

Taiwan Semiconductor Co., Ltd.  
Minutes of the 2022 Annual General Meeting

Time : Tuesday, 21 June 2022 at 09 : 00 am

Place : Taiwan Semiconductor Co., Ltd. I-Lan factory (No.96,Meijou 2nd Rd. ,I-Lan City, I-Lan County 260, Taiwan R.O.C.)

Shareholders Present : The number of shares presented in person or by proxy is 181,436,156 shares (including 130,315,591 shares from electronic voting rights ), representing 68.86% of total outstanding shares.

Directors Present: Director Mr. Wang shiu Ting, TSC Auto ID Technology Co., Ltd.  
Legal Representative Director Mr. Wang Hsing Lei, UMC Capital  
Legal Representative Director Mr. Liu Chang Yu, Independent  
Director Mr. Fan Hong Shu, Independent Director Mr. Lin Bo Sheng,  
Independent Director Mr. Ma Shu Zhuang.

Lawyer : Hsieh Wen Chin (LCS & PARTNERS)

Accountants : Mei Yuan Chen (KPMG Certified Public Accountants)

Chairman : Mr. Wang shiu Ting (Chairman of the Board of Directors)

Record : Ms. Luo Yue Guei

The agenda for the meeting is as follows:

1. The Chairman called the meeting to order.
2. Chairman's Address : (omitted)
3. Report Items :
  - (1) 2021 Business Report and 2022 Annual Business Plan Report
  - (2) Audit Committee's 2021 Review Report
  - (3) Status report on the Endorsement and Guarantee, Loaning of Company Funds, Regulations Governing the Acquisition and Disposal of Assets, the Trading of Financial Derivatives of the Company and its subsidiaries in 2021
  - (4) Report on 2021 employees' profit sharing bonus and directors' compensation
  - (5) To Amend the company's Sustainable Development Best Practice Principles (Original name: Corporate Social Responsibility Principles)
  - (6) Report on The performance evaluation and compensation report of directors and managers
4. Approval Items :
  - (1) Proposal 1 : The Company's 2021 Business Report and Financial Statements  
(Proposed by the Board )

Explanation: 1. The Company's business report, individual financial statement, and consolidated financial statements have been approved by the Board and examined by the audit committee.

2. The business report, individual financial statement, and consolidated financial statements are attached in the Meeting Agenda.

Voting Results: Shares represented at the time of voting: 181,413,156 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 173,812,811 votes	95.81%
Disapproval votes: 10,107 votes	0.00%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 7,590,238 votes	4.18%

RESOLVED, that The Company's 2021 Business Report and Financial Statements be and hereby were accepted as submitted.

(2) Proposal 2 : The Company's 2021 earnings Distribution.  
(Proposed by the Board )

Explanation: 1. In order to improve the capital structure and avoid dilution of earnings, the Company proposes full cash dividend distribution.

2. The net profit after tax in 2021 was NT\$ 882,804,895. After remeasurements of defined benefit plans NT\$1,437,705, the Company appropriates NT\$ 88,136,719 to legal reserve, subtracts special reserve NT\$ 71,824,275, and adds beginning retained earnings NT\$ 1,021,561,962. The distributable earnings amounted to NT\$ 1,742,968,158. The Company plans to distribute the dividends to shareholders with NT\$ 658,713,715 all in cash. After the approval of the general meeting of shareholders, an ex-dividend date and payment date for cash dividends will be set. Dividends are allocated based on the shareholding ratio of shareholders listed on Shareholders' Rosters on the ex-dividend record date; NT\$ 2.50 per share. The cash dividends shall be distributed to the NTD (decimals are rounded down). The total number of fractional amounts below NT\$1 shall be listed as the Company's other income.

If there is an increase or decrease in the total number of outstanding shares of the Company, which results in a change in the shareholders' payout ratio, it is proposed to request the shareholders' meeting to authorize the Board of Directors to deal with the matter in its sole discretion.

3. Please refer to Earnings Distribution Table on page 46 of this Meeting Agenda.

Voting Results: Shares represented at the time of voting: 181,413,156 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 173,897,251 votes	95.85%

Disapproval votes:	12,710 votes	0.00%
Invalid votes:	0 votes	0.00%
Abstention votes/no votes:	7,503,195 votes	4.13%

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

## 5. Discussion items :

(1) Proposal 1 : To Amend the rules for the corporation by-laws ( Proposed by the Board )

Explanation: 1. To have a more flexible way to convene the shareholder meeting, regarding the Item 2.1 of Clause 172 in the Company Act we list in the articles of incorporation that it allows to convene the shareholders meeting via the video conference or other ways announced by the Central Competent Authorities. We plan to amend the corporation by-laws of the company, and the comparison table of amendment is below. We propose for the approval of 2022 shareholders meeting.

2. Please proceed to discuss.

Voting Results: Shares represented at the time of voting: 181,413,156 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 173,900,729 votes	95.85%
Disapproval votes: 10,129 votes	0.00%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 7,502,298 votes	4.13%

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

(2) Proposal 2 : To Amend the Convention Rules for Shareholder Meetings. Please proceed to discuss. ( Proposed by the Board )

Explanation : 1. The amendment in accordance with No.

Financial-Supervisory-Securities-Auditing- 1110133385 of SFB on March 7, 2022 and Public Announcement

Securities-TPEX-Supervision-11100543771 of Taipei Exchange on March 11, 2022.

2. An amendment of the “ Convention Rules for Shareholder Meetings “of the company is proposed. Comparison Table as follow. It is submitted to the shareholders of the year 2021.

2. An amendment of the “ Convention Rules for Shareholder Meetings “of the company is proposed. Comparison Table is as follow. It is submitted to the 2022 shareholders meeting.

3. Please proceed to discuss.

Voting Results: Shares represented at the time of voting: 181,413,156 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 173,895,704 votes	95.85%

Disapproval votes:	10,155 votes	0.00%
Invalid votes:	0 votes	0.00%
Abstention votes/no votes:	7,507,297 votes	4.13%

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

(3) Proposal 3 : To amend the Procedures for Acquisition or Disposal of Assets.  
( Proposed by the Board )

Explanation: 1.The amendment in accordance with No.

Financial-Supervisory-Securities-Auditing-1110380465 of SFB on January 28, 2022 and Public Announcement Securities-TPEX-Supervision-1110052109 of Taipei Exchange on February 9, 2022.

2.An amendment of the “Procedures for Acquisition or Disposal of Assets” of the company is proposed. Comparison Table is as follow. It is submitted to the 2022 shareholders meeting.

3. Please proceed to discuss.

Voting Results: Shares represented at the time of voting: 181,413,156 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 173,897,734 votes	95.85%
Disapproval votes: 15,131 votes	0.00%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 7,500,291 votes	4.13%

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

6. Special motions : none

7. Adjournment: 9:16 am

**Mr. Wang shiu Ting**  
Chairman

**Ms. Luo Yue Guei**  
Recorder



## Appendix

### 1. 2021 Business Report

#### (1) Implementation of Business Plan

The Company's and its subsidiaries major businesses included the production and sale of rectifiers and barcode printers. In 2021, the earnings per share after tax was NT\$3.55. The 2021 consolidated operating revenue, gross profit, operating income, net income before tax, net income, comprehensive income, and after-tax earnings per share compared to 2020 is presented below:

Unit: NT\$ thousand

Item	Implementation of Business Plan		
	2021	2020	Increase (decrease)
Operating revenue	13,177,417	10,390,279	26.82%
Gross Profit	4,127,721	3,171,243	30.16%
Operating Income	1,908,907	1,261,593	51.31%
Net income before tax	1,947,632	1,328,814	46.57%
Net income	1,381,895	992,349	39.25%
Comprehensive income	1,269,814	938,925	35.24%
Net income attributable to the Parent Company	882,805	537,242	64.32%
Comprehensive income attributable to the Parent Company	809,542	525,988	53.91%
After-tax earnings per share (NT\$)	3.55	2.29	55.02%

(2) Budget Implementation: The Company did not disclose its financial forecasts of the year of 2020, so it is not necessary to publicly disclose the implementation of the budget.

#### (3) Financial Status and Profitability

Unit: NT\$ thousand

Item	Annual revenue and expenditure		
	2021	2020	Increase(decrease)
Interest Revenue	14,541	14,459	0.57%
Interest Expense	30,911	36,083	(14.33%)

Item		2021	2020
Financial Structure	Total debt to assets (%)	42.28	46.35
	Long-term asset to real estate, plant and equipment ratio (%)	259.53	221.08
Liquidity Analysis	Current ratio (%)	206.04	163.88
	Quick ratio (%)	145.12	120.38
Profitability	Return on assets (%)	9.19	7.04
	Return on equity (%)	16.19	12.95
	Profit ratio (%)	10.49	9.55
	After-tax earnings per share (NT\$)	3.55	2.29

#### (4) Research and Development

##### (A) Rectifier

To increase our overall competitiveness and gross margin, the Company invests a great deal of manpower and budget every year in collecting market information, analyzing market demand, and setting the direction and strategy for new product development. As most of the mainstream products in the market today are becoming thin and light, our products are also actively developing toward small, energy-saving, and comprehensive in order to develop new markets. We have developed and increased market penetration in personal handheld products, automotive electronics, industrial control industry and white goods market.

In recent years, with self-developed chip technology and the advantage of automated packaging, we have continued to develop Schottky rectifier, MOSFET, ESD protection, automotive LED driver, automotive low dropout voltage regulator and other products.

The development of the new generation of trench Schottky rectifier, Super Junction MOSFET, and Split Gate Technology MOSFET that can effectively reduce conduction loss and switching loss to meet market trends and needs for environmental protection, energy-saving, and low power consumption. These new technologies will be developed in a full range to facilitate the promotion of active and passive safety applications for automotive electronics, industrial, communications, and energy industries.

Fully automated die bonding technology and fully automated high-speed packaging, testing and printing technology have been fully introduced, which is conducive to enhancing product reliability and significantly increasing output and reducing costs to expand market share and enhance profitability. Packaging technology has developed higher current density surface mount power device components, which surpasses the European, American and Japanese top tier manufacturers.

The development of ESD protection has been focused on multi-channel, ultra-low junction capacitance and miniature packaging. Corresponding to the application of various high-frequency transmission ports in the market, such as ESD protections on USB3.1, USB3.0, USB2.0, HDMI2.0 ports.

The Company has put a full range of LED lighting product lines into mass production, which can be applied to various solutions including isolation, non-isolation and dimming features. The dimming series covers existing dimming methods such as linear dimming, PWM dimming, etc., as well as various integrated high-voltage MOSFET solutions, which have reached maturity and have been adopted by international manufacturers, and which has continued to grow steadily. Facing a low-price, competitive market in China, the company actively seeks products with higher quality and gross profit. The Company also cooperates with customers to develop customized products, particularly focusing on automotive products as it has been the main R&D project in recent years, including the automotive LED Driver ICs, which can cover all kinds of voltage and applications of automotive lighting, such as headlamps, tail lamps, fog lamps, daytime running lamps and so on. Various low power consumption and high output current automotive low-dropout and low power consumption regulator ICs are also being developed, which can be used to supply 3.3V and 5V voltage regulators to automotive MCUs, and some of them have been developed independently. The Company has invested more manpower and equipment costs in the verification of vehicle regulations and is now gradually passing the qualification of AEC-Q100 standard. We hope to gain the recognition of automotive customers with high quality and service.

##### (B) Barcode printer

With the increase in applications for automatic identification in the global market, the Company spent NT\$212,892 thousand on research and development in 2021, accounting for 3% of the annual sales. In addition to developing new generation products and

applications in new fields, the Company will continue to register patents and increase capital expenditures on labeling paper supplies to develop new product, strengthen competitiveness and ensure sustainable growth.

## 2. 2022 Business Plan

### (1) Business Policy

#### (A) Rectifier

- (1) Continue to create global marketing channels to increase global market share
- (2) Strengthen the professional marketing team both domestically and internationally. Providing technical and comprehensive services to customers and improve our brand image
- (3) Continue to expand our R&D team to create and maintain leading technology and rapidly develop next-generation products
- (4) Continue to develop and implement the most advanced production equipment to increase profitability by increasing productivity and reducing costs
- (5) Actively develop new packaging technologies and higher current density surface mount power device packages to meet market demand
- (6) Seek cooperation with world known companies
- (7) Continue to develop small signal products for automotive applications and offer a comprehensive product line for automotive electronics
- (8) Actively promote automotive analog ICs, SOI MOSFET, LED driver ICs, and high power density products to enhance product value and profitability with integrated solution sales and win customers' trust and reliance.
- (9) Continue the development and production of upstream wafer products to integrate upstream and downstream supply, and ensure stable supply of key raw materials and absolute cost advantage
- (10) Develop new products with big international companies to create high profitability with oligopoly supply chain

#### (B) Barcode printer

The Company continues to develop the manufacturing and service of automatic identification system, actively expand the marketing channels of the low, middle and high-end product lines, and continue to plan upstream and downstream strategic investments, deepen the operation of the Company's own brand in all regions of the world, and expand the manufacturing and service of hardware and software. The Company also intends to increase customer usage of intelligent services for automatic identification system, so as to provide customers with a more complete service network and develop new growth momentum.

### (2) Important Production and Marketing Policies

#### (A) Rectifier

The Company's industry is a semi-conductor industry. The Company's current production and sales policy is a combination of build to stock and make-to-order production. In this regard, the annual production and sales policy is formulated based on overall industrial market development, market supply and demand, the Company's established capacity and inventory level. Depending on the actual order status, it can be adjusted at any time to maintain the optimal inventory level.

#### (B) Bar Code printer

Future production and marketing policies will focus on the following:

1. Ensure stability and quality of supplies from important suppliers and maintain appropriate inventory levels and turnover rates
2. Strengthen the education and training of regional distributors to enhance sales
3. Continue to develop emerging markets and mature markets.

### (3) Operation Goals

#### (A) Rectifier

The Company's main products are rectifier diodes and analog ICs. Taking into account the competition and market conditions, the sales projection for 2021 is as follows:

Products	2022 sales projection	2021 actual sales
Rectifier Diode	6,131,259(kpcs)	4,858,727(kpcs)
Small signal products	1,651,481(kpcs)	1,655,429(kpcs)
MOSFET	258,034(kpcs)	257,626(kpcs)
Analog IC	143,418(kpcs)	93,706(kpcs)

Technical Marketing comprehensive promotion with a total solution for different industries. Because of the increasing popularity of hybrid electric vehicles and electric vehicles in the automotive electronics market, the market demand for power devices has increased dramatically. The high power AC-DC converter, low loss MOSFET (FET), low loss voltage regulator, surge absorber (TVS), electrostatic protection, fast recovery diode, and transistor continue selling to European, American, and Japanese companies, in the meantime, the Company developed the rapidly growing Chinese and Indian automotive electronics companies. Due to the regulation amendment in vehicle lighting, it is necessary to install daytime lighting. Also, due to energy-saving and new lighting product trends, LED lighting is rapidly emerging in automotive applications, and the capacity is growing to multiply many times. The company also provides overall solutions actively in the vehicle lighting market, and introduces them to European, American, and Japanese automotive electronics manufacturers.

In addition to the existing products of high power Bridge Rectifier and high power rectifier for automobile and locomotive charging systems, the new product high power MOS is adopted as an automotive electronics certificated manufacturer, which shortens the certification time.

In the LED lighting industry, the new products LED module and LED driver, which contains simplified constant current rectifying function design, with a full range of solutions including surface mount Bridge rectifier, Schottky, MOSFET, Small-signal products, promote the high demanded Ball steep light and striplight to the American and European lighting companies. In addition to small lighting products, the new products also develop the AC-DC LED applications and are imported into American and Japanese manufacturers.

The industrial application market is dominated by foreign competitors, especially the renewable energy industry (solar systems and power converters) has the characteristics of low substitution and high gross margin, which is difficult for the local and Chinese manufacturers to introduce. The Company has a long-term experience of high quality control and performance in the automobile electronics industry and the fast globalized local design service. In addition to the existing products, new products like fast recovery rectifier, low loss high junction temperature Trench Schottky, and low loss high power MOSFET are being promoted all-inclusively.

In recent years, the considerable business opportunities in automobile electronics, detecting instruments, industrial control, and major appliances markets attract more and more foreign manufacturers to enter. The Company will develop the different specifications of Hall effect IC and flux collector, which are used in automobiles, industry, major appliances, and the consumer market. In these markets, these ICs are used in different kinds of measurement of position and angle. Take automobile electronics electoral power steering system as an example, linearity and angle Hall effect IC collector can measure the angle, running torque, and an engine speed of the steering wheel.

To consolidate the existing product lines and promote the consumer electronics industry, like TV, PC/Tablet, STB, Home appliance, Gaming, GPS, the Company continues to increase the amount of shipment like Bridge rectifier, MOS, Schottky, Zener diode, switching diode, different types of the voltage regulator, high recovery rectifier etc.

The TVs combine with internet and video function, high frequency, and multiple connecting ports. To protect ICs, the electrostatic protection component and wave filtering component are more needed. The development of new series of electrostatic protection products includes multiple output Array and combine with EMI Filter. Under the need of Eco-Friendly, all end products are pursuing high efficiency and low loss. The new products develop low-impedance MOS, low loss voltage regulator, low loss bridge rectifier, Ultra-low capacitance electrostatic protection component, etc.

Machine to Machine, because of the need for revolutionary applications due to the rise of the Internet of Things and the 5G communication smart city, the Ultra-low loss SOI MOSFET and low power trench Schottky, high power low voltage small patch TVS are being promoted.

(B) Bar Code Printer

The major income source is the sales, service, and sales of label paper of the automatic recognition printer. Since the introduction of the COVID-19 Vaccine in 2021, the global economy continues to recover, the need for industries like manufacture, transport, logistics, e-commerce, retailing, and financial, etc. increases rapidly. The estimated sale amount in 2021 as follow.

Unit: Thousand		
Products	2022 sales projection	2021 actual sales
Automatic identification printer	800	700

3. Future Development Strategies and Influence from External Competition, Regulations and Macro-operating Environment

(1) Future Development Strategies

(A) Rectifier: Continuing to innovate technology, accelerate research and development, increase product value, complete upstream and downstream deployment and investment opportunities in China to strengthen integration benefits.

(B) Bar Code printer: The Company continues to expand market share and enhance competitive advantage by marketing our own brand, optimizing after-sales services and improving the quality of customer services, and continuing to provide a comprehensive one-stop services to create opportunities for multi-win growth.

(2) Influence from External Competition

(A) Rectifier

The subsidy policy of local governments gives China's semiconductor manufacturers the advantage of competing at a low price, which has a certain impact on the low-end application market. The company is still focusing on the development of higher specification products, from wider penetration of consumer electronics, automotive electronics, industrial control to medical and communication equipment. We expect to achieve a balanced development of low, medium and high application markets and to occupy more areas with higher entry barriers to maintain a larger gap with competitors and improve profitability. Currently, the Company's new technology development and existing high-end products are comparable to or even surpassing the world's first-class manufacturers, and we expect to develop more innovative and revolutionary products to surpass our world-class competitors and make outstanding contributions to environmental protection, energy savings and carbon reduction.

### (B) Bar Code printer

As the demand for automatic identification becomes more life-oriented and common, the demand for auto-recognition printing is becoming more and more active. In the face of the external competitive environment, the Company continues to develop innovative technologies, strengthen core capabilities for resource integration and interdisciplinary development, expand market cooperation and links, and actively face external challenges with the goal of profitability and stable growth.

### (3) Influence from Regulations

#### (A) Rectifier

For adapting EU RoHS regulation, the Company provides all series of non-halogen products, which are popular among the consumer companies from Europe, America, Japan, and Korea. EISA2007 (Energy VI Efficiency) that demands higher standby power consumption and power conversion efficiency of the electric products, has been executed since 2016. For power devices, the wastage of electric property of rectifier and MOSFET should be lower and a smaller packaging should be used. Major appliances are affected the most. To cope with the legal requirement, they must be switched to variable frequency voltage source due to the large consumption of motor and compressor. The starter motor requires a higher voltage and soft switching ability for the power components. The power components in major appliances with DC frequency conversion have to concur with EMI factors, therefore it is difficult for other low-cost appeal companies to compare the excellent research and development ability of TAIWAN SEMICONDUCTOR Co., LTD. Additionally, due to the promoted policy of renewable energy, the need for solar energy and renewable energy source is highly requested by not only developed countries like North America, Japan, and Europe but also other emerging markets. Our new products with low consumption of high junction temperature Schottky can combine with solar module and power converter when used.

With the improvement of the battery technic in electric vehicles, the charging specification has changed from AC to DC 600V direct charging. The power system of vehicles will also change from a 12V 24V system to a 48V system. For this changing power system, the design pool of the original suppliers needs to be replaced with a new specification. It is a good design point for our new products high-voltage fast recovery diode, ultra-low power consumption rectifier, and trench Schottky.

#### (B) Bar Code Printer

There haven't been significant influences for the Company that attributes to the important policy and law changes domestic and foreign in recent years.

### (4) Influence from Macro-operating Environment

#### (A) Rectifier

Global Service-Customer management system and regional industrial development expand the global division of labor without borders. The Company uses customer management to respond to the rapidly changing electronics industry. Products from big companies around the world are locally original designed, then be delivered and produced in various places. Through "Account management", OEM and IPO can achieve a perfect order service.

Regional industrial development helps to balance and to strengthen the product structure. North American market focuses on automobiles, industry, telecommunication, and illumination. Japanese market focus on automobiles and industry. The European market focuses on automotive electronics, industry, renewable energy sources, and illumination. Chinese market focuses on consumer electronics, automobiles, and industry. The domestic demand market of emerging markets like India, South Asia, Russia, and South America expands due to the rapid growth of the middle class. Basic

telecommunication, cable lighting construction, Home appliance, and Telecom, etc. are the industries that have been introduced into.

In the rapidly changing economy, the global configuration strategy of the Company has shown its efficiency and vision regarding OEM without frontiers and spreading the risk of the differences between strong and weak regional economics.

(B) Bar Code Printer

The Company follows all changes of regulation.

In the future, with the growing stability and the expansion of the applied field of rectifier and bar code printer markets, the Company and each subsidiary company will uphold our innovative, professional, and dedicated corporate philosophy. Also, keep strengthening the research and development and salability, improve our performance, and company profits, in order share the profits with the stockholders, clients, and employees.

Chairman: Wang shiu Ting

President: Wang shiu Ting

CFO: Cheng I-Cheng

## **Independent Auditors' Report**

To the Board of Directors of TAIWAN SEMICONDUCTOR CO., LTD.:

### **Opinion**

We have audited the financial statements of TAIWAN SEMICONDUCTOR CO., LTD. ( "the Company" ), which comprise the statement of balance sheet as of December 31, 2021 and 2020, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ( "the Code" ), and we have fulfilled our other ethical responsibilities in accordance with the Code. Base on our audits and report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Other Matter**

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of which represented investment accounted for using the equity method of the Company. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The investment in TSC Auto ID amounted for using the equity method constituting 8.26% and 7.68% of the total assets at December 31, 2021 and 2020, respectively, and the related share of profit of subsidiaries accounted for using the equity method constituting 26.34% and 41.24% of the total income before tax for the years then ended respectively.



## Key Audit Matters

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

### 1. Valuation of accounts receivable

Please refer to Note 4(f) “Financial instruments” of the financial statements for details on the accounting policy about valuation on accounts receivable; Note 5 “Assessment of impairment of trade receivable” for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on accounts receivable; and Note 6(c) “Notes and accounts receivable” for details on the related explanation.

#### Description of key audit matter:

The Company has transactions with a large number of customers and the accounts receivable collection days differ in length. As a result, the expected credit loss determined for accounts receivable lies in the management’s subjective judgment based on experience. Therefore, the accounts receivable of the Company is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included (i) analyzing the reasonableness of the accounts receivable at the year-end and considering the collection subsequent to the year-end. (ii) verifying the adequacy of the Company’s expected credit loss provisions against trade receivables by assessing the relevant assumptions. (iii) taking account of our own knowledge on recent collections experience in this industry and also historical data from the Company’s previous collections experience in order to assess the reasonableness of the expected credit loss for accounts receivable. Besides, we assessed that the valuation of accounts receivable was disclosed the notes to the parent Company only financial statements properly.

### 2. Impairment on investment accounted for using the equity method

Please refer to Note 4(h) “Investment in subsidiaries” of the financial statements for the details on the accounting policy about investments accounted for using equity method; Note 6(e) “Investments accounted for using equity method” for details on the related explanation.

#### Description of key audit matter:

When the Company obtained the business combinations and its control, and recognized a goodwill in the consolidated financial report, the amount is regarded as material. Besides, evaluating whether goodwill is impaired depends on the estimation of the future cash flow of the cash-generating unit to determine the recoverable amount. The estimation of the future cash flow involves industrial environment and the forecast of the future operating results. Once the indicators of the forecast change, the recoverable amount will change as well and may cause an impairment loss. Due to the investments are the important investees and the amount is regarded as material. Therefore, the impairment on investment accounted for using the equity method is our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included: (i) obtaining the assessment on impairment loss of goodwill report provided by the evaluator appointed by the management of TSC, as well as inquiring and assessing the professional ability and independence. (ii) appointing the internal expert to execute the related procedures to assess the reasonableness of the assumption used in the evaluation model and weighted average cost of capital. (iii) evaluating the previous operating conditions, the conditions of industrial environment and future outlook, etc. in order to comprehensively determine the reasonableness of the assessment on impairment loss of goodwill.

The adoption of the independent auditor' s reports of TSC Auto ID issued by other Certified Public Accountants included (i) communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor' s report of TSC Auto ID issued by other Certified Public Accountants.

The audit procedure executed by other Certified Public Accountants included (i) obtaining the report of the assessment of impairment loss of goodwill provided by the evaluation expert appointed by the management of TSC Auto ID. (ii) understanding and assessing the reasonableness of the recoverable amount based on the evaluation model. (iii) comprehensively assessing the reasonableness of the assessment of impairment loss of goodwill based on the assumption used in the evaluation model, including sales growth rate, profit margin, weighted average cost of capital (WACC, which includes risk-free return rate, volatility and risk premium), etc. and assessing the previous operating conditions, the conditions of industrial environment and future outlook.

Our audit procedure also compare the difference of the investment amounted and the net assets of TSC Auto ID (according to our ownership share) and observe TSC Auto ID ' s stock price. In addition, (ii) we assessed the related information was disclosed in the notes to the parent Company only financial statements properly.

### **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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the Audit Committee) are responsible for overseeing the Company' s financial reporting process.

### **Auditor' s Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the 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 auditor' s report to the related disclosures in the 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 auditor' s 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 financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor' s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei, Yuan-Chen and Hsu, Yu-Feng.

KPMG

Taipei, Taiwan (Republic of China)  
March 28, 2022

#### **Notes to Readers**

The accompanying are intended only to present the financial position, financial performance and cash flows in accordance with the 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 are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and , the Chinese version shall prevail.



(English Translation of Financial Statements Originally Issued in Chinese)  
**TAIWAN SEMICONDUCTOR CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Common Share)

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Total sales revenue (notes 6(o) and 7)	\$ 4,851,282	101	3,673,959	101
4190	Less: Sales discounts and allowances	47,805	1	31,498	1
	<b>Net operating revenues</b>	<b>4,803,477</b>	<b>100</b>	<b>3,642,461</b>	<b>100</b>
5000	Cost of goods sold (notes 6(d) and 7)	3,896,023	81	3,071,789	84
	<b>Gross profit</b>	<b>907,454</b>	<b>19</b>	<b>570,672</b>	<b>16</b>
5910	Less: Unrealized profit (loss) from sales	3,081	-	(4,051)	-
		<b>904,373</b>	<b>19</b>	<b>574,723</b>	<b>16</b>
6000	<b>Operating expenses (notes 7):</b>				
6100	Selling expenses	388,376	8	297,853	8
6200	Administrative expenses	202,130	4	159,740	4
6300	Research and development expenses	56,976	1	42,296	1
		<b>647,482</b>	<b>13</b>	<b>499,889</b>	<b>13</b>
	<b>Operating income</b>	<b>256,891</b>	<b>6</b>	<b>74,834</b>	<b>3</b>
	<b>Non-operating income and expenses (note 6(p)):</b>				
7100	Interest income	1,421	-	1,468	-
7010	Other income	7,485	-	18,054	-
7020	Other gains and losses	12,203	-	11,226	-
7050	Finance costs	(6,775)	-	(741)	-
7070	Share of profit of subsidiaries accounted for using equity method (notes 6(e))	734,675	15	476,767	13
		<b>749,009</b>	<b>15</b>	<b>506,774</b>	<b>13</b>
	<b>Profit before tax</b>	<b>1,005,900</b>	<b>21</b>	<b>581,608</b>	<b>16</b>
7950	Less: Income tax expenses (note 6(m))	123,095	3	44,366	1
	<b>Profit</b>	<b>882,805</b>	<b>18</b>	<b>537,242</b>	<b>15</b>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(l))	(1,247)	-	1,775	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(191)	-	653	-
		<b>(1,438)</b>	<b>-</b>	<b>2,428</b>	<b>-</b>
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(71,825)	(1)	(13,682)	-
8300	<b>Other comprehensive income (after tax)</b>	<b>(73,263)</b>	<b>(1)</b>	<b>(11,254)</b>	<b>-</b>
	<b>Comprehensive income</b>	<b>\$ 809,542</b>	<b>17</b>	<b>\$ 525,988</b>	<b>15</b>
	<b>Basic earnings per common share (NT dollars) (note 6(r))</b>	<b>\$ 3.55</b>		<b>\$ 2.29</b>	
	<b>Diluted earnings per common share (NT dollars) (note 6(r))</b>	<b>\$ 3.52</b>		<b>\$ 2.17</b>	

(English Translation of Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Total retained earnings	Total other equity interest	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Treasury shares			
<b>Balance at January 1, 2020</b>	2,494,539	-	1,394,743	778,133	306,434	1,508,522	2,593,089	(445,618)	5,606,711	
Net income	-	-	-	-	-	537,242	537,242	-	537,242	
Other comprehensive income	-	-	-	-	-	2,428	2,428	(13,682)	(11,254)	
Total comprehensive income	-	-	-	-	-	539,670	539,670	(13,682)	525,988	
Subsidiaries purchase of treasury shares	-	-	-	-	-	-	-	(76,948)	(76,948)	
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	
Provision of legal reserve	-	-	-	52,787	-	(52,787)	-	-	-	
Provision of special reserve	-	-	-	-	139,184	(139,184)	-	-	-	
Cash dividends	-	-	-	-	-	(371,781)	(371,781)	-	(371,781)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	20,400	-	-	-	-	-	20,400	
Conversion of convertible bonds	-	22,196	99,798	-	-	-	-	-	121,994	
Changes in equity of affiliate accounted for using equity method	-	-	1,324	-	-	-	-	-	1,324	
<b>Balance at December 31, 2020</b>	2,494,539	22,196	1,516,265	830,920	445,618	1,484,440	2,760,978	(459,300)	5,827,688	
Net income	-	-	-	-	-	882,805	882,805	-	882,805	
Other comprehensive income	-	-	-	-	-	(1,438)	(1,438)	(71,825)	(73,263)	
Total comprehensive income	-	-	-	-	-	881,367	881,367	(71,825)	809,542	
Conversion of convertible bonds	-	(22,196)	604,864	-	-	-	-	-	738,983	
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	
Provision of legal reserve	-	-	-	53,967	-	(53,967)	-	-	-	
Provision of special reserve	-	-	-	-	13,682	(13,682)	-	-	-	
Cash dividends	-	-	-	-	-	(395,228)	(395,228)	-	(395,228)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	20,400	-	-	-	-	-	20,400	
Changes in equity of affiliate accounted for using equity method	-	-	25,270	-	-	-	-	-	25,270	
<b>Balance at December 31, 2021</b>	2,650,854	-	2,166,799	884,887	459,300	1,902,930	3,247,117	(531,125)	7,026,655	

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 1,005,900	581,608
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	319,368	296,922
Amortization expense	37,443	33,317
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,274	(1,843)
Interest expense	5,341	-
Interest income	(1,421)	(1,468)
Share of profit of subsidiaries accounted for using equity method	(734,675)	(476,767)
Gain on disposal of property, plan and equipment	(819)	(2,998)
Gain on disposal of investments	(308)	(6,478)
Others	3,081	(4,051)
<b>Total adjustments to reconcile profit (loss)</b>	<u>(369,716)</u>	<u>(163,366)</u>
<b>Changes in operating assets and liabilities:</b>		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(149,691)	6,478
(Increase) decrease in notes receivable	(498)	64
Increase in accounts receivable	(251,660)	(38,169)
(Increase) decrease in accounts receivable due from related parties	(169,242)	6,118
(Increase) decrease in other receivable	(13,695)	2,825
Increase in inventories	(151,930)	(64,157)
Decrease in other current assets	7,708	33,161
Decrease in notes payable	(45)	(129)
Increase (decrease) in accounts payable	109,498	(1,027)
Increase in accounts payable to related parties	131,409	131,559
Increase (decrease) in other payable	296	(382)
Increase in other payable to related parties	27,224	3,373
Increase (decrease) in other current liabilities	99,561	(96,431)
Decrease in net defined benefit liabilities	(577)	(556)
<b>Total adjustments</b>	<u>(731,358)</u>	<u>(180,639)</u>
Cash inflow generated from operations	274,542	400,969
Interest received	1,439	1,489
Dividends received	356,977	321,493
Interest paid	(5,761)	(18,722)
Income taxes paid	(74,360)	(35,215)
<b>Net cash flows from operating activities</b>	<u>552,837</u>	<u>670,014</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(46,996)	(130,078)
Proceeds from disposal of property, plant and equipment	713	4,435
Acquisition of intangible assets	(27,475)	(51,405)
Decrease in other non-current assets	13,199	13,780
Increase in prepayments for equipment	(53,363)	(88,827)
<b>Net cash flows used in investing activities</b>	<u>(113,922)</u>	<u>(252,095)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(236,240)	(167,910)
Repayments of convertible bonds	(41,900)	-
Proceeds from long-term borrowings	379,760	170,050
Cash dividends paid	(395,228)	(371,781)
<b>Net cash flows used in financing activities</b>	<u>(293,608)</u>	<u>(369,641)</u>
<b>Net increase in cash and cash equivalents</b>	145,307	48,278
<b>Cash and cash equivalents at beginning of period</b>	<u>421,732</u>	<u>373,454</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 567,039</u>	<u>421,732</u>

## **Representation Letter**

The entities that are required to be included in the combined financial statements of TAIWAN SEMICONDUCTOR CO., LTD. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN SEMICONDUCTOR CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TAIWAN SEMICONDUCTOR CO., LTD.

Chairman: Wang Shiu-Ting

Date: March 28, 2022



## **Independent Auditors' Report**

To the Board of Directors of TAIWAN SEMICONDUCTOR CO., LTD.:

### **Opinion**

We have audited the consolidated financial statements of TAIWAN SEMICONDUCTOR CO., LTD. ( "the Company" ) and its subsidiaries ( "the Group" ), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statement of comprehensive income, consolidated 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, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of TAIWAN SEMICONDUCTOR CO., LTD. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. Base on our audits and the report of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Other Matter**

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of the Group. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The financial statements of TSC Auto ID reflect the total assets constituting 41.27% and 42.75% of the consolidated total assets at December 31, 2021 and 2020, respectively, and the total operating revenues constituting 51.97% and 54.70% of the consolidated total operating revenues for the years then ended respectively.

The company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion with other matters paragraph.

## 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 of the current period. 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.

### 1. Valuation of accounts receivable

Please refer to Note 4(g) “Financial instruments” of the consolidated financial statements for details on the accounting policy about valuation on accounts receivable; Note 5 “Assessment of impairment of trade receivable” for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on accounts receivable; and Note 6(c) “Notes and accounts receivable” for details on the related explanation .

#### Description of key audit matter

The Group has transactions with a large number of customers and the accounts receivable collection days differ in length. As a result, the expected credit loss determined for accounts receivable lies in the management’ s subjective judgment based on experience. Therefore, the accounts receivable of the Group is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included (i) analyzing the reasonableness of the accounts receivable at the year-end and considering the collection subsequent to the year-end. (ii) verifying the adequacy of the Group’ s expected credit loss provisions against trade receivables by assessing the relevant assumptions. (iii) taking account of our own knowledge on recent collections experience in this industry and also historical data from the Group’ s previous collections experience in order to assess the reasonableness of the expected credit loss for accounts receivable. Besides, we assessed that the valuation of accounts receivable was disclosed the notes to the consolidated financial statements properly.

### 2. The assessment of impairment loss of goodwill

Please refer to Note 4(l) “Impairment of nonfinancial assets” of the consolidated financial statements for details on the accounting policy related to impairment loss of goodwill; and Note 6(i) “Goodwill” for details on the related explanation.

#### Description of key audit matter

When the Group obtained the business combinations and its control, and recognized a goodwill in the consolidated financial report, the amount is regarded as material. Besides, evaluating whether goodwill is impaired depends on the estimation of the future cash flow of the cashgenerating unit to determine the recoverable amount. The estimation of the future cash flow involves industrial environment and the forecast of the future operating results. Once the indicators of the forecast change, the recoverable amount will change as well and may cause an impairment loss.

How the matter was addressed in our audit:

Our key audit procedures included: (i) obtaining the assessment on impairment loss of goodwill report provided by the evaluator appointed by the management of TSC, as well as inquiring and assessing the professional ability and independence. (ii) appointing the internal expert to execute the related procedures to assess the reasonableness of the assumption used in the evaluation model and weighted average cost of capital. (iii) evaluating the previous operating conditions, the conditions of industrial environment and future outlook, etc. in order to comprehensively determine the reasonableness of the assessment on impairment loss of goodwill.

The adoption of the independent auditor' s reports of TSC Auto ID issued by other Certified Public Accountants included (i) communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor' s report of TSC Auto ID issued by other Certified Public Accountants. The audit procedure executed by other Certified Public Accountants included (1) obtaining the report of the assessment of impairment loss of goodwill provided by the evaluation expert appointed by the management of TSC Auto ID. (2) understanding and assessing the reasonableness of the recoverable amount based on the evaluation model. (3) comprehensively assessing the reasonableness of the assessment of impairment loss of goodwill based on the assumption used in the evaluation model, including sales growth rate, profit margin, weighted average cost of capital (WACC, which includes risk-free return rate, volatility and risk premium), etc. and assessing the previous operating conditions, the conditions of industrial environment and future outlook. In addition, (ii) we assessed the audit procedure designed by other Certified Public Accountants according to related auditing standards and that the related information was disclosed in the notes to the consolidated financial statements properly.

### **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 IFRSs, IASs, interpretations as well as related guidance endorsed 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 Group' 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance including the Audit committee are responsible for overseeing the Group' s financial reporting process.

### **Auditor' s 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 auditor' s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group' 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 Group' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s 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 auditor' s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.

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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 of the current period and are therefore the key audit matters. We describe these matters in our auditor' s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei, Yuan-Chen and Hsu, Yu-Feng.

KPMG

Taipei, Taiwan (Republic of China)  
March 28, 2022

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Common Share)

	2021		2020	
	Amount	%	Amount	%
4110 Total sales revenue (notes 6(t))	\$ 13,612,887	103	10,652,487	103
4190 Less: Sales discounts and allowances	435,470	3	262,208	3
<b>Net operating revenues</b>	<b>13,177,417</b>	<b>100</b>	<b>10,390,279</b>	<b>100</b>
5000 Cost of goods sold (note 6(d))	9,049,696	69	7,219,036	69
<b>Gross profit</b>	<b>4,127,721</b>	<b>31</b>	<b>3,171,243</b>	<b>31</b>
6000 <b>Operating expenses (notes 6(p) and notes 6(v)):</b>				
6100 Selling expenses	1,175,935	9	1,029,857	10
6200 Administrative expenses	726,018	5	601,694	6
6300 Research and development expenses	316,861	2	278,099	3
	2,218,814	16	1,909,650	19
<b>Operating income</b>	<b>1,908,907</b>	<b>15</b>	<b>1,261,593</b>	<b>12</b>
<b>Non-operating income and expenses (note 6(u)):</b>				
7100 Interest income	14,541	-	14,459	-
7010 Other income	46,312	-	105,807	1
7020 Other gains and losses	10,864	-	(15,793)	-
7050 Finance costs	(32,992)	-	(37,252)	(1)
	38,725	-	67,221	-
<b>Profit from continuing operations before tax</b>	<b>1,947,632</b>	<b>15</b>	<b>1,328,814</b>	<b>12</b>
7950 <b>Less: Income tax expenses (note 6(q))</b>	<b>565,737</b>	<b>4</b>	<b>336,465</b>	<b>3</b>
<b>Profit</b>	<b>1,381,895</b>	<b>11</b>	<b>992,349</b>	<b>9</b>
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(1,771)	-	3,570	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	(1,771)	-	3,570	-
8360 <b>Components of other comprehensive loss that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(125,433)	(1)	(74,014)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	15,123	-	17,020	-
	(110,310)	(1)	(56,994)	-
8300 <b>Other comprehensive income</b>	<b>(112,081)</b>	<b>(1)</b>	<b>(53,424)</b>	<b>-</b>
<b>Comprehensive income</b>	<b>\$ 1,269,814</b>	<b>10</b>	<b>938,925</b>	<b>9</b>
<b>Net income attributable to:</b>				
Owners of the parent	\$ 882,805	7	537,242	5
Non-controlling interests (note 6(e))	499,090	4	455,107	4
	<b>\$ 1,381,895</b>	<b>11</b>	<b>992,349</b>	<b>9</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent	\$ 809,542	6	525,988	5
Non-controlling interests (note 6(e))	460,272	4	412,937	4
	<b>\$ 1,269,814</b>	<b>10</b>	<b>938,925</b>	<b>9</b>
<b>Basic earnings per common share (NT dollars) (note 6(w))</b>	<b>\$ 3.55</b>		<b>2.29</b>	
<b>Diluted earnings per common share (NT dollars) (note 6(w))</b>	<b>\$ 3.52</b>		<b>2.17</b>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Share capital			Retained earnings				Total other equity					
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Treasury shares	Exchanges on translation of foreign financial statements	Interest			
<b>Balance at January 1, 2020</b>	2,494,539	-	1,394,743	778,133	306,434	1,508,522	2,593,089	(430,042)	(445,618)	-	5,606,711	1,870,752	7,477,463
Net income	-	-	-	-	-	537,242	537,242	-	-	-	537,242	455,107	992,349
Other comprehensive income	-	-	-	-	-	2,428	2,428	-	(13,682)	-	(11,254)	(42,170)	(53,424)
Total comprehensive income	-	-	-	-	-	539,670	539,670	-	(13,682)	-	525,988	412,937	938,925
Subsidiaries purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	(76,948)	-	(76,948)
Provision of legal reserve	-	-	-	52,787	-	(52,787)	-	-	-	-	-	-	-
Provision of special reserve	-	-	-	-	139,184	(139,184)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(371,781)	(371,781)	-	-	-	(371,781)	-	(371,781)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	20,400	-	-	-	-	-	-	-	20,400	-	20,400
Conversion of convertible bonds	-	22,196	99,798	-	-	-	-	-	-	-	121,994	-	121,994
Changes in equity of affiliate accounted for using equity method	-	-	1,324	-	-	-	-	-	-	-	1,324	-	1,324
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(262,788)	(262,788)
<b>Balance at December 31, 2020</b>	2,494,539	22,196	1,516,265	830,920	445,618	1,484,440	2,760,978	(506,990)	(459,300)	-	5,827,688	2,020,901	7,848,589
Net income	-	-	-	-	-	882,805	882,805	-	-	-	882,805	499,090	1,381,895
Other comprehensive income	-	-	-	-	-	(1,438)	(1,438)	-	(71,825)	-	(73,263)	(38,818)	(112,081)
Total comprehensive income	-	-	-	-	-	881,367	881,367	-	(71,825)	-	809,542	460,272	1,269,814
Conversion of convertible bonds	156,315	(22,196)	604,864	-	-	-	-	-	-	-	738,983	-	738,983
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision of legal reserve	-	-	-	53,967	-	(53,967)	-	-	-	-	-	-	-
Provision of special reserve	-	-	-	-	13,682	(13,682)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(395,228)	(395,228)	-	-	-	(395,228)	-	(395,228)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	20,400	-	-	-	-	-	-	-	20,400	-	20,400
Changes in equity of affiliate accounted for using equity method	-	-	25,270	-	-	-	-	-	-	-	25,270	-	25,270
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(280,319)	(280,319)
<b>Balance at December 31, 2021</b>	2,650,854	-	2,166,799	884,887	459,300	1,902,930	3,247,117	(506,990)	(531,125)	-	7,026,655	2,200,854	9,227,509

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,947,632	1,328,814
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	732,723	749,497
Amortization expense	123,565	124,750
Expected credit loss	9,563	3,051
Net gain on financial assets or liabilities at fair value through profit or loss	(8,418)	(8,100)
Interest expense	30,911	36,083
Interest income	(14,541)	(14,459)
Loss on disposal of property, plant and equipment	3,601	7,141
Gain on disposal of investments	(308)	(6,478)
Reversal of impairment (gain) or loss on non-financial assets	2,701	(159)
Others	25,270	1,324
<b>Total adjustments to reconcile profit (loss)</b>	<u>905,067</u>	<u>892,650</u>
<b>Changes in operating assets and liabilities:</b>		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(143,918)	17,096
(Increase) decrease in notes receivable	(565)	3
Increase in accounts receivable	(591,627)	(247,132)
Increase in other receivables	(15,396)	(11,601)
Increase in inventories	(644,378)	(39,310)
(Increase) decrease in prepayments	(7,114)	26,881
(Increase) decrease in other financial assets	108,236	(223,520)
Decrease in notes payable	(45)	(129)
Increase in accounts payable	502,115	148,305
Increase (decrease) in other payable	248,737	(83,311)
Increase (decrease) in other current liabilities	93,849	(24,351)
Decrease in net defined benefit liabilities	(2,459)	(4,070)
Increase (decrease) in other non-current liabilities	<u>5,253</u>	<u>(8,211)</u>



<b>Total adjustments</b>	457,755	443,300
Cash inflow generated from operations	2,405,387	1,772,114
Interest received	14,559	14,533
Interest paid	(18,424)	(163,490)
Income taxes paid	(409,095)	(159,633)
<b>Net cash flows from operating activities</b>	<u>1,992,427</u>	<u>1,463,524</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(525,777)	(223,527)
Proceeds from disposal of property, plant and equipment	2,421	3,802
Increase in other financial assets	(3,979)	(360)
Acquisition of intangible assets	(26,639)	(29,356)
Increase in other non-current assets	(45,846)	(4,661)
Increase in prepayments for equipment	(156,963)	(137,875)
<b>Net cash flows used in investing activities</b>	<u>(756,783)</u>	<u>(391,977)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(480,528)	(360,293)
Repayments of convertible bonds	(41,900)	-
Proceeds from long-term borrowings	679,760	1,170,173
Repayments of long-term borrowings	(430,000)	(855,000)
Increase (decrease) in guarantee deposits received	(35)	134
Payment of lease liabilities	(86,168)	(99,374)
Cash dividends paid	(374,828)	(351,381)
Repurchase of treasury shares	-	(76,948)
Change in non-controlling interests	(280,319)	(262,788)
<b>Net cash flows used in financing activities</b>	<u>(1,014,018)</u>	<u>(835,477)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(83,648)	97,344
<b>Net increase in cash and cash equivalents</b>	137,978	333,414
<b>Cash and cash equivalents at beginning of period</b>	<u>2,563,670</u>	<u>2,230,256</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 2,701,648</u></u>	<u><u>2,563,670</u></u>

TAIWAN SEMICONDUCTOR CO., LTD.

Fiscal Year 2021

Earnings Distribution Table

Unit: NTD

Items	Subtotal	Total
Beginning retained earnings (Beginning Balance)	1,021,561,962	
Add: Net profit after tax	882,804,895	
Add : Remeasurements of defined benefit plan	(1,437,705)	
Less: 10% legal reserve	88,136,719	
Less : Special Reserve as a deduction from other equity	71,824,275	
<b>Distributable earnings</b>		<b><u>1,742,968,158</u></b>
Less : Distributable items		
(1) Dividend to shareholders (NTD 2.5 per share)		
(NTD 2.5 per share of cash dividend) ----(Note)	<u>658,713,715</u>	<u>658,713,715</u>
<b>Unappropriated retained earnings (Ending Balance)</b>		<b><u>1,084,254,443</u></b>

Note:

- 1) If the Company transfers the Treasury Shares to the employees and affects the number of outstanding shares on the day of distribution of cash dividend or the distribution ratio of the directors' cash dividend, it will be adjusted by the board of directors based on the actual amount of outstanding shares on the day of distribution of cash dividend.
- 2) Total Stock dividend of the director for the current period NTD 658,713,715
- 3) 2021 net profit after tax after distribution NTD 62,692,481 Hasn't been distributed.