

Further Explanatory Notes to Proposed Resolution 3

1. With regards to the proposed resolution 3 of revising TSMC's Procedures for Endorsement & Guarantee, Explanatory Notes on page 10 of TSMC's 2023 AGM Meeting Agenda states that the purpose of increasing the limit of the total amount of endorsement/guarantee provided by TSMC or by TSMC and its subsidiaries is to support TSMC's overseas subsidiaries' funding needs for capacity expansion and working capital amid the ongoing expansion of TSMC's global manufacturing footprint.
2. The Company would like to provide further details on the proposed resolution 3 as follows:
 - i. Increasing the limit of endorsement/guarantee is to support the funding needs of the overseas fabs when we are expanding our global manufacturing footprint to increase customer trust, expand future growth opportunities, and reach for more global talents

TSMC's responsibility is to provide the optimal solutions for our customers to enable their success. This includes technology leadership, manufacturing excellence, customer trust and recently also includes more geographic manufacturing flexibility. Based on customers' request, we are increasing our capacity outside of Taiwan. Overseas expansion plans already announced by the Company include TSMC Arizona in U.S. (estimated overall investment approximately US\$40 billion; as of today, TSMC Arizona has already issued US\$8 billion corporate bonds under TSMC's guarantee), and Japan Advanced Semiconductor Manufacturing ("JASM") in Kumamoto, Japan (estimated capex approximately US\$8.6 billion). In Europe, we are engaging with customers and partners to evaluate the possibility of building a specialty fab focusing on automotive-specific technologies.

Given the large investment amounts required, as specified on page 10 of TSMC's 2023 AGM Meeting Agenda, TSMC's overseas expansion will be funded through capital injections, funding from local banks/capital markets guaranteed by TSMC, and local government grants. Considering parent guarantees will be required when such greenfield overseas fabs borrow from local banks/capital markets during their construction stage, it is proposed to increase the limit of the total amount of endorsement/guarantee provided by TSMC or by TSMC and its subsidiaries, so that these in-the-process-of-building or to-be-built-in-the-future overseas fabs could secure adequate funding smoothly.

- ii. The Company has stringent control over the provision of endorsement/guarantee

Article 6 of TSMC's Procedures for Endorsement & Guarantee states that any endorsement/guarantee to be provided by TSMC shall be submitted to the Board of Directors for approval. Material endorsement/guarantee shall be first approved by the Audit Committee in accordance with relevant regulations, and then submitted to the Board of Directors for a resolution. As 6 out of the 10 directors of TSMC's board are independent directors, the review of endorsement/guarantee is conducted with professionalism and independence.

TSMC Arizona is a wholly-owned subsidiary of TSMC; JASM is more than 70% owned and operated by TSMC. Therefore, the risk associated with providing guarantees for these overseas fabs are under TSMC's full control.

In addition, TSMC's Procedures for Endorsement & Guarantee place more stringent limits on providing endorsement/guarantee to non-wholly-owned subsidiaries as compared to wholly-owned subsidiaries. For example, Article 4 of TSMC's Procedures for Endorsement & Guarantee states that the total amount of the endorsement/guarantee provided by TSMC to any non-wholly-owned subsidiary shall not exceed 10% of TSMC's net worth, or the net worth of such entity, whichever is lower. This is more stringent than Taiwan's "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".

As demonstrated by its long track record, TSMC has never provided endorsement/guarantee to any entity that is not a subsidiary of TSMC. In the future, the Company will continue to act carefully and prudently when providing any endorsement/guarantee.