

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**  
**2023 ANNUAL SHAREHOLDERS' MEETING**

**MINUTES**  
(Translation)

Type of Meeting: Physical Meeting

Time and Date: 9:00 a.m., June 6, 2023

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): 25,932,070,992 shares

Total shares represented by shareholders present in person or by proxy: 22,939,703,634 shares

Percentage of shares held by shareholders present in person or by proxy: 88.46%

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 2022 (see Attachment I)
- II. Audit Committee's review report (see Attachment II)
- III. Reported 2022 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 2022 quarterly cash dividends are demonstrated in the table below:

2022	Approval Date (month/day/year)	Payment Date (month/day/year)	Cash Dividends Per Share (NT\$)	Total Amount (NT\$)
<b>First Quarter</b>	05/10/2022	10/13/2022	2.75	71,308,546,260
<b>Second Quarter</b>	08/09/2022	01/12/2023	2.75	71,308,546,260
<b>Third Quarter</b>	11/08/2022	04/13/2023	2.74982072	71,308,546,260
<b>Fourth Quarter</b>	02/14/2023	07/13/2023	2.74982072	71,308,546,260

IV. Reported 2022 employees' profit sharing and directors' compensation

Explanatory Notes:

- (1) The Board of Directors approved the 2022 employees' profit sharing and directors' compensation on February 14, 2023. The employees' profit sharing and directors' compensation are to be distributed in cash.
- (2) The total amount of the 2022 employees' business performance bonus and profit sharing is NT\$121,404,093,088, of which NT\$60,702,046,544 has been distributed following each quarter as business performance bonus, and NT\$60,702,046,544 will be distributed in July 2023 as profit sharing.
- (3) 2022 directors' compensation is NT\$690,128,668.
- (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:

As approved by TSMC's Board of Directors, in 2022, the Company completed six issuances of NT dollar-denominated corporate bonds in Taiwan for a total amount of NT\$65.4 billion to finance capacity expansion and/or pollution prevention related expenditures. The amount and major terms for these issuances are demonstrated in the table below:

(Amount in NT\$ billion)

Issuance	Issue Date (month/day/year)	Tranche	Amount	Tenor (year)	Coupon (%)	Maturity Date (month/day/year)
<b>111-1 (Green Bond)</b>	01/12/2022	A	2.1	5	0.63	01/12/2027
		B	3.3	7	0.72	01/12/2029
<b>111-2</b>	03/29/2022	A	3.0	4.5	0.84	09/29/2026
		B	9.6	5	0.85	03/29/2027
		C	1.6	7	0.90	03/29/2029

(Amount in NT\$ billion)

<b>Issuance</b>	<b>Issue Date (month/day/year)</b>	<b>Tranche</b>	<b>Amount</b>	<b>Tenor (year)</b>	<b>Coupon (%)</b>	<b>Maturity Date (month/day/year)</b>
<b>111-3 (Green Bond)</b>	05/20/2022	-	6.1	5	1.50	05/20/2027
<b>111-4 (Green Bond)</b>	07/27/2022	A	1.2	4	1.60	07/27/2026
		B	10.1	5	1.70	07/27/2027
		C	1.2	7	1.75	07/27/2029
		D	1.4	10	1.95	07/27/2032
<b>111-5</b>	08/25/2022	A	2.0	4 years and 10 months	1.65	06/25/2027
		B	8.9	5	1.65	08/25/2027
		C	2.2	7	1.65	08/25/2029
		D	2.5	10	1.82	08/25/2032
<b>111-6 (Green Bond)</b>	10/20/2022	A	5.7	5	1.75	10/20/2027
		B	1.0	7	1.80	10/20/2029
		C	3.5	10	2.00	10/20/2032
<b>Interest Payment</b>		Payable annually				
<b>Principal Repayment</b>		Bullet at maturity				

### C. Resolutions

- I. It was proposed to accept 2022 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

- (1) TSMC's 2022 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) 2022 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: 22,939,660,840

Voting Results*		% of the total represented share present
Votes in favor:	20,562,042,656 votes (19,926,279,483 votes)	89.63%
Votes against:	26,920,382 votes (26,919,366 votes)	0.11%
Votes invalid:	48,062 votes	0.00%
Votes abstained:	2,350,649,740 votes (2,348,039,312 votes)	10.24%

\* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2022 Business Report and Financial Statements were hereby accepted as submitted.

- II. It was proposed to approve the issuance of employee restricted stock awards for year 2023 (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 Environmental, Social and Governance (ESG) achievements, it was proposed to approve the issuance of the Employee Restricted Stock Awards ("RSAs") for year 2023 (this "Issuance") in accordance with the relevant regulations. Major details of this proposed Issuance are as follows:

(1) Expected total shares to be issued: The number of shares to be issued under this Issuance will not exceed 6,249,000 common shares, which is based on a budget capped at 0.3% of the prior year's Net Income. After this Issuance is approved both at the shareholders' meeting and by the competent government authority, the actual number of shares to be issued will be submitted to the Board of Directors for approval.

(2) Eligibility and the number of shares employees may be granted:

- i. Only executive officers of the Company or selected critical talents of the Company or the Company's subsidiaries who are employed full time 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 Board of Directors by reference to the Company's business performance and the employee's job grade, performance, and other factors as deemed appropriate. Before submitting to the Board for approval, the grants to executive officers and to non-executive officers shall be subject to the approval by the Compensation and People Development Committee and by the Audit and Risk Committee respectively.

(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<sup>Note</sup> 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 and People Development 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"> <li>• &lt; Threshold: 0%</li> <li>• = Threshold: 50%</li> <li>• ≥ Target: 100%</li> <li>• Between Threshold and Target: as calculated by interpolation method</li> </ul>
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 above, the total expenses are preliminarily estimated at approximately NT\$2,266 million. Assuming that the RSAs will be issued at the beginning of March 2024, the total expenses from 2024 to 2027 are projected to be approximately NT\$1,346 million, NT\$655 million, NT\$235 million and NT\$31 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\$0.0388, NT\$0.0189, NT\$0.0068, and NT\$0.0009 from 2024 to 2027 respectively. The potential dilution of the Company's EPS is minimal; therefore, there is no material impact on shareholders' interest.
- (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 was proposed that the shareholders, at 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 2023 is attached hereto as Attachment VII.

Voting Results:

Shares represented at the time of voting: 22,939,660,840

Voting Results*		% of the total represented share present
Votes in favor:	20,388,296,654 votes (19,752,713,311 votes)	88.87%
Votes against:	239,336,606 votes (239,170,814 votes)	1.04%
Votes invalid:	63,116 votes	0.00%
Votes abstained:	2,311,964,464 votes (2,309,354,036 votes)	10.07%

\* 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 Endorsement and Guarantee (Proposed by the Board of Directors)

Explanatory Notes:

- (1) TSMC is expanding its global manufacturing footprint. This overseas expansion will be funded through capital injections, funding from local banks/capital markets guaranteed by TSMC, and government grants.

In consideration of TSMC’s overseas subsidiaries’ funding needs for capacity expansion and working capital in the coming years, it was proposed to amend TSMC’s “Procedures for Endorsement and Guarantee” to increase the limit of the total amount of endorsement/guarantee provided by TSMC or by TSMC and its subsidiaries from 25% of TSMC’s net worth to 40% of TSMC’s net worth.

- (2) The Comparison Table for the Procedures for Endorsement and Guarantee Before and After Revision is attached hereto as Attachment VIII.

Voting Results:

Shares represented at the time of voting: 22,939,660,840

Voting Results*		% of the total represented share present
Votes in favor:	17,716,793,482 votes (17,081,187,547 votes)	77.23%
Votes against:	2,683,001,415 votes (2,682,818,099 votes)	11.69%
Votes invalid:	23,000 votes	0.00%
Votes abstained:	2,539,842,943 votes (2,537,232,515 votes)	11.07%

\* including votes casted electronically (numbers in brackets)

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

- IV. In order to reflect the Audit Committee name change to the Audit and Risk Committee, it was proposed to revise the name of Audit Committee in the following TSMC policies:

- (1) Procedures for Acquisition or Disposal of Assets
  - (2) Procedures for Financial Derivatives Transactions
  - (3) Procedures for Lending Funds to Other Parties
  - (4) Procedures for Endorsement and Guarantee
- (Proposed by the Board of Directors)

Explanatory Notes:

- (1) In order to reflect the Audit Committee name change to the Audit and Risk Committee, the name of Audit Committee in the following TSMC policies should be revised accordingly:
  - i. Procedures for Acquisition or Disposal of Assets
  - ii. Procedures for Financial Derivatives Transactions
  - iii. Procedures for Lending Funds to Other Parties
  - iv. Procedures for Endorsement and Guarantee
- (2) The Comparison Tables for the aforementioned TSMC Policies Before and After Revision are attached hereto as Attachments IX ~ XII.

Voting Results:

Shares represented at the time of voting: 22,939,660,840

Voting Results*		% of the total represented share present
Votes in favor:	20,631,766,579 votes (19,996,159,344 votes)	89.93%
Votes against:	763,021 votes (761,005 votes)	0.00%
Votes invalid:	203,000 votes	0.00%
Votes abstained:	2,306,928,240 votes (2,304,317,812 votes)	10.05%

\* including votes casted electronically (numbers in brackets)

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

Shareholders' Questions and Company Responses: (The Chairman of the meeting has answered or designated appropriate persons to answer all the questions raised by shareholders. Given that too many questions were raised and these questions were not related to the agenda items, we summarize the questions and answers thereto by category as follows.)

Shareholders raised questions on the company's operations, demand for AI-related technology, dividend payouts, global expansion, risks associated with power shortage, green energy policies, carbon reduction and other related issues.

Responses from Chairman or designated persons summarized as follows: On TSMC's plan for capacity expansion, specifically for advanced nodes, the current focus is to ramp production capacity for 3-nanometer process technology and to build fabs for 2-nanometer process technology. As for specialty technologies, TSMC will expand capacity based on customers' needs. Advanced packaging capacity is also being expanded to meet AI demand. Regarding TSMC's cash dividend policy, it is, in principle, set to be distributed in a stable and sustainable manner with a steady increase over time. TSMC stated that its main considerations for global expansion are the needs of TSMC's customers and the availability of necessary government support. TSMC further gave a brief explanation of its current global expansion status and progress. On issues related to power supply, though TSMC's equipment is capable of coping with short-term power interruptions, the government did pledge to provide sufficient electricity supply over the long term. In the meantime, TSMC will work with the government in promoting the development of clean energy with the aim of reaching its carbon neutrality goal ahead of schedule.

**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

The year 2022 was a landmark year for TSMC. Supported by our strong technology leadership and differentiation, we delivered a thirteenth-consecutive year of record revenue, with strong profitable growth. Our 2022 annual revenue increased 33.5% year-over-year in U.S. dollar terms, while our EPS rose to NT\$39.20, nearly tripling over the past three years.

These achievements were earned in the face of considerable economic, human and geopolitical challenges across the world. The year started with continued COVID-19 lockdowns, conflict in Ukraine, and geopolitical tensions and trade restrictions that severely disrupted global supply chains. Retreat of globalization and free trade fueled inflationary pressure around the world, increased macroeconomic uncertainty, and impacted consumer confidence. In the second half of the year, pandemic-related demand, such as remote working and remote learning, receded as many parts of the world began to re-open, and the semiconductor industry entered an inventory correction mode.

The world also began to focus more intently on the importance of the semiconductor industry, as it suddenly recognized the critical role semiconductors play in a modern economy. The rising tensions in geopolitics also accentuated the attention on a resilient semiconductor supply chain, and the key role it plays in their economic and national infrastructure security.

For TSMC, we continued to focus on the fundamentals of our business. We enriched our R&D intensity and worked diligently on our technology development, especially 2-nanometer, to deliver full node strides in performance and power benefits to our customers, while offering the industry's most advanced transistor scaling. We also increased our productivity and fab operations quality, while successfully bringing our industry-leading 3-nanometer to high volume manufacturing in 4Q'22. We deepened our service and expanded our capacity to support our customers' growth, further earning their trust, as evidenced by higher scores in our annual customer survey. We enhanced our cybersecurity systems and measures continuously, to rigorously protect customers' IP and our proprietary information. As we entered our third year of digital transformation, we accelerated the pace to keep our employees connected and productive in a flexible work environment, while protecting them from COVID infection with stringent anti-pandemic measures.

Despite the recent macroeconomic uncertainties around the world, the fundamental structural growth trajectory in the long-term semiconductor demand remains strong, underpinned by the industry's multi-year megatrends of 5G and High Performance

Computing (HPC)-related applications. Therefore, we continuously work closely with our customers in a disciplined manner to plan our capacity, based on the long-term market demand profile, and investing in leading edge and specialty technologies, to support their structural growth.

As geopolitical tensions have arisen in different parts of the world, our customers also start to value more geographic manufacturing flexibility, in addition to technology leadership, manufacturing excellence, low cost and trust of service quality.

Under this environment, based on customers' request, we are expanding our global manufacturing footprint, to increase customer trust, to expand our future growth opportunities, and to reach for global talents.

In Taiwan, our N3 has just entered volume production in Tainan Science Park. We are also preparing for N2 volume production starting in 2025, which will be located in Hsinchu and Taichung Science Parks.

In the U.S., we are in the process of building two advanced semiconductor fabs in Arizona, with N4 and N3 process technology, respectively. We are also building a 12-inch specialty technology fab in Kumamoto, Japan.

These investment decisions are based on our customers' needs in each region, and a necessary level of government support. We believe this is a necessary step to maximize value for our shareholders.

Our pricing will remain strategic to reflect our value, which also includes the value of geographic manufacturing flexibility. At the same time, we will continue to leverage our competitive advantages of large volume, economies of scale and manufacturing technology leadership, to continuously drive costs lower. We will also continue to work closely with all the regional governments, to secure their support.

Combining such actions, TSMC will have the ability to absorb the higher costs of overseas fabs, while remaining the most efficient and cost-effective manufacturer, no matter where we operate. Thus, even as we increase our capacity outside of Taiwan, we can continue to earn a sustainable and healthy return, while delivering 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 cadence of technology development.

We continued to extend our technology leadership, as our 3-nanometer technology

entered volume production in 2022, and is the most advanced semiconductor technology in both PPA and transistor technology.

We are building a strong foundation for the next generation technology to follow. N2 technology development is on track, with risk production scheduled in 2024 and volume production in 2025. Our 2-nanometer technology will be the most advanced semiconductor technology in the industry in both density and energy efficiency when it is introduced.

Highlights of TSMC's accomplishments in 2022:

- Total wafer shipments were 15.3 million 12-inch equivalent wafers as compared to 14.2 million 12-inch equivalent wafers in 2021.
- Advanced technologies (7-nanometer and beyond) accounted for 53 percent of total wafer revenue, up from 50 percent in 2021.
- We deployed 288 distinct process technologies, and manufactured 12,698 products for 532 customers.
- TSMC produced 30 percent of the world semiconductor excluding memory output value in 2022, as compared to 26 percent in the previous year.

## **2022 Financial Performance**

Consolidated revenue reached NT\$2,263.89 billion, an increase of 42.6 percent over NT\$1,587.42 billion in 2021. Net income was NT\$1,016.53 billion and diluted earnings per share were NT\$39.20. Both increased 70.4 percent from the 2021 level of NT\$596.54 billion net income and NT\$23.01 diluted EPS.

TSMC generated net income of US\$34.07 billion on consolidated revenue of US\$75.88 billion, which increased 59.6 percent and 33.5 percent respectively from the 2021 level of US\$21.35 billion net income and US\$56.82 billion consolidated revenue.

Gross profit margin was 59.6 percent as compared with 51.6 percent in 2021, while operating profit margin was 49.5 percent compared with 40.9 percent a year earlier. Net profit margin was 44.9 percent, an increase of 7.3 percentage points from 2021's 37.6 percent.

In 2022, the Company further raised its total cash dividend payments to NT\$11.0 per share, up from NT\$10.25 a year ago.

## **Technological Developments**

In 2022, we continued to increase our investment in R&D to US\$5.47 billion to extend our technology leadership and differentiation. We also work closely with our customers to enable the global pool of innovators, to unleash their innovations and create greater value for the semiconductor industry.

In its third year of ramp, our 5-nanometer family of technologies contributed 26% of TSMC's revenue. We continued to enhance our N5 family's performance, power and density, and N4 started volume production in 2022. We also introduced N4P and N4X technologies, targeting next wave 5nm products. N4P technology development is well on track, and volume production is scheduled in 2023. N4X is TSMC's first HPC-focused, workload-intensive technology, with customers' product tape-outs in 2023.

After N3 technology entered volume production in 2022, N3E will further extend our N3 family, with enhanced performance, power, and yield. Volume production of N3E is scheduled for 2H'23. We are working on a high level of customer engagement at both N3 and N3E, with the number of tape-outs more than 2x that of N5 in its first and second year. We expect our N3 family to be another large and long-lasting node for TSMC.

Our 2-nanometer technology will adopt nanosheet transistor structure, and deliver full-node performance and power efficiency gains, with 10-15% speed improvement at the same power or 25-30% power improvement at the same speed as compared to N3E, to address the increasing need for energy-efficient computing. N2 will provide our customers with the best performance, cost and technology maturity, and extend our technology leadership position well into the future.

As TSMC pushes the envelope of transistor scaling, we also continue to expand our TSMC 3DFabric™ design solutions, as another dimension to improve system-level performance. TSMC 3DFabric™ consists of both wafer-level 3D and advanced packaging technologies. For our 3D technologies, TSMC-SoIC® Chip-on-Wafer (CoW) technology successfully entered volume production in 2022, demonstrating significant performance improvement by stacking SRAM chips on logic wafers. TSMC-SoIC® Wafer-on-Wafer (WoW) technology demonstrated superb system performance enhancement for HPC products in 2022 by stacking 7nm logic wafer on deep trench capacitor wafer. For our advanced packaging technologies, the CoWoS®-S technology that integrates multiple system-on-chip (SoC) chips, high bandwidth memory stacks, and a 3-reticle size silicon interposer successfully entered volume production for customer HPC products in 2022. For InFO advanced packaging technology, TSMC successfully entered volume production of Integrated Fan-Out on Substrate (InFO\_oS) that integrates multiple SoC chips in a 2-reticle size fan-out package.

To help customers unleash their product innovations with fast time-to-market, TSMC provides customers with comprehensive infrastructure needed to optimize design productivity and cycle times. TSMC continues to expand our Open Innovation Platform® (OIP), providing over 55,000 items of libraries and silicon IP portfolio, more than 43,000 technology files, and over 2,900 process design kits, from 0.5-micron to 3-nanometer in 2022.

## **Environmental, Social and Governance**

As a responsible global corporate citizen, TSMC is focused on driving changes in Green Manufacturing, establishing a Responsible Supply Chain, Talent Development, Inclusive Workplace, and Caring for the Underprivileged. In 2022, we published our first UN SDGs (United Nations Sustainable Development Goals) Action Report and Materiality Analysis Report to enhance the transparency of our sustainability progress.

Green Manufacturing is the cornerstone of our sustainability management. TSMC strives to be a global standard of an eco-friendly corporation, and we integrate green management into all aspects of our daily operations, both in Taiwan and overseas. In 2022, TSMC's Reclaimed Water Plant commenced operations in the Southern Taiwan Science Park and began water supply of 10,000 metric tons of water per day, with the goal of reaching 36,000 metric tons per day by 2026. At TSMC Arizona, we plan to build an Industrial Water Reclamation Plant, which would allow us to reach "Near Zero Liquid Discharge."

In our supply chain, TSMC is actively working with our suppliers to drive low-carbon emissions management, a key component of our roadmap to Net Zero Emissions by 2050. We continue to expand carbon capture opportunities in our supply chain management, and encourage our suppliers to set up carbon capture facilities to reduce carbon emissions.

Talent is critical to the global semiconductor industry's success. We believe TSMC's global footprint expansion not only enables us to better support our customers, but also gives us more opportunities to reach global talent. To attract more talent and create a sustainable recruitment pipeline for the semiconductor industry, TSMC continues to invest in semiconductor related research through close collaboration with top universities including National Taiwan University, National Tsing Hua University, National Yang Ming Chiao Tung University, National Cheng Kung University, MIT, Stanford University, UC Berkeley, Arizona State University, Tokyo University, and other prestigious institutions around the world.

In order to deepen employee awareness and practice of Diversity and Inclusion, TSMC focuses on enhancing employees' awareness of respecting individual differences and its unique values in the workplace. TSMC has designed a course on unconscious bias to help employees identify and respond to biases in the right way. Employees can also use intercultural assessment tools to evaluate themselves and learn how to work with colleagues from diverse backgrounds in their teams.

The TSMC Education and Culture Foundation and the TSMC Charity Foundation have long been invested in driving positive changes towards a better society, by focusing on caring for the disadvantaged and helping youth education. In 2022, the

TSMC Charity Foundation assisted 6,358 students at 134 rural care institutes and collaborated with TSMC volunteers to produce tutorial videos for scientific experiments and science education. TSMC also partnered with SEMI to hold a session at 2022 SEMICON Taiwan, promoting a matching platform that offered 600 jobs opportunities from 30 different companies to rural vocational students.

### **Corporate Developments**

In December 2022, TSMC announced that, in addition to TSMC Arizona's first fab, which is scheduled to begin production of N4 process technology in 2024, the Company has also started the construction of a second fab in Arizona to begin production of 3nm process technology in 2026. The overall investment for these two facilities will be approximately US\$40 billion. When completed, TSMC Arizona's two fabs will manufacture over 600,000 wafers per year.

In February 2022, TSMC, Sony Semiconductor Solutions Corporation (SSS) and Denso Corporation jointly announced a joint venture of Japan Advanced Semiconductor Manufacturing (JASM). In addition to the previously announced 22/28 nanometer process, TSMC will also enhance JASM's capabilities with 12/16 nanometer FinFET process technology, and increase monthly production capacity to 55,000 12-inch wafers. With the additional capacity, the total capital expenditure for JASM's Kumamoto fab is estimated to be approximately US\$8.6 billion with strong support from the Japanese government.

### **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*, *The Asset*, *CommonWealth Magazine*, Taiwan Stock Exchange, and Taiwan Institute for Sustainable Energy. For innovation, TSMC was recognized as 3<sup>rd</sup> in IFI Claims Patent Services' "2022 Top 50 US Patent Assignees." TSMC was also recognized by *Fortune Magazine* as "2022 World's Most Admired 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 22 consecutive years. We also received MSCI ESG Research's AAA Rating, CDP's "2022 CDP Supplier Engagement Leader," Sustainalytics' "Company ESG Risk Ratings-Low ESG Risk" rating, ISS ESG's "Prime" status in the ESG Corporate Rating, and *Corporate Knight's* "2022 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**

Entering 2023, macroeconomic and geopolitical uncertainties persist. As global COVID-19 pandemic subsides, we have entered a more intelligent and connected

world. As semiconductors become increasingly essential and ubiquitous to every part of our daily lives, semiconductor technology is becoming a foundational technology for the modern digital economy. The semiconductor value in the global supply chain continues to increase, creating greater value opportunities for our customers, and greater value opportunities for TSMC.

It is more important than ever for TSMC to fulfill our mission to be the trusted technology and capacity provider for the global logic IC industry for years to come. We will uphold our Trinity of Strengths of Technology Leadership, Manufacturing Excellence, and Customer Trust, to address and capture the strong growth opportunities.

We are increasing our investments in R&D, to continue to extend our overall competitiveness and technology leadership. With our leadership in both leading edge process technologies and 3DIC solutions, TSMC's technology cadence remains constant, to deliver the value of our technology platform, and to help our customers to enhance their product competitiveness and to grow their markets well into the future.

We continue to focus on optimizing our manufacturing operations to drive greater efficiency and productivity, including "digitalization" of our fabs, to support high volume ramp of N3 in 2023 and beyond.

We are increasing our capacity beyond Taiwan to expand our future growth potential, to reach for global talent, and to further increase our customer trust. As we expand our global footprint, and recruit people from around the world, our priority is to identify, attract and hire talent whose core values and principles are aligned with TSMC's, so that we can establish TSMC culture in all our employees, no matter where we operate.

We recognize the increasingly important role of TSMC in the global semiconductor industry, our impact to many of the world's economies, and the responsibilities that come with our position. We remain steadfast to our dedicated foundry business model, and will continue to work as One Team to support all the IC innovators and enable their success. We will hold ourselves to rigorous standards of corporate governance, and adhere to our core values of Integrity, Commitment, Innovation and Customer Trust, while pursuing a sustainable future. We are honored to earn your trust in TSMC through the challenges of 2022. We are more excited about our future, and are even more firmly committed to earning good returns for our shareholders in the years to come.

**Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 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:



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Sir Peter L. Bonfield

February 14, 2023

2022 Directors' Remuneration

Remuneration Paid to Directors and Independent Directors (Note 1)

Unit: NTS

Title/Name	Director's Remuneration								(A+B+C+D) as a % of Net Income		Compensation Earned by a Director Who is an Employee of TSMC or of TSMC's Consolidated Entities								(A+B+C+D+E+F+G) as a % of Net Income (Note 4)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company		
	Base Compensation (A)		Severance Pay and Pensions (B) (Note 2)		Compensation to Directors (C)		Allowances (D) (Note 3)				Base Compensation, Bonuses, and Allowances (E) (Note 3)		Severance Pay and Pensions (F) (Note 2)		Profit Sharing (G)								
	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	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)					
Chairman Mark Liu	50,905,192	50,905,192	214,206	214,206	579,536,780	579,536,780	1,418,210	1,418,210	0.0622%	0.0622%	-	-	-	-	-	-	-	-	0.0622%	0.0622%	-		
Vice Chairman C.C. Wei	-	-	-	-	-	-	-	-	-	-	-	353,404,118	353,404,118	214,206	214,206	289,768,390	-	289,768,390	-	-	0.0633%	0.0633%	-
Director F.C. Tseng	-	-	-	-	10,560,000	10,560,000	1,324,440	1,324,440	0.0012%	0.0012%	-	-	-	-	-	-	-	-	0.0012%	0.0012%	16,904,548		
Director National Development Fund, Executive Yuan Representative: Ming-Hsin Kung	-	-	-	-	10,560,000	10,560,000	-	-	0.0010%	0.0010%	-	-	-	-	-	-	-	-	0.0010%	0.0010%	-		
Independent Director Sir Peter L. Bonfield	-	-	-	-	15,767,972	15,767,972	-	-	0.0016%	0.0016%	-	-	-	-	-	-	-	-	0.0016%	0.0016%	-		
Independent Director Kok-Choo Chen	-	-	-	-	13,200,000	13,200,000	-	-	0.0013%	0.0013%	-	-	-	-	-	-	-	-	0.0013%	0.0013%	-		
Independent Director Michael R. Splinter	-	-	-	-	15,767,972	15,767,972	-	-	0.0016%	0.0016%	-	-	-	-	-	-	-	-	0.0016%	0.0016%	-		
Independent Director Moshe N. Gavrielov	-	-	-	-	15,767,972	15,767,972	-	-	0.0016%	0.0016%	-	-	-	-	-	-	-	-	0.0016%	0.0016%	-		
Independent Director Yancey Hai	-	-	-	-	13,200,000	13,200,000	-	-	0.0013%	0.0013%	-	-	-	-	-	-	-	-	0.0013%	0.0013%	-		
Independent Director L. Rafael Reif	-	-	-	-	15,767,972	15,767,972	-	-	0.0016%	0.0016%	-	-	-	-	-	-	-	-	0.0016%	0.0016%	-		
<b>Total</b>	<b>50,905,192</b>	<b>50,905,192</b>	<b>214,206</b>	<b>214,206</b>	<b>690,128,668</b>	<b>690,128,668</b>	<b>2,742,650</b>	<b>2,742,650</b>	<b>0.0732%</b>	<b>0.0732%</b>	<b>353,404,118</b>	<b>353,404,118</b>	<b>214,206</b>	<b>214,206</b>	<b>289,768,390</b>	<b>-</b>	<b>289,768,390</b>	<b>-</b>	<b>0.1365%</b>	<b>0.1365%</b>	<b>16,904,548</b>		

\*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 2022 financial statements: Dr. F.C. Tseng for NTS17,750,609.

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

1. 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.
2. 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: Pensions funded according to applicable law.

Note 3: The above-mentioned figures include expenses for Company cars and related reimbursements, but do not include compensation paid to Company drivers (totaled NTS5,205,050).

Note 4: Total remuneration paid to the directors from TSMC and from all consolidated entities in 2021, including their employee compensation, both accounted for 0.1521% of 2021 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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of 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 and 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, 2022 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 audits resulting in this independent auditors' report are Mei Yen Chiang and Shang Chih Lin.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 14, 2023

Notice to Readers

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

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

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,342,814,083	27	\$ 1,064,990,192	29
Financial assets at fair value through profit or loss (Note 7)	1,070,398	-	159,048	-
Financial assets at fair value through other comprehensive income (Note 8)	122,998,543	2	119,519,251	3
Financial assets at amortized cost (Note 9)	94,600,219	2	3,773,571	-
Hedging financial assets (Note 10)	2,329	-	13,468	-
Notes and accounts receivable, net (Note 11)	229,755,887	5	197,586,109	5
Receivables from related parties (Note 34)	1,583,958	-	715,324	-
Other receivables from related parties (Note 34)	68,975	-	61,531	-
Inventories (Notes 5 and 12)	221,149,148	4	193,102,321	5
Other financial assets (Note 35)	25,964,428	1	16,630,611	1
Other current assets	12,888,776	-	10,521,481	-
<b>Total current assets</b>	<b>2,052,896,744</b>	<b>41</b>	<b>1,607,072,907</b>	<b>43</b>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Note 8)	6,159,200	-	5,887,892	-
Financial assets at amortized cost (Note 9)	35,127,215	1	1,533,391	-
Investments accounted for using equity method (Note 13)	27,641,505	1	21,963,418	1
Property, plant and equipment (Notes 5 and 14)	2,693,836,970	54	1,975,118,704	53
Right-of-use assets (Notes 5 and 15)	41,914,136	1	32,734,537	1
Intangible assets (Notes 5 and 16)	25,999,155	1	26,821,697	1
Deferred income tax assets (Notes 5 and 26)	69,185,842	1	49,153,886	1
Refundable deposits	4,467,022	-	2,624,854	-
Other noncurrent assets	7,551,089	-	2,592,169	-
<b>Total noncurrent assets</b>	<b>2,911,882,134</b>	<b>59</b>	<b>2,118,430,548</b>	<b>57</b>
<b>TOTAL</b>	<b>\$ 4,964,778,878</b>	<b>100</b>	<b>\$ 3,725,503,455</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 17 and 31)	\$ -	-	\$ 114,921,333	3
Financial liabilities at fair value through profit or loss (Note 7)	116,215	-	681,914	-
Hedging financial liabilities (Note 10)	813	-	9,642	-
Accounts payable	54,879,708	1	47,285,603	1
Payables to related parties (Note 34)	1,642,637	-	1,437,186	-
Salary and bonus payable	36,435,509	1	23,802,100	1
Accrued profit sharing bonus to employees and compensation to directors (Note 29)	61,748,574	1	36,524,741	1
Payables to contractors and equipment suppliers	213,499,613	4	145,742,148	4
Cash dividends payable (Note 21)	142,617,093	3	142,617,093	4
Income tax payable (Notes 5 and 26)	120,801,814	3	59,647,152	2
Long-term liabilities - current portion (Notes 18, 19 and 31)	19,313,889	-	4,566,667	-
Accrued expenses and other current liabilities (Notes 5, 15, 22, 31 and 34)	293,170,952	6	162,267,779	4
<b>Total current liabilities</b>	<b>944,226,817</b>	<b>19</b>	<b>739,503,358</b>	<b>20</b>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Notes 18 and 31)	834,336,439	17	610,070,652	16
Long-term bank loans (Notes 19 and 31)	4,760,047	-	3,309,131	-
Deferred income tax liabilities (Notes 5 and 26)	1,031,383	-	1,873,877	-
Lease liabilities (Notes 5, 15 and 31)	29,764,097	-	20,764,214	1
Net defined benefit liability (Note 20)	9,321,091	-	11,036,879	-
Guarantee deposits	892,021	-	686,762	-
Others (Note 22)	179,958,116	4	167,525,377	5
<b>Total noncurrent liabilities</b>	<b>1,060,063,194</b>	<b>21</b>	<b>815,266,892</b>	<b>22</b>
<b>Total liabilities</b>	<b>2,004,290,011</b>	<b>40</b>	<b>1,554,770,250</b>	<b>42</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock (Notes 4 and 21)	259,303,805	5	259,303,805	7
Capital surplus (Notes 4, 21 and 28)	69,330,328	1	64,761,602	2
Retained earnings (Notes 4 and 21)				
Appropriated as legal capital reserve	311,146,899	6	311,146,899	8
Appropriated as special capital reserve	3,154,310	-	59,304,212	2
Unappropriated earnings	2,323,223,479	47	1,536,378,550	41
	2,637,524,688	53	1,906,829,661	51
Others (Notes 4, 21 and 28)	(20,505,626)	-	(62,608,515)	(2)
<b>Equity attributable to shareholders of the parent</b>	<b>2,945,653,195</b>	<b>59</b>	<b>2,168,286,553</b>	<b>58</b>
<b>NON - CONTROLLING INTERESTS</b>	<b>14,835,672</b>	<b>1</b>	<b>2,446,652</b>	<b>-</b>
<b>Total equity</b>	<b>2,960,488,867</b>	<b>60</b>	<b>2,170,733,205</b>	<b>58</b>
<b>TOTAL</b>	<b>\$ 4,964,778,878</b>	<b>100</b>	<b>\$ 3,725,503,455</b>	<b>100</b>

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)

	2022		2021	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 22, 34 and 39)	\$ 2,263,891,292	100	\$ 1,587,415,037	100
COST OF REVENUE (Notes 5, 12, 29 and 34)	<u>915,536,486</u>	<u>40</u>	<u>767,877,771</u>	<u>48</u>
GROSS PROFIT	<u>1,348,354,806</u>	<u>60</u>	<u>819,537,266</u>	<u>52</u>
OPERATING EXPENSES (Notes 5, 29 and 34)				
Research and development	163,262,208	7	124,734,755	8
General and administrative	53,524,898	2	36,929,588	2
Marketing	<u>9,920,446</u>	<u>1</u>	<u>7,558,591</u>	<u>1</u>
Total operating expenses	<u>226,707,552</u>	<u>10</u>	<u>169,222,934</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14 and 29)	<u>(368,403)</u>	<u>-</u>	<u>(333,435)</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 39)	<u>1,121,278,851</u>	<u>50</u>	<u>649,980,897</u>	<u>41</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates	7,798,359	-	5,603,084	-
Interest income (Note 23)	22,422,209	1	5,708,765	-
Other income	947,697	-	973,141	-
Foreign exchange gain, net (Note 37)	4,505,784	-	13,662,655	1
Finance costs (Note 24)	(11,749,984)	-	(5,414,218)	-
Other gains and losses, net (Note 25)	<u>(1,012,198)</u>	<u>-</u>	<u>(7,388,010)</u>	<u>-</u>
Total non-operating income and expenses	<u>22,911,867</u>	<u>1</u>	<u>13,145,417</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,144,190,718	51	663,126,314	42
INCOME TAX EXPENSE (Notes 5 and 26)	<u>127,290,203</u>	<u>6</u>	<u>66,053,180</u>	<u>4</u>
NET INCOME	<u>1,016,900,515</u>	<u>45</u>	<u>597,073,134</u>	<u>38</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	(823,060)	-	242,079	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(263,749)	-	1,900,797	-
Loss on hedging instruments	-	-	(41,416)	-
Share of other comprehensive income (loss) of associates	154,457	-	(30,194)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	<u>733,956</u>	<u>-</u>	<u>(85,269)</u>	<u>-</u>
	<u>(198,396)</u>	<u>-</u>	<u>1,985,997</u>	<u>-</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	\$ 50,845,614	2	\$ (6,181,830)	(1)
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(10,102,658)	-	(3,431,791)	-
Gain on hedging instruments	1,329,231	-	131,535	-
Share of other comprehensive income (loss) of associates	550,338	-	(119,997)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	<u>6,036</u>	<u>-</u>	<u>(3,370)</u>	<u>-</u>
	<u>42,628,561</u>	<u>2</u>	<u>(9,605,453)</u>	<u>(1)</u>
Other comprehensive income (loss), net of income tax	<u>42,430,165</u>	<u>2</u>	<u>(7,619,456)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,059,330,680</u>	<u>47</u>	<u>\$ 589,453,678</u>	<u>37</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 1,016,530,249	45	\$ 596,540,013	38
Non-controlling interests	<u>370,266</u>	<u>-</u>	<u>533,121</u>	<u>-</u>
	<u>\$ 1,016,900,515</u>	<u>45</u>	<u>\$ 597,073,134</u>	<u>38</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 1,059,124,890	47	\$ 588,918,059	37
Non-controlling interests	<u>205,790</u>	<u>-</u>	<u>535,619</u>	<u>-</u>
	<u>\$ 1,059,330,680</u>	<u>47</u>	<u>\$ 589,453,678</u>	<u>37</u>
EARNINGS PER SHARE (NT\$, Note 27)				
Basic earnings per share	<u>\$ 39.20</u>		<u>\$ 23.01</u>	
Diluted earnings per share	<u>\$ 39.20</u>		<u>\$ 23.01</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																		
	Capital Stock - Common Stock							Retained Earnings							Others		Treasury Stock	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	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							
BALANCE, JANUARY 1, 2021	25,930,380	\$ 259,303,805	\$ 56,347,243	\$ 311,146,899	\$ 42,259,146	\$ 1,235,280,036	\$ 1,588,686,081	\$ (57,001,627)	\$ 2,321,754	\$ -	\$ -	\$ (54,679,873)	\$ -	\$ 1,849,657,256	\$ 964,743	\$ 1,850,621,999			
Appropriations of earnings	-	-	-	-	17,045,066	(17,045,066)	-	-	-	-	-	-	-	-	-	-			
Special capital reserve	-	-	-	-	-	(278,751,590)	(278,751,590)	-	-	-	-	-	-	-	-	-			
Cash dividends to shareholders	-	-	-	-	-	(295,796,656)	(295,796,656)	-	-	-	-	-	-	-	-	-			
Total	-	-	-	-	17,045,066	(278,751,590)	(278,751,590)	-	-	-	-	-	-	-	-	-			
Net income	-	-	-	-	-	596,540,013	596,540,013	-	-	-	-	-	-	596,540,013	533,121	597,073,134			
Other comprehensive income (loss), net of income tax	-	-	-	-	-	167,503	167,503	(6,301,734)	(1,559,790)	72,067	-	(7,789,457)	-	(7,621,954)	2,498	(7,619,456)			
Total comprehensive income (loss)	-	-	-	-	-	596,707,516	596,707,516	(6,301,734)	(1,559,790)	72,067	-	(7,789,457)	-	588,918,059	535,619	589,453,678			
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	187,654	187,654	-	(187,654)	-	-	(187,654)	-	-	-	-			
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	48,469	-	48,469	-	48,469	-	48,469			
Adjustments to share of changes in equities of associates	-	-	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			
Appropriations of earnings	-	-	-	-	(56,149,902)	56,149,902	-	-	-	-	-	-	-	-	-	-			
Special capital reserve	-	-	-	-	-	(285,234,185)	(285,234,185)	-	-	-	-	-	-	(285,234,185)	-	(285,234,185)			
Cash dividends to shareholders	-	-	-	-	-	(229,084,283)	(229,084,283)	-	-	-	-	-	-	(229,084,283)	-	(229,084,283)			
Total	-	-	-	-	(56,149,902)	(229,084,283)	(229,084,283)	-	-	-	-	-	-	(229,084,283)	-	(229,084,283)			
Net income	-	-	-	-	-	1,016,530,249	1,016,530,249	-	-	-	-	-	-	1,016,530,249	370,266	1,016,900,515			
Other comprehensive income (loss), net of income tax	-	-	-	-	-	(49,572)	(49,572)	51,560,060	(10,327,421)	1,411,574	-	42,644,213	-	42,594,641	(164,476)	42,430,165			
Total comprehensive income (loss)	-	-	-	-	-	1,016,480,677	1,016,480,677	51,560,060	(10,327,421)	1,411,574	-	42,644,213	-	1,059,124,890	205,790	1,059,330,680			
Share-based payment arrangements	1,387	13,870	438,029	-	-	-	-	-	-	-	(185,153)	(185,153)	-	266,746	-	266,746			
Treasury stock acquired	-	-	-	-	-	-	-	-	-	-	-	-	(871,566)	(871,566)	-	(871,566)			
Treasury stock retired	(1,387)	(13,870)	(2,989)	-	-	(854,707)	(854,707)	-	-	-	-	-	871,566	-	-				
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	303,242	303,242	-	(303,242)	-	-	(303,242)	-	-	-	-			
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(52,929)	-	(52,929)	-	(52,929)	-	(52,929)			
Adjustments to share of changes in equities of associates	-	-	4,541	-	-	-	-	-	-	-	-	-	-	4,541	-	4,541			
From share of changes in equities of subsidiaries	-	-	4,115,940	-	-	-	-	-	-	-	-	-	-	4,115,940	12,350,219	16,466,159			
Donation from shareholders	-	-	13,205	-	-	-	-	-	-	-	-	-	-	13,205	20	13,225			
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(167,009)	(167,009)			
BALANCE, DECEMBER 31, 2022	25,930,380	259,303,805	69,330,328	311,146,899	3,154,310	2,323,223,479	2,637,524,688	(11,743,301)	(10,056,353)	1,479,181	(185,153)	(20,505,626)	-	2,945,653,195	14,835,672	2,960,488,867			

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)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,144,190,718	\$ 663,126,314
Adjustments for:		
Depreciation expense	428,498,179	414,187,700
Amortization expense	8,756,094	8,207,169
Expected credit losses recognized (reversal) on investments in debt instruments	52,351	(2,735)
Finance costs	11,749,984	5,414,218
Share of profits of associates	(7,798,359)	(5,603,084)
Interest income	(22,422,209)	(5,708,765)
Share-based compensation	302,348	7,788
Loss (gain) on disposal or retirement of property, plant and equipment, net	(98,856)	273,627
Loss on disposal or retirement of intangible assets, net	6,004	1,228
Impairment loss on property, plant and equipment	790,740	274,388
Loss (gain) on disposal of investments in debt instruments at fair value through other comprehensive income, net	410,076	(93,229)
Loss (gain) on foreign exchange, net	10,342,706	(16,115,936)
Dividend income	(266,767)	(362,310)
Others	138,827	(414,219)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(1,354,359)	2,649,244
Notes and accounts receivable, net	(32,169,853)	(52,105,823)
Receivables from related parties	(868,634)	(157,193)
Other receivables from related parties	(7,444)	(10,886)
Inventories	(28,046,827)	(55,748,914)
Other financial assets	(1,680,611)	(8,236,897)
Other current assets	(4,450,883)	(3,899,043)
Accounts payable	7,594,105	8,298,319
Payables to related parties	205,451	(670,532)
Salary and bonus payable	12,633,409	3,730,859
Accrued profit sharing bonus to employees and compensation to directors	25,223,833	843,695
Accrued expenses and other current liabilities	46,578,784	84,322,721
Other noncurrent liabilities	101,390,476	154,085,985
Net defined benefit liability	(2,538,848)	(635,116)
Cash generated from operations	1,697,160,435	1,195,658,573
Income taxes paid	(86,561,247)	(83,497,851)
Net cash generated by operating activities	<u>1,610,599,188</u>	<u>1,112,160,722</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial instruments at fair value through profit or loss	(125,540)	-
Financial assets at fair value through other comprehensive income	(54,566,725)	(255,888,679)
Financial assets at amortized cost	(183,125,920)	(3,799,737)
Property, plant and equipment	(1,082,672,130)	(839,195,708)
Intangible assets	(6,954,326)	(9,040,751)
Proceeds from disposal or redemption of:		
Financial assets at fair value through other comprehensive income	44,963,367	254,604,537
Financial assets at amortized cost	62,329,674	9,368,275
Property, plant and equipment	983,358	390,364
Intangible assets	12,636	-

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2022	2021
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	\$ 2,938	\$ 115,627
Derecognition of hedging financial instruments	1,684,430	276,261
Interest received	18,083,755	5,990,948
Proceeds from government grants - property, plant and equipment	7,046,136	821,312
Proceeds from government grants - others	5,296	6,605
Other dividends received	266,767	362,310
Dividends received from investments accounted for using equity method	2,749,667	2,136,426
Increase in prepayments for leases	-	(1,200,000)
Refundable deposits paid	(2,117,041)	(1,997,337)
Refundable deposits refunded	<u>505,423</u>	<u>683,684</u>
Net cash used in investing activities	<u>(1,190,928,235)</u>	<u>(836,365,863)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	(111,959,992)	35,668,397
Proceeds from issuance of bonds	198,293,561	364,592,792
Repayment of bonds	(4,400,000)	(2,600,000)
Proceeds from long-term bank loans	2,670,000	1,510,000
Repayment of long-term bank loans	(166,667)	-
Payments for transaction costs attributable to the issuance of bonds	(414,307)	(737,724)
Treasury stock acquired	(871,566)	-
Repayment of the principal portion of lease liabilities	(2,428,277)	(1,985,338)
Interest paid	(12,218,659)	(3,833,633)
Guarantee deposits received	271,387	469,041
Guarantee deposits refunded	(62,100)	(36,763)
Cash dividends	(285,234,185)	(265,786,399)
Disposal of ownership interests in subsidiaries (without losing control)	-	9,451,798
Donation from shareholders	13,225	11,282
Increase (decrease) in non-controlling interests	<u>16,263,548</u>	<u>(115,015)</u>
Net cash generated by (used in) financing activities	<u>(200,244,032)</u>	<u>136,608,438</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>58,396,970</u>	<u>(7,583,752)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	277,823,891	404,819,545
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,064,990,192</u>	<u>660,170,647</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,342,814,083</u>	<u>\$ 1,064,990,192</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, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 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 13 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 Standards on Auditing of 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 Standards on Auditing of 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 and 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, 2022 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 audits resulting in this independent auditors' report are Mei Yen Chiang and Shang Chih Lin.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 14, 2023

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, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 628,875,897	14	\$ 396,294,241	12
Financial assets at fair value through profit or loss (Note 7)	552,255	-	145,280	-
Financial assets at amortized cost (Note 8)	48,732,476	1	-	-
Notes and accounts receivable, net (Note 10)	41,311,836	1	45,900,297	2
Receivables from related parties (Note 31)	173,044,812	4	138,352,374	4
Other receivables from related parties (Note 31)	6,357,925	-	5,227,425	-
Inventories (Notes 5 and 11)	208,282,895	5	185,159,848	5
Other financial assets	2,801,253	-	3,861,859	-
Other current assets	8,591,040	-	8,264,613	-
Total current assets	<u>1,118,550,389</u>	<u>25</u>	<u>783,205,937</u>	<u>23</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income	1,014,741	-	998,400	-
Investments accounted for using equity method (Note 12)	727,947,169	16	602,642,544	18
Property, plant and equipment (Notes 5 and 13)	2,432,675,050	55	1,889,970,529	56
Right-of-use assets (Notes 5 and 14)	39,051,427	1	30,123,052	1
Intangible assets (Notes 5 and 15)	21,456,104	1	22,910,400	1
Deferred income tax assets (Notes 5 and 24)	67,708,061	2	47,780,990	1
Refundable deposits	2,095,656	-	862,893	-
Other noncurrent assets (Note 31)	11,920,467	-	400	-
Total noncurrent assets	<u>3,303,868,675</u>	<u>75</u>	<u>2,595,289,208</u>	<u>77</u>
<b>TOTAL</b>	<u>\$ 4,422,419,064</u>	<u>100</u>	<u>\$ 3,378,495,145</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 16 and 28)	\$ -	-	\$ 114,921,333	3
Financial liabilities at fair value through profit or loss (Note 7)	17,468	-	636,472	-
Accounts payable	48,732,542	1	41,204,422	1
Payables to related parties (Note 31)	10,051,044	-	7,687,673	-
Salary and bonus payable	31,308,620	1	20,814,434	1
Accrued profit sharing bonus to employees and compensation to directors (Note 27)	61,392,175	1	36,088,986	1
Payables to contractors and equipment suppliers	200,046,018	5	136,212,285	4
Cash dividends payable (Note 19)	142,617,093	3	142,617,093	4
Income tax payable (Notes 5 and 24)	120,077,567	3	58,755,245	2
Long-term liabilities - current portion (Notes 17 and 28)	18,100,000	-	4,400,000	-
Accrued expenses and other current liabilities (Notes 5, 14, 20, 28 and 31)	266,903,073	6	141,495,427	4
Total current liabilities	<u>899,245,600</u>	<u>20</u>	<u>704,833,370</u>	<u>20</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Notes 17 and 28)	361,130,474	8	307,783,409	9
Deferred income tax liabilities (Notes 5 and 24)	908,273	-	1,848,966	-
Lease liabilities (Notes 5, 14 and 28)	27,593,900	1	18,742,323	1
Net defined benefit liability (Note 18)	9,321,091	-	11,036,879	-
Guarantee deposits	885,273	-	680,137	-
Others (Notes 20 and 31)	177,681,258	4	165,283,508	5
Total noncurrent liabilities	<u>577,520,269</u>	<u>13</u>	<u>505,375,222</u>	<u>15</u>
Total liabilities	<u>1,476,765,869</u>	<u>33</u>	<u>1,210,208,592</u>	<u>35</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock (Note 19)	259,303,805	6	259,303,805	8
Capital surplus (Note 19)	69,330,328	2	64,761,602	2
Retained earnings (Note 19)				
Appropriated as legal capital reserve	311,146,899	7	311,146,899	9
Appropriated as special capital reserve	3,154,310	-	59,304,212	2
Unappropriated earnings	2,323,223,479	53	1,536,378,550	46
	<u>2,637,524,688</u>	<u>60</u>	<u>1,906,829,661</u>	<u>57</u>
Others (Note 19)	(20,505,626)	(1)	(62,608,515)	(2)
Total equity	<u>2,945,653,195</u>	<u>67</u>	<u>2,168,286,553</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 4,422,419,064</u>	<u>100</u>	<u>\$ 3,378,495,145</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)

	2022		2021	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 20 and 31)	\$ 2,252,320,561	100	\$ 1,574,745,881	100
COST OF REVENUE (Notes 5, 11, 27 and 31)	<u>951,927,673</u>	<u>42</u>	<u>786,116,844</u>	<u>50</u>
GROSS PROFIT	<u>1,300,392,888</u>	<u>58</u>	<u>788,629,037</u>	<u>50</u>
OPERATING EXPENSES (Notes 5, 27 and 31)				
Research and development	160,813,633	7	123,417,275	8
General and administrative	42,764,642	2	30,967,600	2
Marketing	<u>6,059,649</u>	<u>-</u>	<u>4,282,882</u>	<u>-</u>
Total operating expenses	<u>209,637,924</u>	<u>9</u>	<u>158,667,757</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 13 and 27)	<u>(8,275)</u>	<u>(1)</u>	<u>(328,444)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>1,090,746,689</u>	<u>48</u>	<u>629,632,836</u>	<u>40</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 12)	42,415,408	2	26,837,174	2
Interest income (Note 21)	5,957,864	1	927,754	-
Other income	887,958	-	789,810	-
Foreign exchange gain, net (Note 33)	853,022	-	14,682,696	1
Finance costs (Note 22)	(3,240,406)	-	(2,534,721)	-
Other gains and losses, net (Note 23)	<u>3,053,281</u>	<u>-</u>	<u>(9,833,358)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>49,927,127</u>	<u>3</u>	<u>30,869,355</u>	<u>2</u>
INCOME BEFORE INCOME TAX	1,140,673,816	51	660,502,191	42
INCOME TAX EXPENSE (Notes 5 and 24)	<u>124,143,567</u>	<u>6</u>	<u>63,962,178</u>	<u>4</u>
NET INCOME	<u>1,016,530,249</u>	<u>45</u>	<u>596,540,013</u>	<u>38</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 5, 12, 18, 19 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(823,060)	-	242,079	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	18,979	-	170,127	-
Loss on hedging instruments	-	-	(41,416)	-
Share of other comprehensive gain/(loss) of subsidiaries and associates	(127,903)	-	1,697,885	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	<u>733,956</u>	<u>-</u>	<u>(85,269)</u>	<u>-</u>
	<u>(198,028)</u>	<u>-</u>	<u>1,983,406</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)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	\$ 51,030,928	2	\$ (6,182,507)	-
Share of other comprehensive loss of subsidiaries and associates	(8,244,295)	-	(3,419,483)	-
Income tax benefit (expense) related to items that may be reclassified subsequently	<u>6,036</u>	<u>-</u>	<u>(3,370)</u>	<u>-</u>
	<u>42,792,669</u>	<u>2</u>	<u>(9,605,360)</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>42,594,641</u>	<u>2</u>	<u>(7,621,954)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,059,124,890</u>	<u>47</u>	<u>\$ 588,918,059</u>	<u>38</u>
EARNINGS PER SHARE (NT\$, Note 25)				
Basic earnings per share	<u>\$ 39.20</u>		<u>\$ 23.01</u>	
Diluted earnings per share	<u>\$ 39.20</u>		<u>\$ 23.01</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						
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	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	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2021	25,930,380	\$ 259,303,805	\$ 56,347,243	\$ 311,146,899	\$ 42,259,146	\$ 1,235,280,036	\$ 1,588,686,081	\$ (57,001,627)	\$ 2,321,754	\$ -	\$ -	\$ (54,679,873)	\$ -	\$ 1,849,657,256
Appropriations of earnings														
Special capital reserve	-	-	-	-	17,045,066	(17,045,066)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(278,751,590)	(278,751,590)	-	-	-	-	-	-	(278,751,590)
Total	-	-	-	-	17,045,066	(295,796,656)	(278,751,590)	-	-	-	-	-	-	(278,751,590)
Net income	-	-	-	-	-	596,540,013	596,540,013	-	-	-	-	-	-	596,540,013
Other comprehensive income (loss), net of income tax	-	-	-	-	-	167,503	167,503	(6,301,734)	(1,559,790)	72,067	-	(7,789,457)	-	(7,621,954)
Total comprehensive income (loss)	-	-	-	-	-	596,707,516	596,707,516	(6,301,734)	(1,559,790)	72,067	-	(7,789,457)	-	588,918,059
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	187,654	187,654	-	(187,654)	-	-	(187,654)	-	-
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	48,469	-	48,469	-	48,469
Adjustments to share of changes in equities of associates	-	-	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
From share of changes in equities of subsidiaries	-	-	(7,891)	-	-	-	-	-	-	-	-	-	-	(7,891)
Donation from shareholders	-	-	11,172	-	-	-	-	-	-	-	-	-	-	11,172
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
Appropriations of earnings														
Special capital reserve	-	-	-	-	(56,149,902)	56,149,902	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(285,234,185)	(285,234,185)	-	-	-	-	-	-	(285,234,185)
Total	-	-	-	-	(56,149,902)	(229,084,283)	(285,234,185)	-	-	-	-	-	-	(285,234,185)
Net income	-	-	-	-	-	1,016,530,249	1,016,530,249	-	-	-	-	-	-	1,016,530,249
Other comprehensive income (loss), net of income tax	-	-	-	-	-	(49,572)	(49,572)	51,560,060	(10,327,421)	1,411,574	-	42,644,213	-	42,594,641
Total comprehensive income (loss)	-	-	-	-	-	1,016,480,677	1,016,480,677	51,560,060	(10,327,421)	1,411,574	-	42,644,213	-	1,059,124,890
Share-based payment arrangements	1,387	13,870	438,029	-	-	-	-	-	-	-	(185,153)	(185,153)	-	266,746
Treasury stock acquired	-	-	-	-	-	-	-	-	-	-	-	-	(871,566)	(871,566)
Treasury stock retired	(1,387)	(13,870)	(2,989)	-	-	(854,707)	(854,707)	-	-	-	-	-	871,566	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	303,242	303,242	-	(303,242)	-	-	(303,242)	-	-
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(52,929)	-	(52,929)	-	(52,929)
Adjustments to share of changes in equities of associates	-	-	4,541	-	-	-	-	-	-	-	-	-	-	4,541
From share of changes in equities of subsidiaries	-	-	4,115,940	-	-	-	-	-	-	-	-	-	-	4,115,940
Donation from shareholders	-	-	13,205	-	-	-	-	-	-	-	-	-	-	13,205
BALANCE, DECEMBER 31, 2022	25,930,380	\$ 259,303,805	\$ 69,330,328	\$ 311,146,899	\$ 3,154,310	\$ 2,323,223,479	\$ 2,637,524,688	\$ (11,743,301)	\$ (10,056,353)	\$ 1,479,181	\$ (185,153)	\$ (20,505,626)	\$ -	\$ 2,945,653,195

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)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,140,673,816	\$ 660,502,191
Adjustments for:		
Depreciation expense	413,595,082	402,931,257
Amortization expense	8,706,961	8,100,730
Expected credit losses recognized on investments in debt instruments	10,341	-
Finance costs	3,240,406	2,534,721
Share of profits of subsidiaries and associates	(42,415,408)	(26,837,174)
Interest income	(5,957,864)	(927,754)
Share-based compensation	266,746	-
Loss (gain) on disposal or retirement of property, plant and equipment, net	(436,567)	222,387
Loss (gain) on disposal or retirement of intangible assets, net	3,720	(7,332)
Impairment loss on property, plant and equipment	790,740	274,388
Loss (gain) on foreign exchange, net	9,965,603	(16,975,706)
Dividend income	(207,028)	(178,979)
Others	131,637	(370,086)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(1,025,979)	2,482,448
Notes and accounts receivable, net	4,588,461	(11,289,182)
Receivables from related parties	(34,692,438)	(36,571,200)
Other receivables from related parties	(1,074,087)	(3,503,728)
Inventories	(23,123,047)	(54,861,812)
Other financial assets	1,894,328	(2,371,699)
Other current assets	(712,233)	(2,445,945)
Other noncurrent assets	(8,532,751)	-
Accounts payable	7,528,120	4,965,785
Payables to related parties	2,362,846	(746,871)
Salary and bonus payable	10,494,186	3,336,396
Accrued profit sharing bonus to employees and compensation to directors	25,303,189	826,049
Accrued expenses and other current liabilities	47,110,082	82,992,551
Other noncurrent liabilities	86,831,552	154,036,474
Net defined benefit liability	(2,538,848)	(635,116)
Cash generated from operations	1,642,781,566	1,165,482,793
Income taxes paid	(83,364,086)	(81,550,608)
Net cash generated by operating activities	<u>1,559,417,480</u>	<u>1,083,932,185</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at amortized cost	(97,748,105)	-
Equity interest in subsidiary	-	(157,243)
Property, plant and equipment	(897,574,802)	(793,327,208)
Intangible assets	(6,679,871)	(8,998,084)
Proceeds from disposal or redemption of:		
Financial assets at amortized cost	49,190,000	-
Property, plant and equipment	1,665,212	462,138
Intangible assets	3,750	-
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	2,938	6,257

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

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

	2022	2021
Interest received	\$ 4,889,786	\$ 902,872
Other dividends received	207,028	178,979
Dividends received from investments accounted for using equity method	3,248,044	2,560,790
Increase in prepayments for leases	-	(1,200,000)
Refundable deposits paid	(1,611,716)	(225,347)
Refundable deposits refunded	<u>406,185</u>	<u>605,714</u>
Net cash used in investing activities	<u>(944,001,551)</u>	<u>(799,191,132)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(111,959,992)	(50,538,933)
Proceeds from issuance of bonds	65,400,000	142,318,000
Repayment of bonds	(4,400,000)	(2,600,000)
Payments for transaction costs attributable to the issuance of bonds	(69,528)	(146,157)
Treasury stock acquired	(871,566)	-
Repayment of the principal portion of lease liabilities	(1,848,257)	(1,466,130)
Interest paid	(3,757,985)	(1,997,383)
Guarantee deposits received	216,589	467,964
Guarantee deposits refunded	(45,643)	(7,234)
Cash dividends	(285,234,185)	(265,786,399)
Disposal of ownership interests in subsidiaries (without losing control)	-	9,451,798
Payment of partial acquisition of interests in subsidiaries	(40,421,374)	(21,318,931)
Proceeds from partial disposal of interests in subsidiaries	144,505	-
Donation from shareholders	<u>13,163</u>	<u>10,876</u>
Net cash used in financing activities	<u>(382,834,273)</u>	<u>(191,612,529)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,581,656	93,128,524
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>396,294,241</u>	<u>303,165,717</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 628,875,897</u>	<u>\$ 396,294,241</u>

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

## 2022 Earnings Distribution Table

Unit: NT\$

<b>Net Income of 2022</b>	<b>1,016,530,248,910</b>
<b>Plus:</b>	
- Reversal of Special Reserve	42,288,042,308
<b>Earnings in 2022 Available for Distribution</b>	<b>1,058,818,291,218</b>
<b>Plus:</b>	
- Unappropriated Retained Earnings of Previous Years	1,461,765,699,795
- Disposal of Investments in Equity Instruments at Fair Value through Other Comprehensive Income	303,241,900
<b>Less:</b>	
- Remeasurement of Defined Benefit Obligation	-49,572,826
- Cancellation of Treasury Stocks	-854,707,051
<b>Retained Earnings Available for Distribution as of December 31, 2022</b>	<b>2,519,982,953,036</b>
<b>Distribution Item</b> <sup>Note 1:</sup>	
- 1Q22 Cash Dividends to Common Share Holders (NT\$2.75 per share)	-71,308,546,260
- 2Q22 Cash Dividends to Common Share Holders (NT\$2.75 per share)	-71,308,546,260
- 3Q22 Cash Dividends to Common Share Holders (NT\$2.74982072 per share) <sup>Note 2)</sup>	-71,308,546,260
- 4Q22 Cash Dividends to Common Share Holders (NT\$2.75 per share) <sup>Note 3)</sup>	-71,308,546,260
<b>Unappropriated Retained Earnings</b>	<b>2,234,748,767,996</b>

Note 1: Cash dividends were approved by the Board of Directors and to be reported at the Annual Shareholders' Meeting.

Note 2: The cash dividend per share was adjusted, as authorized by the Board of Directors, based on the number of actual common shares outstanding on the record date for dividend payment.

Note 3: The actual cash dividend per share shall be subject to adjustment based on the number of actual common shares outstanding on the record date for dividend payment.

**Taiwan Semiconductor Manufacturing Company, Ltd.**  
**Employee Restricted Stock Awards Rules for Year 2023**

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 executive officers of the Company or selected critical talents of the Company or the Company's subsidiaries who are employed full time 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 Board of Directors by reference to the Company's business performance and the employee's job grade, performance, and other factors as deemed appropriate. Before submitting to the Board for approval, the grants to executive officers and to non-executive officers shall be subject to the approval by the Compensation and People Development Committee and by the Audit and Risk Committee respectively.

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 6,249,000 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 both at the shareholders' meeting and by 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"<sup>Note</sup> 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<sup>Note</sup> 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 and People Development 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"> <li>• &lt; Threshold: 0%</li> <li>• = Threshold: 50%</li> <li>• ≥ Target: 100%</li> <li>• Between Threshold and Target: as calculated by interpolation method</li> </ul>
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 employees' 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 and People Development 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 and People Development 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.

**Comparison Table for the  
Procedures for Endorsement and Guarantee  
Before and After Revision**

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 4</b></p> <p>The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries is subject to the following limits:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee shall not exceed twenty-five percent (25%) of the Company’s net worth.</li> <li>2. The total amount of the endorsement/guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company’s net worth, or the net worth of such entity, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned 10% limit and the limit of net worth for any individual entity may be lifted for endorsement/guarantee provided by the Company for the benefit of the subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company.</li> </ol> <p>The total endorsement/guarantee amount for the Company and its subsidiaries and the amount for any single entity should follow the paragraph set forth herein.</p>	<p><b>Article 4</b></p> <p>The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries is subject to the following limits:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee shall not exceed <del>twenty-five percent (25%)</del> <u>forty percent (40%)</u> of the Company’s net worth.</li> <li>2. The total amount of the endorsement/guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company’s net worth, or the net worth of such entity, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned 10% limit and the limit of net worth for any individual entity may be lifted for endorsement/guarantee provided by the Company for the benefit of the subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company.</li> </ol> <p>The total endorsement/guarantee amount for the Company and its subsidiaries and the amount for any single entity should follow the paragraph set forth herein.</p>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p>In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p> <p>The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).</p>	<p>In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p> <p>The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).</p>

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

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 3</b></p> <p>The procedures for acquiring or disposing assets by the Company and the amount limitations are specified as follows:</p> <ol style="list-style-type: none"> <li>1. The acquisition or disposal of security investments classified as non-current assets shall be reviewed and evaluated by the department responsible therefor and implemented after approval by the Board of Directors (the “Board”), while the Board can authorize the Chairman to handle the matter and report to the Board for ratification on an after-the-event basis.</li> <li>2. The acquisition or disposal of security investments classified as current assets shall be reviewed and evaluated by the department responsible therefor and implemented within the limits of amount set forth in Item 6 of this Article.</li> <li>3. The acquisition or disposal of real estate or related right-of-use assets shall be reviewed and evaluated by the department responsible therefor and implemented after approval by the Board, while the Board can authorize the Chairman to handle the matter and report to the Board for ratification on an after-the-event basis.</li> <li>4. The acquisition of equipment or</li> </ol>	<p><b>Article 3</b></p> <p>The procedures for acquiring or disposing assets by the Company and the amount limitations are specified as follows:</p> <ol style="list-style-type: none"> <li>1. The acquisition or disposal of security investments classified as non-current assets shall be reviewed and evaluated by the department responsible therefor and implemented after approval by the Board of Directors (the “Board”), while the Board can authorize the Chairman to handle the matter and report to the Board for ratification on an after-the-event basis.</li> <li>2. The acquisition or disposal of security investments classified as current assets shall be reviewed and evaluated by the department responsible therefor and implemented within the limits of amount set forth in Item 6 of this Article.</li> <li>3. The acquisition or disposal of real estate or related right-of-use assets shall be reviewed and evaluated by the department responsible therefor and implemented after approval by the Board, while the Board can authorize the Chairman to handle the matter and report to the Board for ratification on an after-the-event basis.</li> <li>4. The acquisition of equipment or</li> </ol>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p>related right-of-use assets shall be handled by the department responsible therefor in accordance with relevant internal rules of the Company after approval by the Board. The disposal of equipment shall be directly handled by the department responsible therefor in accordance with relevant internal rules of the Company.</p>	<p>related right-of-use assets shall be handled by the department responsible therefor in accordance with relevant internal rules of the Company after approval by the Board. The disposal of equipment shall be directly handled by the department responsible therefor in accordance with relevant internal rules of the Company.</p>
<p>5. Responsible Departments</p> <ul style="list-style-type: none"> <li>• For acquisition or disposal of security investments, the departments responsible therefor shall be the Finance Division or other related department.</li> <li>• For acquisition or disposal of real estate, equipment or related right-of-use assets, the departments responsible therefor shall be the Material Management Division, Accounting Division or other related department.</li> </ul>	<p>5. Responsible Departments</p> <ul style="list-style-type: none"> <li>• For acquisition or disposal of security investments, the departments responsible therefor shall be the Finance Division or other related department.</li> <li>• For acquisition or disposal of real estate, equipment or related right-of-use assets, the departments responsible therefor shall be the Material Management Division, Accounting Division or other related department.</li> </ul>
<p>6. Limits of Amounts</p> <ul style="list-style-type: none"> <li>• The acquisition of real estate and related right-of-use assets by the Company for non-business use shall not exceed 15% of the Company's net worth. The acquisition of real estate and related right-of-use assets for non-business use by each of its Subsidiaries shall not exceed 5% of the Company's net worth.</li> <li>• The total amount of all security investments of the Company shall not exceed 70% of the Company's net worth. The total amount of all security investments of each of its Subsidiaries shall not exceed 60% of the Company's net worth.</li> <li>• The amount of investment of the</li> </ul>	<p>6. Limits of Amounts</p> <ul style="list-style-type: none"> <li>• The acquisition of real estate and related right-of-use assets by the Company for non-business use shall not exceed 15% of the Company's net worth. The acquisition of real estate and related right-of-use assets for non-business use by each of its Subsidiaries shall not exceed 5% of the Company's net worth.</li> <li>• The total amount of all security investments of the Company shall not exceed 70% of the Company's net worth. The total amount of all security investments of each of its Subsidiaries shall not exceed 60% of the Company's net worth.</li> <li>• The amount of investment of the</li> </ul>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p>Company in each individual security shall not exceed 40% of the Company's net worth. The amount of investment of each of its Subsidiaries in each individual security shall not exceed 40% of the Company's net worth.</p> <p>7. Material asset transactions must be approved by the Audit Committee in accordance with relevant regulations and be approved by the Board.</p>	<p>Company in each individual security shall not exceed 40% of the Company's net worth. The amount of investment of each of its Subsidiaries in each individual security shall not exceed 40% of the Company's net worth.</p> <p>7. Material asset transactions must be approved by the Audit <u>and Risk</u> Committee in accordance with relevant regulations and be approved by the Board.</p>
<p><b>Article 8</b></p> <p>The procedures for acquisition or disposal of assets by the Company from or to a related party are as follows:</p> <p>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.</p> <p>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</p>	<p><b>Article 8</b></p> <p>The procedures for acquisition or disposal of assets by the Company from or to a related party are as follows:</p> <p>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.</p> <p>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</p>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p>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:</p> <ol style="list-style-type: none"> <li>(1) The purpose, necessity and anticipated benefit of the proposed acquisition or disposal of assets.</li> <li>(2) The reason for choosing the related party as a trading counterparty.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(6) An appraisal report from a</li> </ol>	<p>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 <u>and Risk</u> Committee and then submitted to the Board for approval:</p> <ol style="list-style-type: none"> <li>(1) The purpose, necessity and anticipated benefit of the proposed acquisition or disposal of assets.</li> <li>(2) The reason for choosing the related party as a trading counterparty.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(6) An appraisal report from a</li> </ol>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p>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>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>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</p>	<p>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>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>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</p>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p>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.</p> <p>The calculation of the transaction amounts referred to in paragraph 1, item 2, and 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 Shareholders’ Meeting or the Board need not be counted toward the transaction amount.</p>	<p>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.</p> <p>The calculation of the transaction amounts referred to in paragraph 1, item 2, and 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 Shareholders’ Meeting or the Board need not be counted toward the transaction amount.</p>
<p><b>Article 14</b></p> <p>These Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment hereof is subject to the same procedures.</p>	<p><b>Article 14</b></p> <p>These Procedures shall be approved by the Audit <u>and Risk</u> Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment hereof is subject to the same procedures.</p>

**Comparison Table for the  
Procedures for Financial Derivatives Transactions  
Before and After Revision**

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 7-1</b></p> <p>Material Transactions of Financial Derivatives</p> <p>Material financial derivative transactions shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors (the “Board”) for approval.</p>	<p><b>Article 7-1</b></p> <p>Material Transactions of Financial Derivatives</p> <p>Material financial derivative transactions shall be approved by the Audit <u>and Risk</u> Committee in accordance with relevant regulations and submitted to the Board of Directors (the “Board”) for approval.</p>
<p><b>Article 13</b></p> <p>Internal audit personnel is required to evaluate the sufficiency of the internal control system in connection with financial derivative transactions on a periodic basis, to conduct auditing of the compliance by related departments of the Procedures, and to produce monthly reports. A written report of any violation must be submitted to notify the Audit Committee of same.</p>	<p><b>Article 13</b></p> <p>Internal audit personnel is required to evaluate the sufficiency of the internal control system in connection with financial derivative transactions on a periodic basis, to conduct auditing of the compliance by related departments of the Procedures, and to produce monthly reports. A written report of any violation must be submitted to notify the Audit <u>and Risk</u> Committee of same.</p>
<p><b>Article 17</b></p> <p>These Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment hereof is subject to the same procedures.</p>	<p><b>Article 17</b></p> <p>These Procedures shall be approved by the Audit <u>and Risk</u> Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment hereof is subject to the same procedures.</p>

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

BEFORE THE REVISION	AFTER THE REVISION
<p><b>Article 9</b></p> <p>Any lending of the Company’s funds shall be evaluated and compliant with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” announced by the securities regulatory authority and the Procedures, and then submitted, together with the evaluation made as described in the second paragraph of Article 5, to the Board of Directors for its approval and no delegation of authority shall be made to any person in this regard. However, the material lending of funds shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for approval.</p> <p>Fund-lending between the Company and its subsidiaries, or among the subsidiaries, shall be approved by the Board of Directors of the lending company, which Board may authorize its chairman to lend funds to said borrowers, within a certain pre-approved amount and a period not exceeding one year, in one or several drawdowns or via a revolving credit line. However, the above authorized lending amount to be approved by the Board shall not exceed 10% of the net worth of the lending company’ based on its most recent audited financial statements.</p>	<p><b>Article 9</b></p> <p>Any lending of the Company’s funds shall be evaluated and compliant with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” announced by the securities regulatory authority and the Procedures, and then submitted, together with the evaluation made as described in the second paragraph of Article 5, to the Board of Directors for its approval and no delegation of authority shall be made to any person in this regard. However, the material lending of funds shall be approved by the Audit <u>and Risk</u> Committee in accordance with relevant regulations and submitted to the Board of Directors for approval.</p> <p>Fund-lending between the Company and its subsidiaries, or among the subsidiaries, shall be approved by the Board of Directors of the lending company, which Board may authorize its chairman to lend funds to said borrowers, within a certain pre-approved amount and a period not exceeding one year, in one or several drawdowns or via a revolving credit line. However, the above authorized lending amount to be approved by the Board shall not exceed 10% of the net worth of the lending company’ based on its most recent audited financial statements.</p>

BEFORE THE REVISION	AFTER THE REVISION
<p><b>Article 13</b></p> <p>Internal auditors shall perform auditing on the Company’s lending profile and produce written auditing reports on a quarterly basis. A written report of any material violation must be submitted to notify the Audit Committee.</p>	<p><b>Article 13</b></p> <p>Internal auditors shall perform auditing on the Company’s lending profile and produce written auditing reports on a quarterly basis. A written report of any material violation must be submitted to notify the Audit <u>and Risk</u> Committee.</p>
<p><b>Article 14</b></p> <p>Should a borrower no longer meet the criteria set forth in the relevant regulations and/or these Procedures or should there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan must be provided to the Audit Committee and the proposed correction actions shall be implemented within the period specified in such plan.</p>	<p><b>Article 14</b></p> <p>Should a borrower no longer meet the criteria set forth in the relevant regulations and/or these Procedures or should there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan must be provided to the Audit <u>and Risk</u> Committee and the proposed correction actions shall be implemented within the period specified in such plan.</p>
<p><b>Article 17</b></p> <p>The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment hereof is subject to the same procedures.</p>	<p><b>Article 17</b></p> <p>The Procedures shall be approved by the Audit <u>and Risk</u> Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment hereof is subject to the same procedures.</p>

**Comparison Table for the  
Procedures for Endorsement and Guarantee  
Before and After Revision**

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 4</b></p> <p>The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries is subject to the following limits:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee shall not exceed twenty-five percent (25%) of the Company's net worth.</li> <li>2. The total amount of the endorsement/guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company's net worth, or the net worth of such entity, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned 10% limit and the limit of net worth for any individual entity may be lifted for endorsement/guarantee provided by the Company for the benefit of the subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company.</li> </ol> <p>The total endorsement/guarantee amount for the Company and its subsidiaries and the amount for any single entity should follow the paragraph set forth herein.</p> <p>In case the above limits have to be exceeded to accommodate business needs,</p>	<p><b>Article 4</b></p> <p>The total amount of endorsement/guarantee provided by the Company or by the Company and its subsidiaries is subject to the following limits:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee shall not exceed <del>twenty-five percent (25%)</del><u>forty percent (40%)</u> of the Company's net worth.</li> <li>2. The total amount of the endorsement/guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company's net worth, or the net worth of such entity, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned 10% limit and the limit of net worth for any individual entity may be lifted for endorsement/guarantee provided by the Company for the benefit of the subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company.</li> </ol> <p>The total endorsement/guarantee amount for the Company and its subsidiaries and the amount for any single entity should follow the paragraph set forth herein.</p> <p>In case the above limits have to be exceeded to accommodate business needs,</p>

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<p>the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p>	<p>the approval from the Audit <u>and Risk</u> Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p>
<p>The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).</p>	<p>The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).</p>
<p><b>Article 5</b></p> <p>If, due to changes of circumstances, the party to whom the Company provided endorsement and/or guarantee no longer satisfies the criteria set forth in Article 2 herein, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a corrective plan shall be provided to the Audit Committee and the proposed correction actions should be implemented within the period specified in the plan.</p>	<p><b>Article 5</b></p> <p>If, due to changes of circumstances, the party to whom the Company provided endorsement and/or guarantee no longer satisfies the criteria set forth in Article 2 herein, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a corrective plan shall be provided to the Audit <u>and Risk</u> Committee and the proposed correction actions should be implemented within the period specified in the plan.</p>

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<p><b>Article 6</b></p> <p>The procedures and authority level for providing endorsement and/or guarantee are defined as follows:</p> <p>Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the “Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies” announced by the securities regulatory authority, and the Procedures. Finance Department shall then evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company’s operating risk, financial position and shareholders’ equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming Board of Directors’ Meeting for ratification.</p> <p>Material endorsements and/or guarantees shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.</p> <p>In case the Company or its subsidiary desires to provide endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital, Finance and related Departments shall evaluate the relevant risks, establish risk control measures and exercise</p>	<p><b>Article 6</b></p> <p>The procedures and authority level for providing endorsement and/or guarantee are defined as follows:</p> <p>Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the “Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies” announced by the securities regulatory authority, and the Procedures. Finance Department shall then evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company’s operating risk, financial position and shareholders’ equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming Board of Directors’ Meeting for ratification.</p> <p>Material endorsements and/or guarantees shall be approved by the Audit <u>and Risk</u> Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.</p> <p>In case the Company or its subsidiary desires to provide endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital, Finance and related Departments shall evaluate the relevant risks, establish risk control measures and exercise</p>

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<p>implementation review, as well as regularly report the same to the Audit Committee. For purposes of determining the paid-in capital of the above-mentioned subsidiary receiving any TSMC or TSMC subsidiaries endorsement/guarantee who has no par value or has a par value other than NT\$10, the sum of the share capital plus “capital surplus - additional paid-in capital” shall be deemed as its paid-in capital.</p> <p>The Company shall establish and maintain a reference book to record all endorsement/guarantee-related information in accordance with the relevant regulations. The Company shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing and issuing auditing report.</p>	<p>implementation review, as well as regularly report the same to the Audit <u>and Risk</u> Committee. For purposes of determining the paid-in capital of the above-mentioned subsidiary receiving any TSMC or TSMC subsidiaries endorsement/guarantee who has no par value or has a par value other than NT\$10, the sum of the share capital plus “capital surplus - additional paid-in capital” shall be deemed as its paid-in capital.</p> <p>The Company shall establish and maintain a reference book to record all endorsement/guarantee-related information in accordance with the relevant regulations. The Company shall assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing and issuing auditing report.</p>
<p><b>Article 11</b></p> <p>Internal auditors shall perform auditing on the Company’s endorsement/guarantee profile every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit Committee.</p>	<p><b>Article 11</b></p> <p>Internal auditors shall perform auditing on the Company’s endorsement/guarantee profile every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Audit <u>and Risk</u> Committee.</p>
<p><b>Article 13</b></p> <p>The Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment is subject to the same procedures.</p>	<p><b>Article 13</b></p> <p>The Procedures shall be approved by the Audit <u>and Risk</u> Committee, the Board of Directors, and the Shareholders’ Meeting. Any amendment is subject to the same procedures.</p>