**2Q25****Quarterly Management Report**
July 17, 2025**CONTACT****Jeff Su**Investor Relations Division
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- Revenue Analysis
- Profit & Expense Analysis
- Financial Condition Review
- Cash Flow
- CapEx
- Recap of Recent Important Events & Announcements

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

	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>	<u>QoQ</u>	<u>YoY</u>
EPS (NT\$ per common share)	15.36	13.94	9.56	10.2%	60.7%
(US\$ per ADR unit)	2.47	2.12	1.48		
Net Revenue (US\$ billions)	30.07	25.53	20.82	17.8%	44.4%
Net Revenue	933.79	839.25	673.51	11.3%	38.6%
Gross Profit	547.37	493.40	358.13	10.9%	52.8%
Gross Margin	58.6%	58.8%	53.2%		
Operating Expenses	(84.51)	(85.19)	(70.30)	-0.8%	20.2%
Other Operating Income and Expenses	0.56	(1.13)	(1.27)		
Operating Income	463.42	407.08	286.56	13.8%	61.7%
Operating Margin	49.6%	48.5%	42.5%		
Non-Operating Items	29.61	23.82	19.75		
Net Income Attributable to Shareholders of the Parent Company	398.27	361.56	247.85	10.2%	60.7%
Net Profit Margin	42.7%	43.1%	36.8%		
Wafer Shipment (kpcs 12 inch-equiv.)	3,718	3,259	3,125	14.1%	19.0%
Average Exchange Rate--USD/NTD	31.05	32.88	32.35	-5.5%	-4.0%

*Note: Diluted weighted average outstanding shares were 25,929mn units in 2Q25***Financial Highlights:****Second Quarter 2025**

- Net revenue was NT\$933.79 billion, representing an 11.3% increase from NT\$839.25 billion in 1Q25 and a 38.6% increase from NT\$673.51 billion in 2Q24.
- Gross margin was 58.6%, 0.2 percentage points lower than 1Q25 and 5.4 percentage points higher than 2Q24.
- Operating margin was 49.6%, up 1.1 percentage points from 1Q25 and up 7.1 percentage points from 2Q24.
- Non-operating items were a gain of NT\$29.61 billion, compared to a gain of NT\$23.82 billion in 1Q25 and a gain of NT\$19.75 billion in 2Q24.
- Net income attributable to shareholders of the parent company was NT\$398.27 billion, up 10.2% from 1Q25 and up 60.7% from 2Q24. Net profit margin was 42.7% and diluted EPS was NT\$15.36.

I. Revenue Analysis

Wafer Revenue by Technology	2Q25	1Q25	2Q24
3nm	24%	22%	15%
5nm	36%	36%	35%
7nm	14%	15%	17%
16/20nm	7%	7%	9%
28nm	7%	7%	8%
40/45nm	3%	3%	5%
65nm	3%	4%	3%
90nm	1%	1%	1%
0.11/0.13um	2%	2%	2%
0.15/0.18um	3%	3%	4%
0.25um and above	0%	0%	1%

Net Revenue by Platform	2Q25	1Q25	2Q24
High Performance Computing	60%	59%	52%
Smartphone	27%	28%	33%
Internet of Things	5%	5%	6%
Automotive	5%	5%	5%
Digital Consumer Electronics	1%	1%	2%
Others	2%	2%	2%

Net Revenue by Geography	2Q25	1Q25	2Q24
North America	75%	77%	65%
China	9%	7%	16%
Asia Pacific	9%	9%	9%
Japan	4%	4%	6%
EMEA	3%	3%	4%

Revenue Analysis:

In the second quarter, revenue increased 11.3% quarter-over-quarter, as our business was supported by strong demand for our industry-leading 3nm and 5nm technologies, partially offset by an unfavorable foreign exchange rate.

By technology, 3nm process technology contributed 24% of total wafer revenue in 2Q25 while 5nm and 7nm accounted for 36% and 14% respectively. Advanced technologies (7nm and below) accounted for 74% of total wafer revenue.

By platform, HPC and Smartphone represented 60% and 27% of net revenue respectively, while IoT, Automotive, DCE, and Others each represented 5%, 5%, 1%, and 2%.

Sequentially, revenue from HPC, Smartphone, IoT, DCE, and Others increased 14%, 7%, 14%, 30%, and 6% respectively. Automotive remained flat from last quarter.

From a geographic perspective, revenue from customers based in North America accounted for 75% of total net revenue in 2Q25 while revenue from China, Asia Pacific, Japan, and EMEA (Europe, Middle East, and Africa) accounted for 9%, 9%, 4%, and 3% of total net revenue respectively.

II. Profit & Expense Analysis

II - 1. Gross Profit Analysis

(In NT\$ billions)	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
Net Revenue	933.79	839.25	673.51
Cost of Revenue	(386.42)	(345.85)	(315.38)
Gross Profit	547.37	493.40	358.13
Gross Margin	58.6%	58.8%	53.2%

Gross Profit Analysis:

Gross margin was 58.6% in 2Q25, 0.2 percentage points lower than 1Q25, primarily due to an unfavorable foreign exchange rate and margin dilution from our overseas fabs, partially balanced by higher capacity utilization rate and cost improvement efforts.

II - 2. Operating Income Analysis

(In NT\$ billions)	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
Total Operating Expenses	(84.51)	(85.19)	(70.30)
Research & Development	(61.28)	(56.55)	(48.06)
SG&A	(23.23)	(28.64)	(22.24)
Other Operating Income and Expenses	0.56	(1.13)	(1.27)
Operating Income	463.42	407.08	286.56
Operating Margin	49.6%	48.5%	42.5%
Total Operating Expenses as % of Net Revenue	9.1%	10.2%	10.5%

Operating Income Analysis:

Total operating expenses decreased by NT\$0.68 billion to NT\$84.51 billion in 2Q25, representing 9.1% of net revenue in 2Q25, as compared to 10.2% in 1Q25, mainly due to operating leverage. Operating margin improved 1.1 percentage points sequentially to 49.6% in 2Q25.

II - 3. Non-Operating Items

(In NT\$ billions)	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
L-T Investments	1.22	1.37	1.15
Net Interest Income (Expenses)	21.50	22.18	18.34
Other Gains and Losses	6.89	0.27	0.26
Total Non-Operating Items	29.61	23.82	19.75

Non-Operating Items:

Total non-operating items were a gain of NT\$29.61 billion in 2Q25, compared to a gain of NT\$23.82 billion in 1Q25. The increase was mainly due to the injection of US\$10 billion capital in 2Q25 to TSMC Global, a BVI company, which effectively reduced our USD exposure during a period of rapid NTD appreciation. This is more likely to be a one-time event.

II - 4. Net Profit and EPS

(In NT\$ billions)	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
Income before Tax	493.03	430.90	306.31
Income Tax Expenses	(95.55)	(70.17)	(58.65)
Effective Tax Rate	19.4%	16.3%	19.2%
Net Income Attributable to the Parent Company	398.27	361.56	247.85
Net Profit Margin	42.7%	43.1%	36.8%
EPS (NT\$ per common share)	15.36	13.94	9.56

Net Profit and EPS:

Net income attributable to shareholders of the parent company was NT\$398.27 billion in 2Q25, up 10.2% from 1Q25 and up 60.7% from 2Q24. 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)	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
Cash & Marketable Securities	2,634.43	2,703.09	2,048.64
Accounts Receivable	235.69	243.95	210.21
Inventories	304.19	293.39	272.49
Other Current Assets	90.61	105.24	60.32
Total Current Assets	3,264.92	3,345.67	2,591.66
Accounts Payable	246.19	275.94	200.69
Current Portion of Bonds Payable and Bank Loans	94.21	61.77	23.08
Dividends Payable	246.67	233.39	194.60
Accrued Liabilities and Others	790.24	828.70	630.55
Total Current Liabilities	1,377.31	1,399.80	1,048.92
Current Ratio (x)	2.4	2.4	2.5
Net Working Capital	1,887.61	1,945.87	1,542.74

Liquidity Analysis:

On a sequential basis, total current assets decreased by NT\$80.75 billion, mainly due to the decrease of NT\$68.66 billion in cash and marketable securities.

Total current liabilities decreased by NT\$22.49 billion, due to (1) the decrease of NT\$38.46 billion in accrued liabilities and others and (2) the decrease of NT\$29.75 billion in accounts payable, partially balanced by (3) the increase of NT\$32.44 billion in current portion of bonds payable and bank loans and (4) the increase of NT\$13.28 billion in dividends payable.

Net working capital was NT\$1,887.61 billion and current ratio was 2.4x in 2Q25.

III - 2. Receivable/Inventory Days (In Number of Days)			
	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
Days of Receivable	23	28	28
Days of Inventory	76	83	83

Receivable and Inventory Days:

Days of receivable decreased 5 days to 23 days in 2Q25.

Days of inventory decreased 7 days to 76 days in 2Q25, primarily due to higher N3 and N5 wafer shipments.

III - 3. Debt Service			
(In NT\$ billions)	<u>2Q25</u>	<u>1Q25</u>	<u>2Q24</u>
Cash & Marketable Securities	2,634.43	2,703.09	2,048.64
Interest-Bearing Debts	(977.89)	(1,048.76)	(997.42)
Net Cash Reserves	1,656.54	1,654.33	1,051.22

Debt Service:

Net cash reserves increased by NT\$2.21 billion to NT\$1,656.54 billion in 2Q25, mainly due to the decrease of NT\$70.87 billion in interest-bearing debts, offset by the decrease of NT\$68.66 billion in cash and marketable securities in 2Q25.

Interest-bearing debts decreased NT\$70.87 billion in 2Q25, mainly due to changes in foreign exchange rates.

IV. Cash Flow

IV - 1. Quarterly Cash Flow Analysis

(In NT\$ billions)	2Q25	1Q25	2Q24
Income before Tax	493.03	430.90	306.31
Depreciation & Amortization	188.07	175.13	165.17
Other Operating Sources/(Uses)	(184.03)	19.54	(93.81)
Net Operating Sources/(Uses)	497.07	625.57	377.67
Capital Expenditures	(297.22)	(330.83)	(205.68)
Marketable Financial Instruments	11.75	(16.81)	(18.76)
Other Investing Sources/(Uses)	56.98	57.45	26.83
Net Investing Sources/(Uses)	(228.49)	(290.19)	(197.61)
Cash Dividends	(116.70)	(103.72)	(90.76)
Bonds Payable	3.70	16.20	11.50
Other Financing Sources/(Uses)	(6.70)	2.85	(10.99)
Net Financing Sources/(Uses)	(119.70)	(84.67)	(90.25)
Exchange Rate Changes	(179.16)	16.46	11.12
Cash Position Net Changes	(30.28)	267.17	100.93
Ending Cash Balance	2,364.52	2,394.80	1,799.13

Summary of Cash Flow:

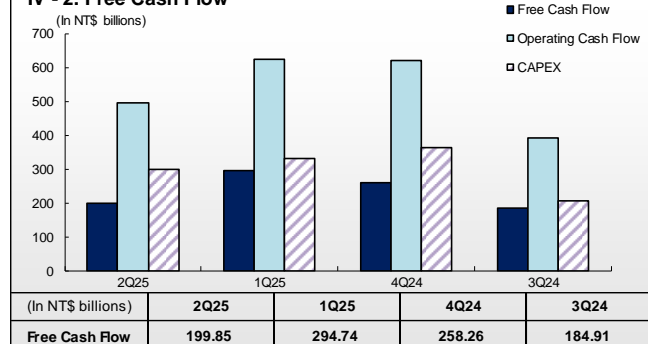
During the second quarter, net cash generated from operating activities totaled NT\$497.07 billion, including (1) NT\$493.03 billion from income before tax, (2) NT\$188.07 billion from depreciation & amortization expenses, and (3) NT\$184.03 billion for other operating uses. The other operating uses were mainly attributable to the income tax payment of NT\$127.35 billion and changes in working capital of NT\$55.46 billion.

Net cash used in investing activities was NT\$228.49 billion in 2Q25, primarily attributable to capital expenditures of NT\$297.22 billion.

Net cash used in financing activities was NT\$119.70 billion, mainly reflecting the payment of 3Q24 cash dividends of NT\$116.70 billion.

Taking the unfavorable exchange rate into consideration, cash position decreased by NT\$30.28 billion to NT\$2,364.52 billion at the end of 2Q25.

IV - 2. Free Cash Flow



Operating and Free Cash Flow:

Free cash flow decreased by NT\$94.89 billion to NT\$199.85 billion in 2Q25 as a result of lower operating cash flow, primarily due to the income tax payment of NT\$127.35 billion.

V. CapEx

V. Capital Expenditures

(in US\$ billions)	2Q25	1Q25	YTD
Capital Expenditures	9.63	10.06	19.69

Capital Expenditures:

Capital expenditures for TSMC on a consolidated basis totaled US\$9.63 billion in 2Q25.

VI. Recap of Recent Important Events & Announcements

- “TSMC-UTokyo Lab” Launched to Promote Advanced Semiconductor Research, Education and Talent Incubation (2025/06/12)
- TSMC Board of Directors Approved NT\$5.00 Cash Dividend for the First Quarter of 2025 and Set September 16, 2025 as Ex-Dividend Date, September 22, 2025 as the Record Date and October 9, 2025 as the Distribution Date (2025/05/13)
- TSMC Unveils Next-Generation A14 Process at North America Technology Symposium (2025/04/24)
- TSMC Commits to Ambitious Carbon Reduction Path in Line with Science Based Targets Initiative (2025/04/22)