0	0	0	15	60	180
	M17		0	0	0	0	70	100
Micron	**DRAM**	**310**	**350**	**410**	**420**	**450**	**580**	**690**
			13%	*17%*	*2%*	*7%*	*29%*	*19%*
	Taiwan	**195**	**220**	**280**	**290**	**290**	**370**	**430**
	Japan (Hiroshima)	**105**	**110**	**110**	**110**	**140**	**140**	**140**
	US	**10**	**20**	**20**	**20**	**20**	**70**	**120**
	NAND	**130**	**130**	**130**	**180**	**230**	**280**	**280**
			0%	*0%*	*38%*	*28%*	*22%*	*0%*
Kioxia (WD)	**NAND**	**590**	**720**	**640**	**560**	**520**	**560**	**580**
YMTC	**NAND**	**150**	**160**	**200**	**250**	**300**	**360**	**440**
CXMT	**DRAM**	**230**	**280**	**300**	**350**	**460**	**600**	**670**
Nanya	**DRAM**	**54**	**62**	**65**	**65**	**80**	**80**	**105**
Powerchip	**DRAM**	**28**	**28**	**28**	**28**	**28**	**28**	**28**
Swaysure	**DRAM**	**60**	**60**	**60**	**60**	**60**	**60**	**60**
Total DRAM wafer out capacity (y-end)		**1,811**	**2,025**	**2,208**	**2,348**	**2,761**	**3,322**	**4,001**
y-y			214	183	140	413	561	678
y-y %			*12%*	*9%*	*6%*	*18%*	*20%*	*20%*
NAND wafer capacity (y-end)		**1,481**	**1,603**	**1,541**	**1,505**	**1,678**	**2,043**	**2,413**
y-y			122	-62	-36	173	365	370
y-y %			8%	-4%	-2%	11%	22%	18%

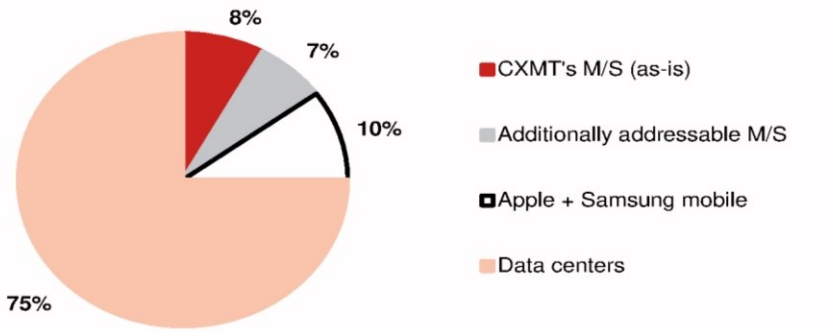
Source: Company data, Nomura estimates.

Challenge from Chinese memory makers: unlikely to be a significant threat

While discipline among major memory makers has improved relative to the past, the key factor constraining the growth of Chinese players is US regulation. Should this regulation loosen or Chinese players accelerate equipment localization, discipline across the memory industry as a whole could fizzle out. This, too, is unlikely to pose an immediate problem, but it warrants ongoing monitoring.

Even if Chinese memory players increase production and market share, their sales channels are likely to remain confined within China, and capacity in particular is expected to be allocated toward supplying memory to Chinese AI ASIC players and Chinese PC/smartphone makers, in our view. We estimate that, in 2027F, the share going to US big tech DCs will reach 75% of total memory, and adding Apple's (AAPL US, Not rated) and Samsung's mobile device demand brings this to 85%—meaning the market addressable by Chinese memory makers is around 15% of the global memory market, a share that is likely to decline over time. Given that Chinese memory makers' global market share stands at ~8% this year, it appears there is still room for them to grow, but without near-term addressable market.

Fig. 15: CXMT's current and additionally addressable market share (2027F)



Source: Nomura estimates

Macro risks: interest rate and FX

Market disruption due to macro shock is a major uncertainty. We think such risk has become much higher now vs. 1-2 years ago. Changes in interest rates (which are rising globally) seem particularly important, we think. Should interest rates fail to stabilize downward and instead maintain an upward trajectory, this could pose a threat to the weak links in an AI industry that is undertaking large-scale investment and financing. Currently, our US macro research team expects the Fed to maintain current rates, while the Street's consensus seems to be 1-2 times of rate increase (by 25bp each time) until 2H26E.

In addition, the strong and steep appreciation of the KRW could also have a negative impact on profitability and price competitiveness of Korean memory makers. The KRW has shown considerable strength since its June peak, driven by a sizable trade surplus. It is surprising to us that the Bank of Korea recently appears to have little interest in controlling the pace of currency appreciation.

Currently, memory makers' revenues are 100% dollar-based, and with margins reaching 80%, a 10% KRW appreciation could reduce profits by 12%. Owing to this FX effect, Korean memory makers' 3Q OPs are likely to come in below our prior estimates and the market's consensus. However, factoring in that the upside potential for memory prices is higher than previously anticipated, the 2026–28F profit outlook is not materially different from our prior forecast.

Potential US semiconductor tariffs: pass-through likely, but may impact demand

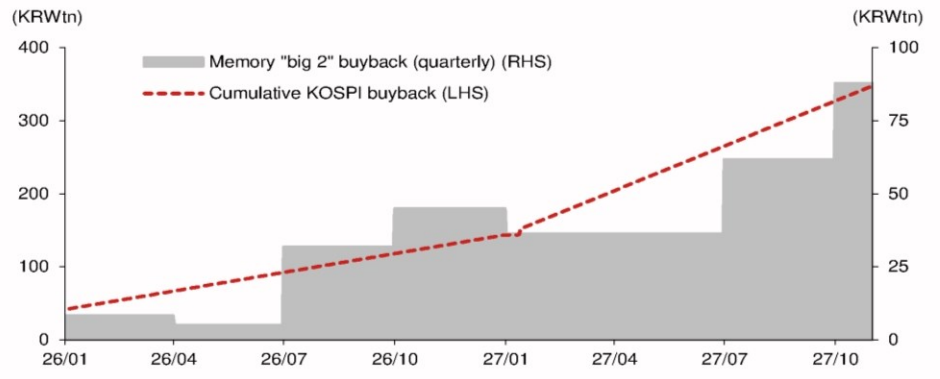
The US government is warning for semiconductor tariffs, asking semiconductor companies to expand fabs in the US. As we commented in our previous *report*, even if US fab expansion materializes, we think it will have only limited impact on supply for the next 5 years, as a new fab construction would take 5 years at minimum if the decision is made now. In case US imposes a tariff, the burden is likely to be transferred to CSPs and end users in the US. In this case, US CSPs are also likely to add more overseas data centers in order to avoid tariff burden (which is already happening). Still, if tariffs are actually imposed, memory demand for the same amount of investment may decline as CSPs and customers have to accept more burden.

Part 2: Investors' view and our view on memory share prices

Can memory sustain solid growth? We think yes.

Memory stocks showed utmost strength through 2Q26, when y-y growth headed toward its peak, before undergoing a short-term correction of around 50% into the 3Q, then rebounding by ~20% from the recent trough. Korean memory companies' average 2027F P/E stands at 3x (based on our estimates), a level reflecting a typical peak-and-trough scenario. In our assessment, some investors are now less interested in the sector due to a landing trend (in terms of second derivatives; earnings are likely to continue to grow), while others place their faith in the long-term growth of the memory cycle and its remarkable cash flows. The investor mix thus appears to be in the midst of shifting.

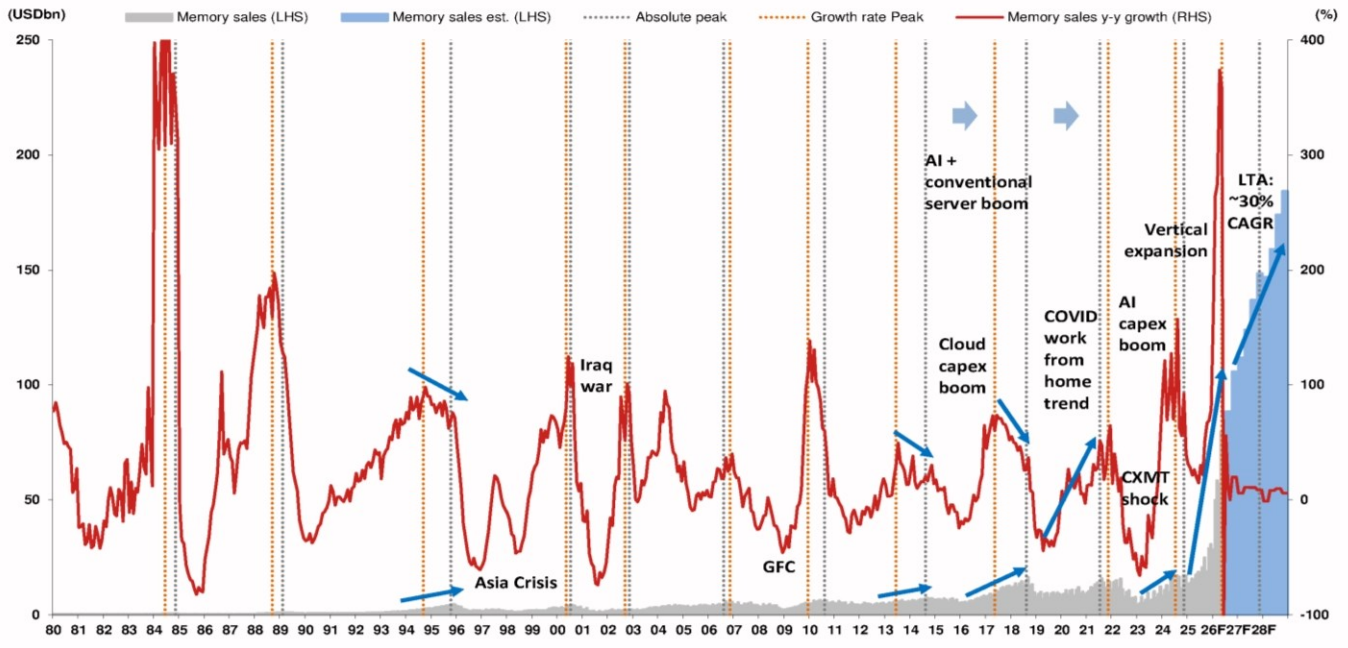
Fig. 16: KOSPI buyback and memory "big 2" quarterly buyback outlook



Source: KRX, Nomura estimates

Ultimately, the question is whether the memory industry will (1) turn to a steep negative growth stage amid several macro/micro uncertainties, or (2) have a soft-landing of growth rate, sustaining a healthy 10-20% y-y growth for several more years, and then result in share price re-rating based on shareholder return from earnings growth. In our view, investors still need time to digest the vast amount of information and adapt to the memory industry's new business model. Nonetheless, we retain our conviction that the great transition to AI is a mega-trend, and that the core resources underpinning that mega-trend are semiconductors and electricity; we regard it as a matter of time.

Fig. 17: Global memory sales and y-y growth



Note: Grey area is historical sales; blue area is our forecast.
Source: WSTS, Nomura estimates

More time needed to price in details of LTAs and growth from CSPs' investment

The market is not yet able to ascertain specific terms of LTAs, so the gap between the future outlook that memory makers assert and investors' perception appears wide. This looks likely to improve over time as investors gain more information. Micron and Sandisk are already providing specific information, but Korean players, whose LTA deals are still in progress, are limited in the specific information they provide. There is a possibility that more concrete information becomes available by year-end at the earliest. That said, company-specific terms are confidential, making it more difficult for outsiders to make accurate quarterly price forecasts, and there is a need for expanded guidance from the companies (Korean players still appear passive on this front).

Investors had much concerns about CSPs' investment demand ahead of 2Q earnings releases, but those concerns appear to have eased recently. That said, the market does not yet appear to have sufficiently priced in the strong profitability of new investments that CSPs assert. This is likely to be gradually resolved as successive quarterly earnings releases prove that investment translates into revenue and that profitability holds up.

AI demand requires much higher growth of memory supply capacity

To support AI demand, memory supply is already rising from the past level of +15–20% y-y to +30–50% y-y over the coming years, and achieving this will require a substantially higher scale of investment—because wafer capacity must grow by more than 20–30% annually, versus ~5% per year in the past. The market is still being surprised by news of memory makers' supply ramp-up in post-2029 or of Chinese memory makers expanding capacity. In our view, however, we find it difficult to gauge as yet when—or whether—memory supply will be able to catch up with and grow sufficiently to meet this demand.

Fig. 18: Global memory revenue breakdown by end demand

(USDbn)	2024	2025	2026F	2027F	2028F	2029F	2030F
Total memory revenue	**185**	**270**	**1,004**	**1,824**	**2,405**	**2,985**	**3,675**
Memory demand from global DC capex	60	107	629	1,244	1,773	2,336	3,058
Share of DC within memory revenue	*32%*	*40%*	*63%*	*68%*	*74%*	*78%*	*83%*
Memory consumption for AI DC	**20**	**41**	**152**	**391**	**717**	**1,027**	**1,561**
Share of AI DC	*11%*	*15%*	*15%*	*21%*	*30%*	*34%*	*42%*
Memory consumption for general DC	**39**	**66**	**476**	**852**	**1,055**	**1,309**	**1,496**
Share of general DC	*21%*	*24%*	*47%*	*47%*	*44%*	*44%*	*41%*
Memory consumption for non-DC usage	126	163	375	580	632	649	618
Share of non-DC demand	*68%*	*60%*	*37%*	*32%*	*26%*	*22%*	*17%*

Source: Company data, Nomura estimates

Fig. 19: Capacity requirement simulation by memory supply growth rate

(unit : mn wafer/month)		2026E	2030E	2032E	Increment 26-30F	Increment 26-32F
wafer : 5% CAGR	DRAM	2.1	2.6	2.8	0.5	0.7
bit : 18% CAGR	NAND	1.5	1.8	2.0	0.3	0.5
	Total	**3.6**	**4.4**	**4.8**	**0.8**	**1.2**
wafer : 15% CAGR	DRAM	2.1	3.7	4.9	1.6	2.8
bit : 30% CAGR	NAND	1.5	2.6	3.5	1.1	2.0
	Total	**3.6**	**6.3**	**8.3**	**2.7**	**4.7**
wafer : 20% CAGR	DRAM	2.1	4.4	6.3	2.3	4.2
bit : 35% CAGR	NAND	1.5	3.1	4.5	1.6	3.0
	Total	**3.6**	**7.5**	**10.7**	**3.9**	**7.1**
wafer : 25% CAGR	DRAM	2.1	5.1	8.0	3.0	5.9
bit : 40% CAGR	NAND	1.5	3.7	5.7	2.2	4.2
	Total	**3.6**	**8.8**	**13.7**	**5.2**	**10.1**

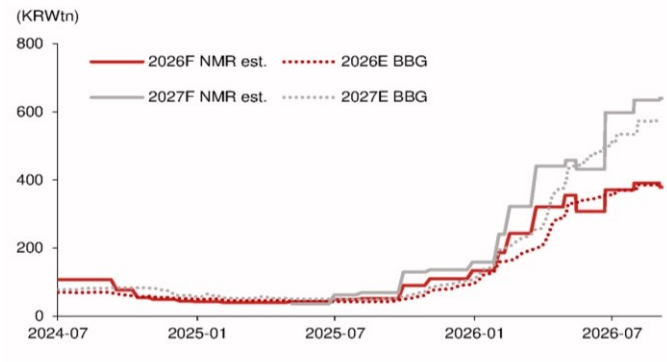
Source: Nomura estimates

Fig. 20: Estimated token consumption by prompt cases

	Main hardware	Estimated token consumption per case: Simultaneous interpretation	Simple question	Structured constraint	Style expansion	RAG question	Image generation	Agent AI (report + model)	1-hour video generation
User's prompt input	**CPU + DRAM**	(instant translation)	"How's the weather today?"	"How's the weather toady? Please answer in 5 words or less"	"How's the weather today? Please answer like a poet."	"Explain about reasons behind national debt increase"	"Please describe today's weather in an abstract painting."	"Make earnings models and company note based on the model"	"Make a 1-hour video describing recent weather"
Scheduling	**CPU + DRAM**								
Input token	**GPU + HBM**	10	10	20	25	40	20	500	10
RAG	**CPU + DRAM**	-	-	-	-	5,000	-	20,000	-
Output token generation	**GPU + HBM/ LPU**	30	20	5	100	1,000	10,000	10,000	100,000,000
Total		**40**	**30**	**25**	**125**	**6,040**	**10,020**	**30,500**	**100,000,010**

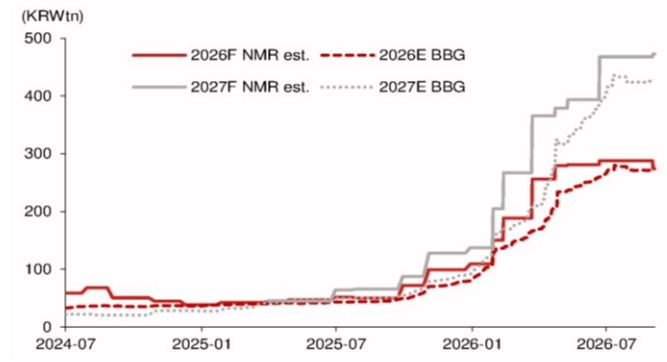
Source: Nomura estimates

Fig. 21: SEC – 2026F/27F OP forecast vs. consensus trend



Source: Bloomberg FInance L.P., Nomura estimates

Fig. 22: Hynix – 2026F/27F OP forecast vs. consensus trend



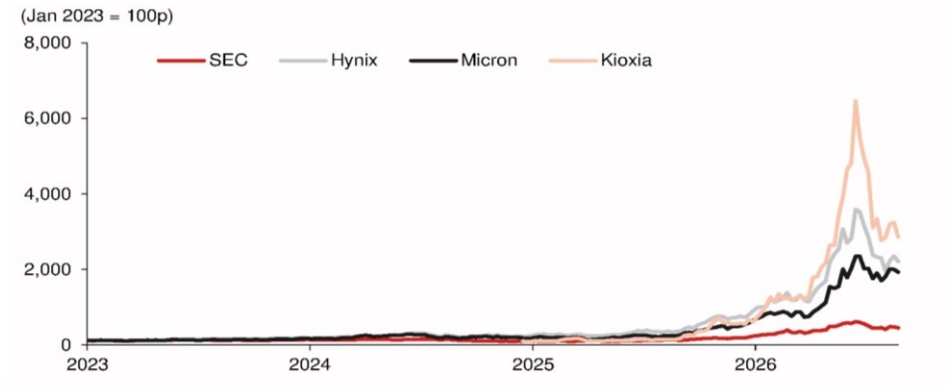
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 23: SEC/Hynix – Risk premium, discount rate, target multiple, and TP

	2027F TSMC discount rate				Hynix target	SEC target						SEC current	Hynix current
Equity risk premium (assuming risk-free rate of 4%)	1.7%	3.0%	5.0%	7.0%	9.0%	9.8%	11.0%	13.0%	15.0%	17.0%	18.0%	32.6%	33.7%
Discount rate	5.7%	7.0%	9.0%	11.0%	13.0%	13.8%	15.0%	17.0%	19.0%	21.0%	22.0%	36.6%	37.7%
P/E (x)	17.4	14.3	11.1	9.1	7.7	7.3	6.7	5.9	5.3	4.8	4.5	2.7	2.6
SEC													
P/B (x)	10.4	8.5	6.6	5.4	4.6	4.3	4.0	3.5	3.1	2.8	2.7	1.6	1.6
Share price (KRW)	1,590,000	1,310,000	1,020,000	830,000	710,000	670,000	610,000	540,000	480,000	440,000	420,000	250,500	240,000
Market cap (KRWtn)	8,765	7,222	5,623	4,576	3,914	3,694	3,363	2,977	2,646	2,426	2,315	1,381	1,323
Hynix													
P/B (x)	12.7	10.4	8.1	6.6	5.6	5.3	4.9	4.3	3.8	3.5	3.3	2.0	1.9
Share price (KRW)	10,600,000	8,700,000	6,800,000	5,500,000	4,700,000	4,400,000	4,100,000	3,600,000	3,200,000	2,900,000	2,800,000	1,700,000	1,613,000
Market cap (KRWtn)	7,299	5,991	4,683	3,787	3,237	3,030	2,823	2,479	2,204	1,997	1,928	1,171	1,111

Note: Market cap is based on treasury share-adjusted number of shares; market cap for SEC excludes preferred shares; share prices as of 2 September 2026.
Source: Nomura estimates

Fig. 24: SEC/Hynix vs. peers – relative market cap trend



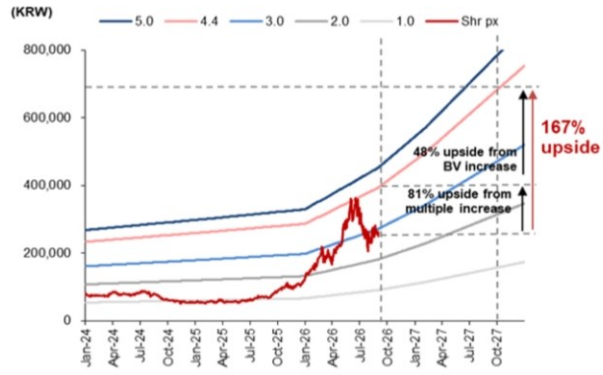
Source: Bloomberg Finance L.P., Nomura research

Fig. 25: Global peer valuation

		Ticker	Rating	Share price (local)	M.Cap (KRW tn)	1M (%)	YTD	P/E(x) 26E	P/E(x) 27E	P/B(x) 26E	P/B(x) 27E	EV/EBITDA(x) 26E	EV/EBITDA(x) 27E	ROE(%) 26E	ROE(%) 27E	EPS GR(%) 26E	EPS GR(%) 27E
Memory	Samsung Electronics	005930 KS	Buy	250,500	1,464.5	(4.6)	108.9	5.2	2.9	2.2	1.4	3.0	1.4	55.6	59.7	640.1	78.0
	SK Hynix	000660 KS	Buy	1,613,000	1,178.3	(6.1)	147.8	4.8	3.1	2.8	1.7	3.3	1.6	92.9	72.8	471.2	55.2
	Micron	MU US	Not rated	933.44	1,438.1	13.4	227.1	12.8	6.1	7.9	3.6	9.6	4.8	73.6	71.1	807.2	109.4
	Kioxia	285A JP	Buy	51,000	238.9	9.7	388.7	5.2	3.6	4.9	2.4	3.2	1.8	151.4	87.4	859.5	42.6
	CXMT	688825 CH	Buy	54	748.2	0.6	N/A	26.5	13.3	14.5	6.9	17.4	8.2	84.0	70.7	6,488.6	99.0
	Average							**10.9**	**5.8**	**6.5**	**3.2**	**7.3**	**3.6**	**91.5**	**72.3**	**1,853.3**	**76.8**
Storage	Western Digital	WDC US	Not rated	450.44	211.8	(17.3)	161.5	22.7	14.3	12.5	9.1	15.4	10.0	69.9	86.2	107.3	57.2
	Seagate	STX US	Not rated	816.64	252.5	(4.6)	196.5	22.9	14.7	22.0	10.8	18.1	11.5	144.2	120.0	147.3	57.9
	Average							**22.8**	**14.5**	**17.2**	**10.0**	**16.7**	**10.8**	**107.1**	**103.1**	**127.3**	**57.5**
Fabless	Nvidia	NVDA US	Not rated	217.44	7,148.3	8.3	16.6	23.3	14.1	16.7	9.5	19.0	11.8	95.3	78.9	98.2	65.2
	AMD	AMD US	Not rated	459.61	1,023.5	(3.5)	114.6	60.9	30.1	10.4	8.3	51.8	25.4	14.6	23.8	95.6	103.0
	Average							**42.1**	**22.1**	**13.5**	**8.9**	**35.4**	**18.6**	**55.0**	**51.3**	**96.9**	**84.1**
Foundry	TSMC	2330 TT	Buy	2,385	2,657.9	(1.6)	53.9	22.1	17.4	8.2	5.9	14.7	11.0	43.0	39.5	62.7	27.2
	Intel	INTC US	Not rated	88.97	641.4	(1.4)	141.1	58.6	43.1	4.1	3.7	22.9	18.9	5.2	8.7	385.9	42.1
	Average							**40.4**	**30.2**	**6.1**	**4.8**	**18.8**	**15.0**	**24.1**	**24.1**	**224.3**	**34.6**
Total Average								**24.1**	**14.8**	**9.6**	**5.8**	**16.2**	**9.7**	**75.4**	**65.3**	**924.0**	**67.0**

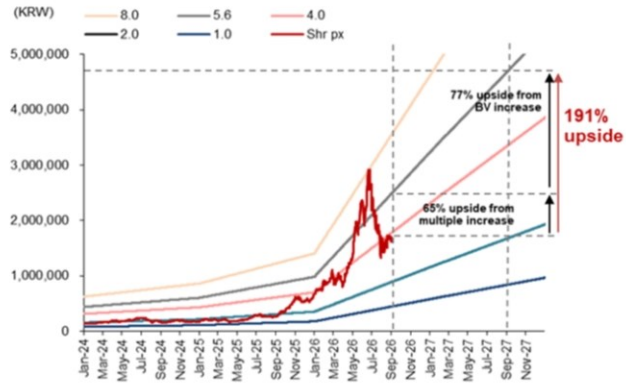
Note: Priced as of 2 September 2026; Bloomberg consensus for not rated stocks and Nomura estimates for covered stocks
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 26: SEC – trailing P/B: upsides from BV and multiple



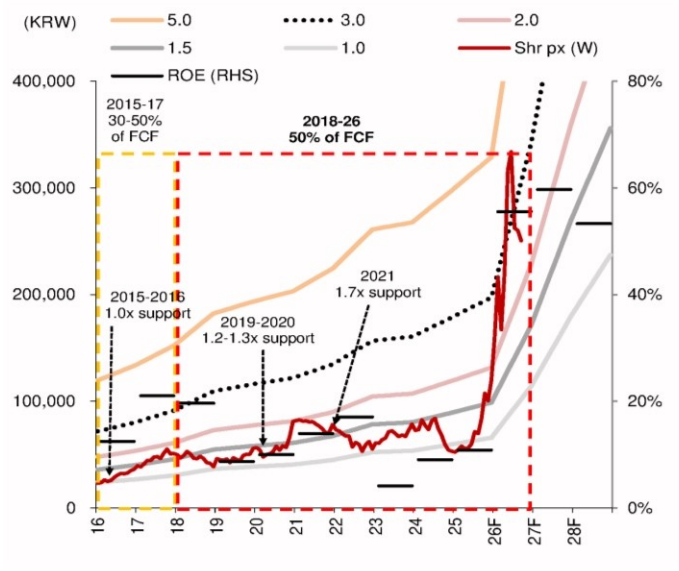
Source: Nomura estimates

Fig. 27: Hynix – trailing P/B: upsides from BV and multiple



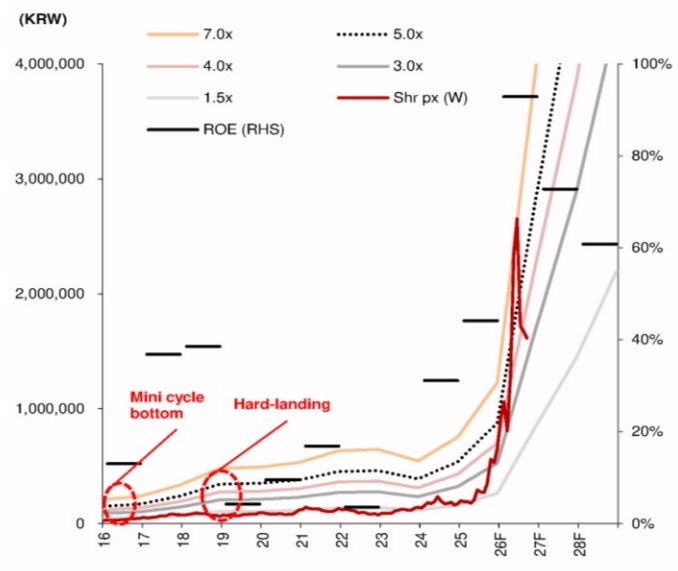
Source: Nomura estimates

Fig. 28: SEC – trailing P/B vs ROE and shareholder return



Source: Company data, Nomura estimates

Fig. 29: Hynix – trailing P/B vs ROE



Source: Bloomberg, Nomura estimates

Samsung Electronics 005930.KS 005930 KS

EQUITY: TECHNOLOGY

Continuing super-cycle and sizeable shareholder return

Revised up commodity DRAM price growth outlook; strong shareholder return to underpin re-rating

Maintain Buy and TP of KRW670,000; severely undervalued vs. earnings scale

We maintain our Buy rating and TP of KRW670,000 for Samsung Electronics (SEC). Our TP is derived by applying a target P/B of 4.3x (previously: 5.0x) to 12MF BVPS of KRW153,584. We lower the target P/B, as we expect an ROE soft-landing due to more de-leveraging and a higher risk-free rate. Currently, the stock trades at 12MF P/B of only 1.6x and 2027F P/E of 2.9x. We expect SEC's 2026F/27F shareholder return yield to be 8%/14%.

KRW strength to have negative earnings impact, partially offset by price increases

We expect SEC's 3Q26F OP to come in at KRW107tn, slightly below our prior estimate. We have incorporated a KRW appreciation scenario from our April *report*, but the KRW's strength has progressed more steeply than anticipated, and appreciation pressure appears likely to persist, supported by an overwhelming trade surplus for the duration of the semiconductor super-cycle. KRW strength has historically been common during semiconductor super-cycles as well, but 1H26 was a temporary exception owing to heavy foreign selling pressure amid the sharp KOSPI market rally. We expect both strong memory prices and a KRW strength to further weigh on the profitability of the smartphone and home appliance divisions. It is surprising to us that the Bank of Korea appears to have little intention to moderate the pace of KRW appreciation, and as a result, profitability of exporters with lower margins than semiconductors will deteriorate significantly in the near term, in our view. Accordingly, we expect SEC's MX division to record a 3Q26F operating loss of KRW1.3tn (vs. previous estimate of -KRW1tn).

One factor that partly offsets KRW strength is that memory prices retain further upside relative to our previous price assumptions. While the expanding LTA sales mix may cap the extent of price increase to some degree, there still appears to be upside relative to our prior price forecasts (where we assumed no q-q price increase from 1Q27F), and the price increase for non-LTA volume – accounting for more than ~30% of the total – is likely to be larger than we had previously anticipated, driven by an even more severe supply shortage in the non-LTA open market. Accordingly, we raise our commodity DRAM price growth rate for 4Q26F from 5% q-q to 10% q-q, and lift our 2027 commodity DRAM price forecast by 10% vs. our prior estimate, raising the growth rate from 18% y-y to 28% y-y. We also revise up our 2027F HBM price growth rate forecast from 72% to 97% y-y.

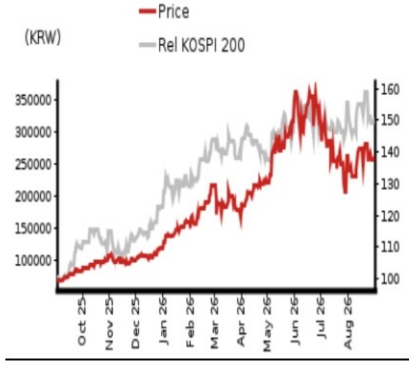
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Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (KRW)	Actual	Old	New	Old	New	Old	New
Revenue (bn)	333,606	720,338	704,154	1,009,946	1,004,404	1,200,641	1,222,431
Reported net profit (bn)	44,261	326,606	316,495	545,242	545,040	655,806	678,108
Normalised net profit (bn)	44,261	326,606	316,495	545,242	545,040	655,806	678,108
FD normalised EPS	6,571	50,184	48,631	86,677	86,571	106,822	110,191
FD norm. EPS growth (%)	32.8	663.7	640.1	72.7	78.0	23.2	27.3
FD normalised P/E (x)	38.1	–	5.2	–	2.9	–	2.3
EV/EBITDA (x)	15.8	–	3.0	–	1.4	–	0.9
Price/book (x)	3.9	–	2.2	–	1.4	–	1.1
Dividend yield (%)	0.7	–	4.2	–	6.2	–	14.9
ROE (%)	10.9	57.1	55.6	60.3	59.7	53.0	53.3
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

Rating Remains	**Buy**
Target price Remains	**KRW 670,000**
Closing price 2 September 2026	**KRW 250,500**
Implied upside	**+167.5%**
Market Cap (USD mn)	1,070,144.6
ADT (USD mn)	4,821.4

Relative performance chart



Source: LSEG, Nomura

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Key data on Samsung Electronics

Performance

(%)	1M	3M	12M		
Absolute (KRW)	-4.6	-30.5	262.5	M cap (USDmn)	1,070,144.6
Absolute (USD)	0.6	-22.9	268.3	Free float (%)	82.0
Rel to KOSPI 200	-7.3	-6.9	111.4	3-mth ADT (USDmn)	4,821.4

Income statement (KRWbn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	300,871	333,606	704,154	1,004,404	1,222,431
Cost of goods sold	-186,562	-202,236	-204,729	-184,760	-197,638
Gross profit	114,309	131,370	499,426	819,643	1,024,793
SG&A	-81,583	-87,769	-120,084	-181,050	-215,324
Employee share expense	0	0	-70	1,555	185
Operating profit	32,726	43,601	379,271	640,149	809,654
EBITDA	75,357	90,528	431,714	702,093	885,113
Depreciation	-39,650	-43,606	-48,846	-58,257	-71,679
Amortisation	-2,981	-3,321	-3,596	-3,687	-3,780
EBIT	32,726	43,601	379,271	640,149	809,654
Net interest expense	3,915	3,987	6,049	11,017	16,655
Associates & JCEs	751	683	484	6,366	1,665
Other income	138	1,210	4,017	444	330
Earnings before tax	37,530	49,481	389,821	657,976	828,305
Income tax	-3,078	-4,275	-72,267	-111,856	-149,095
Net profit after tax	34,451	45,207	317,554	546,120	679,210
Minority interests	-830	-946	-1,059	-1,081	-1,102
Other items					
Preferred dividends					
Normalised NPAT	33,621	44,261	316,495	545,040	678,108
Extraordinary items					
Reported NPAT	33,621	44,261	316,495	545,040	678,108
Dividends	-9,806	-11,113	-67,804	-97,143	-229,168
Transfer to reserves	23,815	33,148	248,690	447,897	448,939
Valuations and ratios					
Reported P/E (x)	50.3	37.5	5.1	2.9	2.3
Normalised P/E (x)	50.3	37.5	5.1	2.9	2.3
FD normalised P/E (x)	50.6	38.1	5.2	2.9	2.3
Dividend yield (%)	0.6	0.7	4.2	6.2	14.9
Price/cashflow (x)	23.3	19.8	5.1	2.8	2.1
Price/book (x)	4.3	3.9	2.2	1.4	1.1
EV/EBITDA (x)	18.9	15.8	3.0	1.4	0.9
EV/EBIT (x)	43.0	32.6	3.4	1.5	1.0
Gross margin (%)	38.0	39.4	70.9	81.6	83.8
EBITDA margin (%)	25.0	27.1	61.3	69.9	72.4
EBIT margin (%)	10.9	13.1	53.9	63.7	66.2
Net margin (%)	11.2	13.3	44.9	54.3	55.5
Effective tax rate (%)	8.2	8.6	18.5	17.0	18.0
Dividend payout (%)	29.2	25.1	21.4	17.8	33.8
ROE (%)	9.0	10.9	55.6	59.7	53.3
ROA (pretax %)	7.9	9.1	62.8	84.1	89.4
Growth (%)					
Revenue	16.2	10.9	111.1	42.6	21.7
EBITDA	66.6	20.1	376.9	62.6	26.1
Normalised EPS	133.6	34.1	640.5	75.5	27.7
Normalised FDEPS	132.3	32.8	640.1	78.0	27.3

Source: Company data, Nomura estimates

Cashflow statement (KRWbn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	75,357	90,528	431,714	702,093	885,113
Change in working capital	368	2,296	-21,541	-36,093	-30,350
Other operating cashflow	-2,742	-7,509	-87,582	-106,384	-134,418
Cashflow from operations	72,983	85,315	322,591	559,617	720,345
Capital expenditure	-52,842	-53,453	-77,782	-108,769	
Free cashflow	20,141	31,862	244,809	450,848	720,345
Reduction in investments	-39,887	-16,055	-52,310	-7,996	-11,630
Net acquisitions	0	-2,200	0	0	0
Dec in other LT assets	-4,146	-9,687	-30,542	-2,991	-3,113
Inc in other LT liabilities	2,817	2,661	4,547	591	627
Adjustments	8,676	10,222	21,445	12,535	-137,849
CF after investing acts	-12,399	16,803	187,950	452,987	568,380
Cash dividends	-10,889	-9,897	-10,850	-95,145	-230,772
Equity issue	0	0	0	0	0
Debt issue	12,516	10,564	20,844	16,054	2,780
Convertible debt issue					
Others	-4,603	-13,319	-36,943	-75,238	-134,464
CF from financial acts	-2,976	-12,652	-26,950	-154,329	-362,456
Net cashflow	-15,375	4,151	161,000	298,658	205,924
Beginning cash	69,094	53,719	57,870	218,870	517,528
Ending cash	53,719	57,870	218,870	517,528	723,452
Ending net debt	-34,389	-32,631	-199,339	-502,580	-711,907

Balance sheet (KRWbn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	53,719	57,870	218,870	517,528	723,452
Marketable securities	58,909	67,965	97,037	97,037	97,037
Accounts receivable	43,623	51,128	113,502	159,719	199,800
Inventories	51,755	52,637	75,737	100,486	119,717
Other current assets	19,056	18,085	14,655	20,375	16,907
Total current assets	227,062	247,685	519,801	895,144	1,156,913
LT investments	24,349	31,348	54,586	62,582	74,212
Fixed assets	205,945	215,305	242,119	288,862	359,183
Goodwill					
Other intangible assets	23,739	29,481	29,977	31,194	32,461
Other LT assets	33,437	43,125	73,666	76,657	79,770
Total assets	514,532	566,942	920,150	1,354,440	1,702,539
Short-term debt	15,380	18,752	13,462	10,965	8,931
Accounts payable	12,370	13,039	28,947	38,794	46,219
Other current liabilities	65,576	74,619	119,215	149,960	168,031
Total current liabilities	93,326	106,411	161,624	199,719	223,180
Long-term debt	3,950	6,487	6,070	3,984	2,614
Convertible debt					
Other LT liabilities	15,063	17,724	22,271	22,862	23,490
Total liabilities	112,340	130,622	189,965	226,565	249,284
Minority interest	10,504	12,007	15,112	17,174	19,518
Preferred stock	119	119	119	119	119
Common stock	778	778	778	778	778
Retained earnings	370,513	402,136	644,663	1,039,040	1,360,801
Proposed dividends					
Other equity and reserves	20,277	21,280	69,512	70,763	72,039
Total shareholders' equity	391,688	424,313	715,072	1,110,701	1,433,738
Total equity & liabilities	514,532	566,942	920,150	1,354,440	1,702,539
Liquidity (x)					
Current ratio	2.43	2.33	3.22	4.48	5.18
Interest cover	–	–	–	–	–
Leverage					
Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Per share					
Reported EPS (KRW)	4,977	6,676	49,433	86,759	110,769
Norm EPS (KRW)	4,977	6,676	49,433	86,759	110,769
FD norm EPS (KRW)	4,950	6,571	48,631	86,571	110,191
BVPS (KRW)	57,981	63,997	111,685	176,801	234,200
DPS (KRW)	1,452	1,676	10,590	15,463	37,435
Activity (days)					
Days receivable	48.8	51.8	42.7	49.6	53.8
Days inventory	101.4	94.2	114.4	174.1	203.9
Days payable	23.2	22.9	37.4	66.9	78.7
Cash cycle	127.0	123.1	119.7	156.8	179.0

Source: Company data, Nomura estimates

Company profile

Samsung Electronics Co., Ltd. manufactures a wide range of consumer and industrial electronic equipment and products such as semiconductors, personal computers, peripherals, monitors, televisions, and home appliances including air conditioners and microwave ovens. The company also produces internet access network systems and telecommunications equipment including mobile phones.

Valuation Methodology

Our 12-month TP of KRW670,000 is derived by applying a target P/B of 4.3x to 12MF BVPS. We lower target multiple based on our outlook for ROE soft-landing and higher risk-free rate. The benchmark index for the stock is the KOSPI 200.

Risks that may impede the achievement of the target price

Downside risk includes potential US tariffs on semiconductor products, delay in data center construction due to power supply shortage, and slowdown in AI capex under a higher interest rate environment.

ESG

Samsung Electronics is one of the leading companies in Korea in executing ESG management. According to the mid-long-term green management roadmap, Samsung Electronics has set four key performance indicators in the areas of environment, safety and health (EHS) management system and is managing greenhouse gas, water resources, and waste during business activity. For more than 10 years, the company has been following 3R (Reduce, Reuse, Recycle) activities that conserve, reuse, and recycle water resources during manufacturing process. Samsung Electronics has established a greenhouse gas reduction plan to respond to climate change, and is also reflecting eco-friendly trends in semiconductors. The company has recently received 'Carbon Footprint Certification' from the UK 'Carbon Trust' for nine of its major memory products. Samsung Electronics establishes and operates management plans for each manufacturing process to minimize waste generated during production. In terms of social responsibility, Samsung Electronics is focusing on supporting its partners in three aspects: providing support for funds, technology, and manpower. Samsung is operating fund worth KRW2.2 tn in supporting its partner companies. Samsung is transparent with shareholder return policy by announcing shareholder return plans every three years and is working to improve corporate governance by having 54% of BOD as outside directors and implementing electronic voting for shareholders. Samsung is tackling the social issues by allowing for union activity.

We expect 2027F/28F OP to grow +69%/+26% y-y; 2027F shareholder return to reach double 2026F return size

Through 2028F, when supply capacity remains limited, the likelihood of memory prices turning weak appears very low to us. We expect 2027F/28F OP of KRW640tn/KRW810tn (+69%/+26% y-y). While the shareholder return framework beyond 2027 has not been announced yet, maintaining the existing scheme would push shareholder returns above KRW200tn – nearly double the 2026F level.

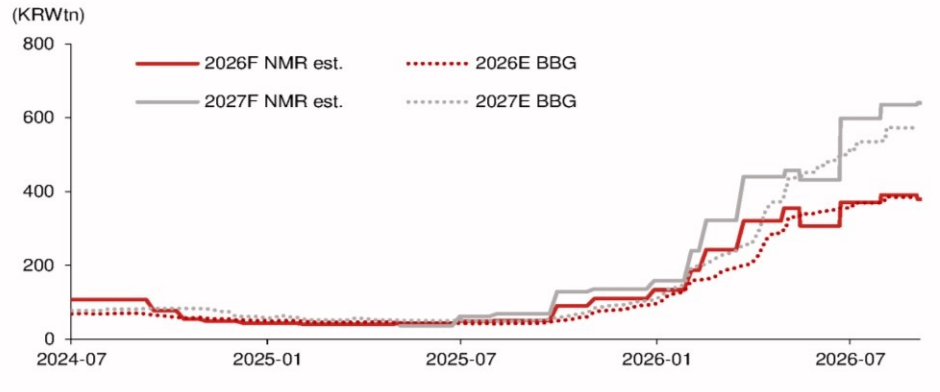
For shareholder returns, SEC has first announced a cash dividend of KRW30tn. With half of 2026F FCF estimated at ~KRW120tn, we expect return measures for the remaining ~KRW90tn to be announced at a later date. If cash dividends are paid at a 25% payout ratio as in 2025, we expect the cash dividend pool to reach KRW79tn, with the remaining amount to be used for share buybacks.

Fig. 30: SEC – 3Q26F earnings estimate revisions

	3Q26F						
(K-IFRS, KRWtn)	Old	New	% diff.	% q-q	% y-y	2Q26	3Q25
Revenue	**200.79**	**191.16**	**-5%**	**11%**	**122%**	**171.50**	**86.06**
Operating profit	**114.45**	**106.66**	**-7%**	**19%**	**777%**	**89.49**	**12.17**
%OPM	*57.0%*	*55.8%*	*-1.2%p*	*3.6%p*	*41.7%p*	*52.2%*	*14.1%*
Semiconductor	113.70	106.55	-6%	19%	1421%	89.32	7.00
Display	1.26	1.06	-16%	52%	-12%	0.70	1.20
MX	(1.05)	(1.34)	na	na	na	(0.71)	3.50
Consumer Elec.	(0.00)	(0.00)	na	na	na	(0.00)	(0.13)
Harman	0.48	0.32	-33%	-22%	-20%	0.41	0.40
Net profit	**97.25**	**90.70**	**-7%**	**27%**	**655%**	**71.27**	**12.01**

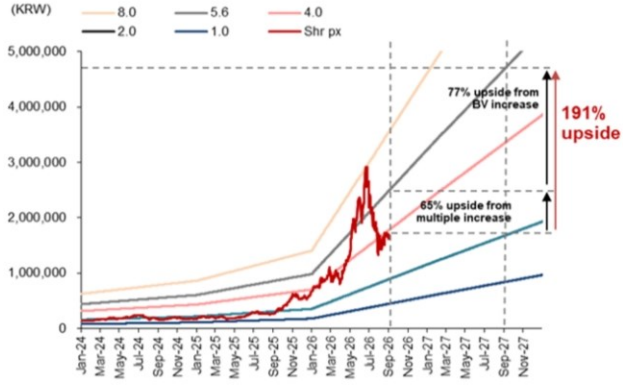
Source: Company data, Nomura estimates

Fig. 31: SEC – 2026F/27F OP consensus vs Nomura estimates



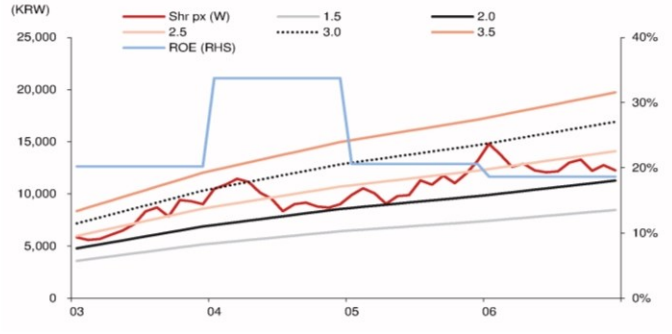
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 32: SEC – trailing P/B band: upside from BV and multiple



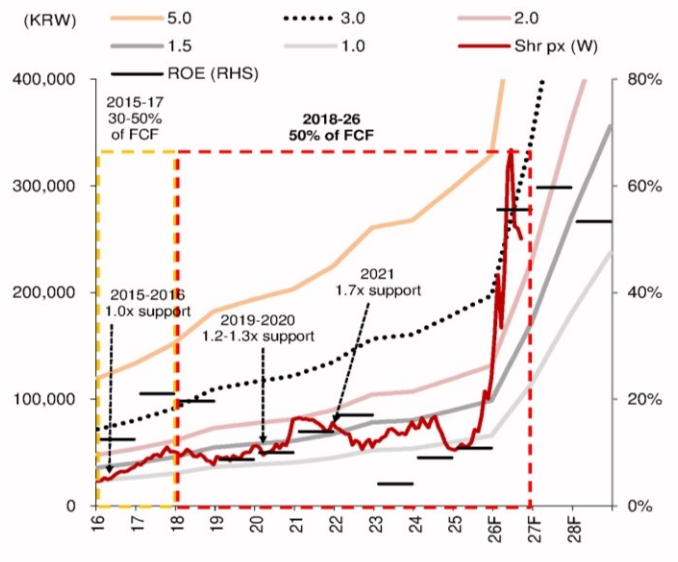
Source: Quantiwise, Nomura estimates

Fig. 33: SEC – trailing P/B vs. ROE during 2003-06



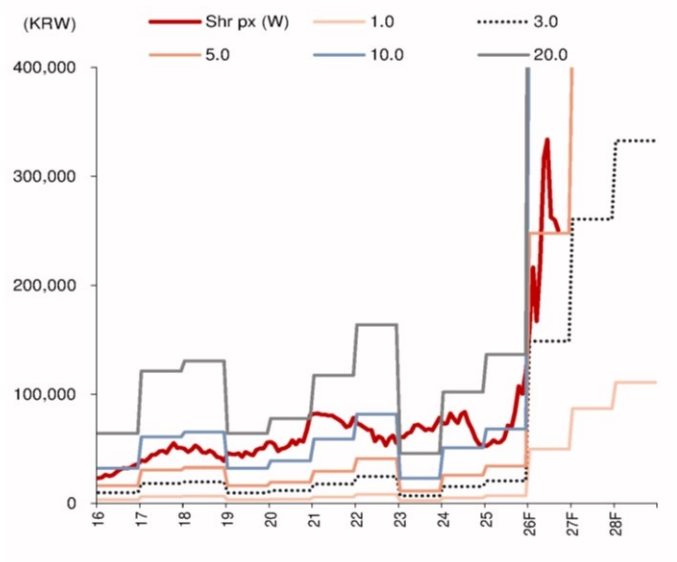
Source: Company data, Quantiwise, Nomura research

Fig. 34: SEC – trailing P/B, ROE, and shareholder return policy



Source: Company data, Quantiwise, Nomura research

Fig. 35: SEC – trailing P/E vs share price



Source: Company data, Quantiwise, Nomura research

Fig. 36: SEC – Earnings estimate revisions

(KRW tn)	2026F Old	2026F New	% y-y new	Diff.	Chg. (%)	2027F Old	2027F New	% y-y new	Diff.	Chg. (%)	2028F Old	2028F New	% y-y new	Diff.	Chg. (%)
Sales	**720.34**	**704.15**	**111.1%**	**-16.18**	**-2.2%**	**1,009.95**	**1,004.40**	**42.6%**	**-5.54**	**-0.5%**	**1,200.64**	**1,222.43**	**21.7%**	**21.79**	**1.8%**
Semiconductor	539.46	525.87	303.3%	-13.60	-2.5%	847.08	849.95	61.6%	2.87	0.3%	1,035.82	1,067.18	25.6%	31.35	3.0%
Memory	509.01	495.45	374.8%	-13.55	-2.7%	808.87	811.82	63.9%	2.95	0.4%	992.67	1,024.08	26.1%	31.41	3.2%
DRAM	351.56	339.96	386.4%	-11.60	-3.3%	575.56	561.69	65.2%	-13.87	-2.4%	721.19	729.68	29.9%	8.48	1.2%
NAND	157.44	155.49	351.2%	-1.95	-1.2%	233.31	250.13	60.9%	16.82	7.2%	271.47	294.41	17.7%	22.93	8.4%
System-LSI	30.46	30.41	16.8%	-0.04	-0.1%	38.21	38.13	25.4%	-0.08	-0.2%	43.15	43.09	13.0%	-0.06	-0.1%
Display panel	31.79	31.01	4.6%	-0.78	-2.5%	32.55	31.16	0.5%	-1.39	-4.3%	31.23	30.25	-2.9%	-0.98	-3.2%
IT & Mob. Communication	139.73	137.14	5.9%	-2.59	-1.9%	154.07	148.44	8.2%	-5.63	-3.7%	159.19	154.69	4.2%	-4.50	-2.8%
Consumer Electronics	57.21	56.57	-1.3%	-0.64	-1.1%	55.67	54.55	-3.6%	-1.12	-2.0%	54.73	53.93	-1.1%	-0.80	-1.5%
Harman	18.35	18.06	14.2%	-0.29	-1.6%	20.53	20.20	11.8%	-0.33	-1.6%	22.96	22.59	11.8%	-0.37	-1.6%
Operating profit	**391.31**	**379.27**	**769.9%**	**-12.04**	**-3.1%**	**635.01**	**640.15**	**68.8%**	**5.14**	**0.8%**	**774.39**	**809.65**	**26.5%**	**35.27**	**4.6%**
Semiconductor	385.81	375.12	1400.3%	-10.69	-2.8%	627.29	635.03	69.3%	7.74	1.2%	761.20	797.20	25.5%	36.00	4.7%
Memory	393.87	383.58	1105.3%	-10.30	-2.6%	644.87	652.70	70.2%	7.84	1.2%	778.35	815.05	24.9%	36.70	4.7%
DRAM	281.12	272.26	818.8%	-8.86	-3.1%	466.58	461.38	69.5%	-5.20	-1.1%	570.46	590.94	28.1%	20.47	3.6%
NAND	112.76	111.32	4976.9%	-1.44	-1.3%	178.28	191.32	71.9%	13.04	7.3%	207.89	224.12	17.1%	16.23	7.8%
System-LSI	-8.06	-8.46	na	-0.40	na	-17.57	-17.67	na	-0.10	na	-17.16	-17.85	na	-0.70	na
Display panel	3.59	3.21	-24.8%	-0.38	-10.5%	3.97	3.54	10.4%	-0.43	-10.8%	3.90	3.78	6.7%	-0.12	-3.1%
IT & Mob. Communication	0.51	0.02	-99.9%	-0.50	-96.6%	1.89	0.01	-35.7%	-1.88	-99.4%	7.22	6.69	59259.2%	-0.53	-7.3%
Consumer Electronics	-0.10	-0.08	na	0.01	na	0.22	0.15	na	-0.06	-28.4%	0.22	0.23	46.2%	0.00	1.1%
Harman	1.56	1.19	-26.2%	-0.37	-23.7%	1.77	1.53	29.2%	-0.23	-13.2%	1.98	1.88	22.9%	-0.09	-4.8%
Operating margin	**54.3%**	**53.9%**	**40.8%p**	**-0.5%p**		**62.9%**	**63.7%**	**9.9%p**	**0.9%p**		**64.5%**	**66.2%**	**2.5%p**	**1.7%p**	
Semiconductor	71.5%	71.3%	52.2%p	-0.2%p		74.1%	74.7%	3.4%p	0.7%p		73.5%	74.7%	0.0%p	1.2%p	
Memory	77.4%	77.4%	46.9%p	0.0%p		79.7%	80.4%	3.0%p	0.7%p		78.4%	79.6%	-0.8%p	1.2%p	
DRAM	80.0%	80.1%	37.7%p	0.1%p		81.1%	82.1%	2.1%p	1.1%p		79.1%	81.0%	-1.2%p	1.9%p	
NAND	71.6%	71.6%	65.2%p	0.0%p		76.4%	76.5%	4.9%p	0.1%p		76.6%	76.1%	-0.4%p	-0.5%p	
System-LSI	-26.5%	-27.8%	-1.6%p	-1.3%p		-46.0%	-46.3%	-18.5%p	-0.4%p		-39.8%	-41.4%	4.9%p	-1.7%p	
Display panel	11.3%	10.4%	-4.1%p	-0.9%p		12.2%	11.4%	1.0%p	-0.8%p		12.5%	12.5%	1.1%p	0.0%p	
IT & Mob. Communication	0.4%	0.0%	-9.9%p	-0.4%p		1.2%	0.0%	0.0%p	-1.2%p		4.5%	4.3%	4.3%p	-0.2%p	
Consumer Electronics	-0.2%	-0.1%	0.3%p	0.0%p		0.4%	0.3%	0.4%p	-0.1%p		0.4%	0.4%	0.1%p	0.0%p	
Harman	8.5%	6.6%	-3.6%p	-1.9%p		8.6%	7.6%	1.0%p	-1.0%p		8.6%	8.3%	0.7%p	-0.3%p	
Net Profit	**326.61**	**316.49**	**615.1%**	**-10.11**	**-3.1%**	**545.24**	**545.04**	**72.2%**	**-0.20**	**0.0%**	**655.81**	**678.11**	**24.4%**	**22.30**	**3.4%**
EPS (KRW)	50,184	48,631	640.1%	-1,554	-3.1%	86,677	86,571	78.0%	-106	-0.1%	106,822	110,191	27.3%	3,369	3.2%
EPS (KRW, Treasury adj.)	51,012	49,433	640.5%	-1,579	-3.1%	86,954	86,759	75.5%	-195	-0.2%	107,396	110,769	27.7%	3,372	3.1%
BPS (KRW, Treasury adj.)	112,350	105,582	65.0%	-6,769	-6.0%	173,645	170,456	61.4%	-3,189	-1.8%	227,033	227,559	33.5%	525	0.2%
ROE (%)	57.1%	57.5%	46.7%p	0.4%p		60.3%	62.4%	51.6%p	2.1%p		53.0%	55.0%	44.2%p	2.1%p	
Key assumption															
DRAM ASP (1Gb eq., US$)	13.18	13.30	277.4%	0.12	0.9%	17.41	18.64	40.1%	1.23	7.1%	17.50	18.94	1.6%	1.44	8.2%
DRAM cost (1Gb eq., US$)	1.93	1.93	-5.0%	0.00	-0.2%	2.34	2.26	17.3%	-0.07	-3.1%	2.71	2.55	12.6%	-0.16	-6.1%
DRAM shipments (1Gb eq., units mn)	18,267	17,995	29.3%	-273	-1.5%	23,550	22,428	24.6%	-1,122	-4.8%	29,992	28,962	29.1%	-1,029	-3.4%
DRAM revenue (W tn)	352.49	342.69	391.9%	-9.80	-2.8%	576.12	562.29	64.1%	-13.82	-2.4%	721.69	729.68	29.8%	7.99	1.1%
NAND flash ASP (8GB eq., US$)	2.31	2.32	278.6%	0.01	0.3%	3.03	3.15	35.5%	0.12	3.9%	2.87	3.02	-4.1%	0.14	5.0%
NAND cost (8GB eq., US$)	0.54	0.54	-5.7%	0.00	0.1%	0.52	0.55	1.1%	0.03	5.6%	0.48	0.52	-4.3%	0.05	9.5%
NAND flash shipments (8GB eq., units mn)	46,590	47,187	19.5%	597	1.3%	54,896	59,175	25.4%	4,279	7.8%	68,783	73,376	24.0%	4,594	6.7%
NAND flash revenue (W tn)	157.85	156.86	355.9%	-0.99	-0.6%	233.50	250.33	59.6%	16.83	7.2%	271.65	294.41	17.6%	22.75	8.4%
Handset shipments (units mn)	217	217	-5.9%	0	0.0%	221	221	1.9%	0	0.0%	221	221	0.0%	0	0.0%
Smartphone shipments (units mn)	217	217	-5.9%	0	0.0%	221	221	1.9%	0	0.0%	221	221	0.0%	0	0.0%
Smartphone ASP (US$)	323	323	12.0%	0	0.0%	374	374	15.8%	0	0.0%	398	398	6.6%	0	0.0%
IT & Mobile Com. revenue (W tn)	139.73	137.14	5.9%	-2.59	-1.9%	154.07	148.44	8.2%	-5.63	-3.7%	159.19	154.69	4.2%	-4.50	-2.8%
IT & Mobile Com. OPM	0%	0%	-9.9%p	-0.4%p		1%	0%	0.0%p	-1.2%p		5%	4%	4.3%p	-0.2%p	
KRW/US$	1,464	1,432	0.8%		-2.2%	1,405	1,345	-6.1%		-4.3%	1,375	1,330	-1.1%		-3.3%

Source: Company data, Nomura estimates

Fig. 37: SEC – quarterly and annual earnings forecasts

Revenue (KRWtn)	2023	2024	2025	1Q26	2Q26F	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F	2028F
Semi	**66.58**	**110.96**	**130.39**	**81.18**	**127.69**	**146.46**	**170.53**	**525.87**	**181.00**	**202.65**	**223.80**	**242.50**	**849.95**	**1,067.18**
Memory	44.12	84.38	104.36	74.28	121.00	138.85	161.31	495.45	172.23	193.50	214.27	231.82	811.82	1,024.08
DRAM	25.91	50.75	69.90	52.06	83.15	95.34	109.42	339.96	118.14	132.05	149.00	162.50	561.69	729.68
NAND	18.21	33.63	34.46	22.22	37.86	43.51	51.89	155.49	54.09	61.45	65.27	69.31	250.13	294.41
foundry/LSI	22.46	26.58	26.03	6.90	6.69	7.60	9.22	30.41	8.77	9.15	9.53	10.68	38.13	43.09
Display	**30.97**	**29.10**	**29.63**	**6.65**	**7.54**	**8.36**	**8.46**	**31.01**	**6.21**	**6.94**	**9.48**	**8.52**	**31.16**	**30.25**
LCD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OLED & small LCD	30.97	29.10	29.63	6.65	7.54	8.36	8.46	31.01	6.21	6.94	9.48	8.52	31.16	30.25
IT & Mobile Comm	**110.87**	**119.99**	**129.49**	**37.89**	**33.25**	**36.04**	**29.97**	**137.14**	**41.14**	**33.72**	**39.03**	**34.54**	**148.44**	**154.69**
DA	**56.45**	**56.46**	**57.33**	**14.25**	**14.49**	**13.69**	**14.13**	**56.57**	**13.61**	**13.68**	**13.36**	**13.90**	**54.55**	**53.93**
Harman	**14.39**	**14.25**	**15.81**	**3.80**	**4.60**	**4.60**	**5.06**	**18.06**	**4.18**	**5.15**	**5.20**	**5.67**	**20.20**	**22.59**
Total	**258.94**	**300.87**	**333.61**	**133.87**	**171.50**	**191.16**	**208.32**	**704.15**	**224.40**	**237.53**	**263.29**	**279.18**	**1,004.40**	**1,222.43**
KRW/US$	**1,310**	**1,364**	**1,420**	**1,465**	**1,502**	**1,390**	**1,370**	**1,432**	**1,360**	**1,350**	**1,340**	**1,330**	**1,345**	**1,330**
Sales (US$, bn)	**197.6**	**220.6**	**234.9**	**91.4**	**114.2**	**137.5**	**152.1**	**491.8**	**165.0**	**175.9**	**196.5**	**209.9**	**746.8**	**919.1**

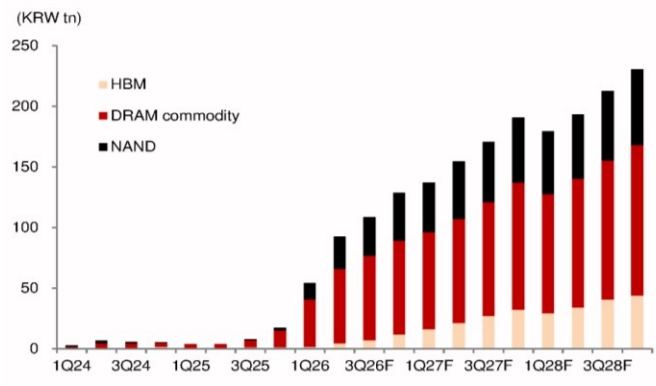
Operating margin	2023	2024	2025	1Q26F	2Q26F	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F	2028F
Semi	**-22%**	**14%**	**19%**	**66%**	**70%**	**73%**	**74%**	**71%**	**73%**	**74%**	**74%**	**78%**	**75%**	**75%**
Memory	-27%	24%	30%	73%	76%	78%	80%	77%	80%	80%	80%	82%	80%	80%
DRAM	-2%	31%	42%	78%	79%	80%	81%	80%	81%	81%	81%	84%	82%	81%
NAND	-63%	13%	6%	60%	70%	73%	76%	72%	76%	77%	76%	77%	76%	76%
foundry/LSI	-12%	-18%	-26%	-10%	-46%	-27%	-29%	-28%	-56%	-58%	-59%	-17%	-46%	-41%
Display	**18%**	**13%**	**14%**	**6%**	**9%**	**13%**	**12%**	**10%**	**7%**	**9%**	**15%**	**12%**	**11%**	**12%**
Large LCD	na	na	na	na	na	na	na	na	na	na	na	na	na	na
OLED and Small LCD	18%	13%	14%	6%	9%	13%	12%	10%	7%	9%	15%	12%	11%	12%
IT & Mobile Comm	**12%**	**9%**	**10%**	**7%**	**-2%**	**-4%**	**-2%**	**0%**	**0%**	**-2%**	**0%**	**1%**	**0%**	**4%**
handset & tablet	7%	4%	5%	3%	-6%	-7%	-7%	-4%	-3%	-6%	-3%	-3%	-4%	0%
System, IT & others	11%	9%	9%	7%	2%	2%	1%	3%	6%	7%	8%	10%	8%	10%
DA	**2%**	**3%**	**0%**	**1%**	**0%**	**0%**	**-2%**	**0%**	**1%**	**0%**	**1%**	**-1%**	**0%**	**0%**
Harman	**8%**	**9%**	**10%**	**5%**	**9%**	**7%**	**5%**	**7%**	**6%**	**7%**	**9%**	**8%**	**8%**	**8%**
Total	**3%**	**11%**	**13%**	**43%**	**52%**	**56%**	**61%**	**54%**	**59%**	**63%**	**63%**	**68%**	**64%**	**66%**

Operating profit (KRWtn)	2023	2024	2025	1Q26F	2Q26F	3Q26F	4Q26F	2026F	1Q27F	2Q27F	3Q27F	4Q27F	2027F	2028F
DS (Semi)	**-14.87**	**15.10**	**25.00**	**53.32**	**89.32**	**106.55**	**125.93**	**375.12**	**132.21**	**149.08**	**165.03**	**188.71**	**635.03**	**797.20**
Memory	-12.11	19.97	31.82	54.00	92.40	108.59	128.59	383.58	137.17	154.41	170.61	190.51	652.70	815.05
DRAM	-0.60	15.66	29.63	40.76	65.71	76.64	89.16	272.26	96.10	107.20	120.98	137.11	461.38	590.94
NAND	-11.50	4.31	2.19	13.25	26.69	31.96	39.42	111.32	41.07	47.21	49.64	53.40	191.32	224.12
foundry/LSI	-2.77	-4.87	-6.82	-0.68	-3.07	-2.04	-2.66	-8.46	-4.95	-5.34	-5.58	-1.80	-17.67	-17.85
Display	**5.57**	**3.76**	**4.27**	**0.40**	**0.70**	**1.06**	**1.04**	**3.21**	**0.46**	**0.65**	**1.38**	**1.05**	**3.54**	**3.78**
Large LCD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OLED and Small LCD	5.57	3.76	4.27	0.40	0.70	1.06	1.04	3.21	0.46	0.65	1.38	1.05	3.54	3.78
MX/Network	**12.87**	**10.85**	**12.81**	**2.80**	**-0.71**	**-1.34**	**-0.73**	**0.02**	**0.11**	**-0.58**	**0.00**	**0.48**	**0.01**	**6.69**
Handset & Tablet	12.46	10.59	12.54	2.76	-0.74	-1.36	-0.74	-0.07	0.06	-0.63	-0.07	0.39	-0.24	6.37
System / IT & others	0.41	0.26	0.27	0.04	0.02	0.02	0.01	0.09	0.05	0.06	0.06	0.09	0.25	0.32
VD/DA	**1.25**	**1.75**	**-0.23**	**0.20**	**0.00**	**0.00**	**-0.28**	**-0.08**	**0.14**	**0.02**	**0.14**	**-0.15**	**0.15**	**0.23**
Harman	**1.17**	**1.32**	**1.61**	**0.20**	**0.41**	**0.32**	**0.25**	**1.19**	**0.25**	**0.36**	**0.47**	**0.45**	**1.53**	**1.88**
Total	**6.57**	**32.73**	**43.60**	**57.23**	**89.49**	**106.66**	**126.28**	**379.27**	**133.05**	**149.40**	**167.09**	**190.62**	**640.15**	**809.65**
QoQ				185%	56%	19%	18%		5%	12%	12%	14%		
YoY	-85%	398%	33%	756%	1814%	777%	529%	770%	132%	67%	57%	51%	69%	26%

Net profit	**14.47**	**33.62**	**44.26**	**47.10**	**71.27**	**90.70**	**107.42**	**316.49**	**113.65**	**127.92**	**141.96**	**161.50**	**545.04**	**678.11**
QoQ				144%	51%	27%	18%		6%	13%	11%	14%		
YoY	-74%	132%	32%	487%	1344%	655%	457%	615%	141%	79%	57%	50%	72%	24%
EPS (treasury share adjusted)	2,131	4,977	6,676	7,237	11,131	14,167	16,778	49,433	17,789	20,275	22,549	25,708	86,759	110,769
BPS (treasury share adjusted)	52,002	57,981	63,997	72,827	88,256	97,403	105,582	105,582	121,623	141,598	155,646	170,456	170,456	227,559
ROE	4.1%	9.0%	10.8%	41.9%	54.9%	61.0%	66.1%	57.5%	62.6%	61.3%	60.6%	63.0%	62.4%	55.0%

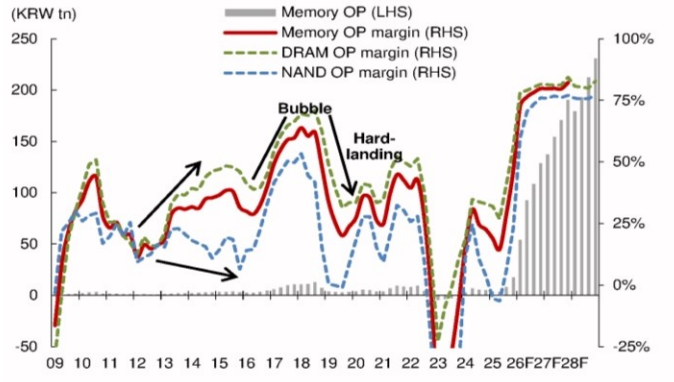
Source: Company data, Nomura estimates

Fig. 38: SEC – Memory OP by product



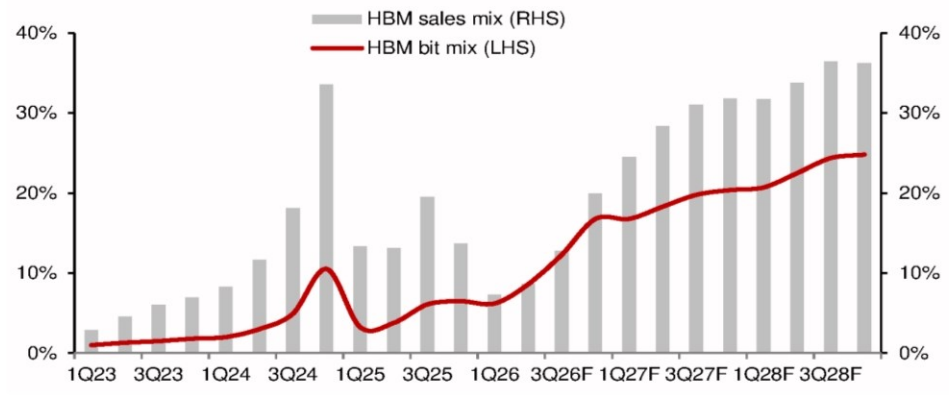
Source: Company data, Nomura estimates

Fig. 39: Memory OP and OPM trends



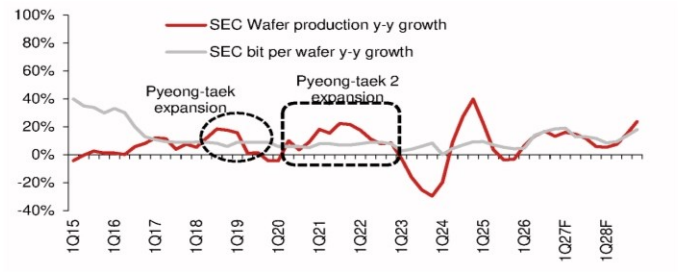
Source: Company data, Nomura estimates

Fig. 40: SEC – HBM sales, bit mix



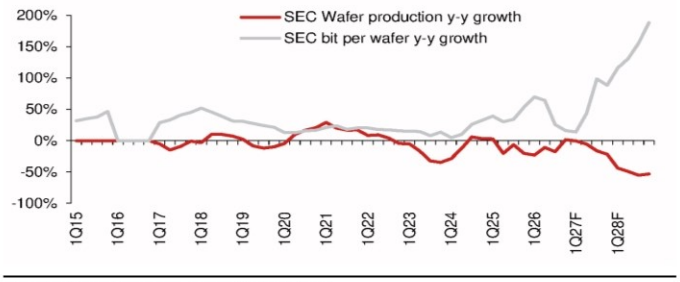
Source: Company data, Nomura estimates

Fig. 41: SEC – DRAM wafer production and bit per wafer growth outlook



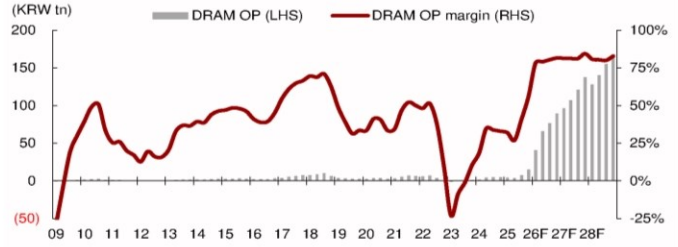
Source: Company data, Nomura estimates

Fig. 42: SEC – NAND wafer production and bit per wafer growth outlook



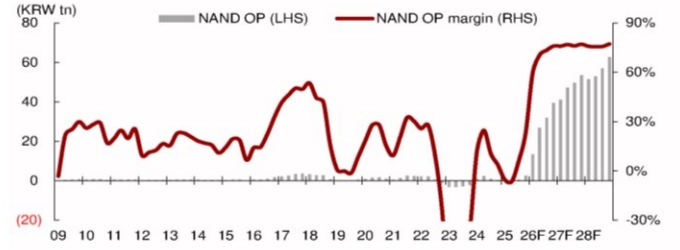
Source: Company data, Nomura estimates

Fig. 43: SEC – DRAM OP and OPM trends



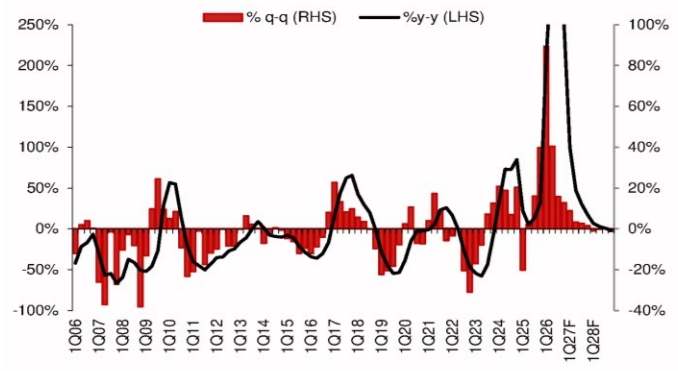
Source: Company data, Nomura estimates

Fig. 44: SEC – NAND OP and OPM trends



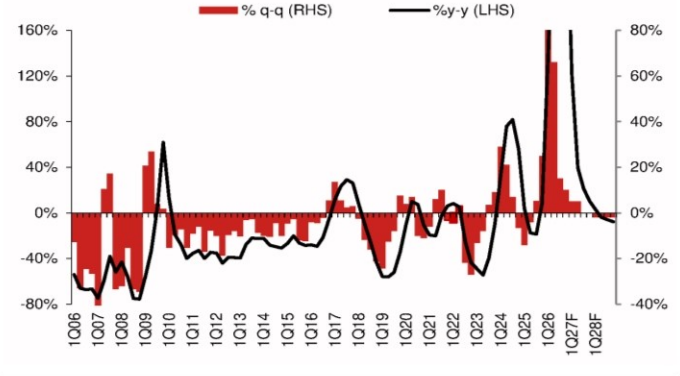
Source: Company data, Nomura estimates

Fig. 45: SEC – DRAM ASP q-q / y-y, %



Source: Company data, Nomura estimates

Fig. 46: SEC – NAND ASP q-q / y-y, %



Source: Company data, Nomura estimates

Fig. 47: SEC – assumptions on DRAM (commodity, HBM), NAND ASP/cost/shipments

Total	2026F		2027F	
	Old	New	Old	New
OP (KRW tn)	**391**	**379**	**635**	**640**
y-y	797%	770%	62%	69%
DRAM	281	272	467	461
NAND	113	111	178	191
Other divisions	-3	-4	-10	-13
OPM	**54%**	**54%**	**63%**	**64%**
DRAM	80%	80%	81%	82%
Commodity	82%	81%	84%	84%
HBM	65%	65%	73%	74%
NAND	72%	72%	76%	76%
DRAM Revenue (KRW tn)	**352**	**340**	**576**	**562**
Commodity	299	303	381	423
HBM	46	40	158	127
DRAM OP (KRW tn)	**281**	**272**	**467**	**461**
Commodity	245	249	320	357
HBM	30	26	115	94
DRAM OPM	**80%**	**80%**	**81%**	**82%**
Commodity	82%	81%	84%	84%
HBM	65%	65%	73%	74%
DRAM OP mix (%)				
Commodity	87	92	69	77
HBM	11	10	25	20
ASP y-y				
Commodity	308%	314%	18%	28%
HBM	49%	48%	72%	97%
Cost y-y				
Commodity	-10%	-8%	-5%	0%
HBM	-37%	-36%	27%	32%
Bit shipment y-y	**31%**	**29%**	**29%**	**25%**
Commodity	23%	23%	18%	19%
HBM	195%	156%	116%	75%
Bit mix (%)				
Commodity	89%	90%	81%	86%
HBM	11%	10%	19%	14%
NAND Revenue (KRW tn)	**157**	**155**	**233**	**250**
NAND OP (KRW tn)	**113**	**111**	**178**	**191**
OPM	72%	72%	76%	76%
ASP y-y	394%	279%	0%	35%
Cost y-y	-10%	-6%	0%	1%
Bit shipment y-y	39%	19%	0%	25%
KRW/USD	1,434	1,434	1,315	1,315

Source: Nomura estimates

Fig. 48: SEC – capex forecasts by division

(KRWtn)	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F	2019 % growth	2020 % growth	2021 % growth	2022 % growth	2023 % growth	2024 % growth	2025 % growth	2026F % growth	2027F % growth	2028F % growth
Semi	22.7	31.9	45.2	51.1	52.3	42.0	47.5	79.8	93.0	142.1	-1%	41%	42%	13%	2%	-20%	13%	68%	17%	53%
Memory	17.1	23.3	31.2	35.1	35.8	34.0	42.6	62.0	72.0	117.1	-15%	36%	34%	12%	2%	-5%	25%	46%	16%	63%
DRAM	9.1	11.0	16.0	21.4	20.3	24.2	31.1	50.3	54.1	84.3	-29%	20%	46%	33%	-5%	19%	29%	62%	8%	56%
NAND	8.0	12.3	15.2	13.7	15.5	9.8	11.5	11.7	17.9	32.8	9%	55%	23%	-10%	13%	-37%	17%	2%	53%	83%
S-LSI	5.6	8.6	14.0	16.0	16.5	8.0	4.9	17.8	21.0	25.0	100%	54%	63%	14%	3%	-52%	-38%	261%	18%	19%
OLED	2.2	4.5	2.6	2.5	2.4	4.8	2.8	2.0	2.0	2.0	-27%	105%	-42%	-4%	-4%	100%	-42%	-29%	0%	0%
Telecom/DM	1.0	1.0	1.0	1.0	1.1	1.2	1.0	1.0	1.0	1.0	0%	0%	0%	0%	10%	9%	-17%	0%	0%	0%
Others	1.0	1.0	0.0	1.6	1.8	3.0	1.4	2.0	3.0	3.0	-60%	0%	-100%	na	13%	67%	-53%	43%	50%	0%
Total	**26.9**	**38.4**	**48.8**	**56.2**	**57.6**	**51.0**	**52.7**	**84.8**	**99.0**	**148.1**	**-10%**	**43%**	**27%**	**15%**	**3%**	**-12%**	**3%**	**61%**	**17%**	**50%**

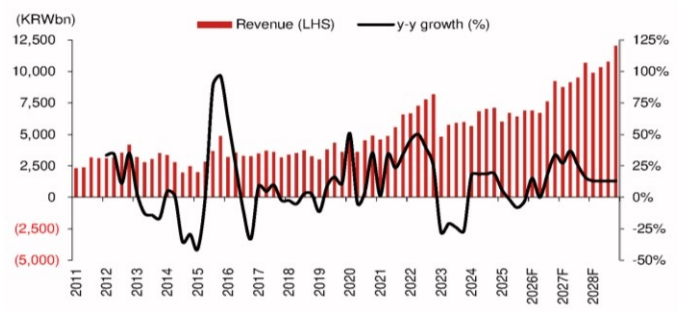
Source: Company data, Nomura estimates

Fig. 49: SEC – our key assumptions

	2023	2024	2025	1Q	2QF	3QF	4QF	2026F	1QF	2QF	3QF	4QF	2027F	2028F
DRAM ASP (8Gb eq., US$)	1.77	2.90	3.52	8.93	12.54	14.52	15.80	13.18	16.73	17.33	17.68	17.76	17.41	17.50
% q-q				89%	40%	16%	9%		6%	4%	2%	0%		
% y-y	-45%	64%	22%	214%	331%	331%	235%	274%	87%	38%	22%	12%	32%	1%
DRAM shipments (8Gb eq., units mn)	11,152	12,809	13,916	3,979	4,414	4,784	5,091	18,267	5,091	5,601	6,218	6,640	23,550	29,992
% q-q				2%	11%	8%	6%		0%	10%	11%	7%		
% y-y	9%	15%	9%	33%	35%	27%	31%	31%	28%	27%	30%	30%	29%	27%
DRAM revenue (KRW bn)	25,845	50,637	69,666	52,057	83,039	101,419	115,048	352,491	120,933	136,856	153,861	163,910	576,115	721,689
% q-q				96%	60%	22%	13%		5%	13%	12%	7%		
% y-y	-39%	96%	38%	321%	521%	477%	333%	406%	132%	65%	52%	42%	63%	25%
NAND ASP (8GB eq., USD)	0.41	0.65	0.61	1.37	2.28	2.62	2.88	2.31	3.03	3.03	3.03	3.03	3.03	2.87
% q-q				88%	66%	15%	10%		5%	0%	0%	0%		
% y-y	-42%	60%	-6%	138%	311%	349%	295%	277%	120%	33%	16%	5%	31%	-5%
NAND shipments (8GB eq., units mn)	34,063	37,826	39,498	11,048	11,059	11,943	12,541	46,590	11,914	12,986	14,284	15,713	54,896	68,783
% q-q				8%	0%	8%	5%		-5%	9%	10%	10%		
% y-y	17%	11%	4%	39%	9%	6%	23%	18%	8%	17%	20%	25%	18%	25%
NAND flash sales (KRW bn)	18,196	33,624	34,405	22,225	37,808	45,706	51,705	157,851	51,215	55,432	60,542	66,121	233,502	271,652
% q-q				105%	70%	21%	13%		-1%	8%	9%	9%		
% y-y	-31%	85%	2%	233%	380%	403%	378%	359%	130%	47%	32%	28%	48%	16%
Smartphone shipments (units mn)	224	228	231	58	53	56	50	217	59	54	56	52	221	221
% q-q				8%	-10%	7%	-10%		18%	-8%	3%	-8%		
% y-y	-13%	2%	1%	-5%	-3%	-8%	-7%	-6%	2%	3%	0%	2%	2%	0%
Smartphone ASP (USD)	275	282	288	341	306	344	295	323	396	340	394	362	374	398
% q-q				34%	-10%	12%	-14%		34%	-14%	16%	-8%		
% y-y	1%	3%	2%	9%	13%	13%	15%	12%	16%	11%	15%	23%	16%	7%
IT&Mobile Com. OPM	12%	9%	10%	7%	-2%	-3%	-2%	0%	2%	1%	0%	1%	1%	5%
% q-q				0.9%	-9.5%	-0.6%	1.1%		4.2%	-1.5%	-0.8%	1.1%		
% y-y	2.3%	-2.6%	0.8%	-4.3%	-12.7%	-13.0%	-8.2%	-9.5%	-4.9%	3.1%	2.9%	2.9%	0.9%	3.3%
IT&Mobile Com. revenue (W bn)	110,874	119,988	129,494	37,890	33,210	37,597	31,037	139,735	42,696	34,987	40,547	35,842	154,072	159,192
% q-q				29%	-12%	13%	-17%		38%	-18%	16%	-12%		
% y-y	-8%	8%	8%	3%	14%	10%	6%	8%	13%	5%	8%	15%	10%	3%
OLED unit (000'/month)	369,520	343,834	330,249	25,632	26,097	30,281	31,237	339,741	24,365	25,855	32,131	29,321	335,013	332,260
% q-q				-24%	2%	16%	3%		-22%	6%	24%	-9%		
% y-y	-13%	-7%	-4%	7%	13%	4%	-8%	3%	-5%	-1%	6%	-6%	-1%	-1%
OLED flexible mix (%)	59%	57%	61%	54%	57%	59%	62%	58%	55%	58%	63%	63%	60%	0%
OLED revenue (W bn)	29,553	27,531	27,979	6,021	6,645	7,665	7,809	28,178	5,475	6,081	7,907	7,034	26,522	25,379
% q-q				-33%	10%	15%	2%		-30%	11%	30%	-11%		
% y-y	-10%	-7%	2%	10%	12%	2%	-14%	1%	-9%	-8%	3%	-10%	-6%	-4%
OLED total OPM	22%	15%	16%	7%	11%	16%	15%	13%	10%	12%	18%	15%	14%	14%
OLED total OP (W bn)	6,604	4,076	4,430	445	720	1,235	1,169	3,569	562	701	1,410	1,054	3,727	3,658
% q-q				-77%	62%	71%	-5%		-52%	25%	101%	-25%		
% y-y	-9%	-38%	9%	-29%	15%	3%	-41%	-19%	26%	-3%	14%	-10%	4%	-2%
OP (KRW bn)	6,567	32,726	43,601	57,233	89,492	114,454	130,532	391,308	133,351	148,328	165,998	187,336	635,013	774,386
% q-q				185%	56%	28%	14%		2%	11%	12%	13%		
% y-y	-85%	398%	33%	756%	1814%	841%	550%	797%	133%	66%	45%	44%	62%	22%
EPS (KRW, annualized)	2,131	4,977	6,676	7,237	11,131	15,189	17,335	51,012	17,846	20,839	22,424	25,322	86,954	107,396
% q-q				149%	54%	36%	14%		3%	17%	8%	13%		
% y-y	-74%	134%	34%	504%	1408%	739%	496%	664%	147%	87%	48%	46%	70%	24%
BPS (KRW)	52,002	57,981	63,997	72,827	87,574	103,614	112,350	112,350	127,570	140,938	160,074	173,645	173,645	227,033
% q-q				14%	20%	18%	8%		14%	10%	14%	8%		
% y-y	2%	11%	10%	23%	51%	71%	76%	76%	75%	61%	54%	55%	55%	31%
ROE	4.1%	9.0%	10.8%	41.9%	55.1%	63.6%	64.2%	57.1%	59.4%	61.8%	59.5%	60.6%	60.3%	53.0%
KRW/USD	1,310	1,364	1,420	1,465	1,500	1,460	1,430	1,464	1,420	1,410	1,400	1,390	1,405	1,375
% q-q				1%	2%	-3%	-2%		-1%	-1%	-1%	-1%		
% y-y	1%	4%	4%	1%	7%	5%	-1%	3%	-3%	-6%	-4%	-3%	-4%	-2%

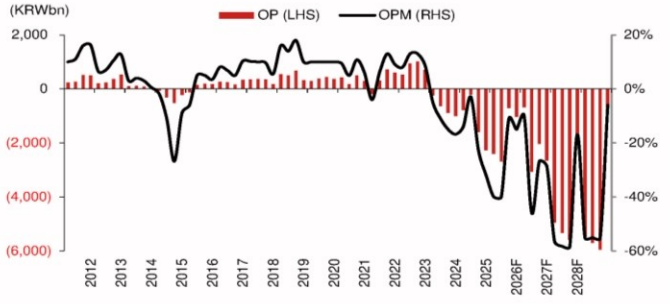
Source: Company data, Nomura estimates

Fig. 50: SEC – non-memory sales trend



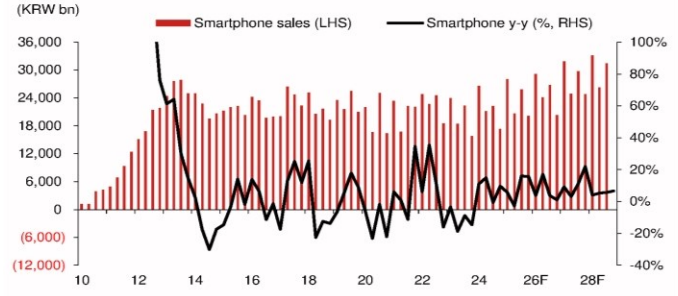
Source: Company data, Nomura estimates

Fig. 51: SEC – non-memory OP and OPM trends



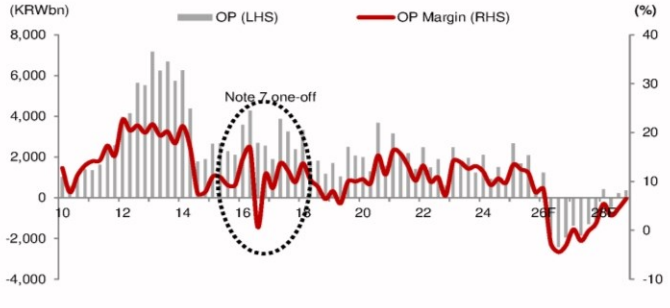
Source: Company data, Nomura estimates

Fig. 52: SEC – smartphone sales and y-y growth trends



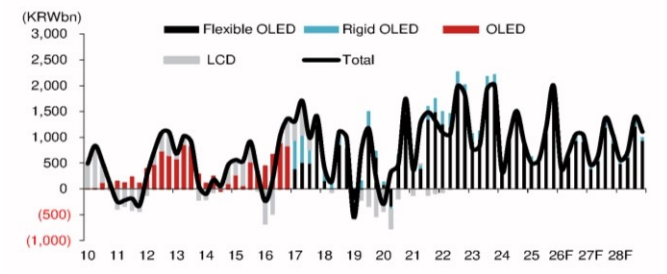
Source: Company data, Nomura estimates

Fig. 53: SEC – handset OP and OPM trends



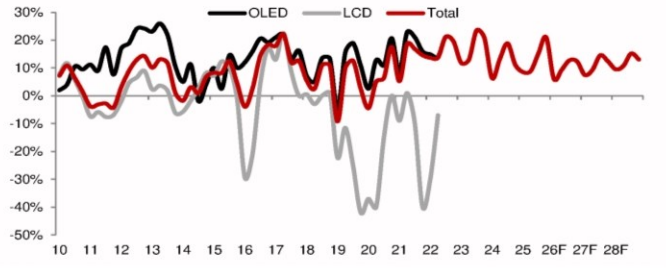
Source: Company data, Nomura estimates

Fig. 54: SEC – quarterly LCD/OLED OP trends



Source: Company data, Nomura estimates

Fig. 55: SEC – OPM for LCD, OLED and total display



Source: Company data, Nomura estimates

Fig. 56: SEC – SOTP valuation implied by current market cap

		2026F			
SOTP valuation by business (2025F)		OP after tax (OPAT) (KRWtn)	OP Margin (OPM) (%)	adj. OPAT multiple applied (x)	New Fair value (FV) (KRWtn)
Memory		326	77%	3.5	1,141
DRAM		231	80%	3.5	810
NAND		95	72%	3.5	331
Sys-LSI		-7	-28%	-	40
IT& Mobile (IM)		0	0%	15.0	0
Display (85% of S.Display)		2	10%	9.0	21
CE & Others		0	0%	8.0	-2
(1) Business sum		**321**	**22%**	**3.7**	**1,200**
(2)+(3) Other assets					**353**
(2) Net cash					296
(3) Invested asset, 30% discount on market value					57
Harman (consolidated)					15
Other affiliates (30% discount)					60
Samsung SDI - 19.6% stake					8
SEMCO - 23.7% stake					25
Samsung Biologics - 31.2% stake					22
Samsung SDS - 22.6% stake					4
Cheil Worldwide - 25.2% stake					1
(1+2+3) Total FV (KRW tn)					**1,553**
Current Market cap (KRWtn)	Total				1,553
	common				1,406
	preferred				146
Outstanding share (mn shares)	Total				6,403
	common				5,614
	preferred				789
Current share price (KRW)	Weighted average				240,000
	common				250,500
	preferred				185,500
SOTP-implied share price (KRW)					**240,000**

Note: Current share price as of 2 September 2026.
Source: Company data, Nomura estimates

Fig. 57: SEC – FCF/EV and FCF/MC analysis

(KRWtn)	2018	2019	2020	2021	2022	2023	2024	2025P	2026F	2027F	2028F
Operating cash flow	**67.0**	**45.4**	**65.3**	**65.1**	**62.2**	**44.1**	**73.0**	**85.3**	**322.6**	**559.6**	**720.3**
NP	44.3	21.7	26.4	39.9	54.7	14.5	33.6	44.3	316.5	545.0	678.1
Dep	25.2	26.6	27.1	31.3	36.0	35.5	39.6	43.6	48.8	58.3	71.7
working capital change	-10.3	-6.7	11.7	-6.1	-28.5	-5.9	-0.3	-2.6	-42.8	-43.7	-29.4
Investment Cash Flow	**-30.3**	**-27.6**	**-39.5**	**-47.2**	**-52.2**	**-59.6**	**-52.8**	**-53.5**	**-77.8**	**-108.8**	**-146.0**
Capex	-29.6	-25.4	-37.6	-47.1	-49.4	-57.6	-51.4	-47.5	-74.2	-105.0	-142.0
intangible asset	-1.0	-3.2	-2.7	-2.7	-3.7	-2.9	-2.3	-4.6	-4.4	-4.7	-4.9
Net M&A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.2	0.0	0.0	0.0
Others	0.3	1.0	0.8	2.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Free Cash Flow	**36.8**	**17.8**	**25.8**	**17.9**	**10.0**	**-15.5**	**20.1**	**31.9**	**244.8**	**450.8**	**574.3**
Share holder return (cash flow basis)	**18.4**	**8.9**	**12.9**	**9.0**	**5.0**	**-7.7**	**10.1**	**15.9**	**122.4**	**225.4**	**287.2**
% of FCF	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
sharebuy back	0.9	0.0	0.0	0.0	0.0	0.0	1.8	8.2	13.2	54.6	128.3
cash dividend	10.2	9.6	9.7	20.5	9.8	9.9	10.9	9.9	10.9	95.1	230.8
Net Cash (including marketing securities)	**81.7**	**84.7**	**101.6**	**102.4**	**104.5**	**79.1**	**93.3**	**101.4**	**296.4**	**599.6**	**808.9**
weighted Avg. Share price (KRW)	**37,858**	**54,540**	**80,104**	**77,440**	**54,719**	**76,537**	**52,110**	**116,185**	**242,492**	**242,491**	**242,622**
common	38,700	55,800	81,000	78,300	55,300	78,500	53,200	119,900	250,500	250,500	250,500
prefered	31,750	45,400	73,600	71,200	50,500	62,300	44,200	89,200	185,500	185,500	185,500
outstanding shares (mn shares)	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,736**	**6,508**	**6,296**	**6,154**
common	5,970	5,970	5,970	5,970	5,970	5,970	5,970	5,920	5,706	5,519	5,406
prefered	823	823	823	823	823	823	823	816	802	777	748
Dividend-paying shares (outstanding shares ex T.S.; mn shares)	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,755**	**6,630**	**6,403**	**6,282**	**6,122**
common	5,970	5,970	5,970	5,970	5,970	5,970	5,937	5,828	5,614	5,508	5,380
prefered	823	823	823	823	823	823	818	802	789	774	742
Market cap	**257**	**370**	**544**	**526**	**372**	**520**	**354**	**783**	**1,578**	**1,527**	**1,493**
Market cap ex T.S.	**257**	**370**	**544**	**526**	**372**	**520**	**352**	**770**	**1,553**	**1,523**	**1,485**
EV	**176**	**286**	**443**	**424**	**267**	**441**	**259**	**669**	**1,256**	**924**	**676**
Free cash / EV	**20.9%**	**6.2%**	**5.8%**	**4.2%**	**3.7%**	**-3.5%**	**7.8%**	**4.8%**	**19.5%**	**48.8%**	**84.9%**
Free cash / MC	**14.3%**	**4.8%**	**4.7%**	**3.4%**	**2.7%**	**-3.0%**	**5.7%**	**4.1%**	**15.5%**	**29.5%**	**38.5%**
Free cash / MC ex T.S.	**14.3%**	**4.8%**	**4.7%**	**3.4%**	**2.7%**	**-3.0%**	**5.7%**	**4.1%**	**15.8%**	**29.6%**	**38.7%**

Note: 2018-2025 share price as of year-end and 2026-28F share price as of 2 September 2026.
Source: Company data, Nomura estimates

Fig. 58: SEC – dividend yield and shareholder returns yield

	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
FCF (KRWbn)	**36,755**	**17,765**	**25,815**	**17,983**	**9,955**	**(15,497)**	**20,141**	**31,862**	**244,809**	**450,848**	**574,342**
Annual shareholder return budget (KRWbn; balance sheet basis)	**18,377**	**8,883**	**12,908**	**8,992**	**4,977**	**(7,748)**	**10,070**	**15,931**	**122,405**	**225,424**	**287,171**
Annual shareholder return budget per share (KRW)	**2,705**	**1,308**	**1,900**	**1,324**	**733**	**(1,141)**	**1,491**	**2,403**	**19,118**	**35,883**	**46,909**
* (30% x preceding FCF for 2015; the rest 50% x preceding year FCF; KRWbn)											
Annual cash dividends (KRWbn; balance sheet basis)	**7,079**	**9,619**	**20,338**	**9,820**	**9,819**	**9,820**	**9,806**	**11,113**	**67,804**	**97,143**	**229,168**
Common shares	6,226	8,453	17,874	8,629	8,629	8,629	8,618	9,768	59,450	85,170	201,233
Preferred shares	853	1,166	2,465	1,190	1,189	1,190	1,189	1,345	8,354	11,973	27,935
Annually remaining shareholder return budget (KRWbn)	**11,299**	**(737)**	**(7,430)**	**(828)**	**(4,841)**	**(17,568)**	**264**	**4,818**	**54,600**	**128,281**	**58,003**
*(Annual shareholder return budget - annual cash dividends)											
Accumulated Annual shareholder return budget (KRWbn)		**10,562**	**3,132**	**2,304**	**(2,538)**	**(20,106)**	**(19,842)**	**(15,024)**	**39,577**	**167,857**	**225,860**
DPS (KRW; balance sheet basis)											
Common shares	1,416	1,416	2,994	1,446	1,446	1,446	1,446	1,669	10,584	15,421	37,103
Preferred shares	1,417	1,417	2,995	1,447	1,446	1,447	1,447	1,669	10,585	15,422	37,104
DPS (KRW; cash flow basis)											
Common shares	1,492	1,416	1,416	1,438	1,446	2,530	1,446	1,446	1,669	14,921	37,103
Preferred shares	1,493	1,417	1,417	3,017	1,447	2,530	1,447	1,447	1,669	14,922	37,104
weighted Avg. Share price (KRW)	**37,858**	**54,540**	**80,104**	**77,440**	**54,719**	**76,537**	**52,110**	**116,185**	**242,492**	**242,491**	**242,622**
Common shares	38,700	55,800	81,000	78,300	55,300	78,500	53,200	119,900	250,500	250,500	250,500
Preferred shares	31,750	45,400	73,600	71,200	50,500	62,300	44,200	89,200	185,500	185,500	185,500
outstanding shares ex Treasury shares (mn shares)	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,793**	**6,755**	**6,630**	**6,403**	**6,282**	**6,122**
Common shares	5,970	5,970	5,970	5,970	5,970	5,970	5,937	5,828	5,614	5,508	5,380
Preferred shares	823	823	823	823	823	823	818	802	789	774	742
Dividend yield (DPS / share price)											
Common shares	3.7%	2.5%	3.7%	1.8%	2.6%	1.8%	2.7%	1.4%	4.2%	6.2%	14.8%
Preferred shares	4.5%	3.1%	4.1%	2.0%	2.9%	2.3%	3.3%	1.9%	5.7%	8.3%	20.0%
Shareholder return yield (total shareholder return / market cap)											
Common shares	7.0%	2.3%	2.3%	1.7%	1.3%	-1.5%	2.8%	2.0%	7.6%	14.3%	18.7%
Preferred shares	8.5%	2.9%	2.6%	1.9%	1.5%	-1.8%	3.4%	2.7%	10.3%	19.3%	25.3%
Cash dividend payout ratio	21.6%	44.2%	36.4%	24.1%	17.5%	66.3%	28.6%	21.7%	3.0%	1.8%	1.4%
Share holder return payout ratio	41.4%	40.9%	48.9%	22.5%	9.1%	-53.5%	30.0%	36.0%	38.7%	41.4%	42.3%

Note: 2018-2025 share price as of year-end and 2026-28F share price as of 2 September 2026.
Source: Company data, Nomura estimates

SK Hynix 000660.KS 000660 KS

EQUITY: MEMORY

Memory price increase to sustain 2027F growth

Near-term FX burden to be offset by ASP increase; strong shareholder return to be a re-rating catalyst

Maintain Buy and TP of KRW4,700,000; solid memory market and sustainable shareholder return should re-rate the stock

We reiterate our Buy rating and TP of KRW4,700,000 for SK Hynix. Our TP is derived by applying a target P/B of 5.6x (down from 6.0x previously, reflecting a gradual soft-landing of ROE due to deleveraging and a higher risk-free rate) to 12MF BVPS of KRW836,330. Our TP implies a target P/E of 8.1x (vs a current 12MF P/E of 2.8x). Despite market concerns about the memory market, we maintain a positive outlook for the sector. Continued shareholder return should support a gradual re-rating of currently undervalued memory stocks, in our view.

3Q26F OP to be KRW77tn; negative impact from KRW strength

We expect Hynix's 3Q26F OP to come in at KRW77tn, slightly below our prior estimate of KRW86tn due to the impact of KRW strength. Hynix's revenue is 100% USD-based, while the KRW-based portion of its costs (~20% of revenue) accounts for nearly all of the costs. As a result, 10% KRW appreciation over the near term would reduce KRW-denominated revenue by 10% while leaving costs roughly unchanged, cutting OP by ~12%. Assuming 3Q26F USD/KRW rate of 1,380 would represent 8.1% appreciation versus the 2Q average of 1,502. We have been incorporating a KRW-appreciation scenario from May, but appreciation is now outpacing, with KRW now 12% stronger vs its 2026 YTD peak.

2027F/28F OP to grow 73%/28% y-y; ASP increase to offset unfavorable FX impact

In 2027, we also expect downside to profit from the USD/KRW adjustment, but with upside to memory prices that we previously assumed conservatively, earnings revisions vs. our prior forecasts are minimal. We raise Hynix's 2027F commodity DRAM ASP by 8% (+28% y-y growth) vs. our prior estimate, and revise down our 2027F HBM price increase forecast to +79% y-y. We expect HBM profitability in 2027F to be still lower than that of commodity DRAM by more than 15pp. Reflecting this, we expect Hynix's 2027F/28F OP to rise +73%/+28% y-y to KRW473tn/KRW608tn.

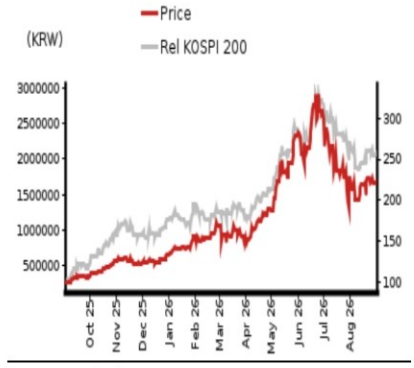
(continued in page 4)

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (KRW)	Actual	Old	New	Old	New	Old	New
Revenue (bn)	97,147	375,077	352,717	594,750	587,081	732,850	758,863
Reported net profit (bn)	42,948	281,050	244,743	375,315	379,801	456,976	487,334
Normalised net profit (bn)	42,948	281,050	244,743	375,315	379,801	456,976	487,334
FD normalised EPS	58,710	394,344	335,356	526,608	520,418	711,902	736,808
FD norm. EPS growth (%)	116.9	571.7	471.2	33.5	55.2	35.2	41.6
FD normalised P/E (x)	27.5	–	4.8	–	3.1	–	2.2
EV/EBITDA (x)	16.2	–	3.3	–	1.6	–	0.9
Price/book (x)	9.2	–	2.8	–	1.7	–	0.8
Dividend yield (%)	0.2	–	0.6	–	1.5	–	0.1
ROE (%)	44.1	108.5	92.9	74.0	72.8	59.7	60.8
Net debt/equity (%)	6.1	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

Rating Remains	**Buy**
Target price Remains	**KRW 4,700,000**
Closing price 2 September 2026	**KRW 1,613,000**
Implied upside	**+191.4%**
Market Cap (USD mn)	861,003.7
ADT (USD mn)	5,424.1

Relative performance chart



Source: LSEG, Nomura

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Key data on SK Hynix

Performance

(%)	1M	3M	12M		
Absolute (KRW)	-6.1	-31.7	519.2	M cap (USDmn)	861,003.7
Absolute (USD)	-1.1	-24.2	529.0	Free float (%)	64.0
Rel to KOSPI 200	-8.8	-8.1	368.0	3-mth ADT (USDmn)	5,424.1

Income statement (KRWbn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	66,193	97,147	352,717	587,081	758,863
Cost of goods sold	-34,365	-38,456	-57,692	-88,901	-122,006
Gross profit	31,828	58,691	295,024	498,180	636,856
SG&A	-8,361	-11,484	-21,018	-24,850	-29,159
Employee share expense	0	0	0	0	0
Operating profit	23,467	47,206	274,007	473,330	607,697
EBITDA	35,827	61,200	290,733	497,223	642,056
Depreciation	-12,360	-13,993	-16,727	-23,893	-34,359
Amortisation					
EBIT	23,467	47,206	274,007	473,330	607,697
Net interest expense	-1,000	-429	432	1,140	1,140
Associates & JCEs	-38	11,968	32,869	160	160
Other income	1,457	-8,279	5,111	121	170
Earnings before tax	23,885	50,466	312,418	474,751	609,167
Income tax	-4,088	-7,518	-67,675	-94,950	-121,833
Net profit after tax	19,797	42,948	244,743	379,801	487,334
Minority interests	0				
Other items	0				
Preferred dividends	0				
Normalised NPAT	19,797	42,948	244,743	379,801	487,334
Extraordinary items					
Reported NPAT	19,797	42,948	244,743	379,801	487,334
Dividends	-1,522	-2,066	-7,384	-15,864	-992
Transfer to reserves	18,275	40,882	237,359	363,937	486,342
Valuations and ratios					
Reported P/E (x)	56.1	25.9	4.5	3.0	2.2
Normalised P/E (x)	56.1	25.9	4.5	3.0	2.2
FD normalised P/E (x)	59.6	27.5	4.8	3.1	2.2
Dividend yield (%)	0.1	0.2	0.6	1.5	0.1
Price/cashflow (x)	39.6	22.1	6.0	3.1	2.1
Price/book (x)	15.0	9.2	2.8	1.7	0.8
EV/EBITDA (x)	33.2	16.2	3.3	1.6	0.9
EV/EBIT (x)	50.8	20.0	3.4	1.7	1.0
Gross margin (%)	48.1	60.4	83.6	84.9	83.9
EBITDA margin (%)	54.1	63.0	82.4	84.7	84.6
EBIT margin (%)	35.5	48.6	77.7	80.6	80.1
Net margin (%)	29.9	44.2	69.4	64.7	64.2
Effective tax rate (%)	17.1	14.9	21.7	20.0	20.0
Dividend payout (%)	7.7	4.8	3.0	4.2	0.2
ROE (%)	31.1	44.1	92.9	72.8	60.8
ROA (pretax %)	23.3	43.9	111.5	107.9	110.7
Growth (%)					
Revenue	102.0	46.8	263.1	66.4	29.3
EBITDA	525.9	70.8	375.1	71.0	29.1
Normalised EPS		116.8	469.9	51.4	36.9
Normalised FDEPS		116.9	471.2	55.2	41.6

Source: Company data, Nomura estimates

Cashflow statement (KRWbn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	35,827	61,200	290,733	497,223	642,056
Change in working capital	1,987	3,111	-22,199	46,660	-24,576
Other operating cashflow	-8,019	-10,937	-72,527	-165,598	-118,199
Cashflow from operations	29,796	53,373	196,006	378,285	499,281
Capital expenditure	-15,946	-27,519	-48,329	-61,000	-96,000
Free cashflow	13,850	25,854	147,678	317,285	403,281
Reduction in investments	-1,695	-28,765	-117,541	-5,169	-5,432
Net acquisitions					
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	-2,665	433	15,009	1,565	1,694
Adjustments	2,301	7,796	45,836	-1,565	-1,694
CF after investing acts	11,791	5,319	90,982	312,116	397,849
Cash dividends	-826	-1,681	-2,125	-7,334	-15,864
Equity issue	115	4,467	42,922	0	0
Debt issue	-7,376	768	-11,818	-8,000	-6,000
Convertible debt issue	0	0	0	0	0
Others	-86	-5,153	683	-66,455	-142,778
CF from financial acts	-8,173	-1,600	29,662	-81,789	-164,642
Net cashflow	3,618	3,719	120,645	230,327	233,207
Beginning cash	7,587	11,205	14,924	135,568	365,895
Ending cash	11,205	14,924	135,568	365,895	599,102
Ending net debt	11,479	7,324	-120,951	-357,749	-596,300

Balance sheet (KRWbn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	11,205	14,924	135,568	365,895	599,102
Marketable securities	2,951	20,018	61,122	61,122	61,122
Accounts receivable	13,019	18,199	67,928	92,517	116,789
Inventories	13,314	14,289	17,941	21,807	22,023
Other current assets	1,790	2,027	26,443	54,488	84,808
Total current assets	42,279	69,458	309,003	595,830	883,844
LT investments	13,400	25,097	101,535	106,703	112,135
Fixed assets	60,157	77,503	109,815	146,922	208,563
Goodwill	4,019	4,049	4,369	4,547	4,731
Other intangible assets					
Other LT assets	0	0	0	0	0
Total assets	119,855	176,108	524,722	854,002	1,209,274
Short-term debt	5,252	8,162	1,890	691	618
Accounts payable	2,277	2,848	4,701	8,007	10,343
Other current liabilities	17,436	26,369	80,114	179,967	207,862
Total current liabilities	24,965	37,379	86,705	188,665	218,823
Long-term debt	17,432	14,086	12,728	7,456	2,184
Convertible debt	0	0	0	0	0
Other LT liabilities	3,543	3,976	18,985	20,550	22,244
Total liabilities	45,940	55,441	118,418	216,671	243,251
Minority interest	0	0			
Preferred stock	0	0			
Common stock	3,658	3,658	3,649	3,649	3,649
Retained earnings	65,418	106,577	345,889	643,371	1,114,841
Proposed dividends	0	0			
Other equity and reserves	4,840	10,433	56,766	-9,689	-152,467
Total shareholders' equity	73,916	120,667	406,304	637,331	966,023
Total equity & liabilities	119,855	176,108	524,722	854,002	1,209,274
Liquidity (x)					
Current ratio	1.69	1.86	3.56	3.16	4.04
Interest cover	23.5	109.9	–	–	–
Leverage					
Net debt/EBITDA (x)	0.32	0.12	net cash	net cash	net cash
Net debt/equity (%)	15.5	6.1	net cash	net cash	net cash
Per share					
Reported EPS (KRW)	28,769	62,368	355,412	538,178	736,808
Norm EPS (KRW)	28,769	62,368	355,412	538,178	736,808
FD norm EPS (KRW)	27,062	58,710	335,356	520,418	736,808
BVPS (KRW)	107,339	175,230	575,734	963,592	2,101,877
DPS (KRW)	2,210	3,000	10,463	23,985	2,159
Activity (days)					
Days receivable	54.1	58.6	44.6	49.9	50.5
Days inventory	142.3	131.0	102.0	81.6	65.7
Days payable	21.9	24.3	23.9	26.1	27.5
Cash cycle	174.5	165.3	122.6	105.4	88.7

Source: Company data, Nomura estimates

Company profile

SK Hynix Inc. provides products and services for the electronic components industries. The Company manufactures semiconductors such as dynamic random access memory (DRAM) and NAND flash memory.

Valuation Methodology

Our 12-month target price of KRW4,700,000 is derived by applying a target P/B of 5.6x (down from 6.0x) to 12MF BVPS of KRW836,330. We lower target multiple based on our ROE soft-landing outlook due to deleveraging and higher risk-free rate. Benchmark for the stock is KOSPI 200.

Risks that may impede the achievement of the target price

Downside risk includes potential US tariffs on semiconductor products, delay in data center construction due to power supply shortage, and slowdown in AI capex under a higher interest rate environment.

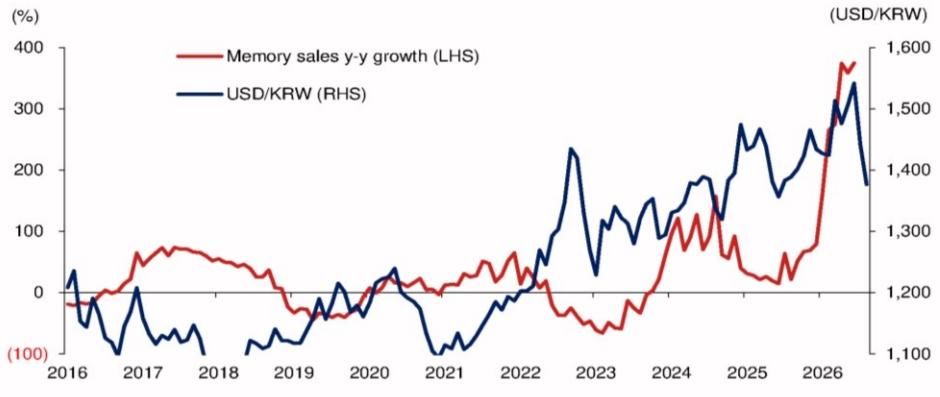
ESG

We believe Hynix is heavily focused on following ESG policies. Recently Hynix issued green bonds worth USD 1 billion (KRW 1.1 trillion) and social bonds worth KRW 440 billion to ESG. Green bonds are used for eco-friendly projects such as water quality management, energy efficiency, pollution prevention, and ecological environment restoration and social infrastructure. Social bonds are invested in projects to solve social problems, such as creating jobs, supporting the vulnerable, and building social infrastructure. Both bonds are used exclusively for ESG purposes. Furthermore, Hynix announced the mid- to long-term roadmap ‘SV 2030’ for maximizing social value creation and set goals in four areas: environment, shared growth, social safety net, and corporate culture. The company presented a direction to focus on ESG management and explained that Hynix would strengthen 'RE100' and 'Zero Net Emissions', which increase the use of renewable energy to 100% by 2050.

We expect 2026F/27F shareholder return of more than KRW74tn/KRW158tn

Hynix has already announced KRW40tn in share buybacks and has stated it will return more than half of its annual free cash flow to shareholders. Based on this, we forecast additional shareholder return of more than KRW34tn in 2026F. Furthermore, we expect shareholder returns in 2027F to exceed KRW158tn, implying 2026F/27F shareholder return yields of 4%/9% and FCF yields of 8%/19% against the current share price.

Fig. 59: Global memory sales growth vs USD/KRW over past 10 years



Source: WSTS, Quantiwise, Nomura research

Fig. 60: Hynix – revisions to our earnings forecasts

(K-IFRS consolidated)	2026F				2027F				2028F			
Unit: KRWbn, %	Old	New	Diff. %	% y-y	Old	New	Diff. %	% y-y	Old	New	Diff. %	% y-y
Sales	**375,077**	**352,717**	**-6.0%**	**263.1%**	**594,750**	**587,081**	**-1.3%**	**66.4%**	**732,850**	**758,863**	**3.5%**	**29.3%**
Sales - DRAM	278,431	263,519	-5.4%	249.2%	433,915	443,078	2.1%	68.1%	546,715	584,859	7.0%	32.0%
Sales - NAND	95,618	87,768	-8.2%	339.7%	159,858	142,645	-10.8%	62.5%	185,207	172,713	-6.7%	21.1%
Sales - Other	1,028	1,430	39.1%	-16.7%	976	1,358	39.1%	-5.0%	927	1,290	39.1%	-5.0%
Operating Profit	**288,032**	**274,007**	**-4.9%**	**480.4%**	**467,816**	**473,330**	**1.2%**	**72.7%**	**569,800**	**607,697**	**6.7%**	**28.4%**
OP - DRAM	222,999	214,539	-3.8%	369.3%	350,160	368,881	5.3%	71.9%	437,050	481,483	10.2%	30.5%
OP - NAND	66,118	60,120	-9.1%	2785.7%	118,144	105,128	-11.0%	74.9%	132,890	126,408	-4.9%	20.2%
% OPM	**77%**	**78%**	**0.9%p**	**29.1%p**	**79%**	**81%**	**2.0%p**	**2.9%p**	**78%**	**80%**	**2.3%p**	**-0.5%p**
% OPM - DRAM	80%	81%	1.3%p	20.8%p	81%	83%	2.6%p	1.8%p	80%	82%	2.4%p	-0.9%p
% OPM - NAND	69%	68%	-0.6%p	58.1%p	74%	74%	-0.2%p	5.2%p	72%	73%	1.4%p	-0.5%p
Net Profit	**281,050**	**244,743**	**-12.9%**	**469.9%**	**375,315**	**379,801**	**1.2%**	**55.2%**	**456,976**	**487,334**	**6.6%**	**28.3%**
DRAM bit shipment (1Gb eq., mn)	14,062	13,957	-0.7%	25.2%	18,434	18,286	-0.8%	31.0%	23,863	23,815	-0.2%	30.2%
% y-y	26%	25%	-0.9%p		31%	31%	-0.1%p		29%	30%	0.8%p	
DRAM ASP (1Gb eq., USD)	13.48	13.19	-2.2%	177.3%	17.24	18.01	4.5%	36.6%	17.69	18.47	4.4%	2.5%
% y-y	183%	177%	-6.2%p		28%	37%	8.7%p		3%	2%	-0.1%p	
DRAM Cost (1Gb eq., USD)	2.68	2.45	-8.7%	30.7%	3.33	3.02	-9.4%	23.1%	3.55	3.26	-8.0%	8.2%
% y-y	43%	31%	-12.4%p		24%	23%	-0.9%p		7%	8%	1.6%p	
NAND bit shipment (8Gb eq., mn)	35,200	33,627	-4.5%	24.1%	48,846	44,506	-8.9%	32.4%	62,329	57,004	-8.5%	28.1%
% y-y	30%	24%	-5.8%p		39%	32%	-6.4%p		28%	28%	0.5%p	
NAND ASP (8Gb eq., USD cents)	184.95	182.29	-1.4%	252.1%	239.76	238.30	-0.6%	30.7%	229.46	227.81	-0.7%	-4.4%
% y-y	257%	252%	-5.1%p		30%	31%	1.1%p		-4%	-4%	-0.1%p	
NAND Cost (8Gb eq., USD cents)	57.06	57.42	0.6%	23.8%	62.56	62.67	0.2%	9.1%	64.82	61.08	-5.8%	-2.5%
% y-y	23%	24%	0.8%p		10%	9%	-0.5%p		4%	-3%	-6.1%p	
KRW:USD1	1,469	1,432	-2.5%	0.6%	1,365	1,345	-1.5%	-6.1%	1,295	1,330	2.7%	-1.1%

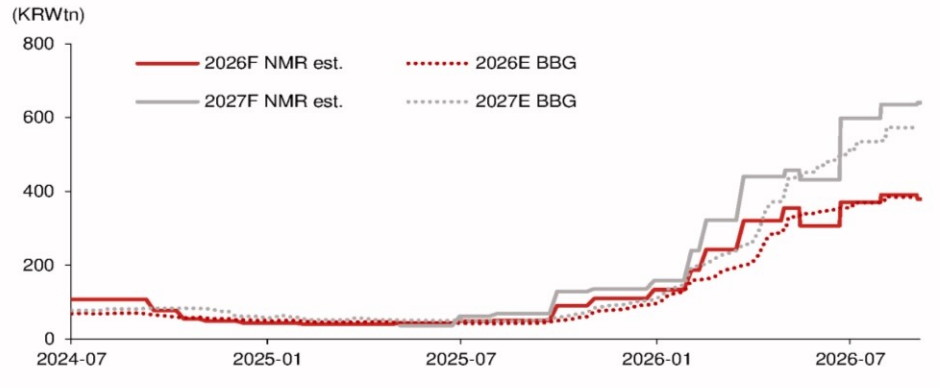
Sources: Nomura estimates

Fig. 61: Global peer valuation

		Ticker	Rating	Share price (local)	M.Cap (KRW tn)	1M (%)	YTD	P/E(x) 26E	P/E(x) 27E	P/B(x) 26E	P/B(x) 27E	EV/EBITDA(x) 26E	EV/EBITDA(x) 27E	ROE(%) 26E	ROE(%) 27E	EPS GR(%) 26E	EPS GR(%) 27E
Memory	Samsung Electronics	005930 KS	Buy	250,500	1,464.5	(4.6)	108.9	5.2	2.9	2.2	1.4	3.0	1.4	55.6	59.7	640.1	78.0
	SK Hynix	000660 KS	Buy	1,613,000	1,178.3	(6.1)	147.8	4.8	3.1	2.8	1.7	3.3	1.6	92.9	72.8	471.2	55.2
	Micron	MU US	Not rated	933.44	1,438.1	13.4	227.1	12.8	6.1	7.9	3.6	9.6	4.8	73.6	71.1	807.2	109.4
	Kioxia	285A JP	Buy	51,000	238.9	9.7	388.7	5.2	3.6	4.9	2.4	3.2	1.8	151.4	87.4	859.5	42.6
	CXMT	688825 CH	Buy	54	748.2	0.6	N/A	26.5	13.3	14.5	6.9	17.4	8.2	84.0	70.7	6,488.6	99.0
	Average							**10.9**	**5.8**	**6.5**	**3.2**	**7.3**	**3.6**	**91.5**	**72.3**	**1,853.3**	**76.8**
Storage	Western Digital	WDC US	Not rated	450.44	211.8	(17.3)	161.5	22.7	14.3	12.5	9.1	15.4	10.0	69.9	86.2	107.3	57.2
	Seagate	STX US	Not rated	816.64	252.5	(4.6)	196.5	22.9	14.7	22.0	10.8	18.1	11.5	144.2	120.0	147.3	57.9
	Average							**22.8**	**14.5**	**17.2**	**10.0**	**16.7**	**10.8**	**107.1**	**103.1**	**127.3**	**57.5**
Fabless	Nvidia	NVDA US	Not rated	217.44	7,148.3	8.3	16.6	23.3	14.1	16.7	9.5	19.0	11.8	95.3	78.9	98.2	65.2
	AMD	AMD US	Not rated	459.61	1,023.5	(3.5)	114.6	60.9	30.1	10.4	8.3	51.8	25.4	14.6	23.8	95.6	103.0
	Average							**42.1**	**22.1**	**13.5**	**8.9**	**35.4**	**18.6**	**55.0**	**51.3**	**96.9**	**84.1**
Foundry	TSMC	2330 TT	Buy	2,385	2,657.9	(1.6)	53.9	22.1	17.4	8.2	5.9	14.7	11.0	43.0	39.5	62.7	27.2
	Intel	INTC US	Not rated	88.97	641.4	(1.4)	141.1	58.6	43.1	4.1	3.7	22.9	18.9	5.2	8.7	385.9	42.1
	Average							**40.4**	**30.2**	**6.1**	**4.8**	**18.8**	**15.0**	**24.1**	**24.1**	**224.3**	**34.6**
Total Average								**24.1**	**14.8**	**9.6**	**5.8**	**16.2**	**9.7**	**75.4**	**65.3**	**924.0**	**67.0**

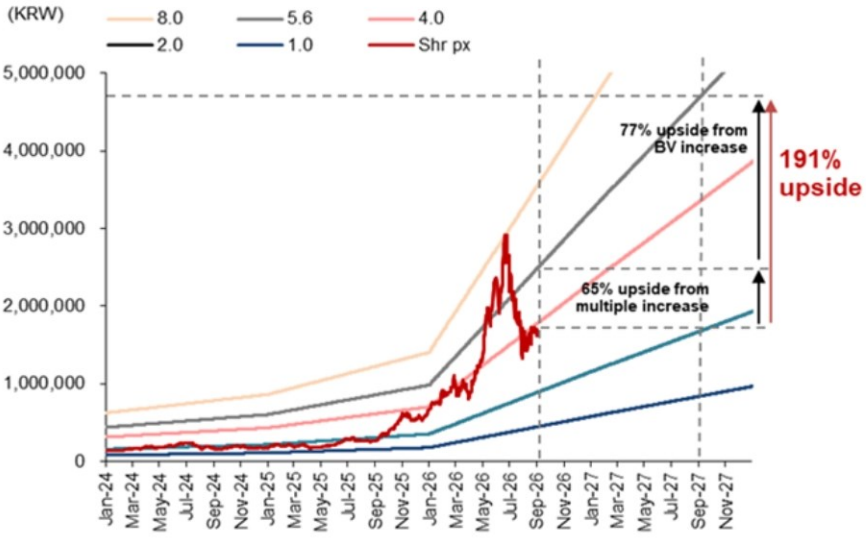
Note: Priced as of 2 September 2026; Bloomberg consensus for not rated stocks and Nomura estimates for covered stocks
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 62: Hynix – 2026F/2027F OP consensus vs Nomura estimates



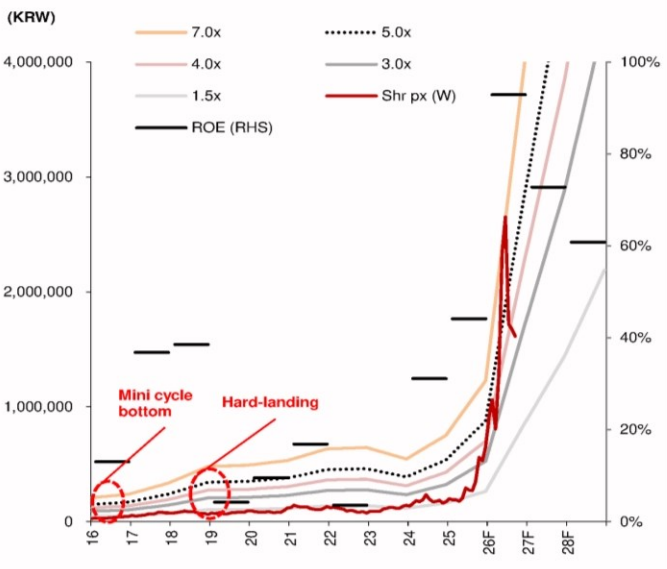
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 63: Hynix – trailing P/B band: upside from BV increase



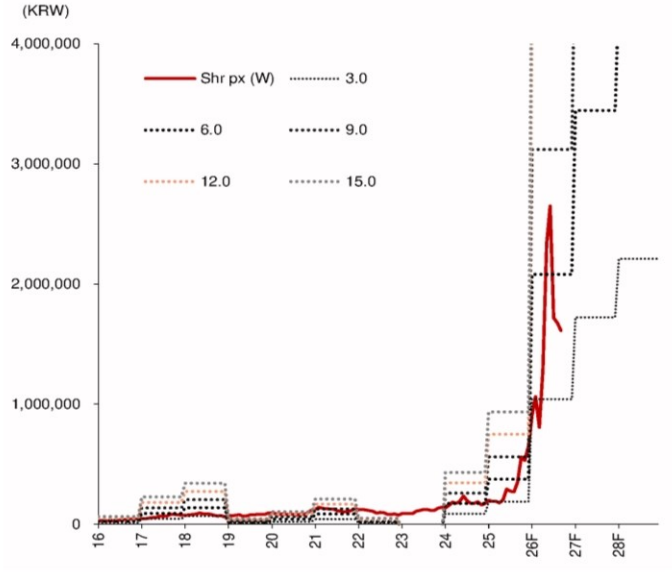
Source: Quantiwise, Nomura estimates

Fig. 64: Hynix – trailing P/B vs ROE



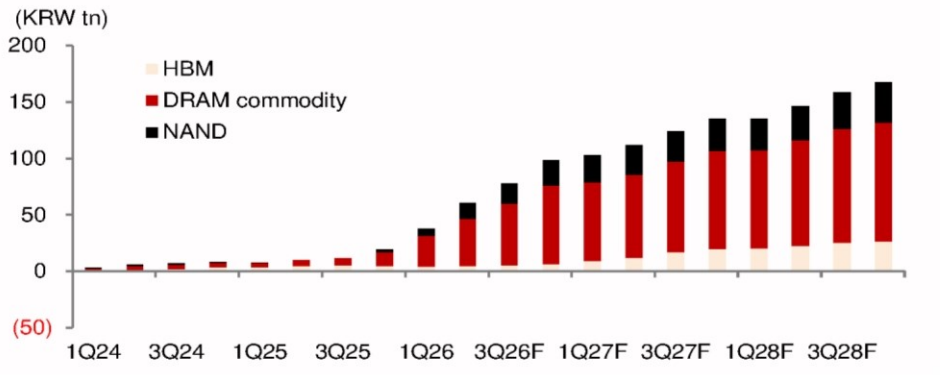
Sources: Bloomberg Finance L.P., Quantiwise, Nomura estimates

Fig. 65: Hynix – P/E vs share price



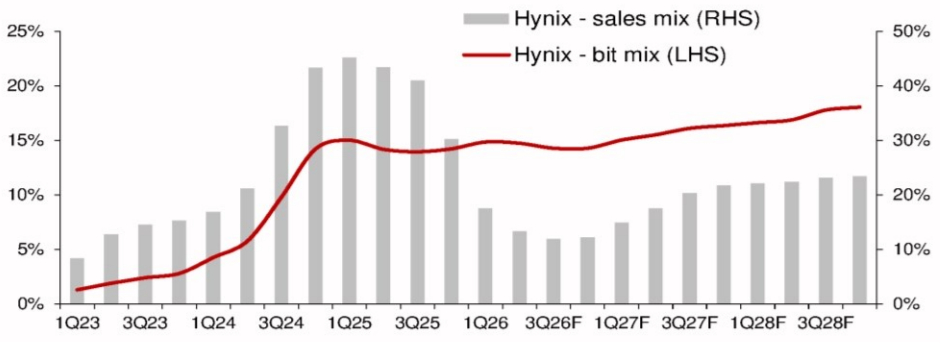
Source: Bloomberg Finance L.P., Quantiwise, Nomura estimates

Fig. 66: Hynix – OP trend by product



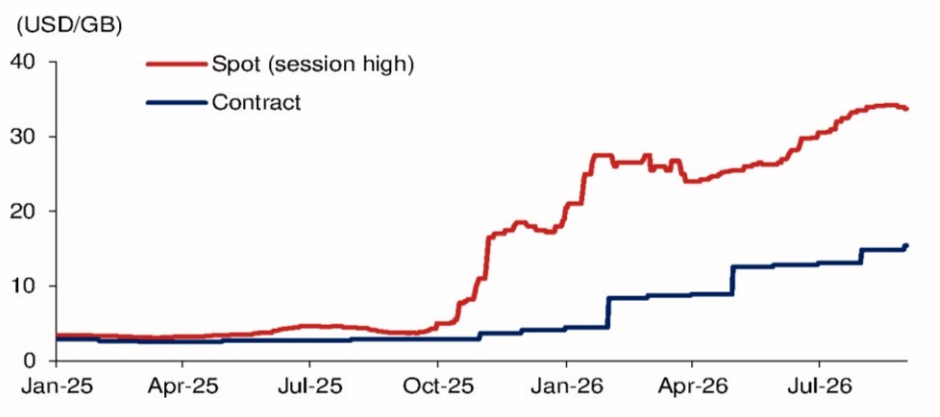
Source: Company data, Nomura estimates

Fig. 67: Hynix – HBM bit, sales mix in DRAM



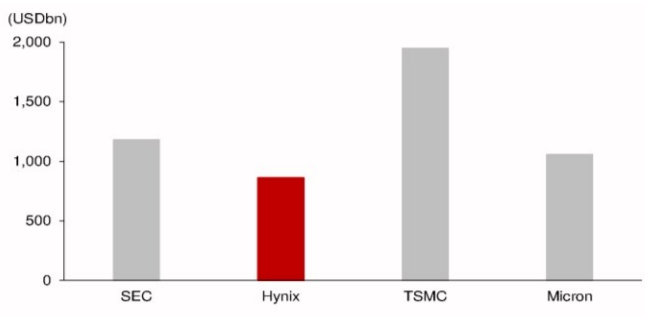
Source: Company data, Nomura estimates

Fig. 68: DDR5 16Gb spot price vs contract price



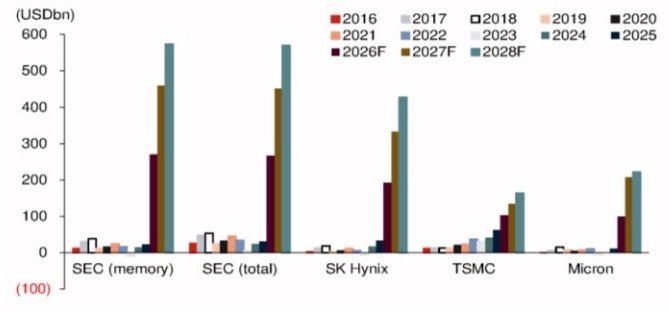
Note: Converted DDR5 16Gb (2Gx8) 4800/5600 spot price and DDR5 16GB U-DIMM contract price into USD/GB unit.
Source: DrameXchange, Nomura research

Fig. 69: Market cap comparison – Hynix vs peers



Note: Market cap as of 2 September 2026; SEC market cap includes both common and preferred shares.
Source: Bloomberg Finance L.P., Nomura research

Fig. 70: OP comparison – Hynix vs. peers



Note: Bloomberg consensus estimates for Micron.
Source: Company data, Bloomberg Finance L.P., Nomura estimates.

Fig. 71: Hynix – assumptions on DRAM (commodity, HBM), NAND ASP/cost/shipments

Total	2026F		2027F	
	Old	New	Old	New
OP (KRW tn)	**288**	**274**	**468**	**473**
y-y	510%	480%	62%	73%
DRAM	223	215	350	369
NAND	66	60	118	105
Others	-1	-1	0	-1
OPM	**77%**	**78%**	**79%**	**81%**
DRAM	80%	81%	80%	83%
Commodity	83%	85%	84%	86%
HBM	57%	59%	70%	69%
NAND	69%	68%	74%	74%
DRAM OP (KRW tn)	**223**	**215**	**350**	**369**
Commodity	204	196	285	311
HBM	19	21	66	58
DRAM OPM	**80%**	**81%**	**80%**	**83%**
Commodity	83%	85%	84%	86%
HBM	57%	59%	70%	69%
DRAM OP mix (%)				
Commodity	92	91	82	84
HBM	9	10	19	16
ASP y-y	**184%**	**180%**	**28%**	**35%**
Commodity	305%	298%	17%	28%
HBM	-7%	-6%	100%	79%
Cost y-y				
Commodity	57%	42%	16%	14%
HBM	18%	10%	36%	34%
Bit shipment y-y	**26%**	**25%**	**31%**	**31%**
Commodity	27%	25%	29%	29%
HBM	22%	27%	46%	43%
Bit mix (%)				
Commodity	86%	85%	85%	84%
HBM	14%	15%	15%	16%
NAND OP (KRW tn)	**66**	**60**	**118**	**105**
OPM	69%	68%	74%	74%
ASP y-y	257%	252%	30%	31%
Cost y-y	23%	24%	10%	9%
Bit shipment y-y	30%	24%	39%	32%
KRW/USD	1,469	1,432	1,365	1,345

Source: Company data, Nomura estimates

Fig. 72: DRAM/NAND ASP forecast revisions

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	2025	2026F	2027F	2028F
New forecasts																
DRAM blended ASP (USD/GB)	4.3	4.4	4.6	5.7	9.2	12.0	14.7	16.2	17.2	17.8	18.3	18.6	4.8	13.3	18.0	18.5
q-q (%)	*0%*	*2%*	*4%*	*24%*	*63%*	*30%*	*22%*	*11%*	*6%*	*3%*	*3%*	*2%*				
y-y (%)	*49%*	*32%*	*19%*	*33%*	*116%*	*175%*	*222%*	*186%*	*87%*	*48%*	*25%*	*15%*	*32%*	*180%*	*35%*	*2%*
Commodity ASP	2.8	2.9	3.1	4.6	8.9	12.2	15.1	16.6	17.3	17.3	17.4	17.5	3.4	13.5	17.4	17.3
q-q (%)	*-2%*	*4%*	*9%*	*47%*	*94%*	*36%*	*24%*	*10%*	*4%*	*0%*	*0%*	*0%*				
y-y (%)	*11%*	*4%*	*10%*	*63%*	*224%*	*324%*	*382%*	*261%*	*93%*	*42%*	*16%*	*5%*	*24%*	*298%*	*28%*	*-1%*
HBM ASP	12.9	13.4	13.4	12.0	10.8	10.8	12.2	13.8	17.0	20.1	23.1	24.7	12.9	12.1	21.6	24.2
q-q (%)	*-1%*	*4%*	*0%*	*-10%*	*-10%*	*0%*	*13%*	*13%*	*23%*	*18%*	*15%*	*7%*				
y-y (%)	*13%*	*10%*	*5%*	*-7%*	*-16%*	*-19%*	*-8%*	*15%*	*57%*	*85%*	*89%*	*79%*	*2%*	*-6%*	*79%*	*12%*
NAND ASP (US cents/GB)	6.1	5.5	6.1	8.0	13.9	21.5	25.8	28.4	29.8	29.8	29.8	29.8	6.5	22.8	29.8	28.5
q-q (%)	*-20%*	*-10%*	*11%*	*32%*	*73%*	*55%*	*20%*	*10%*	*5%*	*0%*	*0%*	*0%*				
y-y (%)	*3%*	*-20%*	*-22%*	*6%*	*129%*	*293%*	*324%*	*254%*	*115%*	*39%*	*16%*	*5%*	*-7%*	*252%*	*31%*	*-4%*
Old forecasts																
DRAM blended ASP (USD/GB)	4.3	4.4	4.6	5.7	9.3	12.3	15.1	16.1	16.3	17.0	17.6	18.0	4.8	13.5	17.3	17.7
q-q (%)	0%	2%	4%	24%	65%	32%	22%	6%	1%	5%	4%	2%				
Commodity ASP	2.8	2.9	3.1	4.6	9.1	12.6	15.6	16.4	16.1	16.2	16.1	15.8	3.4	13.8	16.1	15.6
q-q (%)	-2%	4%	9%	47%	97%	39%	24%	6%	-2%	1%	-1%	-1%				
HBM ASP	12.9	13.4	13.4	12.0	10.8	10.8	12.2	13.8	17.3	21.6	25.9	28.5	12.9	12.0	24.1	28.0
q-q (%)	-1%	4%	0%	-10%	-10%	0%	13%	13%	25%	25%	20%	10%				
NAND ASP (US cents/GB)	6.1	5.5	6.1	8.0	13.9	20.8	26.0	28.6	30.0	30.0	30.0	30.0	6.5	23.1	30.0	28.7
q-q (%)	-20%	-10%	11%	32%	73%	50%	25%	10%	5%	0%	0%	0%				

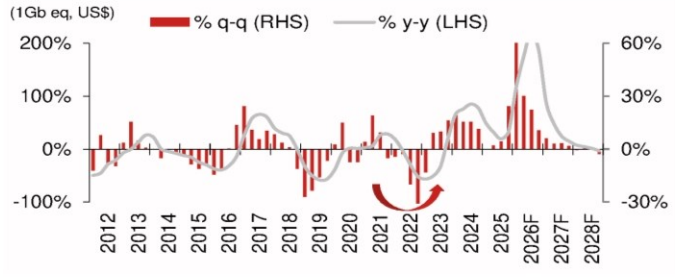
Source: Company data, Nomura estimates

Fig. 73: Hynix – quarterly earnings forecasts

K-IFRS, KRWbn	2025	2026F									2027F	2028F
	Total	1Q	2Q	3QF	4QF	Total	1QF	2QF	3QF	4QF	Total	Total
Sales	**97,147**	**52,576**	**79,319**	**98,295**	**122,526**	**352,717**	**128,009**	**138,977**	**153,217**	**166,878**	**587,081**	**758,863**
DRAM	75,470	40,691	57,980	73,138	91,710	263,519	94,621	103,216	117,091	128,149	443,078	584,859
Flash	19,961	11,467	21,007	24,728	30,566	87,768	32,990	35,445	35,718	38,492	142,645	172,713
Others	1,716	418	332	430	250	1,430	397	315	409	238	1,358	1,290
Cost of Goods Sold	38,456	10,897	13,327	15,321	18,147	57,692	20,050	20,660	23,304	24,887	88,901	122,006
Gross Profit	58,691	41,679	65,991	82,974	104,379	295,024	107,959	118,317	129,913	141,991	498,180	636,856
SG&A	11,484	4,069	5,449	5,500	6,000	21,018	5,086	6,539	6,325	6,900	24,850	29,159
Other operating gain(loss)	0	0	0	0	0	0	0	0	0	0	0	0
Operating Profit	**47,206**	**37,610**	**60,543**	**77,474**	**98,379**	**274,007**	**102,872**	**111,778**	**123,588**	**135,091**	**473,330**	**607,697**
DRAM	45,719	31,415	46,714	60,189	76,222	214,539	78,757	85,813	97,469	106,842	368,881	481,483
Flash	2,083	6,281	14,056	17,501	22,282	60,120	24,314	26,123	26,324	28,368	105,128	126,408
Others	-596	-86	-228	-215	-125	-653	-199	-158	-204	-119	-679	-194
Non-Operating Profit (Loss)	5,391	14,007	62,166	-38,017	256	38,412	248	293	353	528	1,421	1,470
Net interest income	-429	22	150	120	140	432	200	240	300	400	1,140	1,140
FX transaction & translation Gain, net	-448	1,573	1,147	-162	-24	2,535	-12	-12	-12	-12	-49	0
Equity Method and capital gain	11,968	9,940	60,889	-38,000	40	32,869	40	40	40	40	160	160
Pre-Tax Profit	**50,466**	**51,617**	**122,708**	**39,457**	**98,636**	**312,418**	**103,120**	**112,071**	**123,941**	**135,619**	**474,751**	**609,167**
Tax	-7,518	-11,271	-28,786	-7,891	-19,727	-67,675	-20,624	-22,414	-24,788	-27,124	-94,950	-121,833
Net Profit	**42,948**	**40,346**	**93,923**	**31,566**	**78,909**	**244,743**	**82,496**	**89,657**	**99,153**	**108,495**	**379,801**	**487,334**
EBITDA	61,136	41,339	64,573	81,836	103,211	290,960	108,247	117,574	129,832	141,810	497,463	642,296
Depreciation & Amortization	13,930	3,729	4,030	4,362	4,832	16,953	5,375	5,795	6,244	6,719	24,133	34,599
OP Margin	49%	72%	76%	79%	80%	78%	80%	80%	81%	81%	81%	80%
EBITDA Margin	63%	79%	81%	83%	84%	82%	85%	85%	85%	85%	85%	85%
Net Profit Margin	44%	77%	118%	32%	64%	69%	64%	65%	65%	65%	65%	64%
EPS(Anualized)	520,418	231,873	529,141	178,915	447,254	736,808	498,909	542,215	599,644	656,141	0	0
BPS	175,230	236,178	369,990	473,258	575,734	575,734	688,413	773,355	872,654	963,592	963,592	1,460,546
ROE	44%	113%	176%	42%	85%	93%	77%	74%	73%	71%	73%	61%
Share price (Period-end)	651,000	807,000	2,650,000	1,613,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
PBR (12M FWD)	3.7	3.4	7.2	3.4	3.0	3.0	2.5	2.2	1.9	1.8	1.8	1.2
PER (12M FWD)	14.9	1.6	4.9	2.7	2.6	38.9	-	-	-	-	38.9	38.9
DRAM sales (KRW, bn)	**75,470**	**40,691**	**57,980**	**73,138**	**91,710**	**263,519**	**94,621**	**103,216**	**117,091**	**128,149**	**443,078**	**584,859**
% q-q	0%	61%	42%	26%	25%	0%	3%	9%	13%	9%	0%	0%
% y-y	66%	192%	240%	283%	262%	249%	133%	78%	60%	40%	68%	32%
Shipment (8Gb eq, mn)	**11,150**	**3,016**	**3,223**	**3,590**	**4,129**	**13,957**	**4,040**	**4,307**	**4,771**	**5,168**	**18,286**	**23,815**
% q-q		-2%	7%	11%	15%		-2%	7%	11%	8%		
% y-y	21%	34%	16%	19%	34%	25%	34%	34%	33%	25%	31%	30%
ASP (8Gb eq, US$)	**4.8**	**9.2**	**12.0**	**14.7**	**16.2**	**13.2**	**17.2**	**17.8**	**18.3**	**18.6**	**18.0**	**18.5**
% q-q		63%	30%	22%	11%		6%	3%	3%	2%		
% y-y	32%	116%	175%	222%	186%	177%	87%	48%	25%	15%	37%	2%
Cost (8Gb eq, US$)	**1.9**	**2.1**	**2.3**	**2.6**	**2.7**	**2.5**	**2.9**	**3.0**	**3.1**	**3.1**	**3.0**	**3.3**
% q-q		14%	11%	11%	6%		5%	4%	3%	1%		
% y-y	-4%	6%	22%	44%	49%	31%	38%	29%	18%	13%	23%	8%
DRAM OP (KRW, bn)	**45,719**	**31,415**	**46,714**	**60,189**	**76,222**	**214,539**	**78,757**	**85,813**	**97,469**	**106,842**	**368,881**	**481,483**
OP margin	61%	77%	81%	82%	83%	81%	83%	83%	83%	83%	83%	82%
Flash sales (KRW, bn)	**19,961**	**11,467**	**21,007**	**24,728**	**30,566**	**87,768**	**32,990**	**35,445**	**35,718**	**38,492**	**142,645**	**172,713**
% q-q		57%	83%	18%	24%		8%	7%	1%	8%		
% y-y	5%	265%	351%	410%	318%	340%	188%	69%	44%	26%	63%	21%
Shipment (8GB eq, mn)	**27,092**	**7,052**	**8,131**	**8,618**	**9,826**	**33,627**	**10,174**	**11,013**	**11,180**	**12,139**	**44,506**	**57,004**
% q-q		-10%	15%	6%	14%		4%	8%	2%	9%		
% y-y	9%	58%	7%	20%	25%	24%	44%	35%	30%	24%	32%	28%
ASP (8GB eq, US cents)	**51.8**	**111.0**	**172.0**	**206.4**	**227.1**	**182.3**	**238.4**	**238.4**	**238.4**	**238.4**	**238.3**	**227.8**
% q-q		73%	55%	20%	10%		5%	0%	0%	0%		
% y-y	-7%	129%	293%	324%	254%	252%	115%	39%	16%	5%	31%	-4%
Cost (8GB eq, US cents)	**46.4**	**50.2**	**56.9**	**60.3**	**61.5**	**57.4**	**62.7**	**62.7**	**62.7**	**62.7**	**62.7**	**61.1**
% q-q		14%	13%	6%	2%		2%	0%	0%	0%		
% y-y	0%	5%	24%	24%	39%	24%	25%	10%	4%	2%	9%	-3%
Flash OP (KRW, bn)	**2,083**	**6,281**	**14,056**	**17,501**	**22,282**	**60,120**	**24,314**	**26,123**	**26,324**	**28,368**	**105,128**	**126,408**
OP margin	10%	55%	67%	71%	73%	68%	74%	74%	74%	74%	74%	73%

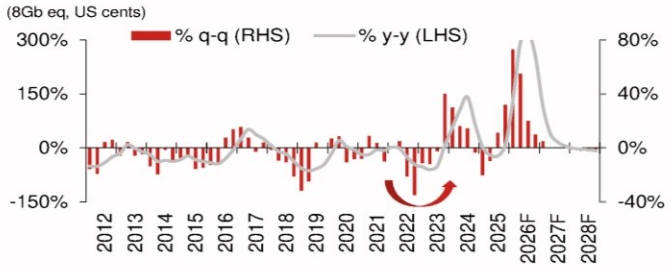
Sources: Company data, Nomura estimates

Fig. 74: Hynix – DRAM ASP change (q-q %, y-y %)



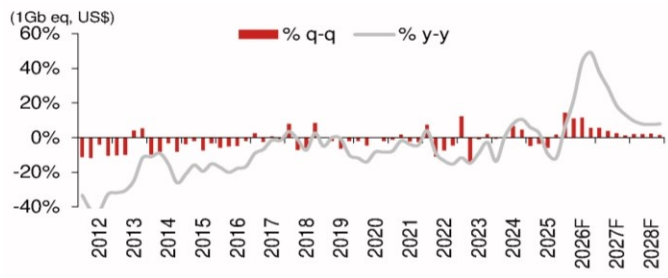
Sources: Company data, Nomura estimates

Fig. 75: Hynix – NAND ASP change (q-q %, y-y %)



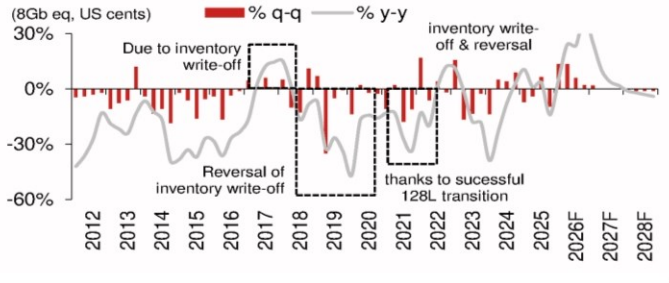
Sources: Company data, Nomura estimates

Fig. 76: Hynix – DRAM cost trend (q-q %, y-y %)



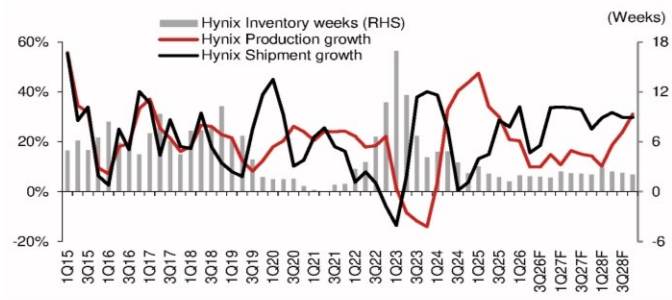
Source: Company data, Nomura estimates

Fig. 77: Hynix – NAND cost trend (q-q %, y-y %)



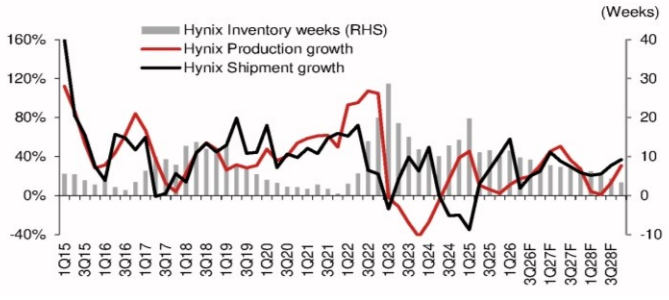
Source: Company data, Nomura estimates

Fig. 78: Hynix – DRAM production and shipments growth and inventory



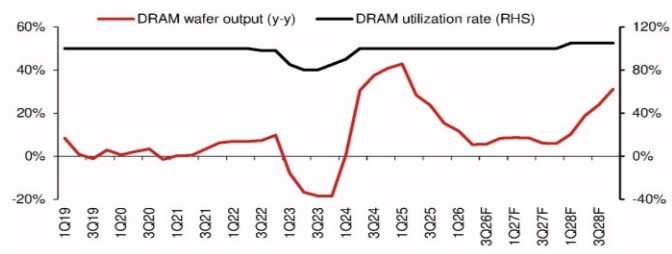
Source: Company data, Nomura estimates

Fig. 79: Hynix – NAND production and shipments growth and inventory



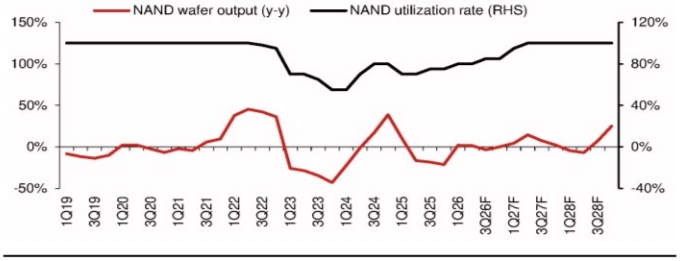
Source: Company data, Nomura estimates

Fig. 80: Hynix – DRAM wafer output and utilization



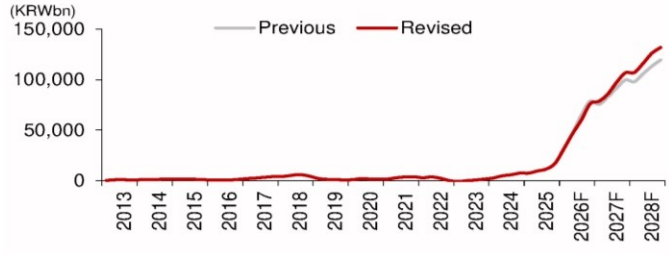
Source: Company data, Nomura estimates

Fig. 81: Hynix – NAND wafer output and utilization



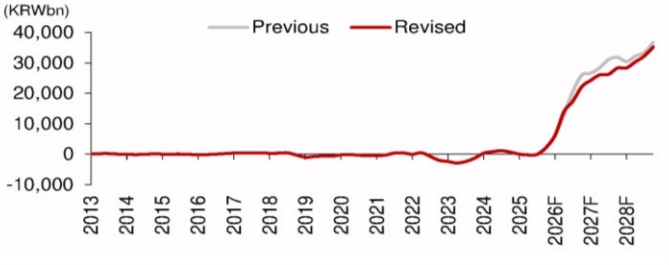
Source: Company data, Nomura estimates

Fig. 82: Hynix – DRAM OP



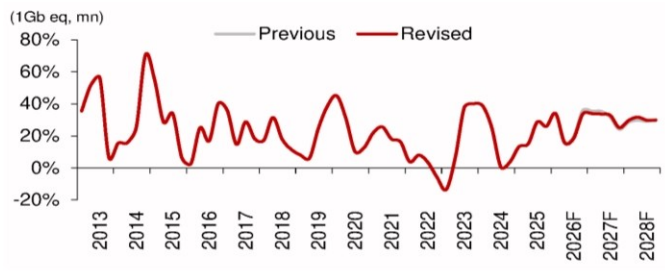
Source: Company data, Nomura estimates

Fig. 83: Hynix – NAND OP



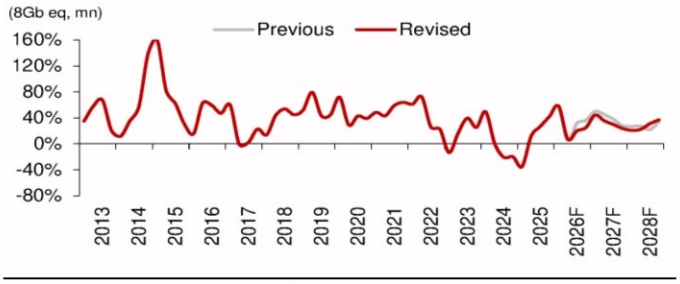
Source: Company data, Nomura estimates

Fig. 84: Hynix – DRAM bit growth (y-y)



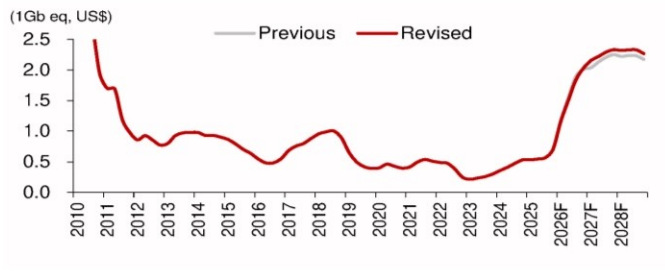
Sources: Company data, Nomura estimates

Fig. 85: Hynix – NAND bit growth (y-y)



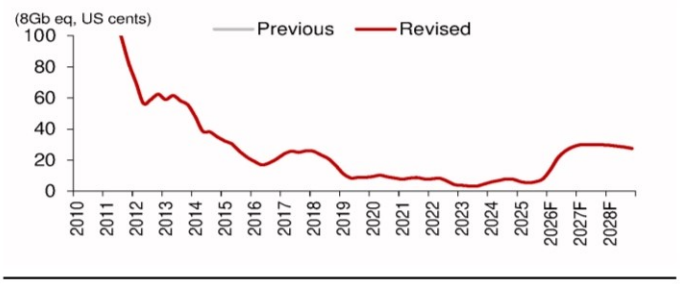
Sources: Company data, Nomura estimates

Fig. 86: Hynix – DRAM ASP forecasts



Sources: Company data, Nomura estimates

Fig. 87: Hynix – NAND ASP forecasts



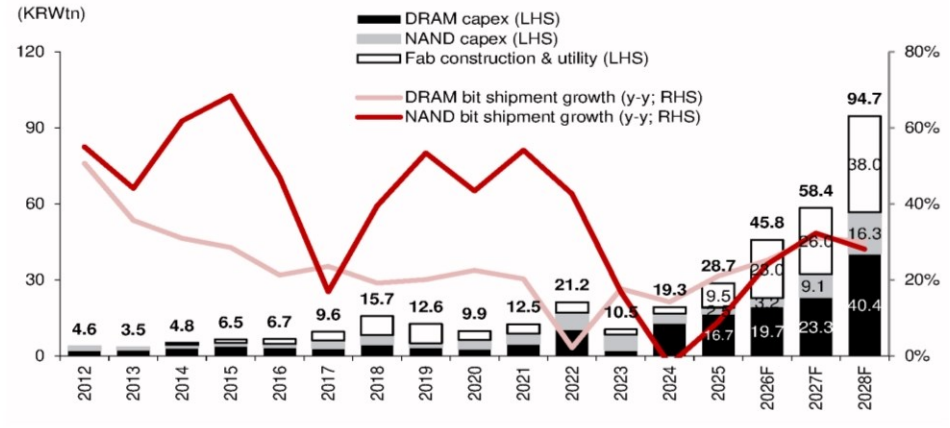
Sources: Company data, Nomura estimates

Fig. 88: Estimated token consumption by prompt cases

	Main hardware	Estimated token consumption per case							
		Simultaneous interpretation	Simple question	Structured cosntraint	Style expansion	RAG question	Image generation	Agent AI (report + model)	1-hour video generation
User's prompt input	CPU + DRAM	(instant translation)	"How's the weather today?"	"How's the weather toady? Please answer in 5 words or less"	"How's the weather today? Please answer like a poet."	"Explain about reasons behind national debt increase"	"Please describe today's weather in an abstract painting."	"Make earnings models and company note based on the model"	"Make a 1-hour video describing recent weather"
Scheduling	CPU + DRAM								
Input token	GPU + HBM	10	10	20	25	40	20	500	10
RAG	CPU + DRAM	-	-	-	-	5,000	-	20,000	-
Output token generation	GPU + HBM/ LPU	30	20	5	100	1,000	10,000	10,000	100,000,000

Source: Nomura estimates

Fig. 89: Hynix – capex and memory bit shipments outlook



Sources: Company data, Nomura estimates

Fig. 90: Hynix – FCF/EV, FCF/MC analysis

(W bn)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Operating cash flow	**14,691**	**22,227**	**6,550**	**12,315**	**19,798**	**14,781**	**4,278**	**29,796**	**53,373**	**196,006**	**378,285**	**499,281**
NP	10,642	15,540	2,009	4,759	9,616	2,242	-9,138	19,797	42,948	244,743	379,801	487,334
Dep	5,026	6,428	8,620	9,772	10,657	14,151	13,674	12,582	13,930	16,953	24,133	34,599
working capital change	-3,190	-1,997	270	-1,650	-3,018	-2,690	794	-5,600	-2,881	-40,760	-25,149	-22,152
Investment Cash Flow	**-11,919**	**-21,429**	**-10,451**	**-11,840**	**-22,392**	**-17,884**	**-7,335**	**-18,005**	**-48,054**	**-105,024**	**-66,169**	**-101,432**
Capex	-9,128	-16,036	-13,920	-10,069	-12,487	-19,010	-8,325	-15,946	-27,519	-48,329	-61,000	-96,000
Others	-2,791	-5,393	3,469	-1,772	-9,906	1,127	990	-2,059	-20,535	-56,695	-5,169	-5,432
Free Cash Flow	**5,562**	**6,191**	**-7,371**	**2,246**	**7,311**	**-4,230**	**-4,047**	**13,850**	**25,854**	**147,678**	**317,285**	**403,281**
Share holder return (cashflow basis)	**424**	**2,443**	**1,412**	**1,000**	**1,311**	**1,973**	**1,002**	**934**	**12,927**	**73,839**	**158,642**	**186,768**
% of previous year's free cashflow	8%	39%	-19%	45%	18%	-47%	-25%	7%	50%	50%	50%	46%
sharebuy back	0.0	1,736.5	385.8	315.7	506.4	291.7	176.2	108.0	10,861.3	66,454.9	142,778.1	185,776.4
cash dividend	424	706	1,026	684	805	1,681	826	826	2,066	7,384	15,864	992
Net Cash	3,454	3,096	-6,529	-6,304	-7,041	-16,884	-20,548	-8,528	12,694	182,072	420,399	659,606
Share price	76,500	60,500	94,100	118,500	131,000	75,000	141,500	173,900	651,000	1,613,000	1,613,000	1,613,000
outstanding shares ex T.S.	706	684	684	684	688	688	688	689	689	706	661	661
common	706	684	684	684	688	688	688	689	689	706	661	661
preferred	0	0	0	0	0	0	0	0	0	0	0	0
Market cap exc. Treasury shares	54,009	41,382	64,364	81,054	90,078	51,574	97,372	119,751	448,290	1,138,319	1,066,858	1,066,858
EV	50,555	38,286	70,894	87,358	97,119	68,458	117,920	128,278	435,595	956,246	646,458	407,251
Free cash / EV	**11.0%**	**16.2%**	**-10.4%**	**2.6%**	**7.5%**	**-6.2%**	**-3.4%**	**10.8%**	**5.9%**	**15.4%**	**49.1%**	**99.0%**
Free cash / MC	**10.3%**	**15.0%**	**-11.5%**	**2.8%**	**8.1%**	**-8.2%**	**-4.2%**	**11.6%**	**5.8%**	**13.0%**	**29.7%**	**37.8%**

Note: 2016-2025 share prices are as of year-end; 2026-28F share prices are as of 2 September 2026.
Sources: Company data, Nomura estimates

Appendix A-1

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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
SK Hynix	000660 KS	KRW 1613000	02-Sep-2026	Buy	N/A	A4,A5,A6,A7
Samsung Electronics	005930 KS	KRW 250500	02-Sep-2026	Buy	N/A	
Kioxia Holdings	285A JP	JPY 51,670	03-Sep-2026	Buy	N/A	A6

A4 The Nomura Group has had an investment banking services client relationship with the subject company during the past 12 months.

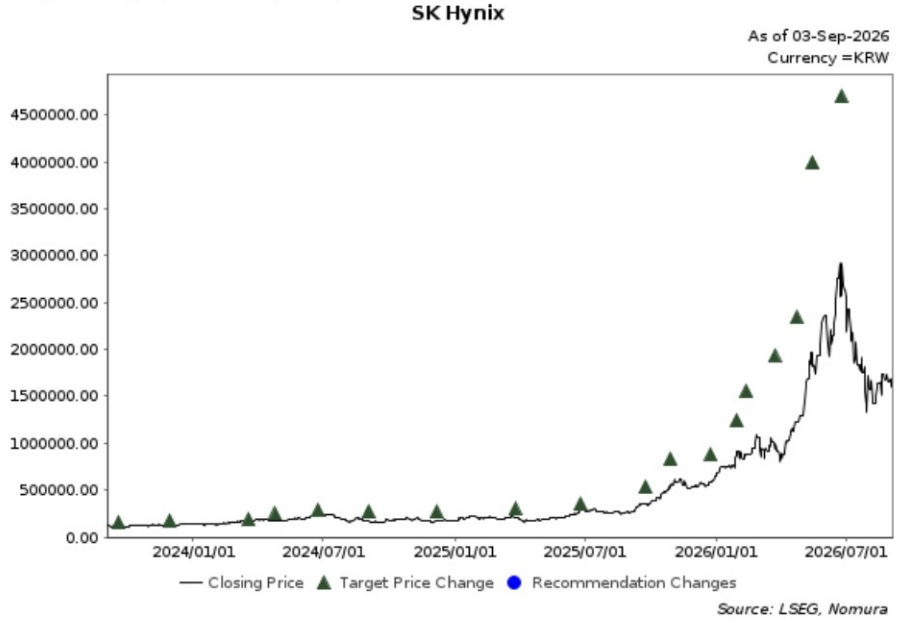
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SK Hynix (000660 KS) **KRW 1613000 (02-Sep-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



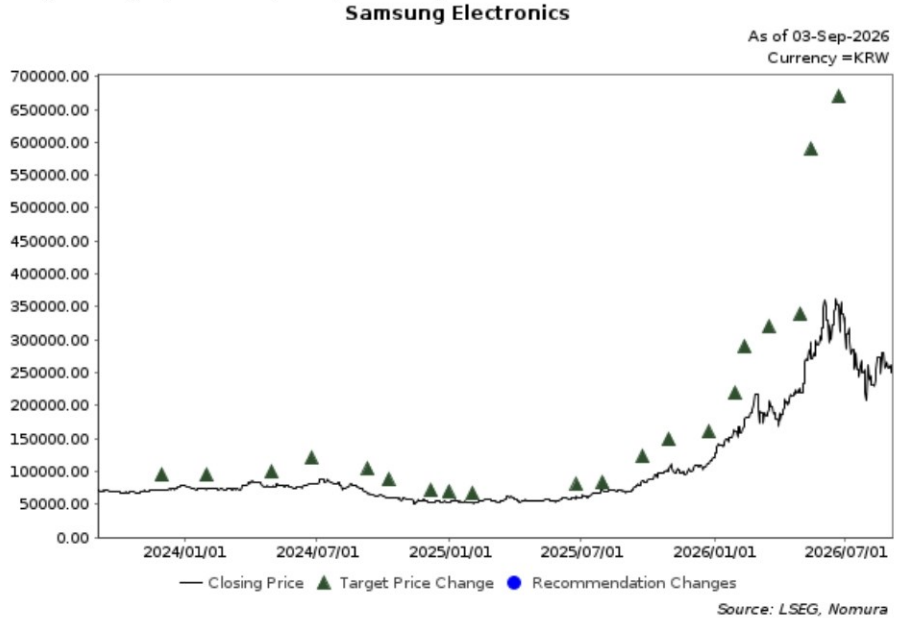
Date	Rating	Target price	Closing price
24-Jun-26		4,700,000.00	2,580,000.00
15-May-26		4,000,000.00	1,819,000.00
23-Apr-26		2,340,000.00	1,225,000.00
23-Mar-26		1,930,000.00	933,000.00
12-Feb-26		1,560,000.00	888,000.00
29-Jan-26		1,250,000.00	861,000.00
24-Dec-25		880,000.00	588,000.00
29-Oct-25		840,000.00	558,000.00
24-Sep-25		540,000.00	357,500.00
25-Jun-25		360,000.00	286,000.00
26-Mar-25		300,000.00	214,000.00
06-Dec-24		270,000.00	167,100.00
02-Sep-24		280,000.00	174,000.00
24-Jun-24		290,000.00	223,000.00
25-Apr-24		250,000.00	170,600.00
19-Mar-24		190,000.00	160,200.00
30-Nov-23		180,000.00	133,900.00
19-Sep-23		158,000.00	119,200.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our 12-month target price of KRW4,700,000 is derived by applying a target P/B of 5.6x (down from 6.0x) to 12MF BVPS of KRW836,330. We lower target multiple based on our ROE soft-landing outlook due to deleveraging and higher risk-free rate. Benchmark for the stock is KOSPI 200.
Risks that may impede the achievement of the target price Downside risk includes potential US tariffs on semiconductor products, delay in data center construction due to power supply shortage, and slowdown in AI capex under a higher interest rate environment.

Samsung Electronics (005930 KS) **KRW 250500 (02-Sep-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
22-Jun-26		670,000.00	353,500.00
15-May-26		590,000.00	270,500.00
30-Apr-26		340,000.00	220,500.00
17-Mar-26		320,000.00	193,900.00
12-Feb-26		290,000.00	178,600.00
29-Jan-26		220,000.00	160,700.00
24-Dec-25		160,000.00	111,100.00
30-Oct-25		150,000.00	104,100.00
24-Sep-25		123,000.00	85,400.00
31-Jul-25		84,000.00	71,400.00
25-Jun-25		80,000.00	61,300.00
01-Feb-25		67,000.00	52,400.00
30-Dec-24		70,000.00	53,200.00
06-Dec-24		72,000.00	54,100.00
08-Oct-24		88,000.00	60,300.00
10-Sep-24		104,000.00	66,200.00
24-Jun-24		120,000.00	80,600.00
30-Apr-24		100,000.00	77,500.00
31-Jan-24		95,000.00	72,700.00
30-Nov-23		96,000.00	72,800.00

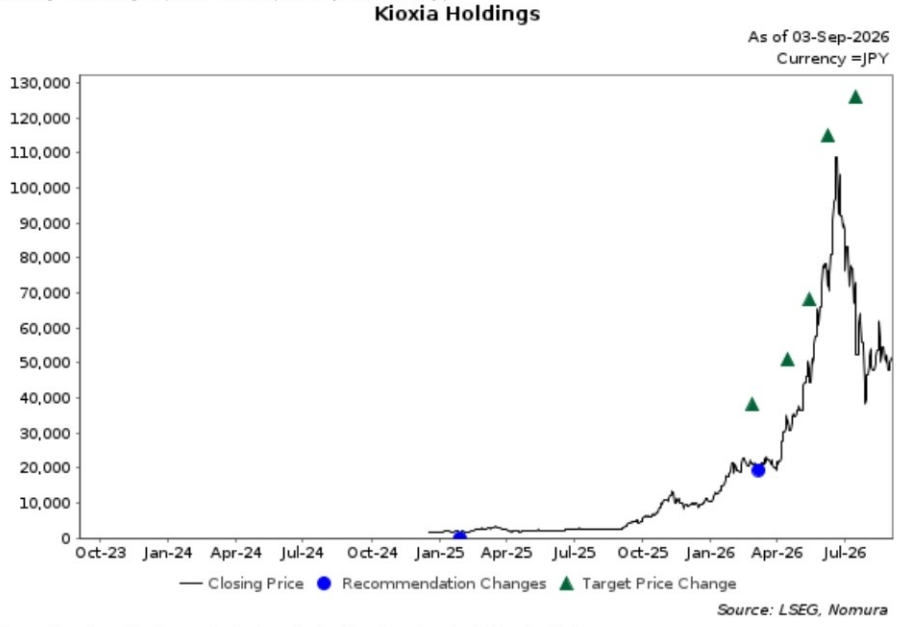
For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our 12-month TP of KRW670,000 is derived by applying a target P/B of 4.3x to 12MF BVPS. We lower target multiple based on our outlook for ROE soft-landing and higher risk-free rate. The benchmark index for the stock is the KOSPI 200.

Risks that may impede the achievement of the target price Downside risk includes potential US tariffs on semiconductor products, delay in data center construction due to power supply shortage, and slowdown in AI capex under a higher interest rate environment.

Kioxia Holdings (285A JP) **JPY 51,670 (03-Sep-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
16-Jul-26		126,000	62,110
09-Jun-26		115,000	76,450
15-May-26		68,000	44,450
15-Apr-26		51,000	32,410
27-Feb-26	Buy		21,210
27-Feb-26		38,000	21,210
20-Jan-25	Not Rated		1,708.0

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We obtain our target price of ¥126,000 by multiplying our 28/3 free cash flow (FCF) forecast by a fair-value market cap (MC)/FCF ratio of 10.0x, referencing the peak MC/trailing FCF (past 12 months) ratio for Micron Technology and SK Hynix during upcycles since 2011.

Risks that may impede the achievement of the target price Risk factors include: (1) sluggish NAND demand because of a slowdown in AI investment or a downturn in consumer sentiment; (2) deterioration in the competitive environment due to factors including the emergence of new NAND producers; (3) forex movements; (4) parts supply risks; and (5) the emergence of new technologies.

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