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3Q25 | **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)	3Q25	2Q25	3Q24	QoQ	YoY
EPS (NT$ per common share)	17.44	15.36	12.54	13.6%	39.0%
(US$ per ADR unit)	2.92	2.47	1.94		
Net Revenue (US$ billions)	33.10	30.07	23.50	10.1%	40.8%
Net Revenue	989.92	933.79	759.69	6.0%	30.3%
Gross Profit	588.54	547.37	439.35	7.5%	34.0%
Gross Margin	*59.5%*	*58.6%*	*57.8%*		
Operating Expenses	(87.76)	(84.51)	(79.08)	3.9%	11.0%
Other Operating Income and Expenses	(0.09)	0.56	0.50		
Operating Income	500.69	463.42	360.77	8.0%	38.8%
Operating Margin	*50.6%*	*49.6%*	*47.5%*		
Non-Operating Items	24.68	29.61	23.42		
Net Income Attributable to Shareholders of the Parent Company	452.30	398.27	325.26	13.6%	39.1%
Net Profit Margin	*45.7%*	*42.7%*	*42.8%*		
Wafer Shipment (kpcs 12 inch-equiv.)	4,085	3,718	3,338	9.9%	22.4%
Average Exchange Rate--USD/NTD	29.91	31.05	32.32	-3.7%	-7.5%

Note: Diluted weighted average outstanding shares were 25,930mn units in 3Q25

Financial Highlights:

Third Quarter 2025

- Net revenue was NT$989.92 billion, representing a 6.0% increase from NT$933.79 billion in 2Q25 and a 30.3% increase from NT$759.69 billion in 3Q24.
- Gross margin was 59.5%, 0.9 percentage points higher than 2Q25 and 1.7 percentage points higher than 3Q24.
- Operating margin was 50.6%, up 1.0 percentage point from 2Q25 and up 3.1 percentage points from 3Q24.
- Non-operating items were a gain of NT$24.68 billion, compared to a gain of NT$29.61 billion in 2Q25 and a gain of NT$23.42 billion in 3Q24.
- Net income attributable to shareholders of the parent company was NT$452.30 billion, up 13.6% from 2Q25 and up 39.1% from 3Q24. Net profit margin was 45.7% and diluted EPS was NT$17.44.

I. Revenue Analysis

Wafer Revenue by Technology	3Q25	2Q25	3Q24
3nm	23%	24%	20%
5nm	37%	36%	32%
7nm	14%	14%	17%
16/20nm	7%	7%	8%
28nm	7%	7%	7%
40/45nm	3%	3%	4%
65nm	4%	3%	4%
90nm	1%	1%	1%
0.11/0.13um	1%	2%	2%
0.15/0.18um	3%	3%	4%
0.25um and above	0%	0%	1%

Net Revenue by Platform	3Q25	2Q25	3Q24
High Performance Computing	57%	60%	51%
Smartphone	30%	27%	34%
Internet of Things	5%	5%	7%
Automotive	5%	5%	5%
Digital Consumer Electronics	1%	1%	1%
Others	2%	2%	2%

Net Revenue by Geography	3Q25	2Q25	3Q24
North America	76%	75%	71%
Asia Pacific	9%	9%	10%
China	8%	9%	11%
Japan	4%	4%	5%
EMEA	3%	3%	3%

Revenue Analysis:

In the third quarter, revenue increased 6.0% quarter-over-quarter, as our business was supported by strong demand for our leading-edge process technologies.

By technology, 3nm process technology contributed 23% of total wafer revenue in 3Q25 while 5nm and 7nm accounted for 37% and 14% respectively. Advanced technologies (7nm and below) accounted for 74% of total wafer revenue.

By platform, HPC and Smartphone represented 57% and 30% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 5%, 5%, 1%, and 2%.

Sequentially, revenue from Smartphone, IoT, and Automotive increased 19%, 20%, and 18% respectively. HPC remained flat, while DCE and Others decreased 20% and 8% respectively from 2Q25.

From a geographic perspective, revenue from customers based in North America accounted for 76% of total net revenue in 3Q25, while revenue from Asia Pacific, China, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 9%, 8%, 4%, and 3% of total net revenue respectively.

II. Profit & Expense Analysis

II - 1. Gross Profit Analysis

(In NT$ billions)	3Q25	2Q25	3Q24
Net Revenue	**989.92**	**933.79**	**759.69**
Cost of Revenue	(401.38)	(386.42)	(320.34)
Gross Profit	**588.54**	**547.37**	**439.35**
Gross Margin	**59.5%**	**58.6%**	**57.8%**

Gross Profit Analysis:

Gross margin was 59.5% in 3Q25, 0.9 percentage points higher than 2Q25, primarily due to cost improvement efforts and a higher capacity utilization rate, partially offset by an unfavorable foreign exchange rate and dilution from overseas fabs.

II - 2. Operating Income Analysis

(In NT$ billions)	3Q25	2Q25	3Q24
Total Operating Expenses	**(87.76)**	**(84.51)**	**(79.08)**
Research & Development	(63.74)	(61.28)	(52.78)
SG&A	(24.02)	(23.23)	(26.30)
Other Operating Income and Expenses	**(0.09)**	**0.56**	**0.50**
Operating Income	**500.69**	**463.42**	**360.77**
Operating Margin	**50.6%**	**49.6%**	**47.5%**
Total Operating Expenses as % of Net Revenue	**8.9%**	**9.1%**	**10.4%**

Operating Income Analysis:

Total operating expenses increased by NT$3.25 billion to NT$87.76 billion in 3Q25, representing 8.9% of net revenue in 3Q25, as compared to 9.1% in 2Q25, mainly due to operating leverage. Operating margin improved 1.0 percentage point sequentially to 50.6% in 3Q25.

II - 3. Non-Operating Items

(In NT$ billions)	3Q25	2Q25	3Q24
L-T Investments	**1.42**	**1.22**	**1.56**
Net Interest Income (Expenses)	**23.22**	**21.50**	**19.97**
Other Gains and Losses	**0.04**	**6.89**	**1.89**
Total Non-Operating Items	**24.68**	**29.61**	**23.42**

Non-Operating Items:

Total non-operating items were a gain of NT$24.68 billion in 3Q25, compared to a gain of NT$29.61 billion in 2Q25. The decrease was mainly due to the absence of one-time other gains recorded in 2Q25.

II - 4. Net Profit and EPS

(In NT$ billions)	3Q25	2Q25	3Q24
Income before Tax	**525.37**	**493.03**	**384.19**
Income Tax Expenses	**(73.61)**	**(95.55)**	**(59.11)**
Effective Tax Rate	**14.0%**	**19.4%**	**15.4%**
Net Income Attributable to the Parent Company	**452.30**	**398.27**	**325.26**
Net Profit Margin	**45.7%**	**42.7%**	**42.8%**
EPS (NT$ per common share)	**17.44**	**15.36**	**12.54**

Net Profit and EPS:

Net income attributable to shareholders of the parent company was NT$452.30 billion in 3Q25, up 13.6% from 2Q25, and up 39.1% from 3Q24.

III. Financial Condition Review

III - 1. Liquidity Analysis (Balance Sheet Items)

(In NT$ billions)	3Q25	2Q25	3Q24
Cash & Marketable Securities	2,751.06	2,634.43	2,167.60
Accounts Receivable	307.81	235.69	249.97
Inventories	288.69	304.19	292.88
Other Current Assets	88.46	90.61	63.46
Total Current Assets	**3,436.02**	**3,264.92**	**2,773.91**
Accounts Payable	261.82	246.19	195.95
Current Portion of Bonds Payable and Bank Loans	76.22	94.21	58.80
Dividends Payable	259.33	246.67	207.46
Accrued Liabilities and Others	678.54	790.24	618.19
Total Current Liabilities	**1,275.91**	**1,377.31**	**1,080.40**
Current Ratio (x)	2.7	2.4	2.6
Net Working Capital	**2,160.11**	**1,887.61**	**1,693.51**

Liquidity Analysis:

On a sequential basis, total current assets increased by NT$171.10 billion, mainly due to the increase of NT$116.63 billion in cash and marketable securities.

Total current liabilities decreased by NT$101.40 billion, mainly due to the decrease of NT$111.70 billion in accrued liabilities and others.

Net working capital was NT$2,160.11 billion and current ratio was 2.7x in 3Q25.

III - 2. Receivable/Inventory Days

(In Number of Days)	3Q25	2Q25	3Q24
Days of Receivable	25	23	28
Days of Inventory	74	76	87

Receivable and Inventory Days:

Days of receivable increased 2 days to 25 days in 3Q25.

Days of inventory decreased 2 days to 74 days in 3Q25.

III - 3. Debt Service

(In NT$ billions)	3Q25	2Q25	3Q24
Cash & Marketable Securities	2,751.06	2,634.43	2,167.60
Interest-Bearing Debts	(994.45)	(977.89)	(994.97)
Net Cash Reserves	**1,756.61**	**1,656.54**	**1,172.63**

Debt Service:

Net cash reserves increased by NT$100.07 billion to NT$1,756.61 billion in 3Q25, mainly due to the increase of NT$116.63 billion in cash and marketable securities in 3Q25.

IV. Cash Flow

IV - 1. Quarterly Cash Flow Analysis

(In NT$ billions)	3Q25	2Q25	3Q24
Income before Tax	525.37	493.03	384.19
Depreciation & Amortization	162.79	188.07	168.23
Other Operating Sources/(Uses)	(261.33)	(184.03)	(160.43)
Net Operating Sources/(Uses)	**426.83**	**497.07**	**391.99**
Capital Expenditures	(287.45)	(297.22)	(207.08)
Marketable Financial Instruments	(1.25)	11.75	(19.78)
Other Investing Sources/(Uses)	28.95	56.98	31.35
Net Investing Sources/(Uses)	**(259.75)**	**(228.49)**	**(195.51)**
Cash Dividends	(116.70)	(116.70)	(90.76)
Bonds Payable	(9.06)	3.70	(5.25)
Other Financing Sources/(Uses)	(2.53)	(6.70)	12.37
Net Financing Sources/(Uses)	**(128.29)**	**(119.70)**	**(83.64)**
Exchange Rate Changes	**67.45**	**(179.16)**	**(25.19)**
Cash Position Net Changes	**106.24**	**(30.28)**	**87.65**
Ending Cash Balance	**2,470.76**	**2,364.52**	**1,886.78**

Summary of Cash Flow:

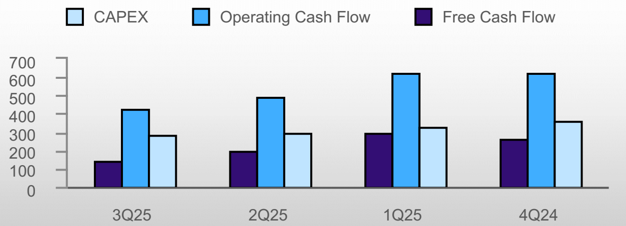
During the third quarter, net cash generated from operating activities totaled NT$426.83 billion, including (1) NT$525.37 billion from income before tax, (2) NT$162.79 billion from depreciation & amortization expenses, and (3) NT$261.33 billion for other operating uses. The other operating uses were mainly attributable to the income tax payment of NT$137.27 billion and changes in working capital of NT$122.64 billion.

Net cash used in investing activities was NT$259.75 billion in 3Q25, primarily attributable to capital expenditures of NT$287.45 billion.

Net cash used in financing activities was NT$128.29 billion, mainly reflecting the payment of 4Q24 cash dividends of NT$116.70 billion.

As a result, cash position increased by NT$106.24 billion to NT$2,470.76 billion at the end of 3Q25.

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



(in NT$ billions)	3Q25	2Q25	1Q25	4Q24
Free Cash Flow	**139.38**	**199.85**	**294.74**	**258.26**

Operating and Free Cash Flow:

Free cash flow decreased by NT$60.47 billion to an inflow of NT$139.38 billion in 3Q25, as a result of lower operating cash flow.

V. CapEx

V. Capital Expenditures

(in US$ billions)	3Q25	2Q25	1Q25	YTD
Capital Expenditures	**9.70**	**9.63**	**10.06**	**29.39**

Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US$9.70 billion in 3Q25.

VI. Recap of Recent Important Events & Announcements

- TSMC Board of Directors Approved NT$5.00 Cash Dividend for the Second Quarter of 2025 and Set December 11, 2025 as Ex-Dividend Date, December 17, 2025 as the Record Date and January 8, 2026 as the Distribution Date (2025/08/12)