

SECTOR UPDATE

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Tech (OVERWEIGHT)

Investment pace signals demand

- Korean chipmakers have accelerated both the pace and scale of their memory investments, yet even a 50% step-up in investment intensity may be insufficient to meet demand.
- The investment plans extend earnings visibility for domestic semiconductor materials, parts, and equipment suppliers beyond 2028. SK Inc and the robotics sector are also poised to benefit directly from the Korean government's Three Mega Projects.

WHAT'S THE STORY?

SEC and SK Hynix announce combined investments of KRW3,550t: On Jun 29, Korea announced its Three Mega Projects, covering semiconductors, physical AI, and AI data centers, with Samsung Electronics (SEC) and SK Hynix outlining their investment plans. SEC committed to invest KRW2,450t over 2026-2040, including KRW2,100t in semiconductors, while Hynix plans to invest KRW1,110t over the medium-to-long term. SEC's semiconductor investments will be allocated as follows: KRW1,650t to Pyeongtaek and Yongin, comprising two new fabs, the ramp-up of existing fabs, and six new fabs in Yongin; KRW56t to Cheonan and Onyang for back-end processes, including high-bandwidth memory (HBM); and KRW400t to the southwest region for two fabs in Gwangju. Hynix plans to invest KRW600t in Yongin for four fabs, KRW100t in Cheongju for one fab, and KRW400t in the southwest region for two fabs.

Investment pace accelerating: The most significant change is the faster pace of investment. The rate at which equipment is installed in cleanrooms has accelerated by 50% compared to original plans. SEC now aims to fully equip six fabs at its Yongin cluster within 12 years, down from 18, while Hynix plans to equip its four Yongin fabs within eight years, down from 12. Both companies are now targeting a pace equivalent to roughly three cleanrooms per year (or one fab every two years) over the next decade. Assuming SEC allocates one-third of its capacity to foundry and NAND, this implies an annual DRAM wafer capacity growth of 8% at SEC and 14% at Hynix. On our projection of 12% average annual wafer capacity growth over 2026-2028, current investment intensity is 50% above the original long-term plan, and the revised plan assumes this elevated pace will be sustained for the next decade. Given the wafer penalty from HBM, we do not view this as excessive.

(Continued on the next page)

A sense of crisis over memory supply: We believe the increase in investment intensity reflects a sense of crisis over memory supply rather than merely a response to government policy. A 3-5% shortage over two to three years would previously have been seen as a normal market cycle—and companies would have been credited for managing it well. But a 30-40% shortfall over 5 years is far removed from sound supply planning. Prolonged, large-scale shortages risk accelerating the development of alternative technologies, eroding memory's total addressable market (TAM). Worse, demand itself could be suppressed. DRAM is already losing TAM in smartphones and PCs. Without sufficient memory, agentic AI may struggle to deliver expected performance, delaying broader AI adoption—and no one wants to see that happen.

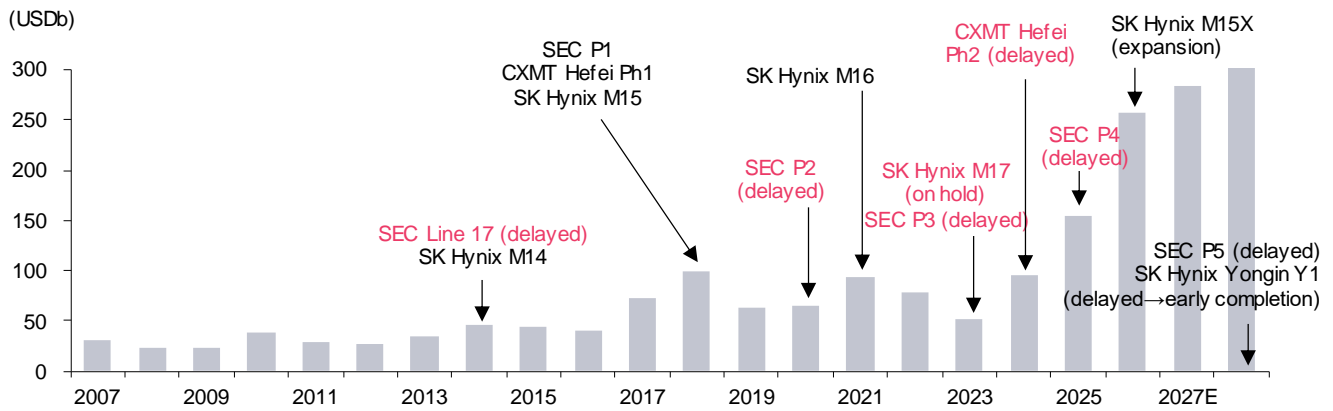
Investment pace confirms severe memory supply constraints: This scale of investment signals that memory suppliers themselves recognize a critical supply shortage. Although demand has been strong, memory suppliers inability to respond quickly suggests supply constraints will persist until meaningful new capacity comes online—likely no earlier than 2027. Both companies plan to more than double cleanroom capacity over the next five years and triple it over the next decade. Even so, this expansion may still fall short of the projected threefold increase in DRAM demand from AI cloud customers over the same period. We expect both firms to pursue additional capacity expansion beyond Korea, including at overseas sites.

Fab completion timelines matter more for share prices than site announcements do: The announcement of the southwest cluster should have limited near-term impact on share prices. Historical precedent shows that large-scale cluster announcements—such as Godeok in Pyeongtaek, and Namsa-eup and Wonsam-myeon in Yongin—have not consistently moved share prices, as they reflect long-term infrastructure planning rather than immediate supply changes and are often subject to significant execution delays. In contrast, specific fab completion dates have historically driven market sentiment, as they provide concrete visibility into supply inflection points. The selection of the southwest region as a new semiconductor hub is strategically significant: it reflects the industry's need for a more geographically diversified production footprint, mirroring TSMC's expansion from Hsinchu to Tainan and Kaohsiung. In the AI era, broader geographic diversification is becoming a necessity for supply resilience.

Power supply is the critical bottleneck: The most pressing constraint is power. Both Samsung Group's and SK Group's expanded investment plans are heavily weighted toward semiconductor manufacturing and data centers—both power-intensive sectors. Under current projections, Korea's grid could face acute shortages as early as 2031, leaving just five years to close the gap.

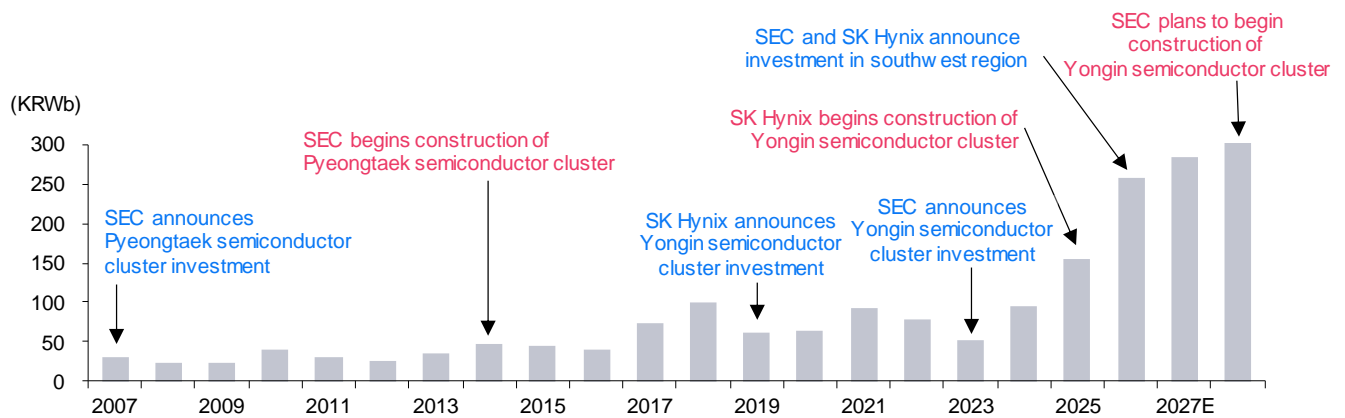
Time to focus on semiconductor equipment providers: The investment plans extend earnings visibility for Korean semiconductor materials, parts, and equipment (MPE) suppliers beyond 2028 (P5 and Y1), easing near-term valuation concerns. While the broader earnings outlook for MPE suppliers may improve, we prefer equipment names. Materials and parts suppliers require assumptions on utilization rates, whereas equipment providers benefit directly from the upfront, capital-intensive phase of capacity expansion. We highlight domestic equipment players including STI (not rated) and Hanyang ENG (not rated), as well as front-end equipment leaders such as TES, Wonik IPS, and Eugene Technology. Global leaders—including ASML, Lam Research, and Applied Materials—are also expected to benefit from this momentum.

DRAM sales and major fab timeline events



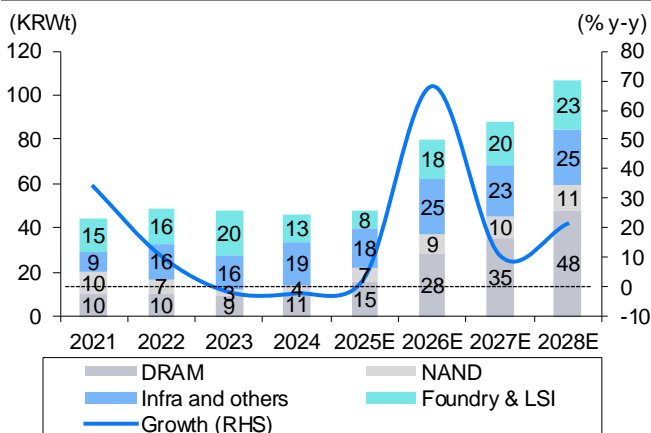
Source: WSTS, Samsung Securities

DRAM sales and SEC's and Hynix's semiconductor cluster timeline events



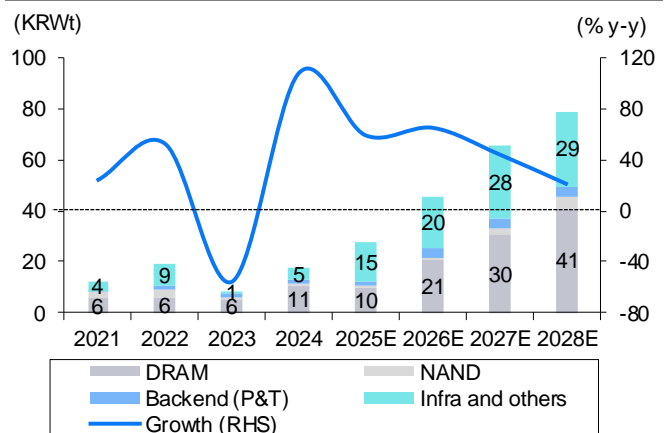
Source: WSTS, Samsung Securities

SEC: Capex (semiconductors)



Source: Company data, Samsung Securities estimates

SK Hynix: Capex



Source: Company data, Samsung Securities estimates

AI-driven robotics growth through the 3M strategy: The government has unveiled a new national strategy to transform Korea from a country that uses robots well into one that designs and manufactures them at scale, with the aim of reducing reliance on imports and creating high-value domestic jobs. In 2025, Korean companies accounted for just 1% of the global humanoid robotics market. To address this, the government is advancing a “3M Strategy” (M.AX, Master, and Mass-production), with the goal of lifting Korea’s market share to 20% by 2030.

Physical AI as an irreplaceable national strategic industry: The government argues that Korea is uniquely positioned to lead in physical AI, given its world-class manufacturing infrastructure and globally competitive AI capabilities. It has identified the next three years as a “golden window” for establishing Korea as the global leader in physical AI by 2030. Details of the strategy are summarized in the table below.

Investment ideas for the robotics sector: The recent Mega Projects briefing should provide positive momentum across the robotics sector. Of particular significance is the government’s proactive procurement of robots to stimulate early-stage demand, with more than 70% of current demand related to data collection, training, and R&D. This direct market-creation effort is a critical catalyst. Against this backdrop, we see two primary domestic investment themes: 1) suppliers addressing bottlenecks in the three core components, as the focus shifts from mid-sized and large components to specialized developers of ultra-compact components, such as Robotis; and 2) companies with proprietary data pipelines capable of generating high-quality synthetic data, as the government explicitly acknowledged the challenges of real-world-data acquisition and announced targeted investment in synthetic-data generation via world models.

AI robot accelerated growth through the “3M Strategy”

Theme	Details
M.AX	Accelerate the “manufacturing AI transformation (M.AX)” to maximize synergies between Korea’s core manufacturing industries and the robotics sector → Develop industry-specialized robots and deploy 1,000+ units per year to the field → Introduce robots into manufacturing to raise manufacturing productivity to world-leading status
Master	Secure competitiveness in core enabling technologies such as: 1) data; 2) robot foundation models; and 3) the big-3 vulnerable components (actuators, robot hands, and sensors) → Train 10,000 robotics specialists (target: foster 30+ specialized companies)
Mass-production	Rapidly build a region-centered mass-production system, similar to China’s → Establish a robot foundry and components cluster in Saemangeum; support automotive and home-appliance component firms in the Daegu-Gyeongbuk region in transitioning to robot components → Government to take the lead in creating the initial market, planning to pre-purchase robots for education, defense, and other uses

Source: Ministry of Trade, Industry and Resources; compiled by Samsung Securities

Fostering physical AI as an Irreplaceable National Strategic Industry

	Details
Build a comprehensive Data-management system	Data that intricately combines physical laws with motion is essential for physical AI training, yet difficult to obtain in real-world settings → Concentrate investment in a large-scale synthetic-data generation system using world models, and strengthen inter-ministerial cooperation
Develop a proprietary physical AI foundation model	Plan to develop a world-class proprietary physical AI foundation model within the next 3 years → Build a general-purpose model based on world models, then create field-specific specialized models for application in the real world
Large-scale demonstration of physical AI	Boldly support large-scale demonstrations of physical AI (in agriculture, households, etc) built on domestically developed proprietary technology through collaboration between industry, academia, and research → Promote improved service maturity and the commercialization of domestic physical AI; drive exports of full-stack physical AI platforms (devices, models, security, etc) and services

Source: Ministry of Trade, Industry and Resources; compiled by Samsung Securities

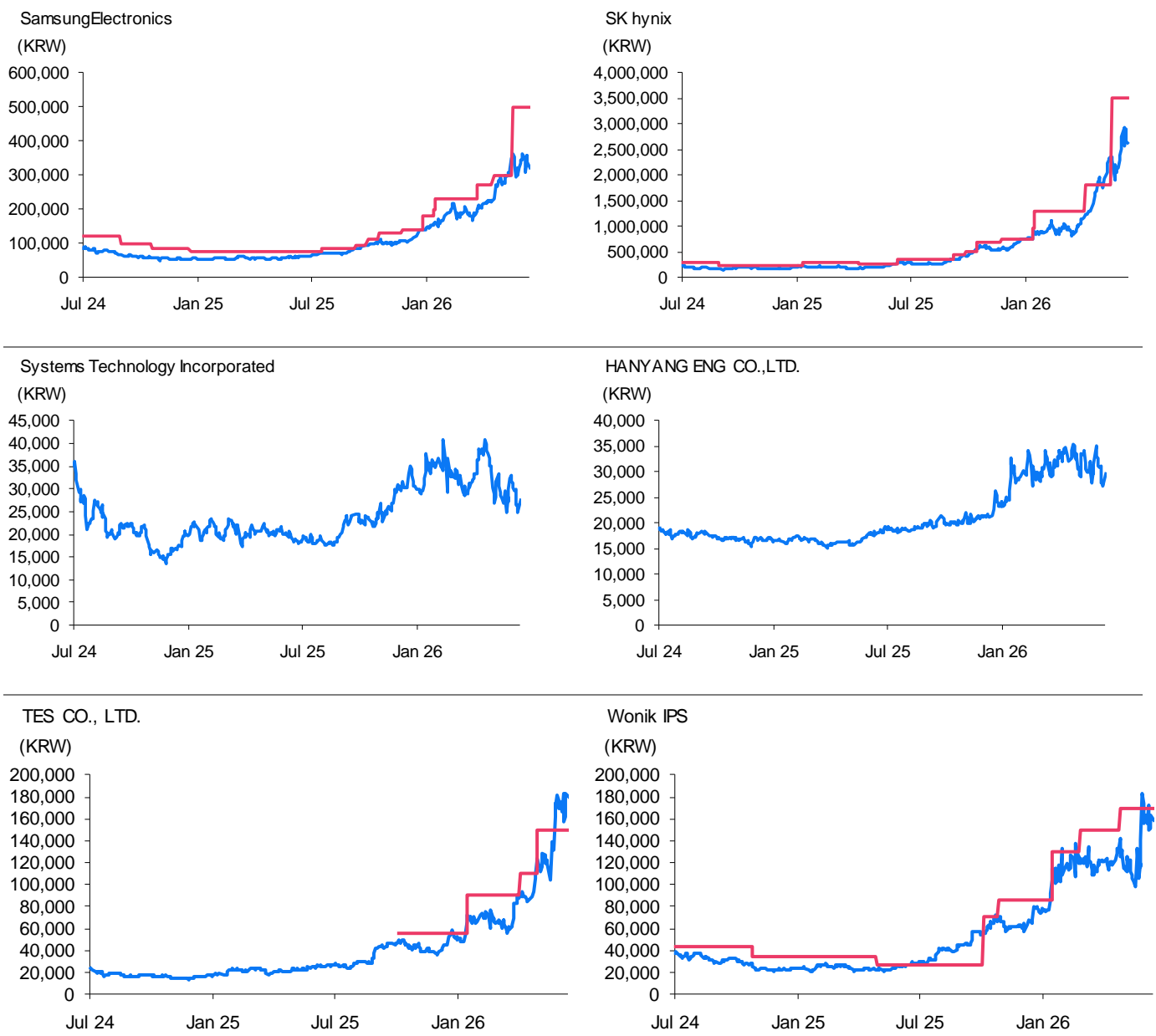
SK Inc to benefit proactively and over the long term from Mega Projects

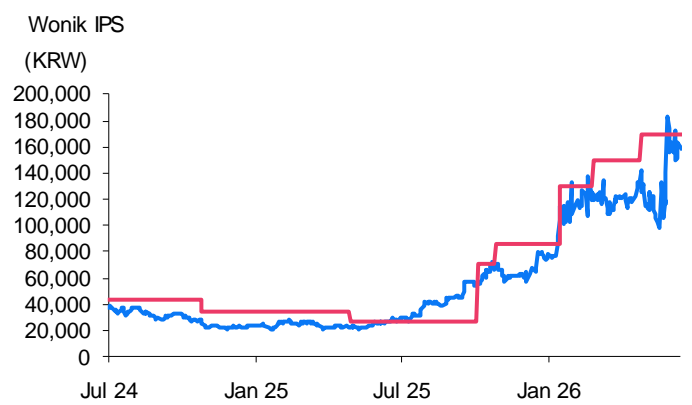
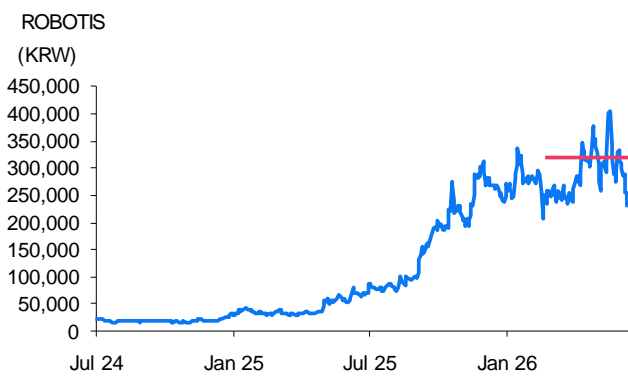
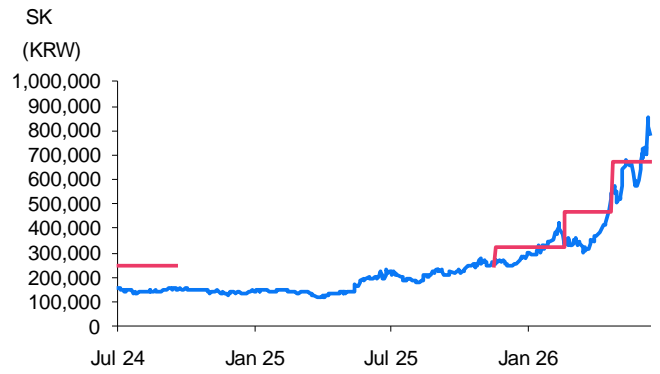
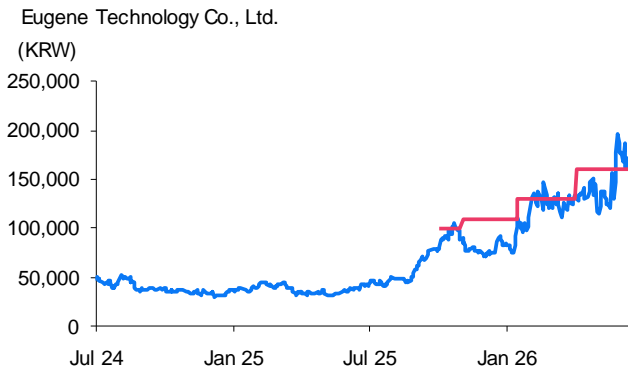
- We believe SK Inc will be a key beneficiary of the Mega Projects. With annual investments likely to exceed KRW100t through 2030 and beyond, SK Inc is poised to benefit from the construction of new fabs, clusters, data centers, supporting infrastructure, and related facilities.
- In semiconductors, SK Inc is likely to secure substantial contracts through a subsidiary. As the EPC contractor for Hynix's new fabs and clusters, it delivers integrated solutions spanning design and construction, as well as critical infrastructure including power supply and water treatment. The subsidiary has already secured approximately KRW6t in contracts under Hynix's KRW31t investment program for the Yongin cluster and fab construction over 2024-2026. With Hynix targeting KRW1,100t in semiconductor investments as part of the Mega Projects, and with the earliest phases concentrated on fab construction and infrastructure development, SK Inc is well placed to capture significant early-stage orders and translate them into tangible earnings well ahead of the curve.
- In AI data centers, SK Inc also has potential to win large contracts through its dedicated business unit SK AX, and the same subsidiary. SK Group plans to build an initial 5 GW of data center capacity, followed by an additional 10 GW, with a total investment of KRW1,000t. Construction of the 0.1 GW AI data center in Ulsan in 2025 involved KRW7t in investment, during which SK Inc secured more than KRW400b in MEP and EPC contracts. Given that the initial 5 GW of planned AI data center capacity is 50 times the size of the Ulsan project, the segment offers substantial, sustained earnings potential for SK Inc.

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Target price changes in past two years





Rating changes over past two years (adjusted share prices)

Samsung Electronics												
Date	2024/5/28	9/12	11/1	2025/1/2	8/1	9/23	10/13	10/31	12/8	2026/1/9	1/27	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	120000	100000	83000	74000	85000	93000	110000	130000	140000	180000	200000	230000
Gap* (average)	-34.45	-39.49	-33.92	-21.93	-15.05	-6.95	-10.64	-21.96	-16.54	-18.69	-19.23	-19.75
(max or min)**	-26.83	-35.30	-29.28	-1.89	-1.76	1.51	-5.36	-14.54	0.71	-15.39	-18.80	-5.22
Date	4/7	5/4	6/2									
Recommendation	BUY	BUY	BUY									
Target price (KRW)	270000	300000	500000									
Gap* (average)	-20.25	-3.39										
(max or min)**	-16.30	16.33										
SK Hynix												
Date	2024/4/8	7/12	9/12	2025/1/24	4/24	6/25	9/23	10/13	10/30	12/8	2026/1/27	1/30
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	250000	280000	240000	280000	250000	340000	430000	500000	700000	750000	950000	1300000
Gap* (average)	-18.91	-34.15	-23.78	-30.26	-14.53	-17.52	-14.81	-3.33	-19.05	-11.48	-10.42	-26.68
(max or min)**	-3.60	-16.79	-6.04	-21.96	11.40	3.82	-0.47	11.60	-11.43	2.27	-9.37	-10.31
Date	4/21	6/2										
Recommendation	BUY	BUY										
Target price (KRW)	1800000	3500000										
Gap* (average)	-3.42											
(max or min)**	31.28											
Systems Technology												
Date	2026/6/30											
Recommendation	Not Rated											
Target price (KRW)	n/a											
Gap* (average)												
(max or min)**												
Hanyang ENG												
Date	2026/6/30											
Recommendation	Not Rated											
Target price (KRW)	n/a											
Gap* (average)												
(max or min)**												
TES												
Date	2025/10/20	2026/1/30	4/20	5/14								
Recommendation	BUY	BUY	BUY	BUY								
Target price (KRW)	55000	90000	110000	150000								
Gap* (average)	-17.44	-23.44	-15.05									
(max or min)**	30.91	0.11	11.36									
Wonik IPS												
Date	2024/5/30	11/8	2025/5/12	10/20	11/10	2026/1/30	3/12	5/11				
Recommendation	BUY	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY				
Target price (KRW)	44000	34000	26000	70000	86000	130000	150000	170000				
Gap* (average)	-23.94	-30.32	30.97	-9.08	-19.30	-9.95	-19.61					
(max or min)**	-8.86	-18.24	119.62	2.43	29.07	6.00	-10.20					
Eugene Technology												
Date	2025/10/20	11/17	2026/1/30	4/20								
Recommendation	BUY	BUY	BUY	BUY								
Target price (KRW)	100000	110000	130000	160000								

Gap* (average)	-4.02	-26.62	-5.83
(max or min)**	5.70	-2.27	13.85

SK Inc

Date	2024/3/28	2025/12/2	2026/3/5	5/8	6/30
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	250000	326000	470000	670000	950000
Gap* (average)	-37.75	-7.54	-22.38	-4.53	
(max or min)**	-24.56	29.60	15.53	28.06	

Robotis

Date	2026/3/11
Recommendation	BUY
Target price (KRW)	320000
Gap* (average)	
(max or min)**	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%

** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
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Note: *Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2026.03.31

BUY (85.2%)-HOLD (14.8%)-SELL (0%)

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