

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED
2022 ANNUAL SHAREHOLDERS' MEETING

MINUTES
(Translation)

Type of Meeting: Physical Meeting

Time and Date: 9:00 a.m., June 8, 2022

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

Total outstanding TSMC shares (excluding shares with no voting right as provided by Article 179 of the Company Law): 25,930,380,458 shares

Total shares represented by shareholders present in person or by proxy: 23,220,399,750 shares

Percentage of shares held by shareholders present in person or by proxy: 89.54%

Directors present: Mark Liu, C.C. Wei, F.C. Tseng, Yancey Hai

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

Secretary: Sylvia Fang

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

A. Chairman's Address (omitted)

B. Report Items

- I. Reported the business of 2021 (see Attachment I)
- II. Audit Committee's review report (see Attachment II)
- III. Reported 2021 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 2021 quarterly cash dividends are demonstrated in the table below:

2021	Approval Date (month/day/year)	Payment Date (month/day/year)	Cash Dividends Per Share (NT\$)	Total Amount (NT\$)
First Quarter	06/09/2021	10/14/2021	2.75	71,308,546,260
Second Quarter	08/10/2021	01/13/2022	2.75	71,308,546,260
Third Quarter	11/09/2021	04/14/2022	2.75	71,308,546,260
Fourth Quarter	02/15/2022	07/14/2022	2.75	71,308,546,260
Total			11	285,234,185,040

IV. Reported 2021 employees' profit sharing and directors' compensation

Explanatory Notes:

- (1) The Board of Directors approved the 2021 employees' profit sharing and directors' compensation on February 15, 2022. The employees' profit sharing and directors' compensation are to be distributed in cash.
- (2) The total amount of the 2021 employees' business performance bonus and profit sharing is NT\$71,202,897,968, of which NT\$35,601,448,984 has been distributed following each quarter as business performance bonus, and NT\$35,601,448,984 will be distributed in July 2022 as profit sharing.
- (3) 2021 directors' compensation is NT\$487,536,629.
- (4) For the directors' remuneration, including the remuneration policy, the details and amount of the remuneration received by individual directors, please refer to Attachment III.

V. Reported the issuance of unsecured corporate bonds

Explanatory Notes:

- (1) On February 9, 2021, the Board of Directors approved the issuances of NT dollar-denominated unsecured corporate bonds in Taiwan for an amount not to exceed NT\$120 billion, to finance capacity expansion and/or pollution prevention related expenditures.

On August 10, 2021, 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 2021, the Company completed seven issuances of NT dollar-denominated and U.S. dollar-denominated unsecured corporate bonds in Taiwan, for a total amount of NT\$114.6 billion and US\$1 billion. The amount and major terms for these issuances are demonstrated in the table below:

(Amount in NT\$ billion, Unless Specified Otherwise)

Issuance	Issue Date (month/day/year)	Tranche	Amount	Tenor (year)	Coupon (%)	Maturity Date (month/day/year)
110-1	03/30/2021	A	4.8	5	0.50	03/30/2026
		B	11.4	7	0.55	03/30/2028
		C	4.9	10	0.60	03/30/2031
110-2	05/03/2021	A	5.2	5	0.50	05/03/2026
		B	8.4	7	0.58	05/03/2028
		C	5.6	10	0.65	05/03/2031
110-3	06/25/2021	A	6.9	5	0.52	06/25/2026
		B	7.9	7	0.58	06/25/2028
		C	4.9	10	0.65	06/25/2031
110-4	08/19/2021	A	4.0	4	0.485	08/19/2025
		B	8.0	5	0.50	08/19/2026
		C	5.4	7	0.55	08/19/2028
		D	4.2	10	0.62	08/19/2031
110-5 (USD)	09/23/2021	-	1.0 (US\$ Billion)	30	3.10	09/23/2051
110-6	10/05/2021	A	3.2	4.5	0.535	04/05/2026
		B	6.9	5	0.54	10/05/2026
		C	4.6	7	0.60	10/05/2028
		D	1.6	10	0.62	10/05/2031
110-7	12/09/2021	A	7.7	5	0.65	12/09/2026
		B	3.5	5.5	0.675	06/09/2027
		C	5.5	7	0.72	12/09/2028
Interest Payment		Payable annually.				
Principal Repayment		<ol style="list-style-type: none"> 1. NT dollar-denominated unsecured corporate bonds: Bullet at maturity. 2. U.S. dollar-denominated unsecured corporate bonds (110-5): Bullet at maturity and callable on the 5th anniversary of the issue date and every anniversary thereafter. 				

VI. Reported the implementation of shares buyback

Explanatory Notes:

- (1) On February 15, 2022, the Board of Directors approved the issuance of 1,387,000 shares of 2021 Employee Restricted Stock Awards. In order to offset dilution from the increase of outstanding shares due to the above-mentioned issuance, the Board approved a share buyback program for TSMC to buy back its common shares on the Taiwan Stock Exchange.
- (2) TSMC has completed this share buyback program. The following table sets forth the implementation results:

Item	Explanation
Date of Board resolution	February 15, 2022
Purpose of the share buyback	For the shareholders' interests
Method of the share buyback	Buy back common shares on Taiwan Stock Exchange
Scheduled buyback period	From February 16, 2022 to April 15, 2022
Approved number of shares to be bought back:	1,387,000 shares
Scheduled buyback price range	NT\$444 to NT\$960 per share, while the buyback will still be carried out if the stock price falls below the aforementioned range
Actual buyback period	From February 16, 2022 to February 25, 2022
Actual number of shares bought back (as a percentage of the total number of TSMC's issued shares)	1,387,000 shares (0.01%)
Total monetary amount of shares bought back	NT\$871,566,000
The average buyback price per share	NT\$628.38

C. Resolutions

- I. It was proposed to accept 2021 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

- (1) TSMC's 2021 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. Shang Chih Lin, of Deloitte & Touche.
- (2) 2021 Business Report, Independent Auditors' Report, the aforementioned Financial Statements, and Earnings Distribution Table are attached hereto as Attachments I, IV, V and VI.

Voting Results:

Shares represented at the time of voting: 23,220,393,001

Voting Results*		% of the total represented share present
Votes in favor:	20,786,754,524 votes (20,135,474,721 votes)	89.51%
Votes against:	1,367,535 votes (1,351,344 votes)	0.00%
Votes invalid:	10,000 votes	0.00%
Votes abstained:	2,432,260,942 votes (2,431,402,442 votes)	10.47%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2021 Business Report and Financial Statements were hereby accepted as submitted.

- II. It was proposed to approve revisions to the Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The major proposed amendments to TSMC's Articles of Incorporation are summarized as follows:
 - i In order to support TSMC's Environmental, Social and Governance ("ESG") goals, we continue to take initiative in implementing waste reduction programs. To realize waste reduction efforts as part of our ESG commitments, we plan to recycle food wastes and woods used in or generated from our operating activities, and, through proper processing, transform them into fertilizers and fuels. We also plan to directly sell such materials that cannot be re-used by us to enhance the oversight of downstream sales channels. Therefore, it was proposed to include these recycling and resale activities into our existing business scope specified in our Articles of Incorporation.
 - ii To add that TSMC may issue employee restricted shares to employees of its subsidiaries, so as to attract and retain global talents with compensation structures that follow the current trends in international recruitment.

- iii To add that TSMC may adopt remote video conferencing or other forms of conferencing (as and to the extent permitted by relevant government authorities) for conducting our shareholders meetings, and to allow electronic transmission of our shareholders' meeting notice. Both adoptions will make the convention and means of our shareholders' meetings notice more flexible. Also, to further amend the Article regarding shareholders' use of proxy for better compliance with applicable proxy laws and regulations.
- (2) The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment VII.

Voting Results:

Shares represented at the time of voting: 23,220,393,001

Voting Results*		% of the total represented share present
Votes in favor:	20,402,966,402 votes (19,751,681,272 votes)	87.86%
Votes against:	377,505,926 votes (377,489,796 votes)	1.62%
Votes invalid:	0 vote	0.00%
Votes abstained:	2,439,920,673 votes (2,439,057,439 votes)	10.50%

* including votes casted electronically (numbers in brackets)

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

- III. It was proposed to approve revisions to the Procedures for Acquisition or Disposal of Assets (Proposed by the Board of Directors)

Explanatory Notes:

- (1) The R.O.C. Financial Supervisory Commission amended its "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". TSMC's "Procedures for Acquisition or Disposal of Assets" require amendments to reflect such regulatory changes. The major amendments are as follows:
- i. To require prior approval by Shareholders' Meeting for any related party transaction with an amount reaching 10% of TSMC's total assets, while such requirement does not apply to the transactions between TSMC and its Subsidiaries or transactions between Subsidiaries;
 - ii. To exempt disclosure requirements for buying or selling foreign government bonds with credit ratings not lower than R.O.C. sovereign credit rating. The reason for this exemption is that buying or selling domestic government bonds is not required to disclose; and
 - iii To remove relevant terms which specifically require CPA to follow Auditing Standard No.20 when providing opinions on appraisal reports. The reason for this removal is that CPA must follow all applicable auditing rules when providing opinions, not limited to Auditing Standard No.20.
- (2) The Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision is attached hereto as Attachment VIII.

Voting Results:

Shares represented at the time of voting: 23,220,393,001

Voting Results*		% of the total represented share present
Votes in favor:	20,835,436,679 votes (20,184,155,238 votes)	89.72%
Votes against:	1,226,125 votes (1,210,124 votes)	0.00%
Votes invalid:	0 vote	0.00%
Votes abstained:	2,383,730,197 votes (2,382,863,145 votes)	10.26%

* including votes casted electronically (numbers in brackets)

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

- IV. It was proposed to approve the issuance of employee restricted stock awards for year 2022 (Proposed by the Board of Directors)

Explanatory Notes:

To attract and retain corporate executives and critical talents and to link their compensation with shareholders' interests and ESG achievements, it was proposed to approve the issuance of the Employee Restricted Stock Awards ("RSAs") for year 2022 (this "Issuance") in accordance with the relevant regulations. Major details of this Issuance are as follows:

- (1) Expected total shares to be issued: Based on a budget capped at 0.3% of prior year's Net Income, the total number of shares to be issued under this Issuance will not exceed 3,065,000 common shares. 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.
- (2) Eligibility and the number of shares employees may be granted:
 - i. Only the Company's full-time executive officers or the Company's or the Company's subsidiaries' selected critical talents 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 employees must also be those who (a) have a significant influence on the Company's or the Company's subsidiaries' operational decisions or (b) are the Company's or the Company's subsidiaries' selected critical talents for its future core technologies and strategy development.
 - ii. The number of shares granted to eligible employees 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 employee can only be vested if (i) the employee remains employed by the Company or the Company's subsidiaries on the last date of each vesting period; (ii) during the vesting period, the employee may not breach any agreement with the Company or the Company's subsidiaries or violate the Company's or the Company's subsidiaries' work rules; and (iii) certain employee 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 points.
- For eligible executive officers of the Company: 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* 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	$50\% + X \times 2.5\%$, with the maximum of 100%
Equal to the Index	50%
Below the Index by X percentage points	$50\% - X \times 2.5\%$, with the minimum of 0%

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

- For eligible employees who are not executive officers of the Company and the Company's subsidiaries: The number of RSAs to be vested in each year will be calculated in accordance with the below table based on the Company's audited consolidated financial statements for the year prior to the vesting year. The number of shares so calculated should be rounded down to the nearest integral.

	Threshold	Target	Weighting	Ratio of shares to be vested
Revenue Growth	10%	15%	One-third	<ul style="list-style-type: none"> • < Threshold: 0% • = Threshold: 50% • \geq Target: 100% • Between Threshold and Target: as calculated by interpolation method
Gross Margin	50%	53%	One-third	
Return on Equity (ROE)	20%	25%	One-third	

iii. Measure to be taken where employees fail to meet the vesting conditions or in the event of inheritance: Where an employee 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: Based on the measurement specified in section (3) ii, the total expenses are preliminarily estimated at approximately NT\$1,230 million. Assuming that the RSAs will be issued at the beginning of March 2023, the total expenses from 2023 to 2026 are projected to be approximately NT\$728 million, NT\$358 million, NT\$127 million and NT\$17 million respectively.

Based on the Company's outstanding shares, the potential impact from above mentioned expenses to the Company's EPS is preliminarily estimated at approximately NT\$0.0201, NT\$0.0099, NT\$0.0035, and NT\$0.0005 from 2023 to 2026 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 2022 is attached hereto as Attachment IX.

Voting Results:

Shares represented at the time of voting: 23,220,393,001

Voting Results*		% of the total represented share present
Votes in favor:	20,493,535,720 votes (19,842,408,604 votes)	88.25%
Votes against:	321,782,318 votes (321,608,966 votes)	1.38%
Votes invalid:	0 vote	0.00%
Votes abstained:	2,405,074,963 votes (2,404,210,937 votes)	10.35%

* including votes casted electronically (numbers in brackets)

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

(Questions on **B. Report Items** and **C. Resolutions** raised by the shareholders and the management's responses were omitted.)

D. Special Motion

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



Mark Liu
Chairman of the Board of Directors



Sylvia Fang
Secretary

Business Report

2021 was a year full of challenges and opportunities for TSMC, as the COVID-19 pandemic persisted against a backdrop of strong semiconductor industry growth. Although the wide availability of vaccines has provided much-needed protection, outbreaks from new variants of the virus continued to lead to heavy health institution overloads, sporadic lockdowns and global supply chain disruptions in 2021. TSMC took stringent precautions to protect the health and safety of our employees, while safeguarding our fab operations to ensure we continue to support our customers amidst the pandemic. At the same time, global demand for semiconductors exceeded supply, driven by concerns of supply chain disruptions during the pandemic, and the accelerated digital transformation brought in by COVID-remote lifestyle. Thus, semiconductor shortages became an issue for many areas of the global supply chain in 2021.

To fulfill TSMC's mission of being the global logic IC industry's trusted technology and capacity provider, we focused diligently on improving our productivity and increasing our fab operations quality, to generate more wafer output from our existing capacity to support the fast-growing demand from our customers. We also continued to enhance our service, enrich our R&D infrastructure, expand our capacity, and invest to support our customers' growth. Our capital spending increased to US\$30 billion in 2021. Through our relentless efforts, we delivered a twelfth-consecutive year of record revenue, thanks to strong demand for our industry-leading advanced and specialty technologies, and our 2021 annual revenue increased 24.9% year-over-year in US dollar terms.

We believe TSMC is entering a period of higher structural growth, as the multi-year megatrends of 5G and High Performance Computing (HPC)-related applications are expected to fuel massive demand for computation power, which expand the use of leading edge technologies. The structural increase in the long-term market demand profile will drive growth across our smartphone, HPC, IoT and Automotive platforms, and TSMC is working closely with our customers to plan our capacity, and accelerating our investments in both leading edge and specialty technologies to support their demand.

We are also expanding our global manufacturing footprint in the U.S., Japan and China to better serve our customers, reach for global talents, and sustain and enhance our competitive advantages. We are also aggressively accelerating our digital transformation in our company operations to support our fast expansion.

At the same time, we are committed to achieving a sustainable and proper return that enables us to invest to support our customers' growth. Our pricing strategy will remain strategic, not opportunistic, to reflect our value creation. We will also work diligently in our fab operations, and with our suppliers, to deliver on cost improvements. By taking such actions, we can continue to invest to support our customers' growth, and deliver long-term profitable growth for our shareholders.

To address the insatiable demand for energy-efficient computing power, customers rely on TSMC not only for reliable capacity, but also a predictable pace of technology development.

In its second year of volume ramp, our N5 technology has proven to be the industry's most competitive leading edge technology. N5 demand continued to be very strong, driven by smartphone and HPC applications, and represented 19% of our total wafer revenue in 2021.

Our 3-nanometer technology development is on track with good progress, and we have developed complete platform support for HPC and smartphone applications in preparation for volume production in the second half of 2022.

Our 2nm development program is on track, including a new transistor structure, and we expect our N2 to deliver the best technology maturity, performance and cost for our customers when it is introduced.

In addition, to improve system level performance, TSMC continued to offer new 3DFabric™ design solutions, including TSMC-SoIC™ (System on Integrated Chip) for 3D chip stacking, and InFO (Integrated Fan Out) and CoWoS® (Chip on Wafer on Substrate) for 2.5D advanced packaging, to drive greater system performance, greater energy efficiency, greater compute density, smaller form factor and more cost effectiveness for our customers.

Highlights of TSMC's accomplishments in 2021:

- Total wafer shipments were 14.2 million 12-inch equivalent wafers as compared to 12.4 million 12-inch equivalent wafers in 2020.
- Advanced technologies (7-nanometer and beyond) accounted for 50 percent of total wafer revenue, up from 41 percent in 2020.
- We deployed 291 distinct process technologies, and manufactured 12,302 products for 535 customers.
- TSMC produced 26 percent of the world semiconductor excluding memory output value in 2021, as compared to 24 percent in the previous year.

2021 Financial Performance

Consolidated revenue reached NT\$1,587.42 billion, an increase of 18.5 percent over NT\$1,339.26 billion in 2020. Net income was NT\$596.54 billion and diluted earnings per share were NT\$23.01. Both increased 15.2 percent from the 2020 level of NT\$517.89 billion net income and NT\$19.97 diluted EPS.

TSMC generated net income of US\$21.35 billion on consolidated revenue of US\$56.82 billion, which increased 21.3 percent and 24.9 percent respectively from the 2020 level of US\$17.60 billion net income and US\$45.51 billion consolidated revenue.

Gross profit margin was 51.6 percent as compared with 53.1 percent in 2020, while operating profit margin was 40.9 percent compared with 42.3 percent a year earlier. Net profit margin was 37.6 percent, a decrease of 1.1 percentage points from 2020's 38.7 percent.

In 2021, the Company further raised its total cash dividend payments to NT\$10.25 per share, up from NT\$10.0 a year ago.

Technological Developments

In order to provide our customers with industry-leading technologies, we are committed to investments in R&D. In 2021, we increased our investment in R&D to US\$4.46 billion to extend our technology leadership, and enable the global pool of innovators to unleash their innovations and create value for the semiconductor industry.

Our N3 technology will use FinFET transistor structure, to deliver the best technology maturity, performance and density for our customers. Its volume production is scheduled for second half of 2022. We also introduced N3E as an extension to our N3 family, with enhanced performance, power and yield. N3E volume production is scheduled for one year after N3. With our technology leadership and strong customer demand, we are confident that our N3 family will be another large and long-lasting node for TSMC.

To further enhance our N5 family's performance, power and density, we also introduce N4P and N4X technologies, targeting next wave 5nm products. N4P offers 11% performance boost as compared to N5, while N4X is an offering tailored for workload-intensive HPC applications. N4X is the first in the 'X' lineage of TSMC's extreme performance semiconductor technologies, with a performance boost of 15% over N5. Our first N4P product tape-out is scheduled for the second half of 2022, and N4X is expected to enter risk production in the first half of 2023.

2nm technology has entered the technology development phase in 2021, focusing on test vehicle design and implementation, mask making, and Si pilot runs.

TSMC's 3DFabric™ design solutions will complement our transistor scaling to improve system-level performance. For TSMC-SoIC™, TSMC successfully demonstrated Chip on Wafer (CoW) technology with good electrical performance on a customer product in 2021. The CoWoS®-S, featuring a new embedded deep trench capacitor and an interposer up to 3-reticle size, was qualified in 2021. It enables more logic and high bandwidth memory (HBM) integration for customers' high performance computing applications. For InFO, TSMC successfully qualified our 7th generation InFO-PoP Gen-7 for mobile applications with enhanced thermal performance. We also initiated high-volume manufacturing of our 3rd generation of InFO-oS Gen-3 to enable larger package size and higher bandwidth.

TSMC's ecosystem, the Open Innovation Platform® (OIP), empowers our 535 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 40,000 items in 2021. More than 38,000 technology files and over 2,600 process design kits, from 0.5-micron to 3-nanometer, were made available to our customers.

Environmental, Social and Governance

As a global semiconductor industry leader, we are deeply aware that the impact of our actions ripples out to affect customers, suppliers, the communities where we live and operate, consumers around the world, and the global climate and environment. With this responsibility in mind, we are focused on driving changes in Green Manufacturing, Responsible Supply Chain, Inclusive Workplace, Talent Development and Caring for the Underprivileged. In 2021, we also approved the issuance of restricted stock awards, to better align our executives' compensation with shareholder interests and our ESG achievements.

In 2021, TSMC committed to the goal of Net Zero Emissions by 2050, while setting the short-term goal of Zero Growth in Emissions by 2025. By actively implementing emission reduction measures, the Company works to make its carbon emissions reduced to the 2020 level by 2030. We also published our Task Force on Climate-related Financial Disclosures (TCFD) Report, becoming an industry leader in climate disclosure.

To expand our influence in our massive global supply chain, we established the TSMC Supplier Sustainability Academy through our Supply Online 360 platform. The platform provides free learning resources to suppliers, and avails those resources to the general public. By designating required courses and tracking training status, the Company was able to ensure that tier-1 suppliers continued to improve their sustainability management capabilities, and help our suppliers adhere to their labor rights.

We are committed to diversity and inclusion, including gender diversity. Increasing female representation in our Company is an important focus, and we have introduced programs targeting female hiring, retention, and promotions to maximize our female employee's potential and valuable contributions to TSMC and society.

TSMC continues to invest in STEM education and semiconductor related research, as the collaboration between industry and academia is critical to nurture and create a sustainable talent pipeline for the semiconductor industry. TSMC is working closely with top universities in Taiwan and overseas, to set up semiconductor programs to help students seamlessly bridge the knowledge they learn at schools and the real practice of the industry. We also believe TSMC's global footprint expansion will not only enable us to better support our customers, but also give us more opportunities to reach for global talents.

Facing the global threats of the COVID-19 pandemic, TSMC has been devoting its knowledge and global logistics resources to support the worldwide anti-pandemic effort. In 2021, amidst the initial COVID outbreak in Taiwan, TSMC successfully purchased five million doses of BioNTech 162b2 vaccine and donated them to the Taiwan Centers for Disease Control (CDC) of the Ministry of Health and Welfare. The TSMC Charity Foundation also donated contactless testing stations to hospitals to protect healthcare workers. Extending its reach beyond Taiwan, the Charity Foundation donated 1,000 oxygen generators to India, offering relief as a severe wave of infections taxed the country's medical infrastructure.

Corporate Developments

In December 2021, TSMC established a subsidiary, Japan Advanced Semiconductor Manufacturing, Inc. (JASM), in Kumamoto, Japan, with Sony Semiconductor Solutions Corporation and DENSO Corporation participating as minority shareholders. JASM will construct and operate a fab that utilizes 12/16- and 22/28-nanometer technology to address strong global market demand for specialty technologies. Production is targeted to begin by the end of 2024.

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*, *Asiamoney*, *FinanceAsia*, *CommonWealth Magazine*,

and the Taiwan Stock Exchange. TSMC was also recognized by *TIME Magazine* as “2021 TIME100 Most Influential Companies.” 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 21 consecutive years. We also received MSCI ESG Research’s AAA Rating, S&P Global’s “The Sustainability Yearbook Award 2021” Silver Class, ISS ESG’s “Prime” status in the ESG Corporate Rating, and *Corporate Knight’s* 2021 “Global 100 Most Sustainable Corporations”. Meanwhile, we remained a major component in various MSCI ESG and FTSE4Good indices. In investor relations, TSMC continued to receive multiple awards from *Institutional Investor Magazine*.

Outlook

Although COVID-19 and cyclical-related uncertainties may persist in the near-term, the trend of technology becoming more pervasive and essential in people’s lives, and the acceleration of digital transformation, is only becoming stronger. The semiconductor industry value in the supply chain is increasing. Semiconductor technology is becoming a foundational technology for the modern economy.

In the 5G era, an intelligent and more connected world will drive device unit volume growth, and more importantly, substantial semiconductor content enrichment is happening in HPC, smartphone, automotive and IoT applications. Our semiconductor manufacturing excellence will serve as an open platform for innovation, enabling more and more new applications and usage models, to create higher value for end-users at a faster rate than is possible today.

With TSMC’s leadership in advanced and specialty technologies and 3DFabric™ solutions, our position as the world’s largest, reliable and effective capacity provider, and our deep collaborative relationship with customers, we are well-positioned to capture the growth from these favorable industry megatrends.

With our dedication to sound corporate governance, we will continue to make decisions that are in the best interests of the Company, and deliver long-term profitable growth for our shareholders. We will continue to focus on capturing our value, so that even as we shoulder a greater burden of capex investment for the industry, we can continue to invest to support our customers’ growth, and earn a sustainable and proper return.

We recognize the important role of TSMC in the global semiconductor industry, and our impact to many of the world’s economies. Our position as an industry leader has raised us to a new level of challenges, and with them, a new level of rewards, and we do not take such a responsibility lightly. We will hold steadfast to our dedicated foundry business model, and collaborate with all the IC innovators to unleash innovation. We will not deviate from our core values of Integrity, Commitment, Innovation and Customer Trust, which have faithfully guided us through the past 35 years.

As TSMC enters a new era of higher growth, we are excited about the opportunities ahead of us. We are honored that our shareholders have chosen to join us on this journey, and look forward to a long and prosperous future together.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 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 15, 2022

2021 Directors' Remuneration

Remuneration Paid to Directors and Independent Directors (Note 1)

Title/Name Unit: NTS	Director's Remuneration										Compensation Earned by a Director Who is an Employee of TSMC or of TSMC's Consolidated Entities				(A)+(B)+(C)+(D)+(E)+(F) as a % of Net Income (Note 6)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company			
	Base Compensation (A)		Severance Pay and Pensions (B) (Note 4)		Compensation to Directors (C)		Allowances (D)(Note 5)		(A)+(B)+(C)+(D) as a % of Net Income		Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F) (Note 4)		Profit Sharing (G)			From TSMC Consolidated Entities	From TSMC Consolidated Entities	
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)				From TSMC
Chairman Mark Liu	16,844,157	16,844,157	212,600	212,600	381,903,540	381,903,540	1,416,161	1,416,161	0.0671%	0.0671%	-	-	-	-	-	-	0.0671%	0.0671%	-	
Vice Chairman F.C. Tseng	-	-	-	-	-	-	-	1,294,800	1,294,800	0.0020%	0.0020%	209,137,587	212,600	190,951,770	190,951,770	-	0.0671%	0.0671%	-	-
C.C. Wei	-	-	-	-	10,560,000	10,560,000	-	-	0.0018%	0.0018%	-	-	-	-	-	-	0.0020%	0.0020%	-	11,000,643
Director F.C. Tseng	-	-	-	-	10,560,000	10,560,000	-	-	0.0018%	0.0018%	-	-	-	-	-	-	0.0018%	0.0018%	-	-
Director National Development Fund, Executive Yuan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative: Ming-Hsun Kung	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director Sir Peter L. Bonfield	-	-	-	-	14,754,872	14,754,872	-	-	0.0025%	0.0025%	-	-	-	-	-	-	0.0025%	0.0025%	-	-
Independent Director Stan Shih (Note 2)	-	-	-	-	7,487,097	7,487,097	-	-	0.0013%	0.0013%	-	-	-	-	-	-	0.0013%	0.0013%	-	-
Independent Director Kok-Choo Chen	-	-	-	-	13,200,000	13,200,000	-	-	0.0022%	0.0022%	-	-	-	-	-	-	0.0022%	0.0022%	-	-
Independent Director Michael R. Splinter	-	-	-	-	14,754,872	14,754,872	-	-	0.0025%	0.0025%	-	-	-	-	-	-	0.0025%	0.0025%	-	-
Independent Director Moshe N. Gavrielov	-	-	-	-	14,754,872	14,754,872	-	-	0.0025%	0.0025%	-	-	-	-	-	-	0.0025%	0.0025%	-	-
Independent Director Yansy Hai	-	-	-	-	13,200,000	13,200,000	-	-	0.0022%	0.0022%	-	-	-	-	-	-	0.0022%	0.0022%	-	-
Independent Director L. Rafael Reif (Note 3)	-	-	-	-	6,361,376	6,361,376	-	-	0.0011%	0.0011%	-	-	-	-	-	-	0.0011%	0.0011%	-	-
Total	16,844,157	16,844,157	212,600	212,600	487,536,629	487,536,629	2,710,961	2,710,961	0.0850%	0.0850%	209,137,587	212,600	190,951,770	190,951,770	-	0.1521%	0.1521%	-	11,000,643	

*Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee of parent company/ all consolidated entities/ non-consolidated affiliates) to TSMC and all consolidated entities in the 2021 financial statements: Dr. F.C. Tseng for NTS\$15,119,043.

Note 1: Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:

- According to TSMC's Articles of Incorporation, 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.
- The Articles of Incorporation also provide that the compensation to directors shall be no more than 0.3% of annual profits and directors who also serve as executive officers of TSMC are not entitled to receive compensation to directors. According to TSMC's Compensation Committee Charter, the distribution of compensation to directors shall be made in accordance with TSMC's "Rules for Distribution of Compensation to Directors" based on the following principles: (1) directors who also serve as executive officers of the Company are not entitled to receive compensation; (2) the compensation for independent directors may be higher than the other directors, as all independent directors also serve as members of the Audit Committee and the Compensation Committee and thus participate in the discussions as well as resolutions of related committee meetings in accordance with the charter of each committee; and (3) the compensation for overseas independent directors may be higher than domestic independent directors, as they require additional time to attend quarterly meetings in Taiwan.

Note 2: Mr. Stan Shih's tenure expired on July 2, 2021 because he was not re-elected at the 2021 Annual Shareholders' Meeting.

Note 3: Dr. L. Rafael Reif is the independent director at TSMC's Annual Shareholders' Meeting on July 26, 2021.

Note 4: Positions funded according to applicable law.

Note 5: The above-mentioned figures include expenses for Company cars and related reimbursements, but do not include compensation paid to Company drivers (totaled NTS\$4,142,123).

Note 6: Total remuneration paid to the directors from TSMC and from all consolidated entities in 2020, including their employee compensation, both accounted for 0.1832% of 2020 net income.

**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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 matter for the Company's consolidated financial statements for the year ended December 31, 2021 is 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 understood 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 the year-end balance of EUI/CIP 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.
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, 2021 and 2020 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, 2021 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 Shang Chih Lin.



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 15, 2022

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)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,064,990,192	29	\$ 660,170,647	24
Financial assets at fair value through profit or loss (Note 7)	159,048	-	2,259,412	-
Financial assets at fair value through other comprehensive income (Note 8)	119,519,251	3	122,448,453	5
Financial assets at amortized cost (Note 9)	3,773,571	-	6,597,992	-
Hedging financial assets (Note 10)	13,468	-	47	-
Notes and accounts receivable, net (Note 11)	197,586,109	5	145,480,272	5
Receivables from related parties (Note 33)	715,324	-	558,131	-
Other receivables from related parties (Note 33)	61,531	-	50,645	-
Inventories (Notes 5 and 12)	193,102,321	5	137,353,407	5
Other financial assets (Note 34)	16,630,611	1	10,676,111	1
Other current assets	10,521,481	-	6,590,191	-
Total current assets	<u>1,607,072,907</u>	<u>43</u>	<u>1,092,185,308</u>	<u>40</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 8)	5,887,892	-	4,514,940	-
Financial assets at amortized cost (Note 9)	1,533,391	-	4,372,207	-
Investments accounted for using equity method (Note 13)	21,963,418	1	18,841,061	1
Property, plant and equipment (Notes 5 and 14)	1,975,118,704	53	1,555,589,120	56
Right-of-use assets (Notes 5 and 15)	32,734,537	1	27,728,382	1
Intangible assets (Notes 5 and 16)	26,821,697	1	25,768,179	1
Deferred income tax assets (Notes 5 and 26)	49,153,886	1	25,958,184	1
Refundable deposits	2,624,854	-	1,343,001	-
Other noncurrent assets	2,592,169	-	4,411,023	-
Total noncurrent assets	<u>2,118,430,548</u>	<u>57</u>	<u>1,668,526,097</u>	<u>60</u>
TOTAL	<u>\$ 3,725,503,455</u>	<u>100</u>	<u>\$ 2,760,711,405</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 30)	\$ 114,921,333	3	\$ 88,559,026	3
Financial liabilities at fair value through profit or loss (Note 7)	681,914	-	94,128	-
Hedging financial liabilities (Note 10)	9,642	-	1,169	-
Accounts payable	47,285,603	1	38,987,284	1
Payables to related parties (Note 33)	1,437,186	-	2,107,718	-
Salary and bonus payable	23,802,100	1	20,071,241	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Note 29)	36,524,741	1	35,681,046	1
Payables to contractors and equipment suppliers	145,742,148	4	157,804,961	6
Cash dividends payable (Note 21)	142,617,093	4	129,651,902	5
Income tax payable (Notes 5 and 26)	59,647,152	2	53,909,313	2
Long-term liabilities - current portion (Notes 18, 19 and 30)	4,566,667	-	2,600,000	-
Accrued expenses and other current liabilities (Notes 5, 15, 22, 30 and 33)	162,267,779	4	87,683,260	3
Total current liabilities	<u>739,503,358</u>	<u>20</u>	<u>617,151,048</u>	<u>22</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 18 and 30)	610,070,652	16	254,105,084	9
Long-term bank loans (Notes 19 and 30)	3,309,131	-	1,967,611	-
Deferred income tax liabilities (Notes 5 and 26)	1,873,877	-	1,729,941	-
Lease liabilities (Notes 5, 15 and 30)	20,764,214	1	20,560,649	1
Net defined benefit liability (Note 20)	11,036,879	-	11,914,074	1
Guarantee deposits	686,762	-	265,599	-
Others (Note 22)	167,525,377	5	2,395,400	-
Total noncurrent liabilities	<u>815,266,892</u>	<u>22</u>	<u>292,938,358</u>	<u>11</u>
Total liabilities	<u>1,554,770,250</u>	<u>42</u>	<u>910,089,406</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 21)	259,303,805	7	259,303,805	9
Capital surplus (Note 21)	64,761,602	2	56,347,243	2
Retained earnings (Note 21)				
Appropriated as legal capital reserve	311,146,899	8	311,146,899	11
Appropriated as special capital reserve	59,304,212	2	42,259,146	2
Unappropriated earnings	1,536,378,550	41	1,235,280,036	45
	1,906,829,661	51	1,588,686,081	58
Others (Note 21)	(62,608,515)	(2)	(54,679,873)	(2)
Equity attributable to shareholders of the parent	2,168,286,553	58	1,849,657,256	67
NON - CONTROLLING INTERESTS	<u>2,446,652</u>	<u>-</u>	<u>964,743</u>	<u>-</u>
Total equity	<u>2,170,733,205</u>	<u>58</u>	<u>1,850,621,999</u>	<u>67</u>
TOTAL	<u>\$ 3,725,503,455</u>	<u>100</u>	<u>\$ 2,760,711,405</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)

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 22, 33 and 38)	\$1,587,415,037	100	\$1,339,254,811	100
COST OF REVENUE (Notes 5, 12, 29 and 33)	<u>767,877,771</u>	<u>48</u>	<u>628,124,691</u>	<u>47</u>
GROSS PROFIT	<u>819,537,266</u>	<u>52</u>	<u>711,130,120</u>	<u>53</u>
OPERATING EXPENSES (Notes 5, 29 and 33)				
Research and development	124,734,755	8	109,486,089	8
General and administrative	36,929,588	2	28,457,593	2
Marketing	<u>7,558,591</u>	<u>1</u>	<u>7,112,867</u>	<u>1</u>
Total operating expenses	<u>169,222,934</u>	<u>11</u>	<u>145,056,549</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14, 15 and 29)	<u>(333,435)</u>	<u>-</u>	<u>710,127</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 38)	<u>649,980,897</u>	<u>41</u>	<u>566,783,698</u>	<u>42</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates	5,603,084	-	3,592,818	-
Interest income (Note 23)	5,708,765	-	9,018,400	1
Other income	973,141	-	660,607	-
Foreign exchange gain (loss), net (Note 36)	13,662,655	1	(3,303,298)	-
Finance costs (Note 24)	(5,414,218)	-	(2,081,455)	-
Other gains and losses, net (Note 25)	<u>(7,388,010)</u>	<u>-</u>	<u>10,106,410</u>	<u>1</u>
Total non-operating income and expenses	<u>13,145,417</u>	<u>1</u>	<u>17,993,482</u>	<u>2</u>
INCOME BEFORE INCOME TAX	663,126,314	42	584,777,180	44
INCOME TAX EXPENSE (Notes 5 and 26)	<u>66,053,180</u>	<u>4</u>	<u>66,619,098</u>	<u>5</u>
NET INCOME	<u>597,073,134</u>	<u>38</u>	<u>518,158,082</u>	<u>39</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 5, 20, 21 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	242,079	-	(3,516,749)	(1)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,900,797	-	423,697	-
Gain (loss) on hedging instruments	(41,416)	-	24,085	-

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2021		2020	
	Amount	%	Amount	%
Share of other comprehensive loss of associates	\$ (30,194)	-	\$ (11,604)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	<u>(85,269)</u>	<u>-</u>	<u>422,663</u>	<u>-</u>
	<u>1,985,997</u>	<u>-</u>	<u>(2,657,908)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(6,181,830)	(1)	(29,847,196)	(2)
Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income	(3,431,791)	-	2,466,711	-
Gain on hedging instruments	131,535	-	-	-
Share of other comprehensive loss of associates	(119,997)	-	(283,409)	-
Income tax expense related to items that may be reclassified subsequently	<u>(3,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(9,605,453)</u>	<u>(1)</u>	<u>(27,663,894)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(7,619,456)</u>	<u>(1)</u>	<u>(30,321,802)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 589,453,678</u>	<u>37</u>	<u>\$ 487,836,280</u>	<u>36</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 596,540,013	38	\$ 517,885,387	39
Non-controlling interests	<u>533,121</u>	<u>-</u>	<u>272,695</u>	<u>-</u>
	<u>\$ 597,073,134</u>	<u>38</u>	<u>\$ 518,158,082</u>	<u>39</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 588,918,059	37	\$ 487,563,478	36
Non-controlling interests	<u>535,619</u>	<u>-</u>	<u>272,802</u>	<u>-</u>
	<u>\$ 589,453,678</u>	<u>37</u>	<u>\$ 487,836,280</u>	<u>36</u>
EARNINGS PER SHARE (NT\$, Note 27)				
Basic earnings per share	<u>\$ 23.01</u>		<u>\$ 19.97</u>	
Diluted earnings per share	<u>\$ 23.01</u>		<u>\$ 19.97</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	Non-controlling Interests	Total Equity
	Capital Stock - Common Stock			Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total	Total				
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Reserve	Unappropriated Earnings							Total			
BALANCE, JANUARY 1, 2020	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)	\$ (692,939)	\$ (3,820)	\$ (190)	\$ (27,568,369)	\$ 1,621,410,124	\$ 685,302	\$ 1,622,095,426	
Appropriations of earnings	-	-	-	-	-	(31,584,040)	(31,584,040)	-	-	-	-	-	-	-	-	
Special capital reserve	-	-	-	-	31,584,040	(259,303,805)	(259,303,805)	-	-	-	-	-	-	-	(259,303,805)	
Cash dividends to shareholders	-	-	-	-	31,584,040	(290,887,845)	(259,303,805)	-	-	-	-	-	-	-	(259,303,805)	
Total	-	-	-	-	-	517,885,387	517,885,387	-	-	-	-	-	517,885,387	272,695	518,158,082	
Net income in 2020	-	-	-	-	-	(3,121,793)	(3,121,793)	(30,130,227)	2,906,026	24,085	-	(27,200,116)	(30,321,909)	107	(30,321,802)	
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	-	-	514,763,594	514,763,594	(30,130,227)	2,906,026	24,085	-	(27,200,116)	487,563,478	272,802	487,836,280	
Total comprehensive income (loss) in 2020	-	-	-	-	-	(108,687)	(108,687)	-	108,687	-	-	108,687	-	-	-	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	(20,265)	-	(20,265)	(20,265)	-	(20,265)	
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments to share of changes in equities of associates	-	-	292	-	-	-	-	-	-	190	-	190	482	482	482	
Donation from shareholders	-	-	7,242	-	-	-	-	-	-	-	-	-	7,242	7,269	7,269	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	6,612	6,612	
BALANCE, DECEMBER 31, 2020	25,930,380	\$ 259,303,805	\$ 56,347,243	\$ 311,146,899	\$ 42,259,146	\$ 1,235,280,036	\$ 1,388,686,081	\$ (57,001,027)	\$ 2,321,754	\$ (54,679,873)	\$ -	\$ (84,679,873)	\$ 1,849,657,256	\$ 964,743	\$ 1,850,621,999	
Appropriations of earnings	-	-	-	-	17,045,066	(17,045,066)	-	-	-	-	-	-	-	-	-	
Special capital reserve	-	-	-	-	17,045,066	(278,751,590)	(278,751,590)	-	-	-	-	-	-	-	(278,751,590)	
Cash dividends to shareholders	-	-	-	-	17,045,066	(295,796,656)	(278,751,590)	-	-	-	-	-	-	-	(278,751,590)	
Total	-	-	-	-	-	596,540,013	596,540,013	(6,301,734)	(1,559,290)	72,067	-	(7,789,457)	(7,621,954)	533,121	597,073,134	
Net income in 2021	-	-	-	-	-	167,303	167,303	(6,301,734)	(1,559,290)	72,067	-	(7,789,457)	(7,621,954)	2,498	(7,619,456)	
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	-	-	596,707,516	596,707,516	(6,301,734)	(1,559,290)	72,067	-	(7,789,457)	588,918,059	535,619	589,453,678	
Total comprehensive income (loss) in 2021	-	-	-	-	-	187,654	187,654	-	(187,654)	-	-	(187,654)	-	-	-	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	48,469	-	48,469	48,469	-	48,469	
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustments to share of changes in equities of associates	-	-	4,796	-	-	-	-	-	-	-	-	-	4,796	4,796	4,796	
From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	-	-	8,406,282	-	-	-	-	-	-	-	-	-	8,406,282	1,045,516	9,451,798	
From share of changes in equities of subsidiaries	-	-	(7,891)	-	-	-	-	-	-	-	-	-	(7,891)	7,891	-	
Donation from shareholders	-	-	11,172	-	-	-	-	-	-	-	-	-	11,172	110	11,282	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(107,382)	(107,382)	
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	155	155	
BALANCE, DECEMBER 31, 2021	25,930,380	\$ 259,303,805	\$ 64,761,602	\$ 311,146,899	\$ 59,304,212	\$ 1,536,378,550	\$ 1,906,829,661	\$ (63,303,361)	\$ 574,310	\$ 120,536	\$ -	\$ (62,608,515)	\$ 2,168,286,553	\$ 2,446,652	\$ 2,170,733,205	

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)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 663,126,314	\$ 584,777,180
Adjustments for:		
Depreciation expense	414,187,700	324,538,443
Amortization expense	8,207,169	7,186,248
Expected credit losses recognized (reversal) on investments in debt instruments	(2,735)	3,672
Finance costs	5,414,218	2,081,455
Share of profits of associates	(5,603,084)	(3,592,818)
Interest income	(5,708,765)	(9,018,400)
Share-based compensation	7,788	6,612
Loss (gain) on disposal or retirement of property, plant and equipment, net	273,627	(188,863)
Loss on disposal or retirement of intangible assets, net	1,228	599
Impairment loss on property, plant and equipment	274,388	10,159
Gain on financial instruments at fair value through profit or loss, net	-	(3,005)
Gain on disposal of investments in debt instruments at fair value through other comprehensive income, net	(93,229)	(1,439,420)
Gain on foreign exchange, net	(16,115,936)	(1,372,610)
Dividend income	(362,310)	(637,575)
Others	(414,219)	13,554
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	2,649,244	(2,965,270)
Notes and accounts receivable, net	(52,105,823)	(8,082,708)
Receivables from related parties	(157,193)	303,939
Other receivables from related parties	(10,886)	7,588
Inventories	(55,748,914)	(54,372,211)
Other financial assets	(8,236,897)	1,389,493
Other current assets	(3,899,043)	(1,358,129)
Accounts payable	8,298,319	404,607
Payables to related parties	(670,532)	672,818
Salary and bonus payable	3,730,859	3,798,888
Accrued profit sharing bonus to employees and compensation to directors and supervisors	843,695	12,032,143
Accrued expenses and other current liabilities	84,322,721	20,617,359
Other noncurrent liabilities	154,085,985	-
Net defined benefit liability	(635,116)	(785,171)
Cash generated from operations	1,195,658,573	874,028,577
Income taxes paid	(83,497,851)	(51,362,365)
Net cash generated by operating activities	<u>1,112,160,722</u>	<u>822,666,212</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at fair value through other comprehensive income	\$ (255,888,679)	\$ (262,637,496)
Financial assets at amortized cost	(3,799,737)	(4,302,770)
Property, plant and equipment	(839,195,708)	(507,238,722)
Intangible assets	(9,040,751)	(9,542,387)
Proceeds from disposal or redemption of:		
Financial instruments at fair value through profit or loss - debt instruments	-	30,049
Financial assets at fair value through other comprehensive income	254,604,537	266,931,916
Financial assets at amortized cost	9,368,275	285,210
Property, plant and equipment	390,364	606,732
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	115,627	51,052
Derecognition of hedging financial instruments	276,261	(308,776)
Interest received	5,990,948	9,775,120
Proceeds from government grants - property, plant and equipment	821,312	1,044,327
Proceeds from government grants - others	6,605	25,369
Other dividends received	362,310	735,081
Dividends received from investments accounted for using equity method	2,136,426	2,752,043
Increase in prepayments for leases	(1,200,000)	(4,693,416)
Refundable deposits paid	(1,997,337)	(726,883)
Refundable deposits refunded	<u>683,684</u>	<u>1,431,837</u>
Net cash used in investing activities	<u>(836,365,863)</u>	<u>(505,781,714)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	35,668,397	(31,571,567)
Proceeds from short-term bills payable	-	7,485,303
Repayments of short-term bills payable	-	(7,500,000)
Proceeds from issuance of bonds	364,592,792	236,725,675
Repayment of bonds	(2,600,000)	(31,800,000)
Proceeds from long-term bank loans	1,510,000	2,000,000
Payments for transaction costs attributable to the issuance of bonds	(737,724)	(390,730)
Repayment of the principal portion of lease liabilities	(1,985,338)	(2,615,708)
Interest paid	(3,833,633)	(1,781,097)
Guarantee deposits received	469,041	145,633
Guarantee deposits refunded	(36,763)	(16,060)
Cash dividends	(265,786,399)	(259,303,805)
Disposal of ownership interests in subsidiaries (without losing control)	9,451,798	-
Donation from shareholders	11,282	7,269
Decrease in non-controlling interests	<u>(115,015)</u>	<u>-</u>
Net cash generated by (used in) financing activities	<u>136,608,438</u>	<u>(88,615,087)</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>(7,583,752)</u>	\$ <u>(23,498,100)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	404,819,545	204,771,311
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>660,170,647</u>	<u>455,399,336</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$1,064,990,192</u>	<u>\$ 660,170,647</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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 matter for the Company's parent company only financial statements for the year ended December 31, 2021 is 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 understood 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 the year-end balance of EUI/CIP 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.
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, 2021 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 Shang Chih Lin.

The image shows two handwritten signatures in black ink. The signature on the left is cursive and appears to be 'Mei Yen Chiang'. The signature on the right is written in a more legible, slightly cursive style and reads 'Shang-chih Lin'.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 15, 2022

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)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 396,294,241	12	\$ 303,165,717	11
Financial assets at fair value through profit or loss (Note 7)	145,280	-	2,125,825	-
Notes and accounts receivable, net (Note 9)	45,900,297	2	34,611,115	1
Receivables from related parties (Note 30)	138,352,374	4	101,781,174	4
Other receivables from related parties (Note 30)	5,227,425	-	1,714,334	-
Inventories (Notes 5 and 10)	185,159,848	5	130,298,036	5
Other financial assets	3,861,859	-	1,425,594	-
Other current assets	8,264,613	-	5,827,453	-
Total current assets	<u>783,205,937</u>	<u>23</u>	<u>580,949,248</u>	<u>21</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income	998,400	-	834,830	-
Investments accounted for using equity method (Note 11)	602,642,544	18	564,597,508	21
Property, plant and equipment (Notes 5 and 12)	1,889,970,529	56	1,511,784,556	55
Right-of-use assets (Notes 5 and 13)	30,123,052	1	25,184,827	1
Intangible assets (Notes 5 and 14)	22,910,400	1	21,733,597	1
Deferred income tax assets (Notes 5 and 23)	47,780,990	1	24,678,225	1
Refundable deposits	862,893	-	1,249,552	-
Other noncurrent assets	400	-	2,492,770	-
Total noncurrent assets	<u>2,595,289,208</u>	<u>77</u>	<u>2,152,555,865</u>	<u>79</u>
TOTAL	<u>\$ 3,378,495,145</u>	<u>100</u>	<u>\$ 2,733,505,113</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 15 and 27)	\$ 114,921,333	3	\$ 175,659,726	7
Financial liabilities at fair value through profit or loss (Note 7)	636,472	-	93,153	-
Accounts payable	41,204,422	1	36,238,637	1
Payables to related parties (Note 30)	7,687,673	-	7,017,623	-
Salary and bonus payable	20,814,434	1	17,478,038	1
Accrued profit sharing bonus to employees and compensation to directors (Note 26)	36,088,986	1	35,262,937	1
Payables to contractors and equipment suppliers	136,212,285	4	156,342,457	6
Cash dividends payable (Note 18)	142,617,093	4	129,651,902	5
Income tax payable (Notes 5 and 23)	58,755,245	2	53,297,025	2
Long-term liabilities - current portion (Notes 16 and 27)	4,400,000	-	2,600,000	-
Accrued expenses and other current liabilities (Notes 5, 13, 19, 27 and 30)	141,495,427	4	66,888,237	2
Total current liabilities	<u>704,833,370</u>	<u>20</u>	<u>680,529,735</u>	<u>25</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 16 and 27)	307,783,409	9	170,450,745	6
Deferred income tax liabilities (Notes 5 and 23)	1,848,966	-	1,716,367	-
Lease liabilities (Notes 5, 13 and 27)	18,742,323	1	18,480,111	1
Net defined benefit liability (Note 17)	11,036,879	-	11,914,074	1
Guarantee deposits	680,137	-	259,073	-
Others (Notes 19 and 30)	165,283,508	5	497,752	-
Total noncurrent liabilities	<u>505,375,222</u>	<u>15</u>	<u>203,318,122</u>	<u>8</u>
Total liabilities	<u>1,210,208,592</u>	<u>35</u>	<u>883,847,857</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 18)	<u>259,303,805</u>	<u>8</u>	<u>259,303,805</u>	<u>9</u>
Capital surplus (Note 18)	<u>64,761,602</u>	<u>2</u>	<u>56,347,243</u>	<u>2</u>
Retained earnings (Note 18)				
Appropriated as legal capital reserve	311,146,899	9	311,146,899	11
Appropriated as special capital reserve	59,304,212	2	42,259,146	2
Unappropriated earnings	1,536,378,550	46	1,235,280,036	45
	<u>1,906,829,661</u>	<u>57</u>	<u>1,588,686,081</u>	<u>58</u>
Others (Note 18)	<u>(62,608,515)</u>	<u>(2)</u>	<u>(54,679,873)</u>	<u>(2)</u>
Total equity	<u>2,168,286,553</u>	<u>65</u>	<u>1,849,657,256</u>	<u>67</u>
TOTAL	<u>\$ 3,378,495,145</u>	<u>100</u>	<u>\$ 2,733,505,113</u>	<u>100</u>

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)

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 19 and 30)	\$ 1,574,745,881	100	\$ 1,314,793,013	100
COST OF REVENUE (Notes 5, 10, 26 and 30)	<u>786,116,844</u>	<u>50</u>	<u>632,788,990</u>	<u>48</u>
GROSS PROFIT	<u>788,629,037</u>	<u>50</u>	<u>682,004,023</u>	<u>52</u>
OPERATING EXPENSES (Notes 5, 26 and 30)				
Research and development	123,417,275	8	108,613,789	8
General and administrative	30,967,600	2	26,312,285	2
Marketing	<u>4,282,882</u>	<u>-</u>	<u>4,359,436</u>	<u>1</u>
Total operating expenses	<u>158,667,757</u>	<u>10</u>	<u>139,285,510</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 12, 13 and 26)	<u>(328,444)</u>	<u>-</u>	<u>746,994</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>629,632,836</u>	<u>40</u>	<u>543,465,507</u>	<u>41</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 11)	26,837,174	2	34,902,194	3
Interest income (Note 20)	927,754	-	951,877	-
Other income	789,810	-	209,885	-
Foreign exchange gain (loss), net (Note 32)	14,682,696	1	(1,759,386)	-
Finance costs (Note 21)	(2,534,721)	-	(1,766,297)	-
Other gains and losses, net (Note 22)	<u>(9,833,358)</u>	<u>(1)</u>	<u>6,615,162</u>	<u>-</u>
Total non-operating income and expenses	<u>30,869,355</u>	<u>2</u>	<u>39,153,435</u>	<u>3</u>
INCOME BEFORE INCOME TAX	660,502,191	42	582,618,942	44
INCOME TAX EXPENSE (Notes 5 and 23)	<u>63,962,178</u>	<u>4</u>	<u>64,733,555</u>	<u>5</u>
NET INCOME	<u>596,540,013</u>	<u>38</u>	<u>517,885,387</u>	<u>39</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 5, 11, 17, 18 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	242,079	-	(3,516,749)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	170,127	-	(41,995)	-
Gain (loss) on hedging instruments	(41,416)	-	24,085	-
Share of other comprehensive gain of subsidiaries and associates	1,697,885	-	453,603	-
Income tax (expense) benefit related to items that will not be reclassified subsequently	<u>(85,269)</u>	<u>-</u>	<u>422,663</u>	<u>-</u>
Total other comprehensive income (loss)	<u>1,983,406</u>	<u>-</u>	<u>(2,658,393)</u>	<u>-</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	\$ (6,182,507)	-	\$ (29,853,603)	(2)
Share of other comprehensive gain/(loss) of subsidiaries and associates	<u>(3,422,853)</u>	<u>-</u>	<u>2,190,087</u>	<u>-</u>
	<u>(9,605,360)</u>	<u>-</u>	<u>(27,663,516)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(7,621,954)</u>	<u>-</u>	<u>(30,321,909)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 588,918,059</u>	<u>38</u>	<u>\$ 487,563,478</u>	<u>37</u>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	<u>\$ 23.01</u>		<u>\$ 19.97</u>	
Diluted earnings per share	<u>\$ 23.01</u>		<u>\$ 19.97</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		Retained Earnings			Others			Total Equity	
	Shares (In Thousands)	Amount	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets	Gain (Loss) on Hedging Instruments		Unearned Stock-Based Employee Compensation
BALANCE, JANUARY 1, 2020	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 10,675,106	\$ 1,011,512,974	\$ (26,871,400)	\$ (692,959)	\$ (3,820)	\$ (190)	\$ 1,621,410,124
Appropriations of earnings	-	-	-	31,584,040	(31,584,040)	-	-	-	-	-
Special capital reserve	-	-	-	31,584,040	(259,303,805)	-	-	-	-	(259,303,805)
Cash dividends to shareholders	-	-	-	(290,887,845)	(290,887,845)	-	-	-	-	(259,303,805)
Total	-	-	-	517,885,387	517,885,387	-	-	-	-	517,885,387
Net income in 2020	-	-	-	(3,121,293)	(3,121,293)	(30,130,222)	2,906,026	24,085	-	(30,321,902)
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	5,147,663,594	5,147,663,594	(30,130,222)	2,906,026	24,085	-	487,565,478
Total comprehensive income (loss) in 2020	-	-	-	(108,687)	(108,687)	-	108,687	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(20,265)	-	(20,265)
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	190	190
Adjustments to share of changes in equities of associates	-	-	-	-	-	-	-	-	-	482
Adjustments to share of changes in equities of associates	-	-	-	-	-	-	-	-	-	7,242
Donation from shareholders	-	-	-	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2020	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 42,259,146	\$ 1,235,280,036	\$ (57,001,627)	\$ 2,321,754	\$ -	\$ -	\$ 1,899,657,256
Appropriations of earnings	-	-	-	17,045,066	(17,045,066)	-	-	-	-	-
Special capital reserve	-	-	-	17,045,066	(278,751,590)	-	-	-	-	(278,751,590)
Cash dividends to shareholders	-	-	-	(295,796,656)	(295,796,656)	-	-	-	-	(278,751,590)
Total	-	-	-	596,540,013	596,540,013	-	-	-	-	596,540,013
Net income in 2021	-	-	-	167,503	167,503	(6,301,734)	(1,559,790)	72,067	-	(7,621,954)
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	596,707,516	596,707,516	(6,301,734)	(1,559,790)	72,067	-	588,918,059
Total comprehensive income (loss) in 2021	-	-	-	187,654	187,654	-	(187,654)	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	48,469	48,469
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	4,796
Adjustments to share of changes in equities of associates	-	-	-	-	-	-	-	-	-	-
From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	-	-	-	-	-	-	-	-	-	8,406,282
From share of changes in equities of subsidiaries	-	-	-	-	-	-	-	-	-	(7,891)
Donation from shareholders	-	-	-	-	-	-	-	-	-	11,172
BALANCE, DECEMBER 31, 2021	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 59,304,212	\$ 1,536,378,550	\$ (63,303,361)	\$ 574,310	\$ 120,536	\$ -	\$ 2,168,286,553

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)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 660,502,191	\$ 582,618,942
Adjustments for:		
Depreciation expense	402,931,257	313,379,686
Amortization expense	8,100,730	7,047,694
Finance costs	2,534,721	1,766,297
Share of profits of subsidiaries and associates	(26,837,174)	(34,902,194)
Interest income	(927,754)	(951,877)
Loss (gain) on disposal or retirement of property, plant and equipment, net	222,387	(266,581)
Gain on disposal or retirement of intangible assets, net	(7,332)	(7,960)
Impairment loss on property, plant and equipment	274,388	-
Gain on financial instruments at fair value through profit or loss, net	-	(8,289)
Gain on foreign exchange, net	(16,975,706)	(7,747,615)
Dividend income	(178,979)	(186,854)
Others	(370,086)	13,808
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	2,482,448	(2,973,199)
Notes and accounts receivable, net	(11,289,182)	13,002,568
Receivables from related parties	(36,571,200)	(19,586,673)
Other receivables from related parties	(3,503,728)	(684,360)
Inventories	(54,861,812)	(54,034,185)
Other financial assets	(2,371,699)	(1,091,188)
Other current assets	(2,445,945)	(1,174,789)
Accounts payable	4,965,785	400,931
Payables to related parties	(746,871)	1,300,988
Salary and bonus payable	3,336,396	3,262,877
Accrued profit sharing bonus to employees and compensation to directors	826,049	11,736,788
Accrued expenses and other current liabilities	82,992,551	19,228,140
Other noncurrent liabilities	154,036,474	-
Net defined benefit liability	(635,116)	(785,171)
Cash generated from operations	1,165,482,793	829,357,784
Income taxes paid	(81,550,608)	(49,747,636)
Net cash generated by operating activities	<u>1,083,932,185</u>	<u>779,610,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Equity interest in subsidiary	(157,243)	(937,679)
Property, plant and equipment	(793,327,208)	(494,310,468)
Intangible assets	(8,998,084)	(9,482,909)
Proceeds from disposal or redemption of:		
Property, plant and equipment	462,138	1,070,855
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	6,257	285
Derecognition of hedging financial instruments	-	19,786
Interest received	902,872	958,590
Other dividends received	178,979	186,854
Dividends received from investments accounted for using equity method	2,560,790	2,752,043

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2021	2020
Increase in prepayments for leases	\$ (1,200,000)	\$ (4,687,970)
Refundable deposits paid	(225,347)	(667,219)
Refundable deposits refunded	<u>605,714</u>	<u>1,427,743</u>
Net cash used in investing activities	<u>(799,191,132)</u>	<u>(503,670,089)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(50,538,933)	31,944,333
Proceeds from short-term bills payable	-	7,485,303
Repayments of short-term bills payable	-	(7,500,000)
Proceeds from issuance of bonds	142,318,000	149,085,000
Repayment of bonds	(2,600,000)	(31,800,000)
Payments for transaction costs attributable to the issuance of bonds	(146,157)	(155,818)
Repayment of the principal portion of lease liabilities	(1,466,130)	(2,168,114)
Interest paid	(1,997,383)	(1,729,192)
Guarantee deposits received	467,964	144,364
Guarantee deposits refunded	(7,234)	(13,695)
Cash dividends	(265,786,399)	(259,303,805)
Disposal of ownership interests in subsidiaries (without losing control)	9,451,798	-
Payment of partial acquisition of interests in subsidiaries	(21,318,931)	(220,480)
Donation from shareholders	<u>10,876</u>	<u>7,064</u>
Net cash used in financing activities	<u>(191,612,529)</u>	<u>(114,225,040)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,128,524	161,715,019
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>303,165,717</u>	<u>141,450,698</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 396,294,241</u>	<u>\$ 303,165,717</u>

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
2021 Earnings Distribution Table

Unit: NT\$

Net Income of 2021	596,540,012,561
Less:	
- Special Reserve	-7,928,642,385
Earnings in 2021 Available for Distribution	588,611,370,176
Plus:	
- Unappropriated Retained Earnings of Previous Years	1,158,033,357,545
- Disposal of Investments in Equity Instruments at Fair Value through Other Comprehensive Income	187,654,351
- Remeasurement of Defined Benefit Obligation	167,502,763
Retained Earnings Available for Distribution as of December 31, 2021	1,746,999,884,835
Distribution Item ^{Note:}	
- 1Q21 Cash Dividends to Common Share Holders (NT\$2.75 per share)	-71,308,546,260
- 2Q21 Cash Dividends to Common Share Holders (NT\$2.75 per share)	-71,308,546,260
- 3Q21 Cash Dividends to Common Share Holders (NT\$2.75 per share)	-71,308,546,260
- 4Q21 Cash Dividends to Common Share Holders (NT\$2.75 per share)	-71,308,546,260
Unappropriated Retained Earnings	1,461,765,699,795

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

Comparison Table for the Articles of Incorporation Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 2</p> <p>The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> 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) 	<p>Article 2</p> <p>The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> 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)

BEFORE THE REVISION	AFTER THE REVISION
<p>4. Selling recycled and processed chemical, metal, and plastic materials and products derived from the Corporation's manufacturing activities.</p> <p>(C801990 Other Chemical Materials Manufacturing)</p> <p>(C802990 Other Chemical Products Manufacturing)</p> <p>(CA02990 Other Fabricated Metal Products Manufacturing)</p> <p>(C805990 Other Plastic Products Manufacturing)</p>	<p>4. Selling recycled and processed chemical, metal, and plastic, and other industrial materials and products, and fertilizer manufacturing operating activities.</p> <p>(C801990 Other Chemical Materials Manufacturing)</p> <p>(C802990 Other Chemical Products Manufacturing)</p> <p>(CA02990 Other Fabricated Metal Products Manufacturing)</p> <p>(C805990 Other Plastic Products Manufacturing)</p> <p>(C801110 Fertilizer Manufacturing)</p> <p>(CZ99990 Manufacture of Other Industrial Products Not Elsewhere Classified)</p>
<p>Article 7</p> <p>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.</p> <p>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.</p>	<p>Article 7</p> <p>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.</p> <p>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.</p> <p>Where the Corporation issues employee restricted shares, qualified employees of its subsidiaries may be eligible for the granting of such shares.</p>
<p>Article 12</p> <p>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.</p>	<p>Article 12</p> <p>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.</p> <p>Shareholders' meetings of the Corporation may be held through remote video conferencing, or in other forms as and to the extent permitted by</p>

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 13</p> <p>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.</p>	<p>relevant government authorities in charge.</p> <p>Article 13</p> <p>Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation. All shareholders shall receive notice 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 given to the shareholders. Notices shall be written in Chinese, and English when necessary.</p>
<p>Article 16</p> <p>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.</p>	<p>Article 16</p> <p>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 and other relevant laws, rules and regulations. Unless otherwise stipulated by applicable laws or regulations, a representative does not need to be a shareholder of the Corporation.</p>
<p>Article 36</p> <p>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,</p>	<p>Article 36</p> <p>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,</p>

BEFORE THE REVISION	AFTER THE REVISION
<p>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.</p>	<p>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, <u>and the twenty-sixth Amendment on June 8, 2022.</u></p>

**Comparison Table for the
Procedures for Acquisition or Disposal of Assets
Before and After Revision**

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 4</p> <p>The Company shall report and publicly disclose the following acquisition or disposal of assets in accordance with the relevant regulations within two days commencing immediately from the Date of the Event:</p> <ol style="list-style-type: none"> 1. the acquisition or disposal of real estate or related right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or related right-of-use assets from or to a related party where the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million; provided, this shall not apply to buying or selling of domestic government bonds or bonds under repurchase and resale agreements, nor to subscription or redemption of money market funds issued by domestic securities investment trusts; 2. mergers, spin-offs, acquisitions or shares transfer; 3. the acquisition or disposal of other assets where the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$300 million. <p>The following situations shall not be subject to the above reporting/disclosure requirements:</p> <ol style="list-style-type: none"> 1. buying or selling domestic government bonds; 2. buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming money market funds issued by domestic securities investment trusts; 	<p>Article 4</p> <p>The Company shall report and publicly disclose the following acquisition or disposal of assets in accordance with the relevant regulations within two days commencing immediately from the Date of the Event:</p> <ol style="list-style-type: none"> 1. the acquisition or disposal of real estate or related right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or related right-of-use assets from or to a related party where the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million; provided, this shall not apply to buying or selling of domestic government bonds or bonds under repurchase and resale agreements, nor to subscription or redemption of money market funds issued by domestic securities investment trusts; 2. mergers, spin-offs, acquisitions or shares transfer; 3. the acquisition or disposal of other assets where the transaction amount reaches 20% of the Company's paid-in capital or exceeds NT\$300 million. <p>The following situations shall not be subject to the above reporting/disclosure requirements:</p> <ol style="list-style-type: none"> 1. buying or selling domestic government bonds <u>or foreign government bonds with credit ratings not lower than R.O.C. sovereign credit rating</u>; 2. buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming money market funds issued by domestic securities investment trusts;

BEFORE THE REVISION	AFTER THE REVISION
<p>3. acquisition or disposal of equipment or related right-of-use assets for business use with non-related parties in an amount not exceeding NT\$1 billion;</p> <p>4. acquisition of real estate by way of contracting third parties to construct on land owned or leased by the Company, distribution of building under joint construction project, distribution of profit under joint construction project, or selling building under joint construction project with non-related parties, and the amount of transaction not exceeding NT\$ 500 million (based on the amount the Company intends to contribute).</p> <p>The “transaction amount” referred to above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. the amount of each single transaction for acquisition or disposal of assets; 2. the cumulative amount of several transactions with the same party for the acquisition or disposal of the same kind of assets within one year; 3. the cumulative amount for acquisition or disposal (acquisition and disposal shall be accumulated separately) of real estate or related right-of-use assets under the same development project within one year; or 4. the cumulative amount for acquisition or disposal (acquisition and disposal shall be accumulated separately) of the same security within one year. <p>“Within one year” as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously disclosed in accordance with the Procedures shall be excluded.</p>	<p>3. acquisition or disposal of equipment or related right-of-use assets for business use with non-related parties in an amount not exceeding NT\$1 billion;</p> <p>4. acquisition of real estate by way of contracting third parties to construct on land owned or leased by the Company, distribution of building under joint construction project, distribution of profit under joint construction project, or selling building under joint construction project with non-related parties, and the amount of transaction not exceeding NT\$ 500 million (based on the amount the Company intends to contribute).</p> <p>The “transaction amount” referred to above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. the amount of each single transaction for acquisition or disposal of assets; 2. the cumulative amount of several transactions with the same party for the acquisition or disposal of the same kind of assets within one year; 3. the cumulative amount for acquisition or disposal (acquisition and disposal shall be accumulated separately) of real estate or related right-of-use assets under the same development project within one year; or 4. the cumulative amount for acquisition or disposal (acquisition and disposal shall be accumulated separately) of the same security within one year. <p>“Within one year” as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously disclosed in accordance with the Procedures shall be excluded.</p>

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 6</p> <p>The evaluation procedures of the Company’s asset acquisition or disposal are as follows:</p> <ol style="list-style-type: none"> 1. Except for transactions with domestic government institutions, contracting third parties to construct on land owned or leased by the Company, or acquisition of equipment or related right-of-use assets for business use, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event for any acquisition or disposal of real estate, equipment or related right-of-use assets by the Company the amount for which is 20% of the Company’s paid-in capital or NT\$300 million, and the following provisions shall be complied with: <ol style="list-style-type: none"> (1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently. (2) If the discrepancy between the result of the appraisal report of the Professional Appraiser and the transaction price exceeds 20% of the transaction price, (unless all the appraisal results for the assets to be acquired exceed the transaction price, or all the appraisal results for the assets to be disposed are less than the transaction price), the Company shall request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No.20 and issue a statement on the reasons for such discrepancy and the fairness of the transaction price. 	<p>Article 6</p> <p>The evaluation procedures of the Company’s asset acquisition or disposal are as follows:</p> <ol style="list-style-type: none"> 1. Except for transactions with domestic government institutions, contracting third parties to construct on land owned or leased by the Company, or acquisition of equipment or related right-of-use assets for business use, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event for any acquisition or disposal of real estate, equipment or related right-of-use assets by the Company the amount for which is 20% of the Company’s paid-in capital or NT\$300 million, and the following provisions shall be complied with: <ol style="list-style-type: none"> (1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction shall be approved by the Board in advance. The above procedures shall also be followed in case the transaction terms are changed subsequently. (2) If the discrepancy between the result of the appraisal report of the Professional Appraiser and the transaction price exceeds 20% of the transaction price, (unless all the appraisal results for the assets to be acquired exceed the transaction price, or all the appraisal results for the assets to be disposed are less than the transaction price), the Company shall request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No.20 and issue a statement on the reasons for such discrepancy and the fairness of the transaction price.

BEFORE THE REVISION	AFTER THE REVISION
<p>(3) If the transaction price is over NT\$1 billion, the Company shall retain at least two Professional Appraisers to perform the appraisal. In case the discrepancy between the two appraisal reports is over 10% of the transaction price, (unless all the appraisal results for the assets to be acquired exceed the transaction price, or all the appraisal results for the assets to be disposed are less than the transaction price), the Company shall request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No.20 and issue a statement on the reasons for such discrepancy and the fairness of the transaction price.</p> <p>(4) The appraisal report shall be issued within 3 months before the contract date; provided that if the asset's publicly declared value remains the same and the appraisal report was issued no longer than 6 months, the original Professional Appraiser may present supplemental opinions.</p> <p>2. Before the Date of the Event of the acquisition or disposal of securities, the latest financial statements of the target company audited or reviewed by a certified public accountant shall be obtained for the assessment and reference of the transaction price. Should the transaction price reach 20% of the Company's paid-in capital or NT\$300 million, a fairness opinion issued by a certified public accountant shall be obtained before the Date of the Event of such acquisition or disposal of securities. If the certified public accountant engaged needs to use the report of an expert as evidence, such certified public accountant shall do so in accordance with the provisions of Auditing Standard No. 20; provided however, that these requirements are not applicable if such securities have a publicly quoted price from an active market or if the regulatory authorities require otherwise.</p>	<p>(3) If the transaction price is over NT\$1 billion, the Company shall retain at least two Professional Appraisers to perform the appraisal. In case the discrepancy between the two appraisal reports is over 10% of the transaction price, (unless all the appraisal results for the assets to be acquired exceed the transaction price, or all the appraisal results for the assets to be disposed are less than the transaction price), the Company shall request a certified public accountant to handle the matter in accordance with the provision of Auditing Standard No.20 and issue a statement on the reasons for such discrepancy and the fairness of the transaction price.</p> <p>(4) The appraisal report shall be issued within 3 months before the contract date; provided that if the asset's publicly declared value remains the same and the appraisal report was issued no longer than 6 months, the original Professional Appraiser may present supplemental opinions.</p> <p>2. Before the Date of the Event of the acquisition or disposal of securities, the latest financial statements of the target company audited or reviewed by a certified public accountant shall be obtained for the assessment and reference of the transaction price. Should the transaction price reach 20% of the Company's paid-in capital or NT\$300 million, a fairness opinion issued by a certified public accountant shall be obtained before the Date of the Event of such acquisition or disposal of securities. If the certified public accountant engaged needs to use the report of an expert as evidence, such certified public accountant shall do so in accordance with the provisions of Auditing Standard No. 20; provided however, that These requirements are not applicable if such securities have a publicly quoted price from an active market or if the regulatory authorities require otherwise.</p>

BEFORE THE REVISION	AFTER THE REVISION
<p>3. If the Company’s acquisition or disposal of memberships, intangible assets or related right-of-use assets reaches 20% of the Company’s paid-in capital or NT\$300 million, excluding transactions with domestic government agency(ies), the opinions of the fairness of the transaction price shall be obtained from a certified public accountant prior to the Date of the Event of the subject acquisition or disposal of assets. The certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No.20.</p> <p>4. For acquisition or disposal of assets through court auction procedures, the appraisal report or certified public accountant’s opinion can be replaced by documents issued by the courts.</p> <p>5. Any Professional Appraiser and its appraisal personnel, certified public accountants, lawyers, or securities underwriters from whom the Company has acquired appraisal reports and opinions, shall satisfy the requirements as set forth in the relevant regulations.</p> <p>The transaction price referred to in the preceding paragraph shall be calculated in accordance with Article 4, paragraph 2 herein, and “within one year” refers to one year preceding the Date of Event of the current transaction. Items for which an appraisal report from a professional appraiser or an opinion from a certified public accountant has been obtained need not be counted toward the transaction price.</p>	<p>3. If the Company’s acquisition or disposal of memberships, intangible assets or related right-of-use assets reaches 20% of the Company’s paid-in capital or NT\$300 million, excluding transactions with domestic government agency(ies), the opinions of the fairness of the transaction price shall be obtained from a certified public accountant prior to the Date of the Event of the subject acquisition or disposal of assets. The certified public accountant shall handle the matter in accordance with the provision of Auditing Standard No.20.</p> <p>4. For acquisition or disposal of assets through court auction procedures, the appraisal report or certified public accountant’s opinion can be replaced by documents issued by the courts.</p> <p>5. Any Professional Appraiser and its appraisal personnel, certified public accountants, lawyers, or securities underwriters from whom the Company has acquired appraisal reports and opinions, shall satisfy the requirements as set forth in the relevant regulations.</p> <p>The transaction price referred to in the preceding paragraph shall be calculated in accordance with Article 4, paragraph 2 herein, and “within one year” refers to one year preceding the Date of Event of the current transaction. Items for which an appraisal report from a professional appraiser or an opinion from a certified public accountant has been obtained need not be counted toward the transaction price.</p>

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 8</p> <p>The procedures for acquisition or disposal of assets by the Company from or to a related party are as follows:</p> <ol style="list-style-type: none"> 1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring the compliance with the provision of Article 6, if the transaction amount reaches 10% of the Company’s total assets, the Company shall also obtain an appraisal report from a professional appraiser or an opinion from a certified public accountant in accordance with Article 6. 2. If the Company intends to acquire or dispose of real estate or related right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or related right-of-use assets from or to a related party and the transaction amount reaches 20% of the Company’s paid-in capital, 10% of the Company’s total assets, or NT\$300 million, (except for buying or selling domestic government bonds, bonds under repurchase and resale agreements and subscribing or redeeming money market funds issued by domestic securities investment trusts), the Company may not enter into any transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for approval: <ol style="list-style-type: none"> (1) The purpose, necessity and anticipated benefit of the proposed acquisition or disposal of assets. (2) The reason for choosing the related party as a trading counterparty. 	<p>Article 8</p> <p>The procedures for acquisition or disposal of assets by the Company from or to a related party are as follows:</p> <ol style="list-style-type: none"> 1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring the compliance with the provision of Article 6, if the transaction amount reaches 10% of the Company’s total assets, the Company shall also obtain an appraisal report from a professional appraiser or an opinion from a certified public accountant in accordance with Article 6. 2. If the Company intends to acquire or dispose of real estate or related right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or related right-of-use assets from or to a related party and the transaction amount reaches 20% of the Company’s paid-in capital, 10% of the Company’s total assets, or NT\$300 million, (except for buying or selling domestic government bonds, bonds under repurchase and resale agreements and subscribing or redeeming money market funds issued by domestic securities investment trusts), the Company may not enter into any transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for approval: <ol style="list-style-type: none"> (1) The purpose, necessity and anticipated benefit of the proposed acquisition or disposal of assets. (2) The reason for choosing the related party as a trading counterparty.

BEFORE THE REVISION	AFTER THE REVISION
<p>(3) With respect to the acquisition of real estate or related right-of-use assets from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with applicable regulations.</p> <p>(4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and such trading counterparty's relationship to the Company and such related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or an opinion by a certified public accountant obtained in compliance with the preceding subparagraph 1.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p>	<p>(3) With respect to the acquisition of real estate or related right-of-use assets from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with applicable regulations.</p> <p>(4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and such trading counterparty's relationship to the Company and such related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or an opinion by a certified public accountant obtained in compliance with the preceding subparagraph 1.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p>
<p>3. With respect to the acquisition or disposal of equipment or related right-of-use assets for business use, or the right-of-use assets of real estate for business use between the Company and its Subsidiaries, or between Subsidiaries whose shares or capital are 100% owned, directly or indirectly, by the Company, the Board may delegate the Chairman to decide such matters when the transaction is within NT\$500 million and submit such transaction for ratification by the Board in its next meeting.</p>	<p>3. With respect to the acquisition or disposal of equipment or related right-of-use assets for business use, or the right-of-use assets of real estate for business use between the Company and its Subsidiaries, or between Subsidiaries whose shares or capital are 100% owned, directly or indirectly, by the Company, the Board may delegate the Chairman to decide such matters when the transaction is within NT\$500 million and submit such transaction for ratification by the Board in its next meeting.</p>
<p>4. When a matter is submitted for discussion by the Board pursuant to the preceding paragraph, the Board shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p>	<p>4. When a matter is submitted for discussion by the Board pursuant to the preceding paragraph, the Board shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p>

BEFORE THE REVISION	AFTER THE REVISION
<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 4, paragraph 2 herein, and “within one year” refers to one year preceding the Date of Event of the current transaction. Items that have been previously approved by the Board need not be counted toward the transaction amount.</p>	<p><u>When the Company or the Company’s Subsidiary that is not a domestic public company engages in a transaction stipulated in paragraph 1, item 2, and the transaction amount reaches 10% of the Company’s total assets, the Company is required to submit the transaction information stipulated in paragraph 1, item 2, to the Shareholders’ Meeting for approval before entering into agreements and making payments. However, this requirement is not applicable to transactions between the Company and its Subsidiary, or transactions between Subsidiaries.</u></p> <p>The calculation of the transaction amounts referred to in <u>paragraph 1, item 2, and</u> the preceding paragraph shall be made in accordance with Article 4, paragraph 2 herein, and “within one year” refers to one year preceding the Date of Event of the current transaction. Items that have been previously approved by <u>the Shareholders’ Meeting or</u> the Board need not be counted toward the transaction amount.</p>

Taiwan Semiconductor Manufacturing Company, Ltd.

Employee Restricted Stock Awards Rules for Year 2022

I Purpose

To attract and retain corporate executives and critical talents and to link their compensation with shareholders' interests and Environmental, Social, 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 executive officers or the Company's and the Company's subsidiaries' selected critical talents 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 employees must also be those who (a) have a significant influence on the Company's or the Company's subsidiaries' operational decisions or (b) are the Company's or the Company's subsidiaries' selected critical talents for its future core technologies and strategy development.
2. The number of shares granted to eligible employees 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

Based on a budget capped at 0.3% of prior year's Net Income, the total number of shares to be issued under these Rules will not exceed 3,065,000 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 employee can only be vested if (a) the employee remains employed by the Company or the Company's subsidiaries on the last date of each vesting period; (b) during the vesting period, the employee may not breach any agreement with the Company or the Company's subsidiaries or violate the Company's or the Company's subsidiaries' work rules; and (c) certain employee 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 points.
 - For eligible executive officers of the Company: 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)

- For eligible employees who are not executive officers of the Company and the Company's subsidiaries: The number of RSAs to be vested in each year will be calculated in accordance with the below table based on the Company's audited consolidated financial statements for the year prior to the vesting year. The number of shares so calculated should be rounded down to the nearest integral.

	Threshold	Target	Weighting	Ratio of shares to be vested
Revenue Growth	10%	15%	One-third	<ul style="list-style-type: none"> • < Threshold: 0% • = Threshold: 50% • ≥ Target: 100% • Between Threshold and Target: as calculated by interpolation method
Gross Margin	50%	53%	One-third	
Return on Equity (ROE)	20%	25%	One-third	

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 employee 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 employees. 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 employees 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 employees 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, provided that the employee complies with both of the following conditions after his/her retirement. If any of the following conditions is not met, any unvested RSAs will be forfeited. Exemption could be made case by case by Chairman and CEO.

A. Not to get any full-time job; and

B. Not to engage in competition with the Company or the Company's subsidiaries, including without limitation: to join a competitor, to provide any competitive services, to establish any company or business that would involve a competitive foundry process or service, or to employ, induce, or attempt to induce any TSMC employee to undertake competitive services.

For retired employees, 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. For eligible executive officers of the Company, 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. For eligible employees who are not executive officers of the Company and the Company's subsidiaries, the RSAs vested shall be based on the assumption that the Company's Revenue growth, Gross Margin, and ROE are all equal to Threshold. 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 employees.

(6) Position Transfer:

A. Where any employees 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 employees are assigned by the Company or the Company's subsidiaries 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 employees 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 employees' performance provided by the assigned subsidiaries, affiliates, or other companies.
- (7) Where any employees 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 employees, after being granted the RSAs, breach any agreement with the Company or the Company's subsidiaries or violate the Company's or the Company's subsidiaries' 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 employees 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 employees' 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 employees cannot request the trustee/custodian to return to them the RSAs for any reasons or by any means.
- (2) During each vesting period, no employees 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 employees 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 employees' 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 employees 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 employees 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 employees who do not complete such signing of relevant documents will be considered to forfeit the RSAs.
2. Those employees 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. and the countries where the employees reside.

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.