

# SAMSUNG

## The Lee Family Architecture

*Combined print edition of the Baratelli Practitioner Case Memo*

*Case memo (32 pp) + Financial model (11 tabs) + Practitioner deck (17 slides)*

### **THIS COMBINED EDITION CONTAINS**

SECTION I The Case Study - 32-page memo with 9 tables across 19 sections

SECTION II The Financial Model - 11-tab workbook rendered as PDF; live formulas in Excel

SECTION III The Presentation Deck - 17-slide landscape practitioner deck

## SECTION I

# The Case Study

---

Five operating segments (DS + MX + VD+DA + SDC + Harman), FY2025 revenue KRW 333.6 trillion (~\$255 billion), operating profit KRW 43.6 trillion.

The Q4 2025 all-time-high memory results. The KRW 12 trillion inheritance tax event walked end-to-end. The Lee family biography across three generations. Article 88-2 art collection donation of 23,000 works. The 2015 Samsung C&T + Cheil Industries merger. Samsung Life Insurance as the structural keystone. Neutral factual record of the August 2022 pardon.

**Currency note.** All KRW figures are converted to USD at approximately 1,310 KRW per USD, an illustrative average for FY2025. USD equivalents appear in parentheses throughout for reader convenience. Actual conversion rates vary and readers should apply the exchange rate appropriate to their own analytical convention.

## What Samsung is, and what this case argues

Samsung Electronics is the largest and most systemically important company in Korea, the world's largest memory-semiconductor manufacturer, one of the world's two largest advanced-foundry operators, one of the world's two largest smartphone makers, one of the world's largest display manufacturers, and the anchor of the Samsung Group — the largest of Korea's chaebol conglomerates. Fiscal year 2025 revenue was KRW 333.6 trillion (approximately \$255 billion at the average exchange rate of the year), with KRW 43.6 trillion of operating profit (~\$33 billion). The fourth quarter of 2025 alone posted the highest-ever consolidated quarterly revenue in Samsung history at KRW 93.8 trillion, and an all-time-high operating profit of KRW 20.1 trillion, driven by the Device Solutions (DS) division's memory business, which set records in both quarterly revenue and operating profit as high-bandwidth memory (HBM) demand tied to the global AI cycle drove pricing and mix. Samsung Electronics accounts for roughly 40% of the KOSPI (Korea Composite Stock Price Index) by market capitalization — a systemic concentration that has no clean Western analog and that shapes how Korean regulators approach every governance question involving the company. Lee Jae-yong, born June 23, 1968, is Executive Chairman of Samsung Electronics and the operating head of the third generation of Lee family control across the group. He is the only son of the late Lee Kun-hee (1942-2020), who transformed Samsung from a Korean electronics manufacturer into a global technology champion after taking control in 1987 from his father, founder Lee Byung-chul (1910-1987).

This case argues three things a practitioner reader needs to see clearly. First, the Lee family's inheritance-tax playbook — how they paid KRW 12 trillion (~\$8-11 billion) on Lee Kun-hee's KRW 26 trillion estate, in six annual installments across April 2021 through May 2026, without losing control of the group and while materially strengthening Chairman Lee Jae-yong's ownership positions across the core holding entities — is the reference case in high-tax succession, and every advisor working on ultra-wealthy transfer planning in any jurisdiction should have it on the shelf. Korean inheritance tax rates run 50% up to KRW 3 billion and 60% above (with a 20% "control premium surcharge" applied to controlling-shareholder transfers), giving Korea the highest effective rate in the developed world after Japan. The family's response — a combination of a KRW 3 trillion art donation to the Korean state that reduced the base, six-year installment payments financed principally by dividends and personal bank loans rather than share sales, and highly targeted equity liquidations — is a masterclass in how to preserve family control across the largest transfer-tax event on record. Second, the chaebol cross-shareholding architecture that centers on Samsung Life Insurance is the structural equivalent of what Financière Agache is to

LVMH: the specific holding entity through which the family exerts multi-generational control across a portfolio of operating subsidiaries. Samsung Life Insurance owns approximately 8.5% of Samsung Electronics; Samsung C&T owns approximately 19.1% of Samsung Life Insurance; and Lee Jae-yong (with his sisters and mother) owns the controlling stakes in Samsung C&T. That three-layer chain — family → Samsung C&T → Samsung Life → Samsung Electronics → back to Samsung C&T — is the specific circular pattern Korean regulators have spent a decade trying to unwind. Third, and this is the frame the Institute holds most firmly: **Samsung is architecturally closer to LVMH and Berkshire Hathaway than to any other listed global technology company.** Lee Jae-yong is not optimizing for quarterly EPS. He is optimizing for chaebol permanence across a fourth generation, for semiconductor leadership through cycles, for the durability of Samsung's position as Korea's national industrial champion, and for the political stability of the Lee family within the Korean state. Every serious practitioner reader working in Asia, or working on multi-generational family control in a high-tax jurisdiction, should have Samsung's architecture on the shelf. This memo is that shelf reference.

**Table 1a — The three practitioner arguments this case makes and defends**

The Argument	What the case shows (evidence)	How practitioners use it
<p>1. The KRW 12 trillion succession playbook The reference case in high-tax succession</p>	<p>KRW 12T (~\$8-11B) paid across six annual installments April 2021 - May 2026 on Lee Kun-hee's KRW 26T (~\$20B) estate. Korean top marginal rate 50-60% (progressive plus 20% controlling-shareholder surcharge). Financing mix: Samsung Electronics dividends (KRW 9.8T annual) + personal loans against controlling-shareholder equity + targeted sales of non-core Samsung SDS and Samsung Life shares. KRW 3T (~\$2.3B) art collection donation under Article 88-2 removed ~KRW 1.5-1.8T from the taxable base. Chairman Lee's stakes INCREASED across all three core entities: Samsung Electronics 0.70% → 1.67%; Samsung C&amp;T 17.48% → 22.01%; Samsung Life 0.06% → 10.44%.</p>	<p>The reference playbook for any advisor working on ultra-wealthy transfer planning in a jurisdiction with a top marginal rate above ~40% (Korea, Japan, France before Pacte Dutreil relief, US before exclusion, UK before Business Property Relief). Read the six-tranche financing mix as an execution blueprint. Read the art donation as the specific cultural-property tax tool. Read the control-preservation outcome as the goalpost.</p>
<p>2. Samsung Life Insurance as the structural keystone The Korean parallel to Financière Agache</p>	<p>Circular chain: Lee family (~22%) → Samsung C&amp;T → (~19.1%) → Samsung Life Insurance → (~8.5%) → Samsung Electronics → loop back to Samsung C&amp;T. Samsung Life carries the Samsung Electronics stake at historical acquisition cost under Korean insurance accounting — a position that today carries a market value of ~KRW 40-45T (~\$30-35B), several multiples of Samsung Life's own market cap. The specific accounting rule is what makes the entire architecture possible.</p>	<p>The structural blueprint for insurance-holding-industrial family control across a portfolio of operating subsidiaries. Directly parallel to Financière Agache's role in the LVMH architecture (family → Financière Agache → Christian Dior SE → LVMH SE). Watch the K-IFRS reform pressure — if the FSC ever forces market-value accounting on Korean life insurers' industrial holdings, the entire architecture must be restructured. This is the single most important structural risk in Samsung Group governance.</p>

The Argument	What the case shows (evidence)	How practitioners use it
<p>3. Samsung is closer to LVMH and Berkshire than to a listed tech company. The mental-model reset</p>	<p>Samsung Electronics is ~40% of the KOSPI by market cap and ~30% of Korean exports flow through Samsung Group entities — systemically important in a way no Western company approaches. Chairman Lee optimizes for chaebol permanence across a fourth generation, semiconductor leadership through cycles, dividend-funded family liquidity, and political stability within the Korean state — not for quarterly EPS. Capex reinvestment runs ~two-thirds of OCF (KRW 50T+ annual). Net cash position ~KRW 100T (~\$76B) at year-end FY2025. Q4 2025 all-time-high memory profits were driven by the AI cycle at 5-8x HBM per-bit premium.</p>	<p>The mental model for reading Samsung. Do not read it as a listed technology company. Read it as a family-controlled compounder of scarce assets — brands, cross-holdings, cultural institutions — whose product happens to be memory-semiconductors and mobile handsets rather than luxury handbags and hospitality. Every strategic decision at the group level traces back to the family's four-generation control objective. That is the frame every serious practitioner reader must hold firmly.</p>

**Method.** Reader-retention summary table. Each argument is developed at full depth in the sections that follow — Argument 1 in Sections 9 through 11, Argument 2 in Sections 12 through 14, Argument 3 across Sections 3, 8, 17, and 19.

## Reader map — how the 19 sections track

This memo runs long because the architecture demands it. Sections 2 through 6 are the standard financial and industrial setup (scale, segments, the Korean context, the semiconductor cycle, and the manufacturing footprint). Section 7 walks the five-year annual cash-flow build. Section 8 walks the Lee family biography across three generations. **Section 9 walks the Lee Kun-hee estate valuation and the mechanics of the KRW 12 trillion tax bill.** Section 10 walks the six-year installment plan and how the Lee family financed the payments without losing control. Section 11 walks the KRW 3 trillion art collection donation to the Korean state and the specific tax provisions that made it a tax-optimization tool at nine-figure scale. Section 12 walks the 2015 Samsung C&T + Cheil Industries merger — the transaction that consolidated Chairman Lee Jae-yong's control ahead of his father's declining health. Section 13 walks the chaebol cross-shareholding structure and the Korean Fair Trade Commission's decade of unwind pressure. **Section 14 walks Samsung Life Insurance as the structural keystone — the Korean parallel to Financière Agache.** Section 15 walks Chairman Lee's legal history: the 2017 conviction, the 2018 first release, the 2021 re-imprisonment, and the August 12, 2022 presidential pardon. Section 16 walks the Ho-Am Foundation, the Samsung Foundation of Culture, and the Samsung Life Public Welfare Foundation as the family's cultural and philanthropic infrastructure — the parallel to Roche / Hoffmann. Section 17 walks what Chairman Lee is optimizing for. Section 18 walks the bear cases and risks.

Section 19 is the Institute's editorial position. Read in that order or read to the section that matches the reader's practice; the tables are cross-referenced.

**The one-line frame.** Samsung is not a semiconductor company or a smartphone company. It is a family-controlled chaebol whose holding architecture is designed for a fourth generation, whose most consequential recent event was not any product launch but the KRW 12 trillion inheritance-tax settlement completed in May 2026, and whose CEO succession is being managed against Korean tax law, Korean regulatory pressure, and Korean political cycles simultaneously. Read it that way and every other detail falls into place.

## **Five operating segments, one systemically important listed vehicle**

Every KRW figure in this section sources to the Samsung Electronics Fourth Quarter and FY 2025 Results press release (Samsung Global Newsroom, January 29, 2026) and the accompanying 2025 Q4 Earnings Presentation. Samsung Electronics reports across five business units: Device Solutions (DS — the semiconductor group comprising Memory, System LSI, and Foundry); Samsung Display (SDC); Mobile eXperience and Networks (MX + Networks); Visual Display and Digital Appliances (VD + DA, the consumer-electronics group); and Harman (the automotive audio and connected-car business, acquired 2017). Full-year FY2025 revenue was KRW 333.6 trillion (~\$255 billion USD) and operating profit was KRW 43.6 trillion (~\$33 billion USD) — a 13.1% consolidated operating margin. Table 1 lays out the Q4 2025 segment breakdown at all-time-high consolidated levels; Table 2 lays out the full-year FY2025 mix.

**Table 1 — Samsung Electronics Q4 2025 revenue and operating profit by segment (KRW trillions)**

Segment	Q4 rev (KRW T)	Q4 rev (USD B)	Q4 OP (KRW T)	OP margin	Institute note
Device Solutions (DS — semiconductor)	44.0	~\$34	16.4	37%	Memory business set all-time-high quarterly revenue and operating profit. HBM plus DDR5 plus enterprise SSDs. Foundry ramping 2nm.
Mobile eXperience (MX) + Networks	29.3	~\$22	1.9	6.5%	Galaxy flagship + tablets + wearables + Networks. Q4 down QoQ on new-model launch normalization. Galaxy S26 with Agentic AI launching Q1 2026.
Visual Display (VD) + Digital Appliances (DA)	14.8	~\$11	(0.6)	n/m	TVs plus home appliances. Q4 operating loss on competitive pressure and DA seasonality. VD premium Neo QLED and OLED holding share.
Samsung Display (SDC)	9.5	~\$7	2.0	21%	Small & medium OLED for smartphones, IT and auto. Large-display QD-OLED premium. Solid Q4 on year-end demand and IT/auto expansion.
Harman	4.6	~\$3.5	0.3	6.5%	Automotive audio + digital cockpit + consumer audio. European OEM supply expansion. New portable and TWS models.
Samsung Electronics consolidated (Q4 2025)	93.8	~\$71	20.1	21.4%	All-time-high consolidated quarterly revenue and all-time-high consolidated quarterly operating profit. Both driven by DS memory strength.

**Source.** Samsung Electronics 2025 Q4 Earnings Presentation, Samsung Global Newsroom press release dated January 29, 2026. Consolidated total does not sum to segment sum due to intercompany eliminations. Segment margins computed by dividing segment operating profit by segment revenue.

**Table 2 — Samsung Electronics FY2025 headline financials**

Line item	FY2025 (KRW trillion)	USD equivalent	Institute note
Revenue	333.6	~\$255B	Above pre-pandemic peak; DS-driven strength through H2.
Operating profit	43.6	~\$33B	13.1% consolidated operating margin; H2 significantly stronger than H1.
R&D investment	37.7	~\$29B	Full-year record. Approximately 11.3% of revenue — among the highest R&D intensities of any global-scale hardware company.
Q4 2025 revenue (record)	93.8	~\$71B	Highest-ever consolidated quarterly revenue in Samsung history.
Q4 2025 operating profit (record)	20.1	~\$15B	All-time-high quarterly operating profit; Memory business set records within DS.
KOSPI weighting (illustrative)	n/a	~40%	Samsung Electronics is roughly 40% of the KOSPI by market cap — systemically important to the Korean equity market.

**Source.** Samsung Electronics 2025 Q4 Earnings Presentation, Samsung Global Newsroom press release dated January 29, 2026. USD conversions at approximately 1,310 KRW/USD (illustrative average for FY2025); readers should apply the exchange rate appropriate to their own analytical convention.

**What Tables 1 and 2 say in one paragraph.** Device Solutions is 47% of Q4 revenue and 82% of Q4 operating profit. Within DS, the memory business set records driven by HBM and DDR5 pricing in the AI cycle. Every other segment is a supporting portfolio of durable operating businesses that individually would rank as strong standalone companies but which the market prices as a mix add-on to the semiconductor engine. This is a structurally similar concentration to

LVMH's F&LG-plus-portfolio model — one dominant profit engine plus a scarce-asset portfolio around it — but in Samsung's case the dominant engine is memory-DRAM, not luxury handbags. The practitioner takeaway: Samsung is a memory-semiconductor compounder with a durable consumer-electronics portfolio around it, and the AI-driven demand cycle beginning in 2024 through 2026 is the biggest tailwind the memory business has seen in a decade. The all-time-high Q4 2025 numbers are the empirical proof.

## Chaebol structure, systemic weight, and why Samsung is Korea Inc.

A practitioner reader working on Samsung from outside Korea needs to internalize three facts about the Korean corporate landscape before any specific analysis lands correctly. First, Samsung is a **chaebol** — the Korean term for a family-controlled industrial conglomerate whose operating businesses are held through a network of cross-shareholding and interlocking directorates. Chaebol structures have no clean Western analog. They are not simple holding companies (like Berkshire Hathaway or LVMH). They are not diversified industrials (like GE was or Siemens is). They are family-controlled industrial groups whose control is exercised through a specific pattern of insurance-holding-industrial cross-ownership that Korean regulators have spent decades trying to unwind and that Korean politicians have spent decades treating as both a source of national industrial competitiveness and a source of governance risk. The Samsung Group operates across Samsung Electronics (technology), Samsung Life Insurance (financial services), Samsung C&T (construction, trading, fashion, resorts), Samsung Biologics (biotechnology), Samsung SDS (IT services), Samsung Heavy Industries (shipbuilding), Samsung Fire & Marine Insurance, Samsung Securities, and dozens of other operating subsidiaries. The Lee family controls the group through Samsung C&T; Samsung C&T's role is analytically parallel to Financière Agache's role in the LVMH architecture, though the corporate form (a listed Korean joint stock company) and the regulatory context (Korean Financial Services Commission and Korea Fair Trade Commission oversight) are entirely different.

Second, Samsung Electronics is **systemically important to the Korean economy and the Korean stock market** in a way that no single Western company approaches. Samsung Electronics accounts for approximately 40% of the KOSPI index by market capitalization. Roughly 30% of Korean exports are attributable to Samsung Group. Semiconductor exports (dominated by Samsung and SK Hynix) are the single largest category of Korean goods exports. When the memory-semiconductor cycle turns, the Korean current account turns; when Samsung Electronics has a bad quarter, the Korean equity market has a bad quarter. This systemic weight means every governance question involving Samsung — from the 2015 Samsung C&T merger to Chairman Lee Jae-yong's 2022 pardon to the ongoing Fair Trade Commission pressure on cross-shareholding — is not just a corporate question but a national-industrial-policy question. The Korean state has strong preferences on the outcome. Those preferences are relevant to any practitioner analysis.

Third, the Korean tax and estate-planning environment is **materially more punitive on ultra-wealthy family transfers than any Western jurisdiction the practitioner reader is likely to be familiar with**. Korean inheritance tax rates run 10% up to KRW 100 million, then step through progressive brackets to 50% above KRW 3 billion. A 20% surcharge applies to shares of controlling shareholders in listed companies — producing an effective 60% top marginal rate on the transfer of controlling stakes. Only Japan (55% top rate before technical surcharges) approaches this level. The United States estate tax (40% flat above the exclusion), the French régime successoral (up to 45% direct line, but reduced ~75% under Pacte Dutreil for qualifying family-business shares), the United Kingdom (40% flat above the nil-rate band, reduced under Business Property Relief for qualifying private-business shares), and India (zero — abolished 1985) all sit materially below Korea's rate structure. The 60% effective rate is what made the Lee family's KRW 12 trillion tax bill so large. It is also what made the family's response — the six-year installment plan, the art donation, the dividend-and-loan financing strategy, the targeted equity sales — so architecturally interesting. A practitioner reader working on any family with cross-border Korea exposure needs to understand these mechanics cold.

**The Korean-context frame in one paragraph.** Samsung is a chaebol. Chaebols are family-controlled Korean industrial groups with insurance-holding-industrial cross-ownership. Samsung Electronics is roughly 40% of the KOSPI and roughly 30% of Korean exports — systemically important to the country. Korean inheritance tax at 50-60% top marginal rate is the highest in the developed world outside Japan. Every one of those facts shapes how the Lee family thinks about control, succession, and capital allocation, and every one shows up somewhere in the sections below.

## How the market prices Samsung Electronics against its structural peers

Samsung Electronics sits at the intersection of four peer groups, none of which fully captures the whole company: **memory semiconductors** (SK Hynix and Micron are the two direct comparables), **advanced foundry** (TSMC is the dominant peer with Intel Foundry Services trailing), **smartphones** (Apple is the dominant peer with Xiaomi and OPPO trailing), and **displays** (LG Display is the primary peer with BOE and TCL CSOT as increasingly large Chinese competitors). No single peer approximates Samsung's diversified structure. The result is a persistent conglomerate discount: Samsung has historically traded at a materially lower EV/EBITDA and P/E multiple than either TSMC or Apple despite generating comparable absolute profit dollars.

**Table 3 — Illustrative peer valuation snapshot (mid-2026 approximation)**

Company	Primary business	EV/EBITDA (fwd)	P/E (fwd)	Institute note
Samsung Electronics	Memory + foundry + mobile + display	~5-7x	~11-14x	Conglomerate discount persistent. Chaebol cross-holding governance overhang.
TSMC	Foundry (pure play)	~14-18x	~22-28x	Pure-play premium. Systemically important to Taiwan and to the AI supply chain.
SK Hynix	Memory (DRAM + NAND)	~5-7x	~10-13x	Direct memory peer. HBM leadership through 2024-2025 lifted multiple above Samsung.
Micron	Memory (DRAM + NAND)	~5-7x	~11-14x	US-domiciled memory peer. Geopolitical bid from CHIPS Act positioning.
Apple	Consumer devices + services	~20-25x	~28-34x	Services-multiple; vertically integrated hardware-plus-ecosystem.
LG Display	Displays (OLED + LCD)	~4-6x	n/m	Structural competitive pressure from Chinese panel makers.

**Method.** Multiples are illustrative mid-2026 approximations for practitioner framing. Readers should apply live multiples for specific analysis. The Institute is a publisher, not an investment adviser; nothing here is investment advice.

A sum-of-parts (SOTP) analysis that values the memory business at SK Hynix multiples, the foundry business at TSMC multiples, the mobile business at Apple-adjacent multiples, and the display business at LG Display multiples typically produces an intrinsic value 30-60% above the consolidated trading value. That gap is the conglomerate discount, and it is durable because the market prices in three structural frictions: governance overhang from chaebol cross-shareholding pressure, family-control discount reflecting concern about Lee family prioritizing control preservation over minority-shareholder value maximization, and informational opacity that comes with a family-controlled conglomerate in a jurisdiction with different disclosure norms.

**The valuation frame in one paragraph.** The SOTP-versus-consolidated gap is the price the market charges for the durability of Lee family control. When a practitioner reader is evaluating

Samsung as a case study in family-controlled compounding, that structural discount is a feature, not a bug.

## **Memory, foundry, and System LSI — where the earnings come from**

The Device Solutions (DS) division generated 82% of consolidated Q4 2025 operating profit. Within DS, the Memory business is the primary earnings driver, the Foundry business is the strategic growth vehicle, and System LSI is the technology-adjacency portfolio. Each has its own cycle, its own competitive dynamic, and its own capital-allocation logic.

**The Memory business overview.** Samsung is the world's largest DRAM producer and the world's largest NAND producer — positions held for approximately three decades. The memory business is structurally cyclical: supply (fab capacity) is added in discrete steps of billions of dollars while demand fluctuates continuously with end-market strength. Historical cycle amplitude has run from operating losses in trough quarters (Samsung reported memory losses in Q1 2023) to operating margins above 50% in peak quarters. Within Memory, three product families have materially different dynamics and a practitioner reader should hold them separately.

**HBM (high-bandwidth memory) — the AI-tailwind premium product.** HBM is the specific DRAM architecture required for AI training and inference workloads at NVIDIA GPU scale, produced by stacking DRAM dies and bonding them to a base die with through-silicon vias. HBM commands roughly a 5-8x price premium per bit versus commodity DRAM, and the segment's economics are captured almost entirely by three producers: SK Hynix (which pulled ahead in HBM3E deliveries to NVIDIA through 2024), Samsung, and Micron. Samsung's Q4 2025 results were driven principally by the volume ramp of HBM3E into hyperscaler workloads plus lower-mix HBM4 sampling. Samsung's stated 2026 strategy is to reestablish leadership in the high-end HBM market by delivering HBM4 at industry-leading 11.7 Gbps performance, addressing the specific competitive vulnerability where SK Hynix moved ahead in HBM3E deliveries. This is the tightest race in the memory business through FY2026.

**DDR5 (server and PC DRAM) — the commodity uplift from the AI-server refresh cycle.** DDR5 is the current-generation DRAM standard for servers, PCs, and mobile applications. Its price and volume dynamics are materially different from HBM: DDR5 is a broader commodity market where Samsung competes with SK Hynix, Micron, and Chinese producers (Changxin Memory Technologies, YMTC), with pricing driven by end-market demand rather than AI-specific supply constraints. The AI server refresh cycle beginning in 2024 pulled DDR5 pricing upward as hyperscalers required more DRAM per server for AI workloads, giving Samsung and the memory industry a meaningful uplift into 2025. Q4 2025 DDR5 dynamics contributed materially to Samsung's memory record but with narrower margin than HBM.

**NAND (flash storage) — a materially different cycle.** NAND is the non-volatile storage in every SSD, phone, and enterprise storage tier — economically distinct from DRAM. The NAND cycle troughed materially in 2023-2024 (enterprise SSD demand was weak while consumer SSD pricing was under pressure from Chinese producers). Recovery through 2025 has been driven by AI-related enterprise SSD demand (the specific product Samsung has emphasized: high-performance TLC-based Key Value SSDs for AI inference workloads). Samsung's Xi'an fab (~40% of global Samsung NAND capacity) sits in the middle of US-China export-control friction and its VEU exemption is the material regulatory question described in Section 6. NAND is a longer, slower recovery than HBM but a real one, and it will contribute to memory profitability through FY2026 and FY2027.

**The Foundry business** manufactures logic chips on contract for other semiconductor designers (Qualcomm, MediaTek, Tesla, internal Samsung LSI). TSMC is the dominant global foundry with approximately 60% share at leading-edge nodes; Samsung Foundry is the second-place competitor with roughly 10-15% share; Intel Foundry Services and China's SMIC are trailing. Samsung Foundry commenced mass production of first-generation 2nm processes in Q4 2025 and began shipments of 4nm HBM base-die products — positioning that, if it holds, closes a portion of the leadership gap to TSMC. Foundry economics are capital-intensity-driven: leading-edge fabs cost \$15-25 billion each and utilization must run above ~80% to earn attractive returns.

**The System LSI business** designs application processors (Exynos smartphone chips, image sensors, specialized SoCs). Economics are more like Apple Silicon's than like Qualcomm's — Exynos processors are largely captive to Samsung's own smartphones, and Samsung's image sensors compete with Sony in a duopoly for smartphone camera modules. Image sensor revenue grew in Q4 2025 on new 200MP and 50MP big-pixel products; System LSI overall declined in Q4 on seasonal demand softness.

**The semiconductor frame in one paragraph.** Memory (cyclical, HBM tailwind through 2026), Foundry (strategic growth, closing gap to TSMC at 2nm), System LSI (technology-adjacency portfolio). Q4 2025 all-time-high results were driven by Memory. The multi-year thesis is HBM4 leadership plus 2nm foundry share gains plus stable System LSI. The bear case is memory cycle turning, HBM4 execution missing, and Foundry share stalling.

## **Korea, Vietnam, Texas, and the country-of-origin architecture**

Samsung operates one of the largest and most geographically distributed manufacturing footprints of any technology company. Country choices reflect a deliberate architecture: **Korea for the highest-value-added and most technology-sensitive production** (leading-edge memory fabs at Pyeongtaek, Hwaseong, Giheung; leading-edge foundry at Pyeongtaek and Hwaseong; premium display at Asan); **Vietnam for smartphone assembly and consumer electronics volume** (Bac Ninh and Thai Nguyen produce roughly half of Samsung's global smartphone volume); **Texas for**

**US-market foundry capacity** (\$17B Taylor foundry fab, CHIPS Act supported, high-volume ramp beginning 2026); **China for legacy fabs and specific memory production** (Xi'an NAND fab, ongoing US export-control friction); **India for domestic-market smartphone and appliance assembly** (Noida, Chennai); and **smaller assembly and packaging sites across Latin America, Eastern Europe, and Southeast Asia**.

The strategic logic behind this footprint mirrors LVMH's country-of-origin architecture with three specific inversions. First, where LVMH concentrates production in France, Italy, Spain, and Switzerland to preserve country-of-origin brand equity, Samsung disperses production to optimize labor cost, market access, and tariff exposure. Second, where LVMH's US exposure is import-driven, Samsung's US exposure is increasingly production-driven (the Taylor foundry positions Samsung as an on-shore US supplier under the CHIPS Act framework). Third, where LVMH's Asia production is minimal, Samsung's Asia production is dominant. That architectural difference reflects the different economics of the industries: luxury pays premium for country-of-origin; consumer electronics competes on cost.

Two specific manufacturing decisions matter most. First, the **Taylor, Texas foundry** (announced 2021, groundbreaking 2022, high-volume ramp 2026) is Samsung's response to the CHIPS Act framework and the US-China semiconductor competition. Samsung received approximately \$6.4 billion of CHIPS Act funding for Taylor, contingent on domestic content and disclosure requirements. Second, the **Xi'an NAND fab** in China (approximately 40% of Samsung's global NAND capacity) sits in the middle of US-China export-control friction — specifically the October 2022 and October 2023 rules restricting advanced semiconductor equipment shipments to China. Samsung received a one-year Validated End User (VEU) authorization in October 2023 to continue receiving equipment for Xi'an, subsequently made permanent for existing facilities in October 2024. That regulatory outcome preserved roughly 40% of Samsung's NAND capacity from stranded-asset risk.

**The manufacturing frame in one paragraph.** Samsung's country-of-origin architecture inverts LVMH's: production dispersed for cost and market access, not concentrated for brand equity. Korea holds the leading-edge; Vietnam holds the volume; Texas holds the US-market strategic position; Xi'an holds legacy NAND capacity under a preserved US export-control exemption.

## Operating cash flow, capex, and net cash after uses

Samsung Electronics has two distinctive cash-flow features: (a) capex is enormous and structurally lumpy because leading-edge semiconductor fabs cost \$15-25 billion each and are commissioned in discrete steps; and (b) Samsung has historically maintained one of the largest net cash positions of any listed company globally, giving the balance sheet durability to absorb capex peaks without stressing the operating model.

**Table 4 — Samsung Electronics five-year cash-flow walk (KRW trillions, illustrative)**

Fiscal year	OCF KRW T	USD B	Capex KRW T	FCF KRW T	USD B	Div KRW T	Buyb ack	Net cash
FY2022	62.2	~\$47	(53.1)	9.1	~\$7	(9.8)	(3.0)	(3.7)
FY2023	44.1	~\$34	(53.9)	(9.8)	(~\$7.5 )	(9.8)	0.0	(19.6)
FY2024	65.7	~\$50	(48.9)	16.8	~\$13	(9.8)	(3.0)	4.0
FY2025 actual	78.5	~\$60	(52.0)	26.5	~\$20	(9.8)	(3.0)	13.7
FY2026 e	85.0	~\$65	(55.0)	30.0	~\$23	(9.8)	(3.0)	17.2
Five-ye ar total	335.5	~\$256	(262.9)	72.6	~\$55	(49.0)	(9.0)	+11.6

**Method.** Illustrative reconstruction. FY2022-FY2024 tied to Samsung DART filings and annual reports; FY2025 tied to the January 29, 2026 press release and consistent with reported KRW 43.6T operating profit plus depreciation. FY2026e is directional. Samsung's actual net cash position at year-end FY2025 was approximately KRW 100+ trillion — among the largest of any listed company globally.

**What Table 4 says in one paragraph.** Samsung generates enormous OCF (KRW 44-85 trillion annually, ~\$34-65 billion) but reinvests roughly two-thirds back into capex — the price of maintaining leading-edge memory and foundry positions. The FY2023 free-cash-flow gap (OCF below capex during memory cycle trough) was absorbed by the balance sheet without any strategic capex cut. That is the specific reason Samsung maintains an enormous net cash position of approximately KRW 100 trillion (~\$76 billion USD) at year-end FY2025 — the through-cycle capex-continuation reserve. FY2025's record memory profits produced FY2025's record FCF of KRW 26.5 trillion (~\$20 billion USD).

### Three generations of chaebol builders

Samsung is not a company; it is a family enterprise operating through a listed vehicle. The Lee family's control of Samsung Group spans three generations and 87 years, and every strategic decision traces back to the specific temperament and ambition of the family principal in charge.

**Table 5 — The Lee family across three generations**

Principal	Life dates	Control period	Institute note
Lee Byung-chul (founder)	1910-1987	1938-1987 (49 years)	Founded Samsung Trading Company in Daegu 1938. Built the diversified Samsung Group. Named Kun-hee (third son) as successor over the elder sons.
Lee Kun-hee (father of modern Samsung)	1942-2020	1987-2020 (33 years)	1993 Frankfurt Declaration reset Samsung's quality culture. Drove semiconductor push. Heart attack May 2014; effectively incapacitated until death October 2020.
Lee Jae-yong (current)	1968-	2014-present (operating; formal chair 2022)	Only son of Lee Kun-hee. Assumed operational leadership after father's 2014 heart attack. Formally named Executive Chairman October 2022 following August 2022 presidential pardon.

**Source.** Samsung Group corporate history; Korean business press coverage of successive chairmanship transitions; Lee Kun-hee obituary coverage (October 2020) in the Korea Herald, Korea Times, and Kyunghyang Shinmun.

**Lee Byung-chul** founded Samsung Trading Company in Daegu in March 1938. The original business was noodles, sugar, and dried Korean groceries exported to Manchuria — a modest trading operation that survived the Second World War, the Korean War, and the chaotic 1950s Korean industrialization to become one of Korea's earliest diversified conglomerates. Byung-chul had four sons; he named Kun-hee (the third son) as his successor, bypassing the elder sons in a decision that produced enduring family friction. Byung-chul died November 19, 1987.

**Lee Kun-hee** is the principal figure in Samsung's transformation from Korean electronics manufacturer to global technology champion. In June 1993, at a Samsung executive meeting in Frankfurt, Kun-hee delivered the “Frankfurt Declaration”: “*Change everything except your wife and children.*” The declaration reset Samsung's operating culture around quality, brand, and design — the specific cultural intervention that positioned Samsung to leapfrog Japanese consumer-electronics competitors through the late 1990s and 2000s. Kun-hee's specific strategic decisions included: aggressive memory-semiconductor investment beginning in the 1990s that established Samsung's global DRAM and NAND leadership; the 1993 launch of the Anycall brand of mobile phones that eventually became Samsung Mobile; the 1997-1998 restructuring that survived the Asian financial crisis; the 2007 launch of the Galaxy smartphone line; and the 2012-2013 assertion of the Galaxy against Apple's iPhone. Kun-hee suffered a heart attack in May 2014 and was effectively incapacitated for six years, during which his son Lee Jae-yong assumed operational leadership. Kun-hee died October 25, 2020, leaving an estate valued at approximately KRW 26 trillion (~\$20 billion USD). The inheritance-tax event that follows is the case's central

practitioner story.

**Lee Jae-yong**, born June 23, 1968, is the current Executive Chairman of Samsung Electronics. His formal titles shifted with the family's control-preservation strategy: Vice Chairman of Samsung Electronics from 2012; effective operational head from 2014 after his father's incapacitation; formally named Executive Chairman October 27, 2022 following the August 12, 2022 presidential pardon. His three sisters — Lee Boo-jin (born 1970, President of Hotel Shilla), Lee Seo-hyun (born 1973, Chair of Samsung Welfare Foundation), and Lee Yoon-hyung (1979-2005, died) — hold operating and philanthropic roles. The family's mother, Hong Ra-hee (born 1945), is a significant art collector and served as director of Samsung's Leeum art museum; she has been publicly credited with the strategic thinking behind the Lee Kun-hee Collection donation described in Section 11.

**The biography frame in one paragraph.** Byung-chul founded Samsung in 1938 and made Kun-hee the successor. Kun-hee transformed Samsung into a global champion between 1987 and his 2014 heart attack. Jae-yong is the current operator and third-generation family principal, formally chair since October 2022. Three generations produced three strategic postures: Byung-chul's diversified Korean industrialization, Kun-hee's global-quality reset around semiconductors and mobile, and Jae-yong's control-preservation-through-inheritance framework. This case is the story of that third generation.

## The largest inheritance-tax event in world history, walked end-to-end

Lee Kun-hee died October 25, 2020, at Samsung Medical Center in Seoul at age 78. His estate was valued at approximately **KRW 26 trillion (~\$20 billion USD)** based on the closing price of the underlying shares on the date of death and the appraised value of real estate and personal property, including the art collection. The Korean National Tax Service (NTS) assessed the inheritance tax bill at **KRW 12 trillion (~\$8-11 billion USD depending on the exchange rate at each installment)** — the largest inheritance tax bill in Korean history, and by a substantial margin the largest inheritance tax bill assessed against any single family in world history. To put the scale in practitioner terms: the KRW 12 trillion bill was approximately 50% of the entire Korean national inheritance-tax revenue for 2024.

The estate composition was dominated by shares of Samsung Group companies. Kun-hee's direct holdings at death included: approximately 4.18% of Samsung Electronics common stock, approximately 0.08% of Samsung Electronics preferred stock, approximately 20.76% of Samsung Life Insurance, approximately 2.88% of Samsung C&T, and approximately 0.01% of Samsung SDS. He also held personal real estate holdings including several residential properties in Seoul (Hannam-dong and Itaewon-dong), a compound in Yongin (south of Seoul), and additional properties. The most publicly celebrated component was **his private art collection: approximately 23,000 works, subsequently valued at approximately KRW 3 trillion (~\$2.3**

billions USD) based on appraisals conducted in 2020-2021 by Korean and international art specialists.

**Table 6 — Estimated composition of the Lee Kun-hee estate at October 25, 2020**

Component	Approx. value (KRW T)	USD equiv.	Institute note
Samsung Electronics common shares (~4.18%)	15.0	~\$12B	The dominant estate component. Valued at closing price on date of death.
Samsung Life Insurance (~20.76%)	2.7	~\$2.1B	The controlling stake in the group's insurance keystone.
Samsung C&T (~2.88%)	0.6	~\$0.5B	Modest direct stake in the group holding entity.
Samsung Electronics preferred (~0.08%)	0.3	~\$0.2B	Preferred-share holding.
Samsung SDS (~0.01%)	0.05	~\$0.04B	De minimis IT-services stake.
Art collection (23,000 works)	3.0	~\$2.3B	Modern and historical Korean, Chinese, Japanese, and Western art. Includes national treasures.
Real estate (residential + compound)	2.5	~\$1.9B	Hannam-dong, Itaewon-dong, Yongin, and additional Korean properties.
Cash and other	2.4	~\$1.9B	Bank deposits, securities, personal effects.
Estimated total estate	~26.0	~\$20B	Basis for the KRW 12T inheritance-tax assessment at approximately 50-60% effective rate.

**Method.** Illustrative reconstruction based on Korean business press coverage (Korea Herald, Kyunghyang Shinmun, Digital Today, Korea Times), Samsung Group disclosures on ownership changes, and Korean Ministry of Culture, Sports and Tourism announcements of the Lee Kun-hee Collection donation. Individual line values are approximate; the KRW 26T total is the widely-reported public figure.

The Korean National Tax Service applied Korean inheritance tax rates to arrive at the KRW 12 trillion bill. Korean inheritance tax structure has three key features that shaped the outcome. First,

the **progressive rate structure** steps from 10% at the lowest bracket up to 50% for amounts above KRW 3 billion — meaning the top marginal rate applies to essentially the entire Lee estate. Second, the **controlling shareholder surcharge** adds 20% to the tax on transfers of shares in listed companies where the deceased was part of the controlling shareholder group — producing a 60% effective top marginal rate on the Samsung Electronics and Samsung Life shares. Third, the **art-donation reduction** (Article 88-2 of the Inheritance Tax and Gift Tax Act) permits the value of donated cultural properties to be excluded from the taxable estate under specific conditions. Applying these three provisions to the KRW 26 trillion estate produces roughly the KRW 12 trillion bill that was actually assessed. The specific mechanics of the art donation reduction — how it worked, how much it saved, and why it is one of the most sophisticated tax-optimization tools available in Korean estate planning — are the subject of Section 11.

**The estate frame in one paragraph.** KRW 26 trillion estate. KRW 12 trillion tax bill. 50% of Korea's entire 2024 national inheritance-tax revenue. Dominated by Samsung Electronics shares plus a \$2.3B art collection plus \$1.9B of Seoul real estate. Every practitioner reader working on a nine-figure or ten-figure estate needs to hold those numbers firmly in mind before reading Section 10 — because Section 10 walks how the family paid a bill that size without losing control.

## How the Lee family paid KRW 12 trillion and kept control

Korean inheritance tax must be paid within six months of death by default. For a tax bill of this size, that would have required immediate liquidation of a substantial portion of the Samsung Electronics stake — an outcome that would have simultaneously depressed the Samsung Electronics share price (destroying value for all shareholders including the Lee family) and potentially transferred a controlling share to institutional buyers. The Korean tax code anticipates this problem for extreme-scale estates and permits a **five-year installment payment program** (the initial 1/6 of the tax paid at filing, plus five annual installments over the following five years) subject to interest accrual and specific security requirements. The Lee family elected the installment program at filing in April 2021 (initial payment of approximately KRW 2 trillion, or ~\$1.7 billion USD), producing a six-tranche payment schedule that ran from April 2021 through May 2026.

**Table 7 — The Lee family six-tranche inheritance-tax payment schedule**

Tranche	Payment date	KRW T	USD equiv.	Institute note
Tranche 1	April 2021	~2.0	~\$1.7B	Initial payment at filing. Financed by dividend income and personal loans secured against Samsung Electronics shares.
Tranche 2	April 2022	~2.0	~\$1.7B	Financed principally by dividend income and continued personal loans.
Tranche 3	April 2023	~2.0	~\$1.6B	Financed by dividend income; targeted equity sales including Samsung SDS shares.
Tranche 4	April 2024	~2.0	~\$1.5B	Additional Samsung SDS and Samsung Life share sales; continued dividend financing.
Tranche 5	April 2025	~2.0	~\$1.5B	Additional loan drawdowns; some sister-family Samsung Electronics share sales.
Tranche 6 (final)	May 2026	~2.0	~\$1.5B	Final payment. Completes the six-year installment program.
Total paid	April 2021 - May 2026	~12.0	~\$9.5B	Largest inheritance tax settlement in Korean history. ~50% of Korea's 2024 total national inheritance-tax revenue. USD-equivalent totals vary depending on tranche-by-tranche exchange rate; ~\$9.5B is a midpoint estimate.

**Source.** Korea Herald and Kyunghyang Shinmun coverage of the payment milestones; Digital Today coverage of the May 2026 completion; Samsung Group disclosures on family ownership changes throughout the installment period. Individual tranche amounts are approximate; total KRW 12T is the widely-reported public figure.

The specific financing strategy the Lee family used is the practitioner-grade insight of the section. Rather than immediately selling large blocks of Samsung Electronics shares — the obvious brute-force approach — the family adopted a three-pronged financing plan that preserved control of the core operating vehicle while meeting the six-year cash need. First, **Samsung Electronics dividends** at KRW 9.8 trillion annual total group dividend produced ordinary-course cash flow into the family holdings. The specific dividend policy Samsung Electronics adopted in 2021 — the special dividend that year plus the KRW 361 per share regular dividend cadence — was materially more shareholder-friendly than Samsung's historic pattern and, by public disclosure, was calibrated in part to support the Lee family's need for tax-payment cash flow. Second, **personal loans** from Korean commercial banks and international private banks, secured against the family's Samsung

Electronics and Samsung C&T shareholdings, financed a substantial portion of the tax payments. Loans against controlling-shareholder equity are the specific instrument the family used to avoid share sales while extracting cash. Third, **targeted equity sales** in non-core holdings — specifically Samsung SDS shares and a portion of Samsung Life Insurance shares — provided incremental liquidity. Notably, Lee Jae-yong himself did **not** significantly reduce his direct Samsung Electronics stake during the installment period; the marginal share sales were concentrated in his sisters' holdings and in the mother's Hong Ra-hee holdings.

**Table 7b — The three levers the Lee family pulled to preserve control (the “how they did it” playbook)**

Lever	Mechanic	Size / impact	Why it worked
1. Art collection donation Reduce the base	Donated 23,000 works from Lee Kun-hee's collection to the National Museum of Korea and the National Museum of Modern and Contemporary Art under Article 88-2 of the Korean Inheritance Tax and Gift Tax Act, which permits donated cultural properties to be excluded from the taxable estate.	KRW 3 trillion (~\$2.3B) collection value excluded from base. Tax savings ~KRW 1.5-1.8 trillion (~\$1.1-1.4B) at the effective 50-60% top marginal rate.	The family gave up KRW 3T of art they were not going to sell anyway (Korean cultural-property export restrictions would have made monetization complex). They received a nine-figure tax reduction plus the soft-power capital of being the founding donor to the National Museum of Korea's foundational modern collection.
2. Six-year installments financed by dividends + loans Stretch and finance the balance	Elected the Korean tax code's five-year installment option (initial payment at filing plus five annual installments). Financed each tranche principally through Samsung Electronics dividend flows and personal loans from Korean commercial banks and international private banks, secured against the family's Samsung Electronics and Samsung C&T shareholdings.	Six tranches of ~KRW 2 trillion (~\$1.5-1.7B) each, April 2021 through May 2026. Total KRW 12 trillion (~\$8-11B). Samsung Electronics dividend flow: KRW 9.8T annual group dividend.	Preserved the Samsung Electronics stake intact rather than forced-selling shares at market. Loans against controlling-shareholder equity are the specific instrument that allows extracting cash without triggering share sales. Interest cost was material but far less costly than losing operating control.

Lever	Mechanic	Size / impact	Why it worked
3. Targeted equity liquidations Sell the non-core, protect the core	Marginal share sales concentrated in non-core group holdings — Samsung SDS (IT services), portions of Samsung Life Insurance, and some Chairman Lee's sisters' and mother Hong Ra-hee's individual holdings across the group. Chairman Lee Jae-yong's direct Samsung Electronics stake was not significantly reduced.	Modest individual sales (under KRW 1T per year cumulatively). Sisters' and mother's stakes reduced. Chairman Lee's Samsung Electronics common stake actually increased from 0.70% to 1.67% through Lee Kun-hee's estate distribution.	Non-core holdings were tapped first; the operating-vehicle keystone was protected. The estate distribution was structured to concentrate Chairman Lee's controlling-shareholder positions in Samsung Electronics, Samsung C&T, and Samsung Life Insurance. Net effect: paid KRW 12T tax and consolidated control simultaneously.
Outcome	Three levers combined delivered a control-preservation outcome that no other family transition on this scale has achieved.	KRW 12T paid. Estate settled. Chairman Lee's stakes up across three core entities.	Largest inheritance tax event in world history, walked without a share-price dislocation, without losing operating control, and with the fourth-generation family principal in a materially stronger position than the founder had planned.

**Method.** Playbook reconstruction from Korean National Tax Service filings, Samsung Group ownership disclosures, Korea Herald and Kyunghyang Shinmun coverage of the May 2026 payment completion, and the specific provisions of the Korean Inheritance Tax and Gift Tax Act Article 88-2 (art donation exclusion) and installment-payment provisions.

The outcome, disclosed publicly through Samsung Group ownership filings in Korea, is that Chairman Lee Jae-yong emerged from the six-year installment plan with materially **strengthened** ownership positions across the core holding entities, not weakened ones. Samsung Electronics common: 1.67% (up from 0.70% pre-inheritance). Samsung C&T: 22.01% (up from 17.48% pre-inheritance). Samsung Life Insurance: 10.44% (up from 0.06% pre-inheritance). The mechanism was straightforward: as the estate was distributed and the tax was paid over six years, Chairman Lee received the disproportionate share of the controlling-shareholder blocks from his father's estate, while the sisters and mother received other components (art collection interests, real estate, minority stakes in non-core group companies). The net effect: the family preserved control of the operating group and simultaneously consolidated Chairman Lee's specific position at the top

of the holding chain. That is the practitioner insight of Section 10.

**The installment-plan frame in one paragraph.** Six-year installment plan under Korean tax code. Financed principally by dividends and personal loans against controlling-shareholder equity, plus targeted sales of non-core Samsung SDS and Samsung Life shares. Chairman Lee's direct positions in Samsung Electronics, Samsung C&T, and Samsung Life all *increased* during the payment period. The family paid the largest inheritance tax bill in world history and emerged with tighter control of the operating group than before. That is the case's most important practitioner insight and the reason every high-tax-jurisdiction succession advisor needs this memo on the shelf.

#### THE MONEY SHOT · CHAIRMAN LEE'S STAKES POST-INHERITANCE

1.67%

Samsung Electronics

up from 0.70%

22.01%

Samsung C&T

up from 17.48%

10.44%

Samsung Life Insurance

up from 0.06%

Chairman Lee Jae-yong paid the largest inheritance tax bill in world history and emerged with materially **stronger** control positions across all three core holding entities. This is the case's single most consequential data point.

### **23,000 works to the Korean state and the specific tax provisions that made it work**

In April 2021, coincident with the filing of the initial inheritance-tax return, the Lee family announced the donation of **approximately 23,000 works of art from Lee Kun-hee's private collection to Korean state cultural institutions**. The collection was valued at approximately **KRW 3 trillion (~\$2.3 billion USD)** based on appraisals conducted for the inheritance filing. The donation was made principally to the National Museum of Korea (which received the majority of the pre-modern Korean works, including national treasures) and the National Museum of Modern and Contemporary Art (which received the majority of the modern and contemporary works, including significant holdings of Korean modernism and Western modernism). Additional works

were distributed to regional Korean museums, cultural foundations, and academic institutions.

The collection was extraordinary by any global museum standard. It included 14 designated National Treasures of Korea (the highest cultural-property classification under Korean law), 46 designated Treasures, and works by major Korean and international artists spanning approximately 1,500 years. Notable holdings included works by Jeong Seon (18th-century Korean landscape master), Kim Hong-do (18th-century Korean genre-painting master), Claude Monet, Marc Chagall, Pablo Picasso, Salvador Dalí, Paul Gauguin, Camille Pissarro, Joan Miró, Alexander Calder, and Mark Rothko. The Lee Kun-hee Collection is now recognized as one of the most significant single art donations to a national state in the modern era, comparable in cultural weight (though smaller in monetary value) to the Rockefeller donations that founded the Museum of Modern Art or the Kress bequest that transformed the National Gallery in Washington.

The tax provision that made the donation a viable strategy is **Article 88-2 of the Korean Inheritance Tax and Gift Tax Act**, which provides that certain donations of cultural properties made to state-approved institutions in the ordinary course of inheritance can be excluded from the taxable estate. The specific mechanics require the property to be recognized as culturally significant under Korean cultural-property law, to be donated to a qualified state-approved recipient, and to be transferred within specific timing windows relative to the death and the filing. The Lee family's donation met all three requirements, and the practical effect was to reduce the taxable estate by approximately KRW 3 trillion — producing tax savings at the effective 50-60% marginal rate of approximately KRW 1.5-1.8 trillion (~\$1.1-1.4 billion USD). On a straight tax-optimization basis, the donation was a highly efficient use of the collection: the family gave up KRW 3 trillion of art it was not going to sell anyway (Korean cultural-property export restrictions would have made monetization complex) in exchange for KRW 1.5-1.8 trillion of tax savings, an enormous positive cultural externality, and the specific soft-power currency of being the family that gave the National Museum of Korea its foundational modern collection.

**The art donation frame in one paragraph.** KRW 3 trillion in art, 23,000 works, donated principally to the National Museum of Korea and the National Museum of Modern and Contemporary Art. Article 88-2 of the Korean Inheritance Tax Act permitted the donation to reduce the taxable estate by approximately the collection's value — producing tax savings of KRW 1.5-1.8 trillion at the effective 50-60% top marginal rate. The parallel to Western estate-planning tools is the U.S. charitable-deduction strategy or the U.K. Cultural Gifts Scheme, but Korean Article 88-2 has specific features (particularly around cultural-property designation and state-approved recipients) that make it a specialized instrument. Every practitioner reader working on a family with substantial cultural-property holdings should understand the mechanics.

## **The transaction that consolidated Chairman Lee's control ahead of the succession**

The single most consequential transaction in the Samsung Group's recent governance history is the July 2015 merger between **Samsung C&T Corporation** (the group's construction, trading, fashion, and resorts business, listed on the KRX) and **Cheil Industries** (the group's holding vehicle at the time, listed on the KRX). The two companies were combined into a single entity retaining the Samsung C&T name, at an exchange ratio of approximately 0.35 Cheil Industries shares for each Samsung C&T share — a ratio that valued Cheil substantially higher than Samsung C&T on a per-share basis. The Lee family, and specifically Chairman-designate Lee Jae-yong, held a materially larger economic interest in Cheil Industries than in Samsung C&T at the time of the merger. The economic consequence was that the merged Samsung C&T — the newly consolidated holding entity through which the Lee family exercised control of Samsung Electronics via Samsung Life Insurance — came under materially tighter Lee-family ownership.

The merger was controversial from the moment it was announced. The US activist hedge fund Elliott Management (Paul Singer), which had accumulated a 7.12% stake in Samsung C&T, opposed the merger on the grounds that the exchange ratio undervalued Samsung C&T shareholders and disproportionately benefited the Lee family. Elliott sued in Korean court seeking to block the merger; the litigation went through multiple appeals. The merger was ultimately approved by a Samsung C&T shareholder vote in July 2015 — a vote in which the Korean National Pension Service (NPS), the largest single shareholder of Samsung C&T at approximately 11%, cast its votes in favor of the merger. That NPS vote was subsequently the subject of a Korean criminal investigation that produced the conviction of the former NPS chairman for having pressured pension staff to vote in favor at the direction of the Park Geun-hye administration — the specific corruption case that eventually implicated Chairman Lee.

The practitioner insight is that the 2015 merger was the specific transaction that positioned Chairman Lee Jae-yong to survive his father's declining health and eventual death without losing control of the group. Prior to the merger, the Lee family's control chain ran: family → Cheil Industries → Samsung Life Insurance → Samsung Electronics. After the merger, the chain ran: family → merged Samsung C&T → Samsung Life Insurance → Samsung Electronics. Chairman Lee's personal economic stake in the top holding entity rose materially. When Kun-hee's estate was distributed six years later, the merged Samsung C&T was the specific entity through which the succession consolidated. Without the 2015 merger, the six-year installment plan described in Section 10 would have been architecturally more difficult and Chairman Lee's post-inheritance ownership positions would have been materially weaker. That is why the 2015 merger is the case's most important governance transaction.

**The 2015 merger frame in one paragraph.** The July 2015 merger of Samsung C&T + Cheil Industries at a 0.35 exchange ratio consolidated Chairman Lee Jae-yong's stake in the group's holding entity ahead of his father's declining health. It was opposed by Elliott Management on undervaluation grounds and enabled by a controversial NPS vote that was later the subject of criminal prosecution. Without this transaction, the 2020-2026 inheritance-tax response described in

Section 10 would have been architecturally more difficult. A practitioner reader working on a family transition should study the merger as a masterclass in ex-ante control consolidation.

## The circular ownership pattern Korean regulators want to unwind

The Samsung Group's holding architecture depends on a specific circular pattern of cross-shareholding among the group's largest listed subsidiaries. Understanding the pattern is essential to understanding both the family's control mechanism and the Korean regulatory pressure that has shaped every strategic decision at the group level for the past decade.

The circular chain runs approximately as follows. **The Lee family, principally through Chairman Lee Jae-yong personally, controls approximately 22% of Samsung C&T** (the merged 2015 entity). **Samsung C&T holds approximately 19.1% of Samsung Life Insurance. Samsung Life Insurance holds approximately 8.5% of Samsung Electronics. Samsung Electronics is the group's principal operating vehicle** and, historically, the group's most valuable listed asset. Additional cross-holdings tie the loop closed: Samsung Life Insurance holds a stake in Samsung C&T (approximately 1.4%), Samsung Electronics itself holds a stake in Samsung Life Insurance through subsidiaries, and Samsung SDS, Samsung Fire & Marine Insurance, and other group companies participate in the network. The specific mathematical consequence is that the Lee family's approximately 22% direct stake in Samsung C&T translates through the cross-holdings into effective voting control over Samsung Electronics that is materially larger than the family's direct economic interest. This is what Korean regulators mean when they talk about the “control-versus-cash-flow-rights wedge” in chaebol structures.

The Korean Fair Trade Commission (KFTC) has, since 2013, pursued regulatory changes designed to reduce or eliminate cross-shareholding. The Monopoly Regulation and Fair Trade Act was amended in 2014 to prohibit new cross-shareholdings within large business groups; existing cross-shareholdings are “grandfathered” but subject to disclosure requirements. Additional regulatory pressure has come from the Financial Services Commission (FSC), which has proposed limiting the ability of insurance companies to hold shares in industrial companies at market value (rather than the historical acquisition cost that current Korean insurance accounting permits). If enforced, that proposal would compel Samsung Life Insurance to reduce its Samsung Electronics stake — unwinding the specific cross-holding at the center of the group's control architecture. The Lee family and Samsung Group have consistently opposed the proposal on capital-preservation grounds; multiple Korean legislative proposals over the past decade have attempted the change with varying degrees of success. As of publication, the historical-acquisition-cost accounting remains in force.

**The chaebol frame in one paragraph.** Family → Samsung C&T → Samsung Life Insurance → Samsung Electronics → back to Samsung C&T. That circular chain is the specific mechanism through which the Lee family exercises voting control materially in excess of its direct economic

interest. Korean regulators have been trying to unwind it for a decade. The specific pressure point is Samsung Life Insurance's ~8.5% Samsung Electronics stake and the accounting-basis question. If it is ever forced to market-value accounting, the family will have to restructure the entire architecture.

## The specific Korean parallel to Financière Agache in the LVMH architecture

Every family-controlled global champion has a specific holding entity that serves as the architectural keystone — the intermediate vehicle through which the family exerts control across a portfolio of operating subsidiaries. For LVMH, that keystone is Financière Agache (French SA since 2018, holding ~97% of Christian Dior SE, which in turn holds ~41% economic and ~57% voting of LVMH SE). For Roche, the keystone is the Hoffmann/Oeri pool held through a series of family holding companies. For Berkshire, the keystone is the specific Class A / Class B share structure combined with Warren Buffett's personal Class A ownership. For Samsung, the keystone is **Samsung Life Insurance**.

Samsung Life Insurance is the largest life insurance company in Korea by assets and by premium volume, and one of the ten largest life insurance companies in the world by AUM. It is listed on the KRX (Korea Composite Stock Price Index) with a market capitalization of approximately KRW 15-20 trillion (~\$11-15 billion USD). It has a straightforward operating business (Korean life insurance, health insurance, and asset management). But its structural role in the Samsung Group is materially larger than its operating business would suggest, because **Samsung Life Insurance owns approximately 8.5% of Samsung Electronics common stock at historical acquisition cost** — a position that today carries a market value of approximately KRW 40-45 trillion (~\$30-35 billion USD), several multiples of Samsung Life Insurance's own market cap. Samsung Life is, functionally, an insurance business plus an enormous Samsung Electronics equity vehicle wrapped inside a Korean life insurance regulatory shell.

Two specific features of the Korean insurance regulatory framework make Samsung Life's role in the group architecture possible. First, Korean insurance accounting historically permits life insurers to hold equity in industrial companies at **historical acquisition cost** rather than mark-to-market. Because Samsung Life acquired its Samsung Electronics stake decades ago at a small fraction of today's market value, the position sits on Samsung Life's balance sheet at a book value materially below its market value. That accounting treatment is what allows Samsung Life to hold a stake several multiples of its own market cap without triggering solvency or capital-ratio problems. Second, the Korean Insurance Business Act permits life insurers to hold up to a specific percentage of a single industrial company's equity, and Samsung Life's 8.5% Samsung Electronics stake sits within that limit at current book value but would exceed it at market value.

The Korean Financial Services Commission has, since approximately 2015, proposed transitioning Korean insurance accounting to market-value treatment for industrial-company holdings. If

enforced, Samsung Life would be required to reduce its Samsung Electronics stake from ~8.5% to a smaller position — forcing sales of tens of billions of dollars of Samsung Electronics shares into the public market and reducing the specific holding through which the Lee family exercises control of Samsung Electronics. The Lee family and Samsung Group have consistently opposed the proposal; multiple Korean legislative proposals over the past decade have attempted the change with varying success. As of publication, the historical-acquisition-cost accounting remains in force, and Samsung Life continues to hold the ~8.5% Samsung Electronics stake as the architectural keystone of the group's control structure.

The parallel to *Financière Agache* is precise. Just as *Financière Agache* is the intermediate holding entity through which the Arnault family exerts control of LVMH via Christian Dior SE, Samsung Life Insurance is the intermediate holding entity through which the Lee family exerts control of Samsung Electronics via Samsung C&T. Just as any restructuring of *Financière Agache* would fundamentally alter the LVMH control architecture, any regulatory change that forced Samsung Life to reduce its Samsung Electronics stake would fundamentally alter the Samsung Group control architecture. Understanding this parallel — and the specific ways the Korean regulatory environment differs from the French — is the single most valuable analytical frame a practitioner reader takes from this memo.

**The specific K-IFRS reform mechanics a practitioner reader should track.** The Korean Financial Services Commission's proposal to transition insurance-company industrial holdings from historical acquisition cost to market value has moved through Korean legislative and regulatory channels multiple times since 2015. The specific rulemaking pathway runs through the FSC's Insurance Business Supervision Regulation and requires either an FSC amendment or a Korean National Assembly legislative amendment to the Insurance Business Act. Multiple Korean parliamentary sessions have introduced amendments; none has passed as of publication. If enacted, the operational mechanics of forced compliance would run approximately as follows: Samsung Life would be required to disclose the mark-to-market value of its Samsung Electronics stake (currently ~\$30-35 billion USD versus historical acquisition cost that sits at a small fraction of that), that mark would then be subject to a specific holding-limit test (historically the 3% single-issuer concentration limit for Korean insurers), Samsung Life would need to reduce its stake below the compliance threshold over a phase-in period (proposals have ranged from 5 to 10 years), and the specific mechanism of the reduction would be either a market sale of the shares (depressing Samsung Electronics equity value by the sale overhang), a distribution-in-kind to Samsung Life shareholders (transferring the shares to Samsung C&T as principal Samsung Life shareholder), or a corporate restructuring that legally separates Samsung Life's operating insurance business from its industrial holdings. Each mechanism produces a different practitioner outcome, and each has been proposed at various times in Korean industry commentary. The specific timing question the practitioner reader should track: whether the FSC uses executive-branch rulemaking (faster) or waits for National Assembly legislation (slower, more politically controlled). As of publication

both paths remain open.

**The keystone frame in one paragraph.** Samsung Life Insurance is to Samsung Group what Financière Agache is to LVMH: the intermediate holding entity through which the controlling family exercises voting control across the operating vehicle. The specific mechanism is Samsung Life's ~8.5% Samsung Electronics stake, held at historical acquisition cost under a Korean insurance accounting rule that has been under regulatory pressure since 2015. The single most important structural question in Samsung Group governance is whether that rule survives. If it doesn't, the Lee family must restructure the architecture. If it does, the current pattern continues indefinitely.

### **Neutral factual record of the corruption trial, conviction, imprisonment, and presidential pardon**

This section presents the factual record of Chairman Lee Jae-yong's legal history from the 2016 investigation through the August 2022 presidential pardon and the October 2022 formal appointment as Executive Chairman. The Institute reports the facts as sourced to Korean court filings, Ministry of Justice press releases, and Korean press coverage; the Institute does not editorialize on the underlying political or judicial questions.

**Table 8 — Chairman Lee's legal history, 2016-2022**

Date	Event	Institute note
November 2016	Investigation opens	Korean special prosecutor begins investigation of Choi Soon-sil influence scandal implicating President Park Geun-hye. Investigation extends to Samsung Group's alleged payments to Choi-affiliated entities.
February 2017	Arrest	Vice Chairman Lee Jae-yong arrested and charged with bribery, embezzlement, hiding assets abroad, and perjury in connection with alleged payments to Choi Soon-sil entities in exchange for support for the 2015 Samsung C&T merger.
August 2017	First conviction	Seoul Central District Court convicts Chairman Lee on five charges and sentences him to five years in prison.
February 2018	Appeal reduces sentence; release	Seoul High Court reduces sentence to 2.5 years suspended for four years; Chairman Lee released from detention.
August 2019	Supreme Court sends case back	Korean Supreme Court sends the case back to the Seoul High Court for reconsideration, ruling that additional payments should be included as bribery.
January 2021	Second conviction and imprisonment	On remand, Seoul High Court convicts Chairman Lee and sentences him to 2.5 years in prison (unsuspended). Chairman Lee returns to detention.
August 2021	Parole	Chairman Lee paroled by Ministry of Justice after serving portion of the sentence.
August 12, 2022	Presidential pardon	President Yoon Suk-yeol grants Chairman Lee a presidential pardon, restoring his full civil rights and eligibility to serve in senior corporate roles. Ministry of Justice press release cites Korean economic-recovery considerations and Chairman Lee's role in Samsung Group.
October 27, 2022	Formal appointment as Executive Chairman	Samsung Electronics Board of Directors formally appoints Chairman Lee as Executive Chairman.

**Source.** Korean court filings (Seoul Central District Court, Seoul High Court, Korean Supreme Court), Ministry of Justice press releases on the parole and pardon, Samsung Electronics disclosures on Board actions, Korean press coverage (Korea Herald, Korea Times, Kyunghyang Shinmun).

The 2016 investigation and subsequent prosecution were part of the broader “Park Geun-hye and Choi Soon-sil scandal” that also produced the impeachment and removal of President Park Geun-hye in March 2017 and the criminal conviction of Choi Soon-sil. The specific allegations

against Chairman Lee involved Samsung Group payments to Choi-affiliated foundations and to a horse-riding training operation associated with Choi's daughter, allegedly in exchange for Park administration support for the 2015 Samsung C&T merger described in Section 12. The subsequent Supreme Court rulings clarified which specific payments constituted bribery under Korean law.

The August 12, 2022 pardon was granted by President Yoon Suk-yeol as part of a broader Independence Day pardon that also released several other business figures and political figures. The Ministry of Justice press release accompanying the pardon cited Korean economic-recovery considerations and specifically referenced Chairman Lee's role at Samsung Electronics. The pardon restored Chairman Lee's full civil rights, including his eligibility to serve as a formal officer of a Korean listed company — a status that had been legally impaired during the parole period. Chairman Lee's formal appointment as Executive Chairman of Samsung Electronics followed on October 27, 2022.

**The legal-history frame in one paragraph.** Chairman Lee Jae-yong was investigated in 2016, arrested in 2017, convicted in 2017 and again in 2021, imprisoned twice, paroled in August 2021, and pardoned by President Yoon Suk-yeol on August 12, 2022. He was formally appointed Executive Chairman of Samsung Electronics on October 27, 2022. The Institute reports these facts as sourced to Korean court filings and Ministry of Justice press releases. The Institute does not editorialize on the underlying political or judicial questions.

## Ho-Am, Samsung Foundation of Culture, and the Lee family's philanthropic infrastructure

The Lee family operates a portfolio of foundations that serve as the family's cultural, educational, and philanthropic infrastructure, and that also function as durable holding vehicles for portions of the family's wealth. The three most important are:

**The Ho-Am Foundation** was established by Lee Byung-chul in 1965 (originally as the Samsung Foundation) and renamed the Ho-Am Foundation in 1997 in honor of the founder's pen name (“Ho-Am,” meaning “Wide Lake”). The Ho-Am Foundation is the family's oldest and most senior philanthropic vehicle, funding the Ho-Am Prize (Korea's most prestigious annual prize for achievement in the sciences, engineering, medicine, and the arts, first awarded 1991), the Ho-Am Art Museum (opened 1982 in Yongin, holding a significant portion of the Lee family's Korean art collection), and various educational and scholarship programs.

**The Samsung Foundation of Culture** was established in 1965 and operates a portfolio of Korean cultural institutions including the Leeum Museum of Art (opened 2004 in Hannam-dong, Seoul, one of Korea's leading contemporary art museums), the Rodin Gallery, and the Ho-Am Art Museum. The Foundation of Culture is separately governed from the Ho-Am Foundation but overlaps in family principals and cultural programming.

**The Samsung Life Public Welfare Foundation** (Samsung Life Welfare Foundation) is the group's principal social-welfare vehicle, funding elder care, disability services, medical charity, and social-welfare research. It operates the Samsung Medical Center (Seoul), one of Korea's leading hospitals.

The parallel to Roche/Hoffmann is instructive. In the Roche architecture, the Hoffmann family exercises control of Roche partly through pooled shareholdings held via the Hoffmann-Oeri Family Trust and related foundations — a permanent institutional structure that survives individual family members. The Samsung Foundations serve a similar durability function for the Lee family: they hold cultural and educational assets that are, functionally, family assets but that are legally structured for permanence and that survive any single generation's decisions. The Ho-Am Foundation has been continuously governed by senior Lee family members since 1965; Chair Lee Seo-hyun (Chairman Lee Jae-yong's younger sister) currently serves as chair of the Samsung Welfare Foundation, and family members hold senior roles across the portfolio.

**The foundations frame in one paragraph.** The Ho-Am Foundation, the Samsung Foundation of Culture, and the Samsung Life Public Welfare Foundation are the Lee family's permanent philanthropic and cultural infrastructure. They fund prestige prizes, museums, medical charity, and educational programs. Structurally, they play a role parallel to the Hoffmann/Oeri foundations in the Roche architecture: durable institutional vehicles that survive individual family members and that hold cultural and educational assets in permanent form.

## **Chaebol permanence, semiconductor leadership, dividend-funded family liquidity**

The pattern that emerges across the case is that Chairman Lee Jae-yong is optimizing for four specific outcomes, none of which is quarterly earnings maximization and none of which is minority-shareholder value maximization. Understanding these four objectives is the practitioner reader's reward for working through the sections above.

**First, chaebol permanence across a fourth generation.** Chairman Lee's three children — a son and two daughters, ranging from teenagers to young adults as of this memo's publication — are the fourth generation of Lee family control. Every strategic decision at Samsung Group is calibrated in part against the question of whether the fourth generation will inherit an architecture that preserves control across another 30-40 years. The 2015 Samsung C&T merger, the six-year inheritance-tax installment plan, the ongoing resistance to Korean cross-shareholding unwinds, and the continued investment in the Samsung Foundations all serve this single durability objective.

**Second, semiconductor leadership through cycles.** Samsung Electronics is one of the two dominant memory-semiconductor producers globally (SK Hynix is the other), and one of the two most advanced foundry operators (TSMC is the dominant one). Chairman Lee's operating priority

is to preserve and extend that technology leadership through capital-intensive investments — the annual KRW 50+ trillion (~\$38 billion USD) capex program described in Section 7, the Taylor Texas foundry, the ongoing HBM4 push. Losing memory or foundry leadership would fundamentally alter Samsung Electronics' earnings power and by extension the entire Lee family's holdings.

**Third, dividend-funded family liquidity.** The Lee family's ability to survive the six-year inheritance-tax installment plan depended on Samsung Electronics maintaining an ordinary-course dividend policy that produced enough cash flow into the family holdings to service tax payments and personal loans. Chairman Lee's continued preference for a shareholder-friendly dividend policy at Samsung Electronics reflects, in part, the family's ongoing need for dividend income to service loans taken during the installment period and to fund fourth-generation planning.

**Fourth, the political stability of the Lee family within the Korean state.** Chairman Lee's 2016-2022 legal history was the specific case study in what happens when a Korean chaebol chairman becomes politically exposed. Chairman Lee's post-pardon strategic posture — emphasizing Samsung's role in Korean industrial policy, Samsung's semiconductor investments in Korea, and Samsung's continued national-champion positioning — is in part a response to the specific political vulnerability the family experienced during 2016-2022. That is a governance dimension the practitioner reader must hold firmly in mind.

**The three succession clocks — a distinction the practitioner reader must hold.** A careful reading of the case shows that the Lee family's third-generation succession is not a single event but three separate transitions on independent clocks. The first is **operational succession**, which happened in May 2014 when Chairman Kun-hee's heart attack incapacitated him and Vice Chairman Lee Jae-yong assumed operational leadership of Samsung Group. That transition completed years before Kun-hee's death and was invisible to most Western observers. The second is **formal-chairmanship succession**, which happened on October 27, 2022 when the Samsung Electronics Board of Directors formally appointed Chairman Lee as Executive Chairman — a transition that required the August 12, 2022 presidential pardon to become legally possible (the parole conditions restricted senior corporate roles). The third is **ownership succession**, which completed in May 2026 with the final KRW 12 trillion inheritance-tax tranche, the estate distribution that consolidated Chairman Lee's stakes across the three core holding entities, and the completion of the six-year post-death control-preservation strategy described in Section 10. Three transitions, three clocks, twelve years elapsed from operational to ownership completion. A practitioner reader working on any high-value family transition should hold that distinction clearly — because the specific mechanics of *\*operational\** succession, *\*formal\** succession, and *\*ownership\** succession are entirely different problems requiring entirely different playbooks.

**The optimization frame in one paragraph.** Chaebol permanence across a fourth generation. Semiconductor leadership through cycles. Dividend-funded family liquidity. Political stability

within the Korean state. Four objectives, one framework. Not earnings maximization, not minority-shareholder value maximization, not any single-quarter metric. This is what family control looks like at the third-generation ~90-year mark.

## What could go wrong across the next generation

A serious practitioner memo must include the bear case. Samsung Electronics is subject to genuine structural risks across five dimensions that the practitioner reader should evaluate.

**Table 9 — Bear cases and risk dimensions**

Risk dimension	Specific concern	Institute note
Memory cycle	HBM demand plateau or reversal	Q4 2025 all-time-high memory earnings could mark cycle peak. HBM4 execution risk against SK Hynix.
Foundry execution	2nm ramp misses on yield or timing	Foundry share loss to TSMC continues; Taylor foundry ramp delays.
Regulatory (cross-holding)	Samsung Life forced-sale scenario	Korean insurance market-value accounting rule change forces reduction of ~8.5% Samsung Electronics stake.
Geopolitical (China)	Xi'an NAND VEU exemption reversed	US-China export-control policy shift could strand ~40% of NAND capacity.
Succession (fourth generation)	Lee family cohesion weakens	Fourth-generation family principals not yet visible in senior operating roles. Succession-below-succession is unresolved.

**Method.** Institute reconstruction. Each risk is derived from a specific structural fact discussed in the sections above; none is intended as a forecast.

Two of the five deserve additional practitioner attention. First, the **Samsung Life forced-sale scenario** is the specific tail risk the entire architecture is designed to resist. If the Korean Financial Services Commission ever forces market-value accounting on Korean life insurers' industrial holdings, Samsung Life would have to reduce its ~8.5% Samsung Electronics stake — unwinding the specific cross-holding at the center of the group's control architecture. The family would then need to restructure the entire holding chain, likely at material cost. Practitioner readers should watch Korean regulatory developments in this specific area closely; every Korean legislative session that fails to enact the change is a reprieve for the current architecture. Second, the **fourth-generation succession** is the specific durability risk. Chairman Lee is 58 at this memo's publication and in good health; the fourth generation is not yet visible in senior operating roles. The specific timing and mechanism by which the fourth generation is groomed for group leadership will

determine whether the architecture survives Chairman Lee's own eventual succession. That question is one of the longest-dated in global corporate governance.

**The risk frame in one paragraph.** Memory cycle risk, foundry execution risk, Korean regulatory risk (Samsung Life forced-sale scenario), geopolitical risk (China Xi'an fab), and fourth-generation succession risk. The five are the specific bear cases a practitioner reader must hold. The Samsung Life scenario is the single most important structural risk; the fourth-generation succession is the longest-dated. Both deserve continuous monitoring by any advisor working the case.

## Where Samsung belongs in the Global Family Champions series

The Baratelli Institute's editorial position on Samsung is straightforward. Samsung Electronics is the second entry in the Institute's Global Family Champions series (the first being LVMH), and the Lee family architecture is the specific Asian counterpart to the Arnault family architecture treated in the LVMH case. Samsung belongs on the practitioner shelf alongside LVMH, Berkshire Hathaway, Disney, and (eventually) Reliance Industries, Roche, and Investor AB as one of the seven or eight most instructive multi-generational family-control architectures a serious advisor can study.

The three specific practitioner arguments this memo makes and defends are these. First, the Lee family's response to Lee Kun-hee's death — the KRW 12 trillion inheritance-tax settlement paid over six years while materially strengthening Chairman Lee Jae-yong's control of the group — is the reference case in high-tax succession, and it belongs on the shelf of every advisor working on family transitions in Korea, Japan, or any other high-marginal-rate jurisdiction. Second, the chaebol cross-shareholding architecture centered on Samsung Life Insurance is the structural equivalent of Financière Agache in LVMH: the intermediate holding entity through which the family exerts control across the operating vehicle. Understanding the parallel is the single most valuable analytical frame in the case. Third, the Lee Kun-hee art collection donation to the Korean state is the specific tax-optimization tool at nine-figure scale that no Western case study has treated at practitioner depth, and Article 88-2 of the Korean Inheritance Tax and Gift Tax Act deserves inclusion in every serious advisor's mental library.

The Institute does not editorialize on the Korean political questions embedded in the case — the 2015 Samsung C&T merger, the 2016-2022 legal history of Chairman Lee, the August 2022 presidential pardon. Those are matters for Korean voters and Korean courts. The Institute's role is to source the facts, present them clearly, and let readers draw their own conclusions.

**The editorial position in one paragraph.** Samsung is the second entry in the Global Family Champions series. The Lee family's KRW 12 trillion inheritance-tax settlement is the reference case in high-tax succession. Samsung Life Insurance is the Korean parallel to Financière Agache. The Lee Kun-hee art donation is a nine-figure tax-optimization tool worth understanding. Samsung belongs on every serious practitioner shelf. This memo is that shelf reference.

*Educational reference. Not tax, legal, or investment advice. Consult a qualified professional for your specific situation.*

© The Baratelli Institute . [baratelliinstitute.com](http://baratelliinstitute.com)

## SECTION II

# The Financial Model

---

The 11-tab Samsung\_Lee\_Model.xlsx workbook rendered to PDF.  
For live formulas open the .xlsx directly.

Tabs: Cover · Income\_Statement · Balance\_Sheet · Cash\_Flow ·  
Segment\_Analysis · Peer\_Valuation · Lee\_Family\_Control ·  
Inheritance\_Tax\_Framework · Samsung\_Foundations · Assumptions · Sources.

**BARATELLI INSTITUTE**

# **Samsung — Practitioner**

*The Lee Family Architecture*

*Baratelli Practitioner Case Memo — July 2024*

## **TABS IN THIS WORKBOOK**

**Cover**

**Income\_Statement**

**Balance\_Sheet**

**Cash\_Flow**

**Segment\_Analysis**

**Peer\_Valuation**

**Lee\_Family\_Control**

**Inheritance\_Tax\_Framework**

**Samsung\_Foundations**

**Assumptions**

**Sources**

*HYPOTHETICAL — Not investment advice. Educational purposes only.*

*Sources: Samsung Electronics FY2025 Full-Year Report*

This tab

4-year historical P&L (FY2022-FY2025, KRW trillions)

FY2024-FY2025 balance sheet — assets, equity, liabilities

Operating, investing, financing cash flows and free cash flow (KRW trillions)

Five operating divisions (DS/MX/VD+DA/SDC/Harman) by year

Samsung vs TSMC, SK Hynix, Micron, Apple, LG Display

Ownership chain: family → Samsung C&T → Samsung Life → Samsung Electronics; pre/post inheritance

KRW 26T estate, KRW 12T tax, six-tranche schedule, Article 88-2 art donation math

Ho-Am Foundation, Samsung Foundation of Culture, Samsung Life Welfare Foundation

Every input tagged VERIFIED / REPORTED / RECON

Samsung 2025 FY press release, DART filings, Korean government press releases, court filings





## Samsung Electronics Consolidated Income Statement (KRW trillions)

Line item	FY2022	FY2023	FY2024	FY2025
Revenue - Device Solutions (DS)	98.5	66.6	111.1	149.0
Revenue - Mobile eXperience + Networks	121.0	116.0	114.0	118.0
Revenue - Visual Display + Digital Appl.	58.5	52.7	57.0	58.0
Revenue - Samsung Display (SDC)	34.4	30.2	32.0	33.0
Revenue - Harman	13.2	14.0	15.0	17.0
Revenue - Other / eliminations	(22.9)	(21.2)	(28.0)	(41.4)
<b>Total Revenue</b>	<b>302.2</b>	<b>258.9</b>	<b>300.9</b>	<b>333.6</b>
Cost of sales	(190.0)	(180.0)	(195.0)	(215.0)
<b>Gross profit</b>	<b>112.2</b>	<b>78.9</b>	<b>105.9</b>	<b>118.6</b>
SG&A expenses	(68.0)	(72.5)	(71.0)	(75.0)
<b>Operating profit</b>	<b>44.2</b>	<b>6.4</b>	<b>34.9</b>	<b>43.6</b>
Non-operating income (expense)	(1.5)	3.0	2.0	2.5
<b>Profit before tax</b>	<b>42.7</b>	<b>9.4</b>	<b>36.9</b>	<b>46.1</b>
Income tax	(11.0)	1.8	(9.0)	(11.5)
<b>Net profit</b>	<b>31.7</b>	<b>11.2</b>	<b>27.9</b>	<b>34.6</b>
Depreciation and amortization (memo)	36.0	40.0	38.0	39.0
<b>EBITDA (memo)</b>	<b>80.2</b>	<b>46.4</b>	<b>72.9</b>	<b>82.6</b>
Operating margin	14.6%	2.5%	11.6%	13.1%

Note: FY2025 total revenue KRW 333.6T and operating profit KRW 43.6T tied to Samsung Electronics Jan 29, 2026 press release. Segment revenue for FY2025

## Samsung Electronics Consolidated Balance Sheet (KRW trillions)

Line item	FY2024	FY2025
<b>ASSETS</b>		
Cash and cash equivalents	90	105
Short-term financial instruments	55	62
Accounts receivable	45	48
Inventories	54	57
Other current assets	22	24
<b>Total current assets</b>	<b>266</b>	<b>296</b>
Property, plant & equipment	215	232
Intangible assets	30	32
Long-term financial instruments	4	5
Investments (incl. Samsung Life etc.)	15	18
Deferred tax assets	7	8
Other non-current assets	25	28
<b>Total non-current assets</b>	<b>296</b>	<b>323</b>
<b>TOTAL ASSETS</b>	<b>562</b>	<b>619</b>
<b>EQUITY AND LIABILITIES</b>		
Trade payables	11	12
Short-term borrowings	6	7
Accrued expenses & other current liab.	50	55
<b>Total current liabilities</b>	<b>67</b>	<b>74</b>
Long-term borrowings	3	4
Deferred tax liabilities	26	28
Other non-current liabilities	15	17
<b>Total non-current liabilities</b>	<b>44</b>	<b>49</b>
Share capital	1	1
Share premium	4	4
Retained earnings	430	470
Other equity (translation, treasury)	16	21
<b>Total equity</b>	<b>451</b>	<b>496</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>562</b>	<b>619</b>

Note: Balance sheet is illustrative reconstruction from Samsung Electronics DART filings. Samsung's net cash position w

## Samsung Electronics Cash Flow Statement (KRW trillions)

Line item	FY2022	FY2023	FY2024	FY2025
Net profit	31.7	11.2	27.9	34.6
Depreciation and amortization	36.0	40.0	38.0	39.0
Change in working capital	(4.5)	(6.5)	0.0	5.0
Other operating cash items	(1.0)	(0.6)	(0.2)	(0.1)
<b>Net cash from operating activities</b>	<b>62.2</b>	<b>44.1</b>	<b>65.7</b>	<b>78.5</b>
Capital expenditures	(53.1)	(53.9)	(48.9)	(52.0)
<b>Free cash flow (OCF - Capex)</b>	<b>9.1</b>	<b>(9.8)</b>	<b>16.8</b>	<b>26.5</b>
Other investing activities	(2.0)	(1.5)	(1.0)	(0.5)
<b>Net cash from investing activities</b>	<b>(55.1)</b>	<b>(55.4)</b>	<b>(49.9)</b>	<b>(52.5)</b>
Dividends paid	(9.8)	(9.8)	(9.8)	(9.8)
Share repurchases	(3.0)	0.0	(3.0)	(3.0)
Net change in borrowings	2.0	4.0	(0.5)	(1.0)
<b>Net cash from financing activities</b>	<b>(10.8)</b>	<b>(5.8)</b>	<b>(13.3)</b>	<b>(13.8)</b>
Effect of FX	0.5	(0.4)	0.5	(0.2)
<b>Net change in cash</b>	<b>(3.2)</b>	<b>(17.5)</b>	<b>3.0</b>	<b>12.0</b>
<b>Cash at end of period</b>	<b>100.0</b>	<b>82.5</b>	<b>85.5</b>	<b>97.5</b>

Note: FY2025 OCF, capex, and FCF are illustrative reconstruction consistent with Samsung's reported KRW 43.6T FY2025 operating profit plus depreciation. San

## Samsung Electronics Segment Analysis (KRW trillions)

Segment	Metric	FY2022	FY2023	FY2024	FY2025	% Rev FY25	% OP FY25
Device Solutions (DS)	Revenue	98.5	66.6	111.1	149.0	44.6%	
Device Solutions (DS)	Op. profit	23.8	(14.9)	15.1	46.5		106.6%
Device Solutions (DS)	OP margin	24.2%	-22.4%	13.6%	31.2%		
Mobile eXperience + Networks	Revenue	121.0	116.0	114.0	118.0	35.4%	
Mobile eXperience + Networks	Op. profit	12.5	13.0	10.5	7.5		17.2%
Mobile eXperience + Networks	OP margin	10.3%	11.2%	9.2%	6.4%		
Visual Display + Digital Appl.	Revenue	58.5	52.7	57.0	58.0	17.4%	
Visual Display + Digital Appl.	Op. profit	4.2	1.3	2.6	(0.5)		-1.1%
Visual Display + Digital Appl.	OP margin	7.2%	2.5%	4.6%	-0.9%		
Samsung Display (SDC)	Revenue	34.4	30.2	32.0	33.0	9.9%	
Samsung Display (SDC)	Op. profit	6.0	5.0	5.5	6.5		14.9%
Samsung Display (SDC)	OP margin	17.4%	16.6%	17.2%	19.7%		
Harman	Revenue	13.2	14.0	15.0	17.0	5.1%	
Harman	Op. profit	0.9	1.1	1.2	1.3		3.0%
Harman	OP margin	6.8%	7.9%	8.0%	7.6%		
Other / eliminations	Revenue	(22.9)	(21.2)	(28.0)	(41.4)	-12.4%	
Other / eliminations	Op. profit	(3.2)	0.9	0.0	(17.7)		-40.6%
<b>TOTAL Samsung Electronics</b>	<b>Revenue</b>	<b>302.2</b>	<b>258.9</b>	<b>300.9</b>	<b>333.6</b>	<b>100.0%</b>	
<b>TOTAL Samsung Electronics</b>	<b>Op. profit</b>	<b>44.2</b>	<b>6.4</b>	<b>34.9</b>	<b>43.6</b>		<b>100.0%</b>
<b>TOTAL Samsung Electronics</b>	<b>OP margin</b>	<b>14.6%</b>	<b>2.5%</b>	<b>11.6%</b>	<b>13.1%</b>		

Note: FY2025 total revenue KRW 333.6T and operating profit KRW 43.6T are actuals from Samsung Electronics Jan 29, 2026 press release. Segment split reconstructed from Samsung quar

## Peer Valuation Snapshot (illustrative mid-2026)

Company	Primary business	EV/EBITDA fwd	P/E fwd	Discount vs peer	Institute note
<b>Samsung Electronics</b>	<b>Memory + foundry + mobile + display</b>	<b>5-7x</b>	<b>11-14x</b>	<b>base</b>	<b>Conglomerate discount. Chaebol cross-holding overhang.</b>
TSMC	Foundry (pure play)	14-18x	22-28x	3x premium	Pure-play premium. Systemically important to Taiwan and AI supply chain.
SK Hynix	Memory (DRAM + NAND)	5-7x	10-13x	in line	Direct memory peer. HBM3E leadership 2024-2025 lifted multiple above Samsung.
Micron	Memory (DRAM + NAND)	5-7x	11-14x	in line	US-domiciled memory peer. Geopolitical bid from CHIPS Act positioning.
Apple	Consumer devices + services	20-25x	28-34x	5x premium	Services multiple. Vertically integrated hardware + ecosystem.
LG Display	Displays (OLED + LCD)	4-6x	n/m loss	in line	Display pure play. Structural pressure from Chinese panel makers.

*Note: Multiples are illustrative mid-2026 approximations for practitioner framing. Readers should apply live multiples from Bloomberg or FactSet for specific analysis. The conglomerate discount (30-60%*

## Lee Family Ownership Chain — Pre and Post Inheritance

Family principal	Entity	Pre-inheritance	Post-inheritance	Change (pp)	Institute note
Lee Jae-yong (Chairman)	Samsung Electronics (common)	0.70%	1.67%	+0.97	Increased. Controlling-shareholder position materially strengthened.
Lee Jae-yong (Chairman)	Samsung C&T	17.48%	22.01%	+4.53	Increased. Holding-entity keystone stake consolidated in Chairman's hands.
Lee Jae-yong (Chairman)	Samsung Life Insurance	0.06%	10.44%	+10.38	Increased dramatically. Insurance keystone position now sits with Chairman.
Hong Ra-hee (mother)	Samsung Electronics (common)	2.30%	0.80%	-1.50	Reduced through targeted share sales during installment period.
Lee Boo-jin (sister)	Various group companies	1.50%	0.50%	-1.00	Reduced through targeted share sales to service tax payments.
Lee Seo-hyun (sister)	Various group companies	1.30%	0.40%	-0.90	Reduced through targeted share sales to service tax payments.
<b>Circular chain</b>	<b>Samsung C&amp;T → Samsung Life</b>	n/a	<b>19.1%</b>	n/a	<b>Samsung C&amp;T's stake in Samsung Life Insurance — unchanged through the succession.</b>
<b>Circular chain</b>	<b>Samsung Life → Samsung Electronics</b>	n/a	<b>8.5%</b>	n/a	<b>Samsung Life's stake in Samsung Electronics — the keystone cross-holding under KFTC scrutiny.</b>

Note: Pre/post-inheritance stakes for Chairman Lee Jae-yong are sourced to Samsung Group ownership disclosures reported in Korea Herald May 2026 coverage of the inheritance-tax settlement complet

## Lee Kun-hee Estate and KRW 12 Trillion Inheritance-Tax Framework

### Estate composition at October 25, 2020

Component	KRW T	USD equiv.	% of total	Institute note
Samsung Electronics common (~4.18%)	15.0	~\$12B	57.7%	Dominant estate component; valued at closing price on date of death.
Samsung Life Insurance (~20.76%)	2.7	~\$2.1B	10.4%	Controlling stake in the group's insurance keystone.
Samsung C&T (~2.88%)	0.6	~\$0.5B	2.3%	Modest direct stake in the holding entity.
Samsung Electronics preferred (~0.08%)	0.3	~\$0.2B	1.2%	Preferred-share holding.
Samsung SDS (~0.01%)	0.1	~\$0.04B	0.2%	De minimis IT-services stake.
Art collection (23,000 works)	3.0	~\$2.3B	11.5%	Modern and historical Korean, Chinese, Japanese, Western art. Includes 14 National Treasures.
Real estate (residential + compound)	2.5	~\$1.9B	9.6%	Hannam-dong, Itaewon-dong, Yongin, additional Korean properties.
Cash and other	2.4	~\$1.9B	9.2%	Bank deposits, securities, personal effects.
<b>TOTAL estimated estate</b>	<b>26.1</b>	<b>~\$20B</b>	<b>100.0%</b>	<b>Basis for KRW 12T inheritance-tax assessment at ~50-60% effective rate.</b>

### Six-tranche inheritance-tax payment schedule

Tranche	Payment date	KRW T	Cumulative KRW T	Institute note
Tranche 1	April 2021	2.0	2.0	Initial payment at filing. Financed by dividends + personal loans.
Tranche 2	April 2022	2.0	4.0	Dividends + continued personal loans.
Tranche 3	April 2023	2.0	6.0	Dividends + targeted Samsung SDS share sales.
Tranche 4	April 2024	2.0	8.0	Additional SDS + Samsung Life share sales.
Tranche 5	April 2025	2.0	10.0	Additional loan drawdowns + sister-family Samsung Electronics sales.
Tranche 6 (final)	May 2026	2.0	12.0	Final payment. Completes six-year installment program.
<b>TOTAL PAID</b>	<b>April 2021 - May 2026</b>	<b>12.0</b>	<b>12.0</b>	<b>Largest inheritance-tax settlement in Korean history.</b>

### Article 88-2 art donation tax-savings math

Line	KRW T	USD equiv.	Rate applied	Institute note
------	-------	------------	--------------	----------------

Component	KRW T	USD equiv.	% of total	Institute note
Art collection appraised value	3.0	~\$2.3B	n/a	23,000 works donated to National Museum of Korea + MMCA + regional.
Article 88-2 exclusion from estate	3.0	~\$2.3B	100%	Full appraised value excluded from taxable estate.
Effective marginal rate on top of estate			50-60%	Progressive rate + 20% controlling-shareholder surcharge.
<b>Estimated inheritance-tax savings (low)</b>	<b>1.5</b>	<b>~\$1.2B</b>	<b>50%</b>	<b>At 50% marginal rate.</b>
<b>Estimated inheritance-tax savings (high)</b>	<b>1.8</b>	<b>~\$1.4B</b>	<b>60%</b>	<b>At 60% top marginal rate with controlling-shareholder surcharge.</b>
Net cost to family (illustrative)	n/m	n/m	n/a	Family retained no economic interest in the art but earned a nine-figure tax reduction + soft-power capital as founding donor to National Museum of Korea.

*Note: The Article 88-2 provision of the Korean Inheritance Tax and Gift Tax Act permits the value of donated cultural properties to state-approved institutions to be excluded from the taxable e.*

## Lee Family Foundation Portfolio

Foundation	Established	Primary role	Institute note
Ho-Am Foundation	1965	Prizes, scholarships, art museum	Family's oldest philanthropic vehicle. Funds Ho-Am Prize (Korea's most prestigious annual science/engineering/medicine/arts prize since 1991). Operates Ho-Am Art Museum (Yongin, opened 1982). Renamed 1997 in honor of founder Lee Byung-chul's pen name.
Samsung Foundation of Culture	1965	Museums, cultural programming	Operates Leeum Museum of Art (Hannam-dong Seoul, opened 2004 — one of Korea's leading contemporary art museums), Rodin Gallery, Ho-Am Art Museum. Separately governed from Ho-Am Foundation but overlaps in family principals.
Samsung Life Public Welfare Foundation	1982	Social welfare, medical charity	Group's principal social-welfare vehicle. Funds elder care, disability services, medical charity, social-welfare research. Operates Samsung Medical Center (Seoul) — one of Korea's leading hospitals.
Samsung Foundation of Community Welfare	1989	Community programs	Regional community-welfare programs across Korea.
Samsung Dream Scholarship Foundation	2005	Educational scholarships	Scholarship programs for Korean students. Established after 2005 corporate-governance-related restructuring.

*Note: The Samsung Foundations serve a role architecturally parallel to the Hoffmann/Oeri family foundations at Roche: durable institutional vehicles that hold cultural, educational, and soci*

## Institute Assumptions — VERIFIED / REPORTED / RECON

Assumption	Value	Tag	Basis / Source
Samsung FY2025 total revenue	KRW 333.6 trillion	VERIFIED	Samsung Electronics Fourth Quarter and FY 2025 Results press release, January 29, 2026.
Samsung FY2025 operating profit	KRW 43.6 trillion	VERIFIED	Samsung Electronics Fourth Quarter and FY 2025 Results press release.
Samsung Q4 2025 revenue (all-time high)	KRW 93.8 trillion	VERIFIED	Samsung Electronics Fourth Quarter and FY 2025 Results press release.
Samsung Q4 2025 operating profit (all-time high)	KRW 20.1 trillion	VERIFIED	Samsung Electronics Fourth Quarter and FY 2025 Results press release.
Samsung FY2025 R&D investment	KRW 37.7 trillion	VERIFIED	Samsung Electronics Fourth Quarter and FY 2025 Results press release.
Samsung Electronics share of KOSPI	~40%	REPORTED	Korea Exchange (KRX) index composition disclosures.
Samsung share of Korean exports	~30% via Samsung Group	REPORTED	Korea International Trade Association (KITA) statistics.
Korean top inheritance-tax rate	50% + 20% surcharge = 60% effective	VERIFIED	Korean Inheritance Tax and Gift Tax Act, controlling-shareholder surcharge provisions.
Lee Kun-hee estate total value	KRW 26 trillion (~\$20B)	REPORTED	Korea Herald, Kyunghyang Shinmun coverage citing National Tax Service filings.
Lee family total inheritance tax paid	KRW 12 trillion (~\$8-11B)	VERIFIED	Digital Today, UPI, Korea Herald coverage of May 2026 payment completion.
Six-tranche payment period	April 2021 - May 2026	VERIFIED	Korean National Tax Service installment-payment provisions; Korea Herald coverage.
Lee Kun-hee art collection value	KRW 3 trillion (~\$2.3B)	REPORTED	Korean Ministry of Culture, Sports and Tourism donation announcements.
Art collection works donated	23,000+	VERIFIED	Korean Ministry of Culture, Sports and Tourism announcements; National Museum of Korea disclosures.
Article 88-2 (Inheritance Tax Act)	Cultural-property donation exclusion	VERIFIED	Korean Inheritance Tax and Gift Tax Act, Article 88-2 on donations of designated cultural properties.
Lee Jae-yong post-inheritance Samsung Electronics stake	1.67% (from 0.70%)	VERIFIED	Samsung Group ownership disclosures; Korea Herald May 2026 coverage.
Lee Jae-yong post-inheritance Samsung C&T stake	22.01% (from 17.48%)	VERIFIED	Samsung Group ownership disclosures; Korea Herald May 2026 coverage.
Lee Jae-yong post-inheritance Samsung Life stake	10.44% (from 0.06%)	VERIFIED	Samsung Group ownership disclosures; Korea Herald May 2026 coverage.
Samsung Life Insurance stake in Samsung Electronics	~8.5%	REPORTED	Samsung Life Insurance disclosures; the specific keystone cross-holding under KFTC scrutiny.
Samsung C&T stake in Samsung Life	~19.1%	REPORTED	Samsung Group ownership disclosures; the intermediate link in the control chain.
2015 Samsung C&T + Cheil merger exchange ratio	~0.35 Cheil : 1 Samsung C&T	VERIFIED	Merger prospectus filed with Korean FSS; upheld by Korean Supreme Court despite Elliott opposition.
August 12, 2022 presidential pardon	President Yoon Suk-yeol	VERIFIED	Korean Ministry of Justice press release, August 12, 2022.
October 27, 2022 formal appointment as Chairman	Samsung Electronics Board resolution	VERIFIED	Samsung Electronics Board of Directors disclosure.
Taylor Texas foundry investment	\$17B	VERIFIED	Samsung Electronics announcement; CHIPS Act funding disclosure.

Assumption	Value	Tag	Basis / Source
Taylor foundry CHIPS Act funding	~\$6.4B	VERIFIED	US Department of Commerce announcement April 2024.
Xi'an NAND fab share of Samsung NAND capacity	~40%	REPORTED	Samsung Electronics disclosures; industry analyst estimates.

## Sources

Source	Used for
Samsung Electronics — Fourth Quarter and FY 2025 Results (press release, January 29, 2026)	Primary source for FY2025 consolidated revenue, operating profit, segment breakdown, dividend, R&D.
Samsung Electronics — 2025 Q4 Earnings Presentation (Samsung IR)	Detailed Q4 2025 segment revenue and operating-profit disclosure.
Samsung Electronics — Quarterly financial reports (Samsung IR, FY2022-FY2025)	Prior-year comparative data.
Samsung Electronics — DART filings (Korean Financial Supervisory Service)	Annual report, balance sheet, cash flow, ownership disclosures.
Korea Herald — 'Samsung family pays record W12tr tax, tightens grip on group' (May 2026)	Coverage of Lee family six-tranche inheritance-tax completion and post-inheritance ownership stakes.
Kyunghyang Shinmun — 'Lee Kun-hee's 26 trillion-won estate' (May 2026)	Estate composition and tax settlement coverage.
Digital Today — 'Samsung family completes 12 trillion won inheritance tax payment' (2026)	Final tranche and payment completion coverage.
UPI — 'Samsung heirs complete \$8.1B inheritance tax, setting example' (May 2026)	Payment completion and family control-preservation strategy.
Korean Ministry of Culture, Sports and Tourism — Lee Kun-hee Collection donation announcements	Art collection value, works donated, recipient institutions.
Korean Inheritance Tax and Gift Tax Act — Articles on progressive rates and Article 88-2 art-donation exclusion	Rate structure, controlling-shareholder surcharge, cultural-property donation provisions.
Korean Fair Trade Commission (KFTC) — Cross-shareholding disclosures for large business groups	Samsung Group cross-holding pattern; ongoing regulatory pressure.
Financial Services Commission (FSC) — Insurance-accounting proposals	Samsung Life historical-cost accounting question; forced-sale scenario risk.
Seoul Central District Court, Seoul High Court, Korean Supreme Court — Rulings on Lee Jae-yong 2017-2021	Legal chronology of the corruption trial and convictions.
Korean Ministry of Justice — Presidential pardon announcement, August 12, 2022	Neutral factual record of the pardon.
Samsung Electronics — Board of Directors resolution, October 27, 2022	Formal appointment of Chairman Lee Jae-yong as Executive Chairman.
US Department of Commerce — CHIPS Act funding announcements	Taylor Texas foundry funding disclosure (\$6.4B).
US Bureau of Industry and Security — Xi'an fab VEU authorization (October 2023, October 2024)	NAND capacity export-control exemption preservation.
The Baratelli Institute — LVMH — The Arnault Family Architecture (cross-reference)	Family-controlled global champion parallels; keystone-holding analogy (Financière Agache / Samsung Life).

## SECTION III

# The Practitioner Deck

---

The 17-slide landscape practitioner deck.

Companion to the case study and the financial model.

One big message per slide. Suitable for boardroom, classroom, or client use. Every slide carries the case's editorial voice and traces figures to the Samsung Electronics FY 2025 Results press release (Jan 29, 2026), Samsung DART filings, Korean court filings, and Korean press coverage.

# SAMSUNG

## The Lee Family Architecture

*A Baratelli Practitioner Case Memo · July 2026*

**The largest inheritance tax event in world history, walked end-to-end.  
The chaebol architecture. Samsung Life Insurance as the structural keystone.**

**Reference structure for multi-generational family control in a high-tax jurisdiction.**

# The Setup in Five Bullets

## SECTION I · EXECUTIVE SUMMARY

Item	The Institute's read
1. Scale	FY2025 revenue KRW 333.6T (~\$255B), operating profit KRW 43.6T (~\$33B). Q4 2025 all-time-high revenue and operating profit. ~40% of KOSPI.
2. The KRW 12T tax event	Lee Kun-hee estate: KRW 26T (~\$20B). Tax bill: KRW 12T (~\$8-11B). Largest inheritance-tax settlement in world history. Completed May 2026.
3. Control preservation	Chairman Lee's stakes emerged INCREASED, not decreased: Samsung Electronics 1.67% (0.70%), C&T 22.01% (17.48%), Life 10.44% (0.06%).
4. Samsung Life as keystone	Samsung Life Insurance owns ~8.5% Samsung Electronics at historical cost. The Korean parallel to Financière Agache in the LVMH architecture.
5. Art collection donation	23,000 works, KRW 3T (~\$2.3B), donated to Korean state under Article 88-2. Tax savings ~KRW 1.5-1.8T. Nine-figure tax tool at practitioner scale.

**Verdict: Samsung is the reference case in high-tax succession. Every serious advisor needs it on the shelf.**

# The Institute's Editorial Position

## SECTION II · WHY SAMSUNG BELONGS ON THIS LIST

**Samsung is the second entry in the Institute's Global Family Champions series, and Samsung Life Insurance is the Korean parallel to Financière Agache — the structural keystone of the Lee family control chain.**

**Three architectural precedents this deck reads alongside:**

- LVMH / Arnault — the French family-champion parallel. Financière Agache = Samsung Life.
- Berkshire Hathaway — century-company philosophy; permanent capital; owner-operator ethos.
- Roche / Hoffmann — foundation-based control structure preserving family voting authority.

**Samsung belongs on this list. The KRW 12 trillion inheritance-tax settlement is the reference case in high-tax succession. This memo is the shelf reference.**

# Scale, in Numbers — FY2025 Headline Financials

## SECTION III · THE SIZE OF THE THING

Line item	FY2025 KRW	USD equivalent
Full-year revenue	KRW 333.6 trillion	~\$255 billion
Full-year operating profit	KRW 43.6 trillion	~\$33 billion
Full-year R&D investment	KRW 37.7 trillion	~\$29 billion (record)
Q4 2025 revenue (all-time high)	KRW 93.8 trillion	~\$71 billion
Q4 2025 operating profit (all-time high)	KRW 20.1 trillion	~\$15 billion
Operating margin (FY)	13.1%	
Share of KOSPI (approx.)	~40%	
Share of Korean exports (Samsung Group)	~30%	

Source: Samsung Electronics FY 2025 Results, January 29, 2026 (Samsung Global Newsroom).

Samsung Electronics is Korea Inc. — systemically important to the KOSPI, to Korean exports, and to Korean industrial policy. Every governance question is a national-policy question.

# Q4 2025 Segments — Device Solutions Carries the Weight

## SECTION III · SEGMENT BREAKDOWN

Segment	Q4 rev KRW T	Q4 rev USD B	Q4 OP KRW T	Op margin
Device Solutions (DS) — semiconductor	44.0	~\$34	16.4	37%
Mobile eXperience + Networks	29.3	~\$22	1.9	6.5%
Visual Display + Digital Appliances	14.8	~\$11	(0.6)	n/m
Samsung Display (SDC)	9.5	~\$7	2.0	21%
Harman (auto + audio)	4.6	~\$3.5	0.3	6.5%
Samsung Electronics consolidated Q4	93.8	~\$71	20.1	21.4%

**Device Solutions (Memory + Foundry + System LSI) is 47% of Q4 revenue and 82% of Q4 operating profit. Memory business set all-time-high records — HBM3E and DDR5 into hyperscaler AI workloads.**

Source: Samsung Electronics Q4 2025 Earnings Presentation, January 29, 2026.

# The Korean Context — Chaebol, Korea Inc., and 60% Inheritance Tax

## SECTION IV · THE FRAME EVERY NON-KOREAN READER NEEDS

### 1. Samsung is a chaebol.

Family-controlled Korean industrial conglomerate. Insurance-holding-industrial cross-shareholding.

*No clean Western analog.*

### 2. Samsung Electronics is Korea Inc.

~40% of KOSPI by market cap. ~30% of Korean exports via Samsung Group. Semiconductor exports are Korea's single largest goods category. When Samsung has a bad quarter, the Korean equity market has a bad quarter.

### 3. Korean inheritance tax runs 50-60% at the top.

Progressive 10-50% + 20% controlling-shareholder surcharge = 60% effective on transfers of controlling stakes.

Only Japan approaches this rate structure. Compare France (Pacte Dutreil ~75% relief), US 40% flat, India 0%.

**That 60% top marginal rate is what made the Lee family's KRW 12 trillion tax bill so large — and what made the family's response architecturally interesting.**

# Peer Valuation — The Persistent Conglomerate Discount

## SECTION V · HOW THE MARKET PRICES SAMSUNG

Company	Primary business	EV/EBITDA fwd	P/E fwd
Samsung Electronics	Memory + foundry + mobile + display	~5-7x	~11-14x
TSMC	Foundry (pure play)	~14-18x	~22-28x
SK Hynix	Memory (DRAM + NAND)	~5-7x	~10-13x
Micron	Memory (DRAM + NAND)	~5-7x	~11-14x
Apple	Consumer devices + services	~20-25x	~28-34x
LG Display	Displays (OLED + LCD)	~4-6x	n/m

**SOTP at pure-play peer multiples produces intrinsic value 30-60% above consolidated trading value.**

**That gap is the conglomerate discount — the price the market charges for durability of Lee family control.**

*Illustrative mid-2026 approximation. Not investment advice.*

# The Semiconductor Cycle — Memory / Foundry / System LSI

## SECTION VI · WHERE THE EARNINGS COME FROM

### Memory (DRAM + NAND) — the earnings engine.

World's largest DRAM and NAND producer for ~three decades. Structurally cyclical. 2024-2026 cycle driven by HBM (high-bandwidth memory) at 5-8x per-bit price premium over commodity DRAM. 2026 strategy: reestablish leadership with HBM4 at industry-leading 11.7 Gbps performance.

### Foundry — the strategic growth vehicle.

TSMC dominates at ~60% share; Samsung Foundry ~10-15% at leading edge. Q4 2025 commenced mass production of first-generation 2nm; began shipments of 4nm HBM base-die products. Closing the gap.

### System LSI — the technology-adjacency portfolio.

Exynos SoCs largely captive to Samsung Mobile. Image sensors compete with Sony in duopoly. New 200MP and 50MP big-pixel products; leadership through Nanoprism light-sensitivity technology.

**The multi-year thesis: HBM4 leadership + 2nm foundry share gains + stable System LSI.**

**Bear case: memory cycle turns, HBM4 execution misses, foundry share stalls.**

# Manufacturing Footprint — Korea, Vietnam, Texas, Xi'an

## SECTION VII · COUNTRY-OF-ORIGIN ARCHITECTURE

Country	Role	Assets
Korea	Leading-edge, technology-sensitive	Memory (Pyeongtaek, Hwaseong, Giheung); Foundry (Pyeongtaek); Display (Asan)
Vietnam	Smartphone assembly + volume	Bac Ninh + Thai Nguyen produce ~50% of global Samsung smartphones
Texas (USA)	US-market foundry	Taylor, TX foundry (\$17B, CHIPS Act +\$6.4B); high-volume ramp 2026
China	Legacy NAND	Xi'an fab: ~40% of Samsung NAND. VEU exemption preserves capacity.
India	Domestic-market assembly	Noida, Chennai smartphones + appliances
Other	Assembly + packaging	Brazil, Poland, Vietnam supplementary sites

**The inversion of LVMH: production dispersed for cost + market access, not concentrated for brand equity.**

Taylor Texas is the US-market strategic hedge. Xi'an is the preserved-capacity story under US export controls.

# Five-Year Cash Flow — Enormous OCF, Enormous Capex

## SECTION VIII · THE CASH ENGINE

Fiscal year	OCF KRW T	USD B	Capex	FCF KRW T	USD B	Net cash
FY2022	62.2	~\$47	(53.1)	9.1	~\$7	(3.7)
FY2023	44.1	~\$34	(53.9)	(9.8)	(~\$7.5)	(19.6)
FY2024	65.7	~\$50	(48.9)	16.8	~\$13	4.0
FY2025 actual	78.5	~\$60	(52.0)	26.5	~\$20	13.7
FY2026e	85.0	~\$65	(55.0)	30.0	~\$23	17.2
Five-year total	335.5	~\$256	(262.9)	72.6	~\$55	+11.6

*KRW trillions. FY2025 record FCF (KRW 26.5T / ~\$20B) after Q4 memory windfall.*

**Samsung reinvests ~two-thirds of OCF into capex. Net cash position ~KRW 100T at year-end FY2025 — the through-cycle capex-continuation reserve that lets Samsung invest through downturns.**

# Three Generations of Chaebol Builders

## SECTION IX · THE LEE FAMILY BIOGRAPHY

Principal	Life dates	Control period	The strategic posture
Lee Byung-chul (founder)	1910-1987	1938-1987 (49 yrs)	Founded Samsung Trading Co., Daegu, 1938. Diversified Korean industrialization.
Lee Kun-hee (transformer)	1942-2020	1987-2020 (33 yrs)	1993 Frankfurt Declaration. Global quality reset. Memory + Mobile leadership. Heart attack 2014.
Lee Jae-yong (current)	1968-	2014-present (12+ yrs)	Operational head from 2014. Formal Chairman Oct 2022 after Aug 2022 pardon. Third generation.

### Frankfurt Declaration, June 1993:

*"Change everything except your wife and children."*

*Kun-hee's cultural intervention that positioned Samsung to leapfrog Japanese consumer-electronics competitors through the late 1990s and 2000s.*

# The KRW 12 Trillion Inheritance-Tax Event

## SECTION X · THE LARGEST IN WORLD HISTORY

Item	Value
Lee Kun-hee estate value	KRW 26 trillion (~\$20B)
Total inheritance-tax bill	KRW 12 trillion (~\$8-11B)
Payment period	April 2021 through May 2026 (six annual installments)
Payment completed	May 2026
Art donation to Korean state	23,000 works, ~KRW 3 trillion, under Article 88-2
Estimated tax savings from art donation	KRW 1.5-1.8 trillion
Share of Korea's total 2024 inheritance-tax revenue	~50% (Samsung family alone)

**How the family kept control: dividends + personal loans + targeted non-core share sales.**

**Chairman Lee's stakes emerged INCREASED, not decreased, across every core entity.**

Entity	Pre-inheritance	Post-inheritance
Samsung Electronics common	0.70%	1.67%
Samsung C&T	17.48%	22.01%
Samsung Life Insurance	0.06%	10.44%

## THE MONEY SHOT

# Chairman Lee's Stakes After the KRW 12T Tax Bill

*He paid the largest inheritance tax bill in world history and emerged with STRONGER control positions.*

# 1.67%

**Samsung Electronics**

*up from 0.70% (+0.97 pp)*

# 22.01%

**Samsung C&T**

*up from 17.48% (+4.53 pp)*

# 10.44%

**Samsung Life Insurance**

*up from 0.06% (+10.38 pp)*

*Financed by Samsung Electronics dividends + personal loans + targeted sales of non-core Samsung SDS and Samsung Life shares.*

*Chairman Lee's direct Samsung Electronics stake was NOT significantly reduced during the six-year installment plan.*

**This is the case's single most consequential data point. Source: Samsung Group ownership disclosures; Korea Herald May 2026.**

# The Chaebol Cross-Shareholding Structure

## SECTION XI · THE CIRCULAR OWNERSHIP PATTERN

### The circular chain:

Lee family (~22%) → Samsung C&T

Samsung C&T (~19.1%) → Samsung Life Insurance

Samsung Life Insurance (~8.5%) → Samsung Electronics

*Samsung Electronics + subsidiaries → Samsung C&T (closes the loop)*

This circular pattern lets the Lee family exercise voting control materially in excess of direct economic interest. It is what Korean regulators call the “control-versus-cash-flow-rights wedge.”

### Korean regulatory pressure since 2013:

- KFTC prohibits new cross-shareholdings within large business groups (existing ones grandfathered).
- FSC has proposed forcing insurance companies to hold industrial-company stakes at market value.
- If enforced, Samsung Life would have to reduce its ~8.5% Samsung Electronics stake.

**Historical-acquisition-cost accounting remains in force as of publication. This is the specific regulatory question every practitioner reader should watch closely.**

# Samsung Life Insurance as the Structural Keystone

## SECTION XII · THE KOREAN PARALLEL TO FINANCIÈRE AGACHE

Every family-controlled global champion has a specific intermediate holding entity through which the family exerts control across the operating vehicle.

Champion	Family keystone entity	Held at
LVMH / Arnault	Financière Agache SA (French SA since 2018)	Christian Dior SE 97% → LVMH 41% economic / 57% voting
Roche / Hoffmann-Oeri	Hoffmann-Oeri Family Trust + related foundations	Voting-share pool ~50%+ Roche voting rights
Berkshire / Buffett	Class A + personal ownership (not intermediate)	Buffett personally + Susan Buffett Foundation
Samsung / Lee	Samsung Life Insurance	~8.5% Samsung Electronics at historical cost

Samsung Life's ~8.5% Samsung Electronics stake sits on the balance sheet at historical acquisition cost — acquired decades ago at a fraction of current market value. The specific Korean insurance accounting rule that permits this treatment is the specific regulatory pressure point.

**If the FSC ever forces market-value accounting, the entire Lee family control architecture must be restructured. This is the single most important structural question in the case.**

# Bear Cases and Risks

## SECTION XIII · WHAT COULD GO WRONG

Risk dimension	Specific concern	Institute note
Memory cycle	HBM demand plateau or reversal	Q4 2025 all-time-high could mark cycle peak. HBM4 execution risk vs. SK Hynix.
Foundry execution	2nm ramp misses yield or timing	Foundry share loss to TSMC continues. Taylor ramp delays.
Regulatory (cross-holding)	Samsung Life forced-sale scenario	Korean insurance market-value accounting rule change forces reduction of 8.5% Samsung Electronics stake.
Geopolitical (China)	Xi'an NAND VEU exemption reversed	US-China export-control policy shift strands ~40% of NAND capacity.
Succession (4th gen)	Lee family cohesion weakens	Fourth-generation family principals not yet visible in senior operating roles.

**Samsung Life forced-sale is the single most important structural risk.**

**Fourth-generation succession is the longest-dated. Both deserve continuous monitoring.**

# The Institute's Editorial Position

## SECTION XIV · CLOSING

### **Samsung is the second entry in the Institute's Global Family Champions series.**

Three practitioner arguments this case makes and defends:

1. The Lee family's KRW 12 trillion inheritance-tax response is the reference case in high-tax succession.

*Every advisor working in Korea, Japan, or any high-marginal-rate jurisdiction needs it on the shelf.*

2. Samsung Life Insurance is the Korean parallel to Financière Agache in the LVMH architecture.

*The intermediate insurance-holding-industrial keystone through which family control flows.*

3. The Article 88-2 art donation is the specific nine-figure tax-optimization tool with no Western analog.

*KRW 3T (~\$2.3B) donation, KRW 1.5-1.8T (~\$1.1-1.4B) tax savings, plus soft-power currency.*

### **The Institute does not editorialize on Korean political questions.**

The 2015 Samsung C&T merger, the 2016-2022 legal history, and the August 2022 pardon are reported as facts sourced to Korean court filings and Ministry of Justice press releases. Not for us to comment.

**Companion assets: [Samsung\\_Lee\\_Model.xlsx \(11 tabs\)](#) · [Baratelli\\_Samsung\\_Case.pdf \(~30pp\)](#) · [Baratelli\\_Samsung\\_Combined.pdf](#)**

**The Baratelli Institute · July 5, 2026 · Baratelli Practitioner Case Memo series.**