

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED
2020 ANNUAL SHAREHOLDERS' MEETING

MINUTES
(Translation)

Time and Date: 9:00 a.m., June 9, 2020

Place: Ambassador Hotel Hsinchu
(10F, No. 188, Section 2, Zhonghua Road, Hsinchu, Taiwan)

Total outstanding TSMC shares: 25,930,380,458 shares

Total shares represented by shareholders present in person or by proxy: 24,050,715,192 shares

Percentage of shares held by shareholders present in person or by proxy: 92.75%

Directors present: Mark Liu, C.C. Wei, F.C. Tseng, Stan Shih, Kok-Choo Chen

Chairman: Dr. Mark Liu, the Chairman of the Board of Directors

Recorder: Sylvia Fang

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

A. Chairman's Address (omitted)

B. Report Items

- I. Reported the business of 2019 (see Attachment I)
- II. Audit Committee's review report (see Attachment II)
- III. Reported 2019 earnings distribution

Explanatory Notes: TSMC's Annual Shareholders' Meeting approved the amendments to TSMC's Articles of Incorporation on June 5, 2019 to authorize the Board of Directors to approve quarterly cash dividends after the close of each quarter. The respective amounts and payment dates of 2019 quarterly cash dividends approved by TSMC's Board of Directors are demonstrated in the table below:

2019	Approval Date (month/date/year)	Payment Date (month/date/year)	Cash Dividends Per Share (NT\$)	Total Amount (NT\$)
First Quarter	06/05/2019	10/17/2019	2.0	51,860,760,916
Second Quarter	08/13/2019	01/16/2020	2.5	64,825,951,145
Third Quarter	11/12/2019	04/16/2020	2.5	64,825,951,145
Fourth Quarter	02/11/2020	07/16/2020	2.5	64,825,951,145
Total			9.5	246,338,614,351

IV. Reported 2019 employees' profit sharing bonus and directors' compensation

Explanatory Notes: (1) The Board of Directors approved 2019 employees' profit sharing bonus and directors' compensation on February 11, 2020. The employees' profit sharing bonus and directors' compensation are to be distributed in cash.

(2) 2019 employees' total amount of cash bonus and profit sharing bonus is NT\$46,331,490,068, of which NT\$23,165,745,034 has been distributed following each quarter as cash bonus, and NT\$23,165,745,034 will be distributed in July 2020 as profit sharing bonus.

(3) 2019 directors' compensation is NT\$360,404,337.

(Questions raised by the shareholder and the management's responses were omitted.)

C. Resolutions

- I. The 2019 Business Report and Financial Statements were submitted at the meeting for acceptance (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's 2019 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Ms. Mei Yen Chiang and Mr. Yu Feng Huang, of Deloitte & Touche.

(2) 2019 Business Report, Independent Auditors' Report, the aforementioned Financial Statements, and Earnings Distribution Table are attached hereto as Attachments I, III, IV and V.

Voting Results:

Shares represented at the time of voting: 24,050,583,358

Voting Results*		% of the total represented share present
Votes in favor:	21,256,744,680 votes (15,079,044,583 votes)	88.38%
Votes against:	231,599 votes (227,449 votes)	0.00%
Votes invalid:	0 vote	0.00%
Votes abstained:	2,793,607,079 votes (2,789,961,629 votes)	11.61%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2019 Business Report and Financial Statements be and hereby were accepted as submitted.

II. It was proposed to approve revisions to the Procedures for Lending Funds to Other Parties (Proposed by the Board of Directors)

Explanatory Notes: (1) The R.O.C. Financial Supervisory Commission amended its “Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies”. TSMC’s “Procedures for Lending Funds to Other Parties” require amendments to reflect such regulatory changes.

The major amendments are to exempt fund-lending by TSMC’s wholly-owned offshore subsidiaries to TSMC from the restrictions that would otherwise limit: (i) the total loan amount to 20% of the net worth of the lending subsidiaries; and (ii) the term of each loan to one year.

(2) The Comparison Table for the Procedures for Lending Funds to Other Parties Before and After Revision is attached hereto as Attachment VI.

Voting Results:

Shares represented at the time of voting: 24,050,583,358

Voting Results*		% of the total represented share present
Votes in favor:	21,295,053,650 votes (15,117,363,931 votes)	88.54%
Votes against:	2,154,042 votes (2,153,892 votes)	0.00%
Votes invalid:	0 vote	0.00%
Votes abstained:	2,753,375,666 votes (2,749,715,838 votes)	11.44%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

D. Director Election

Election of one additional Independent Director (Proposed by the Board of Directors)

Election Result: Mr. Yancey Hai was elected as the Independent Director, who received 19,968,235,794 votes. His term commences on June 9, 2020 and shall expire on June 4, 2021.

E. Special Motion

(Questions raised by the shareholders and the management's responses were omitted.)

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.



Mark Liu
Chairman of the Board of Directors



Sylvia Fang
Recorder

Business Report

2019 was a year of continued milestones for TSMC. We delivered a tenth consecutive year of record revenue even as we faced business headwinds from trade tensions between countries. Such tensions created greater uncertainty for our customers and impacted the end demand for products. Thanks to the strong demand coming to our industry-leading 7-nanometer (N7) technology, our revenue increased 1.3% year-over-year in US dollar terms in 2019, in contrast to the global semiconductor industry's 12% year-over-year decline.

In 2019, we witnessed an acceleration of the deployment of 5G networks and smartphones in several major markets around the world. We expect a faster worldwide penetration of 5G smartphones with higher silicon content over the next several years. The need for higher power efficiency, speed and more complex functionalities in 5G smartphones will lead to increasing use of TSMC's leading edge technologies. Therefore, we raised our 2019 capital spending to US\$14.9 billion in order to meet this increased demand. We will continue to anticipate the growth that will follow.

We continued to work on the fundamentals of our business in 2019 by improving our quality systems to provide better service to our customers, enriching our R&D infrastructures, strengthening our IT architecture and security, and accelerating our technology differentiation.

By working consistently to provide the foundry industry's most advanced technologies and to make it available to all the product innovators, TSMC continuously expands the pool of innovators who fuel the semiconductor industry growth.

In 2019, our N7, in its second year, continued to see strong adoption across a wide range of products, from mobile, high performance computing (HPC), Internet of Things (IoT) and automotive applications. Our new 7-nanometer Plus (N7+) technology also came to the world's first high volume production with Extreme Ultraviolet (EUV) lithography technology. Together, this 7-nanometer family, N7 and N7+, represented 27% of our total wafer revenue in 2019. Our 6-nanometer (N6) technology just entered risk production in the first quarter of

2020 and further extends our 7-nanometer family well into the future.

Our 5-nanometer (N5) technology, with extensive EUV adoption, will begin volume production in the first half of 2020. As the foundry industry's most advanced solution, N5 is further expanding our customer product portfolio and increase our addressable markets.

Our 3-nanometer (N3) technology will be another full node stride from our N5 and offer the foundry industry's best PPA technology when it is introduced.

Our proprietary wafer-level packaging solutions of InFO (Integrated Fan-Out) and CoWoS[®] (Chip on Wafer on Substrate) continue to see strong momentum. We are developing 3D chip stacking solutions, such as SoIC (System on Integrated Chip), to provide system level solutions for the industry.

Highlights of TSMC's accomplishments in 2019:

- Total wafer shipments were 10.1 million 12-inch equivalent wafers as compared to 10.8 million 12-inch equivalent wafers in 2018.
- Advanced technologies (16-nanometer and beyond) accounted for 50 percent of total wafer revenue, up from 41 percent in 2018.
- We deployed 272 distinct process technologies, and manufactured 10,761 products for 499 customers.
- TSMC's market share in the total semiconductor foundry segment increased to 52 percent in 2019 as compared to 51 percent in the previous year.

2019 Financial Performance

Consolidated revenue reached NT\$1,069.99 billion, an increase of 3.7 percent over NT\$1,031.47 billion in 2018. Net income was NT\$345.26 billion and diluted earnings per share were NT\$13.32. Both decreased 1.7 percent from the 2018 level of NT\$351.13 billion net income and NT\$13.54 diluted EPS.

TSMC generated net income of US\$11.18 billion on consolidated revenue of US\$34.63 billion, which decreased 4.0 percent and increased 1.3 percent respectively from the 2018 level of US\$11.64 billion net income and US\$34.20

billion consolidated revenue.

Gross profit margin was 46.0 percent compared with 48.3 percent in 2018, while operating profit margin was 34.8 percent compared with 37.2 percent a year earlier. Net profit margin was 32.3 percent, a decrease of 1.7 percentage points from 2018's 34.0 percent.

To implement an earlier profit distribution to our shareholders, TSMC transitioned from annual cash dividend to quarterly cash dividend in 2019, and further raised its total cash dividend payments to NT\$10.0 per share in 2019 from NT\$8.0 a year ago.

Technological Developments

In 2019, we continued to increase our investment in R&D with a record US\$2.96 billion to meet our customer needs and to extend our technology leadership.

Our N5 reached risk production in 2019 and will begin volume production in the first half of 2020. N5 is expected to broaden our customer product portfolio and expand our addressable markets as customers seek to establish leadership positions for their products.

In its second year of ramp, N7 received more than 100 customer product tape-outs by the end of 2019, while N7+ began volume production with EUV. Our N6 is on track for volume production before the end of 2020. N6 provides a clear migration path for next wave N7 products.

Leveraging our leadership at 28-nanometer, our 22ULP (ultra-low power) and 22ULL (ultra-low leakage) technologies both began volume production in 2019. 22ULL supports IoT and wearable device applications while 22ULP supports image processing, digital TVs, set-top boxes and other consumer products. We also extended our 16-nanometer offerings with 12FFC+ and 16FFC+ in 2019 to support customer needs in ultra-low-power applications.

TSMC's advanced packaging solutions enable system integration with wafer level process, by seamless integration of front end wafer process and backend chip packaging. In 2019, we offered the 5th generation InFO solutions with finer

interconnect line width and spacing to enable both mobile and high performance computing products. TSMC's CoWoS[®] continued to integrate with larger interposer size for heterogeneous integration. We also are developing TSMC-SoIC[®] (System-on-Integrated Chip), an industry-leading 3D chip stacking solution that enables multiple chips in close proximity to deliver the best system performance.

TSMC's ecosystem, Open Innovation Platform[®] (OIP), empowers our 499 distinct customers to unleash their innovations with fast time-to-market. In 2019, we continued to add partners to our OIP Cloud Alliance, which offers our customers to design in a safe and secure cloud environment. This cloud design environment significantly increases design productivity. We also worked with our ecosystem partners to expand our libraries and silicon IP portfolio to over 26,000 items in 2019. More than 10,600 technology files and over 360 process design kits, from 0.5-micron to 5-nanometer, are available to customers via TSMC-Online. We saw more than 100,000 customer downloads in 2019.

Corporate Social Responsibility

At TSMC, we are dedicated to sound corporate governance and pursue profitable growth. We also commit to the environment, society, and balancing the interests of all stakeholders. A sound corporate governance built upon our core values is the foundation of TSMC's corporate social responsibility. As an important member of the global semiconductor industry, we recognize it is our responsibility to face up to the increasingly challenging global environment and lead by example.

In 2019, we established the Corporate Social Responsibility Executive Committee, led by Chairman. The Executive Committee will work with senior management across many key functions and the existing CSR committee to set our CSR strategy, and align with UN Sustainable Development Goals. Our focuses are driving actions on green manufacturing, creating an inclusive workplace for talent development, building a responsible supply chain and caring for the underprivileged. We will work hard to fulfill our role to pursue a sustainable future.

Honors and Awards

TSMC received recognition for achievements in innovation, corporate governance, sustainability, investor relations, business information disclosure and overall

excellence in management from organizations including *Forbes*, *Fortune Magazine*, *The Nikkei*, *CommonWealth Magazine*, PricewaterhouseCoopers, RobecoSAM (S&P Global) and the Taiwan Stock Exchange. In technology innovations, the Company was ranked 10th in the number of patents applications in the US Patent & Trademark Office, and ranked 1st in top 100 patent applicants in Taiwan. In sustainability, we were chosen once again as a component of the Dow Jones Sustainability Indices, becoming the only semiconductor company to be selected for 19 consecutive years. TSMC was also ranked 10th in *CorporateKnights* 2019 “Global 100 Most Sustainable Corporations in the World Ranking”. Meanwhile, we remained a major component in both MSCI ESG and FTSE4Good Emerging Index. In investor relations, TSMC continued to receive multiple awards from *Institutional Investor Magazine*.

Outlook

We believe the significant communication advancement brought by 5G networks will unlock new usage models across many different types of connected end devices, and drive exponential growth of data. Together with the continuous innovations in algorithms, a smarter and more intelligent society emerges. Digital computation now becomes increasingly ubiquitous and demands massive computation power. Therefore we expect the development of 5G-related and HPC applications will drive strong demand for our advanced technologies in the next several years. With the most advanced technology and capacity, and the widest coverage of customers, TSMC is well-positioned to lead the industry to capture the growth.

Macroeconomic uncertainties over trade tensions between countries continued in 2020. TSMC will remain agile and work on the fundamentals of our business and further accelerate our technology differentiation. We will be everyone’s foundry and treat all customers equally and fairly. We will fiercely protect our intellectual property. We will conduct our business with the utmost integrity and uphold our Trinity of Strengths of technology leadership, manufacturing excellence and customers’ trust.

TSMC’s dedicated foundry business model, open innovation platform and our four core values of Integrity, Commitment, Innovation and Customer Trust, are what enable us to be everyone’s foundry. As we enter a new digital age, we will continue working closely with IC innovators around the world to create values and generate good returns to our shareholders. We are dedicated to sound corporate governance,

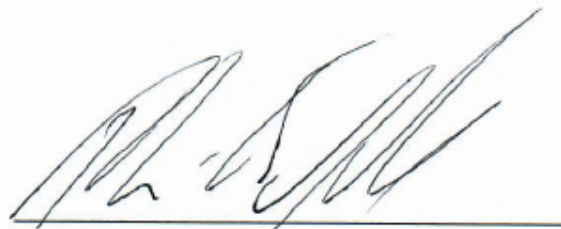
fulfilling our responsibilities as a global corporate citizen and pursuing a sustainable future. We thank you for your trust and commitment to TSMC, and look forward to a prosperous future with our shareholders.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of quarterly earnings. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and quarterly earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Chairman of the Audit Committee:



Sir Peter L. Bonfield

February 11, 2020

**Independent Auditors' Report
(Consolidated Financial Statements)**

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Property, plant and equipment (PP&E) – commencement of depreciation related to PP&E classified as equipment under installation and construction in progress (EUI/CIP)

Refer to Notes 4, 5 and 14 to the consolidated financial statements.

The Company's evaluation of when to commence depreciation of EUI/CIP involves determining when the assets are available for their intended use. The criteria the Company uses to determine whether EUI/CIP are available for their intended use involves subjective judgements and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner. Changes in these assumptions could have a significant impact on when depreciation is recognized.

Given the subjectivity in determining the date to commence depreciation of EUI/CIP, performing audit procedures to evaluate the reasonableness of the Company's judgements and assumptions required a high degree of auditor judgement. Consequently, the validity of commencement of depreciation related to PP&E classified as EUI/CIP is identified as a key audit matter.

Our audit procedures related to the evaluation of when to commence depreciation of EUI/CIP included the following, among others:

1. We read the Company's policy and understand the criteria used to determine when to commence depreciation.
2. We tested the effectiveness of the controls over the evaluation of when to commence depreciation of EUI/CIP.
3. We sampled EUI/CIP at year end and performed the following for each selection:
 - a. Evaluated whether the selection did not meet the criteria specified by the Company for commencement of depreciation.
 - b. Observed the assets and evaluated their status at year end.

4. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation during the year.
5. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation subsequent to year end.

Other Matter

We have also audited the parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial

statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

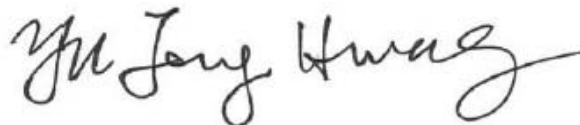
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings,

including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei Yen Chiang and Yu Feng Huang.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 11, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 455,399,336	20	\$ 577,814,601	28
Financial assets at fair value through profit or loss (Note 7)	326,839	-	3,504,590	-
Financial assets at fair value through other comprehensive income (Note 8)	127,396,577	6	99,561,740	5
Financial assets at amortized cost (Note 9)	299,884	-	14,277,615	1
Hedging financial assets (Note 10)	25,884	-	23,497	-
Notes and accounts receivable, net (Note 11)	138,908,589	6	128,613,391	6
Receivables from related parties (Note 33)	862,070	-	584,412	-
Other receivables from related parties (Note 33)	51,653	-	65,028	-
Inventories (Notes 5 and 12)	82,981,196	4	103,230,976	5
Other financial assets (Note 34)	11,041,091	-	18,597,448	1
Other current assets	5,320,795	-	5,406,423	-
Total current assets	822,613,914	36	951,679,721	46
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 8)	4,124,337	-	3,910,681	-
Financial assets at amortized cost (Note 9)	7,348,914	-	7,528,277	-
Investments accounted for using equity method (Note 13)	18,698,788	1	17,865,838	1
Property, plant and equipment (Notes 5 and 14)	1,352,377,405	60	1,072,050,279	51
Right-of-use assets (Notes 5 and 15)	17,232,402	1	-	-
Intangible assets (Notes 5 and 16)	20,653,028	1	17,002,137	1
Deferred income tax assets (Notes 5 and 27)	17,928,358	1	16,806,387	1
Refundable deposits	2,084,968	-	1,700,071	-
Other noncurrent assets	1,742,918	-	1,584,647	-
Total noncurrent assets	1,442,191,118	64	1,138,448,317	54
TOTAL	\$ 2,264,805,032	100	\$ 2,090,128,038	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 30)	\$ 118,522,290	5	\$ 88,754,640	4
Financial liabilities at fair value through profit or loss (Note 7)	982,349	-	40,825	-
Hedging financial liabilities (Note 10)	1,798	-	155,832	-
Accounts payable	38,771,066	2	32,980,933	2
Payables to related parties (Note 33)	1,434,900	-	1,376,499	-
Salary and bonus payable	16,272,353	1	14,471,372	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Note 29)	23,648,903	1	23,981,154	1
Payables to contractors and equipment suppliers	140,810,703	6	43,133,659	2
Cash dividends payable (Note 21)	129,651,902	6	-	-
Income tax payable (Notes 5 and 27)	32,466,156	1	38,987,053	2
Long-term liabilities - current portion (Notes 18 and 30)	31,800,000	1	34,900,000	2
Accrued expenses and other current liabilities (Notes 5, 15, 20, 22 and 30)	56,373,281	3	61,760,619	3
Total current liabilities	590,735,701	26	340,542,586	17
NONCURRENT LIABILITIES				
Bonds payable (Notes 18 and 30)	25,100,000	1	56,900,000	3
Deferred income tax liabilities (Notes 5 and 27)	344,393	-	233,284	-
Lease liabilities (Notes 5, 15 and 30)	15,041,833	1	-	-
Net defined benefit liability (Note 19)	9,182,496	-	9,651,405	-
Guarantee deposits (Notes 20 and 30)	176,904	-	3,353,378	-
Others	2,128,279	-	1,950,989	-
Total noncurrent liabilities	51,973,905	2	72,089,056	3
Total liabilities	642,709,606	28	412,631,642	20
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 21)	259,303,805	11	259,303,805	12
Capital surplus (Note 21)	56,339,709	3	56,315,932	3
Retained earnings (Note 21)				
Appropriated as legal capital reserve	311,146,899	14	276,033,811	13
Appropriated as special capital reserve	10,675,106	-	26,907,527	1
Unappropriated earnings	1,011,512,974	45	1,073,706,503	52
	1,333,334,979	59	1,376,647,841	66
Others (Note 21)	(27,568,369)	(1)	(15,449,913)	(1)
Equity attributable to shareholders of the parent	1,621,410,124	72	1,676,817,665	80
NON - CONTROLLING INTERESTS	685,302	-	678,731	-
Total equity	1,622,095,426	72	1,677,496,396	80
TOTAL	\$ 2,264,805,032	100	\$ 2,090,128,038	100

The accompanying notes are an integral part of the consolidated financial statements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 22, 33 and 39)	\$1,069,985,448	100	\$1,031,473,557	100
COST OF REVENUE (Notes 5, 12, 29, 33 and 37)	<u>577,286,947</u>	<u>54</u>	<u>533,487,516</u>	<u>52</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	492,698,501	46	497,986,041	48
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	<u>3,395</u>	<u>-</u>	<u>(111,788)</u>	<u>-</u>
GROSS PROFIT	<u>492,701,896</u>	<u>46</u>	<u>497,874,253</u>	<u>48</u>
OPERATING EXPENSES (Notes 5, 29 and 33)				
Research and development	91,418,746	8	85,895,569	8
General and administrative	21,737,210	2	20,265,883	2
Marketing	<u>6,348,626</u>	<u>1</u>	<u>5,987,828</u>	<u>1</u>
Total operating expenses	<u>119,504,582</u>	<u>11</u>	<u>112,149,280</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14, 15, 23 and 29)	<u>(496,224)</u>	<u>-</u>	<u>(2,101,449)</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 39)	<u>372,701,090</u>	<u>35</u>	<u>383,623,524</u>	<u>37</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates	2,844,222	-	3,057,781	-
Other income (Note 24)	16,606,669	1	14,852,814	2
Foreign exchange gain, net (Note 36)	2,095,217	-	2,438,171	-
Finance costs (Note 25)	(3,250,847)	-	(3,051,223)	-
Other gains and losses, net (Note 26)	<u>(1,151,015)</u>	<u>-</u>	<u>(3,410,804)</u>	<u>-</u>
Total non-operating income and expenses	<u>17,144,246</u>	<u>1</u>	<u>13,886,739</u>	<u>2</u>
INCOME BEFORE INCOME TAX	389,845,336	36	397,510,263	39
INCOME TAX EXPENSE (Notes 5 and 27)	<u>44,501,527</u>	<u>4</u>	<u>46,325,857</u>	<u>5</u>
NET INCOME	<u>345,343,809</u>	<u>32</u>	<u>351,184,406</u>	<u>34</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 5, 19, 21 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ 253,895	-	\$ (861,162)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	334,327	-	(3,309,089)	-
Gain (loss) on hedging instruments	(109,592)	-	40,975	-
Share of other comprehensive loss of associates	(18,271)	-	(14,217)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	(20,992)	-	195,729	-
	<u>439,367</u>	<u>-</u>	<u>(3,947,764)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(14,689,107)	(1)	14,562,386	1
Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income	2,566,373	-	(870,906)	-
Share of other comprehensive income (loss) of associates	(140,195)	-	93,260	-
	<u>(12,262,929)</u>	<u>(1)</u>	<u>13,784,740</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(11,823,562)</u>	<u>(1)</u>	<u>9,836,976</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 333,520,247</u>	<u>31</u>	<u>\$ 361,021,382</u>	<u>35</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 345,263,668	32	\$ 351,130,884	34
Non-controlling interests	<u>80,141</u>	<u>-</u>	<u>53,522</u>	<u>-</u>
	<u>\$ 345,343,809</u>	<u>32</u>	<u>\$ 351,184,406</u>	<u>34</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 333,440,460	31	\$ 360,965,015	35
Non-controlling interests	<u>79,787</u>	<u>-</u>	<u>56,367</u>	<u>-</u>
	<u>\$ 333,520,247</u>	<u>31</u>	<u>\$ 361,021,382</u>	<u>35</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2019</u>	<u>2018</u>
	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent
EARNINGS PER SHARE (NT\$, Note 28)		
Basic earnings per share	<u>\$ 13.32</u>	<u>\$ 13.54</u>
Diluted earnings per share	<u>\$ 13.32</u>	<u>\$ 13.54</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent							Others							
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total	Total	Non-controlling Interests	Total Equity	
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings									Total
BALANCE, JANUARY 1, 2018	25,930,380	\$ 259,303,805	\$ 56,309,536	\$ 241,722,663	\$ -	\$ 993,195,668	\$ 1,234,918,331	\$ (26,697,680)	\$ (524,915)	\$ 4,226	\$ (10,290)	\$ (27,228,659)	\$ 1,523,303,013	\$ 702,452	\$ 1,524,005,465
Appropriations of earnings	-	-	-	34,311,148	-	(34,311,148)	-	-	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	-	-	(26,907,527)	-	-	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	26,907,527	-	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(207,443,044)	(207,443,044)	-	-	-	-	-	(207,443,044)	-	(207,443,044)
Total	-	-	-	34,311,148	26,907,527	(268,661,719)	(207,443,044)	-	-	-	-	-	(207,443,044)	-	(207,443,044)
Net income in 2018	-	-	-	-	-	351,130,884	351,130,884	-	-	-	-	-	351,130,884	53,522	351,184,406
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	-	(765,274)	(765,274)	14,655,333	(4,097,465)	41,537	-	10,599,405	9,834,131	2,845	9,836,976
Total comprehensive income (loss) in 2018	-	-	-	-	-	350,365,610	350,365,610	14,655,333	(4,097,465)	41,537	-	10,599,405	360,965,015	56,367	361,021,382
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(1,193,056)	(1,193,056)	-	1,193,056	-	-	1,193,056	-	-	-
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(22,162)	-	(22,162)	(22,162)	-	(22,162)
Adjustments to share of changes in equities of associates	-	-	(6,420)	-	-	-	-	-	-	-	8,447	8,447	2,027	-	2,027
From share of changes in equities of subsidiaries	-	-	2,681	-	-	-	-	-	-	-	-	-	2,681	(2,681)	-
Donation from shareholders	-	-	10,135	-	-	-	-	-	-	-	-	-	10,135	6	10,141
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(77,413)	(77,413)
BALANCE, DECEMBER 31, 2018	25,930,380	\$ 259,303,805	\$ 56,315,932	\$ 276,033,811	\$ 26,907,527	\$ 1,073,706,503	\$ 1,376,647,841	\$ (12,042,347)	\$ (3,429,324)	\$ 23,601	\$ (1,843)	\$ (15,449,913)	\$ 1,676,817,665	\$ 678,731	\$ 1,677,496,396
Appropriations of earnings	-	-	-	35,113,088	-	(35,113,088)	-	-	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	-	-	(16,232,421)	-	-	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	(16,232,421)	16,232,421	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(388,955,707)	(388,955,707)	-	-	-	-	-	(388,955,707)	-	(388,955,707)
Total	-	-	-	35,113,088	(16,232,421)	(407,836,374)	(388,955,707)	-	-	-	-	-	(388,955,707)	-	(388,955,707)
Net income in 2019	-	-	-	-	-	345,263,668	345,263,668	-	-	-	-	-	345,263,668	80,141	345,343,809
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	217,059	217,059	(14,829,053)	2,898,483	(109,697)	-	(12,040,267)	(11,823,208)	(354)	(11,823,562)
Total comprehensive income (loss) in 2019	-	-	-	-	-	345,480,727	345,480,727	(14,829,053)	2,898,483	(109,697)	-	(12,040,267)	333,440,460	79,787	333,520,247
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	162,118	162,118	-	(162,118)	-	-	(162,118)	-	-	-
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	82,276	-	82,276	82,276	-	82,276
Adjustments to share of changes in equities of associates	-	-	19,414	-	-	-	-	-	-	-	1,653	1,653	21,067	192	21,259
From share of changes in equities of subsidiaries	-	-	370	-	-	-	-	-	-	-	-	-	370	(370)	-
Donation from shareholders	-	-	3,993	-	-	-	-	-	-	-	-	-	3,993	13	4,006
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(73,051)	(73,051)
BALANCE, DECEMBER 31, 2019	25,930,380	\$ 259,303,805	\$ 56,339,709	\$ 311,146,899	\$ 10,675,106	\$ 1,011,512,974	\$ 1,333,334,979	\$ (26,871,400)	\$ (692,959)	\$ (3,820)	\$ (190)	\$ (27,568,369)	\$ 1,621,410,124	\$ 685,302	\$ 1,622,095,426

The accompanying notes are an integral part of the consolidated financial statements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 389,845,336	\$ 397,510,263
Adjustments for:		
Depreciation expense	281,411,832	288,124,897
Amortization expense	5,472,409	4,421,405
Expected credit losses recognized (reversal) on investments in debt instruments	1,714	(2,383)
Finance costs	3,250,847	3,051,223
Share of profits of associates	(2,844,222)	(3,057,781)
Interest income	(16,189,374)	(14,694,456)
Share-based compensation	2,818	-
Loss on disposal or retirement of property, plant and equipment, net	949,965	1,005,644
Loss (gain) on disposal of intangible assets, net	2,377	(436)
Impairment loss (reversal of impairment loss) on property, plant and equipment	(301,384)	423,468
Loss on financial instruments at fair value through profit or loss, net	955,723	358,156
Loss (gain) on disposal of investments in debt instruments at fair value through other comprehensive income, net	(537,835)	989,138
Loss from disposal of subsidiaries	4,598	-
Unrealized (realized) gross profit on sales to associates	(3,395)	111,788
Loss (gain) on foreign exchange, net	(5,228,218)	2,916,659
Dividend income	(417,295)	(158,358)
Loss (gain) arising from fair value hedges, net	(13,091)	2,386
Gain on lease modification	(2,075)	-
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	848,750	480,109
Notes and accounts receivable, net	(18,119,552)	(13,271,268)
Receivables from related parties	(277,658)	599,712
Other receivables from related parties	13,375	106,030
Inventories	20,249,780	(29,369,975)
Other financial assets	3,383,500	(4,601,295)
Other current assets	(76,263)	(513,051)
Other noncurrent assets	-	152,555
Accounts payable	5,860,068	4,540,583
Payables to related parties	58,401	(279,857)
Salary and bonus payable	1,800,981	216,501
Accrued profit sharing bonus to employees and compensation to directors and supervisors	(332,251)	562,019
Accrued expenses and other current liabilities	(2,372,032)	(20,226,384)
Net defined benefit liability	(215,014)	(60,461)
Cash generated from operations	667,182,815	619,336,831
Income taxes paid	(52,044,071)	(45,382,523)
Net cash generated by operating activities	<u>615,138,744</u>	<u>573,954,308</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial instruments at fair value through profit or loss	\$ (124,748)	\$ (310,478)
Financial assets at fair value through other comprehensive income	(257,558,240)	(96,412,786)
Financial assets at amortized cost	(313,958)	(2,294,098)
Property, plant and equipment	(460,422,150)	(315,581,881)
Intangible assets	(9,329,869)	(7,100,306)
Proceeds from disposal or redemption of:		
Financial instruments at fair value through profit or loss - debt instruments	2,418,153	487,216
Financial assets at fair value through other comprehensive income	230,444,486	86,639,322
Financial assets at amortized cost	14,349,190	2,032,442
Property, plant and equipment	287,318	181,450
Intangible assets	-	492
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	1,107	127,878
Derecognition of hedging financial instruments	(436,606)	250,538
Interest received	16,874,985	14,660,388
Proceeds from government grants - property, plant and equipment	2,565,338	-
Proceeds from government grants - land use right and others	850,623	-
Other dividends received	320,242	158,358
Dividends received from investments accounted for using equity method	1,718,954	3,262,910
Refundable deposits paid	(1,465,766)	(2,227,541)
Refundable deposits refunded	<u>1,019,294</u>	<u>1,857,188</u>
Net cash used in investing activities	<u>(458,801,647)</u>	<u>(314,268,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	31,804,302	23,922,975
Repayment of bonds	(34,900,000)	(58,024,900)
Repayment of the principal portion of lease liabilities	(2,930,589)	-
Interest paid	(3,597,145)	(3,233,331)
Guarantee deposits received	62,203	1,668,887
Guarantee deposits refunded	(701,269)	(1,948,106)
Cash dividends	(259,303,805)	(207,443,044)
Donation from shareholders	4,006	10,141
Decrease in non-controlling interests	<u>(75,869)</u>	<u>(77,413)</u>
Net cash used in financing activities	<u>(269,638,166)</u>	<u>(245,124,791)</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>(9,114,196)</u>	\$ <u>9,862,296</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(122,415,265)	24,422,905
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>577,814,601</u>	<u>553,391,696</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 455,399,336</u>	<u>\$ 577,814,601</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**Independent Auditors' Report
(Parent Company Only Financial Statements)**

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in

forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

Property, plant and equipment (PP&E) – commencement of depreciation related to PP&E classified as equipment under installation and construction in progress (EUI/CIP)

Refer to Notes 4, 5 and 12 to the parent company only financial statements.

The Company's evaluation of when to commence depreciation of EUI/CIP involves determining when the assets are available for their intended use. The criteria the Company uses to determine whether EUI/CIP are available for their intended use involves subjective judgements and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner. Changes in these assumptions could have a significant impact on when depreciation is recognized.

Given the subjectivity in determining the date to commence depreciation of EUI/CIP, performing audit procedures to evaluate the reasonableness of the Company's judgements and assumptions required a high degree of auditor judgement. Consequently, the validity of commencement of depreciation related to PP&E classified as EUI/CIP is identified as a key audit matter.

Our audit procedures related to the evaluation of when to commence depreciation of EUI/CIP included the following, among others:

1. We read the Company's policy and understand the criteria used to determine when to commence depreciation.
2. We tested the effectiveness of the controls over the evaluation of when to commence depreciation of EUI/CIP.
3. We sampled EUI/CIP at year end and performed the following for each selection:
 - a. Evaluated whether the selection did not meet the criteria specified by the Company for commencement of depreciation.
 - b. Observed the assets and evaluated their status at year end.
4. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation during the year.

5. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation subsequent to year end.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

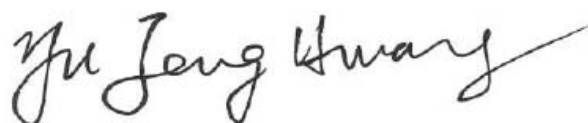
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei Yen Chiang and Yu Feng Huang.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 11, 2020

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 141,450,698	6	\$ 240,202,525	12
Financial assets at fair value through profit or loss (Note 7)	27,481	-	54,115	-
Financial assets at fair value through other comprehensive income	-	-	568,150	-
Financial assets at amortized cost	-	-	2,294,098	-
Hedging financial assets (Note 8)	3,504	-	23,497	-
Notes and accounts receivable, net (Note 9)	49,124,933	2	36,685,389	2
Receivables from related parties (Note 31)	82,194,501	4	86,452,584	4
Other receivables from related parties (Note 31)	968,123	-	1,234,662	-
Inventories (Notes 5 and 10)	76,263,851	4	98,088,160	5
Other financial assets	358,245	-	178,008	-
Other current assets	4,726,789	-	4,184,918	-
Total current assets	355,118,125	16	469,966,106	23
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	877,110	-	963,610	-
Investments accounted for using equity method (Note 11)	558,503,889	24	549,560,884	26
Property, plant and equipment (Notes 5 and 12)	1,310,900,634	57	1,025,286,941	49
Right-of-use assets (Notes 5 and 13)	15,030,020	1	-	-
Intangible assets (Notes 5 and 14)	16,271,444	1	12,429,930	1
Deferred income tax assets (Notes 5 and 25)	16,728,622	1	15,586,674	1
Refundable deposits and others	2,046,228	-	1,666,863	-
Total noncurrent assets	1,920,357,947	84	1,605,494,902	77
TOTAL	\$ 2,275,476,072	100	\$ 2,075,461,008	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 15 and 28)	\$ 148,510,290	7	\$ 91,982,340	4
Financial liabilities at fair value through profit or loss (Note 7)	982,302	-	30,232	-
Hedging financial liabilities (Note 8)	1,798	-	1,941	-
Accounts payable	36,029,135	2	30,472,292	2
Payables to related parties (Note 31)	5,716,635	-	4,546,752	-
Salary and bonus payable	14,215,161	1	12,442,707	1
Accrued profit sharing bonus to employees and compensation to directors (Note 27)	23,526,149	1	23,919,312	1
Payables to contractors and equipment suppliers	139,754,491	6	41,279,910	2
Cash dividends payable (Note 19)	129,651,902	6	-	-
Income tax payable (Notes 5 and 25)	32,241,052	1	38,706,990	2
Long-term liabilities - current portion (Notes 16 and 28)	31,800,000	1	34,900,000	2
Accrued expenses and other current liabilities (Notes 5, 13, 18, 20, 28 and 31)	43,111,632	2	49,778,042	2
Total current liabilities	605,540,547	27	328,060,518	16
NONCURRENT LIABILITIES				
Bonds payable (Notes 16 and 28)	25,100,000	1	56,900,000	3
Deferred income tax liabilities (Notes 5 and 25)	333,606	-	233,284	-
Lease liabilities (Notes 5, 13 and 28)	13,300,263	1	-	-
Net defined benefit liability (Note 17)	9,182,496	-	9,651,405	1
Guarantee deposits (Notes 18 and 28)	170,446	-	3,346,648	-
Others	438,590	-	451,488	-
Total noncurrent liabilities	48,525,401	2	70,582,825	4
Total liabilities	654,065,948	29	398,643,343	20
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 19)	259,303,805	11	259,303,805	12
Capital surplus (Note 19)	56,339,709	2	56,315,932	3
Retained earnings (Note 19)				
Appropriated as legal capital reserve	311,146,899	14	276,033,811	13
Appropriated as special capital reserve	10,675,106	-	26,907,527	1
Unappropriated earnings	1,011,512,974	45	1,073,706,503	52
	1,333,334,979	59	1,376,647,841	66
Others (Note 19)	(27,568,369)	(1)	(15,449,913)	(1)
Total equity	1,621,410,124	71	1,676,817,665	80
TOTAL	\$ 2,275,476,072	100	\$ 2,075,461,008	100

The accompanying notes are an integral part of the parent company only financial statements.

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 20 and 31)	\$1,059,646,793	100	\$1,023,925,713	100
COST OF REVENUE (Notes 5, 10, 27, 31 and 34)	<u>579,507,047</u>	<u>55</u>	<u>530,861,166</u>	<u>52</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	480,139,746	45	493,064,547	48
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	<u>3,395</u>	<u>-</u>	<u>(109,046)</u>	<u>-</u>
GROSS PROFIT	<u>480,143,141</u>	<u>45</u>	<u>492,955,501</u>	<u>48</u>
OPERATING EXPENSES (Notes 5, 27 and 31)				
Research and development	90,482,815	8	84,944,461	8
General and administrative	20,353,327	2	19,113,298	2
Marketing	<u>3,231,777</u>	<u>-</u>	<u>3,201,670</u>	<u>-</u>
Total operating expenses	<u>114,067,919</u>	<u>10</u>	<u>107,259,429</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 12, 13, 21 and 27)	<u>(151,230)</u>	<u>-</u>	<u>(1,668,234)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>365,923,992</u>	<u>35</u>	<u>384,027,838</u>	<u>38</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 11)	22,906,788	2	12,509,959	1
Other income (Note 22)	2,180,251	-	2,005,107	-
Foreign exchange gain, net (Note 33)	1,994,370	-	1,927,029	-
Finance costs (Note 23)	(3,191,609)	-	(2,903,454)	-
Other gains and losses (Note 24)	<u>(1,068,573)</u>	<u>-</u>	<u>(1,368,326)</u>	<u>-</u>
Total non-operating income and expenses	<u>22,821,227</u>	<u>2</u>	<u>12,170,315</u>	<u>1</u>
INCOME BEFORE INCOME TAX	388,745,219	37	396,198,153	39
INCOME TAX EXPENSE (Notes 5 and 25)	<u>43,481,551</u>	<u>4</u>	<u>45,067,269</u>	<u>5</u>
NET INCOME	<u>345,263,668</u>	<u>33</u>	<u>351,130,884</u>	<u>34</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 5, 17, 19 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ 253,895	-	\$ (861,162)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	121,740	-	(1,189,957)	-
Gain (loss) on hedging instruments	(109,592)	-	40,975	-
Share of other comprehensive income (loss) of subsidiaries and associates	194,524	-	(2,135,880)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	(20,992)	-	195,729	-
	<u>439,575</u>	<u>-</u>	<u>(3,950,295)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(14,698,117)	(2)	14,578,483	1
Share of other comprehensive income (loss) of subsidiaries and associates	2,435,334	-	(794,057)	-
	<u>(12,262,783)</u>	<u>(2)</u>	<u>13,784,426</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(11,823,208)</u>	<u>(2)</u>	<u>9,834,131</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 333,440,460</u>	<u>31</u>	<u>\$ 360,965,015</u>	<u>35</u>
EARNINGS PER SHARE (NT\$, Note 26)				
Basic earnings per share	<u>\$ 13.32</u>		<u>\$ 13.54</u>	
Diluted earnings per share	<u>\$ 13.32</u>		<u>\$ 13.54</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Others					Total Equity
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earning	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total	
BALANCE, JANUARY 1, 2018	25,930,380	\$ 259,303,805	\$ 56,309,536	\$ 241,722,663	\$ -	\$ 993,195,668	\$ 1,234,918,331	\$ (26,697,680)	\$ (524,915)	\$ 4,226	\$ (10,290)	\$ (27,228,659)	\$ 1,523,303,013
Appropriations of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	34,311,148	-	(34,311,148)	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	26,907,527	(26,907,527)	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(207,443,044)	(207,443,044)	-	-	-	-	-	(207,443,044)
Total	-	-	-	34,311,148	26,907,527	(268,661,719)	(207,443,044)	-	-	-	-	-	(207,443,044)
Net income in 2018	-	-	-	-	-	351,130,884	351,130,884	-	-	-	-	-	351,130,884
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	-	(765,274)	(765,274)	14,655,333	(4,097,465)	41,537	-	10,599,405	9,834,131
Total comprehensive income (loss) in 2018	-	-	-	-	-	350,365,610	350,365,610	14,655,333	(4,097,465)	41,537	-	10,599,405	360,965,015
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(1,193,056)	(1,193,056)	-	1,193,056	-	-	1,193,056	-
Basis adjustment for gain (loss) on hedging instruments	-	-	-	-	-	-	-	-	-	(22,162)	-	(22,162)	(22,162)
Adjustments to share of changes in equities of associates	-	-	(6,420)	-	-	-	-	-	-	-	8,447	8,447	2,027
From share of changes in equities of subsidiaries	-	-	2,681	-	-	-	-	-	-	-	-	-	2,681
Donation from shareholders	-	-	10,135	-	-	-	-	-	-	-	-	-	10,135
BALANCE, DECEMBER 31, 2018	25,930,380	259,303,805	56,315,932	276,033,811	26,907,527	1,073,706,503	1,376,647,841	(12,042,347)	(3,429,324)	23,601	(1,843)	(15,449,913)	1,676,817,665
Appropriations of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	35,113,088	-	(35,113,088)	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	(16,232,421)	16,232,421	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(388,955,707)	(388,955,707)	-	-	-	-	-	(388,955,707)
Total	-	-	-	35,113,088	(16,232,421)	(407,836,374)	(388,955,707)	-	-	-	-	-	(388,955,707)
Net income in 2019	-	-	-	-	-	345,263,668	345,263,668	-	-	-	-	-	345,263,668
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	217,059	217,059	(14,829,053)	2,898,483	(109,697)	-	(12,040,267)	(11,823,208)
Total comprehensive income (loss) in 2019	-	-	-	-	-	345,480,727	345,480,727	(14,829,053)	2,898,483	(109,697)	-	(12,040,267)	333,440,460
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	162,118	162,118	-	(162,118)	-	-	(162,118)	-
Basis adjustment for gain (loss) on hedging instruments	-	-	-	-	-	-	-	-	-	82,276	-	82,276	82,276
Adjustments to share of changes in equities of associates	-	-	19,414	-	-	-	-	-	-	-	1,653	1,653	21,067
From share of changes in equities of subsidiaries	-	-	370	-	-	-	-	-	-	-	-	-	370
Donation from shareholders	-	-	3,993	-	-	-	-	-	-	-	-	-	3,993
BALANCE, DECEMBER 31, 2019	25,930,380	\$ 259,303,805	\$ 56,339,709	\$ 311,146,899	\$ 10,675,106	\$ 1,011,512,974	\$ 1,333,334,979	\$ (26,871,400)	\$ (692,959)	\$ (3,820)	\$ (190)	\$ (27,568,369)	\$ 1,621,410,124

The accompanying notes are an integral part of the parent company only financial statements.

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 388,745,219	\$ 396,198,153
Adjustments for:		
Depreciation expense	267,464,543	274,340,540
Amortization expense	5,338,886	4,352,847
Finance costs	3,191,609	2,903,454
Share of profits of subsidiaries and associates	(22,906,788)	(12,509,959)
Interest income	(2,002,877)	(1,847,202)
Loss on disposal or retirement of property, plant and equipment, net	582,289	557,598
Gain on disposal of intangible assets, net	(6,183)	(5,933)
Impairment loss (reversal of impairment loss) on property, plant and equipment	(301,384)	423,468
Loss (gain) on financial instruments at fair value through profit or loss, net	18,291	(17,729)
Gain on disposal of investments accounted for using equity method, net	(15,200)	-
Unrealized (realized) gross profit on sales to subsidiaries and associates	(3,395)	109,046
Gain (loss) on foreign exchange, net	(6,289,978)	2,732,445
Dividend income	(177,374)	(157,905)
Gain on lease modification	(2,555)	-
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	964,207	301,714
Notes and accounts receivable, net	(20,264,116)	(15,821,089)
Receivables from related parties	4,258,083	5,689,253
Other receivables from related parties	442,439	216,794
Inventories	21,824,309	(27,790,715)
Other financial assets	(211,869)	(26,762)
Other current assets	(515,166)	(1,685,193)
Accounts payable	5,626,778	4,839,526
Payables to related parties	1,169,883	(282,912)
Salary and bonus payable	1,772,454	159,386
Accrued profit sharing bonus to employees and compensation to directors	(393,163)	531,310
Accrued expenses and other current liabilities	(3,618,263)	(21,092,059)
Net defined benefit liability	(215,014)	(60,461)
Cash generated from operations	644,475,665	612,057,615
Income taxes paid	(51,043,594)	(43,956,272)
Net cash generated by operating activities	<u>593,432,071</u>	<u>568,101,343</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at amortized cost	\$ -	\$ (2,294,098)
Property, plant and equipment	(450,287,869)	(298,099,157)
Intangible assets	(9,252,712)	(6,885,163)
Proceeds from disposal or redemption of:		
Financial assets at fair value through other comprehensive income	775,282	651,971
Property, plant and equipment	1,118,338	4,707,118
Intangible assets	-	15,881
Proceeds from return of capital of financial assets carried at cost	2,300,000	-
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	1,107	3,456
Derecognition of hedging financial instruments	(93,536)	57,954
Interest received	2,016,735	1,815,330
Other dividends received	177,374	157,905
Dividends received from investments accounted for using equity method	2,225,194	3,769,150
Refundable deposits paid	(1,447,188)	(2,218,292)
Refundable deposits refunded	<u>1,007,262</u>	<u>1,762,043</u>
Net cash used in investing activities	<u>(451,460,013)</u>	<u>(296,555,902)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	59,615,602	27,154,770
Repayment of bonds	(34,900,000)	(24,300,000)
Repayment of the principal portion of lease liabilities	(2,630,308)	-
Interest paid	(3,536,180)	(2,957,663)
Guarantee deposits received	23,063	1,625,526
Guarantee deposits refunded	(4,061)	(120,717)
Cash dividends	(259,303,805)	(207,443,044)
Payment of partial acquisition of interests in subsidiaries	(10,602)	(64,633,400)
Proceeds from partial disposal of interests in subsidiaries	18,500	144,676
Donation from shareholders	<u>3,906</u>	<u>10,095</u>
Net cash used in financing activities	<u>(240,723,885)</u>	<u>(270,519,757)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(98,751,827)	1,025,684
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>240,202,525</u>	<u>239,176,841</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 141,450,698</u>	<u>\$ 240,202,525</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited
2019 Earnings Distribution Table

Unit: NT\$

Net Income of 2019	345,263,668,067
Less:	
- Special Reserve	-12,120,109,646
Earnings in 2019 Available for Distribution	333,143,558,421
Plus:	
- Unappropriated Retained Earnings of Previous Years	842,609,828,900
- Disposal of Investments in Equity Instruments at Fair Value through Other Comprehensive Income	162,116,727
- Remeasurement of Defined Benefit Obligation	217,059,275
Retained Earnings Available for Distribution as of December 31, 2019	1,176,132,563,323
Distribution Item ^{Note:}	
- 1Q19 Cash Dividends to Common Share Holders (NT\$2.0 per share)	-51,860,760,916
- 2Q19 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
- 3Q19 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
- 4Q19 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
Unappropriated Retained Earnings	929,793,948,972

Note: Cash dividends were approved by the Board of Directors and to be reported at the Annual Shareholders' Meeting.

Comparison Table for the Procedures for Lending Funds to Other Parties Before and After Revisions

Before the Revision	After the Revision
<p>Article 3</p> <p>The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.</p> <p>The lending limits for any borrower are set forth below:</p> <ol style="list-style-type: none"> 1. The total amount for lending to a company having a business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (for purposes of the Procedures, the “transaction amount” shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company. 2. The total amount for lending to a company in need of funds for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. <p>The total amount available to each borrower shall not be more than thirty percent (30%) of the borrower’s net worth, provided that this restriction will not apply to subsidiaries whose voting</p>	<p>Article 3</p> <p>The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.</p> <p>The lending limits for any borrower are set forth below:</p> <ol style="list-style-type: none"> 1. The total amount for lending to a company having a business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (for purposes of the Procedures, the “transaction amount” shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company. 2. The total amount for lending to a company in need of funds for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. <p>The total amount available to each borrower shall not be more than thirty percent (30%) of the borrower’s net worth, provided that this restriction will not apply to subsidiaries whose voting</p>

Before the Revision	After the Revision
<p>shares are 100% owned, directly or indirectly, by the Company.</p> <p>For fund-lending (for financing needs) between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such fund-lending shall not be subject to the limit of twenty percent (20%) of the net worth of the lending subsidiary and the lending will not be subject to the restrictions under Article 4. However, these offshore subsidiaries shall stipulate the loan amount limits and term of loans in its lending procedures for such lending in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” announced by the securities regulatory authority.</p>	<p>shares are 100% owned, directly or indirectly, by the Company.</p> <p>For fund-lending (for financing needs) between offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, <u>or fund-lending to the Company by offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company</u>, the total amount for such fund-lending shall not be subject to the limit of twenty percent (20%) of the net worth of the lending subsidiary and the lending will not be subject to the restrictions under Article 4. However, these offshore subsidiaries shall stipulate the loan amount limits <u>total limit of fund-lending as well as the fund-lending limit</u> and term of loan <u>tenor to each borrower</u> in its lending procedures for such lending in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” announced by the securities regulatory authority.</p>