

1Q26

Quarterly Management Report
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Operating Results Review:

CONTACT

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Topics in This Report:

- Revenue Analysis
- Profit & Expense Analysis
- Financial Condition Review
- Cash Flow
- CapEx
- Recap of Recent Important Events & Announcements

Summary:*(Amounts are on consolidated basis and are in NT\$ billions unless otherwise noted)*

	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>	<u>QoQ</u>	<u>YoY</u>
EPS (NT\$ per common share) (US\$ per ADR unit)	22.08 3.49	19.50 3.14	13.94 2.12	13.2%	58.3%
Net Revenue (US\$ billions)	35.90	33.73	25.53	6.4%	40.6%
Net Revenue	1,134.10	1,046.09	839.25	8.4%	35.1%
Gross Profit	751.30	651.99	493.40	15.2%	52.3%
Gross Margin	66.2%	62.3%	58.8%		
Operating Expenses	(94.01)	(88.19)	(85.19)	6.6%	10.4%
Other Operating Income and Expenses	1.68	1.10	(1.13)		
Operating Income	658.97	564.90	407.08	16.7%	61.9%
Operating Margin	58.1%	54.0%	48.5%		
Non-Operating Items	28.83	27.46	23.82		
Net Income Attributable to Shareholders of the Parent Company	572.48	505.74	361.56	13.2%	58.3%
Net Profit Margin	50.5%	48.3%	43.1%		
Wafer Shipment (kpcs 12 inch-equiv.)	4,174	3,961	3,259	5.4%	28.1%
Average Exchange Rate--USD/NTD	31.59	31.01	32.88	1.9%	-3.9%

Note: Diluted weighted average outstanding shares were 25,931mn units in 1Q26**Financial Highlights:****First Quarter 2026**

- Net revenue was NT\$1,134.10 billion, representing an 8.4% increase from NT\$1,046.09 billion in 4Q25 and a 35.1% increase from NT\$839.25 billion in 1Q25.
- Gross margin was 66.2%, 3.9 percentage points higher than 4Q25 and 7.4 percentage points higher than 1Q25.
- Operating margin was 58.1%, up 4.1 percentage points from 4Q25 and up 9.6 percentage points from 1Q25.
- Non-operating items were a gain of NT\$28.83 billion, compared to a gain of NT\$27.46 billion in 4Q25 and a gain of NT\$23.82 billion in 1Q25.
- Net income attributable to shareholders of the parent company was NT\$572.48 billion, up 13.2% from 4Q25 and up 58.3% from 1Q25. Net profit margin was 50.5% and diluted EPS was NT\$22.08.

I. Revenue Analysis

Wafer Revenue by Technology	1Q26	4Q25	1Q25
3nm	25%	28%	22%
5nm	36%	35%	36%
7nm	13%	14%	15%
16/20nm	7%	6%	7%
28nm	7%	6%	7%
40/45nm	3%	3%	3%
65nm	4%	4%	4%
90nm	1%	1%	1%
0.11/0.13um	1%	1%	2%
0.15/0.18um	2%	2%	3%
0.25um and above	1%	0%	0%

Net Revenue by Platform	1Q26	4Q25	1Q25
High Performance Computing	61%	55%	59%
Smartphone	26%	32%	28%
Internet of Things	6%	5%	5%
Automotive	4%	5%	5%
Digital Consumer Electronics	1%	1%	1%
Others	2%	2%	2%

Net Revenue by Geography	1Q26	4Q25	1Q25
North America	76%	74%	77%
Asia Pacific	9%	9%	9%
China	7%	9%	7%
Japan	4%	4%	4%
EMEA	4%	4%	3%

Revenue Analysis:

In the first quarter, revenue increased 8.4% quarter-over-quarter, as our business was supported by strong demand for our leading-edge process technologies.

By technology, 3nm process technology contributed 25% of total wafer revenue in 1Q26 while 5nm and 7nm accounted for 36% and 13% respectively. Advanced technologies (7nm and below) accounted for 74% of total wafer revenue.

By platform, HPC and Smartphone represented 61% and 26% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 6%, 4%, 1%, and 2%.

Sequentially, revenue from HPC, IoT, DCE and Others increased 20%, 12%, 28%, and 17% respectively. Smartphone and Automotive decreased 11% and 7% respectively from 4Q25.

From a geographic perspective, revenue from customers based in North America accounted for 76% of total net revenue in 1Q26, while revenue from Asia Pacific, China, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 9%, 7%, 4%, and 4% of total net revenue respectively.

II. Profit & Expense Analysis

II - 1. Gross Profit Analysis			
(In NT\$ billions)	1Q26	4Q25	1Q25
Net Revenue	1,134.10	1,046.09	839.25
Cost of Revenue	(382.80)	(394.10)	(345.85)
Gross Profit	751.30	651.99	493.40
Gross Margin	66.2%	62.3%	58.8%

Gross Profit Analysis:

Gross margin was 66.2% in 1Q26, 3.9 percentage points higher than 4Q25, primarily due to cost improvement efforts, a higher capacity utilization rate and a more favorable foreign exchange rate.

II - 2. Operating Income Analysis			
(In NT\$ billions)	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>
Total Operating Expenses	(94.01)	(88.19)	(85.19)
Research & Development	(67.76)	(64.86)	(56.55)
SG&A	(26.25)	(23.33)	(28.64)
Other Operating Income and Expenses	1.68	1.10	(1.13)
Operating Income	658.97	564.90	407.08
Operating Margin	58.1%	54.0%	48.5%
Total Operating Expenses as % of Net Revenue	8.3%	8.4%	10.2%

Operating Income Analysis:

Total operating expenses increased by NT\$5.82 billion to NT\$94.01 billion in 1Q26, representing 8.3% of net revenue in 1Q26, as compared to 8.4% in 4Q25, mainly due to operating leverage. Operating margin improved 4.1 percentage points sequentially to 58.1% in 1Q26.

II - 3. Non-Operating Items			
(In NT\$ billions)	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>
L-T Investments	1.69	1.48	1.37
Net Interest Income (Expenses)	26.14	26.46	22.18
Other Gains and Losses	1.00	(0.48)	0.27
Total Non-Operating Items	28.83	27.46	23.82

Non-Operating Items:

Total non-operating items were a gain of NT\$28.83 billion in 1Q26, compared to a gain of NT\$27.46 billion in 4Q25. The increase was mainly due to gains from foreign exchange.

II - 4. Net Profit and EPS			
(In NT\$ billions)	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>
Income before Tax	687.80	592.36	430.90
Income Tax Expenses	(115.00)	(86.94)	(70.17)
Effective Tax Rate	16.8%	14.7%	16.3%
Net Income Attributable to the Parent Company	572.48	505.74	361.56
Net Profit Margin	50.5%	48.3%	43.1%
EPS (NT\$ per common share)	22.08	19.50	13.94

Net Profit and EPS:

Net income attributable to shareholders of the parent company was NT\$572.48 billion in 1Q26, up 13.2% from 4Q25, and up 58.3% from 1Q25.

III. Financial Condition Review

III - 1. Liquidity Analysis (Balance Sheet Items)			
(In NT\$ billions)	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>
Cash & Marketable Securities	3,383.60	3,068.59	2,703.09
Accounts Receivable	363.01	281.79	243.95
Inventories	311.45	288.11	293.39
Other Current Assets	207.45	178.64	105.24
Total Current Assets	4,265.51	3,817.13	3,345.67
Accounts Payable	343.78	262.06	275.94
Current Portion of Bonds Payable and Bank Loans	156.24	136.93	61.77
Dividends Payable	311.19	285.26	233.39
Accrued Liabilities and Others	903.04	773.77	828.70
Total Current Liabilities	1,714.25	1,458.02	1,399.80
Current Ratio (x)	2.5	2.6	2.4
Net Working Capital	2,551.26	2,359.11	1,945.87

Liquidity Analysis:

On a sequential basis, total current assets increased by NT\$448.38 billion, mainly due to the increase of NT\$315.01 billion in cash and marketable securities.

Total current liabilities increased by NT\$256.23 billion, mainly due to the increase of NT\$129.27 billion in accrued liabilities and others, and the increase of NT\$81.72 billion in accounts payable.

Net working capital was NT\$2,551.26 billion and current ratio was 2.5x in 1Q26.

III - 2. Receivable/Inventory Days			
(In Number of Days)	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>
Days of Receivable	26	26	28
Days of Inventory	80	74	83

Receivable and Inventory Days:

Days of receivable was flat at 26 days in 1Q26.

Days of inventory increased 6 days to 80 days in 1Q26, primarily due to N2 ramp and stronger N3 demand.

III - 3. Debt Service			
(In NT\$ billions)	<u>1Q26</u>	<u>4Q25</u>	<u>1Q25</u>
Cash & Marketable Securities	3,383.60	3,068.59	2,703.09
Interest-Bearing Debts	(1,057.26)	(1,032.99)	(1,048.76)
Net Cash Reserves	2,326.34	2,035.60	1,654.33

Debt Service:

Net cash reserves increased by NT\$290.74 billion to NT\$2,326.34 billion in 1Q26, mainly due to the increase of NT\$315.01 billion in cash and marketable securities in 1Q26.

IV. Cash Flow

IV - 1. Quarterly Cash Flow Analysis			
(In NT\$ billions)	1Q26	4Q25	1Q25
Income before Tax	687.80	592.36	430.90
Depreciation & Amortization	165.45	162.11	175.13
Other Operating Sources/(Uses)	(154.28)	(28.96)	19.54
Net Operating Sources/(Uses)	698.97	725.51	625.57
Capital Expenditures	(350.76)	(356.91)	(330.83)
Marketable Financial Instruments	(30.32)	(30.80)	(16.81)
Other Investing Sources/(Uses)	24.23	21.75	57.45
Net Investing Sources/(Uses)	(356.85)	(365.96)	(290.19)
Cash Dividends	(129.66)	(129.66)	(103.72)
Bonds Payable	12.40	21.75	16.20
Other Financing Sources/(Uses)	(2.65)	0.22	2.85
Net Financing Sources/(Uses)	(119.91)	(107.69)	(84.67)
Exchange Rate Changes	45.57	45.24	16.46
Cash Position Net Changes	267.78	297.10	267.17
Ending Cash Balance	3,035.64	2,767.86	2,394.80

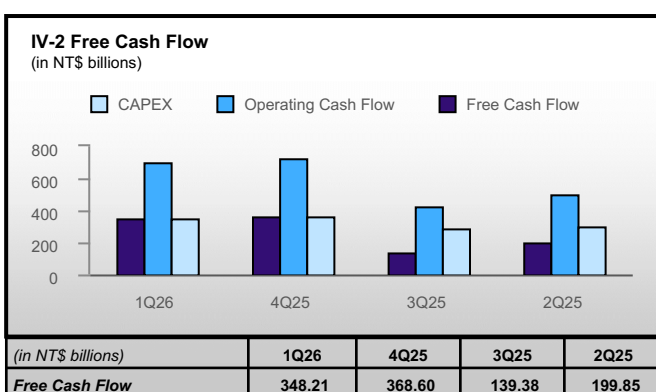
Summary of Cash Flow:

During the first quarter, net cash generated from operating activities totaled NT\$698.97 billion, including (1) NT\$687.80 billion from income before tax, (2) NT\$165.45 billion from depreciation & amortization expenses, and (3) NT\$154.28 billion for other operating uses. The other operating uses were mainly attributable to the changes in working capital of NT\$151.09 billion.

Net cash used in investing activities was NT\$356.85 billion in 1Q26, primarily attributable to capital expenditures of NT\$350.76 billion.

Net cash used in financing activities was NT\$119.91 billion, mainly reflecting the payment of 2Q25 cash dividends of NT\$129.66 billion.

As a result, cash position increased by NT\$267.78 billion to NT\$3,035.64 billion at the end of 1Q26.



Operating and Free Cash Flow:

Free cash flow decreased by NT\$20.39 billion to an inflow of NT\$348.21 billion in 1Q26, as a result of lower operating cash flow.

V. CapEx

V. Capital Expenditures		
(in US\$ billions)	1Q26	4Q25
Capital Expenditures	11.10	11.51

Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US\$11.10 billion in 1Q26.

VI. Recap of Recent Important Events & Announcements

- TSMC Board of Directors Approved NT\$6.00 Cash Dividend for the Fourth Quarter of 2025 and Set June 11, 2026 as Ex-Dividend Date, June 17, 2026 as the Record Date and July 9, 2026 as the Distribution Date (2026/02/10)