

Taiwan Semiconductor Manufacturing Company Limited

2021 Annual Shareholders' Meeting

Meeting Agenda
(Translation)

July 26, 2021

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Note:

- 2020 Form 20-F is available at <https://investor.tsmc.com/english/sec-filings>
- Minutes of 2021 Annual Shareholders’ Meeting will be available on TSMC’s website (<https://investor.tsmc.com/english/shareholders-meeting>) within 20 days after the Meeting.

1. Call Meeting to Order

2. Meeting Agenda

Taiwan Semiconductor Manufacturing Company Limited
2021 Annual Shareholders' Meeting
Meeting Agenda
(Translation)

Time : 9:00 a.m., July 26, 2021

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

Attendants : All shareholders or their proxy holders

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

1. Chairman's Address

2. Report Items:

- (1) To report the business of 2020
- (2) Audit Committee's review report
- (3) To report 2020 earnings distribution
- (4) To report 2020 employees' profit sharing and directors' compensation
- (5) To report the issuance of unsecured corporate bonds

3. Proposed Resolutions

- (1) To accept 2020 Business Report and Financial Statements
- (2) Based on recent amendments to the "Template of Procedures for Election of Director" by the Taiwan Stock Exchange, to approve amendments to the ballot format requirement for election of Directors set forth in TSMC's "Rules for Election of Directors"
- (3) To approve the issuance of employee restricted stock awards for year 2021

4. Directors Election

To elect ten Directors (including six Independent Directors)

Voting by Poll

5. Other Business and Special Motion

6. Meeting Adjourned

Report Items

1. To report the business of 2020

Explanatory Notes : Please refer to Attachment I.

2. Audit Committee's review report

Explanatory Notes : Please refer to Attachment II.

3. To report 2020 earnings distribution

Explanatory Notes :

TSMC's Articles of Incorporation authorize the Board of Directors to approve quarterly cash dividends. The amounts and payment dates of 2020 quarterly cash dividends are demonstrated in the table below:

2020	Approval Date (month/day/year)	Payment Date (month/day/year)	Cash Dividends Per Share (NT\$)	Total Amount (NT\$)
First Quarter	05/12/2020	10/15/2020	2.5	64,825,951,145
Second Quarter	08/11/2020	01/14/2021	2.5	64,825,951,145
Third Quarter	11/10/2020	04/15/2021	2.5	64,825,951,145
Fourth Quarter	02/09/2021	07/15/2021	2.5	64,825,951,145
Total			10	259,303,804,580

4. To report 2020 employees' profit sharing and directors' compensation

Explanatory Notes :

- (1) The Board of Directors approved the 2020 employees' profit sharing and directors' compensation on February 9, 2021. The employees' profit sharing and directors' compensation are to be distributed in cash.
- (2) The total amount of the 2020 employees' business performance bonus and profit sharing is NT\$69,506,368,288, of which NT\$34,753,184,144 has been distributed following each quarter as business performance bonus, and NT\$34,753,184,144 has been distributed in July 2021 as profit sharing.
- (3) 2020 directors' compensation is NT\$509,752,226.

5. To report the issuance of unsecured corporate bonds

Explanatory Notes :

- (1) On February 11 and May 12, 2020, the Board of Directors approved the issuances of NT dollar-denominated unsecured corporate bonds in Taiwan for a total amount not to exceed NT\$120 billion, to finance capacity expansion and/or pollution prevention related expenditures.

On August 11, 2020, the Board of Directors approved the issuance of U.S. dollar-denominated unsecured corporate bonds in Taiwan for an amount not to exceed US\$1 billion, to finance capacity expansion.

- (2) In 2020, the Company completed seven issuances of NT dollar-denominated unsecured corporate bonds and one issuance of U.S. dollar-denominated unsecured corporate bonds in Taiwan, for a total amount of NT\$120 billion and US\$1 billion, respectively. The amount and major terms for these issuances are demonstrated in the table below:

- Issuances of NT dollar-denominated unsecured corporate bonds

(Amount in NT\$ billion)

Issuance	Issue Date (month/day/year)	Tranche	Amount	Tenor (year)	Coupon (%)	Maturity Date (month/day/year)
109-1	03/23/2020	A	3.0	5	0.58	03/23/2025
		B	10.5	7	0.62	03/23/2027
		C	10.5	10	0.64	03/23/2030
109-2	04/15/2020	A	5.9	5	0.52	04/15/2025
		B	10.4	7	0.58	04/15/2027
		C	5.3	10	0.60	04/15/2030
109-3	05/29/2020	A	4.5	5	0.55	05/29/2025
		B	7.5	7	0.60	05/29/2027
		C	2.4	10	0.64	05/29/2030
109-4	07/14/2020	A	5.7	5	0.58	07/14/2025
		B	6.3	7	0.65	07/14/2027
		C	1.9	10	0.67	07/14/2030
109-5	09/03/2020	A	4.8	5	0.50	09/03/2025
		B	8.0	7	0.58	09/03/2027
		C	2.8	10	0.60	09/03/2030
109-6 (Green Bond)	12/02/2020	A	1.6	5	0.40	12/02/2025
		B	5.6	7	0.44	12/02/2027
		C	4.8	10	0.48	12/02/2030
109-7	12/29/2020	A	1.9	5	0.36	12/29/2025
		B	10.2	7	0.41	12/29/2027
		C	6.4	10	0.45	12/29/2030
Interest Payment		Annually				
Principal Repayment		i. 109-1, 109-2 and 109-3: Bullet ii. 109-4, 109-5, 109-6 and 109-7: Two equal installments in last two years				

- Issuance of U.S. dollar-denominated unsecured corporate bond

(Amount in US\$ billion)

Issuance	Issue Date (month/day/year)	Tranche	Amount	Tenor (year)	Coupon (%)	Maturity Date (month/day/year)
109-1	09/22/2020	-	1.0	40	2.70	09/22/2060
Interest Payment		Annually				
Principal Repayment		Bullet repayment and callable on the 5th anniversary of the issue date and every anniversary thereafter.				

Proposed Resolutions

1. To accept 2020 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes :

- (1) TSMC's 2020 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) 2020 Business Report, Independent Auditors' Report, the aforementioned Financial Statements, and Earnings Distribution Table are attached hereto as Attachments I, III, IV and V.

2. Based on recent amendments to the "Template of Procedures for Election of Director" by the Taiwan Stock Exchange, to approve amendments to the ballot format requirement for election of Directors set forth in TSMC's "Rules for Election of Directors" (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The Taiwan Stock Exchange amended its Template of Procedures for Election of Director (the "Template"). It is proposed to make corresponding amendments to TSMC's "Rules for Election of Directors" which will simplify the items to be completed by voters on the ballot.

The amended Template no longer requires voters to fill in the "candidate" column of the ballot the candidate's name and ID number or shareholder's number. By amending TSMC's Rules for Election of Directors accordingly, voters can complete the vote by just checking one of the director candidates listed on the ballot.

- (2) The Comparison Table for the Rules for Election of Directors is attached hereto as Attachment VI.

**3. To approve the issuance of employee restricted stock awards for year 2021
(Proposed by the Board of Directors)**

Explanatory Notes :

To attract and retain corporate executives and to link their compensation with shareholders' interests and Environmental, Social and Governance ("ESG") achievements, it is proposed to approve the issuance of the employee restricted stock awards ("RSAs") for year 2021 (this "Issuance") in accordance with the relevant regulations. Major details of this Issuance are as follows:

- (1) Expected total shares to be issued: The number of shares to be issued under this Issuance will not exceed 2,600,000 common shares. The actual number of shares to be issued will be resolved by the Board of Directors after this Issuance is approved at this Annual Shareholders' Meeting and by the competent authority.
- (2) Eligibility and the number of shares employees may be granted:
 - i. Only the Company's full-time executives who are employed as of the date of the granting of the RSAs and who meet certain performance requirements are eligible for this incentive plan. Eligible executives must also be those who (a) have a significant influence on the Company's operational decisions or (b) are the Company's critical talents for its future core technologies and strategy development.
 - ii. The number of shares granted to eligible executives will be determined by Chairman and CEO and approved by the Compensation Committee and the Board of Directors by reference to the Company's business performance and the employee's job grade, performance, and other factors as deemed appropriate.
- (3) Major terms and conditions of the RSAs:
 - i. Expected issue price: Grants will be made free of charge.
 - ii. Vesting conditions:

- The RSAs granted to an executive can only be vested if (a) the executive remains employed by the Company on the last date of each vesting period; (b) during the vesting period, the executive may not breach any agreement with the Company or violate the Company's work rules; and (c) certain executive performance metrics and the Company's business performance metrics are met, as detailed in the Employee Restricted Stock Awards Rules.
- The maximum percentage of granted RSAs that may be vested each year shall be as follows:
one-year anniversary of the grant: 50%; two-year anniversary of the grant: 25%; and three-year anniversary of the grant: 25%; provided that the actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of the Company's business performance metrics, as detailed in the following point.
- The maximum number of RSAs that may be vested in each year will be set as 110%, among which 100% will be subject to a calculation based on the Company's relative TSR^{Note} achievement (see table below) to determine the number of RSAs to be vested; this number will be further subject to a modifier to increase or decrease up to 10% based on the Compensation Committee's evaluation of the Company's ESG achievements. The number of shares so calculated should be rounded down to the nearest integral.

The Company's TSR relative to the TSR of S&P 500 IT Index	Ratio of shares to be vested
Above the Index by X percentage points	50% + X * 2.5%, with the maximum of 100%
Equal to the Index	50%
Below the Index by X percentage points	50% - X * 2.5%, with the minimum of 0%

Note: TSR: Total Shareholder Return (including capital gains and dividends)

- iii. Measure to be taken where employees fail to meet the vesting conditions or in the event of inheritance: Where an executive fails to meet the vesting conditions, the Company will reclaim the granted RSAs and cancel the same at no extra cost to the Company; for exceptional events, including but not limited to inheritance, the Company will take measures as set forth in the Employee Restricted Stock Awards Rules.

- (4) Estimated expenses, dilution of the Company's EPS and other matters that may affect the shareholders' interests: The total expenses are preliminarily estimated at approximately NT\$856 million based on the maximum of 2,600,000 common shares to be granted as RSAs, the average closing price (after adjustment for the payout of dividends) of NT\$598 per share in March 2021, and the calculation by the valuation model. The expenses are preliminarily estimated at approximately NT\$204 million, NT\$462 million, NT\$142 million and NT\$47 million from 2021 to 2024 respectively, assuming that the RSAs will be issued at the end of August 2021.

Based on the Company's outstanding shares and the maximum number of common shares of 2,600,000 to be granted as RSAs, the potential impact from above mentioned expenses to the Company's EPS is preliminarily estimated at approximately NT\$0.0071, NT\$0.0166, NT\$0.0041, and NT\$0.0014 from 2021 to 2024 respectively. The potential dilution of the Company's EPS is minimal; therefore, there is no material impact on shareholders' interest.

Furthermore, the Company plans to offset dilution from the increase of outstanding shares by conducting a share buyback program, which will be proposed to the Board of Directors for approval separately.

- (5) Granted RSAs will be deposited in a stock trust custody account.
- (6) If any revision or adjustment has to be made due to any instruction of the competent authority or amendment to the laws and regulations, it is proposed that the Annual Shareholders' Meeting authorize the Board of Directors or the person authorized by the Board of Directors to handle all relevant matters regarding the granting of the RSAs.
- (7) The Employee Restricted Stock Awards Rules for Year 2021 is attached hereto as Attachment VII.

Directors Election

**To elect ten Directors (including six Independent Directors)
(Proposed by the Board of Directors)**

Explanatory Notes :

- (1) TSMC's Articles of Incorporation state that the Company's Board of Directors shall have seven to ten directors, of which at least three must be independent directors; the Board of Directors is authorized to determine the number of directors.

Upon the expiry of the Directors' terms of office, the Board of Directors resolved that ten Directors (including six Independent Directors) will be elected at this Annual Shareholders' Meeting. The terms of office of the Directors to be elected shall be three years, commencing on July 26, 2021 and expiring on July 25, 2024.

- (2) TSMC's directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the R.O.C. Company Law. Shareholders shall elect the directors from the List of Director (including Independent Director) Candidates, whose education and professional qualifications, experience and relevant information, as well as the rationale for nomination of independent directors who have served for three or more consecutive terms, are attached hereto as Attachment VIII.

Voting by Poll :

Other Business and Special Motion

Meeting Adjourned

3. Attachment

Business Report

2020 was a devastating year for the entire world due to the COVID-19 pandemic, and our thoughts and hearts go out to all those who have been affected. With the spread of COVID-19, millions of lives were lost, many cities entered lock down, and the world experienced massive economic and societal disruptions. However, semiconductor industry demand remained resilient, as trends such as work-from-home and distance learning emerged to help to accelerate the digital transformation. At TSMC, our top priority is to protect the health and safety of our employees, and ensure our global fab operations continue delivering to customers. While we have been successful so far, we will remain vigilant and continue our utmost efforts to weather this pandemic.

For TSMC, although 2020 was a year of extraordinary challenges, it was also a year of significant growth and progress. Facing upheaval brought by the global COVID-19 pandemic as well as geopolitical tensions, we worked dynamically with our customers, and doubled down our commitment to technology leadership, manufacturing excellence, and customer trust. In 2020, we delivered an eleventh consecutive year of record revenue, thanks to strong demand coming to our industry-leading 5-nanometer (N5) and 7-nanometer (N7) technologies. Our revenue increased 31.4% year-over-year in US dollar terms, as compared to about 10% year-over-year growth for the semiconductor industry.

We continued to focus on the fundamentals of our business in 2020 by enriching our R&D infrastructures, enlarging our talent pipeline, strengthening our information protection and cybersecurity, and accelerating our technology differentiation.

In 2020, fueled by the industry megatrends of 5G and high performance computing (HPC) applications, both driving semiconductor content enrichment, we increased our 2020 capital spending to US\$17.2 billion. As TSMC enters another period of higher growth, we will continue to invest to capture the opportunities that will follow.

In 2020, we successfully ramped our industry-leading N5 technology, to enable our customers' innovations for both smartphone and HPC applications. As the foundry industry's most advanced solution with the best performance, power and area (PPA), N5 further expands our customer product portfolio and increases our addressable markets.

In its third year of ramp, our 7-nanometer family, which includes N7, N7+ and N6, continued to see very strong demand across a wide spectrum of products from smartphone, HPC, Internet of Things (IoT) and Automotive applications.

Our 3-nanometer technology will be another full node stride from our N5, and offer the most advanced foundry technology in both PPA and transistor technology when it is introduced.

In 2020, TSMC introduced 3DFabric™, an umbrella of the company's fast-growing portfolio of 3DIC system integration solutions under one family of technologies. Our differentiated chiplet and heterogeneous integration technologies drive better power efficiency, greater compute density, and smaller form factor benefits for our customers, while shortening their time-to-market. We are working with several product leaders on 3DFabric™ to enable chiplet architectures.

Highlights of TSMC's accomplishments in 2020:

- Total wafer shipments were 12.4 million 12-inch equivalent wafers as compared to 10.1 million 12-inch equivalent wafers in 2019.
- Advanced technologies (16-nanometer and beyond) accounted for 58 percent of total wafer revenue, up from 50 percent in 2019.
- We deployed 281 distinct process technologies, and manufactured 11,617 products for 510 customers.
- TSMC produced 24 percent of the world semiconductor excluding memory output value in 2020, as compared to 21 percent in the previous year.

2020 Financial Performance

Consolidated revenue reached NT\$1,339.255 billion, an increase of 25.2 percent over NT\$1,069.99 billion in 2019. Net income was NT\$517.89 billion and diluted earnings per share were NT\$19.97. Both increased 50.0 percent from the 2019

level of NT\$345.26 billion net income and NT\$13.32 diluted EPS.

TSMC generated net income of US\$17.60 billion on consolidated revenue of US\$45.51 billion, which increased 57.5 percent and 31.4 percent respectively from the 2019 level of US\$11.18 billion net income and US\$34.63 billion consolidated revenue.

Gross profit margin was 53.1 percent compared with 46.0 percent in 2019, while operating profit margin was 42.3 percent compared with 34.8 percent a year earlier. Net profit margin was 38.7 percent, an increase of 6.4 percentage points from 2019's 32.3 percent.

In 2020, total cash dividend payments to shareholders sustained at NT\$10 per share.

Technological Developments

In 2020, we continued to increase our investment in R&D to US\$3.72 billion to unleash our customers' innovations and extend our technology leadership.

Our 3-nanometer will offer up to 70% logic density gain, up to 15% performance gain and up to 30% power reduction as compared with N5. N3 technology development is on track with good progress. N3 will offer complete platform support for both mobile and HPC applications. Volume production is targeted in second half of 2022.

Our 5-nanometer (N5) technology successfully entered volume production in the second quarter of 2020 and experienced a strong ramp in the second half. We plan to offer continuous enhancements, such as N4, to extend the leadership of our 5-nanometer family. N4 is a straightforward migration from N5 with compatible design rules, while providing further performance, power and density enhancements for the next wave 5-nanometer products. N4 volume production is scheduled in 2022.

In its third year, 7-nanometer technology continued to see one of TSMC's fastest ramp ups in volume production, shipping more than one billion good dies in this process for hundreds of products from dozens of customers. Our N7+ also entered

its second year of ramp using EUV lithography technology, while N6, which provides a clear migration path for next wave 7-nanometer products, entered volume production at the end of 2020. N6 will further extend our 7-nanometer family well into the future.

Our 16nm/12nm family has received over 650 customer product tape-outs across smartphone, HPC, storage and consumer electronics applications. We also unveiled our N12e™ process, bringing TSMC's world-class FinFET transistor technology to AI-enabled IoT devices, by providing both powerful computing performance and outstanding power efficiency.

The value of our technology platforms are evolving to include logic wafer scaling, design-technology co-optimization, and 3DIC. We have developed a comprehensive 3DIC technology roadmap to enhance system-level performance and drive greater energy efficiency. These technologies include chip stacking solutions such as SoIC (System on Integrated Chip), as well as advanced packaging solutions such as InFO (Integrated Fan-Out) and CoWoS® (Chip on Wafer on Substrate). TSMC's CoWoS® continued to integrate with larger interposer size for heterogeneous integration. We are also working with customers on TSMC-SoIC™, which is expected to be first adopted by HPC applications where bandwidth performance, power efficiency, and form factors are aggressively pursued.

TSMC's ecosystem, the Open Innovation Platform®, empowers our 510 distinct customers to design in a safe and secure cloud environment, to unleash their innovations with fast time-to-market. We also worked with our ecosystem partners to expand our libraries and silicon IP portfolio to over 35,000 items in 2020. More than 12,000 technology files and over 450 process design kits, from 0.5-micron to 3-nanometer, are available to customers via TSMC-Online. We saw more than 100,000 customer downloads in 2020.

Corporate Social Responsibility

The foundation of TSMC's corporate social responsibility is a sound corporate governance built upon our core values that balances the interests of all stakeholders. Guided by the UN Sustainable Development Goals, our Corporate Social Responsibility Executive Committee has set our CSR focuses to be on driving green manufacturing, building a responsible supply chain, creating an inclusive

workplace, developing STEM talent, and caring for the underprivileged.

Joining in the global effort to combat COVID-19, TSMC leveraged our expertise in technology, global procurement and supply chain management with a budget of US\$20 million to aid communities near TSMC sites with urgent needs in Taiwan, Mainland China, Japan, Europe and the United States. This included donations of personal protection equipment and ventilators to hospitals, public health agencies, and related parties; providing relief to vulnerable communities with immediate food, shelter, and medical aid; and collaborating with leading institutes on COVID-19 diagnostics, vaccines and therapeutics development.

As a responsible corporate citizen, TSMC is dedicated to fighting climate change and protecting the environment of the world that we share. By 2030, we target to supply 25% of power consumed by our fabs, and 100% of power consumed for non-fab facilities, using renewable energy. In 2020, we signed the largest renewables corporate power purchasing agreement in the world, and committed to renewable energy purchase agreements totaling 1.3 gigawatts. We have further committed to supplying 100% of TSMC's power from renewable energy and generating zero indirect carbon emissions from electricity consumption by 2050, enabling us to become the first semiconductor company to join the RE100 renewable energy initiative in 2020.

Corporate Developments

In May 2020, TSMC announced its intention to build and operate an advanced semiconductor fab in the United States, in the state of Arizona. This fab will start with 5-nanometer technology at 20,000 wafers per month capacity. Production is targeted to begin in 2024. A U.S. fab will enable TSMC to expand our technology ecosystem, better serve our customers and partners, and extend our reach for global talents.

Honors and Awards

TSMC received recognition for achievements in innovation, corporate governance, sustainability, investor relations and overall excellence in management from organizations including *Forbes*, *Fortune Magazine*, *CommonWealth Magazine*, *Business Today*, RobecoSAM (S&P Global), RE100 and the Taiwan Stock Exchange. TSMC also received the prestigious 2021 IEEE Corporate Innovation

Award, honoring the Company's leadership in developing 7-nanometer foundry technology and enabling the innovations of IC designers everywhere. 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 20 consecutive years. TSMC also received recognition as one of *Wall Street Journal's* "100 Most Sustainably Managed Companies" and *Corporate Knight's* 2020 "Global 100 Most Sustainable Corporations". Meanwhile, we remained a major component in both various MSCI ESG and FTSE4Good indices. In investor relations, TSMC continued to receive multiple awards from *Institutional Investor Magazine*.

Outlook

The challenges of the COVID-19 pandemic have only renewed TSMC's dedication to enabling innovations that improve peoples' lives. Digital technology has helped us weather the disruptions of the COVID-19 pandemic by allowing people to work, learn, and play in the safety of their homes, and also by maintaining our bonds with distant loved ones during difficult times. Beyond that, it has accelerated a digital transformation of society, with technology becoming increasingly essential in people's lives.

As we enter the 5G era, the performance of digital computing for AI and 5G is insatiable. A smarter and more intelligent world will require massive increases in computation performance and greater need for energy efficient computing, fueling strong demand for advanced semiconductor technologies. With our leadership in advanced process technologies, our broad portfolio of specialty technologies and 3DIC solutions, our unparalleled manufacturing capabilities, and deep collaborative relationships with customers, we are well positioned to capture the growth from these megatrends in the years ahead.

While macroeconomic uncertainties may linger, we will continue to work on the fundamentals of our business to further extend our technology differentiation. We will adhere to our dedicated foundry business model, and collaborate with all the IC innovators to unleash innovation. We will continue to conduct our business with integrity, sell our value, and treat all customers fairly. We will sharpen our Trinity of Strengths of technology leadership, manufacturing excellence, and customer trust, so that we may continue to fulfill our mission to be the trusted technology and capacity provider of the global logic IC industry for years to come.

We remain dedicated to world-class governance, sustainability, and good returns to our shareholders. We thank you for the trust and commitment you have placed in TSMC. We are excited about our future, and look forward to a long and prosperous relationship together.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 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 09, 2021

**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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 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 judgments 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 judgments and assumptions required a high degree of auditor judgment. 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, 2020 and 2019 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.

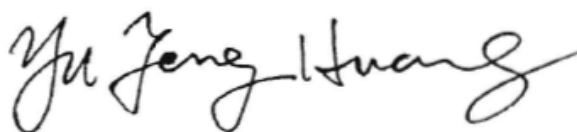
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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, 2020 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 9, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 660,170,647	24	\$ 455,399,336	20
Financial assets at fair value through profit or loss (Note 7)	2,259,412	-	326,839	-
Financial assets at fair value through other comprehensive income (Note 8)	122,448,453	5	127,396,577	6
Financial assets at amortized cost (Note 9)	6,597,992	-	299,884	-
Hedging financial assets (Note 10)	47	-	25,884	-
Notes and accounts receivable, net (Note 11)	145,480,272	5	138,908,589	6
Receivables from related parties (Note 33)	558,131	-	862,070	-
Other receivables from related parties (Note 33)	50,645	-	51,653	-
Inventories (Notes 5 and 12)	137,353,407	5	82,981,196	4
Other financial assets (Note 34)	10,676,111	1	11,041,091	-
Other current assets	6,590,191	-	5,320,795	-
Total current assets	<u>1,092,185,308</u>	<u>40</u>	<u>822,613,914</u>	<u>36</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 8)	4,514,940	-	4,124,337	-
Financial assets at amortized cost (Note 9)	4,372,207	-	7,348,914	-
Investments accounted for using equity method (Note 13)	18,841,061	1	18,698,788	1
Property, plant and equipment (Notes 5 and 14)	1,555,589,120	56	1,352,377,405	60
Right-of-use assets (Notes 5 and 15)	27,728,382	1	17,232,402	1
Intangible assets (Notes 5 and 16)	25,768,179	1	20,653,028	1
Deferred income tax assets (Notes 5 and 27)	25,958,184	1	17,928,358	1
Refundable deposits	1,343,001	-	2,084,968	-
Other noncurrent assets	4,411,023	-	1,742,918	-
Total noncurrent assets	<u>1,668,526,097</u>	<u>60</u>	<u>1,442,191,118</u>	<u>64</u>
TOTAL	<u>\$ 2,760,711,405</u>	<u>100</u>	<u>\$ 2,264,805,032</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 30)	\$ 88,559,026	3	\$ 118,522,290	5
Financial liabilities at fair value through profit or loss (Note 7)	94,128	-	982,349	-
Hedging financial liabilities (Note 10)	1,169	-	1,798	-
Accounts payable	38,987,284	1	38,771,066	2
Payables to related parties (Note 33)	2,107,718	-	1,434,900	-
Salary and bonus payable	20,071,241	1	16,272,353	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Note 29)	35,681,046	1	23,648,903	1
Payables to contractors and equipment suppliers	157,804,961	6	140,810,703	6
Cash dividends payable (Note 22)	129,651,902	5	129,651,902	6
Income tax payable (Notes 5 and 27)	53,909,313	2	32,466,156	1
Long-term liabilities - current portion (Notes 18 and 30)	2,600,000	-	31,800,000	1
Accrued expenses and other current liabilities (Notes 5, 15, 21, 23 and 30)	87,683,260	3	56,373,281	3
Total current liabilities	<u>617,151,048</u>	<u>22</u>	<u>590,735,701</u>	<u>26</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 18 and 30)	254,105,084	9	25,100,000	1
Long-term bank loans (Notes 19 and 30)	1,967,611	-	-	-
Deferred income tax liabilities (Notes 5 and 27)	1,729,941	-	344,393	-
Lease liabilities (Notes 5, 15 and 30)	20,560,649	1	15,041,833	1
Net defined benefit liability (Note 20)	11,914,074	1	9,182,496	-
Guarantee deposits (Notes 21 and 30)	265,599	-	176,904	-
Others	2,395,400	-	2,128,279	-
Total noncurrent liabilities	<u>292,938,358</u>	<u>11</u>	<u>51,973,905</u>	<u>2</u>
Total liabilities	<u>910,089,406</u>	<u>33</u>	<u>642,709,606</u>	<u>28</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 22)	259,303,805	9	259,303,805	11
Capital surplus (Note 22)	56,347,243	2	56,339,709	3
Retained earnings (Note 22)				
Appropriated as legal capital reserve	311,146,899	11	311,146,899	14
Appropriated as special capital reserve	42,259,146	2	10,675,106	-
Unappropriated earnings	1,235,280,036	45	1,011,512,974	45
	1,588,686,081	58	1,333,334,979	59
Others (Note 22)	(54,679,873)	(2)	(27,568,369)	(1)
Equity attributable to shareholders of the parent	1,849,657,256	67	1,621,410,124	72
NON - CONTROLLING INTERESTS	964,743	-	685,302	-
Total equity	<u>1,850,621,999</u>	<u>67</u>	<u>1,622,095,426</u>	<u>72</u>
TOTAL	<u>\$ 2,760,711,405</u>	<u>100</u>	<u>\$ 2,264,805,032</u>	<u>100</u>

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)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 23, 33 and 39)	\$1,339,254,811	100	\$1,069,985,448	100
COST OF REVENUE (Notes 5, 12, 29, 33 and 37)	<u>628,108,309</u>	<u>47</u>	<u>577,286,947</u>	<u>54</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	711,146,502	53	492,698,501	46
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	<u>(16,382)</u>	<u>-</u>	<u>3,395</u>	<u>-</u>
GROSS PROFIT	<u>711,130,120</u>	<u>53</u>	<u>492,701,896</u>	<u>46</u>
OPERATING EXPENSES (Notes 5 , 29 and 33)				
Research and development	109,486,089	8	91,418,746	8
General and administrative	28,457,593	2	21,737,210	2
Marketing	<u>7,112,867</u>	<u>1</u>	<u>6,348,626</u>	<u>1</u>
Total operating expenses	<u>145,056,549</u>	<u>11</u>	<u>119,504,582</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14, 15 and 29)	<u>710,127</u>	<u>-</u>	<u>(496,224)</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 39)	<u>566,783,698</u>	<u>42</u>	<u>372,701,090</u>	<u>35</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates	3,592,818	-	2,844,222	-
Interest income (Note 24)	9,018,400	1	16,189,374	1
Other income	660,607	-	417,295	-
Foreign exchange gain (loss), net (Note 36)	(3,303,298)	-	2,095,217	-
Finance costs (Note 25)	(2,081,455)	-	(3,250,847)	-
Other gains and losses, net (Note 26)	<u>10,106,410</u>	<u>1</u>	<u>(1,151,015)</u>	<u>-</u>
Total non-operating income and expenses	<u>17,993,482</u>	<u>2</u>	<u>17,144,246</u>	<u>1</u>
INCOME BEFORE INCOME TAX	584,777,180	44	389,845,336	36
INCOME TAX EXPENSE (Notes 5 and 27)	<u>66,619,098</u>	<u>5</u>	<u>44,501,527</u>	<u>4</u>
NET INCOME	<u>518,158,082</u>	<u>39</u>	<u>345,343,809</u>	<u>32</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 5, 20, 22 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ (3,516,749)	(1)	\$ 253,895	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	423,697	-	334,327	-
Gain (loss) on hedging instruments	24,085	-	(109,592)	-
Share of other comprehensive loss of associates	(11,604)	-	(18,271)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	422,663	-	(20,992)	-
	<u>(2,657,908)</u>	<u>(1)</u>	<u>439,367</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(29,847,196)	(2)	(14,689,107)	(1)
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	2,466,711	-	2,566,373	-
Share of other comprehensive loss of associates	(283,409)	-	(140,195)	-
	<u>(27,663,894)</u>	<u>(2)</u>	<u>(12,262,929)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(30,321,802)</u>	<u>(3)</u>	<u>(11,823,562)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 487,836,280</u>	<u>36</u>	<u>\$ 333,520,247</u>	<u>31</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 517,885,387	39	\$ 345,263,668	32
Non-controlling interests	<u>272,695</u>	<u>-</u>	<u>80,141</u>	<u>-</u>
	<u>\$ 518,158,082</u>	<u>39</u>	<u>\$ 345,343,809</u>	<u>32</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 487,563,478	36	\$ 333,440,460	31
Non-controlling interests	<u>272,802</u>	<u>-</u>	<u>79,787</u>	<u>-</u>
	<u>\$ 487,836,280</u>	<u>36</u>	<u>\$ 333,520,247</u>	<u>31</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>2020</u>	<u>2019</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>\$ 19.97</u>	<u>\$ 13.32</u>
Diluted earnings per share	<u>\$ 19.97</u>	<u>\$ 13.32</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		Total Equity				
	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	Non-controlling Interests
	Shares (In Thousands)	Amount	Legal Capital Reserve	Special Reserve	Special Reserve	Unappropriated Earnings	Total	Translation Reserve	Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Total	Stock-Based Compensation		Total			
BALANCE, JANUARY 1, 2019	25,930,380	\$ 259,303,805	\$ 276,033,811	\$ 26,907,527	\$ 1,073,706,503	\$ 1,376,647,841	\$ (12,042,347)	\$ (3,429,324)	\$ 23,601	\$ (1,843)	\$ 1,676,817,665	\$ 678,731	\$ 1,677,496,396				
Appropriations of earnings	-	-	-	-	(35,113,088)	-	-	-	-	-	-	-	-				
Legal capital reserve	-	-	35,113,088	-	16,232,421	-	-	-	-	-	-	-	-				
Special capital reserve	-	-	-	(16,232,421)	(388,955,707)	-	-	-	-	-	-	-	-				
Cash dividends to shareholders	-	-	-	-	(407,836,374)	-	-	-	-	-	-	-	-				
Total	-	-	35,113,088	(16,232,421)	(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	(109,692)	-	(12,040,267)	(354)	(11,823,562)				
Total comprehensive income (loss) in 2019	-	-	-	-	345,480,727	345,480,727	(14,829,053)	2,898,483	(109,692)	-	(12,040,267)	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				
Adjustments to share of changes in equities of associates	-	-	-	-	-	-	-	-	-	1,653	1,653	192	21,259				
From share of changes in equities of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(370)	-				
Donation from shareholders	-	-	-	-	-	-	-	-	-	-	-	13	4,006				
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(73,051)	(73,051)				
BALANCE, DECEMBER 31, 2019	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 10,675,106	\$ 1,011,512,974	\$ 1,333,334,979	\$ (26,871,400)	\$ (692,959)	\$ (3,820)	\$ (190)	\$ 1,621,410,124	\$ 685,302	\$ 1,622,095,426				
Appropriations of earnings	-	-	-	-	(31,584,040)	-	-	-	-	-	-	-	-				
Special capital reserve	-	-	-	31,584,040	(259,303,805)	-	-	-	-	-	-	-	-				
Cash dividends to shareholders	-	-	-	-	(290,887,845)	-	-	-	-	-	-	-	-				
Total	-	-	-	31,584,040	(290,887,845)	-	-	-	-	-	-	-	(259,303,805)				
Net income in 2020	-	-	-	-	517,885,387	517,885,387	-	-	-	-	517,885,387	272,695	518,158,082				
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	(3,121,793)	(3,121,793)	(30,130,227)	2,906,026	24,085	(27,200,116)	(30,321,909)	107	(30,321,802)				
Total comprehensive income (loss) in 2020	-	-	-	-	514,763,594	514,763,594	(30,130,227)	2,906,026	24,085	(27,200,116)	(30,321,909)	272,802	487,836,280				
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(108,687)	(108,687)	-	108,687	-	-	108,687	-	-				
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	(20,265)	(20,265)	-	-	(20,265)				
Adjustments to share of changes in equities of associates	-	-	-	-	-	-	-	-	-	190	190	482	482				
Donation from shareholders	-	-	-	-	-	-	-	-	-	-	-	27	7,269				
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	6,612	6,612				
BALANCE, DECEMBER 31, 2020	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 42,259,146	\$ 1,235,280,036	\$ 1,588,686,081	\$ (57,001,627)	\$ 2,321,754	\$ (54,679,873)	\$ (1,849,657,256)	\$ 964,743	\$ 1,850,621,999					

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)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 584,777,180	\$ 389,845,336
Adjustments for:		
Depreciation expense	324,538,443	281,411,832
Amortization expense	7,186,248	5,472,409
Expected credit losses recognized on investments in debt instruments	3,672	1,714
Finance costs	2,081,455	3,250,847
Share of profits of associates	(3,592,818)	(2,844,222)
Interest income	(9,018,400)	(16,189,374)
Share-based compensation	6,612	2,818
Loss (gain) on disposal or retirement of property, plant and equipment, net	(188,863)	949,965
Loss on disposal of intangible assets, net	599	2,377
Impairment loss (reversal of impairment loss) on property, plant and equipment	10,159	(301,384)
Loss (gain) on financial instruments at fair value through profit or loss, net	(3,005)	955,723
Gain on disposal of investments in debt instruments at fair value through other comprehensive income, net	(1,439,420)	(537,835)
Loss from disposal of subsidiaries	-	4,598
Unrealized (realized) gross profit on sales to associates	16,382	(3,395)
Gain on foreign exchange, net	(1,372,610)	(5,228,218)
Dividend income	(637,575)	(417,295)
Gain arising from fair value hedges, net	-	(13,091)
Gain on lease modification	(2,828)	(2,075)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(2,965,270)	848,750
Notes and accounts receivable, net	(8,082,708)	(18,119,552)
Receivables from related parties	303,939	(277,658)
Other receivables from related parties	7,588	13,375
Inventories	(54,372,211)	20,249,780
Other financial assets	1,389,493	3,383,500
Other current assets	(1,358,129)	(76,263)
Accounts payable	404,607	5,860,068
Payables to related parties	672,818	58,401
Salary and bonus payable	3,798,888	1,800,981
Accrued profit sharing bonus to employees and compensation to directors and supervisors	12,032,143	(332,251)
Accrued expenses and other current liabilities	20,617,359	(2,372,032)
Net defined benefit liability	(785,171)	(215,014)
Cash generated from operations	874,028,577	667,182,815
Income taxes paid	(51,362,365)	(52,044,071)
Net cash generated by operating activities	<u>822,666,212</u>	<u>615,138,744</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial instruments at fair value through profit or loss	\$ -	\$ (124,748)
Financial assets at fair value through other comprehensive income	(262,637,496)	(257,558,240)
Financial assets at amortized cost	(4,302,770)	(313,958)
Property, plant and equipment	(507,238,722)	(460,422,150)
Intangible assets	(9,542,387)	(9,329,869)
Proceeds from disposal or redemption of:		
Financial instruments at fair value through profit or loss - debt instruments	30,049	2,418,153
Financial assets at fair value through other comprehensive income	266,931,916	230,444,486
Financial assets at amortized cost	285,210	14,349,190
Property, plant and equipment	606,732	287,318
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	51,052	1,107
Derecognition of hedging financial instruments	(308,776)	(436,606)
Interest received	9,775,120	16,874,985
Proceeds from government grants - property, plant and equipment	1,044,327	2,565,338
Proceeds from government grants - land use right and others	25,369	850,623
Other dividends received	735,081	320,242
Dividends received from investments accounted for using equity method	2,752,043	1,718,954
Increase in prepayments for leases	(4,693,416)	-
Refundable deposits paid	(726,883)	(1,465,766)
Refundable deposits refunded	<u>1,431,837</u>	<u>1,019,294</u>
Net cash used in investing activities	<u>(505,781,714)</u>	<u>(458,801,647)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(31,571,567)	31,804,302
Proceeds from short-term bills payable	7,485,303	-
Repayments of short-term bills payable	(7,500,000)	-
Proceeds from issuance of bonds	236,725,675	-
Repayment of bonds	(31,800,000)	(34,900,000)
Proceeds from long-term bank loans	2,000,000	-
Payments for transaction costs attributable to the issuance of bonds	(390,730)	-
Repayment of the principal portion of lease liabilities	(2,615,708)	(2,930,589)
Interest paid	(1,781,097)	(3,597,145)
Guarantee deposits received	145,633	62,203
Guarantee deposits refunded	(16,060)	(701,269)
Cash dividends	(259,303,805)	(259,303,805)
Donation from shareholders	7,269	4,006
Decrease in non-controlling interests	<u>-</u>	<u>(75,869)</u>
Net cash used in financing activities	<u>(88,615,087)</u>	<u>(269,638,166)</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2020	2019
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>\$ (23,498,100)</u>	<u>\$ (9,114,196)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	204,771,311	(122,415,265)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>455,399,336</u>	<u>577,814,601</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 660,170,647</u>	<u>\$ 455,399,336</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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 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 judgments 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 judgments and assumptions required a high degree of auditor judgment. 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.

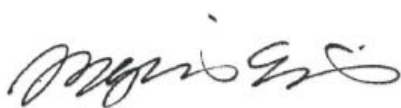
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies 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, 2020 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 9, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 303,165,717	11	\$ 141,450,698	6
Financial assets at fair value through profit or loss (Note 7)	2,125,825	-	27,481	-
Hedging financial assets (Note 8)	-	-	3,504	-
Notes and accounts receivable, net (Note 9)	34,611,115	1	49,124,933	2
Receivables from related parties (Note 30)	101,781,174	4	82,194,501	4
Other receivables from related parties (Note 30)	1,714,334	-	968,123	-
Inventories (Notes 5 and 10)	130,298,036	5	76,263,851	4
Other financial assets	1,425,594	-	358,245	-
Other current assets	5,827,453	-	4,726,789	-
Total current assets	580,949,248	21	355,118,125	16
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	834,830	-	877,110	-
Investments accounted for using equity method (Note 11)	564,597,508	21	558,503,889	24
Property, plant and equipment (Notes 5 and 12)	1,511,784,556	55	1,310,900,634	57
Right-of-use assets (Notes 5 and 13)	25,184,827	1	15,030,020	1
Intangible assets (Notes 5 and 14)	21,733,597	1	16,271,444	1
Deferred income tax assets (Notes 5 and 24)	24,678,225	1	16,728,622	1
Refundable deposits	1,249,552	-	2,046,228	-
Other noncurrent assets	2,492,770	-	-	-
Total noncurrent assets	2,152,555,865	79	1,920,357,947	84
TOTAL	\$ 2,733,505,113	100	\$ 2,275,476,072	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 15 and 27)	\$ 175,659,726	7	\$ 148,510,290	7
Financial liabilities at fair value through profit or loss (Note 7)	93,153	-	982,302	-
Hedging financial liabilities (Note 8)	-	-	1,798	-
Accounts payable	36,238,637	1	36,029,135	2
Payables to related parties (Note 30)	7,017,623	-	5,716,635	-
Salary and bonus payable	17,478,038	1	14,215,161	1
Accrued profit sharing bonus to employees and compensation to directors (Note 26)	35,262,937	1	23,526,149	1
Payables to contractors and equipment suppliers	156,342,457	6	139,754,491	6
Cash dividends payable (Note 19)	129,651,902	5	129,651,902	6
Income tax payable (Notes 5 and 24)	53,297,025	2	32,241,052	1
Long-term liabilities - current portion (Notes 16 and 27)	2,600,000	-	31,800,000	1
Accrued expenses and other current liabilities (Notes 5, 13, 18, 20, 27 and 30)	66,888,237	2	43,111,632	2
Total current liabilities	680,529,735	25	605,540,547	27
NONCURRENT LIABILITIES				
Bonds payable (Notes 16 and 27)	170,450,745	6	25,100,000	1
Deferred income tax liabilities (Notes 5 and 24)	1,716,367	-	333,606	-
Lease liabilities (Notes 5, 13 and 27)	18,480,111	1	13,300,263	1
Net defined benefit liability (Note 17)	11,914,074	1	9,182,496	-
Guarantee deposits (Notes 18 and 27)	259,073	-	170,446	-
Others	497,752	-	438,590	-
Total noncurrent liabilities	203,318,122	8	48,525,401	2
Total liabilities	883,847,857	33	654,065,948	29
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 19)	259,303,805	9	259,303,805	11
Capital surplus (Note 19)	56,347,243	2	56,339,709	2
Retained earnings (Note 19)				
Appropriated as legal capital reserve	311,146,899	11	311,146,899	14
Appropriated as special capital reserve	42,259,146	2	10,675,106	-
Unappropriated earnings	1,235,280,036	45	1,011,512,974	45
Others (Note 19)	1,588,686,081	58	1,333,334,979	59
	(54,679,873)	(2)	(27,568,369)	(1)
Total equity	1,849,657,256	67	1,621,410,124	71
TOTAL	\$ 2,733,505,113	100	\$ 2,275,476,072	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)

	2020		2019	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 20 and 30)	\$1,314,793,013	100	\$1,059,646,793	100
COST OF REVENUE (Notes 5, 10, 26, 30 and 33)	<u>632,772,608</u>	<u>48</u>	<u>579,507,047</u>	<u>55</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	682,020,405	52	480,139,746	45
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	<u>(16,382)</u>	<u>-</u>	<u>3,395</u>	<u>-</u>
GROSS PROFIT	<u>682,004,023</u>	<u>52</u>	<u>480,143,141</u>	<u>45</u>
OPERATING EXPENSES (Notes 5, 26, and 30)				
Research and development	108,613,789	8	90,482,815	8
General and administrative	26,312,285	2	20,353,327	2
Marketing	<u>4,359,436</u>	<u>1</u>	<u>3,231,777</u>	<u>-</u>
Total operating expenses	<u>139,285,510</u>	<u>11</u>	<u>114,067,919</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 12, 13 and 26)	<u>746,994</u>	<u>-</u>	<u>(151,230)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>543,465,507</u>	<u>41</u>	<u>365,923,992</u>	<u>35</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 11)	34,902,194	3	22,906,788	2
Interest income (Note 21)	951,877	-	2,002,877	-
Other income	209,885	-	177,374	-
Foreign exchange gain (loss), net (Note 32)	(1,759,386)	-	1,994,370	-
Finance costs (Note 22)	(1,766,297)	-	(3,191,609)	-
Other gains and losses, net (Note 23)	<u>6,615,162</u>	<u>-</u>	<u>(1,068,573)</u>	<u>-</u>
Total non-operating income and expenses	<u>39,153,435</u>	<u>3</u>	<u>22,821,227</u>	<u>2</u>
INCOME BEFORE INCOME TAX	582,618,942	44	388,745,219	37
INCOME TAX EXPENSE (Notes 5 and 24)	<u>64,733,555</u>	<u>5</u>	<u>43,481,551</u>	<u>4</u>
NET INCOME	<u>517,885,387</u>	<u>39</u>	<u>345,263,668</u>	<u>33</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 5, 11, 17, 19 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ (3,516,749)	-	\$ 253,895	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(41,995)	-	121,740	-
Gain (loss) on hedging instruments	24,085	-	(109,592)	-
Share of other comprehensive gain of subsidiaries and associates	453,603	-	194,524	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	<u>422,663</u>	<u>-</u>	<u>(20,992)</u>	<u>-</u>
	<u>(2,658,393)</u>	<u>-</u>	<u>439,575</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(29,853,603)	(2)	(14,698,117)	(2)
Share of other comprehensive gain of subsidiaries and associates	<u>2,190,087</u>	<u>-</u>	<u>2,435,334</u>	<u>-</u>
	<u>(27,663,516)</u>	<u>(2)</u>	<u>(12,262,783)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(30,321,909)</u>	<u>(2)</u>	<u>(11,823,208)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 487,563,478</u>	<u>37</u>	<u>\$ 333,440,460</u>	<u>31</u>
EARNINGS PER SHARE (NT\$, Note 25)				
Basic earnings per share	<u>\$ 19.97</u>		<u>\$ 13.32</u>	
Diluted earnings per share	<u>\$ 19.97</u>		<u>\$ 13.32</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		Legal Capital Reserve		Special Reserve		Retained Earnings		Others		Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Assets Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total	
BALANCE, JANUARY 1, 2019	25,930,380	\$ 259,303,805	\$ 56,315,932	\$ 276,033,811	\$ 26,907,527	\$ 1,073,706,503	\$ 1,376,047,841	\$ (12,042,347)	\$ (3,429,324)	\$ 23,601	\$ (1,943)	\$ (15,449,913)	\$ 1,676,817,665
Appropriations of earnings	-	-	-	-	-	(35,113,088)	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	35,113,088	(16,232,421)	(16,232,421)	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	(388,955,707)	(388,955,707)	-	-	-	-	-	-	(388,955,707)
Cash dividends to shareholders	-	-	-	35,113,088	(407,836,374)	(407,836,374)	-	-	-	-	-	-	(388,955,707)
Total	-	-	-	-	345,263,668	345,263,668	-	-	-	-	-	-	345,263,668
Net income in 2019	-	-	-	-	217,059	217,059	217,059	(14,829,051)	2,898,483	(109,697)	-	-	(11,833,208)
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	-	345,480,727	(14,829,051)	2,898,483	(109,697)	-	(12,040,267)	(11,833,208)
Total comprehensive income (loss) in 2019	-	-	-	-	-	-	345,480,727	(14,829,051)	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)	-
Basis adjustment for gain 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
Appropriations of earnings	-	-	-	-	-	(31,584,040)	-	-	-	-	-	-	-
Special capital reserve	-	-	-	31,584,040	(31,584,040)	(31,584,040)	-	-	-	-	-	-	(31,584,040)
Cash dividends to shareholders	-	-	-	-	31,584,040	(31,584,040)	-	-	-	-	-	-	(31,584,040)
Total	-	-	-	-	517,885,387	517,885,387	-	-	-	-	-	-	517,885,387
Net income in 2020	-	-	-	-	(3,121,793)	(3,121,793)	(3,121,793)	(30,130,227)	2,906,026	24,085	-	(27,200,116)	(30,321,909)
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	-	514,763,594	(30,130,227)	2,906,026	24,085	-	(27,200,116)	487,563,478
Total comprehensive income (loss) in 2020	-	-	-	-	-	-	514,763,594	(30,130,227)	2,906,026	24,085	-	(27,200,116)	487,563,478
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(108,687)	-	-	108,687	-	-	108,687	-
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(20,265)	-	(20,265)	(20,265)
Adjustments to share of changes in equities of associates	-	-	292	-	-	-	-	-	-	-	190	190	482
Donation from shareholders	-	-	7,242	-	-	-	-	-	-	-	-	-	7,242
BALANCE, DECEMBER 31, 2020	25,930,380	\$ 259,303,805	\$ 56,347,243	\$ 311,146,899	\$ 42,259,146	\$ 1,235,280,036	\$ 1,588,066,081	\$ (57,001,627)	\$ 2,321,754	\$ -	\$ -	\$ (54,679,873)	\$ 1,849,657,256

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)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 582,618,942	\$ 388,745,219
Adjustments for:		
Depreciation expense	313,379,686	267,464,543
Amortization expense	7,047,694	5,338,886
Finance costs	1,766,297	3,191,609
Share of profits of subsidiaries and associates	(34,902,194)	(22,906,788)
Interest income	(951,877)	(2,002,877)
Loss (gain) on disposal or retirement of property, plant and equipment, net	(266,581)	582,289
Gain on disposal of intangible assets, net	(7,960)	(6,183)
Reversal of impairment loss on property, plant and equipment	-	(301,384)
Loss (gain) on financial instruments at fair value through profit or loss, net	(8,289)	18,291
Gain on disposal of investments accounted for using equity method, net	-	(15,200)
Unrealized (realized) gross profit on sales to subsidiaries and associates	16,382	(3,395)
Gain on foreign exchange, net	(7,747,615)	(6,289,978)
Dividend income	(186,854)	(177,374)
Gain on lease modification	(2,574)	(2,555)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(2,973,199)	964,207
Notes and accounts receivable, net	13,002,568	(20,264,116)
Receivables from related parties	(19,586,673)	4,258,083
Other receivables from related parties	(684,360)	442,439
Inventories	(54,034,185)	21,824,309
Other financial assets	(1,091,188)	(211,869)
Other current assets	(1,174,789)	(515,166)
Accounts payable	400,931	5,626,778
Payables to related parties	1,300,988	1,169,883
Salary and bonus payable	3,262,877	1,772,454
Accrued profit sharing bonus to employees and compensation to directors	11,736,788	(393,163)
Accrued expenses and other current liabilities	19,228,140	(3,618,263)
Net defined benefit liability	(785,171)	(215,014)
Cash generated from operations	829,357,784	644,475,665
Income taxes paid	(49,747,636)	(51,043,594)
Net cash generated by operating activities	<u>779,610,148</u>	<u>593,432,071</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Equity interest in subsidiary	\$ (937,679)	\$ -
Property, plant and equipment	(494,310,468)	(450,287,869)
Intangible assets	(9,482,909)	(9,252,712)
Proceeds from disposal or redemption of:		
Financial assets at fair value through other comprehensive income	-	775,282
Property, plant and equipment	1,070,855	1,118,338
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	285	1,107
Derecognition of hedging financial instruments	19,786	(93,536)
Interest received	958,590	2,016,735
Other dividends received	186,854	177,374
Dividends received from investments accounted for using equity method	2,752,043	2,225,194
Increase in prepayments for leases	(4,687,970)	-
Refundable deposits paid	(667,219)	(1,447,188)
Refundable deposits refunded	<u>1,427,743</u>	<u>1,007,262</u>
Net cash used in investing activities	<u>(503,670,089)</u>	<u>(451,460,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	31,944,333	59,615,602
Proceeds from short-term bills payable	7,485,303	-
Repayments of short-term bills payable	(7,500,000)	-
Proceeds from issuance of bonds	149,085,000	-
Repayment of bonds	(31,800,000)	(34,900,000)
Payments for transaction costs attributable to the issuance of bonds	(155,818)	-
Repayment of the principal portion of lease liabilities	(2,168,114)	(2,630,308)
Interest paid	(1,729,192)	(3,536,180)
Guarantee deposits received	144,364	23,063
Guarantee deposits refunded	(13,695)	(4,061)
Cash dividends	(259,303,805)	(259,303,805)
Payment of partial acquisition of interests in subsidiaries	(220,480)	(10,602)
Proceeds from partial disposal of interests in subsidiaries	-	18,500
Donation from shareholders	<u>7,064</u>	<u>3,906</u>
Net cash used in financing activities	<u>(114,225,040)</u>	<u>(240,723,885)</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 161,715,019	\$ (98,751,827)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>141,450,698</u>	<u>240,202,525</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 303,165,717</u>	<u>\$ 141,450,698</u>

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

Taiwan Semiconductor Manufacturing Company Limited
2020 Earnings Distribution Table

Unit: NT\$

Net Income of 2020	517,885,387,011
Less:	
- Special Reserve	-27,111,693,680
Earnings in 2020 Available for Distribution	490,773,693,331
Plus:	
- Unappropriated Retained Earnings of Previous Years	929,793,948,972
Less:	
- Disposal of Investments in Equity Instruments at Fair Value through Other Comprehensive Income	-108,686,649
- Remeasurement of Defined Benefit Obligation	-3,121,793,529
Retained Earnings Available for Distribution as of December 31, 2020	1,417,337,162,125
Distribution Item ^{Note:}	
- 1Q20 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
- 2Q20 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
- 3Q20 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
- 4Q20 Cash Dividends to Common Share Holders (NT\$2.5 per share)	-64,825,951,145
Unappropriated Retained Earnings	1,158,033,357,545

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

**Comparison Table for the Rules for Election of Directors
Mark-up and Clean Versions**

Mark-up Version	Clean Version
<p>Article 9</p> <p>If the candidate is a shareholder of this Company, voters shall fill in the “candidate” column the candidate’s name and shareholder’s number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the “candidate” column the candidate’s name, the candidate’s ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.</p> <p><u>Voters shall, on each ballot, check the box associated with the one director candidate they wish to vote for among the candidates listed by the Company.</u></p> <p>Article 10</p> <p>Ballots shall be deemed void under the following conditions:</p> <p>(1) Ballots not placed in the ballot box;</p> <p>(2) Ballots not prepared by this Company;</p> <p>(3) Blank ballots not completed by the voter;</p>	<p>Article 9</p> <p>Voters shall, on each ballot, check the box associated with the one director candidate they wish to vote for among the candidates listed by the Company.</p> <p>Article 10</p> <p>Ballots shall be deemed void under the following conditions:</p> <p>(1) Ballots not placed in the ballot box;</p> <p>(2) Ballots not prepared by this Company;</p> <p>(3) Blank ballots not completed by the voter;</p>

Mark-up Version	Clean Version
<p>(4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;</p> <p>(5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;</p> <p><u>(64) Writing is illegible writing or has been altered by the voter;</u></p> <p>(7) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;</p> <p>(8) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;</p> <p><u>(95) The total votes cast by the voter exceeding the total voting rights of such voter; or</u></p> <p>(106) The number of <u>The voter cast votes for two or more director candidates</u> filled in the ballot exceeding the number of the seats to be elected.</p>	<p>(4) Writing is illegible or has been altered by the voter;</p> <p>(5) The total votes cast by the voter exceeding the total voting rights of such voter; or</p> <p>(6) The voter cast votes for two or more director candidates in the ballot.</p>

Taiwan Semiconductor Manufacturing Company, Ltd.

Employee Restricted Stock Awards Rules for Year 2021

I. Purpose

To attract and retain corporate executives and to link their compensation with shareholders' interests and Environmental, Social and Governance (ESG) achievements, the Company hereby establishes these Employee Restricted Stock Awards Rules (these "Rules") in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers promulgated by the Financial Supervisory Commission.

II. Issuance Period

The Restricted Stock Awards (RSAs) will be granted one or more times over a period of one year from the date of receipt of the notice of effective registration of the competent authority. The Board of Directors may determine, or may authorize Chairman to determine, the actual issuance date and relevant matters.

III. Eligibility and the number of shares employees may be granted

1. Only the Company's full-time executives who are employed as of the date of the granting of the RSAs and who meet certain performance requirements are eligible for this incentive plan. Eligible executives must also be those who (a) have a significant influence on the Company's operational decisions or (b) are the Company's critical talents for its future core technologies and strategy development.
2. The number of shares granted to eligible executives will be determined by Chairman and CEO and approved by the Compensation Committee and the Board of Directors by reference to the Company's business performance and the employee's job grade, performance, and other factors as deemed appropriate.

IV. Expected total shares to be issued

The total number of shares to be issued under these Rules will not exceed 2,600,000 common shares, with a par value of NT\$10 per share. The actual number of shares to be issued will be resolved by the Board of Directors after the issuance of RSAs is approved by the shareholders' meeting and the

competent authority.

V. Terms and conditions of the RSAs and restrictions imposed on the rights vested in such RSAs

1. Expected issue price: Grants will be made free of charge.
2. Class of the shares to be issued: The Company's common shares.
3. Vesting conditions:
 - The RSAs granted to an executive can only be vested if (a) the executive remains employed by the Company on the last date of each vesting period; (b) during the vesting period, the executive may not breach any agreement with the Company or violate the Company's work rules; and (c) certain executive performance metrics (a year-end performance rating of at least "S" ^{Note} or above for the year immediately preceding the expiration of each vesting period) and the Company's business performance metrics are met. (Note: "S" stands for "Successful")
 - The maximum percentage of granted RSAs that may be vested each year shall be as follows:
one-year anniversary of the grant: 50%; two-year anniversary of the grant: 25%; and three-year anniversary of the grant: 25%; provided that the actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of the Company's business performance metrics, as detailed in the following point.
 - The maximum number of RSAs that may be vested in each year will be set as 110%, among which 100% will be subject to a calculation based on the Company's relative TSR^{Note} achievement (see table below) to determine the number of RSAs to be vested; this number will be further subject to a modifier to increase or decrease up to 10% based on the Compensation Committee's evaluation of the Company's ESG achievements. The number of shares so calculated should be rounded down to the nearest integral.

The Company's TSR relative to the TSR of S&P 500 IT Index	Ratio of shares to be vested
Above the Index by X percentage points	50% + X * 2.5%, with the maximum of 100%
Equal to the Index	50%
Below the Index by X percentage points	50% - X * 2.5%, with the minimum of 0%

Note: TSR: Total Shareholder Return (including capital gains and dividends)

4. Measures to be taken where employees fail to meet the vesting conditions or in the event of inheritance:
 - (1) The Company will reclaim the granted RSAs and cancel the same at no extra cost to the Company, where an executive fails to meet the vesting conditions set forth in Paragraph 3 of this Article V of these Rules.
 - (2) Voluntary Separation, separation with a severance, or involuntary discharge:

Any unvested RSAs will be forfeited on the effective date of separation due to a voluntary separation, separation with a severance, or involuntary discharge of such executives. The Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
 - (3) Leave Without Pay:

All the rights and obligations in connection with the unvested RSAs will not be affected as a result of executives taking extended leave without pay. However, the actual number of shares that may be vested will not only be calculated according to the vesting conditions set forth in Paragraph 3 of this Article V of these Rules but also be prorated based on the number of months of their service during the year prior to the applicable vesting day. If such executives are on leave without pay on any vesting day, it shall be deemed that they fail to meet the vesting conditions, and the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
 - (4) Retirement:

All the rights and obligations in connection with the unvested RSAs will not be affected as a result of an employee's retirement. However, the actual number of shares that may be vested shall be calculated according to the vesting condition specified in Paragraph 3 of this Article V of these Rules, and the performance rating granted to them shall be deemed "S".
 - (5) Employment Termination Due to Death or Physical Disability Caused by Occupational Accidents:

The unvested RSAs shall be deemed immediately vested in the case of death or physical disability due to an occupational accident, where the RSAs vested shall be based on the assumption that the Company's TSR equals to the TSR of S&P 500 IT Index and there is no further adjustment for the Company's ESG achievements. In the case of death, the respective heir(s) may apply for entitlement to those inheritable shares after completing all necessary legal procedures and providing

relevant supporting documents. In the case of physical disability caused by occupational injury, the vested RSAs will be received by such executives.

(6) Position Transfer:

- A. Where any executives apply for transferring to any of the Company's subsidiaries, affiliates, or other companies, the measures to be taken with respect to their unvested RSAs will be the same as those specified in Subparagraph (2) "Voluntary Separation" of this Paragraph 4 of Article V of these Rules.
- B. Where any executives are assigned by the Company to a position in any of the Company's subsidiaries, affiliates, or other companies, all the rights and obligations in connection with the unvested RSAs will not be affected as a result. However, subject to the vesting conditions specified in Paragraph 3 of this Article V of these Rules, such executives shall continue working in the assigned subsidiaries, affiliates, or other companies on the vesting dates. Otherwise, they will be considered to fail to meet the vesting conditions, and the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company. With respect to the evaluation of the achievement of individual performance goals, Chairman and Chief Executive Officer will determine whether the vesting conditions are met by reviewing the evaluation of the executives' performance provided by the assigned subsidiaries, affiliates, or other companies.

(7) Where any executives declare to voluntarily relinquish the granted RSAs with a written statement, the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.

(8) Where any executives, after being granted the RSAs, breach any agreement with the Company employment agreement or violate the Company's work rules, the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.

(9) Where any executives terminate or revoke their authorization given to the Company regarding the executive's RSA trust/custody account (see Subparagraph (1) of Paragraph 5 and Paragraph 7 of this Article V below for such trust/custody account), the Company will reclaim their unvested RSAs and cancel the same at no extra cost to the Company.

5. Restrictions imposed on the executives' rights in the RSAs before the vesting conditions are fulfilled:

- (1) Upon the grant of the RSAs, the RSAs shall be deposited in a trust/custody account. Before the vesting conditions are fulfilled, the executives cannot request the trustee/custodian to return to them the RSAs for any reasons or by any means.
 - (2) During each vesting period, no executives granted RSAs may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs.
 - (3) Subject to the restrictions mentioned above, the rights of the executives with regard to the unvested RSAs granted under these Rules before the fulfillment of the vesting conditions, including but not limited to the entitlement to any distribution regarding dividends, bonuses and capital reserve, and the subscription right of the new shares issued for any capital increase, are the same as those of holders of common shares of the Company. The relevant matters shall be handled in accordance with the RSA trust/custody agreement.
 - (4) Before the vesting conditions are fulfilled, the attendance, proposal rights, speech rights, voting rights and any other shareholder rights shall be exercised by the engaged trustee/custodian on the executives' behalf.
 - (5) During each vesting period, if the Company conducts a capital reduction for cash return, capital reduction for loss offset, or other non-statutory capital reduction, the unvested RSAs shall be cancelled proportionally by the ratio of such capital reduction. If the Company conducts a capital reduction for cash return, the returned cash shall be deposited in a trust/custody account and shall not be delivered to the executives until the vesting conditions are fulfilled; otherwise, the cash will be returned to the Company.
6. Mergers and Acquisitions: All the rights and obligations in connection with any unvested RSAs will not be affected as a result or may be modified based on the relevant agreements or plans for the mergers and acquisitions.
 7. Other terms and conditions: During the period when the granted RSAs are deposited in a trust/custody account, each executive must enter into an agreement authorizing the Company to, among others, negotiate, execute, modify, extend, rescind, and terminate the trust/custody agreement with the trustee/custodian, and give instructions to deliver, use, and dispose of any of the properties under the trust/custody, on their behalf, with full power and authority.

VI. Signing of Contracts and Confidentiality

1. Those executives who have been granted the RSAs shall sign the “Agreement of Restricted Stock Awards” and complete all the trust/custody management process upon receipt of the notification from the Company. Any executives who do not complete such signing of relevant documents will be considered to forfeit the RSAs.
2. Those executives who receive the RSAs and the related rights through these Rules shall comply with these Rules and the “Agreement of Restricted Stock Awards”. In the event of any breach thereof, they will be deemed to fail to fulfill the vesting conditions. They shall comply with the confidentiality clauses as well. Except as required by laws and regulations or by any competent authority, they are not allowed to inquire any other about or disclose to any other any information about the number of the RSAs granted to them and any relevant matters, nor may they inform any other of any relevant content of these Rules or any of their rights or interest under these Rules. In the event of any breach thereof, the Company is entitled to reclaim their unvested RSAs and cancel the same at no extra cost to the Company.

VII. Tax

Any tax matters incurred in connection with the RSAs under these Rules shall be handled under the then-current laws and regulations of the R.O.C.

VIII. Miscellaneous

1. Before these Rules may be implemented, it shall be approved by the Compensation Committee and by the majority votes in a meeting of the Board of Directors in which two-thirds or more directors are present and shall become effective after effective registration with the competent authority. If any amendment hereto is necessary due to any change of any laws or regulations or any requirement of the competent authority, Chairman is authorized to make any necessary amendment hereto and submit the revised Rules to the Compensation Committee and the Board of Directors for acknowledgement, before the RSAs may be granted.
2. Any other matters not set forth in these Rules shall be dealt with in accordance with the applicable laws and regulations.

Attachment VIII

List of Director (including Independent Director) Candidates

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director Mark Liu</p>	<p>12,913,114</p>	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, National Taiwan University ● Master Degree and Ph.D. in Electrical Engineering & Computer Science, University of California, Berkeley, U.S. 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● President, Worldwide Semiconductor Manufacturing Corp. ● Senior Vice President, Advanced Technology Business, TSMC ● Senior Vice President, Operations, TSMC ● Executive Vice President and Co-Chief Operating Officer, TSMC ● President and Co-CEO, TSMC <p>Current Positions:</p> <ul style="list-style-type: none"> ● Chairman, TSMC ● Chairman, Taiwan Semiconductor Industry Association (“TSIA”)

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director</p> <p>C.C. Wei</p>	<p>7,179,207</p>	<ul style="list-style-type: none"> ● Bachelor and Master Degrees in Electrical Engineering, National Chiao Tung University ● Ph.D. in Electrical Engineering, Yale University, U.S. 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● Senior Vice President, Chartered Semiconductor Manufacturing Ltd., Singapore ● Senior Vice President, Mainstream Technology Business, TSMC ● Senior Vice President, Business Development, TSMC ● Executive Vice President and Co-Chief Operating Officer, TSMC ● President and Co-CEO, TSMC <p>Current Positions:</p> <ul style="list-style-type: none"> ● CEO and Vice Chairman, TSMC

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director</p> <p>F.C. Tseng</p>	<p>34,472,675</p>	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, National Cheng Kung University ● Master Degree in Electrical Engineering, National Chiao Tung University ● Ph.D. in Electrical Engineering, National Cheng Kung University ● Honorary Ph.D., National Chiao Tung University ● Honorary Ph.D., National Tsing Hua University 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● President, Vanguard International Semiconductor Corp. ● President, TSMC ● Deputy CEO, TSMC ● Vice Chairman, TSMC ● Independent Director, Chairman of Audit Committee & Compensation Committee member, Acer Inc. ● Director, National Culture and Arts Foundation, R.O.C. <p>Current Positions:</p> <ul style="list-style-type: none"> ● Director, TSMC ● Chairman of: <ul style="list-style-type: none"> - TSMC China Company Ltd. (a non-public company) - Global UniChip Corp. ● Vice Chairman, Vanguard International Semiconductor Corp. ● Chairman, TSMC Education and Culture Foundation ● Director, Cloud Gate Culture and Arts Foundation

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director Ming-Hsin Kung (Representative of the National Development Fund, Executive Yuan)</p>	<p>1,653,709,980 (National Development Fund, Executive Yuan)</p>	<ul style="list-style-type: none"> ● B.A., Statistics, Fu Jen Catholic University ● M.A., Economics, National Taiwan University ● Ph.D., Economics, National Chung Hsing University 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● Minister without Portfolio, Executive Yuan ● Deputy Minister, Ministry of Economic Affairs ● Deputy Minister, National Development Council ● Member, National Stabilization Fund Management Committee, Executive Yuan ● Consultant, Ministry of Economic Affairs ● Advisory Committee Member, Mainland Affairs Council, Executive Yuan ● Vice President, Taiwan Institute of Economic Research ● Research Fellow, Taiwan Institute of Economic Research ● Research Fellow, Science and Technology Advisory Group, Executive Yuan ● Deputy Executive Secretary, Industrial Development Advisory Council, Ministry of Economic Affairs ● Adjunct Assistant Professor, Tamkang University <p>Current Positions:</p> <ul style="list-style-type: none"> ● Director, TSMC (Representative of the National Development Fund, Executive Yuan) ● Minister without Portfolio, Executive Yuan & concurrently Minister, National Development Council, R.O.C. ● Director, Taiwan Capital Management Corp. (Representative of the National Development Fund, Executive Yuan)

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Sir Peter L. Bonfield</p>	<p>None</p>	<ul style="list-style-type: none"> ● Bachelor and Honours Degrees in Engineering, Loughborough University ● Fellow of The Royal Academy of Engineering ● Knighted, 1996 ● Awarded Commander of the Order of the British Empire (CBE), 1989 ● Awarded the Order of the Lion of Finland ● Awarded the Gold Medal from the Institute of Management ● Awarded the Mountbatten Medal from the National Electronics Council ● Awarded the FT ODX Outstanding Director Award, 2019 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● Chairman and CEO, ICL Plc, UK ● CEO and Chairman of the Executive Committee, British Telecommunications Plc ● Vice President, the British Quality Foundation ● Director, Mentor Graphics Corp., U.S. ● Director, Sony Corp., Japan ● Director, L.M. Ericsson, Sweden ● Chairman, GlobalLogic Inc., U.S. ● Senior Advisor, Hampton Group, London ● Chair of Council and Senior Pro-Chancellor, Loughborough University, UK <p>Current Positions:</p> <ul style="list-style-type: none"> ● Independent Director, TSMC ● Chairman, NXP Semiconductors N.V., the Netherlands ● Non-Executive Director, Imagination Technologies Group Ltd., UK (a non-public company) ● Non-Executive Director, Darktrace Plc, UK ● Advisory Board Member, The Longreach Group Ltd., HK (a non-public company)

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
			<ul style="list-style-type: none"> ● Senior Advisor, Alix Partners LLP, London ● Board Mentor, Chairman Mentors International (CMi) Ltd., London (a non-public company) ● Board Member, EastWest Institute, New York
<p>Rationale for nomination of independent director who has served for three or more consecutive terms:</p> <p>Sir Peter L. Bonfield has a wealth of experience in international information technology business. The Company needs his insights to guide TSMC's future direction. The Board believes he continues to possess the requisite independence of judgment and action, and has not formed such associations with management (or others) as may compromise his ability to exercise impartial judgment or act without bias in the best interests of the Company.</p>			

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director</p> <p>Kok-Choo Chen</p>	<p>None</p>	<ul style="list-style-type: none"> ● Inns of Court School of Law, England ● Barrister-at-law, England ● Advocate & Solicitor, Singapore ● Attorney-at-law, California, U.S. 	<p>Major Past Positions:</p> <p>Professional Experience-</p> <ul style="list-style-type: none"> ● Lawyer, Tan, Rajah & Cheah, Singapore, 1969-1970 ● Lawyer, Sullivan & Cromwell, New York, U.S., 1971-1974 ● Lawyer, Heller, Erhman, White & McAuliffe, San Francisco, California, U.S., 1974-1975 ● Partner, Ding & Ding Law Offices, R.O.C., 1975-1988 ● Partner, Chen & Associates Law Offices, R.O.C., 1988-1992 ● Vice-President, Echo Publishing, R.O.C., 1992-1995 ● President, National Culture and Arts Foundation, R.O.C., 1995-1997 ● Senior Vice-President and General Counsel, TSMC, 1997-2001 ● Founder and Executive Director, Taipei Story House, 2003-2015 ● Advisor, Executive Yuan, R.O.C., 2009-2016 ● Director, National Culture and Arts Foundation, R.O.C., 2011-2016 ● Chairman, National Performing Arts Center, R.O.C., 2014-2017

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
			<p>Academic Experience-</p> <ul style="list-style-type: none"> ● Lecturer, Nanyang University, Singapore, 1970-1971 ● Associate Professor, Soochow University, 1981-1998 ● Chair Professor, National Tsing Hua University, 1999-2002 ● Professor, National Chengchi University, 2001-2004 ● Professor, Soochow University, 2001-2008 <p>Current Positions:</p> <ul style="list-style-type: none"> ● Independent Director, TSMC ● Founder and Executive Director, Museum207 (located in Taipei) ● Director, Republic of China Female Cancer Foundation
<p>Rationale for nomination of independent director who has served for three or more consecutive terms:</p> <p>Ms. KoK-Choo Chen has a wealth of experience in international legal and business matters in both the public & private industries as well as cultural & charitable initiatives. The Company needs her insights to guide TSMC’s future direction. The Board believes she continues to possess the requisite independence of judgment and action, and has not formed such associations with management (or others) as may compromise her ability to exercise impartial judgment or act without bias in the best interests of the Company.</p>			

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Michael R. Splinter</p>	<p>None</p>	<ul style="list-style-type: none"> ● Bachelor and Master Degrees in Electrical Engineering, University of Wisconsin-Madison ● Honorary Ph.D. in Engineering, University of Wisconsin-Madison ● Awarded 2013 Robert N. Noyce Award by Semiconductor Industry Association 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● Executive Vice President of Technology and Manufacturing group, Intel Corp. ● Executive Vice President of Sales and Marketing, Intel Corp. ● CEO, Applied Materials, Inc. ● Chairman, Applied Materials, Inc. ● Director, The NASDAQ OMX Group, Inc. ● Director, Silicon Valley Leadership Group ● Director, Semiconductor Equipment and Materials International (SEMI) ● Director, Meyer Burger Technology Ltd., Switzerland ● Director, University of Wisconsin Foundation, U.S. <p>Current Positions:</p> <ul style="list-style-type: none"> ● Independent Director, TSMC ● Chairman of the Board, NASDAQ, Inc. ● Director of: <ul style="list-style-type: none"> - Pica8, Inc., U.S. (a non-public company) - Gogoro Inc., Cayman Islands (a non-public company) - Tigo Energy, Inc., U.S. (a non-public company) - Kioxia Holdings Corp., Japan (a non-public company) ● General Partner, WISC Partners LP, U.S. ● Chairman of the Board, US-Taiwan Business Council

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Moshe N. Gavrielov</p>	<p>None</p>	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, Technion-Israel Institute of Technology ● Master Degree in Computer Science, Technion-Israel Institute of Technology 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● In a variety of engineering and engineering management positions, National Semiconductor Corp. and Digital Equipment Corp. ● In a variety of executive management positions, LSI Logic Corp. for nearly 10 years ● CEO, Verisity, Ltd., U.S. ● Executive Vice President and General Manager of the Verification Division, Cadence Design Systems, Inc., U.S. ● President and CEO, Xilinx, Inc., U.S. ● Director, Xilinx, Inc., U.S. <p>Current Positions:</p> <ul style="list-style-type: none"> ● Independent Director, TSMC ● Executive Chairman, Wind River Systems, Inc., U.S. (a non-public company) ● Independent Director, SiMa Technologies, Inc., U.S. (a non-public company) ● Director, Foretellix, Ltd., Israel (a non-public company) ● Director, San Jose Institute of Contemporary Art

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Yancey Hai</p>	<p>None</p>	<ul style="list-style-type: none"> • M.A., International Business Management, University of Texas at Dallas 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> • Country Manager, GE Capital Taiwan • Vice Chairman and CEO, Delta Electronics, Inc. <p>Current Positions:</p> <ul style="list-style-type: none"> • Independent Director, TSMC • Chairman and Chair of Strategic Steering Committee, Delta Electronics, Inc. (“Delta”) • Director of Delta’s subsidiaries: <ul style="list-style-type: none"> - Delta Electronics Power (Dongguan) Co., Ltd. (a non-public company) - Delta Electronics (Shanghai) Co., Ltd. (a non-public company) - Delta Networks, Inc. (a non-public company) - Delta Electronics Capital Company (a non-public company) • Cyntec Co., Ltd. (a non-public company) • Independent Director, USI Corp. • Director, CTCI Corp.

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director</p> <p>L. Rafael Reif</p>	<p>None</p>	<ul style="list-style-type: none"> ● Ingeniero Eléctrico Degree, Universidad de Carabobo, Valencia, Venezuela ● M.S. and Ph.D. in Electrical Engineering, Stanford University ● Honorary Doctor of Laws degree, The Chinese University of Hong Kong (2015) ● Honorary Doctorates from Tsinghua University (2016), the Technion (2017) and Arizona State University (2018) ● Member of Tau Beta Pi, the Engineering Honor Society ● Member of the Electrochemical Society ● Fellow of the Institute of Electrical and Electronics Engineers (IEEE) ● Member of the American Academy of Arts and Sciences, the National 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● Assistant Professor, Universidad Simón Bolívar, Caracas, Venezuela ● Visiting Assistant Professor of Electrical Engineering, Stanford University ● Faculty, Massachusetts Institute of Technology (“MIT”), since 1980 ● IBM Faculty Fellowship, MIT Center for Materials Science and Engineering; Analog Devices Career Development Professorship, MIT Electrical Engineering. ● Fariborz Maseeh Professor of Emerging Technology, MIT (2004-2012) ● Director of Microsystems Technology Laboratories, MIT ● Associate Department Head of Electrical Engineering, MIT ● Head of the Department of Electrical Engineering and Computer Science (EECS), MIT ● Provost, MIT ● Board Director, Schlumberger Limited <p>Current Positions:</p> <ul style="list-style-type: none"> ● President, MIT, since 2012 ● Co-Chair of Growth Technical Advisory Board, Applied Materials, Inc.

Title & Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
		<p>Academy of Engineering and the Chinese Academy of Engineering</p> <ul style="list-style-type: none"> ● Fellow of the National Academy of Inventors ● Awarded with United States Presidential Young Investigator Award (1984) ● Awarded with the Semiconductor Research Corporation's Aristotle Award (2000) ● Awarded with Engineer of the Year from Great Minds in STEM (2018) ● Inventor or co-inventor on 13 patents, editor or Co-editor of 5 books, and supervisor to 38 doctoral theses 	

4. Appendix

**Taiwan Semiconductor Manufacturing Company Limited
Rules and Procedures of Shareholders' Meeting**

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.
2. Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.

The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards or badges.

5. The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.
6. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting in accordance with Article 208 of the Company Law of the Republic of China.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

7. Chairman shall call the Meeting to order at the time scheduled for the

Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

8. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

9. Shareholders attending the Meeting shall have the obligation to observe Meeting rules, obey resolutions and maintain order at Meeting place.
10. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.
11. When a shareholder present at the Meeting wishes to speak, a Speech Note

should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

12. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
13. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
14. Except otherwise specified in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
15. During the Meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on

the situation, when the Meeting will resume or, by resolution of the shareholders present at the Meeting, the chairman may resume the Meeting within five days without further notice or public announcement.

16. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
17. The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
18. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**Articles of Incorporation
of
Taiwan Semiconductor Manufacturing Company Limited**

Section I - General Provisions

Article 1

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 台灣積體電路製造股份有限公司 in the Chinese language, and Taiwan Semiconductor Manufacturing Company Limited in the English language.

Article 2

The scope of business of the Corporation shall be as follows:

1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.
Provision of packaging and testing services related to the above services.
Providing computer assisted design services and technology for integrated circuits.
Providing mask making and mask design services.
(CC01080 Electronic Parts and Components Manufacturing)
2. Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems.
(CC01080 Electronic Parts and Components Manufacturing)
(CC01040 Electric Wires and Cables Manufacturing)
3. Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic modules and their related systems and applications.
(CC01080 Electronic Parts and Components Manufacturing)
(IG03010 Energy Technical Services)
(CC01090 Batteries Manufacturing)
4. Selling recycled and processed chemical, metal, and plastic materials and products derived from the Corporation's manufacturing activities.
(C801990 Other Chemical Materials Manufacturing)
(C802990 Other Chemical Products Manufacturing)
(CA02990 Other Fabricated Metal Products Manufacturing)
(C805990 Other Plastic Products Manufacturing)

Article 3

The Corporation shall have its head office in Hsinchu Science Park, Taiwan, Republic of China, and shall be free, upon approval of government authorities in

charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

Article 4

Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations of the Republic of China.

Article 5

The Corporation may provide endorsement and guarantee and act as a guarantor.

Article 6

The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

Section II - Capital Stock

Article 7

The total capital stock of the Corporation shall be in the amount of 280,500,000,000 New Taiwan Dollars, divided into 28,050,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

The Corporation may issue employee stock options from time to time. A total of 500,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

Article 8

The Corporation may issue shares without printing share certificate(s). If the Corporation decides to print share certificates for shares issued, the Corporation shall comply with relevant provisions of the Company Law and relevant rules and regulations of the Republic of China.

Article 9

The share certificates of the Corporation shall all be name-bearing share

certificates, and issued in accordance with the Company Law and relevant rules and regulations of the Republic of China.

Article 10

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the “Guidelines for Stock Operations for Public Companies” unless specified otherwise by law and securities regulations.

Article 11

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

Article 12

Shareholders’ meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

Article 13

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of shareholders’ meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders. Notices shall be written in Chinese, and English when necessary.

Article 14

Except as provided in the Company Law of the Republic of China, shareholders’ meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. According to regulatory requirements, shareholders may also vote via an electronic

voting system, and those who do shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.

Article 15

Each share of stock shall be entitled to one vote.

Article 16

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law. A representative does not need to be a shareholder of the Corporation.

Article 17

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, either the Vice Chairman of the Board of Directors, or one of the Directors shall preside in accordance with Article 208 of the Company Law.

Article 18

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Corporation. The minutes shall be drafted in both the Chinese language and the English language.

Section III - Directors

Article 19

The Corporation shall have seven to ten Directors. The Board of Directors is authorized to determine the number of Directors.

The aforesaid Board of Directors must have at least three independent directors.

Article 19-1

For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting

rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors.

Directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the Company Law. The nomination of directors and related announcement shall comply with the relevant regulations of the Company Law and the Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.

Article 19-2

In compliance with Articles 14-4 of the Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Law, the Securities and Exchange Law and other relevant regulations.

Article 20

The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.

Article 21

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

Article 22

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall not have a second or casting vote at any meeting of the Board of Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

Article 23

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest

number of votes after such new election, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least fourteen days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The meeting of the Board of Directors shall be held at least once every quarter. Such prescribed notices may be waived in writing by any Director, either before or after the meeting. The meetings of the Board of Directors may be convened, at any time, without such prescribed notice in case of urgent circumstances. Notices shall be written in both the Chinese language and the English language. Personal attendance at a meeting will represent a waiver of the notice. Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

Article 24

The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. In addition, the Chairman shall have the right to execute documents in accordance with the resolutions of the Board of Directors in the name and on behalf of the Corporation as well as acting on behalf of the Board pursuant to Board resolutions and the Corporation's objectives when the Board is not in session. In his absence, the Vice Chairman of the Board of Directors, or any one of the Directors shall be acting for him according to Article 208 of the Company Law.

Article 25

A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

Article 26

The Directors shall exercise their functions by resolutions adopted at meetings of Shareholders and the Board of Directors.

Article 27

In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors shall serve the remaining term of the predecessors.

Article 28

The Board of Directors is authorized to determine the salary for the Chairman, Vice Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

Section IV - Management of the Corporation

Article 29

The Corporation may, by resolution of the Board of Directors, appoint one or more Chief Executive Officer, President(s), Vice President(s) or such other officers to meet the Corporation's operational or managerial needs.

The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Quarterly statements shall be furnished no more than forty-five (45) days after the end of each quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, and shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

Article 30

The Chief Executive Officer reports to the Board of Directors. The President(s), Vice President(s) and other officers shall perform such duties as designated by the Chief Executive Officer or the Board of Directors.

Article 31

Subject to the provisions of the Company Law of the Republic of China and these Articles of Incorporation, all actions of the Corporation's employees shall be in

conformance with, and in furtherance of, the directions of the Board of Directors.

Section V - Financial Reports

Article 32

The fiscal year for the Corporation shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning the Distribution of Earnings or Covering of Losses.

Article 33

The distribution of earnings or the covering of losses may be made on a quarterly basis after the close of each quarter. When the earnings are to be distributed in cash, the distribution shall be approved by the Board of Directors in accordance with Article 228-1 and Paragraph V of Article 240 of the Company Law and reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for acceptance.

The Corporation shall not pay dividends or bonuses to shareholders when there are no earnings. When allocating the earnings, the Corporation shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings provided that the amount of accumulated legal capital reserve has not reached the amount of the paid-in capital of the Corporation, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.

Before paying dividends or bonuses to shareholders, the Corporation shall set aside not more than 0.3% of its profits of the period for which the Corporation distributes the earnings as compensation to its directors and not less than 1% as profit sharing bonuses to its employees; provided, however, that the Corporation shall have reserved a sufficient amount to offset its accumulated losses. Directors' compensation is governed by the rules set by the Board of Directors; directors who also serve as executive officers of the Corporation are not entitled to receive compensation to directors. Employees' profit sharing bonuses are resolved by a majority vote at a Board of Directors meeting attended by at least two-thirds of the total number of directors and shall be reported to the shareholders' meeting. The Corporation may issue profit sharing bonuses to employees of an affiliated

company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors.

After the Corporation has set aside the capital reserves pursuant to the second Paragraph of this Article, the balance left over shall be allocated according to the applicable laws and regulations, the relevant rules set forth herein, and the following principles: Earnings may be distributed in total after taking into consideration financial, business and operational factors. Earnings of the Corporation may be distributed by way of cash dividend and/or stock dividend. Since the Corporation is in a capital-intensive industry at the steady growth stage of its business, distribution of earnings shall be made preferably by way of cash dividend. Distribution of earnings may also be made by way of stock dividend, provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

In case there are no earnings for distribution, or the earnings are far less than the earnings actually distributed by the Corporation previously, or considering the financial, business or operational factors of the Corporation, the Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge. When the reserves are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with Article 241 of the Company Law and reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for acceptance.

Section VI - Supplementary Provisions

Article 34

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

Article 35

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

Article 36

These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18,

1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, the twenty-second Amendment on June 7, 2016, the twenty-third Amendment on June 8, 2017, the twenty-fourth Amendment on June 5, 2018, and the twenty-fifth Amendment on June 5, 2019.

Taiwan Semiconductor Manufacturing Company Limited
Rules for Election of Directors

Article 1

Unless otherwise provided in the Company Law or the Articles of Incorporation of this Company, the directors of this Company shall be elected in accordance with the rules specified herein.

Article 2

Election of directors of this Company shall be held at the shareholders' meeting. This Company shall prepare ballots and note the number of voting rights.

Article 3

In the election of directors of this Company, the names of voters may be represented by shareholders' numbers.

Article 4

This Company's directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the R.O.C. Company Law.

Article 5

In the election of directors of this Company, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

Article 6

In the election of directors of this Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

Article 7

At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from among the shareholders present.

Article 8

The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

Article 9

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

Article 10

Ballots shall be deemed void under the following conditions:

- (1) Ballots not placed in the ballot box;
- (2) Ballots not prepared by this Company;
- (3) Blank ballots not completed by the voter;
- (4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
- (5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (6) Illegible writing;
- (7) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;

- (8) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;
- (9) The total votes cast by the voter exceeding the total voting rights of such voter;
or
- (10) The number of candidates filled in the ballot exceeding the number of the seats to be elected.

Article 11

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

Article 12

This Company shall issue notifications to the directors elected.

Article 13

These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

Taiwan Semiconductor Manufacturing Company Limited
Shareholdings of All Directors

Record Date: April 10, 2021

Title	Name	Current Shareholding (Shares)
Chairman	Mark Liu	12,913,114
Vice Chairman	C.C. Wei	7,179,207
Director	F.C. Tseng	34,472,675
Director	Ming-Hsin Kung (Representative of the National Development Fund, Executive Yuan)	1,653,709,980
Independent Director	Sir Peter L. Bonfield	-
Independent Director	Stan Shih	1,480,286
Independent Director	Kok-Choo Chen	-
Independent Director	Michael R. Splinter	-
Independent Director	Moshe N. Gavriellov	-
Independent Director	Yancey Hai	-
Total		1,709,755,262

Note 1: Total shares issued as of 4/10/2021: 25,930,380,458 common shares.

Note 2: Current shareholdings owned by the directors did not include any common shares held in the form of American Depositary Shares.

Note 3: As TSMC has a majority of independent directors, and has established the audit committee that satisfies the requirements of the Securities and Exchange Act, the minimum shareholding requirements for directors and supervisors do not apply.