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2Q26 | **Quarterly Management Report**
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Topics in This Report:

Operating Results Review:

Summary:

(Amounts are on consolidated basis and are in NT$ billions unless otherwise noted)	2Q26	1Q26	2Q25	QoQ	YoY
EPS (NT$ per common share)	27.25	22.08	15.36	23.4%	77.4%
(US$ per ADR unit)	4.31	3.49	2.47		
Net Revenue (US$ billions)	40.20	35.90	30.07	12.0%	33.7%
Net Revenue	1,270.38	1,134.10	933.79	12.0%	36.0%
Gross Profit	860.31	751.30	547.37	14.5%	57.2%
Gross Margin	*67.7%*	*66.2%*	*58.6%*		
Operating Expenses	(98.98)	(94.01)	(84.51)	5.3%	17.1%
Other Operating Income and Expenses	5.27	1.68	0.56		
Operating Income	766.60	658.97	463.42	16.3%	65.4%
Operating Margin	*60.3%*	*58.1%*	*49.6%*		
Non-Operating Items	95.83	28.83	29.61		
Net Income Attributable to Shareholders of the Parent Company	706.56	572.48	398.27	23.4%	77.4%
Net Profit Margin	*55.6%*	*50.5%*	*42.7%*		
Wafer Shipment (kpcs 12 inch-equiv.)	4,336	4,174	3,718	3.9%	16.6%
Average Exchange Rate--USD/NTD	31.60	31.59	31.05	0.0%	1.8%

Note: Diluted weighted average outstanding shares were 25,932mn units in 2Q26

Financial Highlights:

Second Quarter 2026

- Net revenue was NT$1,270.38 billion, representing a 12.0% increase from NT$1,134.10 billion in 1Q26 and a 36.0% increase from NT$933.79 billion in 2Q25.
- Gross margin was 67.7%, 1.5 percentage points higher than 1Q26 and 9.1 percentage points higher than 2Q25.
- Operating margin was 60.3%, up 2.2 percentage points from 1Q26 and up 10.7 percentage points from 2Q25.
- Non-operating items were a gain of NT$95.83 billion, compared to a gain of NT$28.83 billion in 1Q26 and a gain of NT$29.61 billion in 2Q25. The increase was mainly due to disposal and mark-to-market gains of NT$63.20 billion on Vanguard International Semiconductor Corp. (VIS) shares.
- Net income attributable to shareholders of the parent company was NT$706.56 billion, up 23.4% from 1Q26 and up 77.4% from 2Q25. Net profit margin was 55.6% and diluted EPS was NT$27.25.

I. Revenue Analysis

Wafer Revenue by Technology	2Q26	1Q26	2Q25
2nm	3%	0%	0%
3nm	30%	25%	24%
5nm	33%	36%	36%
7nm	11%	13%	14%
16/20nm	6%	7%	7%
28nm	6%	7%	7%
40/45nm	2%	3%	3%
65nm	4%	4%	3%
90nm-0.13um	2%	2%	3%
≥0.15um	3%	3%	3%

Net Revenue by Platform	2Q26	1Q26	2Q25
High Performance Computing	66%	61%	60%
Smartphone	22%	26%	27%
Internet of Things	5%	6%	5%
Automotive	4%	4%	5%
Digital Consumer Electronics	1%	1%	1%
Others	2%	2%	2%

Net Revenue by Geography	2Q26	1Q26	2Q25
North America	78%	76%	75%
Asia Pacific	8%	9%	9%
China	6%	7%	9%
Japan	4%	4%	4%
EMEA	4%	4%	3%

Revenue Analysis:

In the second quarter, revenue increased 12.0% quarter-over-quarter, as our business was supported by strong demand for our leading-edge process technologies.

By technology, 2nm process technology contributed 3% of total wafer revenue in 2Q26, while 3nm, 5nm, and 7nm accounted for 30%, 33%, and 11% respectively. Advanced technologies (7nm and below) accounted for 77% of total wafer revenue.

By platform, HPC and Smartphone represented 66% and 22% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 5%, 4%, 1%, and 2%.

Sequentially, revenue from HPC, IoT, Automotive, DCE, and Others increased 20%, 4%, 15%, 5%, and 5% respectively. Smartphone decreased 4% from 1Q26.

From a geographic perspective, revenue from customers based in North America accounted for 78% of total net revenue in 2Q26, while revenue from Asia Pacific, China, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 8%, 6%, 4%, and 4% of total net revenue respectively.

II. Profit & Expense Analysis

II - 1. Gross Profit Analysis

(In NT$ billions)	2Q26	1Q26	2Q25
Net Revenue	**1,270.38**	**1,134.10**	**933.79**
Cost of Revenue	(410.07)	(382.80)	(386.42)
Gross Profit	**860.31**	**751.30**	**547.37**
Gross Margin	**67.7%**	**66.2%**	**58.6%**

Gross Profit Analysis:

Gross margin was 67.7% in 2Q26, 1.5 percentage points higher than 1Q26, primarily due to cost improvement efforts and a higher capacity utilization rate, partially offset by margin dilution from overseas fabs.

II - 2. Operating Income Analysis			
(In NT$ billions)	2Q26	1Q26	2Q25
Total Operating Expenses	**(98.98)**	**(94.01)**	**(84.51)**
Research & Development	(73.14)	(67.76)	(61.28)
SG&A	(25.84)	(26.25)	(23.23)
Other Operating Income and Expenses	**5.27**	**1.68**	**0.56**
Operating Income	**766.60**	**658.97**	**463.42**
Operating Margin	**60.3%**	**58.1%**	**49.6%**
Total Operating Expenses as % of Net Revenue	**7.8%**	**8.3%**	**9.1%**

Operating Income Analysis:

Total operating expenses increased by NT$4.97 billion to NT$98.98 billion in 2Q26, representing 7.8% of net revenue in 2Q26, as compared to 8.3% in 1Q26, mainly due to operating leverage. Other operating income increased by NT$3.59 billion to NT$5.27 billion, mainly due to insurance claims from the April 3, 2024 earthquake. Operating margin improved 2.2 percentage points sequentially to 60.3% in 2Q26.

II - 3. Non-Operating Items			
(In NT$ billions)	2Q26	1Q26	2Q25
L-T Investments	**1.44**	**1.69**	**1.22**
Net Interest Income (Expenses)	**26.96**	**26.14**	**21.50**
Other Gains and Losses	**67.43**	**1.00**	**6.89**
Total Non-Operating Items	**95.83**	**28.83**	**29.61**

Non-Operating Items:

Total non-operating items were a gain of NT$95.83 billion in 2Q26, compared to a gain of NT$28.83 billion in 1Q26. The increase was mainly due to disposal and mark-to-market gains of NT$63.20 billion on Vanguard International Semiconductor Corp. (VIS) shares.

II - 4. Net Profit and EPS			
(In NT$ billions)	2Q26	1Q26	2Q25
Income before Tax	**862.43**	**687.80**	**493.03**
Income Tax Expenses	**(155.65)**	**(115.00)**	**(95.55)**
Effective Tax Rate	**18.1%**	**16.8%**	**19.4%**
Net Income Attributable to the Parent Company	**706.56**	**572.48**	**398.27**
Net Profit Margin	**55.6%**	**50.5%**	**42.7%**
EPS (NT$ per common share)	**27.25**	**22.08**	**15.36**

Net Profit and EPS:

Net income attributable to shareholders of the parent company was NT$706.56 billion in 2Q26, up 23.4% from 1Q26 and up 77.4% from 2Q25. The higher income tax expenses during the second quarter mainly reflected the tax on undistributed retained earnings.

III. Financial Condition Review

III - 1. Liquidity Analysis (Balance Sheet Items)

(In NT$ billions)	2Q26	1Q26	2Q25
Cash & Marketable Securities	3,518.01	3,383.60	2,634.43
Accounts Receivable	440.92	363.01	235.69
Inventories	385.53	311.45	304.19
Other Current Assets	221.24	207.45	90.61
Total Current Assets	**4,565.70**	**4,265.51**	**3,264.92**
Accounts Payable	401.48	343.78	246.19
Current Portion of Bonds Payable and Bank Loans	167.41	156.24	94.21
Dividends Payable	337.43	311.19	246.67
Accrued Liabilities and Others	951.44	903.04	790.24
Total Current Liabilities	**1,857.76**	**1,714.25**	**1,377.31**
Current Ratio (x)	2.5	2.5	2.4
Net Working Capital	**2,707.94**	**2,551.26**	**1,887.61**

Liquidity Analysis:

On a sequential basis, total current assets increased by NT$300.19 billion, mainly due to the increases of NT$134.41 billion in cash and marketable securities, NT$77.91 billion in accounts receivable, and NT$74.08 billion in inventories.

Total current liabilities increased by NT$143.51 billion, mainly due to the increases of NT$57.70 billion in accounts payable and NT$48.40 billion in accrued liabilities and others.

Net working capital was NT$2,707.94 billion and current ratio was 2.5x in 2Q26.

III - 2. Receivable/Inventory Days

(In Number of Days)	2Q26	1Q26	2Q25
Days of Receivable	29	26	23
Days of Inventory	87	80	76

Receivable and Inventory Days:

Days of receivable increased 3 days to 29 days in 2Q26.

Days of inventory increased 7 days to 87 days in 2Q26, primarily due to N2 ramp.

III - 3. Debt Service

(In NT$ billions)	2Q26	1Q26	2Q25
Cash & Marketable Securities	3,518.01	3,383.60	2,634.43
Interest-Bearing Debts	(1,031.68)	(1,057.26)	(977.89)
Net Cash Reserves	**2,486.33**	**2,326.34**	**1,656.54**

Debt Service:

Net cash reserves increased by NT$159.99 billion to NT$2,486.33 billion in 2Q26, mainly due to the increase of NT$134.41 billion in cash and marketable securities in 2Q26.

IV. Cash Flow

IV - 1. Quarterly Cash Flow Analysis

(In NT$ billions)	2Q26	1Q26	2Q25
Income before Tax	862.43	687.80	493.03
Depreciation & Amortization	198.54	165.45	188.07
Other Operating Sources/(Uses)	(277.61)	(154.28)	(184.03)
Net Operating Sources/(Uses)	**783.36**	**698.97**	**497.07**
Capital Expenditures	(496.00)	(350.76)	(297.22)
Marketable Financial Instruments	(36.96)	(30.32)	11.75
Other Investing Sources/(Uses)	40.15	24.23	56.98
Net Investing Sources/(Uses)	**(492.81)**	**(356.85)**	**(228.49)**
Cash Dividends	(155.59)	(129.66)	(116.70)
Bonds Payable	(31.66)	12.40	3.70
Other Financing Sources/(Uses)	2.60	(2.65)	(6.70)
Net Financing Sources/(Uses)	**(184.65)**	**(119.91)**	**(119.70)**
Exchange Rate Changes	**(7.32)**	**45.57**	**(179.16)**
Cash Position Net Changes	**98.58**	**267.78**	**(30.28)**
Ending Cash Balance	**3,134.22**	**3,035.64**	**2,364.52**

Summary of Cash Flow:

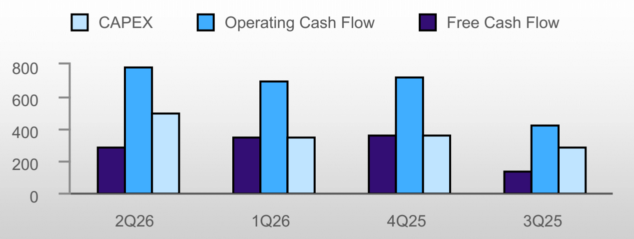
During the second quarter, net cash generated from operating activities totaled NT$783.36 billion, including (1) NT$862.43 billion from income before tax, (2) NT$198.54 billion from depreciation & amortization expenses, and (3) NT$277.61 billion for other operating uses. The other operating uses were mainly attributable to the income tax payment of NT$188.22 billion and changes in working capital of NT$87.95 billion.

Net cash used in investing activities was NT$492.81 billion in 2Q26, primarily attributable to capital expenditures of NT$496.00 billion.

Net cash used in financing activities was NT$184.65 billion, mainly reflecting the payment of 3Q25 cash dividends of NT$155.59 billion.

As a result, cash position increased by NT$98.58 billion to NT$3,134.22 billion at the end of 2Q26.

IV-2 Free Cash Flow
(in NT$ billions)



(in NT$ billions)	2Q26	1Q26	4Q25	3Q25
Free Cash Flow	287.36	348.21	368.60	139.38

Operating and Free Cash Flow:

Free cash flow decreased by NT$60.85 billion to an inflow of NT$287.36 billion in 2Q26, mainly as the increase in capital expenditures outpaced the increase in operating cash flow in 2Q26.

V. CapEx

V. Capital Expenditures

(in US$ billions)	2Q26	1Q26	YTD
Capital Expenditures	**15.70**	**11.10**	**26.80**

Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US$15.70 billion in 2Q26.

VI. Recap of Recent Important Events & Announcements

- TSMC Sold 8.1% of Vanguard International Semiconductor (2026/05/15)

- TSMC Board of Directors Approved NT$7.00 Cash Dividend for the First Quarter of 2026 and Set September 16, 2026 as Ex-Dividend Date, September 22, 2026 as the Record Date and October 8, 2026 as the Distribution Date (2026/05/12)

- Sony Semiconductor Solutions and TSMC Entered Preliminary Agreement for Next-Generation Image Sensor Strategic Partnership (2026/05/08)

- TSMC Debuted A13 Technology at 2026 North America Technology Symposium (2026/04/23)