**3Q26****Quarterly Management Report**
October 15, 2026**Operating Results Review:****CONTACT****Jeff Su**Investor Relations Division
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886-3-568-2089**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>3Q26</u>	<u>2Q26</u>	<u>3Q25</u>	<u>QoQ</u>	<u>YoY</u>
EPS (NT\$ per common share)	29.43	27.25	17.44	8.0%	68.7%
(US\$ per ADR unit)	4.60	4.31	2.92		
Net Revenue (US\$ billions)	46.72	40.20	33.10	16.2%	41.2%
Net Revenue	1,494.24	1,270.38	989.92	17.6%	50.9%
Gross Profit	992.38	860.31	588.54	15.4%	68.6%
Gross Margin	66.4%	67.7%	59.5%		
Operating Expenses	(116.43)	(98.98)	(87.76)	17.6%	32.7%
Other Operating Income and Expenses	0.50	5.27	(0.09)		
Operating Income	876.45	766.60	500.69	14.3%	75.0%
Operating Margin	58.7%	60.3%	50.6%		
Non-Operating Items	34.59	95.83	24.68		
Net Income Attributable to Shareholders of the Parent Company	763.06	706.56	452.30	8.0%	68.7%
Net Profit Margin	51.1%	55.6%	45.7%		
Wafer Shipment (kpcs 12 inch-equiv.)	4,476	4,336	4,085	3.2%	9.6%
Average Exchange Rate--USD/NTD	31.98	31.60	29.91	1.2%	6.9%

Note: Diluted weighted average outstanding shares were 25,932mn units in 3Q26**Financial Highlights:****Third Quarter 2026**

- Net revenue was NT\$1,494.24 billion, representing a 17.6% increase from NT\$1,270.38 billion in 2Q26 and a 50.9% increase from NT\$989.92 billion in 3Q25.
- Gross margin was 66.4%, 1.3 percentage points lower than 2Q26 and 6.9 percentage points higher than 3Q25.
- Operating margin was 58.7%, down 1.6 percentage points from 2Q26 and up 8.1 percentage points from 3Q25.
- Non-operating items were a gain of NT\$34.59 billion, compared to a gain of NT\$95.83 billion in 2Q26 and a gain of NT\$24.68 billion in 3Q25.
- Net income attributable to shareholders of the parent company was NT\$763.06 billion, up 8.0% from 2Q26 and up 68.7% from 3Q25. Net profit margin was 51.1% and diluted EPS was NT\$29.43.

I. Revenue Analysis

Wafer Revenue by Technology	3Q26	2Q26	3Q25
2nm	8%	3%	0%
3nm	33%	30%	23%
5nm	28%	33%	37%
7nm	10%	11%	14%
16/20nm	6%	6%	7%
28nm	6%	6%	7%
40/45nm	2%	2%	3%
65nm	4%	4%	4%
90nm-0.13um	1%	2%	2%
≥0.15um	2%	3%	3%

Net Revenue by Platform	3Q26	2Q26	3Q25
High Performance Computing	68%	66%	57%
Smartphone	21%	22%	30%
Internet of Things	4%	5%	5%
Automotive	4%	4%	5%
Digital Consumer Electronics	1%	1%	1%
Others	2%	2%	2%

Net Revenue by Geography	3Q26	2Q26	3Q25
North America	79%	78%	76%
Asia Pacific	10%	8%	9%
China	5%	6%	8%
Japan	3%	4%	4%
EMEA	3%	4%	3%

Revenue Analysis:

In the third quarter, revenue increased 17.6% quarter-over-quarter, as our business was supported by strong demand for our leading-edge process technologies.

By technology, 2nm process technology contributed 8% of total wafer revenue in 3Q26, while 3nm, 5nm, and 7nm accounted for 33%, 28%, and 10% respectively. Advanced technologies (7nm and below) accounted for 79% of total wafer revenue.

By platform, HPC and Smartphone represented 68% and 21% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 4%, 4%, 1%, and 2%.

Sequentially, revenue from HPC, Smartphone, IoT, and Automotive increased 22%, 10%, 5%, and 23% respectively. DCE and Others decreased 12% and 10% respectively from 2Q26.

From a geographic perspective, revenue from customers based in North America accounted for 79% of total net revenue in 3Q26, while revenue from Asia Pacific, China, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 10%, 5%, 3%, and 3% of total net revenue respectively.

II. Profit & Expense Analysis

II - 1. Gross Profit Analysis			
(In NT\$ billions)	3Q26	2Q26	3Q25
Net Revenue	1,494.24	1,270.38	989.92
Cost of Revenue	(501.86)	(410.07)	(401.38)
Gross Profit	992.38	860.31	588.54
Gross Margin	66.4%	67.7%	59.5%

Gross Profit Analysis:

Gross margin was 66.4% in 3Q26, 1.3 percentage points lower than 2Q26, primarily due to the margin dilution from the initial ramp-up of N2 technology.

II - 2. Operating Income Analysis

(In NT\$ billions)	<u>3Q26</u>	<u>2Q26</u>	<u>3Q25</u>
Total Operating Expenses	(116.43)	(98.98)	(87.76)
Research & Development	(88.98)	(73.14)	(63.74)
SG&A	(27.45)	(25.84)	(24.02)
Other Operating Income and Expenses	0.50	5.27	(0.09)
Operating Income	876.45	766.60	500.69
Operating Margin	58.7%	60.3%	50.6%
Total Operating Expenses as % of Net Revenue	7.8%	7.8%	8.9%

Operating Income Analysis:

Total operating expenses increased by NT\$17.45 billion to NT\$116.43 billion in 3Q26, representing 7.8% of net revenue in 3Q26. Other operating income and expenses decreased mainly due to the absence of insurance claims from the April 3, 2024 earthquake recorded in 2Q26. Operating margin declined 1.6 percentage points sequentially to 58.7% in 3Q26.

II - 3. Non-Operating Items

(In NT\$ billions)	<u>3Q26</u>	<u>2Q26</u>	<u>3Q25</u>
L-T Investments	1.51	1.44	1.42
Net Interest Income (Expenses)	31.66	26.96	23.22
Other Gains and Losses	1.42	67.43	0.04
Total Non-Operating Items	34.59	95.83	24.68

Non-Operating Items:

Total non-operating items were a gain of NT\$34.59 billion in 3Q26, compared to a gain of NT\$95.83 billion in 2Q26. The decrease was mainly due to the absence of disposal and mark-to-market gains on Vanguard International Semiconductor Corp. (VIS) shares recorded in 2Q26.

II - 4. Net Profit and EPS

(In NT\$ billions)	<u>3Q26</u>	<u>2Q26</u>	<u>3Q25</u>
Income before Tax	911.04	862.43	525.37
Income Tax Expenses	(147.70)	(155.65)	(73.61)
Effective Tax Rate	16.2%	18.1%	14.0%
Net Income Attributable to the Parent Company	763.06	706.56	452.30
Net Profit Margin	51.1%	55.6%	45.7%
EPS (NT\$ per common share)	29.43	27.25	17.44

Net Profit and EPS:

Net income attributable to shareholders of the parent company was NT\$763.06 billion in 3Q26, up 8.0% from 2Q26 and up 68.7% from 3Q25.

III. Financial Condition Review

III - 1. Liquidity Analysis (Balance Sheet Items)			
(In NT\$ billions)	3Q26	2Q26	3Q25
Cash & Marketable Securities	4,016.98	3,518.01	2,751.06
Accounts Receivable	483.56	440.92	307.81
Inventories	427.75	385.53	288.69
Other Current Assets	156.64	221.24	88.46
Total Current Assets	5,084.93	4,565.70	3,436.02
Accounts Payable	421.46	401.48	261.82
Current Portion of Bonds Payable and Bank Loans	213.20	167.41	76.22
Dividends Payable	363.05	337.43	259.33
Accrued Liabilities and Others	970.04	951.44	678.54
Total Current Liabilities	1,967.75	1,857.76	1,275.91
Current Ratio (x)	2.6	2.5	2.7
Net Working Capital	3,117.18	2,707.94	2,160.11

Liquidity Analysis:

On a sequential basis, total current assets increased by NT\$519.23 billion, mainly due to the increase of NT\$498.97 billion in cash and marketable securities.

Total current liabilities increased by NT\$109.99 billion, mainly due to the increases of NT\$45.79 billion in current portion of bonds payable and bank loans, and NT\$25.62 billion in dividends payable.

Net working capital was NT\$3,117.18 billion and current ratio was 2.6x in 3Q26.

III - 2. Receivable/Inventory Days			
(In Number of Days)	3Q26	2Q26	3Q25
Days of Receivable	28	29	25
Days of Inventory	82	87	74

Receivable and Inventory Days:

Days of receivable decreased 1 day to 28 days in 3Q26.

Days of inventory decreased 5 days to 82 days in 3Q26, primarily due to the increase in wafer shipments.

III - 3. Debt Service			
(In NT\$ billions)	3Q26	2Q26	3Q25
Cash & Marketable Securities	4,016.98	3,518.01	2,751.06
Interest-Bearing Debts	(1,031.58)	(1,031.68)	(994.45)
Net Cash Reserves	2,985.40	2,486.33	1,756.61

Debt Service:

Net cash reserves increased by NT\$499.07 billion to NT\$2,985.40 billion in 3Q26, mainly due to the increase of NT\$498.97 billion in cash and marketable securities in 3Q26.

IV. Cash Flow

IV - 1. Quarterly Cash Flow Analysis

(In NT\$ billions)	3Q26	2Q26	3Q25
Income before Tax	911.04	862.43	525.37
Depreciation & Amortization	220.20	198.54	162.79
Other Operating Sources/(Uses)	(211.47)	(277.61)	(261.33)
Net Operating Sources/(Uses)	919.77	783.36	426.83
Capital Expenditures	(443.21)	(496.00)	(287.45)
Marketable Financial Instruments	(22.32)	(36.96)	(1.25)
Other Investing Sources/(Uses)	198.74	40.15	28.95
Net Investing Sources/(Uses)	(266.79)	(492.81)	(259.75)
Cash Dividends	(155.59)	(155.59)	(116.70)
Bonds Payable	(0.85)	(31.66)	(9.06)
Other Financing Sources/(Uses)	(3.87)	2.60	(2.53)
Net Financing Sources/(Uses)	(160.31)	(184.65)	(128.29)
Exchange Rate Changes	(5.00)	(7.32)	67.45
Cash Position Net Changes	487.67	98.58	106.24
Ending Cash Balance	3,621.89	3,134.22	2,470.76

Summary of Cash Flow:

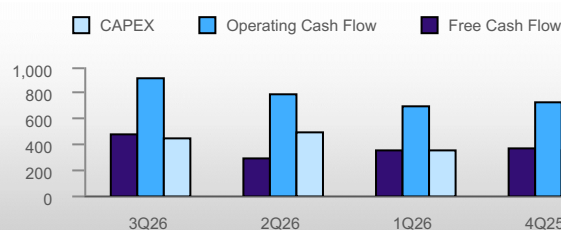
During the third quarter, net cash generated from operating activities totaled NT\$919.77 billion, including (1) NT\$911.04 billion from income before tax, (2) NT\$220.20 billion from depreciation & amortization expenses, and (3) NT\$211.47 billion for other operating uses. The other operating uses were mainly attributable to the income tax payment of NT\$197.55 billion.

Net cash used in investing activities was NT\$266.79 billion in 3Q26, primarily attributable to capital expenditures of NT\$443.21 billion, partially offset by other investing sources of NT\$198.74 billion. The other investing sources were mainly attributable to U.S. Treasury Department Investment Tax Credits.

Net cash used in financing activities was NT\$160.31 billion, mainly reflecting the payment of 4Q25 cash dividends of NT\$155.59 billion.

As a result, cash position increased by NT\$487.67 billion to NT\$3,621.89 billion at the end of 3Q26.

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



(in NT\$ billions)	3Q26	2Q26	1Q26	4Q25
Free Cash Flow	476.56	287.36	348.21	368.60

Operating and Free Cash Flow:

Free cash flow increased by NT\$189.20 billion to an inflow of NT\$476.56 billion in 3Q26, mainly due to the increase in operating cash flow and the decrease in capital expenditures during the quarter.

V. CapEx

V. Capital Expenditures

(in US\$ billions)	3Q26	2Q26	1Q26	YTD
Capital Expenditures	13.84	15.70	11.10	40.64

Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US\$13.84 billion in 3Q26.

VI. Recap of Recent Important Events & Announcements

- ASML and TSMC Announce Initiative to Pioneer Industry Transition to Large-Format Photomasks for High NA EUV (2026/09/08)
- Sony Semiconductor Solutions and TSMC Agreed to Establish Joint Venture for Next-Generation Image Sensors (2026/08/11)
- TSMC Board of Directors Approved NT\$7.00 Cash Dividend for the Second Quarter of 2026 and Set December 10, 2026 as Ex-Dividend Date, December 16, 2026 as the Record Date and January 7, 2027 as the Distribution Date (2026/08/11)