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TAIWAN SEMICONDUCTOR CO., LTD

ANNUAL REPORT 2021

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Annual Report Information Can Be Accessed from the Following Websites:•

<http://mops.twse.com.tw>

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5. The name of the trading place where overseas securities are listed for trading and the method of inquiring about the overseas securities information: not applicable

6. Company website: <http://www.ts.com.tw>

7. For some information about the barcode printer department (TSC Auto ID Technology stock code: 3611), refer to the company's annual report.

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1. Letter to Shareholders

Dear shareholders,

First of all, I would like to thank all shareholders for their continuing support and encouragement. Looking back on 2021, due to factors such as the strong demand of personal computers and network mobile phone for the worldwide stay-at-home economy, rapid worldwide development of 5G and the recovery of automotive market, the company's total consolidated revenue in 2021 was \$13,177,417 thousand, a increase of \$2,787,138 thousand or 26.82% from \$10,390,279 thousand in 2020. The net profit for the period attributable to the parent company owners was \$537,242 thousand, a increase of \$345,563 thousand or 64.32% from \$882,805 thousand in 2020. In 2021, the basic after-tax earnings per share were NT\$3.55 which is increased 55.02% from NT\$2.29 in 2020.

In the past few years, the company has actively continued to deploy in automotive electronics, industrial controls, servers and analog IC, and the overall synergy has gradually emerged. In addition to continuing to expand its market share and enhancing its competitive advantage with its brand marketing, the subsidiary company (TSC Auto ID Technology) has optimized after-sales Managed services, improved customer service quality, continued to provide comprehensive one-stop full-stack services, and create opportunities for win-win growth. In the future, the Taiwan Semi Group will continue to enhance its competitiveness, continuously increase product value, strengthen integration benefits, and accelerate research and development to create the most significant synergy effect for the entire group.

All shareholders have given long-term support and encouragement to the company and took time to participate in their busy schedules. I sincerely express my gratitude. Looking forward to the future, the Taiwan Semiconductor Group will be committed to operating the core value of the company with continuous technological innovation, and high-level research and development. With a complete layout of capabilities, upstream and downstream, it will be able to stand out in the global market, continue to shine, and create better profits to share with you. I hope that all shareholders will continue to support and encourage the Taiwan Semi-Group.

I wish you all good health and all the best.

Chairman Wang Shiu Ting



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	3.55NTD	2.29NTD	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 increasing in applications of automatic recognition in the global market, the Company spent NT\$212,892 thousand on research and development in 2021, accounting for 3% of the annual operating income. 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 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 consolidated existing fields by launching new products, continuing to develop customized complete software and hardware solutions, expanding the marketing channels for low, medium, and high-end product lines, intensifying the branding in the worldwide operation, increasing the use of automatic identification systems by customers for providing customers with much more completed application service network and create diversification values. Meanwhile, the Company creates new trends with a focus on planning upstream and downstream strategic investments.

(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

The main strategies for future production and marketing are as following:

1. Ensuring the stability of supply and quality from the significant suppliers and maintaining appropriate inventory levels and turnover rates
2. Strengthen the education and training of regional distributors for enhancing sales
3. Continuing to develop the emerging markets and developed 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 2022 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, on the other hand, the Company also developed the rapidly growing Chinese and Indian automotive electronics companies. Due to the regulation amendment in vehicle lighting, it is necessary to install daylighting. 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 certification 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 investors, 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 2022 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 is not only continuing to expand market share and enhance, but it is also enhancing the after-sales services and improving the quality of customer services, concerning the applications related to developing trending of economy, expanding the smart application software, providing add-in value to customers for creating win-win opportunity.

(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 application of automatic identification becomes more usual and popular, the demand for automatic identification printing increases. Facing external competition, the Company continues to develop innovative technologies, strengthens the integration resource and core competencies of interdisciplinary development and expands the cooperation and connection of markets. Moreover, when the company faces external competition, it keeps positive 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 complies with regulations updated.

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 to share the profits with the stockholders, clients, and employees.

Chairman: Wang Shiu Ting



President: Wang Shiu Ting



CFO: Adam Cheng



2. Company Profile

1. Date of Incorporation

January 18, 1979

2. Company History:

January, 1979	The company, established and located in Tucheng Township, Taipei County, mainly produced rectifiers, with an actual capital of NT\$1 million when it was founded.
May, 1980	Finished factory expansion, purchased additional equipment, seasoned equity offering was made to NT\$12,000,000.
June, 1984	Seasoned equity offering was made to NT\$30 million, introduced automated production equipment.
December, 1987	To meet the needs of the growth of operations scale, chose purchasing land in Yilan for company to prepare for factory construction, seasoned equity offering was made to NT\$60 million.
October, 1988	Completed Yilan plant construction and officially opened, with an annual production capacity of 800 million rectifiers.
November, 1989	Seasoned equity offering was made to NT\$105 million, fully implement automated production to improve product quality and production capacity with automated equipment.
September, 1990	Seasoned equity offering was made to NT\$154 million. Introduced the Tokyo Weld fully automatic machine to join the production ranks, and became the first manufacturer to use this equipment in China. TVS, DIP Bridge and Auto Rectifiers were developed and mass production started. Purchased a new office of the Far East Global Industrial Headquarter in Baoqiao Road, Xindian City, and relocated the head office here.
January, 1991	Reinvested in the American Eltron company and established the business machine division to jointly develop and produce thermal bar code printers
August, 1991	Developed the thermal barcode printers LP-2022 and LP-2042 and mass produced them and became the first domestic manufacturer to manufacture this product. Seasoned equity offering was made to NT\$177,100,000.
August, 1992	Seasoned equity offering was made to NT\$194,810,000.
February, 1993	Developed thermal barcode printers LP-2122 and LP-2142.
June, 1994	Developed and completed thermal transfer barcode printer TLP-2044.
August, 1994	Introduced ISO 9002 quality system standard.
December, 1994	Public issue approved by Securities and Futures Bureau, with a capital of NT\$100 million and NT\$194,810,000.
April, 1995	Obtained DNV certification for the rectifier products of Yilan Factory and passed ISO 9002 quality system standard.
April, 1995	Established Yangxin Everwell to manufacture rectifiers in Shandong Province, China.
June, 1995	Seasoned equity offering was made to NT\$243,582,280.
September, 1995	Developed and completed the process of surface mount rectifier.
December, 1995	Developed and completed the first domestic thermal barcode printers LP-522 and LP-542.
June, 1996	Set up the rectifier chip diffusion process and the key raw material required for the production of rectifier products such as silicon wafers.
July, 1996	In order to effectively reduce production costs through upstream vertical integration, seasoned equity offering was made to NT\$372,330,400.
August, 1996	Reinvested in overseas subsidiaries Ever Winner and TSC America Inc., and established Tianjin Everwell in the Tianjin Economic and Technological Development Zone in Mainland China.

October, 1996	Developed and completed the first domestic thermal transfer barcode printer TTP-242 CLEVER, and thermal barcode printers TDP-522 and TDP-542.
October, 1996	Introduced for Tianjin plant, the Sillner automatic SMD production equipment from Germany, Alphasem automatic wafer bonding equipment from Switzerland, and TO-220 & TO-3P automatic consistent machines; introduced for Shandong plant, a series of automatic bridge rectifier production equipment.
January, 1997	To expand the operations scale of the Office of Business Machines, established the Xizhi Office for business, research and development, management, and trial production of the Office of Business Machines.
February, 1997	Developed TO-220 and TO-3P series products such as Schottky, Super Fast, High Efficiency, along with Super Diode GP-10 & RGP-10 series products.
March, 1997	Obtained DNV certification for the rectifier products of the Tianjin plant and passed the ISO 9002 quality system standard.
May, 1997	Obtained DNV certification for the bar code printer products of Yilan Factory and passed ISO 9002 quality system.
September, 1997	Capital increase to NTD 560 million.
March, 1998	Jointly developed the first color sublimation video printer with the Optoelectronics Institute of Industrial Technology Research Institute.
April, 1998	Obtained KEMA certification for the rectifier product and chip diffusion system of the Tianjin plant and passed the QS-9000 quality system standard.
October, 1998	Capital increase to NT\$680,984,000.
November, 1998	Obtained DNV certification for the rectifier and bar code printer products of Yilan Factory and passed the ISO-14001 environmental management system standard.
February, 1998	Capital increase to NT\$ 830,984,000.
April, 1999	YANGXIN EVERWELL factory's rectifier products obtained CQC certification and passed ISO-9002 quality system standard °
November, 1999	Capital increase to NT\$1,002,244,800.
December, 1999	Developed the first 300dpi high-resolution barcode printers of TTP-342 and TTP-342M.
December, 1999	On December 18 th , the Securities and Futures Commission approved the application for listing on the OTC.
February, 2000	Officially listed on the OTC at NTD 22 per share on 21st February.
August, 2000	Capital increase to NT\$1,157,196,520.
June, 2001	Issued NT\$0.4 billion domestic convertible corporate bonds to meet the capital needs for the expansion of the Schottky wafer factory in Yilan.
June, 2001	Obtained CAQC certification for the rectifier chip diffusion of the Tianjin plant and passed the QS-9000 quality system standard.
August, 2001	Capital increase to NT\$1,280,643,930.
August, 2001	Reinvested in SYNERGY WORLD GROUP LTD, and navigated towards diversified business management.
November, 2001	Established the Korean branch office of Taiwan Semiconductor Co. Ltd.
January, 2002	Converted company bonds to common stock of NT\$1,416,035,740.
March, 2002	Obtained CAQC certification for Yangxin Everwell Factory's rectifier products and passed QS-9000 quality system standards.
March, 2002	Corporate bonds were converted to common stocks of NT\$1,547,504,930.
April, 2002	Reinvested in the German subsidiary Taiwan Semiconductor Europe GmbH.

May, 2002	Obtained DNV certification for the bar code printer products of Yilan Factory and passed the ISO 9001 quality system.
May, 2002	Established Schottky wafer factory in Yilan factory.
October, 2002	Converted corporate bonds into common stocks, and enhanced capital surplus to NT\$1,769,167,440.
October, 2002	To meet the needs of growth of operation scale, purchased land and buildings for a total of NT\$150,872,000 on 11th floor, No. 205, Section 3, Beixin Road, Xindian City.
November, 2002	Converted corporate bonds into common stocks of NT\$1,769,267,440.
November, 2002	Developed high-performance industrial barcode printers such as TTP-246M and TTP-344M.
January, 2003	Moved to the office building of the Operation Headquarters (11th Floor, No. 205, Section 3, Beixin Road, Xindian City), and relocated the head office here.
April, 2003	Reinvested in a Japanese subsidiary of Taiwan Semiconductor Japan., LTD.
May, 2003	Obtained DNV certification for the Schottky wafer factory in Yilan and passed the ISO 9001 quality system.
September, 2003	Converted surplus, employee dividends to capital increase, and corporate bonds to common stocks of NT\$1,874,060,190.
September, 2003	Obtained China Great Wall certification for the rectifier products of Shandong Yangxin Everwell Factory and passed the ISO 14001 environmental management system standard.
October, 2003	Converted corporate bonds into common stock of NT\$1,881,160,190.
November, 2003	Obtained China Great Wall certification for the rectifier, chip, and bar code machine products of Tianjin Everwell Factory, and passed ISO 14001 and OHSAS 18000 quality system standards.
November, 2003	. Developed the third-generation desktop high-speed barcode printers TTP-245 and TDP-245.
May, 2004	Obtained DNV certification for the rectifier, Schottky chip and bar code printer products of Yilan Factory and passed the ISO-14001 environmental management system standard.
October, 2004	Converted surplus and capital reduction of employee dividends into common stocks of NT\$1,960,458,360.
November, 2004	Obtained TUV certification for Yangxin Everwell Factory's rectifier products and passed ISO/TS 16949 quality system standard.
January, 2005	Reinvested in a Hong Kong subsidiary -- Taiwan Semiconductor (H.K.) Co., LTD.
April, 2005	The Investment Commission, Ministry of Economic Affairs approved the capital reduction of treasury stocks to common stocks of NT\$1,877,758,360.
May, 2005	Obtained DNV certification for the Schottky wafer factory in Yilan and passed ISO14000 quality standard.
December, 2005	Taiwan Semiconductor (H.K.) Co., LTD., invested HK\$1 million to establish Taiwan Semiconductor (Shenzhen) Co., Ltd.
January, 2006	Established Lize Factory to engage in the production of barcode printers.
April, 2006	Sold the Far East Global Industrial Headquarters Office in Baoqiao Road, Xindian City.
May, 2006	Converted the employee stock options into common stocks of NT\$1,878,913,360.
July, 2006	Converted the employee stock options into common stocks of NT\$1,879,243,360.
October, 2006	Converted employee stock options into NT\$1,879,738,360.

October, 2006	Issued domestic convertible corporate bonds of NT\$0.8 billion to support the funding needs of construction of Yilan Schottky Fab 2 and second-phase expansion of Lize Business Machine Factory.
October, 2006	Established Yilan branch in No. 35, Section 2, Ligong 1st Road, Wujie Township, Yilan County.
January, 2007	Employee stock options and domestic convertible corporate bonds are converted into common stocks of NT\$1,937,309,500.
March, 2007	Reinvested NT\$1 million and established TSC Auto ID Technology Co., Ltd.
March, 2007	The board of directors resolved to pass the plan of establishing a strategic alliance with a famous international manufacturer in Japan of Nihon Electronics Corporation.
March, 2007	The board of directors approved the plan to split the barcode printer business in August 1996 to inherit Taiwan Semiconductor Co., Ltd. Focused on the development of the core business of rectifier diodes.
April, 2007	Reinvested EUR 100,000 and established a subsidiary company -- TSC PRINTER EUROPE GMBH.
April, 2007	A subsidiary of the company -- Ever Winner Int'l Co., Ltd. (BVI) invested US\$ 135,000 to establish Shanghai Great.
April, 2007	Employee stock options and domestic convertible bonds were converted into common stocks of NT\$2,253,292,860.
May, 2007	From the second quarter of 2007, the board directors resolved to change financial, accounting firm of tax audit.
July, 2007	Corporate authorized capital is increased to NT\$36 billion, employee stock options and domestic convertible bonds are converted into common stocks of NT\$2,315,162,470.
August, 2007	From 1st Aug 2007, the board of directors resolved to split and transfer barcode printer division to TSC Auto ID Technology Co., Ltd.
August, 2007	Sold to TSC Auto ID Technology Co., the buildings of location No. 193 and 194 of Ligong Section, Wujie Township, Yilan County., Ltd., located in Lize Industrial Zone, Yilan County.
August, 2007	The board of directors resolved to sell the company's reinvested subsidiary → TSC PRINTER EUROPE GMBH to TSC Auto ID Technology Co., Ltd.
October, 2007	Converted employee stock options, domestic convertible bonds into NT\$2,336,653,070.
December, 2007	Relocated the location of the Yilan branch to No.31, section 2, Ligong 1st Road, Chengxing Village, Wujie Township, Yilan County.
December, 2007	Capital increase to NT\$2,468,653,070.
December, 2007	Capital increase to USD 111,370.50 for APPLIED NANOTECHNOLOGIES INC. USD.
January, 2008	Converted employee stock options, domestic convertible bonds into common stocks of NT\$2,473,058,960.
March, 2008	Reinvested in the US Advanced EPI Technology Corporation (AET for short) 100% equity, the total investment amount is US\$5 million.
April, 2008	Converted employee stock options into common stocks of NT\$2,473,738,960.
April, 2008	Capital increase to EUR 100,000 for the subsidiary-- Taiwan Semiconductor Europe GmbH. The total capital was EUR 300,000.
July, 2008	Converted employee stock options into common stocks of NT\$2,481,578,960.
October, 2008	Converted employee stock options into common stocks of NT\$2,481,918,960.
January, 2009	Obtained TUV certification for the Yilan Lize Factory and passed the ISO/TS 16949 quality management system standard.
January, 2009	Obtained TUV certification for the Yilan Lize Factory and passed the ISO 9001 quality management system standard.

March, 2009	The Investment Commission, Ministry of Economic Affairs approved the capital reduction of treasury shares to common stocks of NT\$2,439,668,960.
March, 2009	. The board of directors resolved to change the company's business address to → "8th Floor, No. 563, Section 4, Zhongxiao East Road, Xinyi District, Taipei City". Originally → "11th Floor, No. 205, Section 3, Beixin Road, Xindian City, Taipei County" was set up as the Xindian office.
April, 2009	The Investment Commission, Ministry of Economic Affairs approved the relocation to "8th Floor, No. 563, Section 4, Zhongxiao East Road, Xinyi District, Taipei City".
September, 2009	The share capital of USD 8 million is for an investment business in the Administrative Zone 3 for Hong Kong's Taiwan Semiconductor (H.K.) Co., Ltd. Increased capital in the Mainland China investment business of Yangxin Everwell Electronics Co., Ltd.
November, 2009	According to the provisions of Corporate Mergers and Acquisitions Law and the Company Act, executed appraisal right of buying full share price of NT\$127,888,136 for Sunyang Technology Co., Ltd. There is no shareholding so far.
January, 2010	Converted domestic convertible bonds into common stocks of NT\$2,439,968,270.
March, 2010	Obtained TUV certification for the Yilan Lize plant and passed the ISO 14001 environmental management system standard.
April, 2010	The Investment Commission, Ministry of Economic Affairs approved SKYRISE INT'L LTD. to reduce its capital by USD 3,056,060. After the capital reduction, the total share capital was USD 50,000.
September, 2010	To meet the needs of growth, a total of 17 plots of land in the Meizhou New Section of Yilan City were purchased, amounting to a total of NT\$108,739,000.
October, 2010	To meet the needs of growth, a total of 17 plots of land in the new section of Meizhou, Yilan City were purchased, amounting to a total of NT\$120,165,000.
November, 2010	The Investment Commission, Ministry of Economic Affairs approved EVER ENERGETIC INT'L LTD. to reduce the capital by USD 4,306,295.11. After the capital reduction, the total share capital was USD 15,800,000.
December, 2010	Through the re-investment business of Taiwan Semiconductor (HK) Co., Ltd., the distribution of the 2006 dividend of the Mainland investment business Tianjin Everwell of USD 2.79 million was remitted to Hong Kong Taiwan Semiconductor (HK) Co., Ltd., and through Taiwan Semiconductor (HK) Co., Ltd.'s own funds of USD 3 million as equity, indirectly increased capital to China Yangxin Everwell.
July, 2011	Obtained Sony Green certification for the Yilan Lize plant and Meizhou plant.
January, 2012	The Investment Commission, Ministry of Economic Affairs approved Yangxin Everwell to increase its capital by USD 8 million from the 2007-2010 dividend surpluses. After the capital increase, Yangxin Everwell has been registered (including actual capital) from the original registered (including actual capital) capital increase of US\$ 25 million to US\$33 million.
June, 2013	The board of directors resolved to change the company's business address to → "11th Floor, No. 205, Section 3, Beixin Road, Xindian District, New Taipei City".
July, 2013	The Ministry of Economic Affairs approved the relocation to "11th Floor, No. 205, Section 3, Beixin Road, Xindian District, New Taipei City".
July, 2013	Taiwan Semiconductor Technology (Shenzhen) Co., Ltd. closed its operations in mid-2013, and completed the liquidation procedures on July 17, 2013.
November, 2013	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options and capital reduction of cancelled treasury shares to common stocks of NT\$2,442,568,270.
December, 2013	To cancel investment, The Investment Commission, Ministry of Economic Affairs approved the completion of liquidation and business closure of Taiwan Semiconductor Technology (Shenzhen) Co., Ltd. in the mainland of China.
January, 2014	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options and the cancellation of treasury stocks to reduce the capital of common stock to NT\$2,432,818,270.

February, 2014	Obtained TUV certification for the Shandong Yangxin Everwell Plant and passed the ISO14064 greenhouse gas inspection at a "reasonable assurance level"
April, 2014	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to ordinary share capital of NT\$2,433,218,270.
May, 2014	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to ordinary share capital of NT\$2,434,643,270.
July, 2014	Obtained TUV certification for the Yilan Lize plant and passed the ISO14064 greenhouse gas inspection at a "reasonable assurance level".
November, 2014	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to ordinary share capital of NT\$2,436,143,270.
April, 2015	The Investment Commission, Ministry of Economic Affairs approved the capital reduction of cancelled treasury stocks and the capital increase of employee stock options to common stocks of NT\$2,387,643,270.
May, 2015	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,388,108,270..
December, 2015	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,396,368,270.
January, 2016	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,400,143,270.
April, 2016	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,403,025,770.
November, 2016	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,405,058,270.
April, 2017	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,408,058,270.
May, 2017	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,409,493,270.
November, 2017	The Investment Commission, Ministry of Economic Affairs approved the employee stock option certificate to increase the common share capital to NT\$2,411,443,270 .
December, 2017	Obtained TUV certification for the Yilan Meizhou Plant and Lize Plant and passed the IATF16949 quality management system standard.
January, 2018	The Financial Supervisory Commission approved the company's issuance of the fifth domestic unsecured convertible bonds of NT\$1billion to support the purchase of machinery equipment at the Yilan Lize Plant, and the addition of related factory facilities.
January, 2018	Obtained SGS certification for the Tianjin plant to pass the IATF16949 quality management system standard.
April, 2018	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to common stocks of NT\$2,411,753,270.
April, 2018	The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to common stocks of NT\$2,411,753,270.
August, 2018	The Investment Commission, Ministry of Economic Affairs approved the conversion of domestic convertible bonds into common equity to NT\$2,427,129,650.
September, 2018	Obtained TUV certification for the Shandong plant to pass the IATF16949 quality management system standard.
December, 2019	The Investment Commission, Ministry of Economic Affairs approved the issuance of 6,741,000 shares of ordinary shares for seasoned equity offering in private placement to common stocks of NT\$2,494,539,650.
April, 2021	The Investment Commission, Ministry of Economic Affairs approved the conversion of domestic convertible bonds into common stock of NT\$2,650,854,860.
January, 2022	The Investment Commission, Ministry of Economic Affairs approved the cancellation of treasury stocks to reduce the capital of common stock to NT\$2,634,854,860.

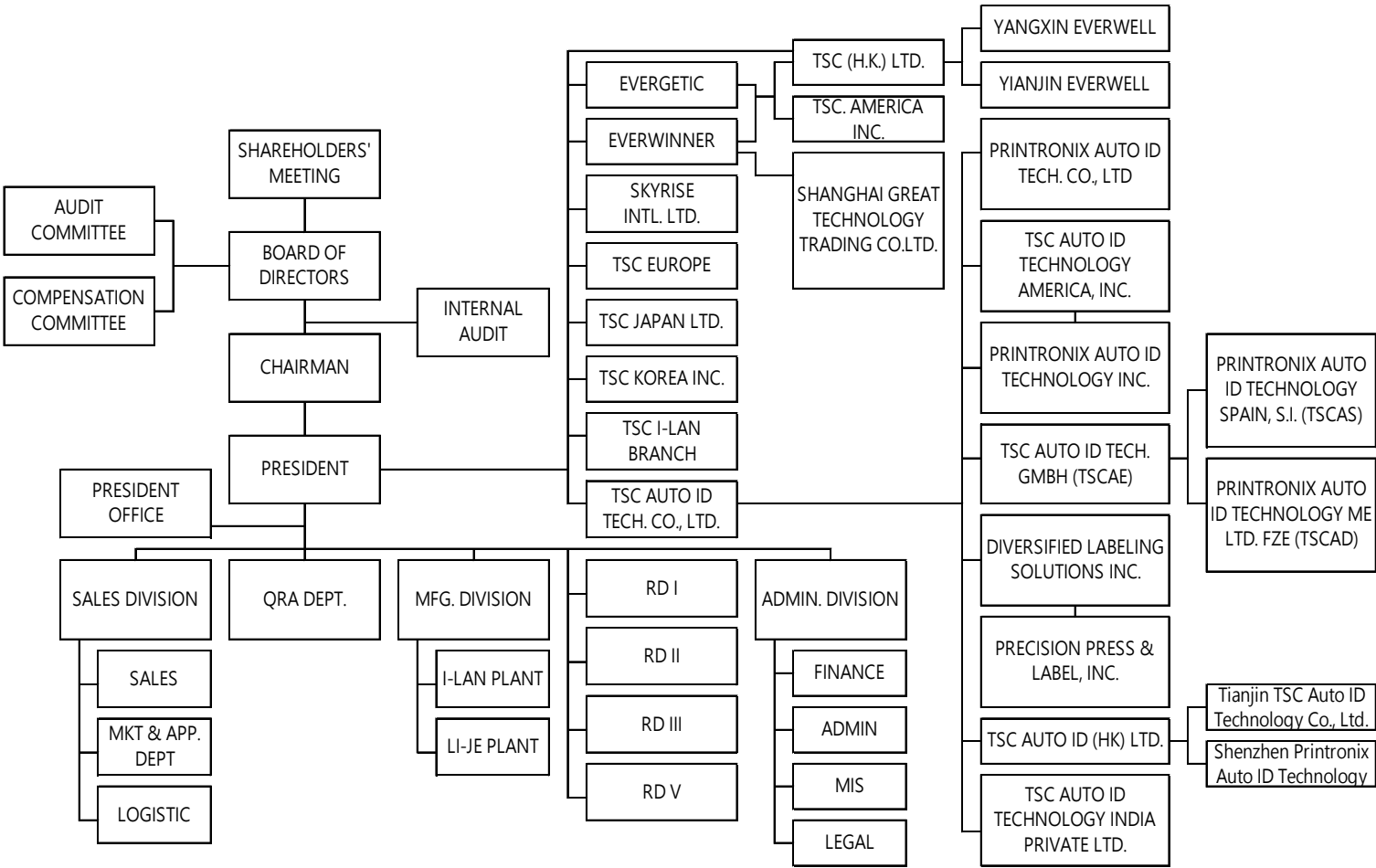
3. Corporate Governance Report

1. Organization Structure

I. Corporate Organization Structure

Effective Date: 2022/03/02

ORGANIZATION CHART



2. Major Corporate Functions

Department		Functions
President's Office		Assist the president to carry out the business of the staff unit, assist in the preparation of the business plan. Design, review and analysis of business performance, while also drafting, establishing and assisting the business of each department.
Audit Office		Perform audit work on the company's internal rules and systems, and propose improvement suggestions.
Sales Office		Market survey, development and sales of rectifiers, analog ICs, metal oxide half field effect transistors and small signal products.
Quality Control Department		(1) Inspection of rectifiers, analog ICs, metal oxide half-field effect transistors, small signal products and Schottky wafer raw materials, materials, finished products and instrumentation fixtures. (2) Promotion and implementation of international standard business of rectifier, analog IC, small signal product quality management and quality assurance.
Research & Development Division		Rectifiers, analog ICs, metal oxide half field effect transistors, small signal products and new wafer products, new manufacturing process and new equipment research and development.
Administration Dept.		(1) Planning and implementation of the overall information system. (2) Responsible for overall company personnel, general affairs and legal affairs and other related businesses. (3) Responsible for overall company accounting treatment, cost analysis, budget preparation and control, capital planning and scheduling, share affairs and other matters.
Production Division	Yilan Factory (No. 1 Rectifier Packaging Factory)	(1) Warehouse management of rectifiers, analog ICs, metal oxide half field effect transistors, and small signal products. (2) Repair and maintenance of rectifier equipment. (3) Manufacturing, production and warehouse management of rectifiers. (4) Responsible for the procurement, import and export of rectifier products. (5) Responsible for the overall management of factory personnel, general affairs, labor safety and health, document control and other businesses. (6) Responsible for the procurement, import and export of rectifiers, analog ICs, metal oxide half field effect transistors, small signal products and wafer products.
	Lize Factory (Fab)	(1) Warehouse management of rectifiers, analog ICs, MOSFETs, small signal products and wafer products. (2) Repair and maintenance of rectifier and wafer equipment. (3) Manufacturing, production and warehouse management of wafers. (4) Responsible for the procurement, import and export and other related businesses related to wafer products. (5) Responsible for the overall management of factory personnel, general affairs, labor safety and health, document control and other businesses. (6) Responsible for the procurement, import and export of rectifiers, analog ICs, metal oxide half field effect transistors, small signal products and wafer products.

2. Directors, supervisors, president, vice presidents, associates, directors of various departments and branches

1. Directors and supervisors' information

23 April 2022

Title (Note 1)	Nationality or place of incorporation	Name	Gender / Age	Date elected	Tenure	Date of initial appointment	Shareholding when appointed		Current shareholding		Current shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company and other companies	Spouse or relative within the second degree of kinship holding other managerial, director or supervisor position			Remarks
							Shares	Sharehold- ing percentage	Shares	Sharehold- ing percenta- ge	Shares	Sharehold- ing percentage	Shares	Sharehold- ing percentage			Title	Name	Relation	
Chairman and President	Republic of China	Wang Shiu Ting	Male (61-75)	2021.07.26	3 years	1998.06.19	11,608,340	4.38%	11,608,340	4.41%	0	0%	4,200,000	1.59%	Tatung University, Mechanical Engineering; Manager of Texas Instruments	Chairman of Yangxin Everwell Electronics Co., Ltd. (legal representative) Chairman of Tianjin Everwell Technology Co., Ltd. (legal representative) Chairman of EVER ENERGETIC INTERNATIONAL LTD. (legal representative) Chairman of EVER WINNER INTERNATIONAL CO., LTD. (legal representative) Chairman of SKYRISE INT'L LTD. (legal representative) Director (legal representative) of TAIWAN SEMICONDUCTOR JAPAN. Chairman of TSC Auto ID Technology Co., Ltd. Chairman of Tianjin Guoju Technology Co., Ltd. (legal representative) Chairman of Ninci Investment Co., Ltd. Chairman of Dingguan Technology Co., Ltd. (legal representative) Chairman of Shenzhen Dingguan Technology Co., Ltd. (legal representative)	Senior Deputy President President of TSC Auto ID Technology Co., Ltd.	Wang Shiu Fong Wang Xing Lei	Brother and sister Father and son	When the president or the person with equivalent position (the top manager) and the chairman of the board are the same person, each other's spouse or first relative, the reasons, rationality, and
Director	Republic of China	TSC Auto ID Technology Co., Ltd.	None	2021.07.26	3 years	2015.06.18	13,600,000	5.13%	14,800,000	5.62%	0	0%	0	0%	None	None	None	None	None	Necessity and
Representative of Corporate Directors and Vice President	Republic of China	Wang Xing Lei	Male (41-50)	2021.07.26	3 years	2015.06.18	146,000	0.06%	146,000	0.06%	116,000	0.04%	285,000	0.11%	Master of Business Administration, Massachusetts Institute of Technology Consultant of McKinsey Management Consultants	Chairman of TSC Auto ID Technology America, Inc. (legal representative) Head of TSC Auto ID (HK) Ltd. (legal representative) Supervisor (legal representative) of Tianjin Everwell Technology Co., Ltd. Director (legal representative) of Tianjin Guoju Technology Co., Ltd. Director of Arthur Investment Co., Ltd. Director of Ninci Investment Co., Ltd. President of TSC Auto ID Technology Co., Ltd. Director of Dingguan Technology Co., Ltd. (legal representative) Director of Shenzhen Dingguan Technology Co., Ltd. (legal representative) Chairman of Printronix Auto ID Technology Inc. (legal representative) Director (legal representative) of TAIWAN SEMICONDUCTOR EUROPE GMBH Director (legal representative) of TSC Auto ID Technology EMEA GmbH (TSCAE) Chairman of Diversified Labeling Solutions Inc. (legal representative) Chairman of Precision Press & Label, Inc. (legal representative)	Chairman and President	Wang Shiu Ting	Father and son	related information: Since the establishment of the Taiwan and Semi-Company Under the professional leadership of Chairman Wang Shiu Ting, the business of the group is flourishing.
Director	Republic of China	UMC Capital	None	2021.07.26	3 years	2021.07.26	6,741,000	2.54%	6,741,000	2.56%	0	0%	0	0%	None	None	None	None	None	Has

Representative of Corporate Directors	Republic of China	Liu Chang Yu	Male (41-50)	2021.07.26	3 years	2021.07.26	0	0%	0	0%	0	0%	0	0%	0%	Master of Industrial and Systems Engineering, Chung Yuan Christian University ; Bachelor's degree of Business Mathematics, Soochow University ; Vice President, EY M&A advisory assisting; Senior manager, Investment Department, AsusTek Computer Inc.; Investment Manager, StanShih Foundation; Assistant Manager, Productive and Planning Department, VisEra Technologies Company Limited; Leder Engineer, Central Production Planning Department, United Microelectronics Corporation	Vice President, UMC Capital Representative of Corporate Directors, Win Win Precision Technology Co., Ltd. Representative of Corporate Directors, SUBTRON TECHNOLOGY CO., LTD.	None	None	None	proved that it is necessary and reasonable for him to concurrently serve as the president of the first grade, In addition, the company will follow the laws and regulations, Wang Shiu Ting, Group business is booming, Has proved that it is necessary and reasonable for him to concurrently serve as the president of the first grade, In addition, the company will follow the laws and regulations in the follow-up process.
Independent director	Republic of China	Jhan Cian Long	Male (61-75)	2021.07.26	3 years	2012.06.27	0	0%	0	0%	0	0%	0	0%	0%	PhD in Accounting, Nova University Professor and Head of Department of Accounting, University of Soochow Dean of Soochow University Business School Dean of Soochow University Independent Director and Member of Compensation Committee of Yatai Imaging Co., Ltd.	Professor of Soochow University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. (Convener) Independent Director and Audit Committee Member of CABIQI International Co., Ltd. Independent Director of Taiwan Salt Industry Co., Ltd. Independent Director of Asia Optical Co., Ltd. Director of Helianshuo Co., Ltd.	None	None	None	
Independent director	Republic of China	Lin Bo Sheng	Male (61-75)	2021.07.26	3 years	2012.06.27	0	0%	0	0%	0	0%	0	0%	0%	Ph.D. in Economics, Johns Hopkins University, associate Professor, Professor, Department of International Trade and Economics, National Chengchi University, Director and Department Director of Zhengda International Trade Office, Director of Hualu Venture Capital (Stock) Company, Member of Remuneration Committee of Jinghua Hotel, Independent director and member of the Salary and Compensation Committee of Datong World Technology (Stock) Company, Independent Director of Dynamic Electronics (Convener of Audit Committee) and Member of Compensation Committee (Convener)	Adjunct Professor of the Department of International Trade and Economics, National Chengchi University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.	None	None	None	

Independent director	Republic of China	Fan Hong Shu	Male (51-60)	2021.07.26	3 years	2012.06.27	0	0%	1,000	0%	0	0%	0	0%	Ph.D. in Accounting Group, Institute of Business Studies, National Taiwan University, Dean of Department of Accounting, Fu Jen Catholic University, External review members of the listing/ OTC review committee, Member of the Accountant Examination Review Committee of the Examination and Selection Department, TSC Auto ID Technology Co., Ltd., Independent supervisor of Guangdong Electronics Co., Ltd., The legal person supervisor representative of Mega International Commercial Bank, Representative of the legal person supervisor of Taiwan Fire Development Co., Ltd.	Adjunct Professor of the Department of International Trade and Economics, National Chengchi University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.	None	None	None
Independent director	Republic of China	Ma Shu Zhuang	Male (41-50)	2021.07.26	3 years	2021.07.26	0	0%	0	0%	0	0%	0	0%	MIT Sloan School of Management; MBA UC Berkeley, Bachelor of Computer Science and Architecture; Representative of corporate director of FEDERAL CORPORATION; Representative of director of MA,QI-SHAN nonprofit corporation	CEO of NUTRITEC-ENJOY CORPORATION	None	None	None
Director: Wang Shiu Fon and Chao Feng Yu was resigned after re-election at the general shareholders' meeting on 2022.07.26.																			

Note1 : Major shareholders of the institutional shareholders:

Table1:Major shareholders of the institutional shareholders

23 April 2022

Name of Institutional Shareholders (Note1)	Major shareholders of the institutional shareholders (Note2)
TSC Auto ID Technology Co., Ltd.	Taiwan Semiconductor Co., Ltd. (36.38%) Cathay Life Insurance Co., Ltd. (5.29%) Nanshan Life Insurance Co., Ltd. (4.22%) Standard Chartered Bank in custody for the Fidelity Puritan Trust: Fidelity Low-Priced (3.73%) Fubon Life Insurance Co., Ltd. (1.95%) Wang Shiu Ting (1.74%) Thunder Co., Ltd. (1.50%) Wang Xiupeng (1.08%) Li Fangqiang (1.03%) China Securities Investment Trust FOF investment account under the custody of HSBC (0.88%)
UMC Capital	UMC Corp.

Note 1: If the director or supervisor is a representative of institutional shareholder, the name of institutional shareholder should be filled in.

Note 2: Fill in the name of the major shareholder of the institutional shareholders (their shareholding ratio accounts for the top ten) and the shareholding ratio. If the major shareholder is an institutional shareholder, the following table 2 should be filled in.

Note 3: If a shareholder is not a company organizer, the name of the shareholder and shareholding ratio that should be disclosed, that is the name of the investor or donor and its funding or contribution ratio.

Major shareholders of the Company's major institutional shareholders

23 April 2022

Corporate Shareholder (Note1)	Major Shareholders (Note 2)
Taiwan Semiconductor Co., Ltd.	TSC Auto ID Technology Co., Ltd. (5.62%) Wang Shiu Ting (4.41%) Arthur Investment Co., Ltd (3.68%) UMC Capital (2.56%) Ninci Investment Co., Ltd. (1.59%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.28%) Taiwan Life Entrusts China Trust Investment Credit Investment Account (2) (1.2%) VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS (1.17%) Labor Pension Fund(New Scheme) (1.09%) Labor Retirement Fund(Old Scheme) (1.06%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd. (100%)
Nanshan Life Insurance Co., Ltd.	Runcheng Investment Holdings Co., Ltd. (89.5498%) Runhua Dyeing and Weaving Factory Co., Ltd. (1.3441%) Du Yingzong (1.1576%) Runtaixing Co., Ltd. (0.9653%) Runtai Innovation International Co., Ltd. (0.2319%) Runtai Global Co., Ltd. (0.2133%)

Corporate Shareholder (Note1)	Major Shareholders (Note 2)
	Yuanxin Investment Co., Ltd. (0.1563%) Runtai Leasing Co., Ltd. (0.1319%) Jipin Investment Co., Ltd. (0.1069%) PAN CITY CO., LTD. (0.0945%) Shi Zhen Rong (0.00007%) Zhang Hong Jia (0.0001%)
Sanshang Smith Barney Life Insurance Co., Ltd.	Sanshang Investment Holdings Co., Ltd. (38.49%) Shanglin Investment Co., Ltd. (5.70 %) Shuren Investment Co., Ltd. (5.11%) Sanshang Fubao Co., Ltd. (2.36 %) Xu Mingrong (1.45%) HORIZON SECURITIES CO., LTD. (0.79%) Citi takes care of the investment account of the Central Bank of Norway (0.76%) JPMorgan Custodian Vanguard Emerging Market Stock Index Fund Account (0.66%) Bank One is entrusted with the custody of the special investment account of Asia Fei Limited (0.64%) New Retirement Labor Fund (0.59%) Chase Custody Advanced Starlight Advanced Aggregate International Stock Index (0.64%) Chen Xiang Jie (0.27%) Weng Cui Jun(0.04%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings Co., Ltd. (100%)
Thunder co., ltd.	Wang Xing Lei (97.85%) Lan Wanting (2.15%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs (5.84%) Fubon Life Insurance Co., Ltd. (4.16%) Hsun Chieh Investment Co., Ltd. (3.55%) New Labor Pension Fund (2.53%) Silicon Integrated Systems Corp. (2.30%) Yann Yuan Investment Co., Ltd. (1.62%) CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP. (1.57%) Norges Bank - internal - NBIM PF EQ INTERNAL CFD (1.23%) Nan Shan Life Insurance Company, Ltd. (1.20%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.06%)

Note 1: As shown in Table 1 above, if the main shareholder is a legal person, the name of the legal person should be filled in.

Note 2: Fill in the name of major shareholder of the institutional shareholders (its shareholding ratio accounts for the top ten) and its shareholding ratio.

Note 3: A juridical person shareholder is not a company organization, and the name of the shareholder and shareholding ratio that should be disclosed in the previous disclosure is the contributor or the name of the donor and its contribution or contribution rate.

1-1. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors:

Qualification Name	Professional qualifications and experience (Note 1)	Independence analysis (Note 2)	No. of other public companies at which the person concurrently serves as an independent director
Wang Shiu Ting	Tatung University, Mechanical Engineering Manger of Texas Instruments Chairman of TAIWAN SEMICONDUCTOR CO., LTD Chairman of Yangxin Everwell Electronics Co., Ltd. (legal representative) Chairman of Tianjin Everwell Technology Co., Ltd. (legal representative) Chairman of EVER ENERGETIC INTERNATIONAL LTD. (legal representative) Chairman of EVER WINNER INTERNATIONAL CO., LTD. (legal representative) Chairman of SKYRISE INT'L LTD. (legal representative) Director (legal representative) of TAIWAN SEMICONDUCTOR JAPAN. Chairman of TSC Auto ID Technology Co., Ltd. Chairman of Tianjin Guoju Technology Co., Ltd. (legal representative) Chairman of Ninci Investment Co., Ltd. Chairman of Dingguan Technology Co., Ltd. (legal representative) Chairman of Shenzhen Dingguan Technology Co., Ltd. (legal representative) Expertise : Business management and practice in semiconductor components, automatic identification and data capture (AIDC), etc. He has practical experience, strategic management, leadership, and academic knowledge. And he has been in operation and strategic management in semiconductor components for over 43 years. Thus, he has abilities in financial accounting, business, marketing, and operational planning about	1.The Compnay's President, director who concurrent positions as the Company's managers 2.Director of Subsidiary (100% Subsidiar) 3. One of the top ten non-institutional shareholders of the Company. 4. Others has been verified the independence with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and confirmed that meet the requirement.	0

	technology industry-related, operation, and practical management.		
TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei	Master of Business Administration, Massachusetts Institute of Technology Consultant of McKinsey Management Consultants Chairman of TSC Auto ID Technology America, Inc. (legal representative) Head of TSC Auto ID (HK) Ltd. (legal representative) Supervisor (legal representative) of Tianjin Everwell Technology Co., Ltd. Director (legal representative) of Tianjin Guoju Technology Co., Ltd. Director of Arthur Investment Co., Ltd. Director of Ninci Investment Co., Ltd. President of TSC Auto ID Technology Co., Ltd. Director of Dingguan Technology Co., Ltd. (legal representative) Director of Shenzhen Dingguan Technology Co., Ltd. (legal representative) Chairman of Printronix Auto ID Technology Inc. (legal representative) Director (legal representative) of TAIWAN SEMICONDUCTOR EUROPE GMBH Director (legal representative) of TSC Auto ID Technology EMEA GmbH (TSCAE) Chairman of Diversified Labeling Solutions Inc. (legal representative) Chairman of Precision Press & Label, Inc. (legal representative) Mr. Wang has abilities in corporate governance, business, marketing, and industrial technology. He will give corporate governance and operation management opinions and policies to the board of directors appropriately and request the operation team for setting and implement operational strategies.	1. TSC Auto ID Technology Co., Ltd. is the largest shareholder of the Company since it is holding over 5% issued share of the Company. 2. Wang Xing Lei is the director and president of TSC Auto ID Technology Co., Ltd. 3. Others has been verified the independence with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and confirmed that meet the requirement.	0
UMC Capital Representative: Liu Chang Yu	Master of Industrial and Systems Engineering, Chung Yuan Christian University ; Bachelor's degree of Business Mathematics, Soochow University ; Vice President, EY M&A advisory assisting;	1. UMC Capital is one of the top ten non-institutional shareholders of the Company 2. Current: Vice President, UMC	0

	Sernior manager, Investment Department, AsusTek Computer Inc.; Investment Manager, StanShih Foundation; Assistant Manager, Productive and Planning Department, VisEra Technologies Company Limited; Leder Engineer, Central Production Planning Department, United Microelectronics Corporation Mr. Liu is familiar with the technological development of the semiconductor industry chain and specializes in investment management, corporate governance, accounting information, financial analysis, industry development, and technology application insight. He will give corporate governance and operation management opinions and policies to the board of directors appropriately and request the operation team for setting and implement operational strategies.	Capital Representative of Corporate Directors, Win Win Precision Technology Co., Ltd. Representative of Corporate Directors, SUBTRON TECHNOLOGY CO., LTD. 3. Others has been verified the independence with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and confirmed that meet the requirement.	
Jhan Cian Long (Independent Director)	PhD in Accounting, Nova University Professor and Head of Department of Accounting, Soochow University Dean of Soochow University Business School Dean of Soochow University Independent Director and Member of Compensation Committee of Yatai Imaging Co., Ltd. Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. (Convener) Independent Director and Audit Committee Member of CABIQI International Co., Ltd. Independent Director of Taiwan Salt Industry Co., Ltd. Independent Director of Asia Optical Co., Ltd. Director of Helianshuo Co., Ltd. Mr. Jhan is an expert in finance, accounting, international trading, taxation, etc., and	(1) Per the Corporate Governance Best Practice Principles, all independent directors and non-independent directors are elected by the candidate nomination system. The company review in advance the qualifications, education, working experience, and background, and they or their spouse or any relative within the second degree should serve as a director, supervisor, or employee of the Company or any of its affiliates to the director candidates recommended by	3

	corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists. Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he act as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee.	shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications. (2) The independent directors shall be verified by the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies and the Article 14-2 of the Securities and Exchange Act for the period of election two years before and during their tenure. (3) Has followed Article 14-3 of the Securities and Exchange Act for making the decision and providing the opinion. (4) Has not received compensation from the Company or its affiliates for business, legal, financial, accounting, and other services in the past two years.	
Lin Bo Sheng (Independent Director)	Ph.D. in Economics, Johns Hopkins University, Associate Professor, Professor, Department of International Trade and Economics, National Chengchi University, Director and Department, Director of Zhengda International Trade Office, Director of Hualu Venture Capital (Stock) Company, Member of Remuneration Committee of Jinghua Hotel, Independent director and member of the Salary and Compensation Committee of Datong World Technology (Stock) Company, Independent Director of Dynamic Electronics (Convener of Audit Committee) and Member of Compensation Committee (Convener) Adjunct Professor of the Department of International Trade and Economics, National Chengchi University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. Mr. Lin is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists.		0

	Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he acts as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee.		
Fan Hong Shu (Independent Director)	Ph.D. in Accounting Group, Institute of Business Studies, National Taiwan University, Dean of Department of Accounting, Fu Jen Catholic University, External review members of the listing/ OTC review committee, Member of the Accountant Examination Review Committee of the Examination and Selection Department, TSC Auto ID Technology Co., Ltd., Independent supervisor of Guangdong Electronics Co., Ltd., The legal person supervisor representative of Mega International Commercial Bank, Representative of the legal person supervisor of Taiwan Fire Development Co., Ltd		1
Ma Shu Zhuang (Independent Director)	MIT Sloan School of Management; MBA UC Berkeley, Bachelor of Computer Science and Architecture; Representative of corporate director of FEDERAL CORPORATION; Representative of director of MA,QI-SHAN nonprofit corporation CEO of NUTRITEC-ENJOY CORPORATION Mr. Ma is an expert in corporate governance, financial accounting, business, maketing and analysis and management ability of industry technology which enhancethe quality of corporate governance and supervision of audits of the borad of directors. And he is the first tenure and less than 3 tenures and no circumstance under any subparagraph of Article 30 of the Company Act exists.		0

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

1-2. Board of directors' composition diversity policy, objectives and progress:

All independent directors and non-independent directors are elected by the candidate nomination system since June 2016. Per the Corporate Governance Best Practice Principles, the structure of the board of directors is based on the scale of the company's business development and the shareholding situation of its major shareholder and determined the appropriate number of directors for five or more. Except the number of directors who are employees of the Company shall less than (including) 1/3 of the total number of directors, the Company shall consider diversity in the composition of the Board of Directors and formulate appropriate diversity guidelines for its operations, business model and development needs, including but not limited to the following two major criteria:

i. Basic qualifications and value: Gender, age, nationality and culture, etc, and more than 1/3 of the director seats are female directors.
ii. Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.
Each board member shall have the necessary knowledge, skill, and ability. To achieve the desired objectives of corporate governance, the board as a whole must have abilities that include:

- i. Operational judgment
- ii. Accounting and financial analysis
- iii. Operational management
- iv. Crisis management
- v. Industry knowledge
- vi. International market perspective
- vii. Leadership
- viii. Decision-making

Presently, the seven members of the Board of Directors are Taiwanese and possess relevant professional backgrounds and the necessary professional knowledge, skills, and education to perform their duties (refer to the above table). Also, they are experienced in accounting, finance, business, law, marketing or industrial technology, and other majors respectively. The range of age is 3 in 61-75 (52.3%, Wang Shiu Ting, Lin Bo Sheng, Jhan Cian Long), 1 in 51-60 (14.4%, Fan Hong Shu), and 3 in 41-50 (33.3%, Wang Xing Lei, Liu Chang Yu, Ma Shu Zhuang).

Implementation of the Diversity Policy for Board Members

Name	Gender and Age	Independent director's office term		Core item							
		Within 3 tenures	Over 3 tenures	Operational judgment	Accounting and financial analysis	Operational management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making
Wang Shiu Ting	Male 61~75			V	V	V	V	V	V	V	V
TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei	Male 41~50			V	V	V	V	V	V	V	V
UMC Capital Representative: Liu Chang Yu	Male 41~50			V	V	V	V	V	V	V	V
Jhan Cian Long (Independent Director)	Female 61~75		V	V	V	V	V	V	V	V	V
Lin Bo Sheng (Independent Director)	Male 61~75		V	V	V	V	V	V	V	V	V
Fan Hong Shu (Independent Director)	Male 51~60		V	V	V	V	V	V	V	V	V
Ma Shu Zhuang (Independent Director)	Male 41~50	V		V	V	V	V	V	V	V	V

1-3 Independence of the Board of Directors:

(1) Board structure:

The Company has established a director selection system. The selection process of all directors is open and fair, which is in line with the Company's "Articles of Association", "Rules for Election of Directors", "Corporate Governance Best Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Article 14-2 of the Securities and Exchange Act", etc., the composition of the current board of directors consists of 3 non-independent directors (42.86%) and 4 independent directors (57.14%), of which 2 are directors with employee/managerial personnel (28.57%, less than 1/3 of all directors). None of the directors has a spouse or family relationship within the second degree of kinship, which complies with the provisions of Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(2) The Board of Directors is independent:

The board of directors of the Company guides the Company's strategy, supervises the management level, and is responsible to the company and shareholders. In the operation and arrangement of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the Company's articles of association or the resolutions of the shareholders' meeting. The board of directors of the Company emphasizes the functions of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The three independent directors also abide by the relevant laws and regulations, cooperate with the powers of the audit committee, review the management and control of the Company's

existing or potential risks, etc., so as to supervise the effective implementation of the Company's internal control, the selection (dismissal) of certified public accountants and their independence, and the fair preparation of financial statements. In addition, according to the Company's "Rules for Election of Directors", the cumulative voting system and candidate nomination system are adopted for the selection of directors and independent directors, and shareholders are encouraged to participate. Shareholders who hold a certain number of shares or more may submit a list of director candidates. Qualification review and confirmation of any violations listed in Article 30 of the Company Act shall be conducted and announced in accordance with the law to protect the rights and interests of shareholders, avoid monopoly or excessive nomination rights, and maintain independence.

The Company has established a performance assessment system for the board of directors, and carries out an internal self-assessment of the board of directors and board members every year; the content of the performance self-assessment of the board of directors includes (1) level of participation in company operations, (2) enhancement of the board's strategic decision-making quality, (3) composition and structure of the board of directors, (4) election and continuous education of directors, and (5) internal control; the self-assessment of board members includes (1) alignment of the Company's objectives and missions, (2) awareness of a director's duties, (3) level of participation in company operations, (4) management and communication of internal relations, (5) directors' professionalism and continuous education, and (6) internal control. The above-mentioned relevant self-assessment results are disclosed in the Company's annual report and official website after reporting to the Board of Directors.

In addition, in order to let the investing public fully understand the operation of the board of directors of the Company, relevant information has also been disclosed in the Company's annual report, official website or the Taiwan Stock Exchange Market Observation Post System (MOPS):

- (A) Attendance status of board members participating in meetings;
- (B) Contents of motion and resolutions of the board of directors;
- (C) Continuing education of directors;
- (D) Changes in shareholding of directors (shareholding ratio, share transfer, pledge setting, etc., please refer to the Taiwan Stock Exchange MOPS).

2. President, Vice President, Associate, Heads of Departments and Branches

23 April 2022

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relation	Remarks
Chairman and President	Republic of China	Wang Shiu Ting	Male (61-75)	1979.09.03	11,608,340	4.41%	0	0%	4,200,000	1.59%	Department of Mechanical Engineering, Datong Institute of Technology Manager of Texas Instruments	Chairman of Yangxin Everwell Electronics Co., Ltd. (legal representative) Chairman of Tianjin Everwell Technology Co., Ltd. (legal representative) EVER ENERGETIC Chairman of INTERNATIONAL LTD. (legal representative) Chairman of EVER WINNER INTERNATIONAL CO., LTD. (legal representative) Chairman of SKYRISE INT'L LTD. (legal representative) Director (legal representative) of TAIWAN SEMICONDUCTOR JAPAN. Chairman of TSC Auto ID Technology Co., Ltd. Chairman of Tianjin Guoju Technology Co., Ltd. (legal representative) Chairman of Ninci Investment Co., Ltd. Chairman of Dingguan Technology Co., Ltd. (legal representative) Chairman of Shenzhen Dingguan Technology Co., Ltd. (legal representative)	Senior Deputy President President of TSC Auto ID Technology Co., Ltd., representative and deputy president of legal person directors	Wang Shiu Fon Wang Xing Lei	Brother and sister Father and son	When the president or the person with equivalent position (the top manager) and the chairman of the board are the same person, each other's spouse or first relative, the reasons, rationality, and Necessity and related information: Since its establishment in 1979, Taiwan
Director and Senior Vice President (resigned after re-election at the general shareholders' meeting on 2022.07.26)	Republic of China	Wang Shiu Fon	Female (61-75)	1988.06.01	1,678,227	0.64%	0	0%	0	0%	Toucheng High School	Director (legal representative) of Yangxin Everwell Electronics Co., Ltd. Director (legal representative) of Tianjin Everwell Technology Co., Ltd. Chairman of Shanghai Great Technology Trade Co., Ltd. (legal representative) Supervisor (legal representative) of Tianjin Guoju Technology Co., Ltd.	Chairman and President	Wang Shiu Ting	Brother and sister	Under the professional leadership of Chairman Wang Shiu Ting, the business of the group is flourishing.
Representative of Corporate Directors and Vice president	Republic of China	Wang Xing Lei	Male (41-50)	2019.04.01	146,000	0.06%	116,000	0.04%	285,000	0.11%	Master of Business Administration, Massachusetts Institute of Technology Consultant of McKinsey Management Consultants	Chairman of TSC Auto ID Technology America, Inc. (legal representative) Head of TSC Auto ID (HK) Ltd. (legal representative) Supervisor (legal representative) of Tianjin Everwell Technology Co., Ltd. Director (legal representative) of Tianjin Guoju Technology Co., Ltd. Director of Arthur Investment Co., Ltd. Director of Ninci Investment Co., Ltd. President of TSC Auto ID Technology Co., Ltd. Director of Dingguan Technology Co., Ltd. (legal representative) Director of Shenzhen Dingguan Technology Co., Ltd. (legal representative) Chairman of Printronix Auto ID Technology Inc. (legal representative) Director (legal representative) of TAIWAN SEMICONDUCTOR EUROPE GMBH Director (legal representative) of TSC Auto ID Technology EMEA GmbH (TSCAE) Chairman of Diversified Labeling Solutions Inc. (legal representative) Chairman of Precision Press & Label, Inc. (legal representative) Chairman of TSC AUTO ID TECHNOLOGY INDIA PRIVATE LIMITED (legal representative)	Chairman and President	Wang Shiu Ting	Father and son	It has been proved that it is necessary and reasonable for him to concurrently serve as the president of the first grade. In addition, the company will follow the laws and regulations.
Vice president, Chief Financial Officer, and Manager of corporate governance	Republic of China	Adam Cheng	Male (51-60)	2021.09.01	0	0%	0	0%	0	0%	Department of Accounting and Taxation, University of Houston, Texas Accounting Director of Taiwan Semiconductor Manufacturing Co., Ltd. Financial Director of QUALCOMM TAIWAN CORPORATION Financial Senior Assistant Vice President of TSC AUTO ID TECHNOLOGY CO., LTD.	Supervisor of Shanghai Great Technology Trade Co., Ltd. (legal representative) Supervisor of TAIWAN SEMICONDUCTOR JAPAN (legal representative) Director of TAIWAN SEMICONDUCTOR(H.K.) CO., LTD. (legal representative) Director of TSC AMERICA INC. (legal representative) Supervisor of TAIWAN SEMICONDUCTOR JAPAN. (legal representative)	None	None	None	

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relation	Remarks
Vice president (Appointment on 2022.01.01)	Republic of China	Liu Mei Feng	Female (51-60)	2022.01.01	62,000	0.02%	0	0%	0	0%	Shipping and Transportation Management Department of China Maritime College EMBA Business Management of National Chengchi University Secretary of STAND DRAGON information Training Assistant Manager of Sinon Corporation Production management of Xuli Electronics Co., Ltd. Assistant Vice President of TAIWAN SEMICONDUCTOR CO., LTD.	Director of TAIWAN SEMICONDUCTOR JAPAN (legal representative)	None	None	None	
Vice president	Republic of China	Yan Guo Yin	Male (51-60)	2014.12.26	1,700,772	0.65%	0	0%	0	0%	Fuxing Technical College Electrical Engineering Director of Yangxin Everwell Factory	Director (legal representative) of Yangxin Everwell Electronics Co., Ltd. Director (legal representative) of Tianjin Everwell Technology Co., Ltd.	None	None	None	
Assistant Vice President	Republic of China	Lin Ke Qi	Male (41-50)	2021.10.12	20,000	0.01%	0	0%	0	0%	MBA of Anglia Ruskin University Sales Assistant Manager of Pu Luo Qiang Sheng SEMICONDUCTOR CORP. Sales of ECLAT TEXTILE CO., LTD. Senior manager of TAIWAN SEMICONDUCTOR CO., LTD.	None	None	None	None	
Assistant Vice President	Republic of China	Cai Yi Long	Male (51-60)	2014.12.26	143,501	0.05%	0	0%	0	0%	National Central University Institute of Electrical Engineering Senior R&D Engineer of Nanya Technology (Stock) Company Senior R&D Engineer of Lianhua Electronics Co., Ltd. R&D Manager of Huarui (Stock) Company Deputy Director of R&D and Special Assistant to President of Milo Technology Co., Ltd.	None	None	None	None	
Director	Republic of China	Wu Zhi Kuan	Male (61-75)	2014.12.26	0	0%	0	0%	0	0%	National Taiwan University Law Department President of Kaixuan Law Firm	None	None	None	None	
Assistant Vice President	Philippines	Rexis Cagabanua Manabit	Male (51-60)	2017.05.02	0	0%	0	0%	0	0%	University of San Carlos Cebu City Philippines bachelor of Science in Electronics and Communications Engineering On Semiconductor. Fairchild Semiconductor Pte Ltd. National Semiconductor.	None	None	None	None	
Vice President & CFO	Republic of China	Wang Yong Kang	Male	Became an insider on 2005.02.21; resigned on 2021.08.31												
Vice President	Republic of China	Chao Feng Yu	Male	Became an insider on 2008.02.01; resigned director after re-election at the general shareholders' meeting on 2022.07.26; resigned on 2021.12.30												

3. Remuneration paid to directors, supervisors, president and vice president in the most recent year

(1-1) Remuneration of directors (including independent directors) (individual disclosure of names and remuneration methods): Not applicable.

(1-2-1) Remuneration of directors (including independent directors)

(Summary and Coordination Level Disclosure Ways) : Since the shareholders' meeting on June 27, 2010, the company has elected 3 independent directors in accordance with the law and established the first audit committee to replace the supervisor. And, 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders. The 2011 annual director's remuneration standard is according to the resolutions of the 5th Session of the Company's 4th Salary and Remuneration Committee and the 6th Session of the 15th Session of the Board of Directors on March 28, 2022.

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A+B+C+D+E+F+G and ratio to net income (Note 10)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 11)
		Base Compensation(A) (Note2)		Retirement pay and pension (B) (Note 12)		Director profitsharing Compensation (C) (Note 3)		Expenses and Perquisites (D) (Note 4)				Salary, rewards, and special disbursements (E) (Note 5)		Retirement pay and pension (F) (Note 12)		Employee profit-sharing compensation (G) (Note 6)						
		The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company	All consolidat ed entities (Note 7)	The Company	All consolidated entities (Note 7)	The Company		All consolidated entities (Note 7)		The Comp any	All consolidat ed entities			
Chairman and President	Wang Shiu Ting	NT\$ 0 thousand	NT\$ 0 thousand	NT\$ 0 thousand	NT\$ 0 thousand	NT\$ 7,396 thousand	NT\$ 30,825 thousand	NT\$ 0 thousand	NT\$ 0 thousand	0.84%	3.49%	NT\$ 27,926 Thousand	NT\$ 39,050 Thousand	NT\$ 37/ Thousand	NT\$ 487 Thousand	NT\$ 9,159 Thousand	NT\$ 0 Thousand	NT\$ 15,322 Thousand	NT \$ 0 T h o u s a n d	5.08%	9.71%	NT\$ 0 Thousand
Director	TSC Auto ID Technology Co., Ltd.																					
Representative of Corporate Directors and Vice President	Wang Xing Lei																					
Director (Appointed from 2021.07.26)	UMC Capital																					
Representative of Corporate Directors (Appointed from 2021.07.26)	Liu Chang Yu																					
Director: Wang Shiu Fon and Chao Feng Yu was resigned after re-election at the general shareholders' meeting on 2022.07.26.																						
Independent director	Jhan Cian Long	NT\$ 1,180 thousand	NT\$ 1,180 thousand	NT\$ 0 thousand	NT\$ 0 thousand	NT\$ 3,420 thousand	NT\$ 3,420 Thousand	NT\$ 0 Thousand	NT\$ 0 Thousand	0.52%	0.52%	NT\$ 0 Thousand	NT\$ 0 Thousand	NT\$ 0 Thousand	NT\$ 0 Thousand	NT\$ 0 Thousand	NT\$ 0 Thousand	NT\$ 0 Thousand	NT \$ 0 T h o u s a n d	0.52%	0.52%	NT\$ 0 thousand
Independent director	Lin Bo Sheng																					
Independent director (Appointed from 2021.07.26)	Fan Hong Shu Ma Shu Zhuang																					

1. Independent directors' remuneration policy, system, standard and structure, and in accordance with their responsibilities, risk, investment time and other factors state the correlation with the amount of remuneration: :
The salary and remuneration paid by the company, including cash remuneration, stock options, dividends, Retirement benefits or severance payments, various allowances and other measures with substantial incentives;
Its scope is consistent with the remuneration of directors, supervisors and managers in the guidelines for matters to be recorded in the annual report of publicly issued companies. To improve the company's directors, The salary and remuneration system for supervisors and managers,
The company has established the Salary and Compensation Committee and formulated the "Salary and Compensation Committee Organizational Rules". The Salary and Compensation Committee evaluates the compensation policies and systems of the company's directors, supervisors and managers in a professional and objective position in accordance with the aforementioned regulations. And make recommendations to the board of directors, For reference in decision-making. And with the attention of good managers, faithfully perform the following functions and powers,
And submit the suggestions to the board of directors for discussion:
(1) Establish and regularly review directors,
The policies, systems, standards and structures of performance evaluation and remuneration of supervisors and managers.
(2) Regularly evaluate and determine the remuneration of directors, supervisors and managers.
When performing the functions and powers mentioned in the preceding paragraph, the salary and remuneration committee of the company shall comply with the following principles:
(1) The performance evaluation and remuneration of directors, supervisors, and managers should refer to the usual level of payment in the industry, and consider personal performance,
The rationality of the company's operating performance and future risks.
(2) Directors and managers should not be guided to engage in behaviors that exceed the company's risk appetite in pursuit of remuneration.
(3) The ratio of dividends to short-term performance of directors and senior managers and the payment time of part of the variable salary shall be determined in consideration of the characteristics of the industry and the nature of the company's business.
When the company's board of directors discusses the recommendations of the compensation committee, it will comprehensively consider the amount of compensation, payment methods, and future risks of the company.
In addition, the remuneration paid by the company to managers is authorized by the board of directors to consider the nature and responsibilities of the work. And consider the factors such as academic qualifications, experience, skills, potential development and other factors to determine the handling. The remuneration of the directors of the company and after the amount of employee compensation is resolved by the board of directors and reported to the shareholders meeting, directors' remuneration is handled in accordance with the company's "Director's Remuneration and Expenses Planning Scale". In addition, in relation to the compensation of employees of the company, the number of bonuses that should be paid by individual employees is determined based on the employee's work performance, seniority, grade, and special contributions. It is handled in accordance with the company's "Employee Dividend Share Measures". From the above, the company's policy, system, standards and structure for the payment of directors and independent directors' remuneration, and narrates and clarifies them based on the responsibilities, risks, and time invested. The relevance of the amount of remuneration is in accordance with the company's "Articles of Association" and related
The "Administrative Measures" stipulate that it shall be handled.
2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees) in the most recent year: None

(1-2-2) Remuneration of Directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company Note(8)	Companies in the consolidated financial statements Note(9)	The company Note(8)	Companies in the consolidated financial statements Note(9)
Under NT\$ 1,000,000	Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, Ma Shu Zhuang	Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, Ma Shu Zhuang	Ma Shu Zhuang	Ma Shu Zhuang
NT\$1,000,000 ~ NT\$2,000,000	Wang Shiu Fon, Chao Feng Yu, UMC Capital	Wang Shiu Fon, Chao Feng Yu, UMC Capital	Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, UMC Capital	Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, UMC Capital
NT\$2,000,000 ~ 3,500,000	Wang Shiu Ting, TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology Co., Ltd.	TSC Auto ID Technology Co., Ltd.
NT\$3,500,000 ~ 5,000,000				
NT\$5,000,000 ~ 10,000,000			Wang Xing Lei, Wang Shiu Fon, Chao Feng Yu	Wang Shiu Fon, Chao Feng Yu
NT\$10,000,000 ~ 15,000,000		Wang Shiu Ting, Wang Xing Lei		
NT\$15,000,000 ~ 30,000,000			Wang Shiu Ting	
NT\$30,000,000 ~ 50,000,000				Wang Shiu Ting, Wang Xing Lei
NT\$50,000,000 ~ 100,000,000				
Over NT\$100,000,000				
Total	9	10	10	10

Note 1: The names of directors should be listed separately (corporate shareholders should list the names and representatives of legal person shareholders separately), and general directors and independent directors should be listed separately. Disclosure of the payment amounts in a summary manner. If the director is the president or deputy president concurrently, please fill in this form and the following table (3-1) or the following table (3-2-1) and (3-2-2).

Note 2: Refers to the remuneration of directors in the most recent (2021) year (including directors' salary, position bonus, severance pay, various bonuses, incentives, etc.).

- Note 3: This is the amount of directors' remuneration approved by the board of directors in the most recent (2021) year.
- Note 4: Refers to directors' relevant business execution expenses in the most recent (2021) year (including carriage fees, special expenses, various allowances, dormitories, car distribution, etc. are provided in kind, etc.). Such as providing housing, Automobiles and other vehicles. Or exclusive personal expenditures, the nature and cost of the assets provided should be disclosed, The actual or fair market price of rent, oil or other payments. If there is a driver, please note that the company pays. The relevant remuneration of the driver, but not included in the remuneration.
- Note 5: Refers to the most recent (2021) year director and part-time employees (including part-time president, deputy president, other managers and employees) received including salary, job bonus, severance pay, various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, provide cars and other physical goods and so on. Such as providing housing, When spending on cars and other vehicles or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, oil, and other vehicles or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, oil and other benefits. If there is a driver, please note that the relevant remuneration paid by the company to the driver is not included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share Based Payment", including obtaining employee stock options, restrictions on employee rights, new shares and participation in cash capital increase subscription shares, etc. should also be included in remuneration.

- Note 6: Refers to the most recent (2021) year director and part-time employees (including part-time president, deputy presidents, other managers and employees) who receive employee compensation (including stocks and cash) shall disclose the amount of employee compensation approved by the board of directors in the most recent (2021) year. If it is impossible to estimate, the proposed distribution amount for this year will be calculated according to the proportion of the actual distribution amount last year. And should also fill in the third form of appendix. (The actual individual disbursement amount has not yet been determined, It is estimated that the number of allotments proposed for this year is estimated based on the actual allotment ratio in the year of 2021 and 2020).
- Note 7: The total amount of remuneration paid to the directors of the company by all companies (including the company) in the consolidated report shall be disclosed.
- Note 8: The total amount of remuneration paid to each director by the company, Reveal the names of directors in the attribution level.
- Note 9: The total amount of remuneration paid to each director of the company by all companies (including the company) in the consolidated report should be disclosed, and the names of the directors should be disclosed in the attribution level.
- Note 10: Net profit after tax refers to the net profit after tax for the most recent year; the company has adopted international financial reporting standards, net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2021) year.
- Note 11: a. This column should clearly state that the company's directors receive from the subsidiary's non-transformed investment business or the relevant remuneration amount of the parent company (if none, please fill in "none").
 b. If the directors of the company have received from the subsidiary company's non-transformed investment business or the parent company's relevant remuneration, the company's directors should be transferred out of the subsidiary to invest in the business or the remuneration received by the parent company is merged into column I of the remuneration scale table, and change the field name to "parent company and all reinvested businesses".
 c. Remuneration refers to the remuneration and remuneration received by the directors of the company as directors, supervisors or managers of non-subsidiary investment enterprises or parent companies (Including the remuneration of employees, directors and supervisors) and related remuneration such as business execution expenses.
- * The content of the remuneration disclosed in this table is different from the income concept of the income tax law. Therefore, the purpose of this form is for information disclosure and not for taxation purposes.
- Note 12: The actual amount of Taiwan Bank of Labor Retirement Reserve Fund (The Old Fund) paid in 2021 is NT\$4,232 thousand. In addition, it is NT\$487 for the withdrawal or withdrawal of retirement pension expenses.

(2-1) Supervisor's remuneration (individual disclosure of names and remuneration methods): Not applicable.

(2-2-1) Supervisor's remuneration (summarized and coordinated levels to reveal the name): Since the shareholders meeting on June 27, 2010, the company has three independent directors were elected in accordance with the law and the first audit committee was established to replace the supervisor. And, 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders. The 2011 annual director's remuneration standard is according to the resolutions of the 5th Session of the Company's 4th Salary and Remuneration Committee and the 6th Session of the 15th Session of the Board of Directors on March 28, 2022.

Title	Name	Remuneration of Supervisors						Sum of A+B+C+D and ratio to net income (%) (Note 8)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 9)
		Base Compensation (A) Note(2)		Bonus to Supervisors (B) Note(3)		Allowances (C) Note(4)				
		The company	Companies in the consolidated financial statements Note(5)	The company	Companies in the consolidated financial statements Note(5)	The company	Companies in the consolidated financial statements Note(5)	The company	Companies in the consolidated financial statements Note(8)	
Since the shareholders meeting on June 27, 2010, the company has Elect 3 independent directors in accordance with the law and set up the first audit committee to replace the supervisory position. There is no supervisory officer.		NT\$0 thousand	NT\$0 thousand	NT\$0 thousand	NT\$0 thousand	NT\$0 thousand	NT\$0 thousand	0%	0%	NT\$0 thousand

(2-2-2) Range of Remuneration

Range of Remuneration	Name of Directors	
	Total of (A+B+C)	
	The company (Note 6)	Companies in the consolidated financial statements (Note 7)
Under 1,000,000		
1,000,000 ~2,000,000		
2,000,000 ~3,500,000		
3,500,000 ~5,000,000		
5,000,000 ~10,000,000		
10,000,000 ~15,000,000		
15,000,000 ~30,000,000		
30,000,000 ~50,000,000		
50,000,000 ~100,000,000		
Over 100,000,000		
Total	0	0

Note 1: The names of the supervisors should be listed separately (the legal person shareholders should include the names of the legal person shareholders and Representatives shall list separately) and disclose the payment amounts in a summary manner.

Note 2: Refers to the remuneration of the supervisor in the most recent (2021) year (including the supervisor's salary, Post addition, severance payment, various bonuses, etc.).

Note 3: The amount of remuneration for supervisors approved and distributed by the board of directors in the most recent (2021) year is listed.

Note 4: Refers to the relevant business execution expenses paid to the supervisor in the most recent (2021) year (Including carriage fees, special expenses, various allowances, dormitories, provision of vehicles and other in-kind provision, etc.). Such as providing housing, cars and other means of transportation or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, Oil and other benefits. If there is a driver, Please note that the relevant remuneration paid by the company to the driver is not included in the payment.

Note 5: All companies in the consolidated report (including our company) should be disclosed. This is the total amount of remuneration paid to the supervisor of the company.

Note 6: The total amount of remuneration paid by the company to each supervisor, Reveal the name of the supervisor in the level of belonging.

Note 7: All companies in the consolidated report should be disclosed (Including the company) the total amount of remuneration paid to each supervisor of the company, Reveal the name of the supervisor in the level of belonging.

Note 8: Net profit after tax refers to the net profit after tax for the most recent (2021) year; The company has adopted international financial reporting standards, Net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2021) year.

Note 9: a. This column should indicate the amount of relevant remuneration received by the company's supervisor from the non-subsidiary investment enterprise or the parent company (if none, please fill in "none").

b. If the supervisor of the company has received a transfer investment from a subsidiary company Or related remuneration from the parent company, The company's supervisor should be transferred to an investment business other than a subsidiary or The remuneration received by the parent company is merged into column D of the remuneration scale table, And change the field name to "parent company and all reinvested businesses".

c. Remuneration means that the supervisor of the company serves as the director of the non-subsidiary investment business, compensation received by supervisors or managers (Including the remuneration of employees, directors and supervisors) and business execution expenses and other related payment.

* The remuneration disclosed in this table is different from the income concept of the income tax law. Therefore, the purpose of this form is for information disclosure and not for taxation purposes.

(3-1) Remuneration of the president and vice presidents (individual disclosure of names and remuneration methods):
not applicable.

(3-2-1) Remuneration of the president and vice presidents (summarize and coordinate the way of revealing names)

Title	Name	Salary(A) Note(2)		Severance Pay (B) Note(10)		Bonuses and Allowances (C) Note(3)		Employee Compensation (D) Note(4)				Sum of A+B+C+D and ratio to net income (%) (Note 8)		Remuneration received from investee enterprise s other than subsidiari es or from the parent company (Note 9)
		The company	Companies in the consolidated financial statements Note(5)	The company	Companies in the consolidated financial statements Note(5)	The company	Companies in the consolidated financial statements Note(5)	The company		Companies in the consolidated financial statements Note(5)		The company	Companies in the consolidated financial statements Note(5)	
								Cash	Stock	Cash	Stock			
Chairman and President	Wang Shiu Ting	NT\$ 24,169 thousand	NT\$ 30,573 thousand	NT\$ 554 thousand	NT\$ 662 thousand	NT\$ 15,718 thousand	NT\$ 20,518 thousand	NT\$ 12,748 thousand	NT\$ 0 thousand	NT\$ 18,911 thousand	NT\$ 0 thousand	6.02%	8.00%	NT\$ 0 thousand
Senior Vice President (resigned director after re-election at the general shareholders' meeting on 2022.07.26)	Wang Shiu Fon													
Representative of Corporate Directors And Vice President	Wang Xing Lei													
Vice president, Chief Financial Officer, and Manager of corporate governance (Appointed on 2021.09.01)	Adam Cheng													
Vice President	Yan Guo Yin													
Vice President & CFO (Became an insider on 2005.02.21; resigned on 2021.08.31)	Wang Yong Kang													
Vice President (Became an insider on 2008.02.01; resigned director after re-election at the general shareholders' meeting on 2022.07.26; resigned on 2021.12.30)	Chao Feng Yu													

(3-2-2) Range of Remuneration

Range of Remuneration	President Name and Deputy President Name	
	The company Note(6)	Companies in the consolidated financial statements Note(7)
Under 1,000,000		
1,000,000 ~ 2,000,000		
2,000,000 ~ 3,500,000	Adam Cheng	Adam Cheng
3,500,000 ~ 5,000,000		
5,000,000 ~ 10,000,000	Wang Shiu Fon, Wang Xing Lei, Chao Feng Yu, Yan Guo Yin, Wang Yong Kang	Wang Shiu Fon, Chao Feng Yu, Yan Guo Yin, Wang Yong Kang
10,000,000 ~ 15,000,000		
15,000,000 ~ 30,000,000	Wang Shiu Ting	Wang Shiu Ting, Wang Xing Lei
30,000,000 ~ 50,000,000		
50,000,000 ~ 100,000,000		
Over 100,000,000		
Total	7	7

Note 1: The names of the president and vice presidents should be listed separately, and the payment amounts should be disclosed in a summary manner. If the director is also the president or vice president, please fill in this form and the above form (1-1) or (1-2-1) and (1-2-2).

Note 2: It is to fill in the salary and position additions of the president and vice presidents for the most recent (2021) year. Salary includes severance pay.

Note 3: The department fills in the most recent (2021) annual president and vice president bonuses,

In-kind provision of incentives, carriage fees, special expenses, various allowances, dormitories, car allocation, etc.

And other remuneration amounts. Such as providing housing,

When spending on cars and other vehicles or exclusive personal expenses,

It should disclose the nature and cost of the assets provided, the actual or fair market rents,

Oil and other benefits. If there is a driver,

Please note that the relevant remuneration paid by the company to the driver is not included in the payment.

In addition, salary expenses recognized as per IFRS 2 "Share Basic Benefits", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in the remuneration.

Note 4: It is to fill in the most recent (2021) year approved by the board of directors to assign the president and

The amount of employee compensation for the vice president (including stocks and cash),

If it is impossible to estimate, the proposed distribution amount for this year will be calculated according to the proportion of the actual distribution amount last year.

And should also fill in the third form of the appendix. Net profit after tax refers to the net profit after tax of the most recent (2021) year; the company has adopted the International Financial Reporting Standards, and net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2021) year.

(The actual individual disbursement amount has not yet been determined, and it is estimated this year's proposed disbursement amount based on the actual disbursement ratio in 2021 and 2020).

Note 5: The total amount of remuneration paid to the president and vice presidents of the Company by all companies (including the company) in the consolidated report should be disclosed.

Note 6: The total amount of remuneration paid by the company to each president and vice president
Reveal the names of the president and vice presidents in the hierarchies to which they belong.

Note 7: The total amount of remuneration paid to each president and vice president of the company by all companies (including the company) in the consolidated report should be disclosed.

Reveal the names of the president and vice presidents in the hierarchies to which they belong.

Note 8: Net profit after tax refers to the net profit after tax for the most recent (2021) year;

The company has adopted international financial reporting standards,

Net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2021) year.

Note 9: a. This column should clearly state the amount of remuneration received by the president and vice president of the company from the subsidiary company or the parent company (if none, please fill in "none").

b. If the president and vice presidents of the company have received the investment from the subsidiary company

Or related remuneration from the parent company,

The president and vice presidents of the company should be transferred outside the subsidiary to invest in the business

Or the remuneration received by the parent company is incorporated into column E of the remuneration scale table,

And change the field name to "parent company and all reinvested businesses".

c. Remuneration refers to the remuneration received by the president and vice presidents of the company as a director, supervisor or manager of a subsidiary company's non-transfer investment business or parent company.

Remuneration comprises reward (including the remuneration of employees, directors, and supervisors) and business execution expenses and other related compensation.

* The content of the remuneration disclosed in this table is different from the income concept of the income tax law.

Therefore, the purpose of this form is for information disclosure and not for taxation purposes.

Note 10: The actual amount of Taiwan Bank of Labor Retirement Reserve Fund (The Old Fund) paid in 2021 is NT\$4,861 thousand. In addition, it is NT\$662 thousand for the withdrawal or withdrawal of retirement pension expenses.

Remuneration for Presidents and Their Names

23 April 2022

	Title	Name	Share value (NT\$)	Cash amount (NT\$)	Total (NT\$)	Ratio of Total Amount to Net Income (%)
Managers	Chairman and President	Wang Shiu Ting	NT\$0 thousand	NT\$18,636 thousand	NT\$18,636 thousand	2.11%
	Senior Vice President (resigned director after re-election at the general shareholders' meeting on 2022.07.26)	Wang Shiu Fon				
	Representative of corporate directors and Vice President	Wang Xing Lei				
	Vice president, Chief Financial Officer, and Manager of corporate governance (Appointed on 2021.09.01)	Adam Cheng				
	Vice President	Yan Guo Yin				
	Vice President (Appointed on 2022.01.01)	Liu Mei Feng				
	Assistant Vice President (Appointed on 2021.10.12)	Lin Ke Qi				
	Director	Wu Zhi Kuan				
	Associate	Cai Yi Long				
	Associate	MANABIT REXIS CAGBABANUA				

Note 1: Individual names and titles should be disclosed, but the profit distribution can be disclosed in a summarized manner.

Note 2: This is the amount of employee compensation (including stocks and cash) approved by the board of directors for the distribution of managers in the most recent (2021) year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year. Net profit after tax refers to the net profit after tax for the most recent (2021) year; The company has adopted the International Financial Reporting Standards, and the net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2021) year. The actual individual disbursement amount has not yet been determined. It is estimated that the number of allotments proposed for this year is estimated based on the actual allotment ratio in the years of 2021 and 2020.

Note 3: The scope of application of managers, in accordance with the regulations of the Association's Taiwan Finance Certificate No. 0920001301 on March 27, 1992, Its scope is as follows:

- (1) President and equivalent
- (2) Deputy president and equivalent
- (3) Associate and equivalent
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other persons who have the right to manage affairs and sign for the company

Note 4: Fill in this form in addition to filling in the attached table one and two, if the directors, presidents and deputy presidents receive employee compensation (including stocks and cash)

4. The company and all companies in the consolidated report have paid the company's directors, analysis of the proportion of the total remuneration of the supervisor, the president and vice president in the net profit after tax of the individual financial report, the policy, standard and combination of remuneration, procedures for determining remuneration and its relevance to business performance and future risks:

(1) The company paid the directors, supervisors, and supervisors of the company in the last two years analysis of the proportion of the total remuneration of the president and vice presidents in the after-tax net profit of the individual financial report:

Note: The basis of calculation, page 23-28 directors, supervisors, notes to the remuneration tables of the president and deputy presidents.

Title	2020 Total remunerations as a percentage of net income (The Company)	2020 Total remunerations as a percentage of net income (Consolidated)	2021 Total remunerations as a percentage of net income (The Company)	2021 Total remunerations as a percentage of net income (Consolidated)
director	6.92%	13.78%	5.6%	10.23%
Supervisor	0%	0%	0%	0%
president and vice presidents	7.76%	11.19%	6.02%	8.00%

(2) Relevance between remuneration policy for the Company directors and management team and business performance and future risks:

The 1st Audit Committee was formed by 3 independent directors following the law and no supervisory position since the Annual General Meeting of Shareholders on June 27, 2012. And, 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders. Therefore, the remuneration for directors is governed by Article 20: " In the case of a profitable fiscal year, the Company shall allocate not less than 4% but not more than 10% to employee compensation, and not more than 1 percent as profit-sharing compensation to Directors. If the Company still has an accumulated loss in a profitable fiscal year, it shall first set aside the amount to offset the loss and then allocate compensation to employees and Directors proportionately. When employee compensation is paid in stock or cash, the recipients include employees of the parent or subsidiary company who are qualified for certain requirements. The term "employees of parent or subsidiary company who are qualified for certain requirements" as used in this article, authorizes the board of Directors to make separate provisions following the company law. The above Director's compensation shall only be distributed as stock or cash. The distribution of employee and Director's compensation shall be submitted to the shareholders' meeting for resolution and report."

The salary and remuneration paid by the company, including cash remuneration, stock options, dividends, retirement benefits or severance payments, various allowances and other measures with substantial incentives; Its scope is in line with the relevant directors and supervisors in the guidelines for matters to be recorded in the annual report of public companies. Same as the manager's remuneration. To improve the company's directors, the salary and remuneration system for supervisors and managers, the company has established a salary and compensation committee and established "Regulations for the Organization of the Salary and Compensation Committee".

The Salary and Compensation Committee, in a professional and objective position, in accordance with the aforementioned regulations, The salary and remuneration policies and systems of supervisors and managers are evaluated and reported to the board of directors, who put forward suggestions for their decision-making reference. And with the attention of kind managers, faithfully perform the following functions and powers, and submit the suggestions to the board of directors for discussion:

(1) Establish and regularly review the performance evaluations of directors, supervisors and managers and Policies, systems, standards and structures of salary and remuneration.

(2) Regularly evaluate and determine the remuneration of directors, supervisors and managers.

When performing the functions and powers mentioned in the preceding paragraph, the salary and remuneration committee of the company shall act in accordance with the following principles:

(1) The performance evaluation and remuneration of directors, supervisors and managers should refer to the usual level of payment in the industry, and consider individual performance, company operating performance and the rationality of the connection of future risks.

(2) Directors and managers should not be guided to engage in overstepping in pursuit of remuneration. The company's risk appetite behavior should always be considered.

(3) The proportion of dividends paid for the short-term performance of directors and senior managers and part of the variable salary payment time, should take into account the characteristics of the industry and the nature of the company's business shall be determined. When the company's board of directors discusses the remuneration committee's recommendations, it will comprehensively consider matters such as the amount of salary compensation, payment methods and the company's future risks. In addition, the remuneration paid to managers by the company is authorized by the board of directors to consider the nature and responsibilities of the work, and consider their academic qualifications, experience, skills, and skills.

Factors such as potential development are determined and handled. The company's director's remuneration and the amount of employee's remuneration have been resolved by the board of directors and after reporting the shareholders' meeting, directors' remuneration shall be handled in accordance with the company's "Director's Remuneration and Expenses Planning Scale". In addition, the company's employee compensation is based on the employee's work performance, seniority, the level and special contribution determine the number of bonuses that individual employees should pay. It is handled in accordance with the company's "Employee Dividend Share Measures".

Knowing from the above, the company's policy, standard and combination of remuneration. The procedures for determining remuneration and its correlation with business performance and future risks are in accordance with the company The "Articles of Association" and related "Administrative Measures" shall be handled.

4.Implementation of Corporate Governance

(1) Board of Directors

Implementation of Board of Directors

The 2021 board of directors has a total of 7 meetings (3 times for 14th session ; and 4 times for 15th session)

(A) In addition, as of the publication date of the annual report, 21 times in the 14th session; 3 times in the 2021 year , The attendance of director was follows:

Title	Name	Number of actual attendee (participant) (B)	Attendance by proxy	Actual attendance (participation) rate (%) [B/A]	Note
Chairman and President	Wang Shiu Ting	7	0	100%	(1)As the publication date of the annual report, board meeting
Director	TSC Auto ID Technology Co., Ltd.	7	0	100%	
Representative of corporate directors and Vice President	Wang Xing Lei				
Director (Appointed from 2021.07.26)	UMC Capital	4	0	100%	was held 6 times for 15th session and 5 times was in 2021.
Representative of Corporate Directors (Appointed from 2021.07.26)	Liu Chang Yu				
Senior Vice President (resigned director after re-election at the general shareholders' meeting on 2022. 07. 26)	Wang Shiu Fon	3	0	100%	(2) 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders.
Vice President(Became an insider on 2008. 02. 01; resigned director after re-election at the general shareholders' meeting on 2021. 07. 26; resigned on 2021. 12. 30)	Chao Feng Yu	3	0	100%	
Independent director	Jhan Cian Long	7	0	100%	
Independent director	Lin Bo Sheng	7	0	100%	(3) Board meeting was held 7 times in 2022.
Independent director	Fan Hong Shu	7	0	100%	
Independent director (Appointed from 2021.07.26)	Ma Shu Zhuang	4	0	100%	

Title	Name	Number of actual attendee (participant) (B)	Attendance by proxy	Actual attendance (participation) rate (%) [B/A]	Note
					Zhuang is appointed on 15 th session. (5) The calculation ratio is based on 3 times since Wang Shiu Fon and Chao Feng Yu was resigned after re-election at the general shareholders' meeting on 2022.07.26.

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(1) Any matter under Article 14-3 of the Securities and Exchange Act: None.

(2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None.

2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: Detail refer P.73 the resolutions of the board of directors.

3. Disclose information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content. Refer Table 2(2) Implementation of Evaluations of the Board of Directors.

4. The goal of strengthening the functions of the board of directors in the current year and the most recent year

(For example, setting up an audit committee, enhancing information transparency, etc.) and evaluation of implementation: since June 27, 2010, the company has

In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, an audit committee shall be voluntarily established to replace the supervisory position.

Independent directors convene regular meetings, in which accountants,

Internal auditing and financial accounting units, Report to independent directors and make inquiries about the latest financial report review,

Information such as internal audit results and financial business overview are handled in accordance with laws and regulations. The implementation is good.

Note: The actual attendance rate (%) is based on the number of meetings of the board of directors and
The actual number of seats (arrivals) is calculated.

Serial number	Date of Board meeting	Wang Shiu Ting_Chairman and Convener	TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei	UMC Capital Representative: Liu Chang Yu	Wang Shiu Fon	Chao Feng Yu	Jhan Cian Long	Fan Hong Shu	Lin Bo Sheng	Ma Shu Zhuang	Financial Officer	Accountant	Intercal Audit	Meeting year
1	2021.03.26	V	V	Not yet appointed	V	V	V	V	V	Not yet appointed	V	V	V	2021
2	2021.05.11	V	V	Not yet appointed	V	V	V	V	V	Not yet appointed	V	V	V	2021
3	2021.06.24	V	V	Not yet appointed	V	V	V	V	V	Not yet appointed	V	No Attendance	V	2021
4	2021.07.26	V	V	V	Resign	Resign	V	V	V	V	V	No Attendance	No Attendance	2021
5	2021.08.10	V	V	V	Resign	Resign	V	V	V	V	V	V	V	2021
6	2021.11.10	V	V	V	Resign	Resign	V	V	V	V	V	V	V	2021
7	2021.12.28	V	V	V	Resign	Resign	V	V	V	V	V	No Attendance	V	2021
8	2022.01.10	V	V	V	Resign	Resign	V	V	V	V	V	No Attendance	V	2022
9	2022.03.28	V	V	V	Resign	Resign	V	V	V	V	V	V	V	2022

Table 2 Implementation of Board of Directors

Evaluation cycle	Evaluation period	Evaluation Scope	Evaluation Method	Evaluation Content
Performed once a year; the company conducts the performance evaluation of the board of directors of the current year in December each year.	January 1, 2021 Until December 31, 2021	The evaluation objects include the overall operation of the board of directors, functional committees, etc. and Performance of individual directors and committee members	Self-evaluation of the overall performance of the internal board of directors, self-evaluation of internal directors, The company is based on the annual operating plan and the comparison and evaluation of the operating performance with peers, Self-evaluation of the overall performance of each functional committee, self-evaluation of internal members of each functional committee	The measurement items for the performance evaluation of the company's internal board of directors and functional committees are based on Article 37 of the company's "Corporate Governance Code" and include five aspects: 1. The degree of participation in the company's operations. 2. Improve the decision-making quality of the board of directors and functional committees. 3. The composition and structure of the board of directors and functional committees. 4. The selection and continuing education of directors and functional committee members. 5. Internal control. The measurement items for the self-performance evaluation of directors and committee members include six aspects: 1. Master the company's goals and tasks. 2. Recognition of the duties of directors and committee members. 3. The degree of participation in the company's operations. 4. Internal relationship management and communication. 5. Professional and continuing education of directors and committee members. 6. Internal control.

(2) The operation of the audit committee or the participation of the supervisor in the operation of the board of directors:

(1)Implementation of Audit Committee

A total of 7 meetings of the Audit Committee in 2020 (3 times in 3rd session and 4 times in 4th session)

(A) ; In addition, as of the publication date of the annual report, there were 21 times in the third session; 3 times in 2021 · The attendance of independent directors is as follows :

Title	Name	Number of actual attendee (participant) (B)	Attendance by proxy	Actual attendance (participation) rate (%) [B/A]	Note
Independent Director (Convener of Audit Committee)	Jhan Cian Long	7	0	100%	(1)As the publication date of the annual report, audit committee meeting was held 4 times for 4th session and 4 times was in
Independent Director	Lin Bo Sheng	7	0	100%	

Independent Director	Fan Hong Shu	7	0	100%	2021. (2) 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders. (3) Audit Committee meeting was held 7 times in 2021. (4) The calculation ratio is based on 4 times since UMC Capital and Ma Shu Zhuang is appointed on 5 th session.
Independent director	Ma Shu Zhuang	4	0	100%	

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(1) Any matter under Article 14-5 of the Securities and Exchange Act: None

(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None

2. The implementation status of independent directors' avoidance of the proposal of interest should state the name of the independent director, the content of the proposal, the reasons for avoiding interests and the situation of participation in voting; please refer to the resolution of the board of directors on page 73 (the relevant content is the same as that of the audit committee).

3. Communication status between independent directors and internal audit supervisors and accountants (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication): the company's audit supervisor

And the financial supervisor are both present at the audit committee,

Report to independent directors and make inquiries about the latest financial statements, internal audit results,

Financial business overview and other information will be explained by the accountant when reviewing the financial report

The inspection found that the accountants also regularly hold meetings with the company in late March each year.

Regarding the governance matters related to the audit of financial statements in that year,

Communicate with the company's governance unit,

Enable independent directors to assist investors in ensuring corporate governance and

The credibility of information transparency and other aspects to protect the rights and interests of shareholders.

In addition, the monthly audit report will be submitted to the independent directors for review on a regular basis.

The accountant communicated with the governance unit of the company on matters related to the year of 2014: a meeting was held in the morning of March 28, and the accountant communicated with the governance unit of the company in the year 2016: a meeting was held on the afternoon of March 27, and the accountant communicated with the governance unit of the company 2017 Related matters of the year: A meeting was held on the afternoon of March 27, 2018. The accountant communicated with the company's governance unit on related matters of the year 2018:

A meeting was held on the afternoon of March 25th. The accountant and the governance unit of the company were held to communicate relevant matters in the year of 2019: the meeting was held in the afternoon of March 26th. The accountant and the governing unit of the company were held to communicate relevant matters of the year 2020: held in the afternoon of March 26th. meeting; The accountant communicated with the governance unit of the Company for the relevant matters of the year 2021: held in the afternoon of March 28th. meeting;

The main topics of the 2021 Corporate Governance Conference are as follows:

(1) Responsibilities of inspectors to inspect financial statements

(2) Inspection scope

(3) Independence

(4) Check findings

(5) 2021 financial report review plan

(6) Matters Concerned by the Competent Authority

(7) Updates to important securities control laws and tax laws

Serial Number	Audit Committee Meeting Date	Jhan Cian Long	Fan Hong Shu	Lin Bo Sheng	Ma Shu Zhuang	Financial Officer	Accountant	Internal audit	Finanical year
1	2021.03.26	V	V	V	Not Appointed	V	V	V	2020
2	2021.05.11	V	V	V	Not Appointed	V	V	V	2020
3	2021.06.24	V	V	V	Not Appointed	V	No Attendance	V	2020
4	2021.07.26	V	V	V	V	V	No Attendance	No Attendance	2020
5	2021.08.10	V	V	V	V	V	V	V	2020
6	2021.11.10	V	V	V	V	V	V	V	2020
7	2021.12.28	V	V	V	V	V	No Attendance	V	2022

Note 1: If any independent director left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of audit committee meetings held and the number they attended in person during the period they were in office.

Note 2: If any by-election for independent directors was held before the end of the fiscal year, the P. 26 of 91 names of the new and old independent directors should be filled in the table, with a note stating whether the independent director left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

(2)Implementation of Supervisors in Board of Directors

The company has set up an audit committee to replace the supervisor after the shareholders meeting on June 27, 2012. Since that date, the situation regarding supervisors' participation in the board of directors has no longer applied.

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights	✓			
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) According to Article 13 of Chapter 2 of the Company's "Corporate Governance Code", In this company, the company’s spokesperson or acting spokesperson will handle shareholder’s suggestions or disputes. Shareholders can raise questions through the phone or the company’s website, such as legal issues, Appoint a lawyer to assist in the process.	(1) Article 13 of the Code of Governance Practices shall be properly handled by a Reasonable dedicated person
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) According to Article 19 of Chapter 2 of the Company's "Corporate Governance Code", The company spokesperson or acting spokesperson is responsible, Every month, the stock representative agency reports information to understand and grasp the company’s actual controlling shareholders and Information about major shareholders, and liaise with major shareholders as necessary.	(2) Consistent with Article 19 of the Code of Governance Practices
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) According to Article 14 of Chapter 2 of the Company's "Corporate Governance Code", Personnel between our company and affiliated companies, Assets and financial management objectives and powers and responsibilities should be clarified, And indeed carry out the risk assessment and establish an appropriate firewall. In addition, related business and accounting are all operated independently,	(3) Consistent with Article 14 and Article 17 of the Code of Governance

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?			Employed by a dedicated person and audited by the head office from time to time, In addition, follow the relevant rules set by the company's internal control for the dealings of related enterprises. (4) The company is in the "computer" cycle of the internal control system, The "Internal Important Information Processing Procedure" has been formulated, Including "public information declaration operations, management operations to prevent insider transactions, Financial and non-financial information management operations and professional ethics risk assessment management methods", etc., In addition to issuing announcements to all employees, And has exposed various information in the public information observatory and The company's intranet.ts.com.tw website and The external www.ts.com.tw website is for investment public and employees' reference. In order to establish a good internal major information processing and disclosure mechanism, the company Avoid improper disclosure of information, and ensure the consistency and consistency of information published by the company to the outside world Correctness, and strengthen the prevention of insider trading, Specially formulated the "Management Measures for Internal Major Information Processing and Prevention of Insider Transactions" and "Code of Ethical Conduct."	Practice (4) Consistent with Article 10 of the Code of Governance Practice
3. Composition and Responsibilities of the Board of Directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented? (Please refer 1-1 Disclosure of Information Regarding the Professional Qualifications and Experience of Directors	✓		1. The company currently has seven directors, including four independent directors. The board of directors of the company shall be accountable to the shareholders' meeting for various tasks related to the corporate governance system and arrangements should ensure that the board of directors the provisions of the company's articles of association or the resolution of the shareholders meeting to exercise its powers. The company's board structure, the appropriate number of directors with more than five persons shall be determined in light of the	(1) Consistent with Article 20 and Article 23 of the Code of Governance Practice

Evaluation Item	Implementation Status ¹										Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																																															
	Yes	No	Abstract Illustration																																																							
and Supervisors and the Independence of Independent Directors)	✓	✓	company's business development scale and the shareholding situation of its major shareholders, and in consideration of practical operational needs. The composition of the board of directors should consider diversification, and formulate an appropriate diversification policy based on its own operation, operation type and development needs. It should include but not limited to the following two major standards: 1. Basic conditions and values: gender, age, nationality and culture, etc. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc. The members of the board of directors should generally possess the knowledge, skills and accomplishments necessary to perform their duties.To achieve the ideal goal of corporate governance, the company's board of directors has the following capabilities as a whole: <table><tr><th rowspan="2">Name</th><th rowspan="2">Gender and Age</th><th colspan="2">Independent director's office term</th><th colspan="8">Core item</th></tr><tr><th>Within 3 tenures</th><th>Over 3 tenures</th><th>Operational judgment</th><th>Accounting and financial analysis</th><th>Operational management</th><th>Crisis management</th><th>Industry knowledge</th><th>International market perspective</th><th>Leadership</th><th>Decision-making</th></tr><tr><td>Wang Shiu Ting</td><td>Male 61~75</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei</td><td>Male 41~50</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr></table>									Name	Gender and Age	Independent director's office term		Core item								Within 3 tenures	Over 3 tenures	Operational judgment	Accounting and financial analysis	Operational management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making	Wang Shiu Ting	Male 61~75			✓	✓	✓	✓	✓	✓	✓	✓	TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei	Male 41~50			✓	✓	✓	✓	✓	✓	✓	✓	
Name			Gender and Age	Independent director's office term		Core item																																																				
				Within 3 tenures	Over 3 tenures	Operational judgment	Accounting and financial analysis	Operational management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making																																													
Wang Shiu Ting	Male 61~75			✓	✓	✓	✓	✓	✓	✓	✓																																															
TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei	Male 41~50			✓	✓	✓	✓	✓	✓	✓	✓																																															

Evaluation Item	Implementation Status ¹													Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration											
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			UMC Capital Representative: Liu Chang Yu	Male 41~50			v	v	v	v	v	v	v	
			Jhan Cian Long (Independent Director)	Female 61~75		v	v	v	v	v	v	v	v	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?			Lin Bo Sheng (Independent Director)	Male 61~75		v	v	v	v	v	v	v	v	
			Fan Hong Shu (Independent Director)	Male 51~60		v	v	v	v	v	v	v	v	
			Ma Shu Zhuang (Independent Director)	Male 41~50	v		v	v	v	v	v	v	v	
			(2) The company has set up a salary committee, The audit committee, Capital Expenditures Committee and Corporate Sustainability Committee Development Committee, etc. consider the effective use of resources after the overall assessment of the company And there is no need for urgent setup at present, therefore, it is sufficient to replace the establishment of other types of functional committees. However, if business needs increase in the future, it will be set according to actual operating conditions. (3) The company has formulated "Board of Directors Self-evaluation or Peer Evaluation" Performance evaluation methods and "Standard Operating Procedures for Handling Directors' Requirements", in addition;in the "Salary and Compensation Committee Organizational Rules", it has been clearly stipulated in the remuneration committee and the board of directors regularly evaluate the performance of directors and managers. In accordance with the provisions of Article 7 of the Scope of Responsibilities of the "Salary and Compensation Committee Organization Regulations" .The remuneration committee should regularly evaluate the achievement of directors and managers'performance goals. And based on the evaluation results obtained from the performance evaluation standards, determine the											(2) Consistent with Article 26 of the Code of Governance Practice (3) Consistent with Article 37 of the Code of Governance Practices

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons	
	Yes	No	Abstract Illustration		
			content and amount of remuneration and submit it to the shareholders meeting. The relevance and reasonability report of the relevant evaluation results are as follows:		
			Evaluation mechanism of the board of directors, functional committees, etc.	2021 performance self-evaluation results of the board of directors, functional committees, etc.	The content and amount of directors' and managers' salary and remuneration are related to the results of performance evaluation and rationality
			To implement corporate governance, the company’s board of directors approved "Taiwan Semiconductor Co., Ltd. Remuneration Committee Organization Rules" and "Board Performance Evaluation Method", The performance evaluation of the board of directors of the current year is conducted in December each year.	1. Evaluation period: January 1, 2021 to December 31, 2021 2. The result of internal board of directors' overall performance self-assessment: (1) Involvement in the Company’s operation: good - excellent (2) Enhancement of the quality of the board’s decision-making: good - excellent (3) Makeup and structure of the board: good - excellent	The remuneration of the directors of the company is in accordance with Article 20 of the company’s articles of association. It may be the remuneration of the directors of the current year within the limit of 1% of the profit of the current year, and consider the company's operating results, and consider its contribution to the company's performance, and

Evaluation Item	Implementation Status ¹					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration			
			The evaluation objects include the board of directors, The overall operation status of each functional committee and the performance of individual directors and committee members, and submit the evaluation results and improvement plans to the board of directors. The measurement items for the performance evaluation of the company's internal board of directors and functional committees are based on Article 37 of the company's "Corporate Governance Code" and include five aspects: 1. The degree of participation in the company's operations. 2. Improve the	(4) Election of board members and continuing knowledge development: good - excellent (5) Internal controls: excellent 3. Results of self-evaluation by internal directors: The evaluation results are excellent. 4. Comparison of the annual operating performance between the Company and the same industry: excellent 5. The result of functional committee' s overall performance self-assessment: (1) Involvement in the Company’s operation: excellent (2) Enhancement of the quality of the board’s	give reasonable remuneration; The policies and procedures for the remuneration of managers are based on the company’s "Payroll Cycle Management Measures" and the salary level of the position in the industry market, the scope of rights and responsibilities of the position in the company, and Remuneration for contribution to the company's operating goals. The procedure for determining the remuneration is based on the company’s "Annual Performance Appraisal Method". In addition to referring to the company's overall	

Evaluation Item	Implementation Status ¹					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration			
			quality of board decisions. 3. The composition and structure of the board of directors. 4. The selection and continuing education of directors. 5. Internal control. The measurement items for the self-performance evaluation of board members include six aspects: 1. Master the company's goals and tasks. 2. Awareness of directors' responsibilities. 3. The degree of participation in the company's operations. 4. Internal relationship management and communication. 5. Professional and continuing education of directors	decision-making: excellent (3) Makeup and structure of the board: excellent (4) Election of board members and continuing knowledge development: excellent (5) Internal controls: excellent 6. Results of self-evaluation by functional committee: The evaluation results are excellent. 7. Results of self-evaluation by the board of directors and functional committee are reported to the Board of Directors on March 28, 2022.	operating performance, future business risks and development trends of the industry, it also refers to the individual's performance achievement rate and contribution to the company's performance, and gives reasonable remuneration. Relevant performance appraisal and salary reasonableness have been reviewed by the salary and compensation committee and the board of directors. And review the remuneration system in a timely manner based on the actual operating conditions and relevant laws and	

Evaluation Item	Implementation Status ¹					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration			
(4) Does the company regularly evaluate the independence of CPAs?			6. Internal control. regulations, In order to balance the company's sustainable operation and risk control.			(4) Consistent with Article 29 of the Code of Governance Practices
			(4)The company in accordance with the Code of Practice for Corporate Governance of Listed Companies Article 29 Paragraph 2 stipulates that companies listed on the OTC shall be regular (at least once a year). Assess the independence and competence of the appointed accountant. The review is held regularly for the first time each year. In the Planning Committee and the Board of Directors, refer to the "Integrity, Fairness, Objectivity, and Independence" of the Republic of China Accountants Code of Professional Ethics Bulletin No. 10, and Matters listed in Article 46 and Article 47 of the Accountants Act, the company’s finance department will check the competence and independence of certified public accountants, and issue the "Applicability and Independence Assessment Form for Appointed Accountants", and submit it together with the "Declaration of Transcendent Independence and Competency" issued by certified public accountants. The company’s audit committee and board of directors, It will be discussed and evaluated by the directors. The main key points of the assessment are as follows: 1. Matters of financial interest 2. Financing and guarantee 3. Close business relationship with audit clients 4. To be hired or to act as an audit client 5. Non-audit business matters: such as evaluation service matters, accounting services, internal services, short-term personnel dispatch services, recruitment of high-level			

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			management personnel, corporate financial services 6. Other matters: such as gifts and gifts, remuneration and commissions	
4. Whether the listed OTC company allocates competent and appropriate number of corporate governance personnel, and appoints a corporate governance supervisor, Responsible for Corporate governance related matters (Including but not limited to providing information required by directors and supervisors to perform business, assisting directors, Supervisors comply with laws and regulations, handle matters related to meetings of the board of directors and shareholders meeting in accordance with the law, Make minutes of board of directors and shareholders meetings, etc.)?	✓		According to the company’s "Corporate Governance Code", the company should deploy competent and appropriate number of corporate governance personnel in accordance with the company's scale, business conditions and management needs, and should comply with the competent authority, The stock exchange or over-the-counter trading center stipulates that a director of corporate governance is designated, To be the top executive responsible for corporate governance-related matters, he should obtain a lawyer, accountant qualifications or in securities, finance, futures related institutions or public offering companies are engaged in legal affairs, compliance with laws and regulations, internal audits, finance, stock affairs or the position in charge of the corporate governance-related affairs unit has been at least three years. The Vice President of the Administration Division who is the Head of Corporate Governance is in charge of the Company's corporate governance-related affairs. And staffs of corporate governance from relevant units are responsible for corporate governance affairs. The Head of Corporate Governance is having more than five years of experience in charge of finance, accounting, or corporate governance-related affairs and the main responsibilities are to be responsible for supervising and implementing corporate governance. The matters related to corporate governance in the preceding paragraph shall at least	Comply with the Code of Practice on Corporate Governance for Listed Companies

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			include the following: 1. Handle matters related to meetings of the board of directors and shareholders meeting in accordance with the law. 2. Prepare the minutes of the board of directors and shareholders' meetings. 3. Assist directors and supervisors to take office and continue their education. 4. Provide information necessary for directors and supervisors to perform their business. 5. Assist directors and supervisors to comply with laws and regulations. 6. Other matters stipulated in the company's articles of association or contract. The management actually fulfills its responsibilities and implements the corporate governance system. In addition; according to the company's "Guidelines for Board Meetings", "Regulations for the Organization of the Salary and Compensation Committee", The Finance Department of the General Management Office is responsible for related corporate governance affairs; In addition, the company implements RBA social responsibility in accordance with the requirements of RBA standards. And appointed the vice president of the general management office as the company's social responsibility management representative, responsible for supervising the operation of the RBA management system.	
5. Whether the company has established relationships with stakeholders (including but not limited to shareholders, employees, customers and Suppliers, etc.) communication channels, and set up a special area for stakeholders on the company's website, and appropriately respond to important corporate	✓		The company has now disclosed the stakeholder area on the website www.ts.com.tw and Investor relationship processing window, And appropriately respond to important corporate social responsibility issues that stakeholders are concerned about. The company respects the relevant rights and interests of stakeholders, When the legitimate rights and interests of the interested parties are infringed, the company will properly handle it in accordance with the principle of good faith: 1. Corresponding banks and creditors: the company's financial supervisor or cashier directly	Consistent with Article 46, Article 47, Article 48, and Article 49 of the Code of Practice for Corporate Governance

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
social responsibility issues that stakeholders are concerned about?			communicates with them, and provides sufficient information for its management decision. 2. Employees: Directly through the company’s internal complaint channels in writing or by mail, The manager of the management department communicates with it. 3. Consumers: The business supervisor or salesperson communicates directly with them, responding to customer requests and Product comments, and resolve related issues immediately. 4. Supplier: The purchasing supervisor and purchasing staff accept their suggestions and communicate and coordinate with the appropriate parties. 5. Community or company stakeholders: The company spokesperson or acting spokesperson will communicate with it on behalf of the company. If it is near the factory, the factory manager communicates with the nearby communities on behalf of the company.	
6. Does the company appoint a professional stock agency to handle the affairs of the shareholders meeting?	✓		The company appointed the agency department of China Trust Commercial Bank to handle the company’s all the affairs of the shareholders meeting.	Consistent with Article 7 of the Code of Practice on Corporate Governance
7. Information disclosure (1) Does the company set up a website to expose financial business and corporate governance information? (2) Whether the company adopts other information disclosure methods (such as setting up an English website, Designate a person to be	✓	✓	The company’s website www.ts.com.tw has been revealed on the website Relevant information is as follows: (1) Financial information (2) Corporate Governance Meeting (3) Resolutions of the board of directors (4) Dividend and stock price information (5) Revenue information (6) The company's articles of association and relevant operating procedures for obtaining or disposing of assets, fund lending, and endorsement guarantees (7) Dharma Talks	In accordance with Article 50, Article 51, Article 52 of the Code of Practice for Corporate Governance, Compliance with Article 53

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
responsible for the collection and disclosure of company information, implementation of the spokesperson system, Place the company website during the corporate briefing session, etc.)? (3) Whether the company makes an announcement and declares within two months after the end of the fiscal year annual financial report, and an early announcement and report for the first, second and third quarters before the specified deadline Financial report and operating conditions in each month?			(8) Organization and operation of internal audit (9) Company organizational structure (10) Corporate Social Responsibility (11) Column for Shareholders' Questions (12) Information about the appointment of independent directors (13) Investor relationship processing window (14) Important information (15) Electronic voting in the shareholders meeting (16) Self-assessment report on corporate governance (17) Special area for interested parties (18) The shareholders' meeting adopts a case-by-case vote (19) Information Security Zone The company has established an information security risk management framework, including (1) System emergency recovery plan (2) Information communication policy and network data security management (3) Internal major information processing and prevention of insider transaction management Measures and other information security policies and the specific management plan is disclosed on the company's website www.ts.com.tw; in addition, a dedicated person is designated to collect and disclose company information, set up a spokesperson and agent spokesperson system, and set up investor mailboxes to respond to investments immediately. The relevant information that the company needs to disclose in accordance with the law is immediately announced to investors in the "Public Information Observatory" for understanding and inquiries. (4) The company announces and declares its annual financial report in accordance with relevant Regulations reports, quarterly financial reports and monthly operating conditions: 1. After the end of each fiscal year, the company will announce and report its annual financial	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			report information within three months of the prescribed period. 2. After the end of the first quarter, second quarter and third quarter of each fiscal year of the company, announce and report quarterly financial report information within 45 days within the prescribed period. 3. The company announces and declares last month’s operating income information and last month’s various items before the tenth of each month product business revenue statistics information.	
8. Does the company have other important information that helps to understand the corporate governance and operation of the company? (Including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of interested parties, the situation of directors and supervisors' training, risk management policies and	✓		In addition to handling in accordance with the "Company Governance Code", the company There is also " RBA Policy and Target Management Measures", "Environmental and social rules and regulations for handling exceptions", "Professional Ethics Risk Assessment Management Measures", "Social Responsibility Risk Assessment Management Measures", " RBA Policy and Target Management Measures" etc. are hereby followed. Other relevant information is explained as follows: (1) Employees' rights and interests: The company has an employee welfare committee to handle various Employee welfare matters, and is committed to personnel training, and actively encourage Employees participate in various training courses and convene labor-management meetings from time to time discuss and set up a suggestion box to understand the ideas of both parties to achieve a win-win situation for labor and capital. (2) Employee Care: The heads of various departments of the company hold meetings from time to time to establish	Comply with the Code of Practice on Corporate Governance for Listed Companies

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
the implementation of risk measurement standards, the implementation of customer policies, the company as a director, and How does the supervisor purchase liability insurance, etc.)?			The communication channel between management and employees, and the human resources Supervisor of the management department keeps track of the attendance status of each employee at any time, and can provide timely assistance and care in case of emergencies. (3) Investor relations: The company convenes a shareholder meeting every year in accordance with the Company Act And related laws and regulations, it also gives shareholders ample opportunities to ask questions or make proposals. Investors can call, express opinions by e-mail and other methods. And has a spokesperson system to deal with shareholder suggestions and doubts and disputes. The company also based on the competent authority’s regulations for handling relevant information announcements and declaration matters in a timely manner provide various information that may affect investors' decision-making. (4) Supplier relationship: The company and correspondent banks, employees, consumers and suppliers, etc., Both maintain a smooth communication channel and maintain a good relationship. (5) Rights of interested parties: The company has spokespersons and acting spokespersons to communicate directly with stakeholders, respect and safeguard its legitimate rights and interests. (6) The situation of directors and supervisors' advanced training: The directors of the company all have industry professional background and practical experience in operation and management. The company also provides corporate governance-related courses for directors and	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			supervisors from time to time. (7) Implementation of risk management policies and risk measurement standards established by the company in accordance with the law ,various internal regulations and systems, various risk management and evaluation. (8) Implementation of customer policy: The company maintains a smooth communication channel with customers and maintains a good relationship. (9) The company purchases director and supervisor liability insurance and product business Liability insurance every year, the insured amount is USD 10 million to strengthen the protection of shareholders' rights and interests.	
9. Issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in the most recent year The results of the corporate governance appraisal indicate that the situation has been improved, and prioritize strengthening of those that have not yet been improved matters and measures	✓		According to the 8th Corporate Governance Evaluation, the evaluation year: 2021, The final evaluation score of the Company: 59.08 points; ranking distance: 36% ~ 50%; The company exposes English information on the website, sets up other various functional committees, and the Corporate Sustainability report needs to be strengthened. The company has implemented RBA social responsibility, which is based on "integrity governance", "people-oriented", "cherish resources", and "caring for society". Concept, and then implement and meet the implementation guidelines of RBA policy.	Comply with the Code of Practice on Corporate Governance for Listed Companies

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
10. Does the company have a self-assessment report on corporate governance or entrust other professional institutions? Corporate Governance Evaluation Report? (If yes, please state the opinions of the board of directors, Self-evaluation or outsourcing evaluation results, main deficiencies or suggestions, and improvements) (Note 2)	✓		The company complies with the provisions of the handling standards for the establishment of an internal control system by the public issuing company, Consider the overall operating activities of the company and its subsidiaries, design and implement their internal control system is reviewed at any time to respond to changes in the company's internal and external environments to ensure the continuous and effective design and implementation of the system. The establishment or amendment of the internal control system shall be approved by more than half of all members of the audit committee and a resolution of the board of directors shall be submitted; if independent directors have objections or reservations, it should be stated in the minutes of the board of directors. In addition to the company's self-assessment of the internal control system, the board of directors and the management also regularly review the results of the self-assessment of each department every year and quarterly reviews the audit reports of the auditing units, which are followed and supervised by the audit committee. The evaluation of the effectiveness of the internal control system has been approved by more than half of all members of the audit committee, and a resolution of the board of directors has been proposed. The management of the company also attaches great importance to internal auditing units and personnel, and gives full authority to them. Urge it to check and evaluate the deficiencies of the internal control system and measure the efficiency of operations to ensure that the system can be continuously and effectively implemented, And assist the board of directors and management to fulfill their responsibilities, and then implement the corporate governance system. To implement the internal control system, strengthen the professional capabilities of internal auditors' agents to improve and maintain audit quality and execution efficiency	It is consistent with Article 3 of the Code of Practice for Corporate Governance. As for entrusting other professional institutions to handle corporate governance evaluation reports, the future will depend on the company's organizational scale and structure.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			As a result, the company has also set up a duty agent for internal auditors, and the duty agent also has the legal qualifications for auditors. The company is in accordance with the internal control system processing guidelines Self-evaluation, as of the printing date of the annual report, there has been no commissioned professional organization. It will be handled in accordance with laws and regulations in the future.	

Note 1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

Note 2: The self-evaluation report on corporate governance refers to the self-evaluation project based on corporate governance.

Be evaluated and explained by the company itself, Reports on the current company operation and implementation status in the respective evaluation projects.

(4) If the company has a remuneration committee, it shall disclose its composition, responsibilities and operation conditions:

1. The company is based on March 18th, 100th year of the Republic of China
The Financial Supervision and Administration Commission of the Executive Yuan issued by Order No. 1000009747 "The establishment of the Salary and Compensation Committee of Companies Listed in Stocks or Trading Companies in the Business Offices of Securities Firms and Regulations for the Exercising of Powers and the Organizational Rules of the Company's Salary and Compensation Committee.
2. The company was determined by the 10th meeting of the 11th board of directors on December 23, 2011. The company's remuneration committee organization rules and the appointment of Mr. Fan Hong Shu, Mr. Lin Bo Sheng, and Mr. Jhan Cian Long as members of the company's first remuneration committee, and through the election of member Fan Hong Shu as the convener of the committee and chairman of the meeting. The term of office shall be effective after the approval of the board of directors until June 14, 2013, which is the same as the expiration date of the term of the current board of directors.
3. The company was re-elected by the second resolution of the 12th board of directors on July 6, 2012
The term of the second term of the remuneration committee of the company will be effective after the approval of the board of directors until June 26, 2015, which is the same as the 12th term of the board of directors. And hired Mr. Fan Hong Shu and Mr. Lin Bo Sheng, Mr. Jhan Cian Long and three others served as members of the second salary and remuneration committee of the company.
4. The company was re-elected by the second resolution of the 13th board of directors on June 26, 2015. The term of the company's third term of the Salary and Compensation Committee will be effective after the approval of the board of directors until June 17, 2018, which is the same as the deadline of the 13th term of the board of directors. And hired Mr. Fan Hong Shu, Mr. Lin Bo Sheng, Mr. Jhan Cian Long and three others served as members of the third session of the Salary and Compensation Committee of the company. After the resolution of all members of the Remuneration Committee,
It was unanimously approved to elect Committee Member Lin Bosheng as the convener and chairman of the meeting.
5. The company was re-elected by the second resolution of the 15th board of directors on August 10, 2021. The term of the Company's 5th Salary and Compensation Committee will be effective after the approval of the Board of Directors until July 25, 2024. The term of the 15th Board of Directors expires. And hired Mr. Fan Hong Shu, Mr. Lin Bo Sheng, Mr. Jhan Cian Long and three others served as members of the 5th Salary and Compensation Committee of the Company. After the resolution of all members of the Remuneration Committee, it was unanimously approved to elect member Fan Hong Shu to serve as the convener of the current session of the committee and chairman of the meeting.
6. The 4th Salary and Compensation Committee will meet once in 2021.
The relevant proposals were reviewed and passed as follows:
 - (1) Discuss and review the results of the performance evaluation of directors and managers of the company in 2020 and relevance and reasonableness of salary and compensation.
 - (2) Discuss and approve the review of the company's directors and managers for the year 2020
The actual payment situation of various salaries and remunerations.
 - (3) Discuss and approve the review of the company's 2020 director's remuneration and employee remuneration case.
 - (4) Discuss and approve the review of the company's directors as of the third quarter of 2020 and Manager performance appraisal case.
 - (5) Discuss and approve the remuneration proposal for directors and managers in 2021.
 - (6) Discuss and approve the work plan of the Republic of China for 2021 of the Company's Salary and Compensation Committee.

7. As of the printing date of the annual report, the 5th Salary and Compensation Committee has been convened 4 times in total. Among them, there were 3 meetings in 2021; 1 meeting in 2022, The relevant proposals were reviewed and passed as follows:
- (1) Discuss and nominate Fan Hong Shu be the convener and chair for the 5th Salary and Compensation Committee.
 - (2) Discuss and approve the review of the company's Salary and Compensation for new executive manager appointments
 - (3) Discuss and approve the review of the company's director and executive manager performance external evaluation report as at 3rd quarter 2021.
 - (4) Discuss and pass the proposal of the remuneration for Chairman and Management Team for 2022.
 - (5) Discuss and review the proposal planning of the Salary and Compensation Committee for 2022
 - (6) Discuss and review the results of the company's 2021 director and manager performance evaluation and relevance and reasonableness of salary and compensation.
 - (7) Discuss and pass the review of the company's directors and
Proposal on the actual payment of various salaries and remunerations for managers in 2021.
 - (8) Discuss and approve the review of the company's 2021 director's remuneration and employee remuneration case.

Remuneration Committee Member Information

Identity (Note 1)	Condition Name	<u>Professional qualifications and experience (Note2)</u>	Independence(Note 3)	Also served as a member of remuneration committees for how many other companies
Independent director	Jhan Cian Long	PhD in Accounting, Nova University Professor and Head of Department of Accounting, Soochow University Dean of Soochow University Business School Dean of Soochow University Independent Director and Member of Compensation Committee of Yatai Imaging Co., Ltd. Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. (Convener) Independent Director and Audit Committee Member of CABIQI International Co., Ltd. Independent Director of Taiwan Salt Industry Co., Ltd. Independent Director of Asia Optical Co., Ltd. Director of Helianshuo Co., Ltd. Mr. Jhan is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists. Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he acts as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an	The Company's Compensation Committee consists of four members; three of whom are chosen by independent directors to ensure objectivity, professionalism, and fairness of the committee while avoiding any conflicts of interest those members may have with the company. The Compensation Committee shall practice duty of care when performing the following responsibilities and answering to the board of directors as required by forwarding all recommendations it makes to the board for discussion, including: (1) reviews the company's remuneration policies and plans for a regular basis (2) regularly review the performance appraisal of directors and managers, the compensation policy, system, standard and structure. The review report will included in Annual Report. (3) regularly review the performance evaluation, salary and compensation of directors (members of Audit Committee)	0

		independent director and audit committee.	and managers, and the industry	
Independent Director	Lin Bo Sheng	Ph.D. in Economics, Johns Hopkins University, Associate Professor, Professor, Department of International Trade and Economics, National Chengchi University, Director and Department, Director of Zhengda International Trade Office, Director of Hualu Venture Capital (Stock) Company, Member of Remuneration Committee of Jinghua Hotel, Independent director and member of the Salary and Compensation Committee of Datong World Technology (Stock) Company, Independent Director of Dynamic Electronics (Convener of Audit Committee) and Member of Compensation Committee (Convener) Adjunct Professor of the Department of International Trade and Economics, National Chengchi University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. Mr. Lin is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists. Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he acts as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee.	standard shall be taken into consideration, as well as the reasonableness of the correlation between individual performance, company performance and future risks. The review report will included in Annual Report and report in the board meeting. (1) Per the Corporate Governance Best Practice Principles, all independent directors and non-independent directors are elected by the candidate nomination system. The company review in advance the qualifications, education, working experience, and background, and they or their spouse or any relative within the second degree should serve as a director, supervisor, or employee of the Company or any of its affiliates to the director candidates recommended by shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications. (2) The independent directors shall be verified by the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies and the Article 14-2 of the	0
Independent Director (Remuneration Committee Convener)	Fan Hong Shu	Ph.D. in Accounting Group, Institute of Business Studies, National Taiwan University, Dean of Department of Accounting, Fu Jen Catholic University, External review members of the listing/ OTC review committee, Member of the Accountant Examination Review Committee of the Examination and Selection Department, TSC Auto ID Technology Co., Ltd., Independent supervisor of Guangdong Electronics Co., Ltd., The legal person supervisor representative of Mega International Commercial Bank, Representative of the legal person supervisor of Taiwan Fire Development Co., Ltd Adjunct Professor of the Department of International Trade and Economics, National Chengchi University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.	Securities and Exchange Act for the period of election two years before and during their tenure. (3) Has followed Article 14-3 of the Securities and Exchange Act for making the decision and providing the opinion. (4) Has not received compensation from the Company or its affiliates for business, legal, financial, accounting, and other services in the past two years.	0

Note 1: Please specifically fill in the number of years of relevant work experience, and the professional qualifications and experience, and the status of independence, of each remuneration committee member. If the member is an independent director, you may add a note directing readers to refer to the

relevant information in Table 1 Information on Directors and Supervisors (1) on p. _____. For “Capacity,” please specify whether the member is an independent director or other (if the member is the convenor, please note that fact).

Note 2: Professional qualifications and experience: Describe the professional qualifications and experience of each member of the remuneration committee.

Note 3: Independence analysis: Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a “specified company” (see Article 6, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

Note 4: Regarding the method for disclosure, please refer to the “SAMPLE ANNUAL REPORT” page on the website of the Taiwan Stock Exchange Corporate Governance Center.

Information on the implementation of the Salary and Compensation Committee

1. There are 3 members of the salary committee of the company.
2. The term of office of the current (fifth) members 10 August, 2021 to 25 July, 2024, the 2021 Salary and Compensation Committee held meetings 4 times (A) (1 time in 4th session and 3 times in 5th session), membership qualifications and attendance are as follows:

Title	Name	No. of meetings attended in person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 Note	Remarks
Convener	Fan Hong Shu	4	0	100%	As of the printing date of the annual report, the 5 th Salary and Compensation Committee convened 4 times in total. Among them, a total of 3 meetings will be held in 2021; the 4 th Salary and Compensation Committee convened 8 times in total. Among them, a total of 1 meetings will be held in 2021;
Committee member	Jhan Cian Long	4	0	100%	
Committee member	Lin Bo Sheng	4	0	100%	

Other matters to be recorded:

1. If the board of directors does not adopt or amend the recommendations of the Salary and Compensation Committee,

It should state the date of the board of directors, the period, the content of the proposal, The results of the board of directors' resolutions and the company's handling of the opinions of the Compensation Committee (If the remuneration approved by the board of directors is better than the recommendation of the remuneration committee, the differences and reasons should be stated): No such situation.

2. Matters discussed and resolved by the Salary and Compensation Committee,

If members have objections or reservations and have records or written declarations,

The salary and compensation committee date, period, proposal content,

All member opinions and handling of member opinions: No such situation.

Serial No.	Date of the Salary and Compensation Committee Meeting	Jhan Cian Long	Fan Hong Shu	Lin Bo Sheng	Salary Specialty	Financial year
1	2021.03.26	V	V	V	V	2021
2	2021.08.10	V	V	V	V	2021
3	2021.11.10	V	V	V	V	2021
4	2021.12.28	V	V	V	V	2021
5	2022.03.28	V	V	V	V	2022

Note:

(1) Those who have resigned from the salary committee before the end of the year,

The date of resignation should be indicated in the remarks column,

The actual attendance rate (%) is calculated based on the number of meetings of the Salary and Compensation Committee during their employment and their actual attendance.

(2) Before the end of the year, the re-election of the remuneration committee shall change the new, All former members of the Salary and Compensation Committee shall be filled out.

In the remarks column, indicate whether the member is old, new or re-elected and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings of the Salary and Compensation Committee during the term of service and the actual attendance.

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons :

Evaluation Items	Operation Status (Note1) 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description (Note 2)	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		For promoting the sustainable development of the Company, the Company formed the professional (part-time) committee which is promoted by the Board of Directors, the General Management Division, the directors and management units of plants, and the General Management Division reports to the Audit Committee and the Board. In addition, the Company has implemented the “Sustainable Development Best Practice Principles” and “RBA Code of Conduct”. The vice president of the General Management Division was appointed as the Company's Sustainable Development Management Representative to oversee the operation of the RBA system. In March 2022, the Company has established the "Corporate Sustainability Committee". Under the Committee, it has established a "Corporate Social Responsibility Functional Group". As of the publication date of the annual report, the company the Company has contracted with a professional consultant to guide the Company in the preparation and execution of the relevant sustainability report. Also, the Committee reports to the board of directors on the implementation of the previous year's implementation of promotion of sustainable development. The report on the implementation of the Company's Corporate Sustainable Development 2021 (formerly known as "Corporate Social Responsibility") was submitted to the Board of Directors on March 28, 2022.	No major difference
2. Whether the company has set up a full-time (or part-time) unit to promote corporate social responsibility, and the board of directors authorizes the senior management to deal with it, and report the situation to the board of directors?	V		The company's full-time (or part-time) unit to promote corporate social responsibility is jointly promoted by functional units such as the board of directors, the general management office, each factory manager, and factory affairs. The Prime Minister's Office shall report to the Audit Committee and the Board of Directors; In addition; the company is based on the "Code of Practice for Corporate Sustainable Development " and RBA" standard requires implementation of RBA social responsibility. And appointed the deputy head of the general management office as the company's social responsibility management representative, Responsible for supervising the operation of the RBA management system.	No major difference

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
3. Environmental issues				
(1) Does the company establish an appropriate environmental management system based on its industrial characteristics?	V		(1) To correctly and effectively improve the performance of environmental and social responsibility management, the company provides environmental and social responsibility abnormal conditions to relevant departments, To achieve both improvement and control, specially formulated "Environmental and Social Responsibility Exception Handling Measures", and in accordance with public safety construction regulations, fire protection regulations, labor hygiene and safety regulations, waste Disposal Law, energy-saving and carbon-reduction management regulations, etc., maintain the working environment and natural environment and declare them in accordance with the law.	No Major Difference
(2) Has the company made efforts to improve the efficiency of resources utilization and use recycled materials which have a low impact on the environment?	V		(2) The Company is committed to enhancing the efficiency of various energy use. Through the operating system, fully comply with RoHS regulations in manufacturing process and raw material management, in addition, waste materials are entrusted to the waste removal permit agency responsible for recycling and reuse. Has effectively reduced the environmental load caused by product manufacturing.	No Major Difference
(3) Whether the company assesses the potential risks and opportunities of climate change to the company now and in the future, And take the cause of climate-related issues What should be done?	V		(3) & (4) The description is as follows: The company’s general management office and each plant have dedicated personnel responsible for managing the staff’s working environment and Protect the natural environment. After obtaining ISO-9001, ISO/TS16949, ISO14001 certification, confirm that various environmental, occupational safety and health and information security management systems meet the standards; Shandong Yangxin Everwell Factory obtained TUV certification in February 103. Passed ISO14064 greenhouse gas inspection as "reasonable assurance level"; The Yilan Lize plant obtained TUV certification in July 103 and passed the ISO14064 greenhouse gas inspection as a "reasonable assurance level". In addition; Shandong Yangxin Factory in Mainland China, Yilan Meizhou Plant and Lize Plant also obtained TUV transfer certification IATF16949 quality management system standard;	No Major Difference
(4) Does the company keep statistics on greenhouse gas emissions in the past two years, Water consumption and total weight of waste, and formulate energy saving and carbon reduction, Greenhouse gas reduction, water reduction or other waste management policies?	V			

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Summary Description (Note 2)	
			The Tianjin plant has obtained the SGS transfer certification and passed the IATF16949 quality management system standard. Information about the company’s greenhouse gas emissions and reductions are listed as follows: 1. The impact of the company on greenhouse gas emissions, or the extent of the impact: (1) Risks of enterprises subject to laws and regulations related to climate change Meizhou Factory: Article 2 of the "Air Pollution Control and Emission Standards for Semiconductor Manufacturing Industry" clearly stipulates that semiconductor manufacturing refers to the manufacturing of integrated circuit wafers, wafer packaging, epitaxy, operators such as mask manufacturing and lead frame manufacturing. And integrated circuit wafer manufacturing operations (Wafer Fabrication) refers to various specifications of wafers that are used to produce wafers for various purposes, including physical vapor deposition (Physical Vapor Deposition), Chemical Vapor Deposition, Photoresist, Photolithography, Etching, Diffusion, Processes such as ion implantation, oxidation and heat treatment. According to the aforementioned definition, the attached table stipulates "Public and Private Places Should Declare Fixed Pollution Sources of Greenhouse Gas Emissions" The prescribed semiconductor industry refers to the manufacturing process of integrated circuits, including processes such as physical vapor deposition, chemical vapor deposition, photoresist, lithography, etching, diffusion, ion implantation, oxidation and heat treatment. It belongs to the manufacturing of integrated circuit wafers in the previous item, Therefore, those who only engage in operations such as wafer packaging, epitaxy, mask manufacturing, lead frame manufacturing, diode manufacturing, and light-emitting diode manufacturing are not covered by this announcement. Therefore, Meizhou Plant is not a subject that should be reported regularly. The Meizhou plant has been working hard on the management of energy saving and carbon reduction to meet the requirements of laws and regulations. Lize factory: The company's Lize wafer fab is Required in accordance with Article 21 of the Air Pollution Control Law Reporting companies for greenhouse gas related operations, And in accordance with the management measures for the declaration of greenhouse gas emissions, since 2014, before the end of August each year, Need to complete the previous year’s greenhouse gas emissions inventory, Login and check operations. Since the company's Lize fab has completed the 2020 greenhouse gas inspection and certification, the 2020 self-inspection results have been in accordance with the requirements of the regulations, and the 2019 annual greenhouse gas emissions inventory and inspection operations have been completed on July 29, 2020. , And complete the login on August 20, 2020. (2) Enterprises are exposed to the substantial risks of climate change As the company’s main project affected by climate change is the control of greenhouse gas emissions, The use of electricity is the main source of the company’s greenhouse gas consumption. At present, Taiwan’s electricity supply can still be provided stably, And government agencies continue to promote energy-saving and carbon-reduction operations, Therefore, the company has no substantial risks due to climate change.	

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
			Attached table to "Public and Private Places Should Declare Fixed Pollution Sources of Greenhouse Gas Emissions" The prescribed semiconductor industry refers to the manufacturing process of integrated circuits, Including processes such as physical vapor deposition, chemical vapor deposition, photoresist, lithography, etching, diffusion, ion implantation, oxidation and heat treatment. It belongs to the manufacturing of integrated circuit wafers in the previous item, therefore, those who only engage in operations such as wafer packaging, epitaxy, mask manufacturing, lead frame manufacturing, diode manufacturing, and light-emitting diode manufacturing are not covered by this announcement. Therefore, Meizhou Plant is not a subject that should be reported regularly. The Meizhou plant has been working hard on the management of energy saving and carbon reduction to meet the requirements of laws and regulations in the Lize factory: The company's Lize wafer fab is required in accordance with Article 21 of the Air Pollution Control Law Reporting companies for greenhouse gas related operations, and in accordance with the management measures for the declaration of greenhouse gas emissions, since 2014, before the end of August each year, need to complete the previous year's greenhouse gas emissions inventory. Login and check operations. Since the company's Lize fab has completed the 2020 greenhouse gas inspection and certification, the 2021 self-inspection results have complied with the statutory requirements, and the 2020 greenhouse gas emission inventory and verification operation was completed on 12 July 2021, and the login was completed on 9 August 2021. (2) Enterprises are exposed to the substantial risks of climate changeAs the company's main project affected by climate change is the control of greenhouse gas emissions, The use of electricity is the main source of the company's greenhouse gas consumption. At present, Taiwan's electricity supply can still be provided stably, And government agencies continue to promote energy-saving and carbon-reduction operations, Therefore, the company has no substantial risks due to climate change.	
Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	

		(3) Climate change provides opportunities for enterprises, The company believes that if companies do a good job of controlling climate change risks, they can enhance their competitiveness. And create opportunities. Therefore, the company continues to carry out energy-saving and carbon-reduction related plans And the EU environmental protection regulations as the goal, to enhance our green production capacity and international competitive advantage to bring opportunities for the company. In response to the impact of climate change, the company provides environmentally friendly products for greening, energy saving and carbon reduction. Supply major customer applications in the market, there is a chance because of the enhancement of the product's characteristics. Bring more energy-saving and carbon-reduction effects to customers, and bring new customer applications or design updates, at the same time, it also brings new business opportunities to the company. (4) Corporate (direct and indirect) greenhouse gas emissions (specify the scope and time of the inventory), and whether it passed the external verification for Meizhou factory: The relevant results of the company's Meizhou factory inspection are as follows:(1) Greenhouse gas inspection method: self-inspection (Greenhouse Gas Inventory Form Version 3.0.0 (Revised)) (2) Inventory scope and time: Meizhou Factory (96 Meizhou 2nd Road, Yilan City, Yilan County)Inventory of greenhouse gas emissions in 2021:Direct emissions 0.4389 tons/CO2 equivalent. Indirect emissions are 3883 tons/CO2 equivalent at Lize plant: The company's Lize plant has passed the external verification of Rheine in Germany on July 12, 2021.The relevant results of the inspection are as follows: (as attached)(1) Greenhouse gas inspection certificate:TUV certificate registration number CF 50511285 0001inspection report number 38513061 001 2021, 46.3758, 9436.4528, 2021, end of August 2021,	

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
			2. Strategies, methods, goals, etc. of enterprises for greenhouse gas management: (1) Corporate strategies for responding to climate change or greenhouse gas management Meizhou Plant: Energy-saving and carbon-reduction management: Use better pollution control technology and equipment, reduce pollution, improve management methods, use high-efficiency equipment, and save energy consumption. Lize Plant: The company formulates greenhouse gas inventory management operating procedures to regulate .Implementation of greenhouse gas emission inventory, data collection, emission calculation, operational matters related to the preparation of emission inventories and inventory reports. In addition to working on the company’s greenhouse gas inventory, to accurately grasp the company’s greenhouse gas emissions status, and based on the results of the inventory, further carry out plans related to voluntary reduction of greenhouse gases for sustainable development, fully fulfill the corporate responsibility for environmental protection. (2) The company's greenhouse gas emission reduction target Meizhou Plant: Continue to do a good job of self-energy-saving and carbon-reduction management to meet the requirements of laws and regulations. Lize Plant: Through the results of greenhouse gas inventory, the company’s indirect energy source of greenhouse gas emissions has been purchased electricity since 2021.This part accounts for 99.51% of the company's Lize plant's greenhouse gas emissions. Therefore, promoting energy saving and carbon reduction management is the goal of the factory.	

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
			(2) Budgets and plans for corporate greenhouse gas emission reductions Meizhou Factory: 1. Document forms promote e-platform and reduce paper consumption. 2. Set the following targets with 2020 as the base year A. Annual Target 1% reduction in waste water reduction (11,580 tons in base year) B. Annual Target reduction of 1% for waste (25.7 tons in base year) C. Promote energy-saving projects to reduce carbon emissions, with an annual carbon reduction target of 1%. (3705 tons in base year) Lize Factory: Considering the technical feasibility, in 2020, the company has planned the factory to continue to promote power energy saving projects, in 2020, the 1% power saving project has been implemented, and the annual electricity consumption will be reduced by 34,5054 degrees. reduce 191160 kg of CO2 emissions annually, and continue to reduce greenhouse gas emissions.	

Evaluation Items	Operation status (Note1) 1)									Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)							
				2020 base year 2021	2021 Actural	2022 Expected reduction	2023 Expected reduction	2024 Expected reduction	2025 Expected reduction	
			Single chip production							
			CO2	0.013 tons/piece	0.107 tons/piece	0.5%	1%	1.2%	1.5%	
			Waste water	0.347 tons/piece	0.295 tons/piece	0.5%	1%	1.2%	1.5%	
			Waste	0.001 tons/piece	0.0009 tons/piece	0.5%	1%	1.2%	1.5%	
			(4) The carbon reduction effect of corporate products or services to customers or consumers. The company is committed to the development and production of low energy consumption products. If customers use the company’s products, it will bring about low-energy-consumption product design, while providing consumer use, as the product consumes less energy, it will be able to contribute to energy saving and carbon reduction.							

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
. Social issues (1) Whether the company complies with relevant laws and regulations and international human rights conventions, formulate relevant management policies and procedures?	V		(1) To fulfill its responsibility to protect human rights, the company shall formulate relevant management policies and procedures, which include: 1. Propose the company's human rights policy or statement. 2. Evaluate the impact of the company's operational activities and internal management on human rights, and formulate corresponding handling procedures. 3. Regularly review the effectiveness of corporate human rights policies or statements. 4. When human rights violations are involved, the handling procedures for the interested parties involved shall be disclosed. The company shall comply with internationally recognized labor human rights, such as freedom of association, the right to collective bargaining, care for disadvantaged groups, prohibit child labor, eliminate various forms of forced labor, eliminate employment and employment discrimination, etc., and confirm that its human resource utilization policies are free of gender, race, socioeconomic class, age, marriage and family status, etc.,	No Major Difference

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
			to implement employment, employment conditions, equality and fairness of remuneration, benefits, training, assessment and promotion opportunities. For situations that endanger labor rights, the company shall provide an effective and appropriate complaint mechanism to ensure that the complaint process is equality and transparency. The appeal channel should be concise, convenient and unobstructed, In addition, appropriate responses should be made to employees' grievances. In addition; the company complies with relevant labor laws and establishes labor-management committees to hold regular meetings, important matters are communicated and coordinated by representatives of both employers and employees to protect the rights and interests of employees. Example: 1. Employee rights and interests: The employee labor insurance, national health insurance, and pension provision. 2. Insurance: In addition, public accident liability insurance and employee group insurance shall be insured. 3. Management methods and procedures: working rules have been formulated and published on the company's internal website intranet.ts.com.tw and external webpage ww.ts.com.tw are for employees to comply with.	No Major Difference

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
(2) Does the company formulate and implement reasonable employee welfare measures? (Including salary, vacation and other benefits, etc.), And appropriately reflect business performance or results in employee compensation?	V		(2) The company cares about and follows relevant laws and regulations, and has relevant management measures in the payroll cycle. And the employee performance appraisal system, Remuneration and reward systems are combined with corporate social responsibility policies, establish a clear and effective reward and punishment system. The company’s articles of association and stipulate employee remuneration, the company’s profits are distributed annually based on the performance of employees, to make employees' salaries and company operations grow together, and also to organize education, training and publicity for employees, Make it fully understand the company's relevant salary and remuneration policies.	No Major Difference

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Summary Description (Note 2)	
(3) Whether the company provides a safe and healthy working environment for employees, And regularly implement safety and health education for employees?	V		(3) 1. A safe and healthy working environment for employees: to prevent occupational disasters, to ensure labor safety and health, Formulated "Accident Prevention and Crisis Management implementation Plan", "Sexual Harassment Prevention Measures Appeals and Disciplinary Measures", Measures such as "Safety and Hygiene Work Code", so that all employees are obliged to comply with it, and have been in accordance with labor safety and health, building public safety, fire safety related laws and regulations provide a safe and healthy working environment and declare in accordance with the law. 2. Employee safety education: Public safety and health rules have been established, and employee education and training are indeed handled in accordance with regulations. 3. Employee health education: Each year, medical personnel from medical institutions are appointed to conduct individual staff health checks and provide health	No Major Difference
			Internal website intranet.ts.com.tw and external website www.ts.com.tw is for employees to propose and use, and regularly communicate with the company. In addition, the company has established "Code of Integrity Management" and "Standards of Ethical Conduct" → (Company-wide employee conduct and ethics code). In addition, there are also relevant specifications in the company's "Working Rules". The	

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
(4) Does the company establish effective career development training programs for employees?	V		4) The company builds effective career development for employees, and carries out internal training or external training, to strengthen the professional ability of employees. The company creates a good environment for the career development of employees, and establishes an effective career ability development training program. The company formulates and implements reasonable employee welfare measures (including salary, vacations and other benefits, etc.), and appropriately reflects operating performance or results in employee compensation, to recruit, retain and encourage human resources to achieve the goal of sustainable operation.	No Major Difference

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
			In addition; the company in accordance with the relevant laws and regulations enacted → including professional development plans, Implementation results and other content, regular and irregular employee education and training, make sure to comply with the standard operating rules in line with corporate social responsibility, and give rewards and punishments in accordance with the working rules. (In addition, the company's employee education and training situation is disclosed in the following attached table (B).	

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Summary Description (Note 2)	
(5) Customer health and safety, customer privacy, marketing and labeling of products and services, Does the company follow relevant regulations and international standards, and formulate relevant consumer protection policies and appeals procedures?	V		(5) The company's customer health and safety of products and services, customer privacy, marketing and labeling, all follow relevant laws and regulations and international standards. And treat them in a fair and reasonable manner, including contracting fairness and integrity, Pay attention to the principles of loyalty, truthfulness of advertising solicitation, suitability of goods or services, notification and disclosure, balance of remuneration and performance, appeal protection, professionalism. Measures" to protect the interests and rights of agents, Formulate "Agent Management Measures" to protect the interests and rights of agents, and expand the company's product sales range.	No Major Difference

Evaluation Items	Operation status (Note1) 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Summary Description (Note 2)	
(6) Does the company formulate a supplier management policy and require suppliers to be mindful of issues such as occupational safety and health or labor human rights, comply with relevant regulations, and how are they implemented?	V		(6) The company formulates "third-party vendor management operating procedures" for the management of suppliers. Before the company and suppliers communicate with each other, they are in accordance with the evaluation methods established by the company. Assess whether the supplier has a record of affecting the environment and society, as a reference for the evaluation of qualified suppliers, and push suppliers to promote ISO-9001, ISO/TS16949, ISO14001, ISO14064 certification, and work together to improve corporate social responsibility. In addition, the company selects honest suppliers and regularly evaluates the supplier's suitability. All suppliers should abide by the company's integrity policy; the company's contracts with major suppliers are reviewed and implemented by the legal department, and the relevant contracts are established, Already includes the clause that suppliers can terminate or terminate the contract at any time if they violate their corporate social responsibility policies and have a significant impact on the environment and society. Whether the company is in research and development, purchasing, production, operation and service processes are all done in a fair and transparent manner. For commercial activities, foreign contracts require good faith clauses. In addition to formulating customer complaint procedures and setting up an exclusive unit, the company. And provide product support service window and insured product liability insurance on the company's public website.	No Major Difference
5. Did the Company make reference to international standards or guidelines for the preparation of reports in preparing its sustainability reports and other reports that disclose nonfinancial information about the Company? Did the Company obtain a third-party certification agency's confirmation or assurance opinion on said reports?		V	The Company has set up a corporate social responsibility zone on the website and discloses Sustainable Development information to the Company's website and public information observatory according to the actual operation situation, in accordance with the competent authority and relevant laws and regulations. In March 2022, the Company has established the "Corporate Sustainability Committee". Under the Committee, it has established a "Corporate Social Responsibility Functional Group". As of the publication date of the annual report, the Company has contracted with a professional consultant to guide the preparation and implementation of the sustainable development report.	In progress

6. If your company has established sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe differences between the principles and their implementation: To implement corporate social responsibility, the company has formulated the "Sustainable Development Best Practice Principles" and has established the "Corporate Sustainability Committee". Under the Committee, it has established a "Corporate Social Responsibility Functional Group". The company has separately formulated the "RBA Policy and Target Management Measures" and the "Social Responsibility Risk Assessment Management Method" is hereby followed. The company adheres to the business philosophy of "Customer First", "Quality First" and "RBA", and carries forward the corporate spirit of "proactive, optimistic and enterprising, and the pursuit of excellence", upholds the corporate values and corporate culture of "integrity, obedience, pragmatism, teamwork, and innovation", and implements RBA in accordance with the requirements of RBA standards. And is committed to the spirit of the corporate RBA policy, promote to the company's suppliers and their lower-level subcontractor partners. To fulfill corporate citizenship, demonstrate the company's commitment to employees, shareholders and customers, in addition to implementing information transparency, and actively participating in public welfare activities, the company has actually complied with the "Code of Practice for Corporate Social Responsibility of Listed Companies".
7. Other key information useful for explaining the promotion and execution of sustainable development: (such as the company's environmental protection, community participation, social contribution, social service, social welfare, consumer rights, human rights, the systems and measures adopted in safety and health and other social responsibility activities and their implementation status): (1) The company has exposed various information on the public information observatory, and on the company's internal intranet.ts.com.tw website and external website www.ts.com.tw. These websites are for reference by investors and employees. (2) The company has always been committed to the actual promotion and implementation of sustainable development. As of the printing date of the annual report, No professional organization has been entrusted to compile a sustainable development report for the company. The report will be handled in accordance with laws and regulations in the future. In addition, the company has implemented RBA social responsibility, "Integrity governance", "people-oriented", "cherish resources", the concept of "caring for society", and then implemented and met the sustainable development and RBA policy implementation guidelines. (3) Participate in charitable activities: The company is committed to creating a good working environment, implement employee care in the system and various welfare measures, and actively participate in public welfare activities. Over the years, the company has actively taken part in activities such as donating NT\$1 million for the August 8 floods, building the Santa Maria Medical Building for the Elderly for T\$500,000, and the special account of the Social Assistance Fund of the Social Affairs Bureau of the Kaohsiung City Government donating NT\$1 million for the burst of air on August 1, 2013, provide providing nutritious lunches for students from low-income households and low-income students in primary and secondary schools in Yilan County, and reimbursing tuition and miscellaneous fees for a total NT\$3.19 million and so on. (4) The company has formulated product environmental protection specifications to control products without hazardous substances, and has established ISO14001 environmental management system and obtained OHSAS18001 occupational safety and health management system certification. The products produced have complied with the requirements of the European Union (European Union) RoHS directive and REACH regulations, and Taiwan has upheld the environment and HSF (No Hazardous Substances) policy. On the design side and production side, the company continues to introduce the concept of "green products", use non-hazardous raw materials, low-pollution and energy-saving production processes and recyclable packaging measures, and since February 1, 2007, the product has been introduced into halogen-free design. The Shandong Yangxin Everwell Factory in February 2014 obtained TUV certification and passed ISO14064 greenhouse gas inspection at a "reasonable assurance level"; The Yilan Lize plant obtained TUV certification in July 2014 and passed the ISO14064 greenhouse gas inspection at a "reasonable assurance level". In addition, the Shandong Yangxin Plant, Mainland China, the Yilan Meizhou Factory, and Lize Factory also obtained TUV transfer certification and passed the IATF16949 quality management system standard. The Tianjin plant has obtained the SGS transfer certification and passed the IATF16949 quality management system standard. In summary, the company will continue to do its best to promote sustainable development, to continue to meet the customer's technical requirements for product environmental protection. 1. If the company's sustainable development report has passed the verification standards of the relevant verification agency, should be stated: None 2. The company's products: SGS ROHS certification has been obtained. 3. Enterprise: Has obtained ISO-9001, ISO/TS16949, ISO14001, OHSAS18001, ISO14064, IATF16949 greenhouse gas inspection as "reasonable assurance level", along with other certifications

Note 1: If "Yes" is ticked in the "Implementation status" column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If "No" is ticked in the "Implementation status" column, please explain the deviations and the reasons in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons" column and explain the Company's plans for adoption of related policies, strategies, and measures in the future.

Note 2: The materiality principle refers to focusing on environmental, social and corporate governance issues likely to have a material impact on the Company's investors and other stakeholders.

Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center

(6) The performance of the integrity management situation and the deviation between the integrity management code of the listed companies and the reasons :

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Abstract Description (Note 2)	
1. Formulate honest management policies and plans (1) Does the company formulate an honest operation policy approved by the board of directors, the policies and practices of integrity management are clearly stated in the external documents, and the board of directors and senior management actively implement the promise of operating policies? (2) Whether the company has established a risk assessment mechanism for dishonest conduct, and regularly analyzes and assesses business activities within the business scope that have a higher risk of dishonest behavior, and formulates plans to prevent dishonest behaviors accordingly, and at least cover the "Code of Integrity Management of Listed OTC Companies" What are the preventive measures for each of the acts in the second paragraph of Article 7?	✓ ✓ ✓		(1) The company has established "Code of Integrity Management" and "Standard of Ethical Conduct" → (Company-wide Code of Conduct and Ethics for Employees), In addition, there are related specifications in the company's "Working Rules". The specifications also clearly state the policies and practices of honest operation, as well as the commitment of the board of directors and management to actively implement the operating policies. (2) The company has established a good internal major information processing and disclosure mechanism. To avoid improper disclosure of information, and to ensure the consistency and accuracy of the information published by the company to the outside world, and strengthen the prevention of insider trading, the "Management Measures for the Processing of Internal Major Information and the Prevention of Insider Transactions" was specially formulated. In addition, as mentioned in (1) above, the company strengthens the education, training and promotion of employees, Make it fully understand the company's determination, policies, and the consequences of prevention programs and violations of integrity. In addition, to ensure the implementation of integrity management, the company has established an effective accounting system and internal control system, internal auditors also regularly	No Major Difference

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
(3) Does the company specify operating procedures, behavior guidelines, and guidelines in the plan for preventing dishonest behavior? Punishment and appeal system for violations, and implement them, and regularly review the pre-revision plan?			check the compliance of the preceding system. The "Code of Integrity Management of Listed OTC Companies", the second paragraph of Article 7, or other business activities within the business scope that have a higher risk of dishonest conduct, take relevant preventive measures. and formulated the "Management Measures for the Processing of Internal Major Information and Prevention of Insider Transactions", "Code of Integrity Management", and "Code of Ethical Conduct". This will be published on the company's internal website intranet.ts.com.tw and external website www.ts.com.tw for compliance. (3) The company has established a risk assessment mechanism for dishonesty conduct and performs regular risk assessment. The company assess business activities within the business scope that have a higher risk of dishonest behavior. Based on this, the prevention plan is formulated and the appropriateness and effectiveness of the prevention plan are regularly reviewed. The company should refer to the standards or guidelines commonly used at home and abroad to formulate prevention plans, and cover at least the following preventive measures: 1. Offering and receiving bribes. 2. Providing illegal political donations. 3. Improper charitable donations or sponsorships. 4. Providing or accepting unreasonable gifts, entertainment or other improper benefits. 5. Infringement of trade secrets, trademark rights, patent	

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
			rights, copyrights and other intellectual property rights. 6. Engaging in acts of unfair competition. 7. Products and services that directly or indirectly damage the rights, health and safety of consumers or other interested parties during research and development, procurement, manufacturing, provision or sales.	
2. Implementing integrity management (1) Whether the company assesses the integrity record of its counterparts, and clearly stipulates the good faith behavior clause in the contract signed with the counterparty? (2) Whether the company has set up a dedicated unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board of directors of its integrity management policy and prevent dishonest behavior plan and supervise the implementation situation?	✓ ✓		(1) The company conducts business activities in a fair and transparent manner, and foreign contracts require good faith clauses. In addition to formulating customer complaint procedures and setting up an exclusive unit, the company provides product support service window and insured product liability insurance on the company's public website. (2) (1) The company's major operating policies, investment cases, acquisition and disposal of assets, endorsement guarantee, fund loan, bank financing and other matters have been evaluated and analyzed by relevant authorities and resolved by the board of directors. (2) Major cases or doubtful cases should be confirmed by the relevant legal advisers based on their professional nature. (3) Financial accounting units review transaction accounts in accordance with accounting principles. For major or doubtful cases, consult an accountant for confirmation. (4) The audit unit conducts audits on various departments	No major difference

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
(3) Does the company formulate policies to prevent conflict of interest and provide appropriate channels for presentations? And implement it?			on a regular and irregular basis, implements the supervision mechanism and manages risk. (5) According to the company’s "Code of Integrity Management", the company’s directors, managers, employers, assignees and actual controllers should perform the duty of care of a good manager, urge the company to prevent dishonest behavior, and review its implementation effectiveness and continuous improvement at any time, and ensure the implementation of the integrity management policy. To improve integrity management of the company, the audit unit is responsible for the formulation and supervision of the implementation of the integrity management policy and prevention plan, mainly in charge of the following matters and report to the board of directors regularly (at least once a year): (In addition to presenting the audit report to the board of directors, the Company also present the following items at the 6th Board meeting of the 15th session, on 28 March 2022: (a) The Report on Company's 2021 Communication Channel with Stakeholders (b) The Report on Company's 2021 Corporate Sustainable Development (Corporate Social Responsibility) (c) Report on Risk management policies and procedures, disclosure of risk management scope, organizational structure, and its operation of the Company for 2021 (d) Report of the Company's "Succession Planning" (e) The Company established the “Capital Expenditure Review Committee Organization Regulations” and	
(4) Whether the company has established an effective				

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
accounting system, the internal control system, and the internal audit unit based on the results of the assessment of the risk of dishonest behavior, draw up relevant audit plans, and check compliance with the plan to prevent dishonest behaviors, or entrust an accountant to perform the audit? (5) Does the company regularly organize internal and external education and training on integrity management?	✓		“Capital Expenditure Review Committee” 1. Assist in integrating integrity and ethical values into the company’s business strategy, and cooperate with laws and regulations to formulate relevant anti-fraud measures to ensure integrity management. 2. Regularly analyze and evaluate the risk of dishonest behavior in the business scope, and formulate plans to prevent dishonest behaviors accordingly, and formulate standard operating procedures and behavior guidelines related to work and business in each plan. 3. Planning the internal organization, establishment and responsibilities, for business activities with a higher risk of dishonesty within the business scope, set up mutual supervision and checks and balances mechanism. 4. Promotion and coordination of honesty policy and training. 5. Plan the reporting system to ensure the effectiveness of implementation. 6. Assist the board of directors and management to check and assess whether the preventive measures established in the implementation of integrity management are operating effectively, and regularly evaluate the compliance status of related business processes and prepare reports. (3) The company has formulated the Code of Integrity Management and other related management measures and "Working Rules" and on the company's internal website intranet.ts.com.tw and external webpage www.ts.com.tw Providing proper presentation channels and implementing them is sufficient to prevent various frauds from	

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”
	Yes	No	Abstract Description (Note 2)	
			happening. (4) To ensure the implementation of integrity management, the company has established an effective accounting system and internal control system, the internal auditing unit of the company shall, based on the assessment results of the risk of dishonest conduct, draw up relevant audit plans, including audit objects, scope, items, frequency, etc. Based on the compliance of the prevention plan, an accountant may be appointed to perform the check, if necessary, you may entrust professional assistance. The results of the inspection in the preceding paragraph shall be reported to the senior management, and the unit responsible for integrity management shall prepare an audit report and submit it to the board of directors. (5) The company regularly and irregularly organizes internal and external education and training on integrity management, to strengthen employees' compliance with the Code of Integrity Management and other related management measures.	
3. The operation of the company's whistleblowing system: (1) Does the company formulate specific reporting and reward systems, and establish convenient reporting channels, and to assign appropriate personnel to accept the report?	✓		(1) The company has specified a specific reporting and reward system in the "Work Rules" Degree, and has formulated the "Code of Integrity Management" and "Code of Ethical Conduct", and on the company's internal website intranet.ts.com.tw and the external webpage www.ts.com.tw provides appropriate statement channels and whistle-blowing channels and implementation, which is sufficient to prevent various frauds from happening. Designate appropriate personnel in charge of receiving reports for the reported objects, and strengthen the	No major difference

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
(2) Whether the company has established standard operating procedures for the investigation of the reporting matters, what follow-up measures and related confidentiality mechanisms should be taken after the investigation is completed? (3) Does the company take measures to protect the informant from being improperly handled as a result of the report?	✓	✓	promotion of employees. (2) The company has established and announced employee complaint channels on the company's internal website intranet.ts.com.tw and external website <u>www.ts.com.tw</u>. It is reserved for employees to use and keeps confidential, and allows anonymous reporting. The company communicates with employees on a regular basis, and the handles reports properly. In addition, the company has established "Code of Integrity Management" and "Standards of Ethical Conduct" → (Company-wide employee conduct and ethics code), and also there are related specifications in the company's "Work Rules". Organize education, training and advocacy for employees so that they can fully understand the company's determination to operate with integrity, the consequences of policies, prevention programs, and violations of integrity. (3) The company adopts protective measures for reporting and handling. Reports will be handled properly by the supervisors, audit and legal personnel of each factory, to protect the informant from being improperly handled due to the report.	
4. Strengthen information disclosure (1) Whether the company on its website and public information observation station, exposes the content and promotes the effectiveness of its code of integrity management?	✓		(1) The company is in the "computer" cycle of the internal control system and has formulated the "Internal Important Information Processing Procedure". Including public information declaration operations, prevention of insider transaction management operations, financial and non-financial information management operations, etc., there are also "Code of Integrity Management" and "Standards of Ethical Conduct", in addition to issuing announcements to all employees. The company has exposed various information in the	No major difference

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
			public information observatory, external www.ts.com.tw website and the internal intranet.ts.com.tw website that is available for investment public and employees to refer to. (2) The company has commissioners responsible for the collection and release of various information, and has set up and reported relevant information of the spokesperson and acting spokesperson in accordance with the regulations.	
5. If the company has its own code of integrity management in accordance with the "Code of Integrity Management of Listed OTC Companies", please state the difference between its operation and the established code: The company has established "Code of Integrity Management" and "Standards of Ethical Conduct" → (Company-wide employee conduct and ethics code), in addition, there along with the related specifications in the company's "Working Rules". The company should be based on the business philosophy of integrity, transparency and responsibility, formulate a policy based on integrity, and establish a sound corporate governance and risk control mechanism. To create a sustainable business environment, and to improve integrity management, the company should appoint a dedicated unit to formulate and supervise the implementation of policies and prevention plans, and report regularly to the board of directors. The company should clearly state the policies and practices of honest operation, and the board of directors and management should actively implement the commitments of operating policies, etc. The actual operation is in accordance with the regulations, and there is no significant difference between the code and the code set by the company.				
6. Other important information that helps to understand the company's integrity management operations (For example, the company promotes the company's determination to conduct business with integrity, Policies and invite them to participate in education and training, review and revise the company's code of integrity management, etc.): (1) The company complies with the Company Act, Securities Exchange Law, Commercial Accounting Law, regulations related to listing on the OTC or other business practices related laws and regulations, to be the basis for the implementation of integrity management. (2) The company's "Rules of Procedures for the Board of Directors" has a system for avoiding the interests of directors; To establish a good internal major information processing and disclosure mechanism, the company avoids improper disclosure of information, Ensures the consistency and accuracy of the information published by the company to the outside world, Strengthens the prevention of insider trading, has specially formulated the "Management Measures for the Handling of Important Internal Information and the Prevention of Insider Transactions", which clearly stipulates the relevant regulations for directors, managers and employees to handle important internal information of the company; the company's "ethical behavior standards" → (Company-wide employee conduct and ethics code) specified directors, managers are not allowed to use company property, information, or use their position for personal gain, etc. In addition, to ensure the implementation of the company's integrity				

Evaluation Items	Operation Status (Note1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Abstract Description (Note 2)	
management, the company has established an effective accounting and internal control system, while internal auditors also regularly check the compliance of the preceding system. In addition, the "Code of Integrity Management of Listed Companies" Article 7 Paragraph 2 or other business activities within the business scope that have a higher risk of dishonest conduct, take relevant preventive measures. and therefore, the company's operations have complied with the requirements of the "Code of Integrity Management for Listing on the OTC"..				

Note 1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

(7) If the company has formulated corporate governance codes and related regulations, state its inquiry method:

The company currently has formulated the "Code of Practice for Corporate Governance",

"Code of Practice for Sustainable Development ", "Standards of Ethical Conduct" → (Company-wide code of conduct and ethics for employees), "Code of Integrity Management", "Director Election Measures", "Rules of Procedures for Shareholders' Meetings", "Independent Directors' Scope of Responsibilities", "Organization Rules for the Audit Committee", "Organization Rules for the Compensation Committee", "Sexual Harassment Prevention Measures Complaints and Disciplinary Measures", "RBA Policy and Target Management Measures", "Administrative Measures for the Processing of Internal Major Information and the Prevention of Insider Transactions",

"Environmental and Social Responsibility Exception Handling Measures", "Professional Ethics Risk Assessment Management Measures",

"Social Responsibility Risk Assessment Management Measures", "Board self-evaluation or peer evaluation",

"Standard Operating Procedures for Handling Directors' Requests" and Complete internal control system and internal audit system and other corporate governance codes, to implement the operation and promotion of corporate governance, relevant codes and regulations are also disclosed on the company's internal website <http://intranet.ts.com.tw>, external website <http://www.ts.com.tw> and public information observation station <http://mops.twse.com.tw>.

(8) Other important information that is sufficient to enhance the understanding of corporate governance operations:

(1) Follow the internal control system, implement continuously and effectively, implement internal control self-inspection, strengthen the audit and report to the board of directors, and enable the directors and supervisors to understand and achieve the purpose of attention and supervision.

(2) Implement the spokesperson system, make information transparent, and fully expose relevant major information.
Let shareholders have the right to equal information.

(3) Continue to arrange courses to handle the further training of directors and supervisors,
to implement the spirit of corporate governance from the board of directors.

Attached Table (A): Listed counter companies should record matters concerning the operation of corporate governance-directors, Independent directors and managers participating in external training courses

Title	Name	Study Date		Organizer	Course Name	Training Hours
		Start Date	End Date			
Director	Wang Shiu Ting	2021.09.01	2021.09.01	Financial Supervisory Commission Republic of China (Taiwan)	The 13th Taipei Corporate Governance Forum (AM Session)	3.0
Director Representative	Liu Chang Yu	2021.09.01	2021.09.01	Financial Supervisory Commission Republic of China (Taiwan)	The 13th Taipei Corporate Governance Forum (AM & PM Session)	6.0
Director Representative	Liu Chang Yu	2021.12.29	2021.12.29	Taiwan Corporate Governance Association	Corporate governance and regulations relating to securities	3.0
Independent Director	Jhan Cian Long	2021.10.19	2021.10.19	Securities and Futures Institute	A Study on Insider Trading Cases	3.0
Independent Director	Jhan Cian Long	2021.10.19	2021.10.19	Securities and Futures Institute	Corporate Social Responsibility CSR and ESG Model Practice Analysis of Corporate Governance Evaluation	3.0
Independent Director	Lin Bo Sheng	2021.10.29	2021.10.29	Taiwan Academy of Banking and Finance	Corporate Governance Lecture (113 rd)	3.0
Independent Director	Lin Bo Sheng	2021.11.11	2021.11.11	Taiwan Academy of Banking and Finance	Capital Management Lecture (19th)	3.0
Independent Director	Fan Hong Shu	2021.01.21	2021.01.21	Taiwan Corporate Governance Association	Corporate governance and regulations relating to securities	3.0
Independent Director	Fan Hong Shu	2021.09.01	2021.09.01	Financial Supervisory Commission Republic of China (Taiwan)	The 13th Taipei Corporate Governance Forum (AM & PM Session)	6.0
Independent Director	Ma Shu Zhuang	2021.09.01	2021.09.01	Financial Supervisory Commission Republic of China (Taiwan)	The 13th Taipei Corporate Governance Forum (AM & PM Session)	6.0
Independent Director	Ma Shu Zhuang	2021.10.08	2021.10.08	Taiwan Institute of Directors	Post-epidemic Sports—Challenge to Enterprise Growth with 6 heart chakras	2.0
Independent Director	Ma Shu Zhuang	2021.10.18	2021.10.18	Taipei Exchange	The Insider Equity Publicity Seminar of the Company Over-the-counter Market	3.0
Independent Director	Ma Shu Zhuang	2021.10.08	2021.10.08	Taiwan Institute of Directors	Post-epidemic Sports—Challenge to Enterprise Growth with 6 heart chakras	2.0
Vice president, Chief Financial Officer, and Manager of corporate governance	Adam Cheng	2021.10.18	2021.10.18	Taipei Exchange	The Insider Equity Publicity Seminar of the Company Over-the-counter Market	3.0

Attachment (A_1): Disclosure of Certification details of employees whose jobs are related to the release of the company's financial information: None

Attached table (B): The company's 2021 employees' further education and education training statistics and expenditures are as follows:

Course Category	Number of courses	Total number of students	Total number of hours	Total cost (NT\$'000)
Code of Ethical Conduct & Code of Integrity Management	3	86	139	392
Preventing Relevant Courses of Insider Trading	1	84	84	
Labor safety and health training	135	1364	3391	
Professional Training	236	5065	19316	
Management training	86	1041	2166	
General training	49	1857	1877	
New Joiner training	58	148	526	
Total	568	9645	27499	

(9) Implementation status of internal control system

(1) Declaration of internal control

Taiwan Semiconductor Co., Ltd.
Declaration of Internal Control System

Date: March 28, 2022

In 2021, the Company conducted an internal examination in accordance with its Internal Control Regulations and hereby declares as follows:

1. The Company is aware that it is the Board's and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2021, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This declaration statement has been authorized by the Board of Directors on March 28, 2022, and all seven attendees of the Board have approved the contents of the declaration statement.

Taiwan Semiconductor Co., Ltd.

Chairman: Wang Shiu Ting Signature

President: Wang Shiu Ting Signature



(2) Those who entrust professional accountants to review the internal control system: none

(10) In the most recent year and as of the publication date of the annual report, the company and its internal personnel may have been punished in accordance with the law, or the company has imposed penalties on its internal personnel for violating the provisions of the internal control system, and the results of the penalties may have a significant impact on shareholders' rights and securities prices. Its punishment content, main deficiency and improvement situation: No such situation.

(11) Important resolutions of the shareholders meeting and the board of directors in the most recent year and as of the printing date of the annual report.

Date	Agenda Name	Critical Decisions
2021.07.26	2021 regular shareholders meeting	1. Date and time of the shareholders meeting: July 26, 2021 (Monday), 9:00 am. 2. Location: No. 96, Meizhou 2nd Road, Yilan City, Yilan County (Taiwan Semiconductor Co., Ltd. Yilan Factory) 3. Attendance: The total number of issued shares of the company (after deducting the number of shares without voting rights stipulated in Article 179 of the Company Act) is 263,485,486 shares. 152,423,364 shares represented by shareholders attending in person and by proxy (The number of electronic voting shares is 131,657,132 shares), it accounts for 57.84% of the total issued shares. The number of attending shares complies with the number of attending shares required by the Company Act and the Articles of Association. 4. Attendance: Chairman Wang Shiu Ting, Director Wang Shiu Fon, The legal representative of TSC Auto ID Technology Co., Ltd. Wang Director Xinglei, Director Chao Feng Yu, Independent Director Jhan Cian Long, Independent Director Lin Bo Sheng, a total of 7 people including independent director Fan Hong Shu attended in person; 0 people were absent. Concord International Law Firm: Lawyer Xie Wenqin. An Hou Jianye Joint Accounting Firm: Accountant Mei Yuanzhen. 5. Important resolution matters: (1) Report items: 1. The company's 2020 business report and 2021 business plan report. Attached business report. 2. The Audit Committee checked the 2020 final accounts report. 3. Report the company's and its subsidiaries' 2020 endorsement guarantees, fund loans to others, circumstances for acquiring or disposing of assets, and circumstances for engaging in derivative financial product transactions. 4. The report on directors' remuneration and employee remuneration distribution in 2020 years. 5. The report on the implementation of the fifth domestic unsecured conversion of corporate bonds issued by the company. 6. Revise the report on the "Codes of Ethical Conduct" of the company. 7. Revise the report on the "Regulations of the Board of Directors" of the company. 8. Revise the report of the company's "Code of Integrity Management". 9. Formulate the company's "Corporate Social Responsibility Code of Practice" report. 10. Directors and managers' performance evaluation and remuneration content and a report on the relevance and reasonableness of the amount and the results of the performance evaluation. (2) Recognition matters: 1. Recognize the 2019 business report and financial statement proposal. Resolution: The voting results of this proposal are as follows:

Date	Agenda Name	Critical Decisions																														
		Number of voting rights of shareholders present at the time of voting: 152,423,364 rights <table><tr><td>Voting results (including electronic voting)</td><td>% Of voting rights of shareholders present at the time of voting</td></tr><tr><td>Votes in favor: 143,112,192 rights</td><td>93.89%</td></tr><tr><td>Votes against: 35,240 rights</td><td>0.02%</td></tr><tr><td>Votes invalid: 0</td><td>0.00%</td></tr><tr><td>Votes abstained / No: 9,275,932 rights</td><td>6.08%</td></tr></table> [This case was voted on and admitted as per the case] 2. Recognize the 2020 surplus distribution proposal. Resolution: The voting results of this proposal are as follows: Number of voting rights of shareholders present at the time of voting: 152,423,364 rights <table><tr><td>Voting results (including electronic voting)</td><td>% Of voting rights of shareholders present at the time of voting</td></tr><tr><td>Votes in favor: 143,193,186 rights</td><td>93.94%</td></tr><tr><td>Votes against: 45,242 rights</td><td>0.02%</td></tr><tr><td>Votes invalid: 0</td><td>0.00%</td></tr><tr><td>Votes abstained / No: 9,184,936 rights</td><td>6.02%</td></tr></table> [This case was voted on and admitted as per the case.] P.S execution: The company was approved by the shareholders' meeting on July 26, 2021 2020 surplus distribution. All cases are paid in cash, and set August 31,2021 as the base date for the distribution of cash dividends and employee compensation allotment base date, cash dividends are based on the shareholdings listed in the shareholder register on the basis of the cash dividend distribution. the allotment of NT\$1.5 per share, the total amount of allotment cash dividends is NT\$395,228,229. Appointed from September 17, 2021. The company’s stock agent, China Trust Commercial Bank’s agency department, issued the case on its behalf. In addition, the director’s remuneration is NT\$ 6,253,848 and the employee’s remuneration is NT\$ 37,523,091. It has also been distributed on September 17, 2021. (3) 1. Amend some of the articles in the " Rules for Election of Directors " of the company. Resolution: The voting results of this proposal are as follows: Number of voting rights of shareholders present at the time of voting: 152,423,364 rights \ <table><tr><td>Voting results (including electronic voting)</td><td>% Of voting rights of shareholders present at the time of voting</td></tr><tr><td>Votes in favor: 140,939,115 rights</td><td>92.46%</td></tr><tr><td>Votes against: 38,298 rights</td><td>0.02%</td></tr><tr><td>Votes invalid: 0</td><td>0.00%</td></tr><tr><td>Votes abstained / No: 11,445,951 rights</td><td>7.50%</td></tr></table> [This case was voted on and passed as per the case.]	Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting	Votes in favor: 143,112,192 rights	93.89%	Votes against: 35,240 rights	0.02%	Votes invalid: 0	0.00%	Votes abstained / No: 9,275,932 rights	6.08%	Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting	Votes in favor: 143,193,186 rights	93.94%	Votes against: 45,242 rights	0.02%	Votes invalid: 0	0.00%	Votes abstained / No: 9,184,936 rights	6.02%	Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting	Votes in favor: 140,939,115 rights	92.46%	Votes against: 38,298 rights	0.02%	Votes invalid: 0	0.00%	Votes abstained / No: 11,445,951 rights	7.50%
Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting																															
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Votes abstained / No: 11,445,951 rights	7.50%																															

Date	Agenda Name	Critical Decisions																																																		
		2. Amend the " Rules of Procedure for Shareholders Meetings " of the company. Resolution: The voting results of this proposal are as follows: Number of voting rights of shareholders present at the time of voting: 152,423,364 <table><tr><td>Voting results (including electronic voting)</td><td>% Of voting rights of shareholders present at the time of voting</td></tr><tr><td>Votes in favor: 143,055,111 rights</td><td>93.85%</td></tr><tr><td>Votes against: 33,304 rights</td><td>0.02%</td></tr><tr><td>Votes invalid: 0</td><td>0.00%</td></tr><tr><td>Votes abstained / No: 9,334,949 rights</td><td>6.12%</td></tr></table> [This case was voted on and passed as per the case.] (4) Election Item: 1. To elect the Company’s 15th term of Directors . Voting Results: <table><tr><td colspan="3">Director Candidate List:</td></tr><tr><td>Number of Nominees</td><td>Name</td><td>Numbers of votes</td></tr><tr><td>1</td><td>Wang Shiu Ting</td><td>116,171,180</td></tr><tr><td>108742</td><td>TSC Auto ID Technology Co., Ltd</td><td>95,128,806</td></tr><tr><td>152301</td><td>UMC Capital</td><td>95,128,805</td></tr><tr><td colspan="3">Independent Director Candidate List:</td></tr><tr><td>A170XXXXXX</td><td>Ma Shu Zhuang</td><td>93,521,610</td></tr><tr><td>H121XXXXXX</td><td>Jhan Cian Long</td><td>93,521,610</td></tr><tr><td>F121XXXXXX</td><td>Fan Hong Shu</td><td>93,521,610</td></tr><tr><td>J100XXXXXX</td><td>Lin Bo Sheng</td><td>93,521,610</td></tr></table> (5) Matters for discussion_B: 3. To relaese the newly elected Directors from non-competition restriction Resolution: The voting results of this proposal are as follows: Number of voting rights of shareholders present at the time of voting: 152,423,364 rights <table><tr><td>Voting results (including electronic voting)</td><td>% Of voting rights of shareholders present at the time of voting</td></tr><tr><td>Votes in favor: 114,122,575 rights</td><td>74.87%</td></tr><tr><td>Votes against: 33,304 rights</td><td>10.78%</td></tr><tr><td>Votes invalid: 0</td><td>0.00%</td></tr><tr><td>Votes abstained / No: 21,868,850 rights</td><td>14.34%</td></tr></table> (6) Extraordinary Motions: None Review of the implementation situation: All implementations have been completed in accordance with the resolution, and the implementation is in good condition.	Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting	Votes in favor: 143,055,111 rights	93.85%	Votes against: 33,304 rights	0.02%	Votes invalid: 0	0.00%	Votes abstained / No: 9,334,949 rights	6.12%	Director Candidate List:			Number of Nominees	Name	Numbers of votes	1	Wang Shiu Ting	116,171,180	108742	TSC Auto ID Technology Co., Ltd	95,128,806	152301	UMC Capital	95,128,805	Independent Director Candidate List:			A170XXXXXX	Ma Shu Zhuang	93,521,610	H121XXXXXX	Jhan Cian Long	93,521,610	F121XXXXXX	Fan Hong Shu	93,521,610	J100XXXXXX	Lin Bo Sheng	93,521,610	Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting	Votes in favor: 114,122,575 rights	74.87%	Votes against: 33,304 rights	10.78%	Votes invalid: 0	0.00%	Votes abstained / No: 21,868,850 rights	14.34%
Voting results (including electronic voting)	% Of voting rights of shareholders present at the time of voting																																																			
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Votes abstained / No: 21,868,850 rights	14.34%																																																			
2020.03.26	The 13th meeting of the 14 th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The endorsement guarantee status of the company and its subsidiaries as of December 31, 2019, the situation of fund lending to others, the situation of acquiring or disposing of assets by engage in the trading of derivative financial products.																																																		

Date	Agenda Name	Critical Decisions
		2. The company's endorsement guarantee as of February 29, 2020: None. 3. The company's capital loan to others as of February 29, 2020: None 4. The company's activities as of February 29, 2020 Derivative financial product transactions. 5. The company's 2019 business report. 6. Directors and managers' performance evaluation and remuneration content and a report on the relevance and reasonableness of the amount and the results of the performance evaluation. (3) Internal audit business report: 1. According to Article 10 of the Company's Board of Directors' Rules of Procedure, conduct internal audit business reports. 2. This board of directors audit business report, The content date is from December 2019 to February 2020 in the Republic of China. (4) Other important report items: 1. Report on the implementation of the fifth domestic unsecured conversion corporate bond issuance. 2. A report on the company's establishment of communication channels with stakeholders. 3. According to Article 9 of the Organizational Rules of the Company's Salary and Remuneration Committee, submit the minutes of the 6th Salary and Compensation Committee of the 4th Session of the Company. 4. The competent authority requires the preparation of the financial report letter report: to strengthen corporate governance and improve the ability to prepare financial reports for listed companies, Based on the Taiwan Securities Over-the-Counter Trading Center The ZGJZ No. 1080201762 letter dated December 12, 2019 and ZGZJZ No. 1080201701 dated December 02, 2019, The letter asks the OTC company to cooperate in completing the preparation of its own financial report within five years, and the company is required to actually handle the matter in accordance with the content of the letter and report relevant matters to the board of directors. 2. Discussion items: (1) Items reserved for discussion at the last meeting. (no) (2) Matters scheduled for discussion at this meeting. Case 1 Proposal: Discuss and approve the review of the company's directors and The actual payment situation of various salary and remuneration of managers in 2019 year. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 2 Proposal: Discuss and approve the review of the company's 2019 directors' remuneration and employee remuneration cases. Resolution: This case was consulted by the chairman of all the directors present, No objection was passed with applause. (Independent director-Mr. Jhan Cian Long made a resolution on this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting). (Independent director-Mr. Lin Bo Sheng made a resolution on this case and was evaded because of the stakes involved, and did not participate in the discussion and voting). (Independent director-Mr. Fan Hong Shu made resolutions on this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting). (Chairman-Mr. Wang Shiu Ting made a resolution on this and was evaded because of the stakes involved, did not participate in the discussion and voting, And appointed Ms. Wang Shiu Fon as acting chairman on the spot).

Date	Agenda Name	Critical Decisions
		(When the director-Ms. Wang Shiu Fon made a resolution on this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting). (When the legal person director representative-Mr. Wang Xing Lei resolved this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting). (When the director-Mr. Chao Feng Yu resolved this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting). Case 3 Proposal: Discuss and approve the individual financial report of the company in the Republic of China in 2008 and the consolidated financial report has been prepared, and appointed An Hou Jianye United Certified Public Accountants Mei Yuanzhen and Xu Yufeng accountants to check, and plan to issue an unqualified opinion inspection report.. Resolution: This case has been consulted by the chairman of all directors present, no objection was passed with applause. Case 4 Proposal: To discuss and approve the company's surplus distribution for the year 2008, NT\$1.5 per share shall be allotted according to the shares held in the shareholder register on the basis date of the distribution of cash dividends. The proposed distribution of shareholder dividends of NT\$371,780,948, all in cash. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 5 Proposal: Discuss and approve the company's code of practice in accordance with the corporate governance of listed companies. Article 29 Paragraph 2 stipulates that companies listed on the OTC shall regularly (At least once a year) Assess the independence and competence of the appointed accountant. According to this rule, The company refers to the Republic of China Accountants Professional Ethics Bulletin No. 10 "Integrity, impartiality, objectivity and independence" and Article 46 of the Accountants Act and the matters listed in Article 47 shall be determined by the Company's Finance Department on the competence and competence of certified public accountants. Independent inspection, did not find that the company's certified accountant and cases of unfitness and violation of independence by related personnel occurred. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 6 Proposal: Discuss and approve the amendment of the company's "Corporate Governance Code". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 7 Proposal reason: Discuss and approve the proposal of revising the company's "Salary and Compensation Committee Organization Rules". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 8 Proposal: Discuss and approve the revision of the company's "Organizational Rules for the Audit Committee". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 9 Proposal reason: Discuss and approve the revision of the company's "Regulations of Board of Directors" proposal. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.

Date	Agenda Name	Critical Decisions
		Case 10 Proposal: Discuss and approve the proposal to amend the "Rules of Procedure of Shareholders' Meeting" of the company. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 11 Proposal: Discuss and approve the formulation of the company's "Code of Practice for Corporate Social Responsibility". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 12 Proposal: Discuss and approve the revision of some articles of the company's articles of association. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 13 Reason for the case: Discuss and approve the company in accordance with relevant laws and regulations and Self-inspection results issued for 108 years The "Declaration of Internal Control System" case of the degree. Resolution: This case has been consulted by the chairman of all directors present, No objection was passed with applause. Case 14 Proposal: Discuss and approve the renewal of directors' and managers' liability insurance. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 15 Proposal: Discuss and approve the company's 2020 shareholders' meeting, which will be scheduled on June 16, 2020 (Tuesday) At 9 o'clock in the morning, the company's Yilan factory (Yilan City, Yilan County No. 96 Zhouer Road) was held, and the voting rights may be exercised electronically. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 16 Proposal: Discuss and approve the company's 2019 shareholders' meeting, according to Article 172-1 of the Company Act. The period for accepting shareholder proposals is drafted as From March 30th, 2020 to April 9th, 2020. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. 3. Provisional Motion: None 4. the meeting adjourned
2021.05.11	The 20th meeting of the 14 th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The company's endorsement guarantee as of April 30, 2021: None. 2. The company's capital loans to others as of April 30, 2021: None. 3. The company as of April 30, 2021: Circumstances of engaging in derivative financial product transactions 4. The consolidated financial quarterly report for the first quarter of 2021. The company's consolidated financial quarterly report for the first quarter of 2021. It has been compiled by itself, and appointed An Hou Jianye Joint Accounting Firm Mei Yuanzhen and Xu Yufeng Accountants. After review, and after printing by the chairman, manager and accounting

Date	Agenda Name	Critical Decisions
		supervisor, plan to issue a review report and consolidated financial quarterly report (3) Internal audit business report: 1. According to Article 10 of the Company's Board of Directors' Rules of Procedure, conduct internal audit business reports. 2. This board of directors audit business report, The content date is from March 2021 to April 202. (4) Other important report items: None. 2. Discussion items: (1) Items reserved for discussion at the last meeting. (no) (2) Matters scheduled for discussion at this meeting. (no) 3. Extraordinary Motions: None 4. The meeting adjourned
2021.06.24	The 21 th meeting of the 14 th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The company's endorsement guarantee as of May 31, 2021: None. 2. The company's capital loans to others as of May 31, 2021: None. 3. The company as of May 31, 2021 Circumstances of engaging in derivative financial product transactions (3) Internal audit business report: 1. According to Article 10 of the Company's Board of Directors' Rules of Procedure, Conduct internal audit business reports. 2. The content date of this board of directors audit business report is May 2021 of the Republic of China. (4) Other important report items: None. 2. Discussion items: (1) Items reserved for discussion at the last meeting. (no) (2) Matters scheduled for discussion at this meeting. Case 1: Proposal: Through the discussion of the establishment of the director of corporate governance of the Company, it is proposed to appoint Wang Yong Kang, the Vice President of the General Administration Office and Financial chief officer to be the director of the Corporate Governance. And other relevant departments are responsible for the corporate governance business and the implementation of all corporate governance affairs. Resolution: After the chairman consulted all the directors present, the proposal was passed with no objection and applauded. Case 2: Proposal: Proposal to postpone the 2021 Annual General Meeting of the Company. It will be convened at the Taiwan Semiconductor Co., Ltd. I-Lan factory (No.96,Meijou 2nd Rd. ,I-Lan City, I-Lan County 260, Taiwan R.O.C.) at 9:00 a.m. on July 26, 2022. Resolution: After the chairman consulted all the directors present, the proposal was passed with no objection and applauded. 3. Extraordinary Motions: None 4.The meeting ends
2021.07.26	The 1st meeting of the 15 th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: None (3) Internal audit business report: None

Date	Agenda Name	Critical Decisions
		(4) Other important report items: None 2. Discussion items: (1) Items reserved for discussion at the last meeting. None (2) Matters scheduled for discussion at this meeting. Case 1: Proposal: Proposal to approve the re-election of the 15th Chairman and appointment of the President of the Company. Resolution: After the chairman consulted all the directors present, the proposal was passed with no objection and applauded. Wang Shiu Ting is appointed as Chairman and the President of the Company. 3. Extraordinary Motions: None 4. The meeting was adjourned
2021.08.10	The 2nd meeting of the 15 th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The company's endorsement guarantee as of July 31, 2021: None. 2. The company's capital loans to others as of July 31, 2021: None. 3. The company as of July 31, 2021 Circumstances of engaging in derivative financial product transactions 4. The consolidated financial quarterly report for the second quarter of 2021. The company's consolidated financial quarterly report for the second quarter of 2021 It has been compiled by itself, Inviting Mei Yuanzhen and Xu Yufeng from An Hou Jianye Joint Accounting Firm to review, And after printing by the chairman, manager and accounting supervisor, It is planned to issue a review report and consolidated financial quarterly report. (3) Internal audit business report: 1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. 2. This board of directors audit the business report, The content date is from June to July 2021 (4) Other important report items: None 2. Discussion items: (1) Items reserved for discussion at the last meeting: None (2) Matters scheduled for discussion at this meeting: Case 1: Proposal: Discuss and approve the Company's 2020 Profit Distribution Plan which was approved on July 26, 2021, and drafted on 31 August 2021 as the basis date of distribution of cash dividend and the basis date of distribution of staff remuneration. Since September 17, 2021, distribution will be administered (rounded down to the nearest dollar) by the Transfer Agency Department of CTBC Bank, TWSE's transfer agent. Resolution: After the chairman consulted all the directors present, the proposal was passed with no objection and applauded. Case 2: Proposal: Discusses and appoint The fifth Remuneration Committee of the Company. Selected Mr. Fan Hong Shu, Mr. Lin Bo Sheng, and Mr. Jhan Cian Long as members of the company's fifth remuneration committee. Resolution: After the chairman consulted all the directors present, the proposal was passed with no objection and applauded. (Since Mr. Fan Hong Shu himself is the nominated party, in the qualification review in this case, Recused, did not participate in the discussion and voting) (Since Mr. Lin Bo Sheng himself is the nominated party, in the qualification

Date	Agenda Name	Critical Decisions
		review in this case, Recused, did not participate in the discussion and voting) (Since Mr. Jhan Cian Long himself is the nominated party, in the qualification review in this case, Recused, did not participate in the discussion and voting) 3. Extraordinary Motions: None 4.The meeting ends
2021.11.10	The 3rd meeting of the 15 th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The company's endorsement guarantee as of October 31, 2021: None. 2. The company's capital loans to others as of October 31, 2021: None. 3. The company's activities as of October 31, 2021 Derivative financial commodity trading situation 4. The consolidated financial quarterly report for the third quarter of 2021. The company's consolidated financial quarterly report for the third quarter of 2021 It has been compiled by itself, Inviting Mei Yuanzhen and Xu Yufeng from An Hou Jianye Joint Accounting Firm to review, And after printing by the chairman, manager and accounting supervisor, It is planned to issue a review report and consolidated financial quarterly report. (3) Internal audit business report: 1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. 2. The content date of this board of directors audit business report is from August to October 2021 in the Republic of China. 3. Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement. (4) Other important report items: 1. The competent authority requires the financial report to be prepared as the progress report on its own. 2. . According to the "Regulation of Insider Trading", the Company shall publicize the insiders at least once a year and the topic is "Plans for prevention of dishonest behavior and prevention of insider trading 2011" 2. Discussion items: (1) Items reserved for discussion at the last meeting. None (2) Matters scheduled for discussion at this meeting. Case 1 Proposal: Discuss and appoint Mr Adam Cheng, vice president as Financial Chief Office. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 2 Proposal: Discuss and appoint Mr Adam Cheng, vice president as Directore of Corporate Governance. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. 3. Extraordinary Motions: None 4.The meeting ends

Date	Agenda Name	Critical Decisions
2021.12.28	The 4th meeting of the 15th board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The company's endorsement guarantee as of November 30, 2021: None. 2. The company's capital loans to others as of November 30, 2021: None. 3. The company's activities as of November 30, 2021 Derivative financial commodity trading situation (3) Internal audit business report: 1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. 2. This board of directors audit business report, the content date is November 2021. (4) Other important report items: 1. The 2021 self or peer assessment Report of the Board of Directors, the functional committees and individual Directors and members of the Board. 2. The Company's 2021 Risk Management Policy and Procedures Implementation Report. 3. According to the Article 9 of Organizational Regulations of the Compensation and Remuneration Committee of the Company, and submit the minutes of 3rd meeting of 5th session of Committee. 2. Discussion items: (1) Items reserved for discussion at the last meeting. None (2) Matters scheduled for discussion at this meeting. Case 1 Proposal: Discuss and approve the remuneration for the new manager by the Remuneration Committee of the Company. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 2 Proposal: Discuss and approve the company's 2022 business plan. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 3 Proposal reason: Discuss and approve the Report of the Company's 2021 Corporate Sustainable Development (Corporate Social Responsibility). Resolution: This case was consulted by the chairman of all the directors present, No objection was passed with applause. Case 4 Proposal: Discuss and approve the formulation of the Company's 2021 internal audit plan. Resolution: This case has been consulted by the chairman of all directors present, No objection was passed with applause. Case 5 Proposal: discuss to strengthen the Company's working capital and improve the financial structure, and renewal of the bank loan facilities, which are expected to gradually mature in 2022. Resolution: This case has been consulted by the chairman of all directors present, No objection was passed with applause. Case 6

Date	Agenda Name	Critical Decisions
		Proposal: Discuss and approve the need to avoid the impact of exchange rate changes on huge profits and losses. Renewal of the trading quota for derivative financial products that expire in 2022 Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. 3. Extraordinary Motions: None 4.The meeting ends
2022.01.10	The 5th meeting of the 15h board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: None (3) Internal audit business report: None (4) Other important report items: None 2. Discussion items: (1) Items reserved for discussion at the last meeting. None (2) Matters scheduled for discussion at this meeting. Case 1 Proposal: Discuss and approve the Company's capital reduction for the cancelation of 1,600,000 treasury shares and the settlement of January 10, 2022 on the basis date of the capital reduction of the deposit shares. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. 3. Extraordinary Motions: None 4.The meeting ends
2022.03.28	The 6th meeting of the 15h board of directors	1. Report items: (1) The minutes of the last meeting and its implementation. Note: It has been implemented in accordance with the resolutions of the board of directors. (2) Important financial business report: 1. The company and its subsidiaries' endorsement guarantee status as of December 31, 2021, The situation of fund lending to others, the situation of acquiring or disposing of assets, Engage in the trading of derivative financial products. 2.The company's endorsement guarantee as of February 28, 2022: None. 3. The company's capital loans to others as of February 28, 2022: None. 4. The company's activities as of February 28, 2022 Derivative financial commodity trading situation 5. The company's 2021 business report. 6. The content and amount of performance evaluation and remuneration of directors and managers Report on the relevance and rationality of performance evaluation results. (3) Internal audit business report: 1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. 2. According to Article 12 of the Internal Control System Processing Guidelines, the organizational adjustment of the Company's finance department shall report to the board of directors. And in accordance with the provisions of Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", the listed companies shall have the agent of the Financial Chief Office. The senior manager of internal audit, Luo Yue Gui will reassign as the agent of the Financial Chief Office, and the supervisor of the financial department, Lian Yu Zhen will reassign as the agent of the auditor. He has participated in professional training courses related to auditing for more than

Date	Agenda Name	Critical Decisions
		18 hours within 6 months. 3. This board of directors audit business report, the content date is From December 2021 to February 2022. 4. Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement. (4) Other important report items: 1. A report on the company's establishment of communication channels with stakeholders in 2021 2. The Report of the Company's 2021 Corporate Sustainable Development (Corporate Social Responsibility). 3. The Company's 2021 Risk Management Policy and Procedures Implementation Report. 4. Report of the Company's "Succession Planning" 5. The Company established the "Capital Expenditure Review Committee Organization Regulations" and "Capital Expenditure Review Committee" 6. The competent authority requires the financial report to be prepared as the progress report on its own. 7. According to the Article 9 of Organizational Regulations of the Compensation and Remuneration Committee of the Company, and submit the minutes of 4th meeting of 5th session of Committee. 2. Discussion items: (1) Items reserved for discussion at the last meeting. None (2) Matters scheduled for discussion at this meeting. Case 1 Proposal: Discuss and approve the review of the company's directors and managers for 2021 The actual payment situation of various salaries and remunerations. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 2 Proposal reason: Discuss and approve the review of the company's 2020 director's remuneration and employee remuneration case. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. (Independent director-Mr. Jhan Cian Long made a resolution on this case, evaded because of the stakes involved, and did not participate in the discussion and voting). (Independent director-Mr. Lin Bo Sheng made a resolution on this case, evaded because of the stakes involved, and did not participate in the discussion and voting). (Independent director-Mr. Fan Hong Shu made resolutions on this case, evaded because of the stakes involved, and did not participate in the discussion and voting). (Independent director-Mr. Ma Shu Zhuang made resolutions on this case, evaded because of the stakes involved, and did not participate in the discussion and voting). (Chairman-Mr. Wang Shiu Ting made resolutions on this case, evaded because of the stakes involved, and did not participate in the discussion and voting. And appointed Ms. Wang Xing Lei as acting chairman on the spot). (Legal person director representative -Mr. Wang Xing Lei made resolutions on this case, evaded because of the stakes involved, and did not participate in the discussion and voting). (Director-Mr. Liu Chang Yu made resolutions on this case, evaded because of the stakes involved, and did not participate in the discussion and voting).

Date	Agenda Name	Critical Decisions
		Case 3 Proposal: Discuss and approve the company's 2021 individual financial report and The consolidated financial report has been prepared, And appointed An Hou Jianye United Certified Public Accountants Mei Yuanzhen and Xu Yuen accountants to check, And plan to issue an unqualified opinion inspection report case. Resolution: This case has been consulted by the chairman of all directors present, No objection was passed with applause. Case 4 Proposal: To discuss and approve the company's 2021 surplus distribution, NT\$2.5 per share shall be allotted according to the shares held in the shareholder register on the basis date of the distribution of cash dividends. The proposed distribution of shareholder dividends of NT\$658,713,715, all in cash. Resolution: This case has been consulted by the chairman of all directors present, No objection was passed with applause. Case 5 Proposal: Discuss and approve the company's code of practice in accordance with the corporate governance of listed companies Article 29 The second paragraph of the provisions of the listing of OTC companies The independence and competence of the appointed accountant should be evaluated regularly (at least once a year). In accordance with this regulation, the company refers to the Bulletin of the Republic of China's Code of Professional Ethics No. 10 "Integrity, impartiality, objectivity and independence" and The matters listed in Article 46 and Article 47 of the Accountants Law shall be dealt with by the Finance Department of the Company The competency and independence of the certified public accountant are checked, and the It is found that the company's certified accountant and related personnel are unfit and A case of violation of independence occurred. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 6 Proposal: Proposal: Discuss and approve the revision of some articles of the company's articles of association. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 7 Proposal: Discuss and approve the proposal to amend the "Rules of Procedure of Shareholders' Meeting" of the company. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 8 Proposal: Discuss and approve the amendment of the company's "Corporate Governance Code". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.

Date	Agenda Name	Critical Decisions
		Case 9 Proposal: Discuss and approve the amendment of the company's " Procedures for Acquisition or Disposal of Assets ". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 10 Proposal: Discuss and approve the amendment of the company's " Internal Control System ". Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 11 Reason for the case: Discuss and approve the "Declaration of Internal Control System" for fiscal year 2021 in accordance with the relevant laws and regulations and the results of self-inspection. Resolution: This case has been consulted by the chairman of all directors present, No objection was passed with applause Case 12 Proposal: Discuss and approve the renewal of directors' and managers' liability insurance. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 13 Proposal: Discuss and approve the company's 2022 shareholders' meeting, which will be scheduled on June 21, 2022 (Tuesday) At 9 o'clock in the morning, the company's Yilan factory (Yilan City, Yilan County No. 96 Zhouer Road) was held, and the voting rights may be exercised electronically. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. Case 14 Proposal: Discuss and approve the company's 2022 shareholders' meeting, according to Article 172-1 of the Company Act. The period for accepting shareholder proposals is drafted as From April 1, 2022 to April 11, 2022. Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded. 3. Extraordinary Motions: None 4.The meeting ends

- (12) The most recent year and as of the printing date of the annual report, Directors or supervisors have different opinions on important resolutions passed by the board of directors, and those with records or written declarations: no such situation.
- (13) In the most recent year, as of the day the annual report was prepared, any of Chairman, President, accounting manager, financial manager, internal audit manager, corporate governance manager and R&D manager resigned or was discharged:
Table 2-3 Summary of Resignations and Dismissals of Key Personnel of the Company

April 23, 2022

Job title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
Vice president, Chief Financial Officer, and Manager of corporate governance (2005.02.21 as insider and retirement on 2021.08.31)	Wang Yong Kang	2005.02.21	2021.08.31	Retirement

Note: “Key personnel of the Company” means chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer.

V. Information on CPAs' fees

(1) Disclosure of audit fees, non-audit fees, and details of non-audit services:

Table 2 of 4 :

Information on CPA (External Auditor) Professional Fees

Unit: NT\$ Thousands

Name of accounting firm	Names of CPAs		Period covered by the CPA audit	Audit fees	Non-audit Fees	Total	Remarks
An Hou Jianye United Certified Public Accountants	Mei Yuan Zhen	Xu Yu Feng	Year 2021	4,425	1,490	5,915	

Details of Non-audit Fees:

1. Transfer pricing and the first deposit of expenses for 2020 Report and Master File was NT\$420,000.
2. Taiwan Semiconductor Mainland China Surplus Remittance Service Fee is NT\$250,000 for 2020.
3. The final payment for the verification of visa payments for profit-making enterprise income tax settlement declaration in 2020 NT\$420,000.
4. The first payment for the verification of visa payments for profit-making enterprise income tax settlement declaration in 2021 NT\$400,000.

(I) Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: Not applicable.

(II) Audit fees paid in the current year are at least 10% less than those paid in the previous year: Not applicable.

Note: If the company changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the "Remarks" column and disclose sequentially the audit and non-audit fees paid. For non-audit fees, additionally specify the content of the services.

6. Change of accountant information: No such situation.

7. TSC's Chairman, Presidents, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions in TSC's Independent Auditing Firm or Its Affiliates in the Most Recent Year

8. Change in Shareholding of Directors, Managers and Major Shareholders Who Own 10% or More of TSC Shares

(1) Shareholding changes of directors, supervisors, managers and major shareholders

Job title	Name	Year of 2021		Current fiscal year as of April 23	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman and President	Wong Shiu Ting	0	0	0	0
		0	0	0	0
Director	TSC Auto ID Technology Co., Ltd.	0	0	1,200,000	0
		0	0	0	0
Representative of Corporate Directors and Vice President	Wang Xing Lei	0	0	0	0
		0	0	0	0
Director	UMC Capital	0	0	0	0
		0	0	0	0
Representative of Corporate Directors	Liu Chang Yu	0	0	0	0
		0	0	0	0
Senior Vice President (resigned director after re-election at the general shareholders' meeting on 2022.07.26.)	Wang Shiu Fon	0	0	0	0
		0	0	0	0
Independent Director	Jhan Cian Long	0	0	0	0
		0	0	0	0
Independent Director	Fan Hong Shu	0	0	0	0
		1,000	0	0	0
Independent Director	Lin Bo Sheng	0	0	0	0
		0	0	0	0
Independent Director (Appointment on 2021.07.26)	Ma Shu Zhuang	0	0	0	0
		0	0	0	0
Vice President	Wang Xing Lei	0	0	0	0
		0	0	0	0
Vice President	Yan Guo Yin	0	0	0	0
		0	0	0	0
Vice president, Chief Financial Officer, and Manager of corporate governance (Appointment on 2021.09.01)	Adam Cheng	0	0	0	0
		0	0	0	0
Assistant Vice President	Cai Yi Long	0	0	0	0
		(25,000)	0	(161,000)	0
Director	Wu Zhi Kuan	0	0	0	0
		(355,000)	(210,000)	0	0
Assistant Vice President	Rexis Cagbabanua Manabit	0	0	0	0
		0	0	0	0
Vice president (Appointment on 2022.01.01)	Liu Mei Feng	0	0	0	0
		0	0	0	0
Vice president, Chief Financial Officer, and Manager of corporate governance (Became an insider on 2005.02.21; resigned on 2021.08.31)	Wang Yong Kang	0	0	0	0
		(1,048,000)	0	0	0
Vice President (Became an insider on 2008.02.01; resigned director after re-election at the general shareholders' meeting on 2022.07.26; resigned on 2021.12.30)	Chao Feng Yu	0	0	0	0
		(171,000)	0	0	0

Remarks: The above information on equity changes is reported to the competent authority

The number of shares in the tenure

Note 1: If the counterparty of the equity transfer or equity pledge is a related person, the following table should be filled out.

(2) Equity transfer information:

Name (Note 1)	Reasons for equity transfer (Note 2)	transaction date	Counterparty	Transaction counterparties and company directors, supervisors, managers and Relationship between shareholders with a shareholding ratio of more than 10%	Number of shares	Trading price
None	None	None	None	None	None	None

Note 1: The company's directors, supervisors,

The name of the manager and the shareholder whose shareholding ratio exceeds 10%.

Note 2: It is to list the acquisition or punishment.

(3) Equity pledge information:

Name	Reason for change in pledge status	Date of Change	Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	Shares	Shareholding Ratio (2022.04.23)	Pledge ratio (2022.04.23)	Amount borrowed under pledges (or redeemed)
Wu Zhi Kuan	Redeemed	2021.06.28	KGI Securities Co., Ltd. unrestricted money lending	None	10,000	0%	0%	
Wu Zhi Kuan	Redeemed	2021.07.05	KGI Securities Co., Ltd. unrestricted money lending	None	200,000	0%	0%	

9. Relationship Among the Top Ten Shareholders

Relationship Among the Top Ten Shareholders

April 23, 2022

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		The top ten shareholders with a relationship with each other as a related party of the Financial Accounting Standards Bulletin No. 6, whose name and relationship		Remark
	Shares	Share holding ratio	Shares	Share holding ratio	Shares	Share holding ratio	Name	Relationship	
TSC Auto ID Technology Co., Ltd.	14,800,000	5.62%	0	0	0	0	Wang Shiu Ting	Head of Taiwan Semiconductor Co., Ltd. and Nianci Investment Co., Ltd.,	
Wang Shiu Ting	11,608,340	4.41%	0	0	4,200,000	1.59%	Lan Wanting	daughter-in-law	
Wang Shiu Ting	11,608,340	4.41%	0	0	4,200,000	1.59%	Taiwan Semiconductor Co., Ltd. and Nianci Investment Co., Ltd., TSC Auto ID Technology Co., Ltd. Lan Wanting	Person in charge daughter-in-law	
Arthur Investment Co., Ltd.	9,684,002	3.68%	0	0	0	0	Taiwan Semiconductor Co., Ltd., TSC Auto ID Technology Co., Ltd., Nianci Investment Co., Ltd. Lan Wanting	father in law	
Person in charge: Lan Wanting	116,000	0.04%	146,000	0.06%	285,000	0.11%	None	None	
UMC Capital	6,741,000	2.56%	0	0	0	0	None	None	
Person in charge: Hong Jiacong	0	0.00%	0	0	0	0	None	None	
Nianci Investment Co., Ltd.	4,200,000	1.59%	0	0	0	0	Wang Shiu Ting	Head of Taiwan Semiconductor Co., Ltd. and Nianci Investment Co., Ltd.,	
Person in charge: Wang Shiu Ting	11,608,340	4.41%	0	0	4,200,000	1.59%	Lan Wanting	daughter-in-law	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index	3,384,290	1.28%	0	0	0	0	None	None	

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		The top ten shareholders with a relationship with each other as a related party of the Financial Accounting Standards Bulletin No. 6, whose name and relationship		Remark
	Shares	Share holding ratio	Shares	Share holding ratio	Shares	Share holding ratio	Name	Relationship	
Fund, a series of Vanguard Star Funds									
Taiwan Life Entrusts China Trust Investment Credit Investment Account (2)	3,170,000	1.20%	0	0	0	0	None	None	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,091,342	1.17%	0	0	0	0	None	None	
Labor Retirement Fund (New Scheme)	2,861,500	1.09%	0	0	0	0	None	None	
Labor Retirement Fund (Old Scheme)	2,794,500	1.06%	0	0	0	0	None	None	

Note: The calculation of shareholding ratio refers to the calculation of the shareholding ratio in your own name, spouse, minor children or use the names of others to calculate the shareholding ratio.

10. Shares Held by the Company, Directors, Managers and Companies Directly or Indirectly Controlled by the Company, and the Comprehensive Shareholding Ratio Based on Combined Calculation

Comprehensive shareholding ratio

Unit : Share(s) ; %; 31st Mar, 2022

Investment business (Note 1)	Investment by the company		Directors, supervisors, managers and direct or indirect control of investment in the business		Comprehensive investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
EVER ENERGETIC INT'L LTD.	21,175,000	100.00	0	0	21,175,000	100.00
EVER WINNER INT'L CO.,LTD.	16,010,000	100.00	0	0	16,010,000	100.00
SKYRISE INT'L LTD.	50,000	100.00	0	0	50,000	100.00

Investment business (Note 1)	Investment by the company		Directors, supervisors, managers and direct or indirect control of investment in the business		Comprehensive investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
TAIWAN SEMICONDUCTOR EUROPE GMBH	0	100.00	0	0	0	100.00
TAIWAN SEMICONDUCTOR JAPAN LTD.	1,500	100.00	0	0	1,500	100.00
TAIWAN SEMICONDUCTOR (H.K) CO., LTD.	672,000	25.22	1,992,238	74.78	2,664,238	100.00
TSC Auto ID Technology Co., Ltd.	15,453,177	36.38	2,556,684	6.02	18,009,861	42.40
TSC AMERICA, INC.	0	0	9,000,000	100.00	9,000,000	100.00
Shanghai Great International Trade Co.	0	0	0	100.00	0	100.00
Yangxin Everwell Electronics Co.	0	0	0	100.00	0	100.00
Tianjin Everwell Technology Co.	0	0	0	100.00	0	100.00
TSC Auto ID Technology EMEA GmbH(TSCAE)	0	0	0	100.00	0	100.00
TSC Auto ID (H.K) Ltd.	0	0	11,710,500	100.00	11,710,500	100.00
TSC Auto ID Technology America, Inc.	0	0	16,000,000	100.00	16,000,000	100.00
Tianjin Guoju Technology Co., Ltd.	0	0	0	100.00	0	100.00
TSC Auto ID Technology ME Ltd. FZE(TSCAD)	0	0	0	100.00	0	100.00
TSC Auto ID Technology Spain, S.L.(TSCAS)	0	0	0	100.00	0	100.00
Dingguan Technology Co.	0	0	500,000	100.00	500,000	100.00
Shenzhen Dingguan Technology Co.	0	0	0	100.00	0	100.00
Printronic Auto ID Technology Inc.	0	0	100	100.00	100	100.00
Diversified Labeling Solutions Inc.	0	0	1,000	100.00	1,000	100.00
Precision Press & Label, Inc.	0	0	850,000	100.00	850,000	100.00
TSC Auto ID Technology India Private Ltd.	0	0	710,000	100.00	710,000	100.00

Investment business (Note 1)	Investment by the company		Directors, supervisors, managers and direct or indirect control of investment in the business		Comprehensive investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
APPLIED WIRELESS IDENTIFICATIONS GROUP, INC. (Note2)	242,920	0	0	0	242,920	0
Third Dimension (3D) Semiconductor, Inc. (Note2)	921,518	0	0	0	921,518	0

Note 1: It is the company's long-term equity investment using the equity method and financial assets measured at fair value through profit and loss-liquidity.

Note 2: Since the ratio is very slightly lower than 0%, it is marked as 0%.

4、Fundraising Situation

1、Capital and Shares

(1)Equity Source

Unit：NT\$'000；thousand shares

Year month	Issue Price (Par value per share; dollar)	Approved Share Capital		Actual Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Equity	Those using property than cash to offset the share price	Other
1979 .01	10	100	1,000	100	1,000	Cash creation	—	—
1980 .05	10	1,200	12,000	1,200	12,000	Cash capital increase 11,000	—	—
1984. .06	10	3,000	30,000	3,000	30,000	Cash capital increase 18,000	—	—
1987. .12	10	6,000	60,000	6,000	60,000	Cash capital increase 30,000	—	—
1989. .11	10	10,500	105,000	10,500	105,000	Cash capital increase 45,000	—	—
1990 .09	10	15,400	154,000	15,400	154,000	Cash capital increase 35,035	—	—
1991 .08	10	17,710	177,100	17,710	177,100	Capital increase from surplus 13,965	—	—
1992 .10	10	19,481	194,810	19,481	194,810	Capital increase from surplus 3,080 Capital reserve from capital increase 20,020	—	—
1995 .06	10	35,000	243,582	24,358	243,582	Capital reserve transferred to capital increase 17,710	—	1995.06.07 (84) Taiwan Financial Certificate (1) No. 33605
1996 .07	10	43,000	372,330	37,233	372,330	Capital increase from surplus 42,928 Capital increase from surplus 5,844	—	1996.06.29 (85) Taiwan Financial Certificate (1) No. 4069
1997 .09	10	75,000	560,000	56,000	560,000	Capital increase from surplus 128,748	—	1997.07.07 (86) Taiwan Financial Certificate (1) No. 53271
1998 .10	10	75,000	680,984	68,098	680,984	Capital increase from surplus 116,862	—	1998.08.31 (87) Taiwan Finance Certificate (1) No. 73846
1998 .12	10	107,000	830,984	83,098	830,984	Cash capital increase 70,808	—	1998.10.22 (87) Taiwan Finance Certificate No. 89325 and 1998.11.10 (87)
1999 .11	10	107,000	1,002,245	100,224	1,002,245	Capital increase from surplus 120,984	—	1998.11.10 (87) Taiwan Finance Certificate (1) No. 94752 And 1999.08.18 (88) Taiwan Financial Certificate (1) No. 75688
2000 .08	10	181,000	1,157,197	115,720	1,157,197	Cash capital increase 150,000	—	2000.06.05 (89) Taiwan Financial Certificate (1) No. 48503
2001 .08	10	181,000	1,280,644	128,064	1,280,644	Earnings transferred to capital increase 171,261	—	2001.06.27 (90) Taiwan Financial Certificate (1) No. 140899
2002 .01	10	181,000	1,416,036	141,604	1,416,036	Capital increase from surplus 76,139	—	2001.06.28 (90) Taiwan Financial Certificate (1) No. 138455
2002 .03	10	181,000	1,547,505	154,750	1,547,505	Capital reserve transferred to capital increase 78,813	—	2001.06.28 (90) Taiwan Financial Certificate (1) No. 138455
2002 .10	10	281,000	2,810,000	176,917	1,769,167	Capital increase from surplus 130,563	—	2003.10.28 (92) Taiwan Financial Certificate (1) No. 09201300170
2002 .11	10	281,000	2,810,000	176,927	1,769,267	Conversion of corporate bonds 91,099	—	2001.06.28 (90) Taiwan Financial Certificate (1) No. 138455
2003 .09	10	310,000	3,100,000	187,406	1,874,060	Conversion of corporate bonds 100	—	2001.06.28 (90) Taiwan Financial Certificate (1) No. 138455
2003 .10	10	310,000	3,100,000	188,116	1,881,160	Capital increase from surplus 75,293	—	2003 .10.28 (92) Taiwan Financial Certificate (1) No. 09201300170
1994 .10	10	310,000	3,100,000	196,046	1,960,458	Capital increase from surplus 79,298	—	The Jin Guanzheng Yizi No. 0930134420 letter dated August 2, 1994 is quasi-documented.
1995 .04	10	310,000	3,100,000	187,776	1,877,758	Capital reduction of treasury shares 82,700	—	Jin Guanzheng Sanzi No. 0940103432 letter dated February 2, 19954 was approved for filing.
1996 .05	10	310,000	3,100,000	187,891	1,878,913	Conversion of employee stock options to ordinary shares 1,155	—	On May 2, 1996, it was approved to be filed by the letter of Shuishangzi No. 09501079850.
1996 .07	10	310,000	3,100,000	187,924	1,879,243	Conversion of employee stock options to ordinary shares 330	—	On July 19, 1996, it was approved and filed by Shuishangzi No. 09501154820.

Year month	Issue Price (Par value per share; dollar)	Approved Share Capital		Actual Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Equity	Those using property than cash to offset the share price	Other
1996 .10	10	310,000	3,100,000	187,974	1,879,738	Conversion of employee stock options to ordinary shares 495	—	On October 19, 1996, it was approved to be filed by the letter of Shuishangzi No. 09501237190.
1997 .01	10	310,000	3,100,000	193,731	1,937,310	Conversion of employee stock options to ordinary shares 1,287	—	On January 19, 1997, it was approved and filed by the letter of Shuishangzi No. 09601014020 letter.
1997 .04	10	310,000	3,100,000	225,329	2,253,293	Conversion of corporate bonds 56,284	—	On April 19, 1997, it was approved to be filed by the letter of Shuishangzi No. 09601079990 letter.
1997 .07	10	360,000	3,600,000	231,516	2,315,162	Conversion of employee stock options to ordinary shares 3,660	—	On July 19, 1997, it was approved and filed by the letter of Shuishangzi No. 09601166490.
1997 .10	10	360,000	3,600,000	233,665	2,336,653	Conversion of corporate bonds 312,323	—	On October 17, 1997, it was approved and filed by Shuishangzi No. 09601254310.
1997 .12	10	360,000	3,600,000	246,865	2,468,653	Conversion of employee stock options to ordinary shares 500	—	On December 20, 1997, it was approved and filed by the letter of Shuishangzi No. 09601311990.
1998 .01	10	360,000	3,600,000	247,306	2,473,059	Conversion of corporate bonds 61,369	—	On January 17, 1998, it was approved to be filed by the letter of Shuishangzi No. 0970111410.
1998 .04	10	360,000	3,600,000	247,374	2,473,739	Conversion of employee stock options to ordinary shares 11,743	—	On April 15, 1998, it was approved and filed by the letter of Shuishangzi No. 09701089680.
1998 .07	10	360,000	3,600,000	248,158	2,481,579	Conversion of corporate bonds 9,748	—	On July 25, 1998, it was approved and filed by the letter of Shuishangzi No. 09701174110.
1998 .10	10	360,000	3,600,000	248,192	2,481,919	Conversion of employee stock options to ordinary shares 340	—	Conversion of employee stock options to ordinary shares 340
1999 .03	10	360,000	3,600,000	243,967	2,439,669	Conversion of corporate bonds 0	—	Conversion of corporate bonds 0
2000 .01	10	360,000	3,600,000	243,997	2,439,968	Capital reduction in treasury shares 42,250	—	Capital reduction in treasury shares 42,250
2013 .11	10	360,000	3,600,000	244,257	2,442,568	Conversion of corporate bonds 299	—	Conversion of corporate bonds 299
2014 .01	10	360,000	3,600,000	243,282	2,432,818	Conversion of employee stock options to ordinary shares 2,600	—	Conversion of employee stock options to ordinary shares 2,600
2014 .04	10	360,000	3,600,000	243,322	2,433,218	Conversion of employee stock options to ordinary shares 250	—	Conversion of employee stock options to ordinary shares 250
2014 .05	10	360,000	3,600,000	243,464	2,434,643	Treasury shares reduced by 10,000	—	Treasury shares reduced by 10,000
2014 .11	10	360,000	3,600,000	243,614	2,436,143	Conversion of employee stock options to ordinary shares 400	—	Conversion of employee stock options to ordinary shares 400
2015 .04	10	360,000	3,600,000	238,764	2,387,643	Conversion of employee stock options to ordinary shares 1,500 Treasury shares reduced by 50,000	—	On January 14, 2015, Jin Guanzheng Jiao Zi No. 1040000706 was approved for filing and on April 15, 104, it was approved to be filed by Shuishangzi No. 10401064520.
2015 .05	10	360,000	3,600,000	238,811	2,388,108	Conversion of employee stock options to ordinary shares 465	—	On May 27, 2015, it was approved to be filed by the letter of Shuishangzi No. 104020208700.
2015 .12	10	360,000	3,600,000	239,637	2,396,368	Conversion of employee stock options to ordinary shares 8,260	—	On December 08, 2015, it was approved to be filed by the letter of Shuishangzi No. 10401245970.
2016 .01	10	360,000	3,600,000	240,014	2,400,143	Conversion of employee stock options to ordinary shares 3,775	—	On January 12, 2015, it was approved to be filed by the letter of Shuishangzi No. 10501004470.
2016 .04	10	360,000	3,600,000	240,303	2,403,026	Conversion of employee stock options to ordinary shares 2,882.5	—	On April 15, 2015, it was approved and filed by the letter of Shuishangzi No. 10501071370.

Year month	Issue Price (Par value per share; dollar)	Approved Share Capital		Actual Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Equity	Those using property other than cash to offset the share price	Other
2016.11	10	360,000	3,600,000	240,506	2,405,058	Conversion of employee stock options to ordinary shares 2,032.5		On November 23, 2016, it was approved to be filed by the letter of Shuishangzi No. 10501273280.
2017.04	10	360,000	3,600,000	240,806	2,408,058	Conversion of employee stock options to ordinary shares 3,000		On April 10, 2017, it was approved to be filed by the letter of Shuishangzi No. 10601045060.
2017.05	10	360,000	3,600,000	240,949	2,409,493	Conversion of employee stock options to ordinary shares 1,435		On May 26, 2017, it was approved to be filed by the letter of Shuishangzi No. 10601063460.
2017.11	10	360,000	3,600,000	241,144	2,411,443	Conversion of employee stock options to ordinary shares 1,950		On November 23, 2017, it was approved by the Shuishangzi No. 10601161130 letter.
2018.04	10	360,000	3,600,000	241,175	2,411,753	Conversion of employee stock options to ordinary shares 310		On April 10, 2018, it was approved to be filed by the letter of Shuishangzi No. 10701037290.
2018.08	10	360,000	3,600,000	242,713	2,427,129	Conversion of corporate bonds 15,376.38		On August 27, 2018, it was approved to be filed by the letter of Shuishangzi No. 107012020190.
2019.12	10	360,000	3,600,000	249,454	2,494,539	Private placement cash capital increase 67,410	—	On December 10, 2019, it was approved to be filed by Shuishangzi No. 10801173380.
2021.04	10	360,000	3,600,000	265,085	2,650,855	Conversion of corporate bonds 15,631.521		On April 12, 2021, it was approved to be filed with the letter of Shuishangzi No. 11001063580.
2022.01	10	360,000	3,600,000	263,485	2,634,855	Capital reduction in treasury shares 16,000		On January 26, 2022, it was approved to be filed with the letter of Shuishangzi No. 11101012090.

April 18th 2021/ Unit: Shares

Shares Type	Approved Capital			Remark
	Outstanding shares (listed on the OTC)	Unissued shares	Total	
Ordinary Share	263,485,486	96,514,514	360,000,000	Including the amount of employee stock option certificates 10,000 thousand shares

Information about the blanket declaration system: Not applicable

(2) Status of Shareholders

April 23, 2022

Shares Amount	Government agency	Financial institution	Other legal persons	Foreign institutions and foreigners	Individual	Treasury stock	Total
Number of Shares	0	16	374	161	58,161	0	58,712
Number of shares held	0	10,727,420	77,471,503	27,879,317	147,407,246	0	263,485,486
Shareholding ratio	0.00%	4.07%	29.40%	10.58%	55.95%	0.00%	100.00%

(3) Shareholding Distribution Status

NTD 10 Per Share

April 23, 2022

Shareholding Tiers	No., of Shareholders	Shareholding	Shareholding %
1-999	23,317	1,232,292	0.47%
1,000-5,000	31,238	55,607,317	21.10%
5,001-10,000	2,357	18,959,171	7.20%
10,001-15,000	576	7,534,642	2.86%
15,001-20,000	373	6,978,686	2.65%
20,001-30,000	267	6,883,809	2.61%
30,001-40,000	129	4,658,734	1.77%
40,001-50,000	93	4,361,921	1.66%
50,001-100,000	177	12,937,262	4.91%
100,001-200,000	71	10,350,729	3.93%
200,001-400,000	46	12,949,830	4.91%
400,001-600,000	17	8,181,374	3.11%
600,001-800,000	12	8,435,944	3.20%
800,001-1,000,000	7	5,979,382	2.27%
1,000,001 股以上	32	98,434,393	37.35%
Total	58,712	263,485,486	100.00%

(4) Major Shareholders

April 23, 2022

Major Shareholders names	Shares	Shareholding %
TSC Auto ID Technology Co., Ltd.	14,800,000	5.62%
Wang Shiu Ting	11,608,340	4.41%
Arthur Investment Co., Ltd.	9,684,002	3.68%
UMC Capital	6,741,000	2.56%
Ninci Investment Co., Ltd.	4,200,000	1.59%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,384,290	1.28%
Taiwan Life Entrusts China Trust Investment Credit Investment Account (2)	3,170,000	1.20%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,091,342	1.17%
Labor Pension Fund(New Scheme)	2,861,500	1.09%
Labor Retirement Fund(Old Scheme)	2,794,500	1.06%

(5) The Share's Market Price, Net Worth, Earnings and Dividend Policy for the Past Two Years

Unit : New Taiwan Dollar/Share

Item \ Year		2020	2021	The current year ends on April 23, 2022 (consolidated) (Note 8)
Price per stock market (Note 1)	Highest	66.50	105	93.30
	Lowest	25.30	38.55	65.40
	Average	48.04	75.28	81.15
Net value per share (Note 2)	Before distribution	24.80	28.27	30.01
	After distribution	23.12	25.62(註 9)	-
Earnings per share (Note 3)	Weighted average number of shares	234,962,753	248,585,039	249,467,508
	Earnings per share (NTD\$) (after adjustment)			-
	Earnings per share (yuan) (before adjustment)	2.29	3.55	1.55
Dividend per share	Cash dividend (Note 9)	1.50	2.50(註 9)	-
	Issuance of bonus shares	-	-	-
		-	-	-
	Accumulated unpaid dividends (Note 4)	-	-	-
Analysis of Investment Remuneration	P/E ratio (Note 5)	20.98	21.21	-
	P/L ratio (Note 6)	32.03	30.11	-
	Cash dividend yield (Note 7)	3.12%	3.32%	-

* If surplus or capital reserve is transferred to capital increase and allotment,

It should also disclose the market price and cash dividend information retrospectively adjusted based on the number of shares issued.

Note 1: List the highest and lowest market prices of common stocks in each year,

And calculate the average market price of each year based on the transaction value and volume of each year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at yearend. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If there is a retrospective adjustment due to circumstances such as gratuitous allotment, The earnings per share before and after adjustments should be shown.

Note 4: If the equity securities issuance conditions stipulate the dividends not paid in the current year Those who can accumulate to a surplus year,

The accumulated unpaid dividends as of the current year shall be disclosed separately.

Note 5: P/E ratio = average closing price per share for the year/earnings per share.

Note 6: P/E ratio = average closing price per share for the year/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 8: Calculated based on the information reviewed by the accountant in the consolidated financial quarter report for the first quarter of 2022.

Note 9: As approved by the board of directors on March 28, 2022, it has yet to be approved by the shareholders meeting.

(6) Company dividend policy and implementation status

(1) Dividend policy

According to Article 2002 of the company's articles of association, the company's dividend policy is in line with the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition conditions,

And take into account the interests of shareholders and other factors,

The distribution of dividends to shareholders shall be prepared by the board of directors on a surplus distribution plan. After the resolution of the shareholders meeting, if the surplus is distributed by the resolution, the proportion of the surplus distributed shall be based on the principle of no less than 10% of the surplus available for distribution in the current year,

Dividends are distributed in cash or stocks, among them, the proportion of cash dividend distribution shall not be less than 10% of the total dividend. Among them, the cash dividend shall not be less than 10% of the total stock dividend, however, if the cash dividend per share is less than \$0.2, it will not be issued and will be paid as a stock dividend.

(2) The situation of the proposed dividend distribution at the shareholders meeting:

(a) Cash dividend: NT\$2.50 per share, totaling NT\$658,713,715,

To be approved by the shareholders' meeting.

(b) Stock dividends: 0 yuan per share, totaling NT\$ 0, subject to approval by shareholders at the regular meeting.

(7) The free allotment proposed by the shareholders' meeting will affect the company's business performance,

The impact of earnings per share and shareholder return on investment:

Unit: NT\$'000; Earnings per share NT\$

			2022 Year (Expected)
The amount of actual capital at the beginning of the period			2,650,854
Distribution of dividends this year	Cash dividend per share (Note 1)		2.500
	Earnings transferred to capital increase number of allotment shares per share		0.00
	Number of allotment shares per share transferred from capital surplus to capital increase		0.00
Changes in business performance	Business interest		Not Applicable (Note 2)
	Increase (decrease) ratio of operating profit over the same period last year		Not Applicable (Note 2)
	Net profit after tax		Not Applicable (Note 2)
	Rate of increase (decrease) in net profit after tax compared with the same period last year		Not Applicable (Note 2)
	Earnings per share		Not Applicable (Note 2)
	Earnings per share increase (decrease) ratio over the same period last year		
	Annual average return on investment (the reciprocal of the annual average P/E ratio)		
Proposed earnings per share and price-to-earnings ratio	If the surplus is transferred to capital increase in full, cash dividends will be allocated.	Proposed earnings per share	Not Applicable (Note 2)
		Proposed annual average return on investment	Not Applicable (Note 2)
	If the capital reserve has not been transferred to increase capital.	Proposed earnings per share	Not Applicable (Note 2)
		Proposed annual average return on investment	Not Applicable (Note 2)
	If the capital reserve is not processed and the surplus is transferred to capital increase, the cash dividend will be paid.	Proposed earnings per share	Not Applicable (Note 2)
		Proposed annual average return on investment	Not Applicable (Note 2)

Note 1: It has not been approved by the shareholders meeting.

Note 2: In accordance with the " Regulations Governing the Publication of Financial Forecasts of Public Companies ", the Company is not required to disclose financial forecast information for fiscal year 2021, therefore, no estimated information for fiscal year 2021 is available.

(8) Relevant information about employee compensation and director compensation

(1) The percentage and scope of employee remuneration and directors' remuneration stated in the company's articles of association

According to Article 20 of the company's articles of association, if the company makes a profit for the year, at least **4% should be allocated first, but no more than 10%** should be paid for employees. In addition, no more than one percent shall be allocated as directors' remuneration. If the company has accumulated losses in previous years, before there is a profit in the current year that must be paid for employee remuneration and directors' remuneration, the loss shall be made up first, and the balance shall be allocated according to the preceding paragraph;

And when employee compensation is paid in stocks or cash, the distribution objects include employees of controlling or affiliated companies that meet certain conditions. the control or subsidiary company's employees authorize the board of directors under certain conditions. It shall be separately stipulated in accordance with the provisions of the Company Act. The director's remuneration in the preceding paragraph can only be paid in cash.

Employee remuneration and directors' remuneration distribution proposal shall be resolved by the board of directors and reported to the shareholders meeting. According to Article 21 of the Articles of Association of the Company, if there is a surplus in the company's annual final accounts, pay taxes in accordance with the law, and add another 10% to the statutory surplus reserve.

However, when the statutory surplus reserve has reached the company's paid-in capital, it must no longer be listed; after the balance is withdrawn or converted into special surplus reserve according to laws and regulations, in addition to the accumulated undistributed surplus, the board of directors shall draft a surplus distribution proposal, **the shareholders' meeting shall be submitted to a resolution** to distribute dividends to shareholders. in accordance with Article 20_2 of the company's articles of association, the company's dividend policy, in line with current and future development plans, considering the investment environment,

Capital needs and domestic and foreign competition conditions, and take into account the interests of shareholders and other factors, the distribution of dividends to shareholders shall be prepared by the board of directors on a surplus distribution plan.

After the resolution of the shareholders meeting, if the surplus is distributed by the resolution, the proportion of the surplus distributed shall be based on the principle of no less than 10% of the surplus available for distribution in the current year, dividends are distributed in cash or stocks,

Among them, the proportion of cash dividend distribution shall not be less than 10% of the total dividend.

Among them, the cash dividend shall not be less than 10% of the total stock dividend, however, if the cash dividend per share is less than \$0.2, it will not be issued and will be paid as a stock dividend.

(2) The basis for the estimation of the amount of compensation for employees and directors in the current period, if the calculation basis of the number of shares for employee compensation distributed by stocks and the actual distribution amount are the same accounting treatment when there is a discrepancy in the estimated number:

According to Article 20 of the Articles of Association of the Company, 1% of directors' remuneration will be allocated in 2020. **NT\$ 10,816,125 and 6%** of employee compensation are NT\$ 64,896,750, it is planned to be distributed in cash. There is no basis for calculating the number of shares of employee compensation distributed by stocks and the actual distribution amount is different from the estimated number.

(3) The board of directors approves the distribution of the proposed employee compensation information for 2021

(a) Allotment of cash dividends, stock dividends and directors' remuneration

a. Cash dividend: NTD\$2.50 per share, totaling NT\$658,713,715,

To be approved by the shareholders' meeting.

b. Stock dividends: 0 yuan per share, totaling NT\$ 0, subject to approval by shareholders at the regular meeting.

c. Director's remuneration amount: NT\$ 10,816,125.

(b) The number of shares proposed to be allotted for employee stock compensation and its proportion to the total after-tax net profit of individual financial reports and total employee compensation for the current period:

a. Cash compensation for employees: NT\$64,896,750

b. Employee stock compensation: NT\$ 0, accounting for the net profit after tax of the individual financial report for the current period and

The proportion of total employee compensation is 0%.

(4) The actual distribution of the previous year's surplus for the distribution of employee compensation and directors' compensation

The company submitted a resolution to the shareholders meeting on June 16, 2021, 1% of the director's remuneration of NT\$ 6,253,848 and 6% of the employee's remuneration of NT\$ 37,523,091 are allocated, all of which will be paid in cash. The distribution of employee remuneration and directors' remuneration is as follows:

Unit: NT\$'000

	Year 2020			
	The actual number of allotments made by the shareholders meeting (Note 1)	The original board of directors approved the proposed allotment (Note 1)	Number of differences (Note 1)	Reason for difference (Note 1)
1. Distribution situation				
1. Cash compensation for employees	37,523	37,523	0	-
2. Employee stock compensation	0	0		
(1) Number of shares	0	0	0	-
(2) Amount	0	0	0	-
(3) As a percentage of the number of shares outstanding at the end of the year	0	0	0	-
3. Directors' remuneration	6,254	6,254	0	-
2. Information about earnings per share				
1. Original earnings per share (before retrospective adjustment in 2020)	2.29	2.29	0	-
2. Suppose EPS (Note 2)	2.29	2.29	-	-

The company's allotment situation in the Republic of China in 2020 and
There is no difference in the estimated number of financial statements of the
Company for the year of 2020.

Note 1: There is no difference between the actual allotment amount approved
by the shareholders meeting and the proposed allotment amount approved by
the original board of directors.

Note 2: Suppose $EPS = (\text{net profit after tax}) / \text{weighted average number of shares outstanding in the current year}$

Set 2020 $EPS = \text{net profit after tax NT\$537,242,310} / \text{weighted average number of shares 234,962,753 shares} = \text{NT\$2.29}.$

- (9) Circumstances in which the company buys back the company's shares: 2021 and as of the publication date of the annual report, the company did not buy back the company's shares, in addition, the situation regarding the seventh purchase of the company's shares is as follows:

Item	Buy it back for the seventh time (First time in 2018)
1. Basis method	According to the fourth meeting of the fourteenth board of directors of the company on November 8, 2018
2. Purpose of buying back	Resolution to buy back shares and transfer shares to employees
3. The range price originally scheduled to be bought back at the time	NTD45 to74
4. The actual buyback period	November 16, 2018 to January 8, 2019
5. The quantity originally scheduled to be bought back at the time	2,000,000 shares
6. The actual quantity bought back at the time	1,600,000 shares
7. The total amount bought back at the time	NT\$ 85,481,307
8. The current average buyback price per share	NT\$ 53.43
9. Accumulated holdings of the company's shares at that time	1,600,000 shares
10. At the time, the shares of the company already held accounted for	0.66%
Proportion of total issued shares	To take into account the market transaction mechanism and safeguard the rights and interests of all shareholders, and consider the effective use of the company's overall funds, therefore, only 1,600,000 shares of treasury shares were bought back this time, and the remaining 400,000 shares could not be executed. The implementation rate is 80%.
11. The reason why the execution was not completed at the time	Common stock
12. Types of shares bought back	The resolutions of the sixth meeting of the 14th session of the Japanese company's board of directors by setting the company's seventh buyback (the first time in 2018) The transfer price of the repurchased shares and the employee stock subscription base date. Subsequent to the transfer of employees in accordance with the rules for the transfer of employees as stipulated in Article 5 of the Measures for the Repurchase of Shares and Transfer of Employees Regulations apply. As at January 8, 2022, the Company's capital reduction for the cancellation of 1,600,000 treasury shares and the settlement of January 10, 2022 on the basis date of the capital reduction of the deposit shares.

2. Corporate debt handling situation

1. In October 1993, the company's first domestic unsecured conversion of corporate bonds in the 1990s was fully in accordance with the prevailing price and the provisions of the conversion method.

Apply for conversion to 39,466,069 ordinary shares, and complete the change registration of capital increase.

2. The company's second domestic guaranteed conversion of corporate bonds in 1996 In January 1998, it was fully in accordance with the current price and the regulations of the conversion method.

Apply for conversion to 16,498,313 ordinary shares, and complete the change registration of capital increase.

3. The company's third domestic unsecured conversion of corporate debt in 1996 In January 1998, it was fully in accordance with the current price and the regulation of the conversion method.

Applied for conversion into 27,552,747 ordinary shares, and completed the change registration of capital increase.

4. The company expands the plant and purchases machinery and equipment, Required to repay bank loans and enrich working capital, raised and issued NT\$200 million and fifty million in the fourth unsecured conversion of corporate bonds, letter of No. 09600573511 of Jin Guan Zheng Yi Zi dated October 25, 1997 from the Economic and Financial Management Committee The declaration became effective, and the fourth unsecured conversion of corporate bonds in China (Taiwan Ban 4) the listing was terminated on September 3, 2001, and all payments were completed on September 15, 2001.

5. The company's capital needs for the purchase of machinery and equipment and the addition of related factory facilities, raised and issued the fifth unsecured conversion of corporate bonds with a total denomination of NT\$100 million, each denomination of NT\$100,000, the issuance period is three years, and the total number of issued is 10,000. Issued at 100-100.2% of the par value. The Financial Regulatory Commission's Letter No. 1060051478 dated January 17, 2018. The declaration became effective, and the fifth unsecured conversion of corporate bonds in China (Taiwan Half Five). OTC trading will be issued on March 2, 2018, as of the printing date of the annual report, the company issued the fifth domestic unsecured conversion of corporate bonds expires on March 2, 2021 and will be closed on March 3, 2021. Please refer to the following table:

Report on the implementation of the fifth domestic unsecured convertible corporate bond issuance

Expiry date: March 02, 2021

Company	TAIWAN SEMICONDUCTOR Co., LTD.	
Corporate Bonds	Fifth Domestic Unsecured Convertible Corporate Bonds	
Issue date	March 2. 2018	
Denomination	NTD 100,000	
Issuing and transaction location	Shall not apply	
Issue price	Issue by denomination 100.1%	
Total price	NTD 1,000,000,000	
Coupon rate	Par Value Annual Rate 0%	
Tenor	3 Year Maturity: March 2. 2021	
Guarantee Agency	None	
Consignee	KGI Bank	
Underwriting institution	KGI Securities	
Certified lawyer	Handsome Attorney-at Law Chiou, Ya-Wun Lawyer	
CPA	KPMG Mei, Yuan-Chen Accountant, Hsu, Yu-Feng Accountant	
Repayment method	In addition to the holders of the converted corporate bonds that refer to articles 10 of the rule for issuance and conversion of this unsecured convertible bond (V), change the bonds into Ordinary share, or refer to articles 19 of this rule, exercise the repurchase right, or the early redemption of the Company, which refer to articles 18, or purchased and canceled by the Over-the-Counter Markets, the Company will redeem the bonds by cash at face value in cash upon maturity.	
Payment upon Maturity	Delisted from March 3, 2021. Each lender will receive NTD 41,900,000 (419 shares) through the stock agency on March 12, 2021.	
Terms of redemption or early repayment	Refer to article 18 of the rule for issuance and conversion of the unsecured convertible bond (V) of TAIWAN SEMICONDUCTOR Co., LTD.	
Restrictive clause	None	
Name of credit rating agency, rating date, rating of corporate bonds	None	
Other rights attached	Account of cumulated changed (exchanged, stock subscription) common stock, GDR, or other security from convertible Date(June 3. 2018) to expired date of CB5 bond(March 2. 2021)	NTD 171,691,590 (17,169,159 shares)
	Issuance and conversion (exchange or subscription) method	Refer to the rule for issuance and conversion of the unsecured convertible bond (V) of TAIWAN SEMICONDUCTOR Co., LTD.

Company	TAIWAN SEMICONDUCTOR Co., LTD.
Corporate Bonds	Fifth Domestic Unsecured Convertible Corporate Bonds
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	The interest rate of the issued convertible bond of TAIWAN SEMICONDUCTOR Co., LTD. is 0%. Available low-cost funds and conversion prices are issued with the market price of common stock, therefore there is no negative impact on shareholders' equity.
Transfer agent	None

Note: It belongs to the conversion of corporate bonds, exchange of corporate bonds, In general, declare the issuance of corporate bonds or corporate bonds with stock options, According to the nature and in a tabular format, the information on the conversion of corporate bonds, the exchange of corporate bonds, and a summary of the information on the issuance of corporate bonds and corporate bonds with stock options.

Annex I. Measures for the Fifth Domestic Unsecured Conversion of Corporate Bond Issuance and Conversion

Taiwan Semiconductor Co., Ltd.

Measures for the Fifth Domestic Unsecured Conversion of Corporate Bond Issuance and Conversion

1. Bond name:

Taiwan Semiconductor Co., Ltd. (hereinafter referred to as the "Company") for the fifth time in China. Unsecured conversion corporate bonds (hereinafter referred to as "the conversion corporate bonds").

2. Date of issue:

Republic of China (the same hereinafter) March 2, 2018 (hereinafter referred to as the "issue date").

3. Total issuance:

The denomination of each of the converted corporate bonds is NT\$10 million.

The total denomination of the issuance is 100 million New Taiwan dollars, issued at 100.1% of the par value. The number of issued sheets is 10,000.

4. During the issuance:

The issuance period is three years, since March 2, 2018, expires on March 2, 2021 (hereinafter referred to as the "expiry date").

5. Bond coupon rate:

The annual coupon rate is 0%.

6. Return date and method:

In addition to the holders of the converted corporate bonds in accordance with Article 10 of these Measures, converted to the company's common stock may be sold back in accordance with Article 19 of these Measures, or the company can redeem it in advance or by the company in accordance with Article 18 of these Measures.

Except for those who buy back and cancel the business premises of a securities firm. The company will repay this bond in cash based on the face value of the bond when it matures.

7. Guarantee situation:

The converted corporate bonds are unsecured bonds, but if the converted corporate bonds are issued, The company also issues or privately places other secured corporate bonds with stock options or When converting corporate bonds with guarantee, while conversion of corporate bonds will also be based on the secured corporate bonds with stock options, or the secured conversion of corporate bonds establishes the creditor's rights of the same grade or security real rights of the same order.

8. Conversion subject:

When converting the company's ordinary shares, the company will perform the conversion by issuing new shares.

9. During the conversion period:

Bondholders can start from the day after three months after the issuance date of this converted corporate bond (June 3, 2018) and end on the maturity date (March 2, 2021).

Except for (1) the period during which the transfer of ordinary shares is suspended according to law,

(2) The company's free allotment of shares ceases to be transferred,

The period from the fifteen business days before the cash dividend cessation transfer date or the cash increase subscription cessation date to the base date of the right distribution,

(3) From the capital reduction base date for capital reduction to

Except for the day before the trading start date of the capital reduction and exchange of shares,

It can be forwarded to Taiwan Centralized Custody Clearing House Co., Ltd. through the brokerage (Hereinafter referred to as ``Chip Insurance Company")

Request to the company's stock agency in accordance with the regulations

Convert the company's bonds held by the company into common stocks of the company,

And in accordance with the provisions of Article 10, Article 11, Article 13, and Article 15 of these Measures.

10. Request conversion procedure:

(1) The bondholder shall handle the conversion through the bank transfer method of the China Insurance Company. Completed by the bondholder to the original trading broker.

"Application for Conversion/Redemption/Sale Back to Conversion of Corporate Debt Account Book" (specify conversion), The brokerage firm submits an application to the CHP company. After the CHP company accepts the application, notify the company's stock agency by electronic means, the effect of conversion will take effect at the time of service, and no application for revocation is allowed. And complete the conversion procedures within five business days after delivery, Transfer the company's common stock directly to the bondholder's collective security account.

(2) Overseas Chinese and foreigners will apply

When the converted corporate bonds held by the company are converted into common stocks of the company, all allocations shall be handled by the China Insurance Company in the form of account book allocation.

11. Conversion price and its adjustment:

(1) How to fix the conversion price

The determination of the conversion price of this conversion corporate bond, It is based on February 21, 2018 as the base date for the conversion price. Take the one, three, and five business days before the base date (excluding) The simple arithmetic average of the closing price of the company's ordinary shares calculated by choosing one is the benchmark price, then multiply the benchmark price by the conversion premium rate of 102%, it is the conversion price of this converted corporate bond (calculated up to NTD, the points below are rounded up). In case of ex-rights or ex-dividends before the price base date, it is sampled to calculate the closing price of the conversion price, it should be calculated as the ex-rights or ex-dividend price; the conversion price shall be adjusted according to the conversion price adjustment formula in the event of ex-rights or ex-dividends after the decision is made and before the actual issuance date. According to the above method, the conversion price is NT\$63 per share.

(2) Adjustment of conversion price

1After the issuance of the converted corporate bonds, in addition to various securities issued by the company (or private placement) with common stock conversion rights or options for common stock exchanges or new shares issued due to employee bonuses, in case the company has issued (or Private placement) when the common shares increase (Including but not limited to cash capital increase through fundraising, issuance or private placement, earnings transferred to capital increase, capital reserve transferred to capital increase, Company mergers or transfer of shares of other companies to issue new shares, stock split and cash capital increase participate in the issuance of overseas depository receipts, etc.), the company shall adjust the conversion price of the bond according to the following formula (calculated to NT\$, rounded down, adjusted downwards, and not adjusted upwards), and contact the Securities Over-the-Counter Trading Center (hereinafter referred to as the "Counter Buying Center") for an announcement, adjusted on the ex-rights base date (Note 1) of the issuance of new shares, however, if there is an actual payment operation, it will be adjusted on the full payment date).

$$\begin{array}{rcl}
 \text{Conversion price after adjustment} & = & \text{Conversion price before adjustment} \\
 & & \times \frac{\text{Number of issued shares (Note 2)} + \frac{\text{Payment per share} \times \text{Number of new shares issued or private placement}}{\text{Current price per share (Note 4)}}}{\text{(Number of issued shares + number of new shares issued or private equity)}}
 \end{array}$$

Note 1: If it is a stock split, it is the base date of the split;

If it is a merger or transfer of capital increase, it shall be adjusted on the base date of the merger or transfer; if it is a cash increase or a cash increase to participate in the issuance of overseas depositary receipts through the enquiry circle purchase, because there is no ex-rights base date, it will be adjusted on the full payment date; If the capital increase in cash is handled by private placement, it will be adjusted on the private placement securities delivery date. If the stock issuance price is changed after the ex-rights basis date of the cash capital increase and issuance of new shares, it will be re-adjusted according to the updated issue price of new shares, if the conversion price after the calculation adjustment is lower than the original ex-rights basis, the adjustment has been announced before. For the conversion price, please write to the counter buying center to re-announce and adjust it.

Note 2: The number of issued shares refers to the total number of issued shares of ordinary shares. (Including offering and private placement of shares) minus the purchase of the company but has not yet been cancelled or transferred number of treasury shares.

Note 3: If the payment per share is a gratuitous allotment or stock split, the payment is zero. If it is a merger of capital increase and issuance of new shares, then the payment per share shall be the most recent accountant's visa or the net value per share calculated in the reviewed financial statements is multiplied by the share conversion ratio. If it is a transfer of shares of another company to issue new shares, then the payment per share is the latest accountant's visa or the net value per share calculated in the reviewed financial statements is multiplied by the share conversion ratio.

Note 4: The current price per share shall be determined based on the ex-rights base date, price base date, stock split base date or the simple arithmetic average of the closing price of ordinary shares calculated at one, three or five business days before the delivery date of the privately placed securities shall prevail.

2. After the issuance of the converted corporate bonds,

In the event that the company's cash dividends on ordinary shares account for more than 1.5% of the current price per share,

The conversion price should be lowered on the ex-dividend base date based on the ratio of the current price per share (calculated up to the New Taiwan Dollar Angle, rounded up to the following points, adjusted downwards, if it goes upwards, it will not be adjusted), and you should write to the counter buying center to announce the adjusted conversion price. The regulation of the conversion price reduction of this item, it is not applicable to those who have made a request for conversion before the ex-dividend base date (excluding). The adjustment formula is as follows: Conversion price after reduction = Conversion price before reduction $\times$ (1-The ratio of cash dividends issued to ordinary shares to the current price per share (Note))

Note: The current price per share is based on cash dividends one, three, five before the date of the ex-dividend announcement. The simple arithmetic average of the closing price of the company's ordinary shares calculated on the business day shall prevail.

3. After the issuance of the converted corporate bonds, in case of reissue of the company at a conversion or subscription price lower than the current price per share (Note 1) or private placement) in the case of various securities with common stock conversion rights or stock options, the company shall adjust the conversion price of the conversion corporate bonds according to the following formula (Calculated up to the New Taiwan Dollar Angle, rounded up to the following points, adjusted downwards, no adjustment will be made if it goes upwards), and a letter to the counter buying center will be notified, adjusted on the date of issuance of the aforementioned securities or stock options or the delivery date of the private equity securities:

$$\begin{array}{c}
 \text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \left(\frac{\text{Number of issued shares (Note 2)} + \left[\begin{array}{l} \text{Conversion or subscription price of newly issued (or privately placed) securities or stock options} \\ \text{Conversion or subscription price of newly issued (or privately placed) securities or stock options} \end{array} \right] \times \left[\begin{array}{l} \text{Conversion or subscription price of newly issued (or privately placed) securities or stock options} \\ \text{Number of newly issued (or privately placed) securities or stocks that can be converted to or subscribed for} \end{array} \right]}{\text{Current price per share}} \right)
 \end{array}$$

Number of issued shares + Number of newly issued (or privately placed) securities or stocks that can be converted to or subscribed for

Note 1: The current price per share is for re-issuance (or private placement) with common stock conversion rights or stock options

The simple arithmetic average of the closing price of the company's common stock calculated on one, three, or five business days before the price base date of various securities shall prevail.

Note 2: The number of issued shares refers to common shares that have been issued and privately placed shares.

The number of treasury shares that the company bought back but has not yet been cancelled or transferred is deducted. Reissuance (or private placement) of various securities with common stock conversion rights or stock options. If it is supported by treasury stocks, the number of issued shares in the adjustment formula shall be deducted from the newly issued shares (Or private placement) the number of shares that can be converted or subscribed for securities.

1. After the issuance of the converted corporate bonds, in the event that the company's capital reduction is not due to the cancellation of treasury stocks, the common stocks are reduced, The adjusted conversion price should be calculated according to the following formula (Calculated up to the New Taiwan dollar angle, rounded up to the following points), In addition, we have sent a letter to the Counter Buying Center for an announcement, which will be adjusted on the base date of the capital reduction.

a. When reducing capital to make up for losses:

Conversion price after adjustment = Conversion price before adjustment × [Number of ordinary shares issued before capital reduction (Note) / Number of ordinary shares issued after capital reduction]

b. When cash is reduced:

Adjusted conversion price = (conversion price before adjustment-cash refund per share) × (Number of common shares issued before the capital reduction (Note)/Number of common shares issued after the capital reduction)

Note: The number of issued shares should include the number of issued and privately placed shares. And deduct the number of treasury shares bought back by the company but not yet cancelled or transferred.

12. The conversion of corporate bonds to the OTC and termination of the OTC:

This converted corporate bond applies to the OTC Buying Center for OTC trading before the issuance date,

The OTC will be terminated when all the shares are converted into ordinary shares or the whole shares are bought back or repaid by the company, the above matters shall be announced by the company after contacting the counter buying center for approval.

13. After the conversion, the new shares will be listed on the OTC:

If the company's bonds are converted into common stocks of the company, the converted ordinary shares will be listed for OTC trading at the OTC buying center from the date of delivery, the above matters shall be announced by the company after contacting the counter buying center for approval.

14. Registration of changes in share capital:

The company shall, within 15 days after the end of each season, announce the amount of stocks delivered in the previous quarter due to the conversion of the corporate bonds, the registration of capital change shall be applied to the competent authority of company registration at least once every quarter.

15. Treatment of the amount of less than one share at the time of share exchange:

When converting the company's ordinary shares, if there is less than one share of the shares, The company will pay in cash (calculated up to NT dollars, rounded up to the nearest dollar).

16. Ownership of annual cash dividends and stock dividends:

(1) Cash dividends

1. The holders of the converted corporate bonds shall be transferred from January 1 of the current Year. In the current year, the company negotiates with the counter buying center for cash dividends and requests for conversion 15 business days (excluding) before the closing date of the transfer of cash dividends participate in the resolution of the current year's shareholders' meeting to issue cash dividends for the previous year.
2. In the current year, the company negotiated the closing date of cash dividend transfer with the OTC. From the first fifteen business days (inclusive) to the cash dividend ex-dividend base date (inclusive), stop the conversion of the converted corporate bonds.
3. The holders of the converted corporate bonds shall begin on the day following the ex-dividend base day for cash dividends of the current year. As of December 31 (inclusive) of the current year, those who request conversion, not entitled to the cash dividends of the previous year as determined by the shareholders meeting of the current year, however, they may participate in the cash dividends of the current year that are resolved by the shareholders' meeting of the following year.

(2) Stock dividends

1. The holders of the converted corporate bonds are from January 1 of the current year to the company of the current year. Negotiate with the counter buying center 15 business days (excluding) before the date of the suspension of the transfer of free shares allotment. Those requesting conversion may participate in the resolution of the current year's shareholders meeting to issue stock dividends for the previous year.
2. In the current year, the company negotiated with the OTC Buying Center for free allotment of shares before the transfer suspension date. From 15 business days (inclusive) to the ex-rights reference day (inclusive) of free allotment, stop the conversion of the converted corporate bonds.
3. The holders of the converted corporate bonds shall begin on the day following the ex-rights base day of the free allotment of the current year. As of December 31 (inclusive) of the current year, those who request conversion, not to be entitled to the previous year's stock dividends issued by the shareholders' meeting of the current year, however, they may participate in the stock dividends issued by the shareholders' meeting of the following year.

17. Rights and obligations after conversion:

The rights and obligations of the common stock acquired by the creditor after the request for conversion takes effect and the company's original issued ordinary shares are the same.

18. The company's right to redeem this bond

(1) The bond is issued on the day after three months of issuance (June 3, 2017) to forty days before the expiration of the issuance period (January 21, 2021), if the closing price of the company's common stock at the OTC buying center for 30 consecutive business days. When it exceeds the bond conversion price by more than 30% (inclusive), the company may, within 30 business days thereafter, Deliver the bond holders by registered mail (by "Bond Call Notice"

The creditors' register shall prevail five business days before the date of dispatch.

For investors who subsequently acquire the bond due to trading or other reasons,

(In the form of announcement) A "Notice of Bond Recovery" with the expiry date of 30 days

(The aforementioned period shall be calculated from the date of dispatch by the company,

And take the expiry date of the period as the bond recovery base date,

And the aforementioned period shall not be the period during which the conversion of corporate bonds ceases to be converted), and send a letter to the OTC for an announcement, and within five business days after the bond recovery benchmark date, the principal converted corporate bonds of the bondholders shall be recovered in cash based on the face value of the bonds.

(2) The bond is issued on the day after three months (June 3, 2018) to forty days before the expiration

of the issuance period (January 21, 2021), when the outstanding balance of this bond is less than 10% of the original total issued amount, the company was able to send to the bondholders by registered mail (with the "Bond Collection Notice" dispatch date the creditors' register of the previous five business days shall prevail, for investors who subsequently acquire the bond due to trading or other reasons, in the form of announcement) A "Notice of Bond Recovery" with the expiry

date of 30 days (The aforementioned period shall be calculated from the date of dispatch by the company,

And take the expiry date of the period as the bond recovery base date,

And the aforementioned period shall not be the period during which the conversion of corporate bonds ceases to be converted), and send a letter to the OTC for an announcement, and within five business days after the bond recovery benchmark date, the principal converted corporate bonds of the bondholders shall be recovered in cash based on the face value of the bonds.

(3) If the bondholder is before the bond recovery base date stated in the "Bond Callback Notice", Failed to reply in writing to the company's stock affairs agency (it will be effective at the time of delivery, the person who takes the post will use the postmark date as proof),

The company shall redeem the converted corporate bonds held by it in cash based on the face value.

19. The creditor's right to put back

This converted corporate bond is issued as a creditor for two years (March 2, 2020)

The sale back of the converted corporate bonds in advance shall be sold back in accordance with the following principles:

The company shall be 30 days before the base date of the sale of the converted corporate bonds (February 1, 2020), issued to creditors by registered mail

(Five business days before the issuance of the "Notice of Exercise of the Bondholder's Right to Sell Back". The creditors' list shall prevail, for creditors who subsequently obtain the converted corporate

bonds due to trading or other reasons, then by way of announcement) a "Notice of Exercise of the Bondholder's Right to Sell Back", in addition, it is requested that the Counter Buying Center announce the exercise of the creditor's right to sell back, creditors may notify the company's stock agency in writing within 30 days after the announcement. Effective at the time of delivery, the postmark shall be used by the mailer and cannot be withdrawn;

And use the expiry date of the period as the base date for selling back) The company is required to use 101.0025% of the bond denomination (the actual annual rate of return is 0.5% after two years)

Redeem the converted corporate bonds held by them. Our company accepts sellback requests, The converted corporate bonds shall be redeemed in cash within five business days after the sale back date.

20. All the company's repossession (including the repurchase by the securities firm's business premises), the converted corporate bonds that have been repaid or converted will be cancelled and may not be sold or issued. The attached conversion rights will be eliminated at the same time.

21. The conversion of corporate bonds and the exchanged ordinary shares are all registered, and the transfer, transaction registration, pledge, loss, etc. are all in accordance with the "Guidelines for Handling Share Affairs of Companies Offering Public Shares". It shall be handled in accordance with the relevant provisions of the Company Act, and other taxation matters shall be handled in accordance with the current tax laws.

22. The conversion of corporate bonds is made by KGI Commercial Bank Co., Ltd.

The trustee of the creditor, exercising, inspecting and supervising the company in the interests of Creditors. Perform the rights and responsibilities for the issuance of the converted corporate bonds. All creditors holding the converted corporate bonds, regardless of whether they are subscribed at the time of issuance or halfway buyer, regarding the provisions of the fiduciary contract between the company and its trustee, the rights and obligations of the trustee and this issuance and conversion method are all agreed. And grant the trustee full authority to act as an agent for the entrusted matters, This authorization cannot be revoked midway; as for the content of the entrusted contract, Creditors may inquire at the company or the trustee's business premises at any time during business hours.

23.

The debt committee of the conversion company is handled by the company's stock affairs agency for principal repayment and conversion matters.

24.

The issuance of the converted corporate bonds does not print physical bonds in accordance with Article 8 of the Securities Exchange Law.

25. If there are any issues that are not covered in the issuance and conversion method of the conversion of corporate bonds, it is reported to be handled in accordance with relevant laws and regulations.

Conversion of Corporate Bond Information

Types of company debt		The fifth domestic unsecured conversion of corporate bonds	
Year Item		2021 Year	The current year ends on April 23, 2022 (Note 3)
Conversion of corporate bonds (Note 1)	Highest	No transaction information	Not applicable (dislisted on 2021.03.03)
	Lowest	No transaction information	Not applicable (dislisted on 2021.03.03)
	Average	No transaction information	Not applicable (dislisted on 2021.03.03)
Conversion price		(1) In 2018, the 2017 cash dividends were allotted and the conversion price was adjusted accordingly. Starting from July 29, 2018, the conversion price is: NT\$ 61 per share (2) In 2019, the 2018 cash dividends were allotted and the conversion price was adjusted accordingly. Starting from July 31, 2019, the conversion price is: NT\$ 57.40 per share (3) In November 2019, a private equity cash capital increase was processed to issue ordinary shares,regarding November 18, 2019 as the base day for capital increase in private equity, the conversion price is adjusted, Starting from December 18, 2019, the conversion price is: NT\$ 57.20 per share (4) The 2019 cash dividends will be distributed in 2020 and the conversion price will be adjusted accordingly. Starting from July 22, 2020, the conversion price is: NT\$ 55.10 per share	Not applicable (dislisted on 2021.03.03)
Issuance (transaction) date and conversion price at the time of issuance		Release Date: March 02, 2018 Conversion price at issuance: NT\$63 per share	Not applicable (dislisted on 2021.03.03)
Method of fulfilling the conversion obligation (Note 2)		Issue new shares	Not applicable (dislisted on 2021.03.03)

Note 1: If there are multiple trading locations for overseas corporate bonds, they are listed separately according to the trading locations.

Note 2: Delivery of issued shares or issuance of new shares.

Note 3: The data for the current year as of the publication date of the annual report should be filled in.

3. The handling of special shares: None.
4. Status of overseas depository receipts: None.
5. Handling situation of employee stock options: None.
6. Restricting employee rights, new shares and mergers and acquisitions (including mergers, Acquisition and division) or transfer of shares of other companies to issue new shares: No such situation.
7. Implementation of the fund utilization plan: As of the quarter before the publication date of the annual report, The fund utilization plan has been completed.

5. Operation Overview

1. Business content

The main business items of the company and its subsidiaries are the manufacture of rectifiers and barcode printers and for trading business, the bar code printer department (TSC Auto ID Technology) should disclose matters, TSC Auto ID Technology

(stock code: 3611) has compiled its own annual report, please refer to the company's annual report.

1. Business scope

- (1) The sales information of relevant operating departments in 2021 is as follows:

Unit : NTD\$'000

Item	Rectifier	Barcode Printer	Total
2020 annual sales value	4,706,528	5,683,751	10,390,279
Operating proportion	45.30%	54.70%	100%

- (2) The company's current main products

A. Regarding the rectifier:

- (1) Bridge rectifier
- (2) Fast recovery bridge rectifier
- (3) High efficiency recovery bridge rectifier
- (4) Schottky rectifier
- (5) High-voltage Schottky rectifier
- (6) Low loss Schottky rectifier

- (7) High operating temperature Schottky rectifier
- (8) Diode rectifier
- (9) Fast rectifier
- (10) High efficiency rectifier
- (11) Ultra-efficient rectifier
- (12) Ultra-fast recovery high-efficiency rectifier ($T_{rr} < 15\text{nS}$)
- (13) Power TVS transient voltage suppressor
- (14) Zener diode
- (15) Automotive power diodes
- (16) High power surface mount Schottky rectifier
- (17) High power surface mount diode
- (18) Trench junction barrier Schottky diode
- (19) High-power surface-mounted signal protection diodes for vehicles
- (20) Inverter high voltage 1200V freewheeling diode

B. Power transistors:

- (1) Power transistor
- (2) Metal Oxide Field Effect Transistor
- (3) Super-Junction gold oxide field effect transistor
- (4) Metal Oxide Field Effect Transistor (for vehicles)

C. Power management IC:

- (1) Power management analog IC
- (2) Low dropout regulator
- (3) Ultra low dropout voltage regulator
- (4) DC to DC converter
- (5) LED driver IC
- (6) Signal amplifier & comparator
- (7) Automotive LED driver IC
- (8) Hall sensor IC
- (9) Magnetic sensor

D. Small signal products:

- (1) Electrostatic protection components
- (2) Schottky diode
- (3) Switch diode
- (4) Regulator diode
- (5) Two-way trigger diode
- (6) Low frequency filter diode
- (7) Composite transistor
- (8) Digital Transistor
- (9) Double carrier transistor
- (10) Silicon controlled rectifier

(3) New products and services planned to be developed

A. Wafer products:

- (1) Lower loss Schottky wafer grooved Schottky wafer
- (2) Automotive grade high junction temperature 175°C trench Schottky wafer
- (3) Automotive and industrial-grade high-voltage 1200V fast recovery wafers
- (4) Faster wafer recovery ($T_{rr} < 15\text{nS}$) for automotive and industrial applications
- (5) Automotive and industrial and ultra-low loss 600V, 800V, 1200V, 1600V Rectifier wafer
- (6) Planar junction wafer
- (7) High voltage single die (220V-550V) surge suppressor wafer

B. Packaging products: comprehensively improve high-density, ultra-high-speed automated production and improve the flat super-high weldability for vehicles

- (1) The establishment of ThinDPAK SMD fully automated production line
- (2) PDFN56 (U-foot Wettable Flank Lead design)
- (3) SMPC (U-pin Wettable Flank Lead design)

2. Industry overview

(1) Current status and development of the power management supply component industry:

With the outbreak of the new crown pneumonia, remote office/education, The demand for 5G and automotive terminals continues to rise. The supply chain pointed out that at present, almost all end-product customers are very strong in pulling goods. Power metal-oxygen field effect transistors, Schottky diodes, switch two from international IDM manufacturers. The delivery period of products such as pole bodies and bridge rectifiers has been extended, and the quotations are still rising. The market demand for display power semiconductors is still very strong. In the field of automotive electronics, power chips are mainly used in start-up and power generation, Core components such as security. In addition, Electric vehicles (EV) use more semiconductors than traditional cars. Most of them are power semiconductors and sensors.

As new energy vehicles generally use high-voltage circuits and high-energy-density batteries, when the battery outputs high voltage, voltage conversion is required; the voltage conversion circuit converts and reduces the voltage provided by the battery, to power various devices. In addition, the main inverter is used to drive the motor, and manage the energy generated by the regenerative braking system to charge the battery,

The auxiliary inverter is used to control the compressor, water pump, Fans and other auxiliary systems, these pairs IGBT (insulated gate bipolar transistor), DC-DC converter, low-loss MOS (field effect transistor), low-loss regulator, TVS, the demand for electrostatic protection, fast recovery diodes,

transistors and other devices has also increased significantly. At the same time, Taiwan and a half are also actively deepening the new applications of automotive electronics and the design introduction of ADAS; At present, there are only a few new products exclusive to foreign competitors, small-package high-current rectifiers, low voltage and high load dump (Load-Dump) TVS and MOSFET, Taiwan Semiconductor is fully developing and introducing. In addition, automotive lighting is also adjusted due to regulations, daylighting must be installed; our company focuses on a complete line of automotive products, at the same time, it is also actively investing in newly developed automotive LED driver ICs, low-dropout and low-power-consumption voltage regulator ICs for vehicles, and have been mass-produced. Under the demand of ECO-Friendly, end products are pursuing high efficiency and low loss. New product development low-impedance MOS, low-loss voltage regulator, low-loss bridge, Ultra-low capacitance electrostatic protection components and high-power trench Schottky products, etc. Both have strong shipment growth. Motor control and renewable energy for industrial applications, the inverter is controlled by power electronic PWM full bridge and half bridge, for Super Junction MOSFET, the demand for rapid recovery of freewheeling diodes And 200V grooved Schottky has grown steadily, new product development Is aimed at high frequency and high voltage applications.

(2) The relevance of the upstream, middle and downstream industries:

Taiwan's power management supply component industry can be divided into upstream raw material suppliers, midstream rectifier diode manufacturer and downstream application industry. At present, major domestic manufacturers in

the upstream such as Sino-US Silicon Crystal, Hanlei, Jiajing, etc., supply wafer materials and diffusion materials. Downstream manufacturers have a wide range, including industrial control, automotive, information, communications, medical, national defense, etc., It is closely related to the world economy. In addition, Taiwan Semiconductor previously joined forces with UMC to enter the separate gate medium voltage MOSFET products, the fastest possible opportunity to substantially increase production capacity in the second half of this year. At the appropriate time, the two sides will be expected to join hands to enter the Tier 1 automotive supply chain market. It is also expected to simultaneously enter the field of industrial control products, bringing new operational growth momentum to Taiwan.

(3) Development trend of products:

The industry is based on the needs of downstream manufacturers, Downstream manufacturers are mainly used for information products, communication products and digital home appliances. High-tech products, such as automotive electronics, pursue lightness, thinness, and shortness in size, and pursue higher power, more power saving, and durability in terms of performance. At present, major international manufacturers are already

developing a new generation of products: Silicon Carbide (Silicon Carbide, SiC) and Gallium Nitride (Gallium Nitride, GaN) high-power rectifier diodes and MOSFETs.

(4) Competition situation:

At present, there are few manufacturers of high-end or automotive-grade power management supply components in Taiwan or mainland China, and the competition is mainly from the first-tier international manufacturers.

However, the main product development direction of these major manufacturers has shifted to highly integrated IC products or combined with software solutions. The pursuit of higher quality and flexible and fast service in Taiwan have quickly captured the trust of international automobile manufacturers. At present, in response to the shortage of wafer raw materials, there is close strategic cooperation with major chip suppliers and foundries to obtain more abundant supply to achieve rapid growth goals.

3. Overview of technology and R&D

(1) This year and as of the publication date of the annual report

(Based on the information reviewed by the accountant in the consolidated financial report for the first quarter of 2021)

Unit : NTD\$'000

Item/year	2021 (consolidated)	Until March 31, 2022 (consolidated)
Research and development costs	316,861	85,511
Net operating income	13,177,417	3,751,928
Percentage of net revenue	2.40%	2.28%

(2) Successfully developed technology or product

Product	Successfully developed technology or product
	1. Developed general purpose diodes. 2. The development is completed to quickly restore the diode. 3. The bridge rectifier was developed and completed. 4. Develop high-efficiency recovery diodes and ultra-fast recovery diodes. 5. Developed Schottky diodes. 6. The high-voltage rectifier has been developed. 7. Developed and completed the glass-coated rectifier. 8. Developed a surge suppressor. 9. Development and completion of automotive rectifiers. 10. The development of the surface mount components (SMB) is completed. 11. Developed surface adhesive components SMA/SMC and TO-220/TO-3P. 12. Developed the super rectifier GP-10/RGP-10. 13. Developed SIP Bridge TS6P (bridge rectifier). 14. Developed and completed the insulated high-power rectifier (ITO-220). 15. Developed all series of surge suppressors (T.V.S) and High-power rectifier (D2PAK) is adhered to the surface. 16. Development and completion of surface-adhesive mid-power Schottky products (DPAK), Ultra-small surface bonding bridge rectifier (MINI-BRIDGES), SIPGBU-BRIDGES, low capacitance anti-surge absorber (LOW CAPACITANCE TVS) and 100V Schottky diodes. 17. The 5-inch Schottky wafer has been developed and mass-produced. 18. Development is completed 1-2 WATT SMA Zener (ZENER) stabilized diode. 19. Developed the Schottky diode BR6060PT with high current (60 ampere). 20. Developed LOW VF/High voltage 5" Schottky chip development. 21. Developed and completed the mass production of DPAK wire bond line. 22. The development of MBR series Schottky wafers was completed. 23. The 100V high voltage Schottky wafer was developed. 24. Complete development of NIEC packaging foundry 25. Development and mass production of 3KW/5KW TVS completed. 26. Development and mass production of 4"STD GPP chip is completed. 27. Development completed STD GPP / SF (EPI) 200V 3A The product is mass-produced with reduced crystal grains. 28. Development completed Sub/Folded SMA automatic line establishment. 29. Developed 150V high voltage Schottky wafers. 30. Developed high-current Schottky wafers. 31. Developed and completed Schottky's reduced crystal grain mass production. 32. Completed the development of SMD TRIM/FORM automation. 33. Developed low-loss Schottky wafers 34. Developed high operating temperature (H Type) Schottky wafers 35. Development completed D2PAK full production line automatic line establishment 36. Development completed TO220 Trim/Form automatic line establishment 37. Development completed ITO220 Die bond automatic line establishment 38. Development completed Folded SMA Snap Oven established 39. Developed Schottky wafers for Al process 40. Development completed MBR Low VF 60V Schottky wafer 41. Development completed TS6P, TS4B full production line automatic line establishment 42. Development completed GBU, GBL test TMTT automation 43. Completed development of TO-220, ITO-220, D2PAK waterjet application process improvement 44. Development completed MBR Low VF 45V Schottky wafer 45. Development completed 0.5A 30V Schottky wafer 46. Development completed 4" & 5" epitaxial chip 47. Developed Low VF 100/120V Schottky wafer 48. Developed a thin Schottky wafer dedicated to uSMA 49. Developed ITO-220 inverted type/CSMA, and set up automatic production line 50. Developed Hall sensor IC 51. Developed 600V, 700V super junction metal oxide half field effect transistors 52. Development completed 20~100V 750m cell metal oxide half field effect transistor

Product	Successfully developed technology or product
	53. Developed AC-DC power conversion LED lighting IC 54. Development completed SMPC4.0, SMPC4.6 full production line automatic line establishment 55. Development of Low VF 150/200V Schottky wafers completed 56. Developed 800V super junction metal oxide half field effect transistor 57. Developed AC-DC power conversion LED dimming lighting IC 58. Completed the development of SOD-123W full production line automatic line establishment 59. Developed linear constant current LED lighting IC 60. Development completed DC-DC power conversion LED lighting IC

4. Long-term and short-term business development plan

short-term: (a) Strengthen the information system to provide complete Sales Channel management.

(b) Deepen and consolidate partnerships with potential and major domestic customers.

(c) Continuous improvement of Technical Marketing.

(d) New products with customized analog ICs and ultra-low impedance metal oxide field effect transistors, vigorously promote high-value terminal products such as automotive electronics, 5G communication devices and equipment, Potential customers such as data center equipment.

Long-term: (a) Horizontal/vertical expansion of power semiconductor products, In response to the concept of "One Stop Shopping" for future customers.

(b) Continue to pursue excellent quality in order to widen the difference competition with the industry.

(c) Actively expand the distribution of customers in emerging technology-related industries.

(d) Integrate global channels and branch resources to achieve multi-location service and design introduction, and global supply.

(e) Upwardly integrate the production of original wafers to provide a stable product production cycle.

2. Overview of market, production and sale

1. Market analysis

(1) The different information about the main product sales locations in the last two years is as follows:

Revenue is categorized based on the geographic location of the customer:

Unit : NTD\$'000

Year	2021 (consolidated)	2020 (consolidated)
By region		
Asia	6,074,567	4,633,607
America	4,035,656	3,390,425
Europe	2,936,254	2,328,648
Other	130,940	37,599
Total	13,177,417	10,390,279

(2) Main competitors

In terms of rectifiers, the main competitors in the industry include Vishay, manufacturers such as Nexperia and Infineon.

In recent years, due to the high rise in raw materials and wages, to cope with this trend change and maintain its competitiveness, the company has fully introduced higher-end automatic production equipment and higher specification production management tracking system. In addition to increasing productivity to reduce costs, and pursue the production goal of zero quality defects to meet customer needs in all aspects.

(3) Market share

The company's company-wide consolidated operating income for 2020 is NT\$13,177,417 thousand.

At present, the domestic listed companies producing diodes are Dunnan Technology, Pengcheng Technology, Dewei Technology, Qiangmao Electronics and Hongyang-KY. According to the statistics of the World Semiconductor Trade Statistics Association (WSTS) in 2021, The company's rectifier products account for approximately 5.03% of the world's market share of rectifier products.

(4) The future supply and demand situation and growth of the market

In the global electronics industry, the proportion of semiconductor components is increasing day by day from the double position in 2018. The number of growth has also increased to a certain extent this year. Especially semiconductors in automotive electronics, both 5G communications and smart city related application products maintained a high growth rate of 2 digits. In this market, it is almost monopolized and

covered by major international manufacturers. For Taiwan and a half to meet the high quality requirements and conditions of this market, it is important for performance growth and the increase in gross profit has helped a lot. In recent years, the continuous mergers and acquisitions of world-class manufacturers as a result, the number of customers' suppliers decreases, and the risk of purchase or supply of goods is also increased. However, the end customers still use most of the end products of these first-class international manufacturers. They are all relatively high-end products with a high unit price and have a certain high quality requirement. The above is also a great opportunity for us to seize market share. The company's products are diodes, small signal products, Power management analog IC and metal oxide field effect transistor products are basic components, its scope of application is extremely wide, such as household appliances, automobiles, communications, audio-visual, computers, multimedia, medical and industrial products are essential products. It is expected that under the following factors, global semiconductor power components may have demand opportunities for substantial growth.

- A. In emerging markets such as South Asia and India, the middle class with high dependence on electronic products is increasing rapidly And the vigorous development of electric vehicles, the market demand has greatly increased.
- B. High-frequency and fast industry trends.
- C. Development of China's automobile, communications and high-end electronic product circles.
- D. Decreased production advantages of Japanese, European and American manufacturers. Taiwanese manufacturers improve the same quality but have a price advantage, so that the production of terminal applications, Japanese and European manufacturers have shifted their orders Taiwanese power component manufacturer.
- E. Governments of various countries have increased the demand for Green Energy.
- F. Personalized electronic products have more and more human interface functions, and the demand for electrostatic protection has greatly increased. The promotion of the new transmission efficiency USB3.0 has higher requirements for electrostatic protection specifications.
- G. To avoid interference between components, electronic products are thinner and shorter, there is the emerging applications application of EMI filtering .
- H. The growth of automotive electronics is strong, and the demand in emerging markets is focused on ADAS, while the growth of security systems and infotainment systems has a huge impact.

I. The overall promotion of pure electric vehicles, for inverters, DC-DC converters, battery monitoring systems are all emerging applications.

J. Industrial application and motor control inverter market began to introduce power electronic control, the regulation through PWM is more efficient, for IGBT, MOSFET, high-voltage freewheeling diode, high-voltage 200V grooved Schottky, compared with the consumer electronics market, demand is a market with high gross profit and relatively stable growth. It is expected that in the future, power components will still show a steady growth trend. In addition, the company combines the strong firepower of R&D and technical marketing

in a business environment with excellent quality of basic technical personnel and excellent process yield and quality. Accurately design the specifications that meet the needs of various applications, and update the conceptual design:

Including cost, market price, application specifications, new product verification, yield rate and the most efficient capacity allocation, Provide the most competitive products to customers. Households, and the company's international industrial division strategy is properly applied, The company's supply of power components will continue to improve.

(5) Advantages and disadvantages of the development prospect and countermeasures. Favorable factors for the company's future development include:

- (1) A successful global strategizing strategy.
- (2) Broad product application field and flourishing Development space.
- (3) Diversified product portfolio.
- (4) Correct market positioning.
- (5) Flexible marketing strategy.
- (6) Strong research and development strength and technical standards.
- (7) Competitive quality level.
- (8) Independent research and development capabilities for new products.

The unfavorable factors of the company's future expansion include:

- (1) The mainland government's subsidy policy to the same industry in the local area can easily cause bargaining competition.
- (2) Domestic labor shortages and wages continue to rise, leading to higher production costs.

(3) The degree of dependence on foreign sales is high, and profitability is easily affected by the exchange rate.

(4) Global raw material prices fluctuate, it is expected that the supplier's raw material prices will rise under pressure. The company mainly uses rectifiers, MOSFET and car lamp LED Driver related products are the main business scope, Currently owns a Lize wafer fab in Yilan, Taiwan (currently, it mainly produces 4-inch and 6-inch wafers, and the end products are used in the automotive electronics field). There is also a packaging plant in Yilan, Taiwan-Meizhou Plant G produces rectifiers and MOSFET-related products, including Tianjin Chang Wei Technology Co., Ltd.-owns a wafer factory (currently mainly produces 4-inch wafers, and the terminal products are mainly rectifier products of standard specifications), and the subsidiary Yangxin Everwell Electronics Co., Ltd.-responsible for the back-end packaging business. The production process between the company and the subsidiary responsible for the rectifier product line is the company's and after Tianjin Everwell Technology Co., Ltd. produces wafers for its own use, depending on the production schedule and packaging process requirements of each packaging factory, send it to Meizhou Factory or Yangxin Everwell Electronics Co., Ltd. for back-end packaging.

2. Important use and production process of main products

(1) Main product use:

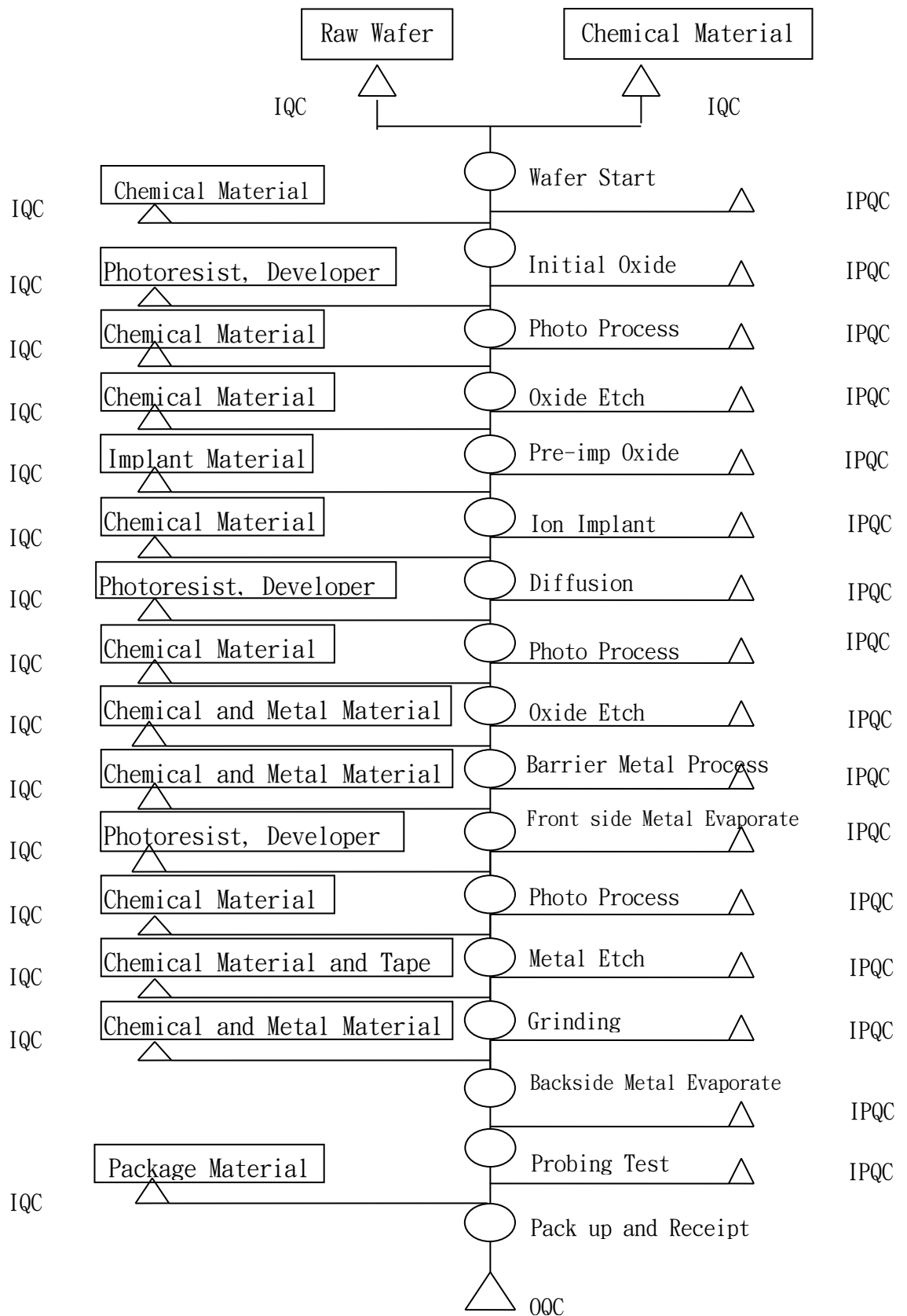
Power management IC and discrete components:

For lighting, renewable energy, automobiles, industry, personal consumer electronics, home appliances, communication equipment, computers, terminals, power supplies, medical equipment, Indispensable basic components for automobiles and industries.

(2) Manufacture process

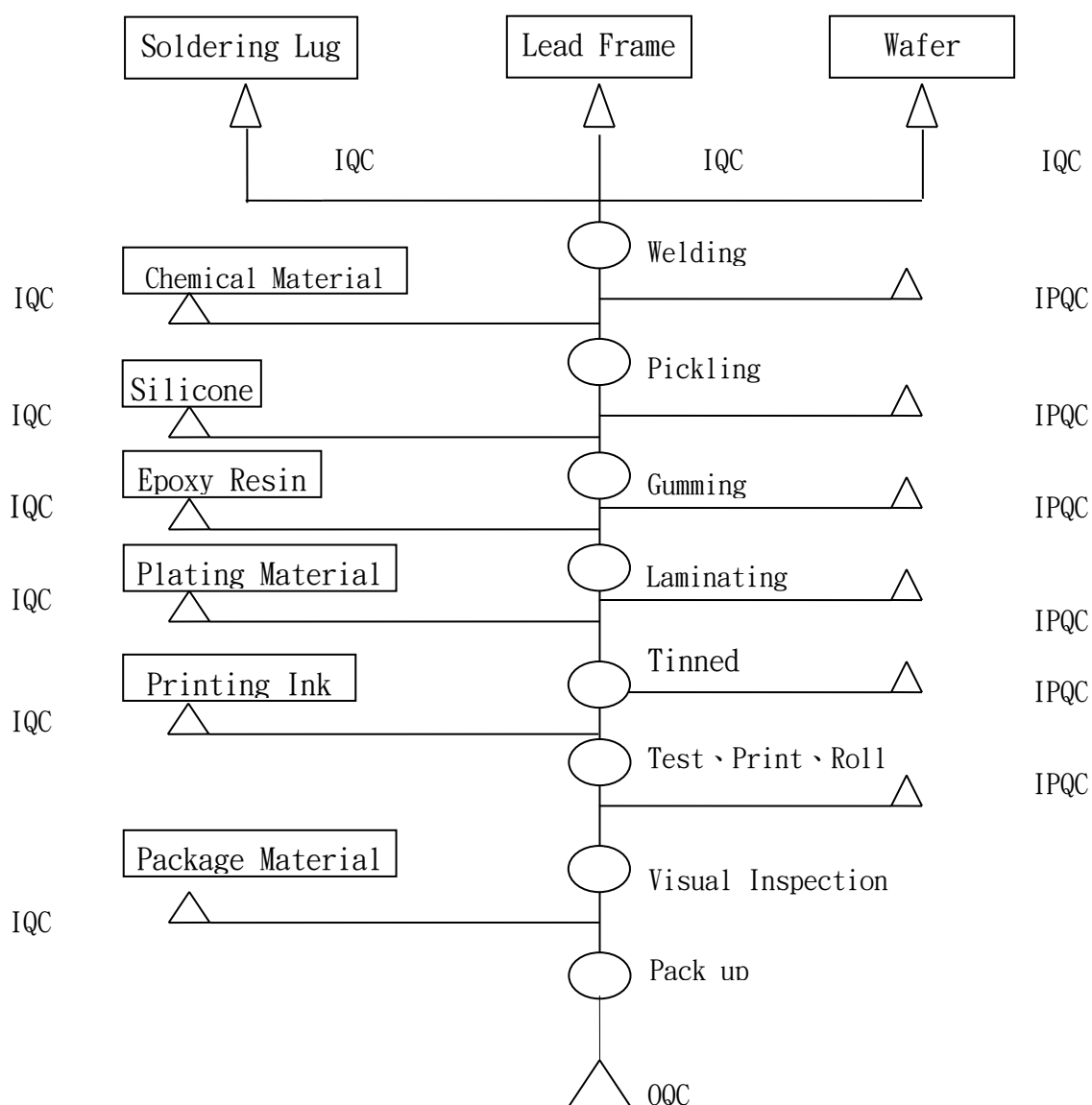
Wafer manufacture process

(2)Manufacture Procedure
Wafer manufacture process

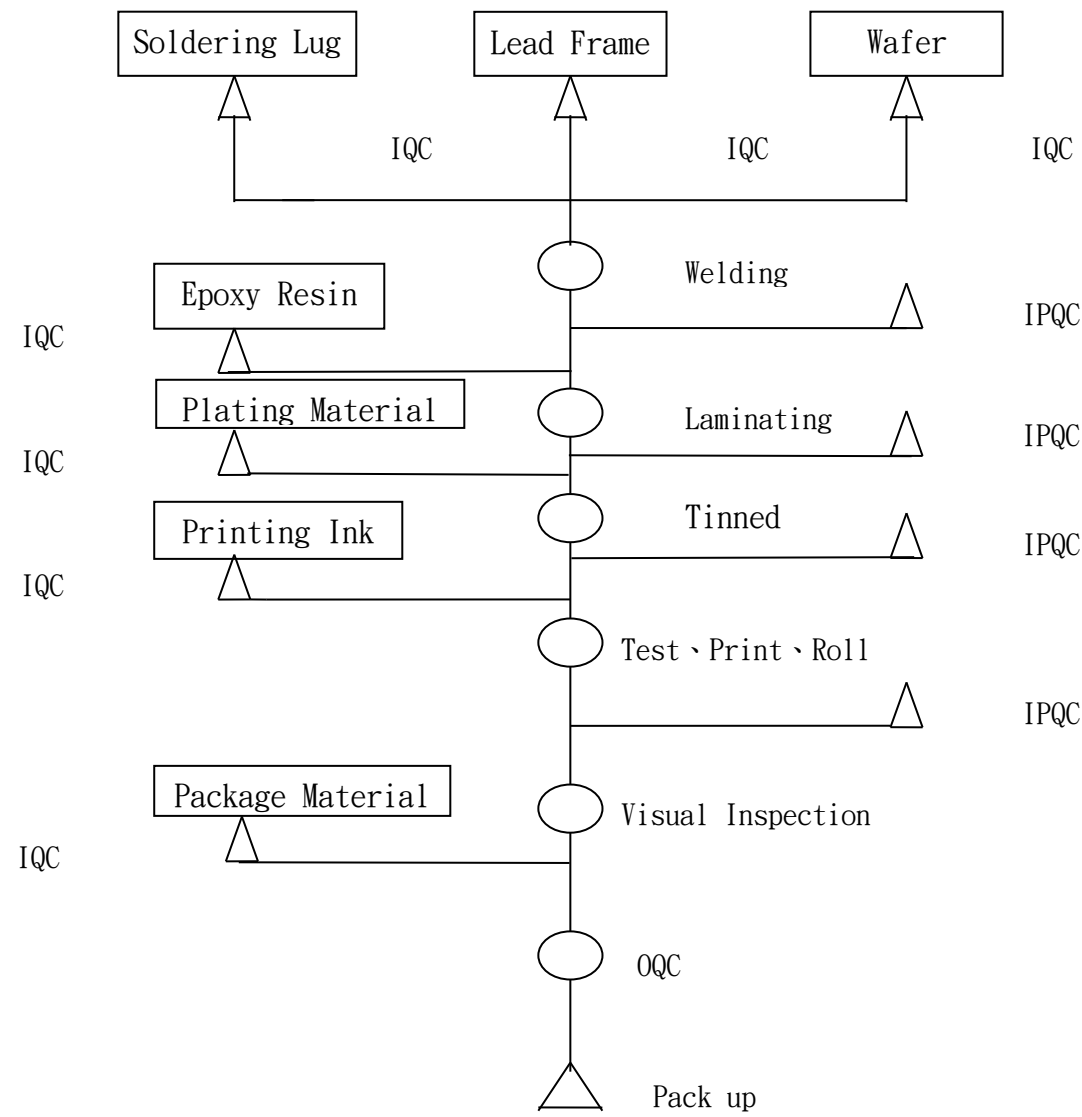


Rectifier Product Manufacture Procedure

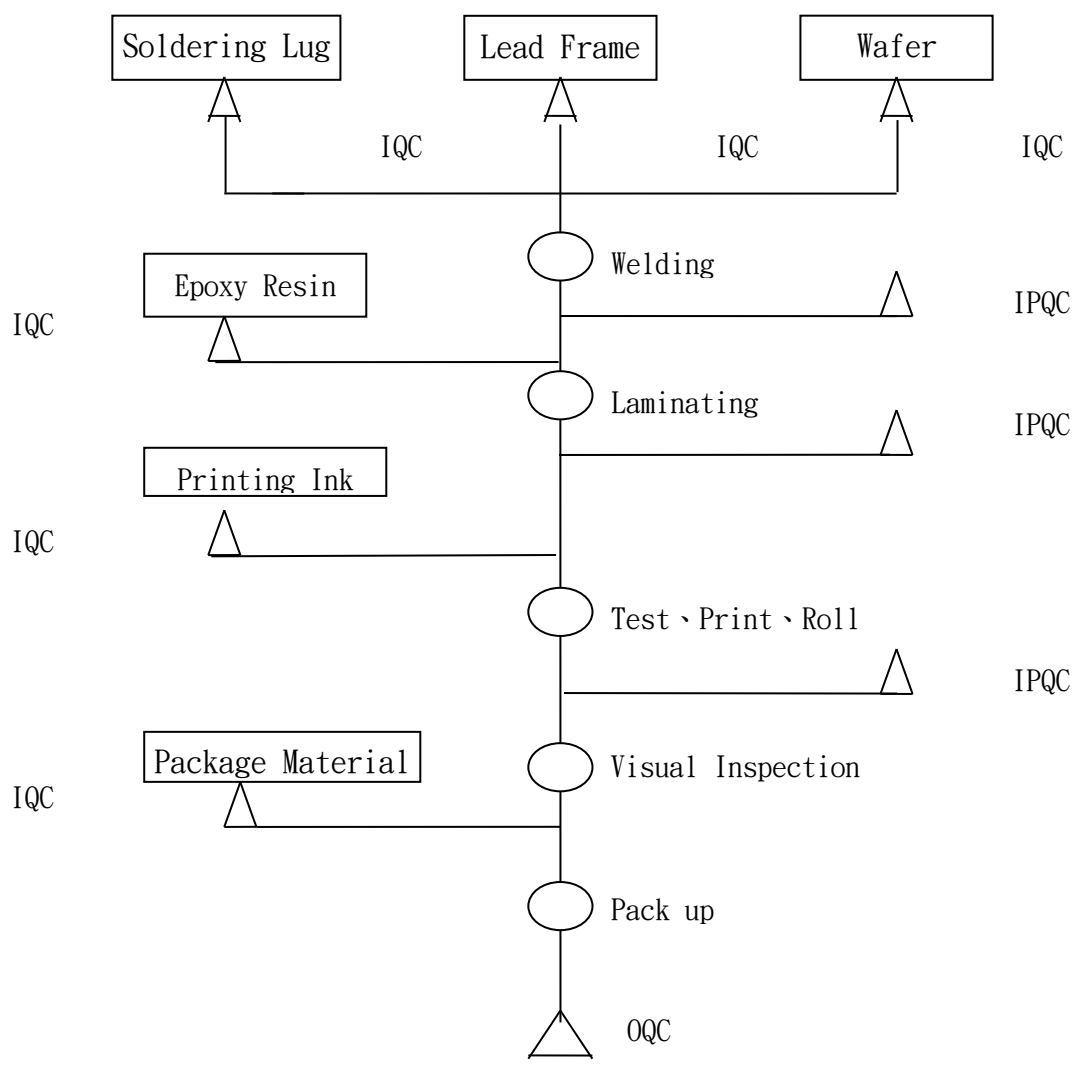
a、1/1.5/2/3/6 Ampere Rectifier Diode Manufacture Process



b、Glass Coating Rectifier Diode Manufacture Process



c 、 Bridge Rectifier Diode Manufacture Process



3. Supply status of main raw materials

The main raw materials of the rectifiers produced by our company are chips of various sizes, copper leads, transformers and other parts are not special parts, and the company has been established in 1979 and maintain with suppliers good technical cooperation and business relations, therefore, no long-term supply contracts have been signed with various suppliers. And the source of raw material procurement is quite scattered, with little change from major suppliers, the company's analog IC and metal oxide field-effect transistor product lines, through the contracted IC design, Wafer manufacturing, finished product packaging foundry, production customers in the virtual fab model fully grasp the pulsation of market demand, in the case of a high degree of supplier cooperation, the supply is in good condition, there is no danger of supply shortage or interruption.

4. In any of the most recent two years

The names of customers who have accounted for more than 10% of the total purchases (sales), the amount and proportion of purchases (sales), and the reasons for the increase or decrease:

(1) The list of suppliers that account for more than 10% of the total purchase amount:

Since the consolidated company has a large supplier base, it has not significantly concentrated on transactions with a single manufacturer. There were no suppliers that accounted for more than 10% of the total purchases in the last two years and as of the first quarter of 2022 year.

(2) List of customers who account for more than 10% of total sales:

Since the consolidated company has a large customer base and does not significantly concentrate on transactions with a single customer, there were no customers whose sales revenue accounted for more than 10% of the total operating revenue in the last two years and as of the first quarter of 2022 year.

5 、 Production value in the last two years

Unit : NTD\$'000;Kpcs;set

year Production value Main products	2021 Year			2020 Year		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Rectifier	9,568,832 Kpcs	7,063,712 Kpcs	4,889,954	6,730,100 Kpcs	4,968,160 Kpcs	3,470,386
Barcode printer (Note)	947K set	758K set	5,056,847	742K set	546K set	4,100,635
Total	9,568,832 Kpcs & 947K set	7,063,712 Kpcs & 758K set	9,946,801	6,730,100 Kpcs & 742K set	4,968,160 Kpcs & 546K set	7,571,021

Note: Including: (a) Barcode label printing paper output value: 2020 year NT\$1,813,281,000; 2021 year NT\$2,046,436,000 (b) Parts and other output value: 2020 year NT\$539,657,000 ; 2021 year NT\$687,494,000. Due to the wide variety of code label printing paper, spare parts and other products, the unit specifications are different, and the quantity is meaningless, so it is not listed.

6 、 Sales volume value in the last two years

Unit : NTD\$'000;Kpcs;set

Year Sales Volume Value Main Products	2021Year				2020 Year			
	Import		Export		Import		Export	
	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Rectifier	257,950 Kpcs	330,634	6,607,548 Kpcs	5,998,064	183,274 Kpcs	205,776	4,756,697 Kpcs	4,500,752
Barcode printer (Note)	20K set	134,860	756K set	6,713,859	18K set	150,753	537K set	5,532,998
Total	257,950 Kpcs & 20Kset	465,494	6,607,548 Kpcs & 756K set	12,711,923	183,274 Kpcs &18K set	356,529	4,756,697 Kpcs & 537K set	10,033,750

Note: It contains: (a) Barcode label printing paper sales value: NT\$1,973,643,000 in 2020;

NT\$2,353,605,000 in 2021 (b) Sales value of spare parts and other:

In 2020, the domestic sales were NT\$23,014,000, and the foreign sales were NT\$455,727,000;

In 2021, the domestic sales will be NT\$17,728,000, and the export sales will be NT\$492,396,000.

Due to the wide variety of code label printing paper, spare parts and other products, the unit specifications are different.

The quantity has no comparative significance, so it will not be listed.

3、Information of employees in the most recent two years and as of the publication date of the annual report

Year		2020Year	2021 Year	As of April 23, 2022
Number of workers	Indirect personnel	804	801	811
	Direct staff	693	760	756
	Total	1497	1587	1594
Average age		40.22	38.56	38.77
Average years of service		7.78	9.93	9.84
Education distribution ratio	PhD	6	5	6
	Master's degree	73	79	81
	University (Special)	515	557	539
	High school (vocational)	516	559	541
	Below high school	387	387	427

Note: The above figures include the number of people in the rectifier group (including direct personnel on the production line);

About Barcode Printer Department

(TSC Auto ID Technology) Matters to be disclosed, TSC Auto ID Technology (stock code: 3611). The annual report has been compiled by itself, please refer to the company's annual report.

4. Environmental protection expenditure information

The company's operating headquarters is located in Xindian District, New Taipei City. It comprehensively manages administrative affairs, customer service and provides support for various departments. It is not for production use, so there is no pollution discharge.

The production processes of the company's Yilan plant and Lize plant are equipped with pollution prevention equipment and related wastewater treatment equipment, and their settings are in compliance with laws and environmental protection standards. Wastes are also entrusted to legal waste treatment companies for processing.

In 2021, Lize Plant was an inspection by the Environmental Protection Bureau of Yilan County Government on January 19, 2021, and found that it violated Article 7, Paragraph 1, of the Water Pollution Prevention and Control Law that the drainage water did not meet the drainage water standard (SS exceeded the standard) (suspended solids: 228.0mg/L, Regulatory Maximum: (30mg/L). The plant was punished by the Yilan County Government Environmental Protection Bureau NT \$ 1,428,000 and attended an environmental lecture for 2 hours in accordance with Article 23 of the Environmental Education Law. The Company has continued to improve and will strengthen management and personnel education and training to prevent any recurrence of environmental pollution.

To meet the requirements of the EU Environmental Protection Directive (RoHS), the company adopts green design management, green procurement management, green manufacturing management and green marketing management, and actively requires the raw materials and materials supplied by suppliers to comply with RoHS related regulations, so that the company's products can be exported smoothly. To the European area.

5. Labor-management relations

1. List the company's various employee welfare measures, advanced studies, training, The retirement system and its implementation And the agreement between labor and management and various employee rights protection measures.

(1) Employee welfare measures:

- (A) Group insurance: life insurance, accident insurance, medical insurance, etc., to strengthen the protection of employees' lives.
- (B) Wedding and funeral celebration subsidies.
- (C) Annual travel.
- (D) Scholarships for employees' children.
- (E) Pension benefit system.
- (F). Employees share dividends and invest in shares.

(G) The three-section gift money and all personnel of the company will be included in the labor and health insurance.

(H). Conduct regular employee health inspections.

(2) Staff education and training

In order to comply with the operating policy and development goals, the company enhances the quality of employees, enriches knowledge and

Skills to increase work efficiency, according to the company's education and training methods,

In addition to implementing internal education and training, we still regularly participate in external training,

To seek the effective use of human resources, and implement the effectiveness evaluation of education and training,

Include performance evaluation standards to implement the method.

(In addition, the company's employee education and training situation will be disclosed in Appendix B on page 69)

(3) Retirement system and its implementation situation:

The company currently implements a pension system, group insurance, Welfare systems such as employee dividends and share options and employee stock option systems.

To stabilize the life of employees after retirement, the company formulates labor retirement measures in accordance with the law,

And set up a labor retirement reserve supervision committee,

And monthly based on the rate of 2% of the total salary cost

Regularly set aside retirement reserves and deposit them into the "Old System Workers Retirement Reserve" account of the Bank of Taiwan,

To protect labor rights. From July 1, 1994, the new government retirement method was adopted in parallel,

Withholding 6% of the total wages of their laborers to the employee's personal retirement pension account on a monthly basis;

Those who have voluntarily contributed their pensions will be paid from employees according to the voluntary contribution rate

The monthly salary is withheld on behalf of the individual pension account of the Bureau of Labor Insurance.

(4) Agreements between labor and management and various employee rights protection measures:

The company's working conditions have legal plans, with labor contracts, working rules,

Systems such as competition restrictions, confidentiality agreements, etc.,

In addition to guaranteeing employees' right to work in accordance with the provisions of the Labor Standards Law, there is also a labor dispute resolution mechanism. Therefore, the company's labor-management relationship has always been harmonious, and the employees have a strong centripetal force.

No major labor disputes occurred. In addition,

The company adopts independent management and communication channels to be smooth,

External regular and frequent employee tours are organized to relieve employees' work pressure and hard work.

In addition; to encourage colleagues to maintain good health through exercise,

And through the process of activities and competitions, deepen fellowship,

Increase family interaction and organize joint sports games and parent-child day activities.

2. List the losses suffered due to labor disputes in the most recent year and as of the publication date of the annual report, and disclose the estimated amount that may occur at present and in the future and the corresponding countermeasures:

No major labor disputes.

6. Cyber security management:

1. The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

The company has established the "Information Communication Policy and Network Information Security Management" (including the Information Security Operating Guidelines) to foster the awareness of information communication security and to popularize the overall information communication security culture while maximizing the use of the Company's network resources and avoiding the occurrence of leakage of confidential information of the Company through the Internet.

The Company has arranged for appropriate human resources and equipment to plan, monitor, and carry out the information security management operations.

The Company also expected that by December 31, 2023, persons designated for the promotion and scheduling of comprehensive information security policies will be appointed as the Chief Information Security Officer and designated units, officers, and personnel for information security as at the date of publication of the annual report: The organization chart of the Company's Information Communication safety staffing is as follows:

2. List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None

7. Critical Contract

Contract Nature	Parties	Contract start and end date	Main Content	Restriction clause
Sales Contract	Some company	2013.04.23 to contract termination	Product sales	None
Sales Contract	Some company	2012.08.01 to contract termination	Product sales	None
Sales Contract	Some company	2013.10 to contract termination	Product sales	None
Sales Contract	Some company	2014.05.09 to contract termination	Product sales	None
Sales Contract	Some company	2020.07.24 to 2021.07.23 (automatically extend one year after expiration, The same applies thereafter until the termination of the customer notice)	Product sales	None
Sales Contract	Some company	2015.10.02 to contract termination	Product sales	None
Sales Contract	Some company	2015.10.02 to contract termination	Product sales	None
Sales Contract	Some company	2015.12.09 to contract termination	Semiconductor product sales	None
Sales Contract	Some company	2016.04.18 to contract termination	Product sales	None
Purchase contract	Some company	2021.01.01 to 2021.12.31	Subsidiary purchases wafers on behalf of the parent company	None
Supply contract	Some company	2018.05.02 to contract termination	Product sales	Confidentiality clause
Letter of Intent	Some company	2021.02.3 to 2025.02.02	Product design mass production	Confidentiality clause
Capacity appointment contract	Some company	2019.04.01 to 2021.09.30 termination	Appointment capacity	None

Contract Nature	Parties	Contract start and end date	Main Content	Restriction clause
Insurance contract	Some company	2020.04.18 to 2021.04.17	Product Liability Insurance	None
Confidentiality agreement	Some company	2020.9.22 to 2021.9.21	Product sales involve confidential matters	Confidentiality clause

6. Financial overview

1. Concise balance sheet and income statement for the most recent five years

Concise balance sheet and comprehensive income statement information

Concise balance sheet

Unit : NTD;000

Year Item		Financial information for the last five years (Note 1)										End of the current year Financial data as of March 31, 2022 (Note 2)
		2016 December 31 (Merged)	2016 December 31 (individual)	2017 December 31 (Merged)	2017 December 31 (individual)	2018 December 31 (Merged)	2018 December 31 (individual)	2019 December 31 (Merged)	2019 December 31 (individual)	2020 December 31 (Merged)	2020 December 31 (individual)	
Current assets		6,256,076	2,351,888	6,644,662	2,216,409	7,624,867	2,753,456	6,627,674	1,868,008	7,445,021	1,979,477	9,448,020
Real estate, plant and equipment		2,987,960	1,388,823	3,178,461	1,362,764	3,378,427	1,336,883	4,331,589	2,118,419	4,562,886	2,594,748	4,502,295
Intangible assets		1,279,620	0	1,147,588	0	1,390,062	51,106	1,665,251	83,333	1,530,728	101,421	1,430,820
Other assets		594,870	3,333,270	639,499	3,620,327	1,538,943	4,987,184	1,743,593	4,680,722	1,091,838	4,232,242	1,246,798
Total assets		11,118,526	7,073,981	11,610,210	7,199,500	13,932,299	9,128,629	14,368,107	8,750,482	14,630,473	8,907,888	16,627,933
Current liabilities debt	Before distrib ution	2,624,656	1,422,152	4,147,741	1,389,372	5,113,538	2,207,067	4,843,208	2,655,186	4,542,988	2,428,202	4,336,971
	After distrib ution	3,227,029	2,024,525	4,871,267	2,112,898	5,836,877	2,930,406	5,214,989	3,026,967	-	-	-

Non-current Liabilities debt		1,799,771	280,900	535,152	329,680	1,524,370	1,299,367	2,047,436	488,585	2,238,896	651,998	2,456,279
Total liabilities	Before distrib ution	4,424,427	1,703,052	4,682,893	1,719,052	6,637,908	3,506,434	6,890,644	3,143,771	6,781,884	3,080,200	6,793,250
	After distrib ution	5,026,800	2,305,425	5,406,419	2,442,578	7,361,247	4,229,773	7,262,425	3,515,552	-	-	-
Equity attributable to owners of the parent company		5,370,929	5,370,929	5,480,448	5,480,448	5,622,195	5,622,195	5,606,711	5,606,711	5,827,688	5,827,688	6,793,250

Year Item		Financial information for the last five years (Note 1)										End of the current year Financial data as of March 31, 2022 (Note 2)
		2017 December 31 (Merged)	2017 December 31 (individual)	2018 December 31 (Merged)	2018 December 31 (individual)	2019 December 31 (Merged)	2019 December 31 (individual)	2020 December 31 (Merged)	2020 December 31 (individual)	2021 December 31 (Merged)	2021 December 31 (individual)	
Equity		2,411,443	2,411,443	2,427,129	2,427,129	2,494,539	2,494,539	2,516,735	2,516,735	2,650,854	2,650,854	2,634,854
Capital reserve		953,507	953,507	1,104,513	1,104,513	1,394,743	1,394,743	1,516,265	1,516,265	2,166,799	2,166,799	2,097,317
Retained surplus	Before distribution	2,700,089	2,700,089	2,788,551	2,788,551	2,593,089	2,593,089	2,760,978	2,760,978	3,247,117	3,247,117	3,633,153
	After distribution	1,976,563	1,976,563	2,065,212	2,065,212	2,221,308	2,221,308	2,389,197	2,389,197	-	-	-
Other rights		(240,031)	(240,031)	(306,433)	(306,433)	(445,618)	(445,618)	(459,300)	(459,300)	(531,125)	(531,125)	(373,297)
Treasury stock		(344,560)	(344,560)	(391,565)	(391,565)	(430,042)	(430,042)	(506,990)	(506,990)	(506,990)	(506,990)	(506,085)
Non-controlling interests		1,446,869	0	1,672,196	0	1,870,752	0	2,020,901	0	2,200,854	0	2,348,741
Total equity	Before distribution	6,927,317	5,480,448	7,294,391	5,622,195	7,477,463	5,606,711	7,848,589	5,827,688	9,227,509	7,026,655	9,834,683
	After distribution	6,203,791	4,756,922	6,571,052	4,898,856	7,105,682	5,234,930	7,476,808	5,455,907	-	-	-

Note 1: 2017~2021 financial information (consolidated and individual) has been checked by an accountant.

Note 2: The financial information (consolidated) for the first quarter of 2022 has been reviewed by an accountant.

Concise Comprehensive Income Statement

Unit : \$NTD'000

Year Item	Financial information for the last five years (Note 1)										End of the current year Financial data as of March 31, 2022 (Note 2)
	2017 December (Merged)	2017 December (individual)	2018 December (Merged)	2018 December (individual)	2019 December (Merged)	2019 December (individual)	2020 December (Merged)	2020 December (individual)	2021 December (Merged)	2021 December (individual)	
Operating income	8,994,018	4,194,731	9,610,470	4,408,617	10,504,202	3,642,936	10,390,279	3,642,461	13,177,417	4,803,477	3,751,928
Operating margin	3,309,512	994,376	3,528,054	1,004,834	3,361,687	716,223	3,171,243	574,723	4,127,721	904,373	1,230,197
Operating profit and loss	1,617,552	476,625	1,708,886	431,484	1,298,331	201,986	1,261,593	74,834	1,908,907	256,891	626,047
Non-operating income and expenses	43,098	537,488	66,577	573,498	659	390,061	67,221	506,774	38,725	749,009	59,146
Net profit before tax	1,660,650	1,014,113	1,775,463	1,004,982	1,298,990	592,047	1,328,814	581,608	1,947,632	1,005,900	685,193
Continuing business unit's current net profit	1,260,797	868,149	1,249,500	812,307	1,011,179	527,629	992,349	537,242	1,381,895	882,805	685,193
Loss of closed business units	0	0	0	0	0	0	0	0	0	0	0
Net profit (loss) for the period	1,260,797	868,149	1,249,500	812,307	1,011,179	527,629	992,349	537,242	1,381,895	882,805	484,999
Other comprehensive gains and losses of the current period (net after tax)	(163,599)	(114,362)	(50,534)	(65,765)	(174,714)	(137,689)	(53,424)	(11,254)	(112,081)	(73,263)	204,115

Total comprehensive profit and loss for the current period	1,097,198	753,787	1,198,966	746,542	836,465	389,940	938,925	525,988	1,269,814	809,542	689,114
Net profit attributable to owners of the parent company	868,149	753,787	812,307	746,542	527,629	389,940	537,242	525,988	882,805	882,805	386,036
Net profit attributable to non-controlling interests	392,648	0	437,193	0	483,550	0	455,107	0	499,090	0	98,963
The total comprehensive profit and loss is attributable to the owners of the parent company	753,787	753,787	746,542	746,542	389,940	389,940	525,988	525,988	809,542	809,542	543,864
Total comprehensive profit and loss attributable to non-controlling interests	343,411	0	452,424	0	446,525	0	412,937	0	460,272	0	145,250
Earnings per share	3.77	3.77	3.53	3.53	2.29	2.29	2.29	2.29	3.55	3.55	1.55

Note 1: 2017~2021 financial information (consolidated and individual) has been checked by an accountant.

Note 2: The financial information (consolidated) for the first quarter of 2022 has been reviewed by an accountant.

3、Names of accountants in the last five years and their review opinions

Year	2017 Year	2018 Year	2019 Year	2020 Year	2021 Year
Visa accountant	Mei Yuanzhen Xu Yufeng	Mei Yuanzhen Xu Yufeng	Mei Yuanzhen Xu Yufeng	Mei Yuanzhen Xu Yufeng	Mei Yuanzhen Xu Yufeng
Check opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

2. Financial analysis of the last five years

Financial Analysis

Year Analysis item (Note 3)		Financial information for the last five years										End of the current year as of March 31, 2022 (Note 2)
		2017 December 31 (Merged) Note(1)	2017 December 31 (individual) Note(1)	2018 December 31 (Merged) Note(1)	2018 December 31 (individual) Note(1)	2019 December 31 (Merged) Note(1)	2019 December 31 (individual) Note(1)	2020 December 31 (Merged) Note(1)	2020 December 31 (individual) Note(1)	2021 December 31 (Merged) Note(1)	2021 December 31 (individual) Note(1)	
Financial structure	Liabilities to assets ratio (%)	40.33	23.88	47.64	38.41	47.96	35.93	46.35	34.58	42.28	29.06	40.85
	Percentage of long-term funds in real estate, plant and equipment (%)	234.78	426.35	261.03	517.74	219.89	287.73	221.08	249.72	259.53	339.62	272.99
Solvency	Current ratio (%)	160.20	159.53	149.11	124.76	136.84	70.35	163.88	81.52	206.04	156.28	217.85
	Quick ratio (%)	116.81	121.94	109.95	91.43	96.14	45.71	120.38	53.30	145.12	110.81	149.39
	Interest coverage ratio	65.70	427.08	39.58	49.53	20.87	50.20	35.83	25.70	62.01	187.34	25.08
Management capacity	Turnover rate of accounts receivable (times)	4.53	4.10	4.59	4.21	4.88	3.80	4.62	4.33	4.95	4.50	4.86
	Average cash collection days	80.57	89.02	79.52	86.70	74.80	96.05	79.00	84.30	73.74	81.11	75.05
	Inventory turnover rate (times)	3.78	7.53	3.64	6.15	4.12	5.01	4.05	5.33	4.26	5.69	3.86
	Turnover rate of accounts payable (times)	4.55	4.05	4.62	4.90	6.21	4.74	6.57	4.56	6.35	4.53	5.91
	Average sales days	96.56	48.47	100.27	59.35	88.59	72.85	90.12	68.48	85.68	64.15	94.50
Year Analysis item (Note 3)		Financial information for the last five years										End of the current year as of March 31, 2022 (Note 2)
		2017 December 31 (Merged) Note(1)	2017 December 31 (individual) Note(1)	2018 December 31 (Merged) Note(1)	2018 December 31 (individual) Note(1)	2019 December 31 (Merged) Note(1)	2019 December 31 (individual) Note(1)	2020 December 31 (Merged) Note(1)	2020 December 31 (individual) Note(1)	2021 December 31 (Merged) Note(1)	2021 December 31 (individual) Note(1)	
	Turnover rate of real estate, plant and equipment (times)	2.92	3.05	2.93	3.27	2.72	2.11	2.34	1.55	2.91	1.93	3.33
	Turnover rate of total assets (times)	0.79	0.59	0.75	0.54	0.74	0.41	0.72	0.41	0.86	0.51	0.92
Profitability	Return on assets (%)	11.28	12.19	10.06	10.14	7.48	6.01	7.04	6.28	9.19	9.43	12.03
	Return on equity (%)	18.51	16.00	17.57	14.63	13.69	9.40	12.95	9.40	16.19	13.74	20.35
	Percentage of actual capital	67.08	19.77	70.41	17.78	52.05	8.10	50.13	2.97	72.01	9.69	95.04
	Business interest Net profit before tax (Note 7)	68.87	42.05	73.15	41.41	52.07	23.73	52.80	23.11	73.47	37.95	104.02
	Net profit rate (%)	14.02	20.70	13.00	18.43	9.63	14.48	9.55	14.75	10.49	18.38	12.93
Cash flow	Earnings per share (yuan)	3.77	3.77	3.53	3.53	2.29	2.29	2.29	2.29	3.55	3.55	1.55
	Cash flow ratio (%)	39.08	50.67	28.80	0.59	43.03	47.31	32.22	27.59	46.29	30.31	5.12
	Allowable cash flow ratio (%)	113.73	125.77	86.43	56.87	76.79	58.28	81.54	57.84	95.19	56.84	74.91
Leverage	Cash reinvestment ratio (%)	11.34	1.42	7.63	-8.87	13.17	7.33	9.30	3.78	11.36	1.61	1.47
	Operating leverage	4.15	7.35	5.00	9.44	6.22	14.31	6.70	42.55	5.53	15.23	5.99
	Financial leverage	1.02	1.01	1.03	1.05	1.05	1.06	1.03	1.18	1.02	1.02	1.01

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

(a) The increase in quick ratio was mainly due to the increase in inventory in current assets,

Due to the decrease in prepayments and the decrease in short-term borrowings.

(b) The interest coverage ratio increases,

Mainly due to the increase in pre-tax net profit and the decrease in interest expenses.

(c) The cash flow ratio has fallen,

Mainly because the decrease in net cash inflow from operating activities was greater than the decrease in current liabilities.

(d) The cash reinvestment ratio decreased, mainly due to the decrease in net cash inflow from operating

activities, increase in real estate, delivery rooms and equipment, increased working capital and

decreased other non-current assets.

(e) The increase in operating income, net income before tax to paid-in capital ratio and earnings per share was mainly due to the increase in net income after tax.

(f) The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities, which was greater than the decrease in current liabilities.

(g) The increase in cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities, the decrease in property, plant and equipment, and the increase in working capital.

Note 1: The financial data (and individuals) from 2017 to 2021 are reviewed by accountants.

Note 2: The financial information (consolidated) for the first quarter of 2022 has been reviewed by an accountant.

Note 3: At the end of this form in the annual report, the following calculation formula should be listed:

1. Financial structure

(1) Liabilities to assets ratio = total liabilities/total assets.

(2) The ratio of long-term funds to real estate, plant and equipment =

(Total equity + non-current liabilities) / Net real estate, plant and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities.

(3) Interest protection multiple = net profit before income tax and interest expense/interest expense in the current period.

3. Operating ability

(1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from business) =
Net sales/

The average balance of accounts receivable (including accounts receivable and notes receivable due to business) in each period.

(2) Average number of days for cash collection = 365/ turnover rate of accounts receivable.

(3) Inventory turnover rate = cost of goods sold/average inventory value.

(4) Turnover rate of accounts payable (including accounts payable and notes payable due to business) =

Cost of goods sold / average payables for each period

(Including accounts payable and bills payable due to business) balance.

(5) Average sales days=365/inventory turnover rate.

(6) Turnover rate of real estate, plant and equipment = net sales/average real estate,
Net plant and equipment.

(7) Turnover rate of total assets = net sales/total average assets.

4. Profitability

(1) Return on assets = [After-tax profit and loss + interest expense × (1-tax rate)] /
Average total assets.

(2) Return on equity = after-tax profit and loss/average total equity.

(3) Net profit rate = after-tax profit and loss/net sales.

(4) Earnings per share = (Profit and loss attributable to owners of the parent company-special stock dividends) /

The weighted average number of outstanding shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Allowable ratio of net cash flow = net cash flow from operating activities in the most recent five years /
The most recent five years (capital expenditure + inventory increase + cash dividends).

(3) Cash reinvestment ratio = $\frac{\text{net cash flow from operating activities-cash dividends}}{\text{Gross real estate, plant and equipment + long-term investment + other non-current assets + Working capital}}$. (Note 5)

6. Leverage:

(1) Operating leverage = $\frac{\text{net operating income-variable operating costs and expenses}}{\text{Operating profit}}$ (Note 6).

(2) Financial leverage = $\frac{\text{operating profit}}{\text{operating profit-interest expense}}$.

Note 7: The company's shares have no denomination or the denomination per share is not NT\$10,

The previous calculation of the ratio of paid-in capital,

It is calculated based on the equity ratio attributable to the owners of the parent company on the balance sheet.

3. The audit committee review report of the most recent financial report

TAIWAN SEMICONDUCTOR Co., LTD. Audit Committee's Review Report

The Board of Directors has prepared the business report, individual financial report, consolidated financial report, and surplus earnings distribution proposal of 2021 of the company. Among them, the individual financial report and consolidated financial report were appointed by the board of directors to accountants Mei, Yuan-Zhen and Xu, Yu-Feng of KPMG to complete the audit and issue an audit report. The business report, individual financial report, consolidated financial report, and surplus earnings distribution proposal are reviewed by the Committee and found true and correct. The Committee hereby submits the aforementioned reports and proposal for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to:

2022 Annual General Meeting of TAIWAN SEMICONDUCTOR Co., LTD.

TAIWAN SEMICONDUCTOR Co., LTD.

Convener of Audit Committee: Jhan Cian Long

Audit Committeeman: Lin Bo Sheng

Audit Committeeman: Fan Hong Shu



March 26, 2021

4 、 The Most Recent Annual Financial Report

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, 2020 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 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." 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 26, 2021

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, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation, as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, 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 the Group 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. 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 42.75% and 42.14% of the consolidated total assets at December 31, 2020 and 2019, respectively, and the total operating revenues constituting 54.70% and 55.76% 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, 2020 and 2019, 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 significant 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 non-financial assets” of the consolidated financial statements for details on the accounting policy related to impairment loss of goodwill; and Note 6(i) “Goodwill” and Note 6(x) “Business combinations” 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 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.

How the matter was addressed in our audit:

Our key audit procedures included: (1) 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. (2) 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. (3) 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.

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 26, 2021

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Liabilities and Equity					
1100	Cash and cash equivalents (note 6(a))	\$ 2,563,670	18	2,230,256	16	2100	Short-term borrowings (note 6(k))	\$ 1,401,954	10	1,762,247	12
1110	Current financial assets at fair value through profit or loss - current (note 6(b))	6,311	-	4,739	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b) and (n))	4,451	-	361	-
1150	Notes receivable, net (note 6(c))	186	-	189	-	2150	Notes payable	1,652	-	1,781	-
1170	Accounts receivable, net (note 6(c))	2,368,751	16	2,124,670	15	2170	Accounts payable	1,171,434	8	1,023,129	7
1200	Other receivables	47,906	-	36,379	-	2200	Other payables (note 6(m))	634,127	4	717,820	5
1220	Current tax assets	280	-	1,573	-	2230	Current tax liabilities	316,846	2	193,383	2
130X	Inventories (note 6(d))	1,800,447	12	1,761,137	12	2321	Bonds payable, current portion (note 6(n))	778,947	5	887,388	6
1410	Prepayments	175,650	1	210,431	2	2322	Long-term borrowings, current portion (note 6(l))	4,000	-	-	-
1476	Other current financial assets - current (note 6(b))	481,820	4	258,300	2	2280	Lease liabilities, current (note 6(o))	91,161	1	94,330	1
		<u>7,445,021</u>	<u>51</u>	<u>6,627,674</u>	<u>47</u>	2399	Other current liabilities, others	<u>138,416</u>	<u>1</u>	<u>162,769</u>	<u>1</u>
Non-current assets:								<u>4,542,988</u>	<u>31</u>	<u>4,843,208</u>	<u>34</u>
1600	Property, plant and equipment (note 6(f))	4,562,886	31	4,331,589	30	Non-Current liabilities:					
1755	Right-of-use assets (note 6(g))	303,961	2	413,443	3	2540	Long-term borrowings (note 6(l))	1,295,550	9	1,014,500	7
1822	Intangible assets (notes 6(h) and (x))	476,694	3	555,703	4	2580	Lease liabilities non-current (note 6(o))	219,936	2	319,567	2
1805	Goodwill (note 6(i) and (x))	1,054,034	7	1,109,548	8	2640	Net defined benefit liability, non-current (note 6(p))	45,247	-	49,317	-
1840	Deferred tax assets (note 6(q))	463,566	3	492,099	3	2570	Deferred tax liabilities (note 6(q))	630,792	4	607,249	4
1980	Other non-current financial assets (note 6(b))	67,604	1	67,244	-	2670	Other non-current liabilities	47,371	-	56,803	1
1990	Other non-current assets (note 6(j))	256,707	2	770,807	5			<u>2,238,896</u>	<u>15</u>	<u>2,047,436</u>	<u>14</u>
		<u>7,185,452</u>	<u>49</u>	<u>7,740,433</u>	<u>53</u>		Total liabilities	<u>6,781,884</u>	<u>46</u>	<u>6,890,644</u>	<u>48</u>
						Stockholder' equity attributable to parent:					
						(note 6(r))					
					3110	Common stock		2,494,539	17	2,494,539	17
					3140	Advance receipts for share capital		22,196	-	-	-
								<u>2,516,735</u>	<u>17</u>	<u>2,494,539</u>	<u>17</u>
					3200	Capital surplus		1,516,265	10	1,394,743	10
					3300	Retained earnings		2,760,978	19	2,593,089	18
					3400	Other stockholders' equity		(459,300)	(3)	(445,618)	(3)
					3500	Treasury shares		(506,990)	(3)	(430,042)	(3)
						Total equity attributable to owners of parent:		<u>5,827,688</u>	<u>40</u>	<u>5,606,711</u>	<u>39</u>
					36XX	Non-controlling interests (note 6(e))		<u>2,020,901</u>	<u>14</u>	<u>1,870,752</u>	<u>13</u>
						Total stockholders' equity		<u>7,848,589</u>	<u>54</u>	<u>7,477,463</u>	<u>52</u>
Total assets		<u>\$ 14,630,473</u>	<u>100</u>	<u>14,368,107</u>	<u>100</u>	Total liabilities and stockholders' equity		<u>\$ 14,630,473</u>	<u>100</u>	<u>14,368,107</u>	<u>100</u>

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2020		2019	
		Amount	%	Amount	%
4110	Total sales revenue (notes 6(t) and 14)	\$ 10,652,487	103	10,840,750	103
4190	Less: Sales discounts and allowances	262,208	3	336,548	3
	Net operating revenues	10,390,279	100	10,504,202	100
5000	Cost of goods sold (note 6(d))	7,219,036	69	7,142,515	68
	Gross profit	3,171,243	31	3,361,687	32
6000	Operating expenses (notes 6(p)):				
6100	Selling expenses	1,029,857	10	1,128,430	11
6200	Administrative expenses	601,694	6	616,882	6
6300	Research and development expenses	278,099	3	318,044	3
		1,909,650	19	2,063,356	20
	Operating income	1,261,593	12	1,298,331	12
	Non-operating income and expenses (note 6(u)):				
7100	Interest income	14,459	-	16,743	-
7010	Other income	105,807	1	52,073	1
7020	Other gains and losses	(15,793)	-	(7,161)	-
7050	Finance costs	(37,252)	(1)	(60,996)	(1)
		67,221	-	659	-
	Profit before tax	1,328,814	12	1,298,990	12
7950	Less: Income tax expenses (note 6(q))	336,465	3	287,811	3
	Profit	992,349	9	1,011,179	9
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains on remeasurements of defined benefit plans (note 6(p))	3,570	-	1,266	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		3,570	-	1,266	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(74,014)	-	(190,439)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	17,020	-	14,459	-
		(56,994)	-	(175,980)	(1)
8300	Other comprehensive income	(53,424)	-	(174,714)	(1)
	Comprehensive income	<u>\$ 938,925</u>	<u>9</u>	<u>836,465</u>	<u>8</u>
	Net income attributable to:				
	Owners of the parent	\$ 537,242	5	527,629	4
	Non-controlling interests (note 6(e))	455,107	4	483,550	5
		<u>\$ 992,349</u>	<u>9</u>	<u>1,011,179</u>	<u>9</u>
	Comprehensive income attributable to:				
	Owners of the parent	\$ 525,988	5	389,940	4
	Non-controlling interests (note 6(e))	412,937	4	446,525	4
		<u>\$ 938,925</u>	<u>9</u>	<u>836,465</u>	<u>8</u>
	Basic earnings per common share (note 6(w))	<u>\$ 2.29</u>		<u>2.29</u>	
	Diluted earnings per common share (note 6(w))	<u>\$ 2.17</u>		<u>2.18</u>	

See accompanying notes to financial statements.

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Total other	Treasury shares	Total equity attributable to owners of parent	Non-controlling g interests	Total equity
	Share capital		Retained earnings				equity interest					
							Exchange differences on translation of foreign financial statements					
Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
Balance at January 1, 2019	\$ 2,427,129	-	1,104,513	696,902	302,150	1,789,499	2,788,551	(306,433)	(391,565)	5,622,195	1,672,196	7,294,391
Effects of retrospective application	-	-	-	-	-	(1,248)	(1,248)	-	-	(1,248)	(2,176)	(3,424)
Balance at January 1, 2019 after adjustments	2,427,129	-	1,104,513	696,902	302,150	1,788,251	2,787,303	(306,433)	(391,565)	5,620,947	1,670,020	7,290,967
Net income	-	-	-	-	-	527,629	527,629	-	-	527,629	483,550	1,011,179
Other comprehensive income	-	-	-	-	-	1,496	1,496	(139,185)	-	(137,689)	(37,025)	(174,714)
Total comprehensive income	-	-	-	-	-	529,125	529,125	(139,185)	-	389,940	446,525	836,465
Repurchase of treasury shares	-	-	-	-	-	-	-	-	(38,477)	(38,477)	-	(38,477)
Appropriation and distribution of retained earnings:												
Provision of legal reserve	-	-	-	81,231	-	(81,231)	-	-	-	-	-	-
Provision of special reserve	-	-	-	-	4,284	(4,284)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(723,339)	(723,339)	-	-	(723,339)	-	(723,339)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	34,470	-	-	-	-	-	-	34,470	-	34,470
Issue of shares	67,410	-	232,565	-	-	-	-	-	-	299,975	-	299,975
Changes in the number of affricates using equity method	-	-	23,195	-	-	-	-	-	-	23,195	-	23,195
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(245,793)	(245,793)
Balance at December 31, 2019	2,494,539	-	1,394,743	778,133	306,434	1,508,522	2,593,089	(445,618)	(430,042)	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	-	-	-	-	-	-	-	-	(76,948)	(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)	-	(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 the number of affricates using equity method	-	-	1,324	-	-	-	-	-	-	1,324	-	1,324
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(262,788)	(262,788)
Balance at December 31, 2020	\$ 2,494,539	22,196	1,516,265	830,920	445,618	1,484,440	2,760,978	(459,300)	(506,990)	5,827,688	2,020,901	7,848,589

See accompanying notes to financial statements.

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,328,814	1,298,990
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	749,497	609,463
Amortization expense	124,750	110,813
Expected credit loss	3,051	1,190
Net gain on financial assets or liabilities at fair value through profit or loss	(8,100)	(2,850)
Interest expense	36,083	59,395
Interest income	(14,459)	(16,743)
Loss (gain) on disposal of property, plant and equipment	7,141	(1,468)
Gain on disposal of investments	(6,478)	(3,468)
Reversal of impairment (gain) or loss on non-financial assets	(159)	403
Others	1,324	23,195
Total adjustments to reconcile profit (loss)	892,650	779,930
Changes in operating assets and liabilities:		
Net loss on financial assets or liabilities at fair value through profit or loss	17,096	533,490
Decrease in notes receivable	3	1,179
Decrease (increase) in accounts receivable	(247,132)	294,215
Decrease (increase) in other receivable	(11,601)	52,818
Decrease (increase) in inventories	(39,310)	199,962
Decrease in prepayments	26,881	106,125
Increase in other financial assets	(223,520)	(168,860)
Decrease in notes payable	(129)	(345)
Increase (decrease) in accounts payable	148,305	(300,761)
Decrease in other payable	(83,311)	(363,621)
Increase (decrease) in other current liabilities	(24,351)	16,055
Decrease in net defined benefit liability	(4,070)	(1,261)
Increase (decrease) in other non-current liabilities	(8,211)	16,754
Total adjustments	443,300	1,165,680
Cash inflow generated from operations	1,772,114	2,464,670
Interest received	14,533	16,673
Interest paid	(163,490)	(31,236)
Income taxes paid	(159,633)	(366,127)
Net cash flows from operating activities	1,463,524	2,083,980
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(223,527)	(490,598)
Proceeds from disposal of property, plant and equipment	3,802	10,607
Decrease (increase) in other financial assets	(360)	760
Acquisition of intangible assets	(29,356)	(69,634)
Acquisition of business combination	-	(1,114,605)
Increase in other non-current assets	(4,661)	(8,068)
Increase in prepayments for equipment	(137,875)	(393,635)
Net cash flows used in investing activities	(391,977)	(2,065,173)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(360,293)	571,893
Repayments of convertible bonds	-	(1,200,000)
Proceeds from long-term debt	1,170,173	2,059,500
Repayments of long-term debt	(855,000)	(1,045,000)
Increase in guarantee deposits received	134	638
Payment of lease liabilities	(99,374)	(93,052)
Cash dividends paid	(351,381)	(688,869)
Proceeds from issuing shares	-	299,975
Repurchase of treasury shares	(76,948)	(38,477)
Change in non-controlling interests	(262,788)	(245,793)
Net cash flows from (used in) financing activities	(835,477)	(379,185)
Effect of exchange rate changes on cash and cash equivalents	97,344	(104,937)
Net increase (decrease) in cash and cash equivalents	333,414	(465,315)
Cash and cash equivalents at beginning of period	2,230,256	2,695,571
Cash and cash equivalents at end of period	\$ 2,563,670	2,230,256

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) was incorporated in January 1979 as a company limited by shares under the Company Act of the Republic of China. The major business activities of the Company are the manufacture and sale of rectifiers and bar code printers. The Company’s common shares were listed on the GreTai Securities Market starting from February 2000.

In order to improve operating efficiency and industry competitiveness from specialization, the Company restructured its business and organization. The Company separated its bar code printer business unit from itself and transferred it to establish TSC Auto ID Technology Co., Ltd. (TSC Auto ID). The board of directors’ meeting approved August 1, 2007, as the date of record of the split.

The Company and its subsidiaries are referred to as the Group. The Group primarily is involved in the manufacture and sale of rectifiers and bar code printers.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at present value of the defined benefit obligation less the fair value of the plan assets;

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Group’s consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2020	December 31, 2019
The Company	Ever Energetic Int'l Ltd. (Ever Energetic)	Holding company and general import and export business	100.00%	100.00%
The Company	Ever Winner Int'l Co., Ltd. (Ever Winner)	Holding company and general import and export business	100.00%	100.00%
The Company	Skyrise Int'l Ltd. (Skyrise)	Holding company and general import and export business	100.00%	100.00%
The Company	Taiwan Semiconductor Europe GmbH (TSCE)	General import and export business	100.00%	100.00%
The Company	Taiwan Semiconductor Japan Ltd. (TSCJ)	Trading of rectifiers	100.00%	100.00%
The Company	Taiwan Semiconductor (H.K.) Co., Ltd. (TSCH)	Holding company and trading of rectifiers	25.22%	25.22%
The Company	TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	Manufacture and sale of bar code printers	36.38%	36.38%
Ever Energetic	TSCH	Holding company and trading of rectifiers	36.96%	36.96%
Ever Energetic	TSC America, Inc.(TSCA)	Trading of rectifiers	75.00%	75.00%
Ever Winner	TSCH	Holding company and trading of rectifiers	37.82%	37.82%
Ever Winner	TSCA	Trading of rectifiers	25.00%	25.00%
Ever Winner	Shanghai Great Technology Trading Co., Ltd. (TSCC)	Trading of rectifiers	100.00%	100.00%
TSCH	Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Manufacture and sale of rectifiers	100.00%	100.00%
TSCH	Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell)	Manufacture and sale of wafers	100.00%	100.00%
TSC Auto ID	TSC Auto ID Technology EMEA GmbH (TSCAE)	Trading of bar code printers and other parts	100.00%	100.00%
TSC Auto ID	TSC Auto ID (H.K.) Ltd. (TSC HK)	Holding company and general import and export business	100.00%	100.00%
TSC Auto ID	TSC Auto Technology America Inc. (TSCAA)	Trading of bar code printers and other parts	100.00%	100.00%
TSC Auto ID	Printronix Auto ID Technology Co., Ltd.(Printronix AD)	Trading of bar code printers and other parts	100.00%	100.00%
TSC Auto ID and TSCAA	Printronix Auto ID Technology Inc. (PTNXUS)	Trading of bar code printers and other parts	100.00%	100.00%
TSC Auto ID	Diversified Labeling Solutions, Inc. (DLS)	Customization of design, integration and marketing of label papers and other parts	100.00%	100.00

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2020	December 31, 2019
TSCAE	TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Trading of bar code printers and other parts	100.00%	100.00%
TSCAE	TSC Auto ID Technology Spain, S.L. (TSCAS)	Trading of bar code printers and other parts	100.00%	100.00%
TSC HK	Tianjin TSC Auto ID Technology Co., Ltd. (TTSC)	Manufacture and sale of bar code printers and other parts	100.00%	100.00%
TSC HK	Shenzhen Printronix Auto ID Technology Co., Ltd. (SPTNX)	Manufacture and sale of bar code printers and other parts	100.00%	100.00%
DLS	Precision Press & Label, Inc. (PPL)	Sale of bar code printers, label papers, other parts	100.00%	100.00%

(iii) Unlisted subsidiaries in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group's entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are retranslated into the functional currencies at the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other asset are classified as non-current.

- (i) It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled the liability in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and beneficiary certificates. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and improvements: 5~55 years.
- 2) Machinery and equipment: 2~10 years.
- 3) Transportation equipment: 3~6 years.
- 4) Office equipment and others: 3~10 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities or short-term leases of transport and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Goodwill

Goodwill acquired through acquisition of business and control is included in intangible assets. Please refer to note 6(i) for subsequent to initial recognition, it is measured at cost less accumulated impairment losses.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives 2~10 years of intangible assets, from the date that they are available for use.

Except for goodwill, the Group shall inspect the residual values, useful lives and amortization methods of the intangible assets at least once at each annual reporting date. If there are any changes to intangible assets, they will be regarded as changes in accounting estimate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(m) Product warranty obligations

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

The related refund obligation of the Group based on the estimated sales award is separately recognized in the balance sheet.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(o) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

The Group recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Group recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Group accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments based on the classification of contingent consideration. Contingent consideration classified as equity will not be remeasured and its subsequent settlement

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

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will be accounted for within equity. Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Assessment of impairment of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6 (c).

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash and pretty cash	\$ 578	522
Checking and demand deposits	2,336,422	1,678,027
Time deposits	226,670	551,707
	<u>\$ 2,563,670</u>	<u>2,230,256</u>

Please refer to note 6(y) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

(i) The financial instruments held by the Group were as follows:

	December 31, 2020	December 31, 2019
Current:		
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ 5,854	2,969
Swap transaction	457	1,770
	<u>\$ 6,311</u>	<u>4,739</u>
Other financial assets:		
Structure time deposit	<u>\$ 481,820</u>	<u>258,300</u>
Non-current:		
Other financial assets:		
Refundable deposits	<u>\$ 67,604</u>	<u>67,244</u>
Current:		
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	<u>\$ 4,451</u>	<u>361</u>

Please refer to note 6(y) for the disclosures of credit risk exposures, currency risk exposures, and interest rate risk exposures.

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- (ii) The Group uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

December 31, 2020					
		Contract amount		Currency	Contract period
Selling/buying forward	USD	6,000/CNY	40,335	USD to CNY	2021.01~2021.02
Selling/buying forward	EUR	1,400/USD	1,681	EUR to USD	2021.01~2021.04
Selling/buying forward	EUR	2,000/NTD	68,785	EUR to NTD	2021.03~2021.04
Selling/buying forward	USD	11,000/NTD	310,549	USD to NTD	2021.03~2021.04
Exchange swap	USD	3,000/NTD	85,890	USD to NTD	2021.1.13

December 31, 2019					
		Contract amount		Currency	Contract period
Selling/buying forward	USD	7,000/CNY	49,319	USD to CNY	2020.01~2020.03
Selling/buying forward	EUR	750/USD	829	EUR to USD	2020.01.08
Selling/buying forward	EUR	200/USD	225	EUR to USD	2020.02.21
Selling/buying forward	EUR	2,000/NTD	68,182	EUR to NTD	2020.02.01
Exchange swap	USD	4,900/NTD	149,254	USD to NTD	2020.01.09

- (c) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 186	189
Accounts receivable	2,399,315	2,158,106
Less: allowance for doubtful accounts	(30,564)	(33,436)
	\$ 2,368,937	2,124,859

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

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The loss allowance provision in Rectifiers were determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,227,086	1%	14,420
1 to 90 days past due	51,699	2%	1,034
91 to 180 days past due	1,037	3%	31
181 to 270 days past due	745	5%	37
	<u>\$ 1,280,567</u>		<u>15,522</u>

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,029,706	1%	12,796
1 to 90 days past due	65,078	2%	1,302
91 to 180 days past due	1,411	3%	42
181 to 270 days past due	1,529	5%	77
271 to 365 days past due	513	10%	51
More than 365 days past due	4,941	100%	4,941
	<u>\$ 1,103,178</u>		<u>19,209</u>

The loss allowance provision in Bar Code Printers were determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 891,623	1%	3,428
1 to 90 days past due	206,024	1%	2,060
91 to 180 days past due	8,878	3%	266
181 to 270 days past due	2,132	5%	107
271 to 365 days past due	1,218	10%	122
More than 365 days past due	9,059	100%	9,059
	<u>\$ 1,118,934</u>		<u>15,042</u>

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	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 781,701	1%	5,011
1 to 90 days past due	250,782	1%	2,508
91 to 180 days past due	12,888	3%	387
181 to 270 days past due	3,438	5%	172
271 to 365 days past due	177	10%	18
More than 365 days past due	6,131	100%	6,131
	<u>\$ 1,055,117</u>		<u>14,227</u>

The movement in the allowance for notes and trade receivable was as follows:

	2020	2019
Balance on January 1, 2020 and 2019	\$ 33,436	26,748
Impairment losses recognized	3,051	1,190
Recovery of doubtful accounts that have been written off	-	1,870
Acquisition through business combinations (note 6(x))	-	4,740
Amounts written off	(1,982)	-
Foreign exchange losses	(3,941)	(1,112)
Balance on December 31, 2020 and 2019	<u>\$ 30,564</u>	<u>33,436</u>

As of December 31, 2020, and 2019, the Group does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 883,448	953,411
Less: provision for obsolescence and devaluation	(64,300)	(71,650)
	<u>819,148</u>	<u>881,761</u>
Work in process	353,365	341,237
Less: provision for obsolescence and devaluation	(41,311)	(31,564)
	<u>312,054</u>	<u>309,673</u>
Raw material and supplies	647,228	535,041
Less: provision for obsolescence and devaluation	(29,908)	(20,552)
	<u>617,320</u>	<u>514,489</u>
Inventories in transit	51,925	55,214
	<u>\$ 1,800,447</u>	<u>1,761,137</u>

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$7,197,315 thousand and \$7,091,340 thousand for the years ended December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, the write-down of inventories to net realizable value amounting to \$21,721 thousand and \$51,175 thousand, respectively.

As of December 31, 2020, and 2019, the Group did not provide any inventories as collateral for its loans.

(e) The significant non-controlling interests of subsidiaries

The subsidiaries' non-controlling interests that have significant effect on the Group were as follows:

Name of subsidiary	Country	Percentage of non-controlling interests on ownership interests and voting rights	
		December 31, 2020	December 31, 2019
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	Taiwan	63.62%	63.62%

The financial statement of TSC Auto ID has been prepared in accordance with the IFRSs endorsed by the FSC. The summary of financial information for TSC Auto ID was as follows. This financial information is disclosed in the amounts before the elimination on transactions between the Group.

The summary of financial information:

	December 31, 2020	December 31, 2019
Current assets	\$ 3,245,150	2,884,002
Non-current assets	3,858,271	3,905,149
Current liabilities	(1,973,270)	(2,083,708)
Non-current liabilities	(1,578,936)	(1,540,409)
Net assets	<u>\$ 3,551,215</u>	<u>3,165,034</u>
Non-controlling interests	<u>\$ 2,020,901</u>	<u>1,870,752</u>
	2020	2019
Sales revenue	<u>\$ 5,683,808</u>	<u>5,856,888</u>
Net income	\$ 715,352	760,524
Other comprehensive income	86,825	(29,471)
Comprehensive income	<u>\$ 802,177</u>	<u>731,053</u>
Net income attributable to non-controlling interests	<u>\$ 455,107</u>	<u>483,550</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 412,937</u>	<u>446,525</u>

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities	\$ 1,124,825	949,764
Cash flows from investing activities	(150,205)	(1,222,918)
Cash flows from financing activities	(591,309)	(74,941)
Effect of exchange rate changes on cash and cash equivalents	3,736	(12,962)
Net increase (decrease) in cash and cash equivalents	<u><u>\$ 387,047</u></u>	<u><u>(361,057)</u></u>

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
Cost or deemed cost:				
Balance at 1 January, 2020	\$ 861,426	1,351,081	5,823,761	8,036,268
Additions	-	95,497	128,030	223,527
Sales of assets	-	-	(45,279)	(45,279)
Disposals	-	-	(104,942)	(104,942)
Others (including capitalized interest)	-	2,873	660,585	663,458
Effect of movement in exchange rates	-	7,373	25,286	32,659
Balance at December 31, 2020	<u><u>\$ 861,426</u></u>	<u><u>1,456,824</u></u>	<u><u>6,487,441</u></u>	<u><u>8,805,691</u></u>
Balance at 1 January, 2019	\$ 861,426	1,351,901	4,485,091	6,698,418
Additions	-	13,677	476,921	490,598
Sales of assets	-	-	(19,388)	(19,388)
Disposals	-	-	(28,130)	(28,130)
Others (including capitalized interest)	-	2,607	690,023	692,630
Acquired through business combinations (note 6(x))	-	-	338,019	338,019
Effect of movement in exchange rates	-	(17,104)	(118,775)	(135,879)
Balance at December 31, 2019	<u><u>\$ 861,426</u></u>	<u><u>1,351,081</u></u>	<u><u>5,823,761</u></u>	<u><u>8,036,268</u></u>

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
Accumulated depreciation and impairment loss:				
Balance at January 1, 2020	\$ -	425,827	3,278,852	3,704,679
Depreciation for the year	-	42,420	600,904	643,324
Impairment gain	-	-	(159)	(159)
Sales of assets	-	-	(44,688)	(44,688)
Disposals	-	-	(93,119)	(93,119)
Effect of movement in exchange rates	-	2,277	30,491	32,768
Balance at December 31, 2020	<u>\$ -</u>	<u>470,524</u>	<u>3,772,281</u>	<u>4,242,805</u>
Balance at January 1, 2019	\$ -	394,341	2,925,650	3,319,991
Depreciation for the year	-	36,224	466,147	502,371
Impairment loss	-	-	403	403
Sales of assets	-	-	(12,295)	(12,295)
Disposals	-	-	(27,353)	(27,353)
Effect of movement in exchange rates	-	(4,738)	(73,700)	(78,438)
Balance at December 31, 2019	<u>\$ -</u>	<u>425,827</u>	<u>3,278,852</u>	<u>3,704,679</u>
Carrying amount:				
Balance at December 31, 2020	<u>\$ 861,426</u>	<u>986,300</u>	<u>2,715,160</u>	<u>4,562,886</u>
Balance at January 1, 2019	<u>\$ 861,426</u>	<u>957,560</u>	<u>1,559,441</u>	<u>3,378,427</u>
Balance at December 31, 2019	<u>\$ 861,426</u>	<u>925,254</u>	<u>2,544,909</u>	<u>4,331,589</u>

- (i) As of December 31, 2020, and 2019, the Group did not provide any the property, plant and equipment as collateral for its loans.
- (ii) The Company's interest capitalized for purchasing property, plant, and equipment for the years ended December 31, 2020 and 2019 were \$31,478 thousand and \$15,418 thousand, respectively, at a rate of 0.45%.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Right-of-use assets

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group as a lessee is presented below:

	Land	Building and construction	Machinery and equipment	Total
Cost:				
Balance at January 1, 2020	\$ 17,585	491,779	10,563	519,927
Additions	-	9,182	3,717	12,899
Disposal/Write-off	-	(4,795)	-	(4,795)
Effect of movement in exchange rates	295	(13,512)	128	(13,089)
Balance at December 31, 2020	<u>\$ 17,880</u>	<u>482,654</u>	<u>14,408</u>	<u>514,942</u>
Balance at January 1, 2019	\$ 10,169	189,126	3,855	203,150
Additions	7,796	319,550	7,088	334,434
Disposal/Write-off	-	(5,057)	-	(5,057)
Others	-	104	-	104
Effect of changes in foreign exchange rates	(380)	(11,944)	(380)	(12,704)
Balance at December 31, 2019	<u>\$ 17,585</u>	<u>491,779</u>	<u>10,563</u>	<u>519,927</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	\$ 8,148	94,417	3,919	106,484
Depreciation for the year	349	101,844	3,980	106,173
Disposal/Write-off	-	(850)	-	(850)
Effect of movement in exchange rates	145	(971)	-	(826)
Balance at December 31, 2020	<u>\$ 8,642</u>	<u>194,440</u>	<u>7,899</u>	<u>210,981</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation for the year	8,463	94,710	3,919	107,092
Effect of changes in foreign exchange rates	(315)	(293)	-	(608)
Balance at December 31, 2019	<u>\$ 8,148</u>	<u>94,417</u>	<u>3,919</u>	<u>106,484</u>
Carrying amount:				
Balance at December 31, 2020	<u>\$ 9,238</u>	<u>288,214</u>	<u>6,509</u>	<u>303,961</u>
Balance at January 1, 2019	<u>\$ 10,169</u>	<u>189,126</u>	<u>3,855</u>	<u>203,150</u>
Balance at December 31, 2019	<u>\$ 9,437</u>	<u>397,362</u>	<u>6,644</u>	<u>413,443</u>

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Notes to the Consolidated Financial Statements

(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	Acquired special technology	Customer relationship	Patent	Computer software	Trademarks rights	Total
Cost:						
Balance at January 1, 2020	\$ 150,309	442,715	50,607	201,913	13,356	858,900
Additions	-	-	-	29,356	-	29,356
Others (including capitalized interest)	-	-	-	33,735	-	33,735
Effect of movement in exchange rates	(6,900)	(22,151)	-	7	(661)	(29,705)
Balance at December 31, 2020	\$ 143,409	420,564	50,607	265,011	12,695	892,286
Balance at January 1, 2019	\$ 153,690	298,028	50,607	132,827	13,680	648,832
Additions	-	-	-	68,097	-	68,097
Acquisition through business combinations (note 6(x))	-	155,642	-	-	-	155,642
Others (including capitalized interest)	-	-	-	1,537	-	1,537
Effect of movement in exchange rates	(3,381)	(10,955)	-	(548)	(324)	(15,208)
Balance at December 31, 2019	\$ 150,309	442,715	50,607	201,913	13,356	858,900
Accumulated amortization:						
Balance at January 1, 2020	\$ 59,181	136,316	25,303	72,346	10,051	303,197
Amortization for the year	16,071	49,259	6,326	49,831	3,263	124,750
Effect of movement in exchange rates	(3,192)	(8,616)	-	72	(619)	(12,355)
Balance at December 31, 2020	\$ 72,060	176,959	31,629	122,249	12,695	415,592
Balance at January 1, 2019	\$ 43,896	89,335	18,977	42,214	3,521	197,943
Amortization for the year	16,685	50,600	6,326	30,388	6,814	110,813
Effect of movement in exchange rates	(1,400)	(3,619)	-	(256)	(284)	(5,559)
Balance at December 31, 2019	\$ 59,181	136,316	25,303	72,346	10,051	303,197
Carrying value:						
Balance at December 31, 2020	\$ 71,349	243,605	18,978	142,762	-	476,694
Balance at January 1, 2019	\$ 109,794	208,693	31,630	90,613	10,159	450,889
Balance at December 31, 2019	\$ 91,128	306,399	25,304	129,567	3,305	555,703

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Goodwill

	December 31, 2020	December 31, 2019
Cost		
Beginning balance	\$ 1,109,548	939,173
Acquisition through business combinations (note 6(x))	-	197,707
Effect of movement in exchange rates	(55,514)	(27,332)
Ending balance	<u><u>\$ 1,054,034</u></u>	<u><u>1,109,548</u></u>

TSC Auto ID acquired the DLS on January 31, 2019. It generates Goodwill of US\$6,433 thousand (NT\$197,707 thousand). The Goodwill comes from expecting the market and competitive advantage from acquiring DLS will promote the benefit of the revenue growth in American region.

(j) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for equipment	\$ 97,084	615,844
Others	159,623	154,963
	<u><u>\$ 256,707</u></u>	<u><u>770,807</u></u>

(k) Short-term borrowings

	December 31, 2020	December 31, 2019
Credit loans	\$ 1,344,994	1,567,377
Import loans	56,960	194,870
	<u><u>\$ 1,401,954</u></u>	<u><u>1,762,247</u></u>
Unused short-term credit lines	<u><u>\$ 3,997,886</u></u>	<u><u>2,947,242</u></u>
Range of interest rates (%)	<u><u>0.42%~1.29%</u></u>	<u><u>0.52%~1.29%</u></u>

For the years ended December 31, 2020 and 2019, the increase amounts of short-term borrowings were \$1,401,954 thousand and \$1,762,247 thousand, respectively. The repayment amounts were \$1,762,247 thousand and \$1,190,354 thousand, respectively.

Please refer to note 6(y) for the disclosures of interest rate risk exposures, currency risk exposures, and liquidity risk exposures.

Please refer to notes 9 for disclosures of mortgaged and pledged assets.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Long-term borrowings

December 31, 2020			
	Rate range	Maturity year	Amount
Unsecured bank loans	0.45%	2027.07.06	\$ 9,000
	0.45%	2026.12.04	60,700
	0.45%	2025.03.28	35,850
	0.45%	2024.12.25	164,000
	1.00%~1.20%	2023.09.23	<u>1,030,000</u>
			1,299,550
Less: Current portion			<u>(4,000)</u>
Total			<u>\$ 1,295,550</u>
Unused long-term credit lines			<u>\$ 1,960,450</u>

December 31, 2019			
	Rate range	Maturity year	Amount
Unsecured bank loans	0.7%	2026.12.04	\$ 41,500
	0.70%	2024.12.25	58,000
Secured bank loans	1.2%~1.25%	2022.02.04	<u>915,000</u>
Total			<u>\$ 1,014,500</u>
Unused long-term credit lines			<u>\$ 2,335,500</u>

- (i) To increase the medium-term working capital, TSC Auto ID signed the syndicated loan agreement with each bank and paid interest regularly. However, part of the loan agreement can be drew and paid within the financing line when they expired.

The expiry date of this part of the loan is disclosed based on the expiry date of the revolving contract. TSC Auto ID has an extra agreement with Yuanta Bank, according to the annual and semiannual consolidated financial statements about financial ratio commitments of the company are as below:

- 1) current ratio must not be lower than 110%; debt to tangible assets ratio must not be higher than 220%;
 - 2) debt to tangible assets should maintain NT\$1.2 billion or more;
 - 3) debt service coverage ratio must not be less than 200%.
- (ii) Affected by the Coronavirus outbreak, the US federal government passed the “The Coronavirus Aid, Relief, and Economic Security (CARES) Act” and set the “Paycheck Protection Program (PPP)” in order to help small businesses keep their workforce employed during the Coronavirus crisis and retain their workers on the payroll, as well as provide employment opportunities.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group obtained a loan of US\$1,250 thousand (equivalent to NT\$36,349 thousand), mainly used for distributing employee salaries and related welfare expenditures, which had been approved by the bank authorized by the US Small Business Administration (SBA) in April 2020. The loan can be forgiven only if all criteria below are met. Otherwise, it needs to be repaid with a fixed interest rate of 0% within 2 years:

- 1) All funds, which were borrowed before June 5, 2020 and must be used for related operating expenses (payroll, rent, utility bill, etc.) within 8 weeks ("Covered Period"), can be extended for 24 weeks. Out of the entire funds, at least 60% must be spent on eligible payroll cost; the remainder, if any, can be used for non-payroll costs.
- 2) Maintain an average number of full time equivalent employees, having a workload of more than 40 hours per week, during the covered period, in which the average number should not be less than the average number in the periods between February 15 and June 30, 2019 or the period between January 1 and February 29, 2020;
- 3) The annual salaries during or hourly wages during the covered period or alternative payroll period should not be reduced by more than 25% of the salaries during the period between January 1 and March 31, 2020.

TSCA has be forgiven the loan of PPP in November 2020, and has recognized the government financial relief grant revenue of US\$230 thousand (equivalent to NT\$6,791 thousand).

TSC Auto ID's subsidiary in America has be forgiven the loan of PPP in November 2020, and has recognized the government financial relief grant revenue of US\$1,020 thousand (equivalent to NT\$30,123 thousand).

- (iii) For the years ended December 31, 2020 and 2019, the amounts of the Company's unsecured bank loans were \$170,050 thousand and \$99,500 thousand, respectively, with a grace period ranging from 3~5 years based on the contracts.

Please refer to note 6 (y) for the disclosures of interest rate risk exposures, currency risk exposures, and liquidity risk exposures.

Please refer to note 9 for details on mortgaged and pledged assets.

(m) Other payable

	December 31, 2020	December 31, 2019
Salaries payable and bonus	\$ 334,927	340,282
Payables on equipment	21,116	86,636
Others	278,084	290,902
	<u>\$ 634,127</u>	<u>717,820</u>

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(n) Bonds payable

	December 31, 2020	December 31, 2019
	<u>The Company</u>	<u>The Company</u>
Unsecured convertible bonds issued	\$ 1,000,000	1,000,000
Discount on bonds payable and issue cost	(1,953)	(15,812)
Less: Accumulated transform	(219,100)	(96,800)
Current portion of unsecured convertible bonds	<u>(778,947)</u>	<u>(887,388)</u>
	<u>\$ -</u>	<u>-</u>

(i) For the years ended December 31, 2020 and 2019, the Group recognized the interest expense of bond discount amortization both amounting to \$13,553 thousand.

(ii) The description of the issuance of unsecured bond (the fifth tranche)

On March 2, 2018, the Company issued three year and no any interest unsecured bond (the fifth tranche). The bond had an aggregate par value of \$1,000,000 thousand, and the offering price was 100.1% of the par value.

According to the rule for issuance and conversion of the unsecured convertible bond, the conversion price was in accordance with (i) one day, three day and five day before the base days (excluding base days), or (ii) the Company's closing price of the shares of simple arithmetic is used as the base price, then multiplied by 102% as the calculation basis. The conversion price was NT\$63 per share on the issuance date. If the share increases, the Company should revise the conversion price of conversion bonds. The conversion price changed to \$55.1 dollars per share on July 22, 2020. The creditors can request to transfer the bond to the common stock, within the period between three months after the issuance date and the last convertible date. Within the period between three months after the issuance date and 40 days before the last convertible date, if the closing price of the Company's common shares on the TWSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, the Company may redeem all bonds at par value by cash. This convertible bond considers the period between two years after the issuance date as the selling back base days of the creditors selling back this convertible bond, and requires the Company use \$101.0025% of the par value (the realized rate of return is 0.5% after two years) to redeem this convertible bond. The Company accept the selling back requirement, and redeem this convertible bond by cash within five business days after the selling back base days. According to the rule for issuance and conversion of the unsecured convertible bond, the creditors can exercise the selling back requirement beginning March 2, 2019. Based on the conservative principle, the Company has classified all its convertible corporate bonds payable as current liabilities and listed them under the current portion of unsecured convertible bonds. However, it does not mean that they must be repaid in full within one year.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Company issued unsecured convertible corporate bonds, separated its stock options and liabilities upon issuance in accordance with the regulations, and allocated the issuance cost to the components of liabilities and equity in proportion to the originally recognized amount, as follows:

Convertible bonds issued (deduct cost of issuance \$5,334 thousand)	\$ 995,666
Fair value of issued convertible bonds	(954,984)
Issuance of embedded non-equity derivative product (Financial liabilities)	<u>(1,194)</u>
Equity component-option	<u><u>\$ 39,488</u></u>

The fair value of the embedded non-equity derivative product was reassessed as liability \$0 thousand on December 31, 2020 and 2019. From January 1 to December 31, 2020 and 2019, effects of changes in fair value should be recognized \$0 thousand and \$3,055 thousand through loss on valuation of financial asset(liability).

- (iii) On December 31, 2015, TSC Auto ID issued three-year and no any interest unsecured bonds (the first tranche). The bonds had an aggregate par value of \$1,200,000 thousand, with each unit having a par value of NT\$100 thousand, the offering price was 100.2% of the par value, and its conversion period is from February 1, 2016 to December 31, 2018.

The final unsecured convertible bonds of TSC Auto ID amounting to \$1,200,000, with a par value of \$10 per share, dated December 28, 2018, had been repaid on January 11, 2019.

(o) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 91,161</u>	<u>94,330</u>
Non-current financial assets	<u>\$ 219,936</u>	<u>319,567</u>

For the maturity analysis, please refer to note 6(y).

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 14,073</u>	<u>15,735</u>
Expenses relating to short-term leases	<u>\$ 8,694</u>	<u>7,535</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 9,641</u>	<u>8,508</u>

The Group leased buildings and vehicles for its offices, plants and official cars, with lease periods ranging from 1 to 6 years. The lease of offices and warehouses located in the United States would increase the lease payment at an annual rate of 3% based on the contract.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Since the market was severely affected by the coronavirus pandemic in 2020, TSC Auto ID negotiated its lease contract with Tianjin TEDA Science & Technology Development Group Co. Ltd., who agreed to unconditionally exempt the rent of TSC Auto ID from February to April 2020, as well as reduce half of the rent payment from May to July 2020. However, other property management fees still need to be paid as usual. The Group recognized the above mentioned rent reduction as lease modification, and reduced its right of use assets by \$4,478 thousand after remeasuring its lease liability.

The amounts recognized in the statement of cash flows for the Group was as follows:

	2020	2019
Total cash outflow for leases	<u>\$ 99,374</u>	<u>93,052</u>

(p) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan assets at fair value are as follows:

	December 31, 2020		
	The Company	TSC Auto ID	Total
Present value of the defined benefit obligations	\$ (67,538)	(25,778)	(93,316)
Fair value of plan assets	45,151	2,918	48,069
Net defined benefit liabilities	<u>\$ (22,387)</u>	<u>(22,860)</u>	<u>(45,247)</u>

	December 31, 2019		
	The Company	TSC Auto ID	Total
Present value of the defined benefit obligations	\$ (68,476)	(29,818)	(98,294)
Fair value of plan assets	43,757	5,220	48,977
Net defined benefit liabilities	<u>\$ (24,719)</u>	<u>(24,598)</u>	<u>(49,317)</u>

1) Composition of plan assets

The Company and TSC Auto ID contribute pension funds to the Bank of Taiwan labor pension reserve account. Under the Labor Standards Act, each employee's retirement payment is calculated based on the number of years of service and the average salary for the six months before retirement. The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company and Auto ID's Bank of Taiwan labor pension reserve account balance amounted to \$48,069 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in the present value of defined benefit obligations for the Company and TSC Auto ID in 2020 and 2019 were as follows:

	2020		
	The Company	TSC Auto ID	Total
Defined benefit obligations on January 1	\$ (68,476)	(29,818)	(98,294)
Current service cost and interest cost	(510)	(374)	(884)
Remeasurement in net defined benefit liability			
— Actuarial gains and losses arising from financial assumptions	603	(1,545)	(942)
— Actuarial gains and losses arising from experience adjustments	(91)	3,185	3,094
Benefits paid	936	2,774	3,710
Defined benefit obligations on December 31	<u>\$ (67,538)</u>	<u>(25,778)</u>	<u>(93,316)</u>

	2019		
	The Company	TSC Auto ID	Total
Defined benefit obligations on January 1	\$ (67,727)	(29,462)	(97,189)
Current service cost and interest cost	(1,052)	(465)	(1,517)
Remeasurement in net defined benefit liability			
— Actuarial gains and losses arising from population	-	900	900
— Actuarial gains and losses arising from financial assumptions	1,496	(1,078)	418
— Actuarial gains and losses arising from experience adjustments	(1,193)	(371)	(1,564)
Benefits paid	-	658	658
Defined benefit obligations on December 31	<u>\$ (68,476)</u>	<u>(29,818)</u>	<u>(98,294)</u>

3) Movement in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company and TSC Auto ID in 2020 and 2019 were as follows:

	2020		
	The Company	TSC Auto ID	Total
Fair value of plan assets on January 1	\$ 43,757	5,220	48,977
Interest income	495	61	556
Remeasurement in net defined benefit liability			
— Return on plan assets excluding interest income	1,263	155	1,418
Contributions paid by the employer	572	256	828
Benefits paid	(936)	(2,774)	(3,710)
Fair value of plan assets on December 31	<u>\$ 45,151</u>	<u>2,918</u>	<u>48,069</u>

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2019		
	The Company	TSC Auto ID	Total
Fair value of plan assets on January 1	\$ 41,314	5,297	46,611
Interest income	570	76	646
Remeasurement in net defined benefit liability			
— Return on plan assets excluding interest income	1,324	188	1,512
Contributions paid by the employer	549	317	866
Benefits paid	-	(658)	(658)
Fair value of plan assets on December 31	<u>\$ 43,757</u>	<u>5,220</u>	<u>48,977</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company and TSC Auto ID for the years ended 2020 and 2019 were as follows:

	2020		
	The Company	TSC Auto ID	Total
Current service costs	\$ -	33	33
Net interest on net defined benefit liability	15	280	295
	<u>\$ 15</u>	<u>313</u>	<u>328</u>

	2019		
	The Company	TSC Auto ID	Total
Current service costs	\$ 276	60	336
Net interest on net defined benefit liability	206	329	535
	<u>\$ 482</u>	<u>389</u>	<u>871</u>

	2020		
	The Company	TSC Auto ID	Total
Cost of goods sold	\$ 10	135	145
Selling expenses	2	9	11
Administration expenses	2	62	64
Research and development expense	1	107	108
	<u>\$ 15</u>	<u>313</u>	<u>328</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2019		
	The Company	TSC Auto ID	Total
Cost of goods sold	\$ 285	172	457
Selling expenses	92	15	107
Administration expenses	67	78	145
Research and development expense	38	124	162
	\$ 482	389	871

- 5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company and TSC Auto ID's re-measurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	2020		
	The Company	TSC Auto ID	Total
Accumulative amount at January 1	\$ (3,894)	(6,611)	(10,505)
Recognized during the period	1,775	1,795	3,570
Accumulative amount at December 31	\$ (2,119)	(4,816)	(6,935)

	2019		
	The Company	TSC Auto ID	Total
Accumulative amount at January 1	\$ (5,521)	(6,250)	(11,771)
Recognized during the period	1,627	(361)	1,266
Accumulative amount at December 31	\$ (3,894)	(6,611)	(10,505)

- 6) Actuarial assumptions

The following are the Company and TSC Auto ID's principal actuarial assumptions:

	2020.12.31		2019.12.31	
	The Company	TSC Auto ID	The Company	TSC Auto ID
Discount rate	0.500%~0.750%	0.750%~0.875%	0.750%~1.125%	1.125%~1.250%
Future salary increase rate	2.50%	2.50%	3.00%	2.50%

The expected allocation payment made by the Company and TSC Auto ID to the defined benefit plans for the one-year period after the reporting date were \$244 thousand and \$123 thousand, respectively.

The defined benefited obligation weight-average duration of the Company is between 3.00 years to 22.84 years. The defined benefited obligation weight-average duration of TSC Auto ID is from 3.43 years to 15.99 years.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Company and TSC Auto ID use judgments and estimations to determine the actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact on the present value of the defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate	\$ (2,111)	2,201
Future salary increasing rate	2,132	(2,057)
December 31, 2019		
Discount rate	(2,417)	2,523
Future salary increasing rate	2,448	(2,359)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company and TSC Auto ID allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$43,175 thousand and \$39,178 thousand for the years ended December 31, 2020 and 2019, respectively.

The pension cost of foreign subsidiaries recognized in accordance with the local defined contribution method amounted to \$7,909 thousand and \$48,623 thousand for the years 2020 and 2019, respectively.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Income tax

(i) The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 279,969	305,588
Additional tax on undistributed earnings	12,815	9,950
Adjustment for prior periods	<u>(12,923)</u>	<u>(16,674)</u>
	<u>279,861</u>	<u>298,864</u>
Deferred tax expense		
Origination of temporary differences	<u>56,604</u>	<u>(11,053)</u>
Total income tax expense	<u><u>\$ 336,465</u></u>	<u><u>287,811</u></u>

(ii) The amount of income tax recognized in other comprehensive income for the years 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u><u>\$ (17,020)</u></u>	<u><u>(14,459)</u></u>

The Group's reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit excluding income tax	<u><u>\$ 1,328,814</u></u>	<u><u>1,298,990</u></u>
Income tax	\$ 296,265	307,701
Net gains on security trading	(1,296)	(694)
Additional tax on undistributed earnings	12,815	9,950
Income tax expense (gain) of subsidiaries	72,717	(4,111)
Change in unrecognized temporary difference and others	<u>(44,036)</u>	<u>(25,035)</u>
Total	<u><u>\$ 336,465</u></u>	<u><u>287,811</u></u>

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group's deferred tax assets have not been recognized in respect of the following items:

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 10,975</u>	<u>15,159</u>
Investment tax credit	<u>\$ 57,359</u>	<u>60,380</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets:

	Inventory obsolescence	Allowance for doubtful accounts	Unrealized gross profit	Investment tax credit	Net operating loss carryforward	Others	Total
Balance at January 1, 2020\$	11,904	1,866	50,919	290,209	45,535	91,666	492,099
Recognized in profit or loss	2,269	-	(7,594)	(5,229)	(8,347)	(8,642)	(27,543)
Recognized in other comprehensive income	-	-	-	-	-	17,020	17,020
Effect of movement in exchange rate	-	-	-	(14,332)	(1,975)	(1,703)	(18,010)
Balance at December 31, 2020	<u>\$ 14,173</u>	<u>1,866</u>	<u>43,325</u>	<u>270,648</u>	<u>35,213</u>	<u>98,341</u>	<u>463,566</u>
Balance at January 1, 2019\$	5,477	1,453	48,466	311,383	554	48,748	416,081
Recognized in profit or loss	6,427	413	2,453	(14,133)	46,340	23,309	64,809
Recognized in other comprehensive income	-	-	-	-	-	14,459	14,459
Acquisition from business combination (note 6(x))	-	-	-	-	-	6,169	6,169
Effect of movement in exchange rate	-	-	-	(7,041)	(1,359)	(1,019)	(9,419)
Balance at December 31, 2019	<u>\$ 11,904</u>	<u>1,866</u>	<u>50,919</u>	<u>290,209</u>	<u>45,535</u>	<u>91,666</u>	<u>492,099</u>

Deferred tax liabilities:

	Recognized income under equity method	Book-tax difference of intangible assets	Maturity year difference arising from plant and equipment	Others	Total
Balance at January 1, 2020	\$ (488,897)	(42,717)	(65,664)	(9,971)	(607,249)
Recognized in profit or loss	(31,536)	10,778	(5,666)	(2,637)	(29,061)
Effect of movement in exchange rate	-	1,749	3,489	280	5,518
Balance at December 31, 2020	<u>\$ (520,433)</u>	<u>(30,190)</u>	<u>(67,841)</u>	<u>(12,328)</u>	<u>(630,792)</u>
Balance at January 1, 2019	\$ (491,238)	(54,772)	(2,727)	(8,012)	(556,749)
Recognized in profit or loss	2,341	11,067	(64,891)	(2,273)	(53,756)
Effect of movement in exchange rate	-	988	1,954	314	3,256
Balance at December 31, 2019	<u>\$ (488,897)</u>	<u>(42,717)</u>	<u>(65,664)</u>	<u>(9,971)</u>	<u>(607,249)</u>

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Notes to the Consolidated Financial Statements

- (iv) As of December 31, 2020, PTNX US based on the investment tax credits recognized in the U.S. local tax laws is as follows:

<u>Offset items</u>	<u>Not yet deducted balance</u>	<u>Final deduction year</u>
Research and development expenditure		
Federal tax	\$ 88,704	2036
State tax	239,303	Unlimited
	<u>\$ 328,007</u>	

- (v) As of December 31, 2020, net operating loss carryforward of DLS is as follows:

<u>Offset items</u>	<u>Not yet deducted balance</u>	<u>Final deduction year</u>
Federal tax	\$ 147,141	Unlimited
Lllinois	81,082	2031
	<u>\$ 228,223</u>	

- (vi) As of December 31, 2020, the income tax returns of the Company and TSC Auto ID through the year 2018 were assessed by the Tax Authority.

- (vii) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be transferred back in the short run. In accordance with paragraph A39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.

- (r) Stockholders' equity

- (i) Common stock

A resolution was passed during the general meeting of shareholders held on 14 June, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 10,000 thousand. Subsequently, a resolution was passed during the board meeting held on 30 October, 2019 for the issuance of 6,741 thousand ordinary shares under private placement, with par value of \$10 per share, amounting to \$299,975 thousand, with 18 November, 2019 as the date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities (December 28, 2020), and after applying for a public offering with the Financial Supervisory Commission.

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Convertible bonds issued by the Company were converted into 2,219.60 thousand shares of common stock in 2020, with par value of \$10 per share, resulting in the premium to exceed the price of ordinary shares \$99,798 thousand, which was recognized as conversion premium of convertible corporate bonds under retained earnings. The related registration procedures were not completed until the financial statement were authorized for issue, which was recognized as advance receipts for share capital.

As of December 31, 2020, and 2019, the authorized capital amounted to \$3,600,000 thousand (including the amount of \$100,000 thousand authorized for the issuance of the employee stock options); the Company's outstanding capital amounted to \$2,494,539 thousand, respectively with a par value of \$10 (dollars) per share.

(ii) Capital surplus

	December 31, 2020	December 31, 2019
Premium on shares issued above par value	\$ 639,859	639,859
Conversion premium of convertible corporate bonds	595,397	490,769
Treasury share transactions	153,027	132,627
Employee share options premium	24,378	24,378
Interest compensation payable on convertible corporate bonds	17,020	17,020
Employee share options	1,543	1,543
Convertible bond share options (note 6(n))	30,835	35,665
Change in affiliates recognized under equity method	54,206	52,882
	<u>\$ 1,516,265</u>	<u>1,394,743</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Special reserve

According to ROC SFB regulations, an ROC publicly listed company should retain its special reserve equal to any deductions from stockholders' equity before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings. The remaining earnings may be distributed as stockholders' dividends.

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to \$302,149. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$302,149 on December 31, 2020 and 2019.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Distribution of earnings and dividend policy

In accordance with the Company's articles of incorporation, if there are appropriate earnings at year-end, the after-tax earnings shall first be offset against any deficit, and 10% should be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equal the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

According to the stock dividend policy of the Company, in consideration of future capital needs, operational development, capital needs, international and domestic competitiveness, and stockholders' benefits, etc., cash dividends cannot be lower than 10% of total stock dividends. However, stock dividends instead of cash dividends are distributed if the cash dividends per share are less than 0.2 (dollars).

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The annual shareholders' meeting on June 16, 2020 and June 14, 2019, resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2019 and 2018 as follows:

	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 1.5000	<u>371,781</u>	3.0000	<u>723,339</u>

(vi) Treasury shares

In accordance with the Securities and Exchange Act, Article 28-2, in order to transfer shares to employees, as of December 31, 2020 and 2019 the Company repurchases 1,600 thousand shares, respectively, and the value is \$85,482 thousand, respectively.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

As of December 31, 2020 and 2019, a subsidiary of the Company, TSC Auto ID, held 13,600 thousand share and 11,490 thousand shares of the Company with a total value of \$421,508 thousand and \$344,560 thousand, respectively, recognized under treasury shares.

As of year-end 2020 and 2019, the Company had recognized dividend income received from its TSC Auto ID subsidiary in the amounts of \$20,400 thousand and \$34,470 thousand, respectively, and the total amounts were transferred to capital surplus – treasury shares under the equity method.

(vii) Other equity

	Foreign exchange differences arising from foreign operation
Balance at January 1, 2020	\$ (445,618)
Foreign exchange differences	(13,682)
Balance at December 31, 2020	<u>\$ (459,300)</u>
Balance at January 1, 2019	\$ (306,433)
Foreign exchange differences	(139,185)
Balance at December 31, 2019	<u>\$ (445,618)</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Share-based payment

As of December 31, 2020, TSC Auto ID's share-based payment arrangements were as follows:

Type	TSC Auto ID	
	TSC Auto ID's first exercise of employee stock options in the year 2016	TSC Auto ID's first exercise of employee stock options in the year 2020
Grant date	2016.3.21	2020.7.1
Number of shares granted	1,100 units	943 units
Contract term	5 years	5 years
Recipients	Employees	Employees
Vesting period	Provide future service of 2 years	Provide future service of 2 years

(i) Determining the fair value of equity instruments granted

TSC Auto ID used the Black Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	TSC Auto ID	
	Year 2016 First employee stock options	Year 2020 First employee stock options
Exercise price (\$)	293.00	188.50
Term of the stock option (years)	3.5~4.5	3.5~4.5
Expected volatility (%)	36.44%~38.28%	31.40%~32.52%
Risk-free interest rate (%)	0.46%~0.50%	0.33%~0.36%

(ii) The details of TSC Auto ID's employee stock options were as follows:

The Company had no share based payments due to equity settlement, recognized under operating expense, in 2019.

TSC Auto ID stock options	2020		2019	
	Number of stock options	Weighted-average (\$)	Number of stock options	Weighted-average (\$)
Outstanding at January 1	854	\$ 233.50	930	254.90
Granted during the year	943	188.50	-	-
Forfeited during the year	(55)	-	(10)	-
Exercised during the year	-	-	(66)	-
Outstanding at December 31	<u>1,742</u>	178.50~211.60	<u>854</u>	223.50
Exercisable at December 31	<u>809.00</u>	211.60	<u>629</u>	223.50
Weighted average of remaining contractual period (year)	<u>0.23~4.23</u>	-	<u>1.23</u>	-

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In the years 2020 and 2019, TSC Auto ID's share-based payments due to equity settlement amounted to \$8,773 thousand and \$7,721 thousand, respectively, and were recognized under operating cost and operating expense.

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

2020			
	Rectifiers	Bar code Printers	Total
Primary geographical markets			
Asia	\$ 2,968,212	1,665,395	4,633,607
America	591,257	2,799,168	3,390,425
Europe	1,109,460	1,219,188	2,328,648
Other	37,599	-	37,599
	\$ 4,706,528	5,683,751	10,390,279
Major products lines			
Rectifiers	\$ 4,706,528	-	4,706,528
Bar code Printers	-	5,683,751	5,683,751
	\$ 4,706,528	5,683,751	10,390,279
2019			
	Rectifiers	Bar code Printers	Total
Primary geographical markets			
Asia	\$ 2,775,455	1,790,639	4,566,094
America	597,493	2,739,429	3,336,922
Europe	1,252,133	1,326,793	2,578,926
Other	22,260	-	22,260
	\$ 4,647,341	5,856,861	10,504,202
Major products lines			
Rectifiers	\$ 4,647,341	-	4,647,341
Bar code Printers	-	5,856,861	5,856,861
	\$ 4,647,341	5,856,861	10,504,202

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2020	December 31, 2019
Notes and trade receivable	\$ 2,399,501	2,158,295
Less: allowance for impairment	(30,564)	(33,436)
Total	<u>\$ 2,368,937</u>	<u>2,124,859</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(u) Non-operating income and expenses

(i) Interest income

The Group's interest income detail was as follows:

	2020	2019
Interest income from bank deposits	<u>\$ 14,459</u>	<u>16,743</u>

(ii) Other income

	2020	2019
Rent income	\$ 9,817	10,201
Gains on put options	913	570
Government grant	36,914	-
Interest capitalization transferred to revenue	10,872	-
Others	47,291	41,302
Total	<u>\$ 105,807</u>	<u>52,073</u>

(iii) Other gains and losses

	2020	2019
Gains (losses) on disposal of property, plant and equipment	\$ (7,141)	1,468
Gains on disposals of investments	6,478	3,468
Foreign exchange gains (losses)	(17,726)	1,236
Gains on financial asset at fair value through profit or loss	8,100	2,850
Reversal of impairment gain (loss) on property, plant and equipment	159	(403)
Others	(5,663)	(15,780)
	<u>\$ (15,793)</u>	<u>(7,161)</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Finance costs

	2020	2019
Interest expense	\$ (68,740)	(76,350)
Less: interest capitalization	32,657	16,955
Other financial costs	(1,169)	(1,601)
	<u>\$ (37,252)</u>	<u>(60,996)</u>

(v) Remunerations to employees and directors

In accordance with the Company's articles of incorporation, require that earnings shall first be offset against any deficit, then, a range from 4% to 10% will be distributed as employee remuneration and a maximum of 1% will be allocated as directors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The abovementioned directors' remuneration, which should be distributed in cash, and the amount of remuneration to employees, had been approved by the Board of Directors and will be reported during the shareholders' meeting.

The Company estimated its remuneration to employees amounting to \$37,523 thousand and \$38,197 thousand for the years ended December 31, 2020 and 2019, respectively, and estimated its remuneration to directors amounting \$6,254 thousand and \$6,366 thousand for the years ended December 31, 2020 and 2019, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. The related information can be accessed from the market observation post system website. There were no differences between the estimated amounts reflected in the 2020 and 2019 financial reports, and the actual amounts approved by the Board of Directors.

(w) Earnings per share

(i) Basic earnings per share

	2020	2019
Net income	<u>\$ 537,242</u>	<u>527,629</u>
Weighted-average number of outstanding shares (thousands)	<u>234,963</u>	<u>230,438</u>
Basic earnings per share (\$)	<u>\$ 2.29</u>	<u>2.29</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

	2020	2019
Net income	\$ 537,242	527,629
Effect of interest expense of convertible notes	10,842	10,842
Diluted net income per share	<u>\$ 548,084</u>	<u>538,471</u>
Weighted-average number of outstanding shares (thousands)	234,963	230,438
Employees' remuneration	900	997
Effect of conversion of convertible bonds	16,207	15,196
Diluted weighted-average number of common shares outstanding (thousands)	<u>252,070</u>	<u>246,631</u>
Diluted earnings per share (\$)	<u>\$ 2.17</u>	<u>2.18</u>

(x) Business combinations

- (i) Based on the operating plan and strategic layout in the future, TSC Auto ID acquired the assets for main business and operation from DLS on January 31, 2019, consideration transferred is US\$36,648 thousand, and it is equivalent to about NT\$1,126,369 thousand.

1) Subsidiary business acquired

	Principal activity	Acquisition date	Shareholding	Consideration transferred
DLS	Customization of design, integration and marketing of label papers and other parts	January 31, 2019	100%	<u>\$ 1,126,369</u>

2) Assets acquired on the acquisition date and liabilities undertaken through fair value

	DLS
Current assets	
Cash and cash equivalents	\$ 11,764
Accounts receivable	242,400
Inventories	252,595
Prepaid expenses	10,751
Non-current assets	
Property, plant and equipment (including construction in progress \$1,199 thousand)	339,218
Intangible assets	155,642
Deferred assts	6,169
Refundable deposit	1,633
Current liabilities	
Accounts payable	(52,037)
Other payables	(38,710)
Guarantee deposits received	(763)
	<u>\$ 928,662</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Goodwill arising on acquisition

	DLS
Consideration transferred	\$ 1,126,369
Less: The assumed identifiable assets and liabilities	<u>(928,662)</u>
Goodwill arising on acquisition	<u>\$ 197,707</u>

Goodwill due to purchase DLS results from control premium. The transferred consideration in business combination including the expected synergies from the combination, the growth of revenue, future market development. However, if the transferred consideration does not qualify the intangible assets identification under the recognition terms, it shall not be recognized individually.

4) Net cash flows used in acquisition of subsidiary

	DLS
Valuable consideration	\$ 1,126,369
Less: Cash balance	<u>(11,764)</u>
	<u>\$ 1,114,605</u>

5) The impact on business performance due to business combination

The business performance for the acquired company from the acquisition date (January 31, 2019 to December 31, 2019) is stated as below:

	DLS
Operating revenue	<u>\$ 1,777,865</u>
Net income before tax	<u>\$ 55,361</u>

If business combination occurs on the beginning date of the fiscal year which the acquisition date belongs to, the operating revenue of the TSC Auto ID is \$1,945,135 thousand and the net income of the TSC Auto ID is \$59,125 thousand for the year ended December 31, 2019, respectively. When business combination has been completed at acquisition date, the future estimation of operating revenue and net income cannot be applied.

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Concentration of credit risk

The Group has a wide range of customers and has no significant transactions that only focus on a single customer. There is no sales revenue to a specified customer accounted for 10% of operating revenue.

3) Receivable and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	1 year	1-2 years	2-5 years	More than 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,401,954	1,403,902	1,403,902	-	-	-
Notes and accounts payable	1,173,085	1,173,085	1,173,085	-	-	-
Other payables	634,127	634,127	634,127	-	-	-
Bonds payable	778,947	858,990	858,990	-	-	-
Lease liabilities	311,097	324,138	104,730	109,752	109,656	-
Deposits received	2,382	2,382	2,382	-	-	-
Long-term borrowings (including expire within one year)	1,299,550	1,336,198	12,613	12,613	1,310,653	319
Derivative financial liabilities						
Exchange forward contract	4,451	4,451	4,451	-	-	-
	\$ 5,605,593	5,737,273	4,194,280	122,365	1,420,309	319
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,762,247	1,775,449	1,775,449	-	-	-
Accounts payable	1,024,910	1,024,910	1,024,910	-	-	-
Other payables	717,820	717,820	717,820	-	-	-
Bonds payable	887,388	993,520	993,520	-	-	-
Lease liabilities	413,897	445,913	102,955	168,169	163,244	11,545
Deposits received	2,248	-	-	-	-	-
Long-term borrowings	1,014,500	1,042,281	1,026,604	12,071	3,017	589
Derivative financial liabilities						
Exchange forward contract	361	361	361	-	-	-
	\$ 5,823,371	6,000,254	5,641,619	180,240	166,261	12,134

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2020		December 31, 2019	
	Exchange rate	Amount (TWD)	Exchange rate	Amount (TWD)
<u>Financial assets</u>				
<u>Monetary Items</u>				
USD	\$ 28.4800	1,395,494	29.9800	1,659,550
EUR	35.0200	560,381	33.5900	574,148
JPY	0.2763	140,037	0.2760	304,106
HKD	3.6730	500,662	3.8490	490,516
RMB	4.3770	1,600,424	4.3050	1,273,291
KRW	0.0263	1,886	0.0260	1,981
		<u>\$ 4,198,884</u>		<u>4,303,592</u>
<u>Derivative financial instruments</u>				
USD	\$ 28.4800	6,311	29.9800	2,324
EUR	35.0200	-	33.9500	645
		<u>\$ 6,311</u>		<u>2,969</u>
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 28.4800	739,577	29.9800	1,232,351
EUR	35.0200	286,800	33.5900	216,407
JPY	0.2763	46,802	0.2760	71,477
HKD	3.6730	1,655	3.8490	1,712
RMB	4.3770	525,201	4.3050	439,773
KRW	0.0263	1,998	0.0260	2,039
		<u>\$ 1,602,033</u>		<u>1,963,759</u>
<u>Derivative financial instruments</u>				
USD	\$ 28.4800	1,799	29.9800	356
EUR	35.0200	2,652	33.5900	5
		<u>\$ 4,451</u>		<u>361</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and financial liabilities that are denominated in foreign currency.

A strengthening (weakening) of 3% of the NTD against the foreign currency as of December 31, 2020 and 2019, would have increased or decreased the net profit before tax by \$77,961 thousand and \$70,273 thousand for the years ended December 31, 2020 and 2019, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019 (prior year).

3) Foreign exchange gains and losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$(17,726) thousand and \$1,236 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1 basis point, the Group's net profit before tax would have decreased by \$27,015 thousand and \$27,767 thousand for the years ended December 31, 2020 and 2019, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Other price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follow, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Security price on the reporting date	2020		2019	
	Other consolidated profit or loss after tax	Net income	Other consolidated profit or loss after tax	Net income
Rise 1%	\$ -	-	-	-
Drop 1%	\$ -	-	-	-

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2020				
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 6,311	-	6,311	-	6,311
Loans and receivables					
Cash and cash equivalents	2,563,670	-	-	-	-
Notes and accounts receivable	2,368,937	-	-	-	-
Other receivables	47,906	-	-	-	-
Other financial assets	549,424	-	-	-	-
Subtotal	5,529,937	-	-	-	-
Total	\$ 5,536,248	-	6,311	-	6,311

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 4,451	-	4,451	-	4,451
Financial liabilities at amortized cost					
Borrowings	2,701,504	-	-	-	-
Notes and accounts payable	1,173,085	-	-	-	-
Other payables	634,127	-	-	-	-
Bonds payable	778,947	-	-	-	-
Lease liabilities	311,097	-	-	-	-
Deposits received	2,382	-	-	-	-
Subtotal	5,601,142	-	-	-	-
Total	\$ 5,605,593	-	4,451	-	4,451
	December 31, 2019				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 4,739	-	4,739	-	4,739
Loans and receivables					
Cash and cash equivalents	2,230,256	-	-	-	-
Notes and accounts receivable	2,124,859	-	-	-	-
Other receivables	36,379	-	-	-	-
Other financial assets	325,544	-	-	-	-
Subtotal	4,717,038	-	-	-	-
Total	\$ 4,721,777	-	4,739	-	4,739

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 361	-	361	-	361
Financial liabilities at amortized cost					
Borrowings	2,776,747	-	-	-	-
Notes and accounts payable	1,024,910	-	-	-	-
Other payables	717,820	-	-	-	-
Bonds payable	887,388	-	-	-	-
Lease liabilities	413,897	-	-	-	-
Deposits received	2,248	-	-	-	-
Subtotal	5,823,010	-	-	-	-
Total	\$ 5,823,371	-	361	-	361

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Fair value hierarchy transfer

There were no transfer from one level to another for the years ended December 31, 2020 and 2019.

(z) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

If the Group retains the rights to the products that have already been sold, the Group shall also have the right to require collateral if payment has not been received. The Group does not require any collateral for accounts receivable and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2020, no other guarantees were outstanding (2019: none).

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2020 and 2019, the Group's unused credit line were amounted to \$5,958,336 thousand and \$5,282,742 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Please refer to note 6(y)iii(1) for more details on currency risk exposure

2) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios. The Group assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(aa) Capital management

The Group sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interests of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 60% so as to ensure financing at reasonable cost. The gearing ratios on the reporting date were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 6,781,884	6,890,644
Less: cash and cash equivalents	2,563,670	2,230,256
Net liabilities	<u>\$ 4,218,214</u>	<u>4,660,388</u>
Total Equity	<u>\$ 7,848,589</u>	<u>7,477,463</u>
Total capital	<u>\$ 12,066,803</u>	<u>10,267,099</u>
Debt-to-equity ratio	34.96%	45.39%

(ab) Investing and financing activities not affecting current cash flow

The Group did not have investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Foreign exchange movement	Other	Changes in lease payments	
Bonds payable	\$ 887,388	-	-	(108,441)	-	778,947
Short-term borrowings	1,762,247	(360,293)	-	-	-	1,401,954
Long-term borrowings (including expires within one year)	1,014,500	285,050	-	-	-	1,299,550
Lease liabilities	413,897	(99,374)	(17,491)	14,073	(8)	311,097
Deposit received	2,248	134	-	-	-	2,382
Total liabilities from financing activities	<u>\$ 4,080,280</u>	<u>(174,483)</u>	<u>(17,491)</u>	<u>(94,368)</u>	<u>(8)</u>	<u>3,793,930</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Other	
Bonds payable	\$ 873,835	-	-	13,553	887,388
Short-term borrowings	1,190,354	571,893	-	-	1,762,247
Long-term borrowings	-	1,014,500	-	-	1,014,500
Lease liabilities	196,405	(93,052)	(196,405)	506,949	413,897
Deposit received	1,610	638	-	-	2,248
Other payable	1,200,000	(1,200,000)	-	-	-
Total liabilities from financing activities	<u>\$ 3,462,204</u>	<u>293,979</u>	<u>(196,405)</u>	<u>520,502</u>	<u>4,080,280</u>

(7) Related-party transactions:

(a) Related-party transactions

The Company is the ultimate controlling party of the Consolidated Company.

(b) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employment benefits	\$ 139,209	143,635
Post-employment benefits	1,618	2,075
Share-based payment	2,815	2,341
	<u>\$ 143,642</u>	<u>148,051</u>

Please refer to note 6(s) for explanation related to share-based payment.

(8) Pledged assets: None

(9) Commitments and contingencies:

The guarantee notes provided by the Group to the banks were as follows:

	December 31, 2020	December 31, 2019
TWD	\$ 2,623,200	2,590,000
USD	21,000	50,700

As of December 31, 2020 and 2019, the Company has unused letters of credit issued by the Group.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

- (a) The information on employee benefits, depreciation, and amortization expenses, by function, is summarized as follows:

By function By item	December 31, 2020			December 31, 2019		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	756,199	989,521	1,745,720	511,896	879,426	1,391,322
Labor and health insurance	68,853	82,004	150,857	53,376	74,941	128,317
Pension	16,234	35,178	51,412	52,122	36,550	88,672
Remuneration of directors	-	36,357	36,357	-	37,977	37,977
Others	65,577	28,443	94,020	55,583	18,685	74,268
Depreciation	644,755	104,742	749,497	460,745	148,718	609,463
Amortization	221	124,529	124,750	93	110,720	110,813

- (b) Other matter

Although the coronavirus pandemic causes a momentous uncertainty about the future economic and financial development since the beginning of January 2020, the Group assessed that it did not have any significant impact on its operating capacity, asset impairment and financing risk as of the approval date of the consolidated financial statements. However, the Group will continue to monitor and assess the impact of the pandemic on the above matter.

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	TSC Auto ID	TSCAA	Other receivables	Yes	242,000	277,840	133,856	1.2%	2	-	Repayment of bank loans	-	None	-	710,243	1,420,486
2	TSC Auto ID	DLS	Other receivables	Yes	363,000	341,760	170,880	1.27%	2	-	Repayment of bank loans/ Purchase assets	-	None	-	710,243	1,420,486

Note 1: Necessity of short-term financing.

Note 2: Limitation on amount of loans to short-term financing company individually by TSC Auto ID is 20% of TSC Auto ID's net asset.

Note 3: Limitation on amount of loans to short-term financing company in total by TSC Auto ID is 40% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 30.25 NTD to USD on February 29.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
1	TSC Auto ID	TSCAA	2	1,420,486	332,750	227,840	56,960	-	9.37%	2,130,729	N	N	N

Note 1: Subsidiary of the Company.

Note 2: Limitation on amount of guarantees and endorsements for a specific enterprise is 40% of TSC Auto ID's net asset.

Note 3: Limitation on amount of guarantees and endorsement in total is 60% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 30.25 NTD to USD on February 29.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Applied Warless Identifications Group, Inc.	-	Financial assets at fair value through profit or loss-current	243	-	-	-	-	
The Company	Third Dimension (3D) Semiconductor, Inc.	-	Financial assets at fair value through profit or loss-current	921	-	-	-	-	

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock :None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms (Note 1)	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSCJ	Subsidiary	Sale	(252,949)	(2)%		-		50,568	2%	
The Company	TSCH	Subsidiary	Sale	(741,680)	(7)%		-		283,412	12%	
The Company	TSCA	Sub-subsiary	Sale	(199,975)	(2)%		-		55,342	2%	
The Company	Yangxin Everwell	Sub-subsiary	Purchase	1,867,363	26%		-		(472,728)	(40)%	(Note 2)
The Company	Tianjin Everwell	Sub-subsiary	Purchase	299,457	4%		-		(12,382)	(1)%	
The Company	TSCC	Sub-subsiary	Purchase	240,340	3%		-		(47,717)	(4)%	
TSC Auto ID	TSCAE	Subsidiary	Sale	(924,005)	(9)%		-		377,399	16%	
TSC Auto ID	TTSC	Subsidiary	Sale	(341,740)	(3)%		-		53,997	2%	
TSC Auto ID	TSCAA	Subsidiary	Sale	(323,705)	(3)%		-		164,859	7%	
TSC Auto ID	PTNX US	Subsidiary	Sale	(178,694)	(2)%		-		65,209	3%	
TSC Auto ID	TTSC	Subsidiary	Purchase	394,492	6%		-		(142,084)	(12)%	

Note 1: Open Account 30~135 days. Adjustments depend on demand for funds when necessary.

Note 2: Accounts payable presents at net/

Note 3: The related transaction has been written off. Please refer to Note 13(a)x.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	TSCH	Subsidiary	283,412	2.81%	-		148,515	-
TSC Auto ID	TSCAE	Subsidiary	377,399	2.37%	-		219,375	-
TSC Auto ID	TSCAE	Subsidiary	194	- %	-		-	-
TSC Auto ID	TSCAA	Subsidiary	164,859	1.59%	-		28,551	-
TSC Auto ID	TSCAA	Subsidiary	134,241	- %	-		-	-
TSC Auto ID	DLS	Subsidiary	170,904	-	-		-	-
TTSC	TSC Auto ID	Subsidiary	142,084	2.80%	-		99,388	-

Note 1: As of audit report date.

Note 2: The related transaction has been written off. Please refer to Note 13(a)x.

- (ix) Trading in derivative instruments: Please refer to notes 6(b).

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	TSCE	1	Selling expenses-commission	75,279	Monthly payment	0.71%
0	The Company	TSCE	1	Accrued expenses	26,385		0.18%
0	The Company	TSCJ	1	Sales revenue	252,949	Note 3	2.37%
0	The Company	TSCJ	1	Accounts receivable	50,569		0.35%
0	The Company	TSCH	1	Sales revenue	741,680	Monthly payment	6.96%
0	The Company	TSCH	1	Accounts receivable	283,412		1.94%
0	The Company	TSCH	1	Other receivables	638		-
0	The Company	TSCH	1	Accrued expenses	97		-
0	The Company	TSC Auto ID	1	Sales revenue	1,410	Note 3	0.01%
0	The Company	TSC Auto ID	1	Account receivable	411		-
0	The Company	TSC Auto ID	1	Other receivables	7		-
0	The Company	TSC Auto ID	1	Purchase	23		-
0	The Company	TSCA	1	Sales revenue	199,975	Note 3	1.88%
0	The Company	TSCA	1	Selling expenses-commission	5,246		0.05%
0	The Company	TSCA	1	Accounts receivable	55,342		0.38%
0	The Company	TSCA	1	Accrued expenses	454		-
0	The Company	TSCC	1	Sales revenue	93,986	Monthly payment	0.88%
0	The Company	TSCC	1	Accounts receivable	33,251		0.23%
0	The Company	TSCC	1	Other receivables	25		-
0	The Company	TSCC	1	Purchase	240,340		2.26%
0	The Company	TSCC	1	Accounts payable	80,968		0.55%
0	The Company	Yangxin Everwell	1	Purchase	1,867,363	Note 4	17.53%
0	The Company	Yangxin Everwell	1	Accounts payable	472,728	Note 5	3.23%
0	The Company	Tianjin Everwell	1	Purchase	299,457		2.81%
0	The Company	Tianjin Everwell	1	Accounts payable	12,382		0.08%
0	The Company	Tianjin Everwell	1	Other payable	95,760		0.65%
0	The Company	Tianjin Everwell	1	Selling expenses-commission	4,088		0.04%
0	The Company	Tianjin Everwell	1	Accrued expenses	1,167		0.01%
1	TSCE	The Company	2	Sales revenue	75,279	Note 3	0.71%
1	TSCE	The Company	2	Accounts receivable	26,385		0.18%
2	TSCH	TSCE	3	Commission expenses	1,964		0.02%
2	TSCH	TSCE	3	Accrued expenses	240		-
3	TSCA	TSCAA	3	Commission expenses	585		0.01%
3	TSCA	TSCAA	3	Other receivables	1,409		0.01%
4	Yangxin Everwell	The Company	2	Sales revenue	1,867,363	Note 3	17.53%
4	Yangxin Everwell	The Company	2	Accounts receivable	472,728		3.23%
4	Yangxin Everwell	TSCC	3	Sales revenue	693,585	Note 3	6.51%
4	Yangxin Everwell	TSCC	3	Accounts receivable	342,584		2.34%
5	Tianjin Everwell	The Company	2	Sales revenue	299,457	Note 3	2.81%
5	Tianjin Everwell	The Company	2	Accounts receivable	12,382		0.08%
5	Tianjin Everwell	The Company	2	Other receivables	95,760		0.65%
5	Tianjin Everwell	The Company	2	Commission income	4,088		0.04%
5	Tianjin Everwell	The Company	2	Other receivables	1,167		0.01%
5	Tianjin Everwell	Yangxin Everwell	3	Sales revenue	125,729	Note 3	1.18%
5	Tianjin Everwell	Yangxin Everwell	3	Accounts receivable	28,730		0.20%
5	Tianjin Everwell	TSCC	3	Other receivables	957		0.01%
5	Tianjin Everwell	TSCC	3	Non-other income	7,125		0.07%
5	Tianjin Everwell	TSCC	3	Non-other income	930		0.01%

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to Consolidated Financial Statements

Note 1 : Representations of No. are as below:

- A. 0 is for the Company.
- B. Subsidiaries are numbered in order from 1.

Note 2: Categories of relationship with traders are as below:

- A. Parent company to subsidiary.
- B. Subsidiary to parent company.
- C. Subsidiary to subsidiary.

Note 3: Sales price is based on general market price. Collecting period is open account 90~180 days.

Note 4: Processing cost is based on cost-plus approach. Collecting period is open account 90~180 days.

Note 5: Payments due on open account 180 days after purchase.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Ever Energetic	British Virgin Islands	Holding company and general import and export business	665,501	665,501	21,175	100.00%	1,319,394	100.00%	68,188	68,188	Subsidiary
The Company	Ever Winner	British Virgin Islands	Holding company and general import and export business	465,127	465,127	16,010	100.00%	1,404,771	100.00%	123,474	123,474	Subsidiary
The Company	Skyrise	British Virgin Islands	Holding company and general import and export business	2,845	2,845	50	100.00%	1,798	100.00%	(48)	(48)	Subsidiary
The Company	TSC E	Germany	General import and export business	10,972	10,972	-	100.00%	26,990	100.00%	(5,545)	(5,545)	Subsidiary
The Company	TSC J	Japan	Trading of rectifiers	28,689	28,689	2	100.00%	84,558	100.00%	8,802	8,802	Subsidiary
The Company	TSC H	Hong Kong	Trading of rectifiers	282,312	282,312	672	25.22%	544,381	25.22%	177,670	42,051	Subsidiary
The Company	TSC Auto ID	Taiwan	Sale of bar code printers	163,728	163,728	15,453	36.38%	684,393	36.38%	715,352	239,845	Subsidiary
Ever Energetic	TSC A	United States	Trading of rectifiers	258,520	258,520	6,750	75.00%	191,872	75.00%	3,475	2,606	Subsidiary
Ever Energetic	TSC H	Hong Kong	Trading of rectifiers	571,628	571,628	985	36.96%	1,053,794	36.96%	177,670	65,667	Subsidiary
Ever Winner	TSC A	United States	Trading of rectifiers	83,813	83,813	2,250	25.00%	63,957	25.00%	3,475	869	Subsidiary
Ever Winner	TSC C	Mainland China	Trading of rectifiers	4,461	4,461	-	100.00%	187,724	100.00%	55,499	55,499	Subsidiary
Ever Winner	TSC H	Hong Kong	Trading of rectifiers	792,254	792,254	1,008	37.82%	1,078,314	37.82%	177,670	67,195	Subsidiary
TSC H	Yangxin Everwell	Mainland China	Trading of rectifiers	966,119	966,119	-	100.00%	2,020,285	100.00%	96,132	96,132	Subsidiary
TSC H	Tianjin Everwell	Mainland China	Manufacture and sale of wafers	787,044	787,044	-	100.00%	572,411	100.00%	35,230	35,230	Subsidiary
TSC Auto ID	TSC A E	Germany	Trading of bar code printers and other parts	2,943	2,943	-	100.00%	30,441	100.00%	4,541	4,541	Subsidiary
TSC Auto ID	TSC A A	United States	Trading of bar code printers and other parts	1,096,621	1,096,621	16,000	100.00%	945,059	100.00%	18,766	18,766	Subsidiary
TSC Auto ID	TSC H K	Hong Kong	Holding company and general import and export business	51,738	51,738	11,711	100.00%	493,495	100.00%	84,423	84,423	Subsidiary
TSC Auto ID	Printronix AD	Taiwan	Trading of bar code printers and other parts	5,000	5,000	500	100.00%	5,688	100.00%	1,640	1,640	Subsidiary
TSC Auto ID	PTNXUS	United States	Trading of bar code printers and other parts	63,021	63,021	-	5.00%	47,366	5.00%	23,425	(353)	Subsidiary
TSC Auto ID	DLS	United States	Customization of design, integration and marketing of label papers and other parts	801,558	801,558	1	100.00%	843,395	100.00%	73,667	73,667	Subsidiary
TSC A E	TSC A D	United Arab Emirates	Trading of bar code printers and other parts	8,234	8,234	-	100.00%	(5,340)	100.00%	(281)	(281)	Subsidiary
TSC A E	TSC A S	Spain	Trading of bar code printers and other parts	124	124	-	100.00%	2,149	100.00%	277	277	Subsidiary
TSC A A	PTNXUS	United States	Trading of bar code printers and other parts	45,319 (thousands USD)	45,319 (thousands USD)	-	95.00%	1,217,314	95.00%	23,425	(6,468)	Subsidiary
DLS	PPL	United States	Manufacture and sale of bar code printers and other parts	115 (thousands USD)	115 (thousands USD)	850	100.00%	2,577	100.00%	5,224	5,224	Subsidiary
TSC H K	TTSC	Mainland China	Trading of bar code printers and other parts	42,720	44,970	-	100.00%	496,796	100.00%	80,022	80,022	Subsidiary
TSC H K	SPTNX	Mainland China	Trading of bar code printers and other parts	4,386	4,617	-	100.00%	12,251	100.00%	4,401	4,401	Subsidiary

Note 1: Calculated by equity according to investee's audited financial report.

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to Consolidated Financial Statements

(c) Information on overseas branches and representative offices:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
TSCC	Trading of rectifiers	4,461	(3)	4,461	-	-	4,461	55,499	100.00%	100.00%	55,499	187,724	91,811
Yangxin Everwell	Manufacture and sale of rectifiers	1,667,160	(3)	628,196	-	-	628,196	96,132	100.00%	100.00%	96,132	2,020,285	250,864
Tianjin Everwell	Manufacture and sale of wafers	387,173	(3)	387,173	-	-	387,173	35,230	100.00%	100.00%	35,230	572,411	452,102
TTSC	Manufacture and sale of bar code printers and other parts	45,959	(3)	42,720	-	-	42,720	80,022	36.38%	36.38%	29,112	496,796	691,539
SPTNX	Manufacture and sale of bar code printers and other parts	4,377	(3)	4,386	-	-	4,386	4,401	36.38%	36.38%	1,601	12,251	-

Note 1: Invest company in mainland China through the investment on company located at the third.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
938,993	1,850,353	3,496,613

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Fubon Life Insurance Co., Ltd		19,055,000	7.58%
TSC Auto ID		13,600,000	5.41%

Note (i): The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note (ii): If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

2020				
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 4,706,528	5,683,751	-	10,390,279
Intersegment revenues	4,596,371	57	(4,596,428)	-
Interest	10,923	3,536	-	14,459
Total revenue	\$ 9,313,822	5,687,344	(4,596,428)	10,404,738
Interest expense	\$ 6	36,077	-	36,083
Depreciation and amortization	609,045	265,202	-	874,247
Reported segment profit and loss	\$ 405,725	943,489	(20,400)	1,328,814
2019				
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 4,647,341	5,856,861	-	10,504,202
Intersegment revenues	4,165,776	27	(4,165,803)	-
Interest	12,488	4,255	-	16,743
Total revenue	\$ 8,825,605	5,861,143	(4,165,803)	10,520,945
Interest expense	\$ 11,574	47,821	-	59,395
Depreciation and amortization	466,706	253,570	-	720,276
Reported segment profit and loss	\$ 335,040	998,420	(34,470)	1,298,990
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Reported segment assets				
December 31, 2020	\$ 19,268,369	7,103,421	(11,741,317)	14,630,473
December 31, 2019	\$ 18,480,700	6,789,151	(10,901,744)	14,368,107
Reported segment liabilities				
December 31, 2020	\$ 4,861,074	3,552,206	(1,631,396)	6,781,884
December 31, 2019	\$ 4,531,288	3,624,117	(1,264,761)	6,890,644

(Continued)

(a) Information about the product

Revenue from external customers of the Group was as follows:

Products	2020	2019
Rectifiers	\$ 4,706,528	4,647,341
Bar code printers	5,683,751	5,856,861
Total	\$ 10,390,279	10,504,202

(b) Geographical information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographical information	2020	2019
Revenue from external customers:		
Asia	\$ 4,633,607	4,566,094
America	3,390,425	3,336,922
Europe	2,328,648	2,578,926
Other countries	37,599	22,260
Total	\$ 10,390,279	10,504,202

Geographical information	December 31, 2020	December 31, 2019
Non-current assets:		
Asia	\$ 4,725,608	5,028,428
Europe	14,439	18,328
America	1,914,235	2,134,334
	\$ 6,654,282	7,181,090

Non-current assets include property, plant and equipment, intangible assets, and other assets, not including financial instruments and deferred tax assets.

(c) Information about major customers

Because the Group has a broad customer base, there is no significant transaction focus on a single customer, and there is no sales revenue from a single customer constituting over 10% of the total operating revenue.

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 financial position 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 audit of the financial statements as of and for the year ended December 31, 2021 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, 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 the Company 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. 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 significant 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 consolidated financial statements properly.

2. Impairment on investment accounted for using the equity method

Please refer to Note 4(i) “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 amounted for using the equity method is our of key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included: (1) 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. (2) 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. (3) 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.

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 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 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 statement. 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

TAIWAN SEMICONDUCTOR CO., LTD.
Balance Sheets
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Liabilities and Equity					
1100	Cash and cash equivalents (note 6(a))	\$ 421,732	5	373,454	4	2100	Short-term borrowings (note 6(i))	\$ 606,960	7	774,870	9
1110	Current financial assets at fair value through profit or loss - current (note 6(b))	5,377	-	2,323	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	1,216	-	5	-
1150	Notes receivable, net (note 6(c))	33	-	97	-	2150	Notes payable	1,652	-	1,781	-
1170	Accounts receivable, net (note 6(c))	466,730	5	428,561	5	2170	Accounts payable	204,756	2	205,783	2
1180	Accounts receivable due from related parties, net (note 7)	389,733	4	395,851	5	2181	Accounts payable to related parties (note 7)	532,827	7	401,268	5
1200	Other receivables (note 7)	10,641	-	13,487	-	2220	Other payables to related parties (note 7)	28,103	-	24,730	-
130X	Inventories (note 6(d))	608,184	7	544,027	6	2230	Current tax liabilities	78,492	1	67,681	1
1479	Other current assets	77,047	1	110,208	1	2321	Bonds payable, current portion (note 6(j))	778,947	9	887,388	10
		<u>1,979,477</u>	<u>22</u>	<u>1,868,008</u>	<u>21</u>	2399	Other current liabilities	195,249	2	291,680	4
Non-current assets:								<u>2,428,202</u>	<u>28</u>	<u>2,655,186</u>	<u>31</u>
1551	Investments accounted for using equity method (note 6(e))	4,066,285	46	3,975,109	46	Non-Current liabilities:					
1600	Property, plant and equipment (note 6(f))	2,594,748	29	2,118,419	24	2541	Long-term borrowings (note 6(k))	269,550	3	99,500	1
1822	Intangible assets (note 6(g))	101,421	1	83,333	1	2570	Deferred tax liabilities (note 6(m))	360,061	4	364,366	4
1840	Deferred tax assets (note 6(m))	21,297	-	23,942	-	2640	Net defined benefit liability, non-current (note 6(l))	22,387	-	24,719	-
1980	Other non-current financial assets (note 6(b))	55,603	1	55,516	1			<u>651,998</u>	<u>7</u>	<u>488,585</u>	<u>5</u>
1990	Other non-current assets (note 6(h))	89,057	1	626,155	7		Total liabilities	<u>3,080,200</u>	<u>35</u>	<u>3,143,771</u>	<u>36</u>
		<u>6,928,411</u>	<u>78</u>	<u>6,882,474</u>	<u>79</u>		Stockholder' equity attributable to parent:(note 6(n))				
						3110	Common stock	2,494,539	28	2,494,540	28
						3140	Advance receipts for share capital	22,196	-	-	-
								<u>2,516,735</u>	<u>28</u>	<u>2,494,540</u>	<u>28</u>
						3200	Capital surplus	1,516,265	17	1,394,743	16
						3300	Retained earnings	2,760,978	31	2,593,088	30
						3400	Other stockholders' equity	(459,300)	(5)	(445,618)	(5)
						3500	Treasury shares	(506,990)	(6)	(430,042)	(5)
							Total stockholders' equity	5,827,688	65	5,606,711	64
Total assets		<u>\$ 8,907,888</u>	<u>100</u>	<u>8,750,482</u>	<u>100</u>		Total liabilities and stockholders' equity	<u>\$ 8,907,888</u>	<u>100</u>	<u>8,750,482</u>	<u>100</u>

TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4110	Total sales revenue (notes 7)	\$ 3,673,959	101	3,678,859	101
4190	Less: Sales discounts and allowances	31,498	1	35,923	1
	Net operating revenues	3,642,461	100	3,642,936	100
5000	Cost of goods sold (notes 6(d) and 7)	3,071,789	84	2,928,080	80
	Gross profit	570,672	16	714,856	20
5910	Less: Unrealized profit (loss) from sales	(4,051)	-	(1,367)	-
		574,723	16	716,223	20
6000	Operating expenses (notes 7):				
6100	Selling expenses	297,853	8	301,109	8
6200	Administrative expenses	159,740	4	146,893	4
6300	Research and development expenses	42,296	1	66,235	2
		499,889	13	514,237	14
	Operating income	74,834	3	201,986	6
	Non-operating income and expenses (note 6(p)):				
7100	Interest income	1,468	-	2,601	-
7010	Other income	18,054	-	5,184	-
7020	Other gains and losses	11,226	-	11,640	-
7050	Finance costs	(741)	-	(12,636)	-
7070	Share of profit of subsidiaries accounted for using equity method (note 6(e))	476,767	13	383,272	11
		506,774	13	390,061	11
	Profit before tax	581,608	16	592,047	17
7950	Less: Income tax expenses (note 6(m))	44,366	1	64,418	1
	Profit	537,242	15	527,629	16
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains on re-measurements of defined benefit plans (note 6(l))	1,775	-	1,627	-
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	653	-	(131)	-
		2,428	-	1,496	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(13,682)	-	(139,185)	(4)
8300	Other comprehensive income (after tax)	(11,254)	-	(137,689)	(4)
	Comprehensive income	\$ 525,988	15	389,940	12
	Basic earnings per common share (note 6(r))	\$ 2.29		2.29	
	Diluted earnings per common share (note 6(r))	\$ 2.17		2.18	

See accompanying notes to financial statements.

TAIWAN SEMICONDUCTOR CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Total other equity interest	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings			
Balance at January 1, 2019	\$ 2,427,129	-	1,104,513	696,902	302,150	1,789,499	2,788,551	(306,433)	(391,565)	5,622,195
Effects of retrospective application	-	-	-	-	-	(1,248)	(1,248)	-	-	(1,248)
Balance at January 1, 2019 after adjustments	2,427,129	-	1,104,513	696,902	302,150	1,788,251	2,787,303	(306,433)	(391,565)	5,620,947
Net income	-	-	-	-	-	527,629	527,629	-	-	527,629
Other comprehensive income	-	-	-	-	-	1,496	1,496	(139,185)	-	(137,689)
Total comprehensive income	-	-	-	-	-	529,125	529,125	(139,185)	-	389,940
Repurchase of treasury shares	-	-	-	-	-	-	-	-	(38,477)	(38,477)
Appropriation and distribution of retained earnings:										
Provision of legal reserve	-	-	-	81,231	-	(81,231)	-	-	-	-
Provision of special reserve	-	-	-	-	4,284	(4,284)	-	-	-	-
Cash dividends	-	-	-	-	-	(723,339)	(723,339)	-	-	(723,339)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	34,470	-	-	-	-	-	-	34,470
Issue of shares	67,410	-	232,565	-	-	-	-	-	-	299,975
Changes in the number of affricates using equity method	-	-	23,195	-	-	-	-	-	-	23,195
Balance at December 31, 2019	2,494,539	-	1,394,743	778,133	306,434	1,508,522	2,593,089	(445,618)	(430,042)	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 the number of affricates using equity method	-	-	1,324	-	-	-	-	-	-	1,324
Balance at December 31, 2020	\$ 2,494,539	22,196	1,516,265	830,920	445,618	1,484,440	2,760,978	(459,300)	(506,990)	5,827,688

See accompanying notes to financial statements.

TAIWAN SEMICONDUCTOR CO., LTD.
Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 581,608	592,047
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	296,922	133,572
Amortization expense	33,317	17,011
Net gain on financial assets or liabilities at fair value through profit or loss	(1,843)	(491)
Interest expense	-	11,564
Interest income	(1,468)	(2,601)
Share of profit of subsidiaries accounted for using equity method	(476,767)	(383,272)
Gain on disposal of property, plant and equipment	(2,998)	(1,435)
Gain on disposal of investments	(6,478)	(3,468)
Others	(4,051)	(1,367)
Total adjustments to reconcile profit (loss)	(163,366)	(230,487)
Changes in operating assets and liabilities:		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6,478	533,468
Decrease in notes receivable	64	1,079
Decrease (increase) in accounts receivable	(38,169)	141,967
Decrease in accounts receivable due from related parties	6,118	124,097
Decrease in other receivable	2,825	29,534
Decrease (increase) in inventories	(64,157)	79,876
Decrease in other current assets	33,161	1,446
Decrease in notes payable	(129)	(345)
Decrease in accounts payable	(1,027)	(92,575)
Increase in accounts payable to related parties	131,559	73,838
Decrease in other payable	(382)	(1,128)
Increase in other payable to related parties	3,373	3,538
Decrease in other current liabilities	(96,431)	(279,878)
Decrease in net defined benefit liability	(556)	(67)
Total adjustments	(180,639)	384,363
Cash inflow generated from operations	400,969	976,410
Interest received	1,489	2,532
Dividends received	321,493	396,450
Interest paid	(18,722)	3,117
Income taxes paid	(35,215)	(122,261)
Net cash flows from operating activities	670,014	1,256,248
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(130,078)	(263,165)
Proceeds from disposal of property, plant and equipment	4,435	1,412
Acquisition of intangible assets	(51,405)	(49,238)
Decrease (increase) in other non-current assets	13,780	(973)
Increase in prepayments for equipment	(88,827)	(432,462)
Net cash flows used in investing activities	(252,095)	(744,426)
Cash flows from financing activities:		
Decrease in short-term loans	(167,910)	(124,425)
Proceeds from long-term debt	170,050	99,500
Cash dividends paid	(371,781)	(723,339)
Proceeds from issuing shares	-	299,975
Repurchase of treasury shares	-	(38,477)
Net cash flows from (used in) financing activities	(369,641)	(486,766)
Net increase in cash and cash equivalents	48,278	25,056
Cash and cash equivalents at beginning of period	373,454	348,398
Cash and cash equivalents at end of period	\$ 421,732	373,454

See accompanying notes to financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) was incorporated in January 1979 under the Company Act of the Republic of China. Its major business activities are the manufacture and sale of rectifiers and bar code printers. The Company’s common stock has been officially listed and traded on the GreTai Securities Market starting from February 2000.

In order to improve operating efficiency and industry competitiveness from specialization, the Company restructured its business and organization. The Company separated its bar code printer business unit from itself and transferred it to establish TSC Auto ID Technology Co., Ltd. (TSC Auto ID). The board of directors’ meeting approved August 1, 2007, as the date of record of the split.

The Company primarily is involved in the manufacture and sale of rectifiers.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issue by the Board of Directors on March 26, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at present value of the defined benefit obligation less the fair value of the plan assets.

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Company’s financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other asset are classified as non-current.

- (i) It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled the liability in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income are the same as the profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements. The equity balance in the separate financial statements is the same as the equity balance in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and improvements: 10~55 years.
- 2) Machinery and equipment: 5 years.
- 3) Transportation equipment: 5 years.
- 4) Office equipment and others: 3~5 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities or short-term leases of transport and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a leaser

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization is calculated over the cost of the asset, less its residual value. Intangible assets useful lives are as follows:

Computer software: 1~5 years

The Company shall inspect the residual values, useful lives and amortization methods of the intangible assets at least once at each annual reporting date. If there are any changes to intangible assets, they will be regarded as changes in accounting estimate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(m) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

The related refund obligation of the Company based on the estimated sales award is separately recognized in the balance sheet.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(i) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(r) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statement. Hence no segmental information was disclosed in the separate financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements causes no significant effects.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

Assessment of impairment of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(c).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash and pretty cash	\$ 183	183
Checking and demand deposits	326,393	305,037
Time deposits	95,156	68,234
	<u>\$ 421,732</u>	<u>373,454</u>

Please refer to note 6(s) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

(i) The financial instruments held by the Company were as follows:

	December 31, 2020	December 31, 2019
Current:		
Mandatorily measured at fair value through profit or loss	\$ 5,377	2,323
Non-current:		
Other financial assets:		
Refundable deposits	\$ 55,603	55,516
Current:		
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ 1,216	5

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

Please refer to note 6(s) for the disclosures of credit risk exposures, currency risk exposures, and interest rate risk exposures.

- (ii) The Company uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

December 31, 2020					
		Contract amount		Currency	Contract period
Selling/buying forward	USD	6,000/CNY	40,335	USD to CNY	2021.01~2021.02
Selling/buying forward	EUR	1,400/USD	1,681	EUR to USD	2021.01~2021.04

December 31, 2019					
		Contract amount		Currency	Contract period
Selling/buying forward	USD	7,000/CNY	49,319	USD to CNY	2020.01~2020.03
Selling/buying forward	EUR	200/USD	225	EUR to USD	2020.02.21

- (c) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 33	97
Accounts receivable	479,714	441,545
Less: allowance for doubtful accounts	(12,984)	(12,984)
	\$ 466,763	428,658

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision were determined as follows:

December 31, 2020			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 460,581	3%	11,000
1 to 90 days past due	19,091	10%	1,909
91 to 180 days past due	75	100%	75
	\$ 479,747		12,984

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 410,122	3%	9,674
1 to 90 days past due	31,344	10%	3,134
91 to 180 days past due	171	100%	171
181 to 270 days past due	5	100%	5
	<u>\$ 441,642</u>		<u>12,984</u>

The movement in the allowance for notes and trade receivable was as follows:

	2020	2019
Balance on January 1, 2020 and 2019	\$ 12,984	12,952
Impairment losses recognized	-	32
Balance on December 31, 2020 and 2019	<u>\$ 12,984</u>	<u>12,984</u>

The Company does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 322,209	382,176
Less: provision for obsolescence and devaluation	(36,991)	(37,445)
	<u>285,218</u>	<u>344,731</u>
Work in process	96,408	66,806
Less: provision for obsolescence and devaluation	(23,885)	(16,226)
	<u>72,523</u>	<u>50,580</u>
Raw material and supplies	118,171	92,865
Less: provision for obsolescence and devaluation	(9,988)	(5,849)
	<u>108,183</u>	<u>87,016</u>
Outsourcing inventories	136,360	57,229
Inventories in transit	5,900	4,471
	<u>\$ 608,184</u>	<u>544,027</u>

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$3,060,445 thousand and \$2,895,938 thousand for the years ended December 31, 2020 and 2019, respectively. During the years December 31, 2020 and 2019, the write-down of inventories to net realizable value amounting to \$11,344 thousand and \$32,142 thousand, respectively.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

As of December 31, 2020, and 2019, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

- (i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2020	December 31, 2019
Subsidiaries:		
Ever Energetic Int'l Ltd. (Ever Energetic)	\$ 1,319,394	1,315,667
Ever Winner Int'l Co., Ltd. (Ever Winner)	1,404,771	1,336,839
Skyrise Int'l Ltd. (Skyrise)	1,798	1,941
Taiwan Semiconductor Europe GmbH (TSCE)	26,990	31,318
Taiwan Semiconductor Japan Ltd. (TSCJ)	84,558	75,712
Taiwan Semiconductor (H.K.) Co., Ltd. (TSCH)	544,381	535,214
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	684,393	678,418
	<u>\$ 4,066,285</u>	<u>3,975,109</u>

(ii) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2020.

The Company's share of gain of subsidiaries accounted for using the equity method was \$476,767 thousand and \$383,272 thousand for the December 31, 2020 and 2019, respectively.

The Company invested \$1,000 thousand in March 2007, to establish TSC Auto ID, and transferred the assets and liabilities of the Company's Barcode Printer Business Division, with a book value of \$150,000 thousand, to it on August 1, 2007. Additionally, TSC Auto ID had issued new shares for cash capital increase several times since establishment, which led to the changes of the shares held by the Company due to the failure of the Company subscribing the new shares according to its original shareholding ratio each time. As such, the total equity held by the Company arising from the investment varied, which was recognized as equity transactions accordingly. The Board meetings of the Company from January 1 to June 30, 2009, approved of simplifying the investment structure and proposed to gradually dispose of non-core investment businesses. In response, the Company sold 4,380 thousand shares of TSC Auto ID in 2009. Moreover, since 2009, there had been employees successively exercising their stock rights to purchase the issued new shares of TSC Auto ID. In summary, as of December 31, 2020, and 2019, the shareholding ratio of the Company in TSC Auto ID was 36.38%.

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Notes to the Financial Statements

To comply with relevant applicable laws and regulations and integrate the organizational structure of overseas investment, the Company changed the investment structure of its investment business in December 2007 under the approval of the Investment Commission, Ministry of Economic Affairs. In response, Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd., both established in mainland China, whose equities were 100% held by the Company, due to indirect investment through Ever Energetic and Ever Winner, were changed into two companies 100% indirectly invested jointly by the Company, Ever Energetic, and Ever Winner through TSCH. As of December 31, 2020, and 2019, the Company had a shareholding ratio of 25.22% in TSCH, 36.96% in Ever Energetic, and 37.82% in Ever Winner. In summary, the comprehensive shareholding ratio of the Company in TSCH was 100%.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Land	Building and construction	Machinery and equipment	Office and other facilities	Total
Cost or deemed cost:					
Balance at 1 January, 2020	\$ 636,086	634,936	2,082,763	105,351	3,459,136
Additions	-	95,349	30,819	3,910	130,078
Sales of assets	-	-	(43,590)	-	(43,590)
Disposals	-	-	(3,660)	(673)	(4,333)
Others (include capitalized interest)	-	2,359	642,356	-	644,715
Balance at December 31, 2020	\$ 636,086	732,644	2,708,688	108,588	4,186,006
Balance at 1 January, 2019	\$ 636,086	618,652	1,204,468	89,719	2,548,925
Additions	-	13,586	218,130	16,031	247,747
Sales of assets	-	-	(4,483)	(380)	(4,863)
Disposals	-	-	(40)	(76)	(116)
Others (include capitalized interest)	-	2,698	664,688	57	667,443
Balance at December 31, 2019	\$ 636,086	634,936	2,082,763	105,351	3,459,136
Accumulated depreciation and impairment loss:					
Balance at January 1, 2020	\$ -	218,057	1,050,451	72,209	1,340,717
Depreciation for the year	-	26,535	260,279	10,108	296,922
Sales of assets	-	-	(43,590)	-	(43,590)
Disposals	-	-	(2,118)	(673)	(2,791)
Balance at December 31, 2020	\$ -	244,592	1,265,022	81,644	1,591,258

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

	Land	Building and construction	Machinery and equipment	Office and other facilities	Total
Balance at January 1, 2019	\$ -	198,655	948,731	64,656	1,212,042
Depreciation for the year	-	19,402	106,243	7,927	133,572
Sales of assets	-	-	(4,483)	(298)	(4,781)
Disposals	-	-	(40)	(76)	(116)
Balance at December 31, 2019	<u>\$ -</u>	<u>218,057</u>	<u>1,050,451</u>	<u>72,209</u>	<u>1,340,717</u>
Carrying amount:					
Balance at December 31, 2020	<u>\$ 636,086</u>	<u>488,052</u>	<u>1,443,666</u>	<u>26,944</u>	<u>2,594,748</u>
Balance at January 1, 2019	<u>\$ 636,086</u>	<u>419,997</u>	<u>255,737</u>	<u>25,063</u>	<u>1,336,883</u>
Balance at December 31, 2019	<u>\$ 636,086</u>	<u>416,879</u>	<u>1,032,312</u>	<u>33,142</u>	<u>2,118,419</u>

The Company's interest capitalized for purchasing property, plant and equipment for the years ended December 31, 2020 and 2019, were \$31,478 thousand and \$15,418 thousand, respectively, at a rate of 0.45%.

(g) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Computer Software
Cost:	
Balance at January 1, 2020	\$ 105,309
Additions	51,405
Balance at December 31, 2020	<u>\$ 156,714</u>
Balance at January 1, 2019	\$ 56,071
Additions	49,238
Balance at December 31, 2019	<u>\$ 105,309</u>
Accumulated amortization:	
Balance at January 1, 2020	\$ 21,976
Amortization for the year	33,317
Balance at December 31, 2020	<u>\$ 55,293</u>
Balance at January 1, 2019	\$ 4,965
Amortization for the year	17,011
Balance at December 31, 2019	<u>\$ 21,976</u>
Carrying value:	
Balance at December 31, 2020	<u>\$ 101,421</u>
Balance at January 1, 2019	<u>\$ 51,106</u>
Balance at December 31, 2019	<u>\$ 83,333</u>

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(h) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for equipment	\$ 36,322	593,288
Others	52,735	32,867
	\$ 89,057	626,155

(i) Short-term borrowings

	December 31, 2020	December 31, 2019
Credit loans	\$ 550,000	580,000
Import loans	56,960	194,870
	\$ 606,960	774,870
Unused short-term credit lines	\$ 2,886,240	2,594,619
Range of interest rates (%)	0.55%~0.76%	0.90%~1.99%

During the years 2020 and 2019 the increase amounts of short-term borrowings were \$606,960 thousand and \$774,870 thousand, respectively. The repayment amounts were \$774,870 thousand and \$899,295 thousand, respectively. Annual interest rate ranges of the short-term borrowings were 0.55%~0.76% and 0.90%~1.99%, respectively.

Please refer to notes 9 for disclosures of mortgaged and pledged assets.

(j) Bonds payable

	December 31, 2020	December 31, 2019
Unsecured convertible bonds issued	\$ 1,000,000	1,000,000
Discount on bonds payable and issue cost	(1,953)	(15,812)
Less: Accumulated transform	(219,100)	(96,800)
Current portion of unsecured convertible bonds	(778,947)	(887,388)
	\$ -	-

(i) For the years ended December 31, 2020 and 2019, the Company's recognized the interest expense of bond discount amortization both accounting to \$13,553 thousand.

(ii) The description of the issuance of unsecured bond (the fifth tranche)

On March 2, 2018, the Company issued three year and no any interest unsecured bond (the fifth tranche). The bond had an aggregate par value of \$1,000,000 thousand, and the offering price was 100.1% of the par value.

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TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

According to the rule for issuance and conversion of this unsecured convertible bond, the conversion price was in accordance with (i) one day, three day and five day before the base days (excluding base days), or (ii) the Company's closing price of the shares of simple arithmetic mean as the base price. The conversion price was NT\$63 per share on the issuance date. If the share increases, the Company should revise the conversion price of conversion bonds. The conversion price changed to \$55.1 dollars per share on July 22, 2020. The creditors can request to transfer the bond to the common stock, within the period between three months after the issuance date and the last convertible date. Within the period between three months after the issuance date and 40 days before the last convertible date, if the closing price of the Company's common shares on the TWSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, the Company may redeem all bonds at par value by cash. This convertible bond considers the period between two years after the issuance date as the selling back base days of the creditors selling back this convertible bond, and requires the Company use \$101.0025% of the par value (the realized rate of return is 0.5% after two years) to redeem this convertible bond. The Company accept the selling back requirement, and redeem this convertible bond by cash within five business days after the selling back base days. According to the rule for issuance and conversion of the unsecured convertible bond, the creditors can exercise the selling back requirement beginning March 2, 2019. Based on the conservative principle, the Company has classified all its convertible corporate bonds payable as current liabilities and listed them under the current portion of unsecured convertible bonds. However, it does not mean that they must be repaid in full within one year.

The Company issued unsecured convertible corporate bonds, separated its stock options and liabilities upon issuance in accordance with the regulations, and allocated the issuance cost to the components of liabilities and equity in proportion to the originally recognized amount, as follows:

Convertible bonds issued (deduct cost of issuance \$5,334 thousand)	\$ 995,666
Fair value of issued convertible bonds	(954,984)
Issuance of embedded non-equity derivative product (Financial liabilities)	<u>(1,194)</u>
Equity component-option	<u>\$ 39,488</u>

The fair value of the embedded non-equity derivative product was reassessed as liability \$0 thousand on December 31, 2020 and 2019. From January 1 to December 31, 2020 and 2019, effects of changes in fair value should be recognized \$0 thousand and \$3,055 thousand through loss on valuation of financial asset(liability).

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Notes to the Financial Statements

(k) Long-term borrowings

December 31, 2020				
	Currency	Rate range	Maturity date	Amount
Unsecured bank loans	NTD	0.45%	2027.07.06	\$ 9,000
	NTD	0.45%	2026.12.04	60,700
	NTD	0.45%	2025.03.28	35,850
	NTD	0.45%	2024.12.25	<u>164,000</u>
Total				<u>\$ 269,550</u>
Unused long-term credit lines				<u>\$ 930,450</u>

December 31, 2019				
	Currency	Rate range	Maturity date	Amount
Unsecured bank loans	NTD	0.70%	2026.12.04	\$ 41,500
	NTD	0.70%	2024.12.25	<u>58,000</u>
Total				<u>\$ 99,500</u>
Unused long-term credit lines				<u>\$ 1,100,500</u>

For the years ended December 31, 2020 and 2019 the amount of issuing were \$269,550 thousand and \$99,500 thousand, respectively. The interest rate were 0.45% and 0.7%, respectively.

For the years ended December 31, 2020 and 2019 the amounts of the Company's unsecured bank loans were \$170,050 thousand and \$99,500 thousand, respectively, with a grace period ranging from 3~5 years based on the contracts.

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan assets at fair value are as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ (67,538)	(68,476)
Fair value of plan assets	<u>45,151</u>	<u>43,757</u>
Net defined benefit liabilities	<u>\$ (22,387)</u>	<u>(24,719)</u>

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Notes to the Financial Statements

1) Composition of plan assets

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement. The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$45,151 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company in 2020 and 2019 were as follows:

	2020	2019
Defined benefit obligations on January 1	\$ (68,476)	(67,727)
Current service cost and interest cost	(510)	(1,052)
Remeasurement in net defined benefit liability		
— Actuarial gains and losses arising from financial assumptions	603	1,496
— Actuarial gains and losses arising from experience adjustments	(91)	(1,193)
Pension paid	936	-
Defined benefit obligations on December 31	<u>\$ (67,538)</u>	<u>(68,476)</u>

3) Movement in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company in December 31, 2020 and 2019 were as follows:

	2020	2019
Fair value of plan assets on January 1	\$ 43,757	41,314
Interest income	495	570
Remeasurement in net defined benefit liability		
— Return on plan assets (excluding interest income)	1,263	1,324
Contributions paid by the employer	572	549
Pension paid	(936)	-
Fair value of plan assets on December 31	<u>\$ 45,151</u>	<u>43,757</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Current service costs	\$ -	276
Net interest on net defined benefit liability	15	206
	\$ 15	482
	2020	2019
Cost of goods sold	\$ 10	285
Selling expenses	2	92
Administrative expenses	2	67
Research and development expenses	1	38
	\$ 15	482

5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Accumulative amount at January 1	\$ (3,894)	(5,521)
Recognized during the period	1,775	1,627
Accumulative amount at December 31	\$ (2,119)	(3,894)

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	2020.12.31	2019.12.31
Discount rate	0.500%~0.750%	0.750%~1.125%
Future salary increase rate	2.50%	3.00%

The expected allocation payment made by the Company to the defined benefit plans for the one-year period after the reporting date were \$(8) thousand.

For the year 2020 and 2019, the defined benefit obligation weighted average duration of the Company is between 3 years to 15.62 years and 3.43 years to 15.99 years, respectively.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact on the present value of the defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate	\$ (1,068)	1,107
Future salary increasing rate	1,070	(1,039)
December 31, 2019		
Discount rate	(1,193)	1,238
Future salary increasing rate	1,196	(1,160)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$14,451 thousand and \$15,441 thousand for the years ended December 31, 2020 and 2019, respectively.

(m) Income tax

(i) The components of income tax in the years 2020 and 2019 were as follows:

	2020	2019
Current tax expense		
Current period	\$ 50,950	102,849
Adjustment for prior periods	(4,924)	-
	<u>46,026</u>	<u>102,849</u>
Deferred tax income		
Origination of temporary differences	(1,660)	(38,431)
Total income tax expense	<u>\$ 44,366</u>	<u>64,418</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- (ii) There is no income tax recognized in other comprehensive income for the years 2020 and 2019.
- (iii) The Company's reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	2020	2019
Profit excluding income tax	<u>\$ 581,608</u>	<u>592,047</u>
Income tax	\$ 116,322	118,409
Net gains on security trading	(1,296)	(694)
Recognized income under equity method	(66,639)	(60,384)
Effect of tax estimated differences	-	4,057
Additional tax on undistributed earnings	-	204
Others	(4,021)	2,826
Total	<u>\$ 44,366</u>	<u>64,418</u>

- (iv) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

The Company's deferred tax assets have not been recognized in respect of the following items:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 7,597</u>	<u>11,185</u>

- 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets:

	Inventory obsolescenc e	Allowance for doubtful accounts	Unrealized gross profit	Others	Total
Balance at January 1, 2020	\$ 11,904	1,866	3,131	7,041	23,942
Recognized in profit or loss	2,269	-	(831)	(4,083)	(2,645)
Balance at December 31, 2020	<u>\$ 14,173</u>	<u>1,866</u>	<u>2,300</u>	<u>2,958</u>	<u>21,297</u>
Balance at January 1, 2019	\$ 5,477	1,453	3,425	6,854	17,209
Recognized in profit or loss	6,427	413	(294)	187	6,733
Balance at December 31, 2019	<u>\$ 11,904</u>	<u>1,866</u>	<u>3,131</u>	<u>7,041</u>	<u>23,942</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

Deferred tax liabilities:

	Recognized income under equity method	Others	Total
Balance at January 1, 2020	\$ (358,480)	(5,886)	(364,366)
Recognized in profit or loss	4,673	(368)	4,305
Balance at December 31, 2020	<u>\$ (353,807)</u>	<u>(6,254)</u>	<u>(360,061)</u>
Balance at January 1, 2019	\$ (389,346)	(6,718)	(396,064)
Recognized in profit or loss	30,866	832	31,698
Balance at December 31, 2019	<u>\$ (358,480)</u>	<u>(5,886)</u>	<u>(364,366)</u>

(v) As of December 31, 2020 and 2019, the income tax returns of the Company through the year 2018 were assessed by the Tax Authority.

(vi) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be transferred back in the short run. In accordance with paragraph A39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.

(n) Stockholders' equity

(i) Common stock

A resolution was passed during the general meeting of shareholders held on 14 June, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 10,000 thousand. Subsequently, a resolution was passed during the board meeting held on 30 October, 2019 for the issuance of 6,741 thousand ordinary shares under private placement, with par value of \$10 per share, amounting to \$299,975 thousand, with 18 November, 2019 as the date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities (December 28, 2020), and after applying for a public offering with the Financial Supervisory Commission.

Convertible bonds issued by the Company were converted into 2,219.60 thousand shares of common stock in 2020, with par value of \$10 per share, resulting in the premium to exceed the price of ordinary shares \$99,798 thousand, which was recognized as conversion premium of convertible corporate bonds under capital surplus. As of the date of the financial report was authorized for issuance, the related registration procedures were not completed, therefore, this premium was recognized as advance receipts for share capital.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

As of December 31, 2020, and 2019, the authorized capital amounted to \$3,600,000 thousand (including the amount of \$100,000 thousand authorized for the issuance of the employee stock options); the Company's outstanding capital amounted to \$2,494,539 thousand, respectively, with a par value of \$10 (dollars) per share.

(ii) Capital surplus

	December 31, 2020	December 31, 2019
Premium on shares issued above par value	\$ 639,859	639,859
Conversion premium of convertible corporate bonds	595,397	490,769
Treasury share transactions	153,027	132,627
Employee share options premium	24,378	24,378
Interest compensation payable on convertible corporate bonds	17,020	17,020
Employee share options	1,543	1,543
Convertible bond share options (note 6(j))	30,835	35,665
Change in affiliates recognized under equity method	54,206	52,882
	<u>\$ 1,516,265</u>	<u>1,394,743</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(iv) Special reserve

According to ROC SFB regulations, an ROC publicly listed company should retain its special reserve equal to any deductions from stockholders' equity before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings. The remaining earnings may be distributed as stockholders' dividends.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to \$302,149 thousand. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$302,149 thousand on December 31, 2020 and 2019.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Distribution of earnings and dividend policy

In accordance with the Company's articles of incorporation, if there are appropriate earnings at year-end, the after-tax earnings shall first be offset against any deficit, and 10% should be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equal the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

According to the stock dividend policy of the Company, in consideration of future capital needs, operational development, capital needs, international and domestic competitiveness, and stockholders' benefits, etc., cash dividends cannot be lower than 10% of total stock dividends. However, stock dividends instead of cash dividends are distributed if the cash dividends per share are less than \$0.2 (dollars).

The annual shareholders' meeting on June 16, 2020 and June 14, 2019, resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2019 and 2018 as follows:

	2019		2018	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 1.5000	<u><u>371,781</u></u>	3.0000	<u><u>723,339</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(vi) Treasury shares

In accordance with the Securities and Exchange Act, Article 28-2, in order to transfer shares to employees, as of December 31, 2020 and 2019 the Company repurchases 1,600 thousand shares, respectively, and the value is \$85,482 thousand, respectively.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

As of December 31, 2020 and 2019, a subsidiary of the Company, TSC Auto ID, held 13,600 thousand shares and 11,490 thousand shares of the Company with a total value of \$421,508 thousand and \$344,560 thousand, respectively, recognized under treasury shares.

As of year-end December 31, 2020 and 2019, the Company had recognized dividend income received from its TSC Auto ID subsidiary in the amount of \$20,400 thousand and \$34,470 thousand, respectively, and the total amounts were transferred to capital surplus – treasury shares under the equity method.

(vii) Other equity

	Foreign exchange differences arising from foreign operation
Balance at January 1, 2020	\$ (445,618)
Foreign exchange differences	(13,682)
Balance at December 31, 2020	<u><u>\$ (459,300)</u></u>
Balance at January 1, 2019	\$ (306,433)
Foreign exchange differences	(139,185)
Balance at December 31, 2019	<u><u>\$ (445,618)</u></u>

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020	2019
Primary geographical markets:		
Asia	\$ 2,057,790	1,963,956
America	515,946	488,366
Europe	1,031,126	1,168,354
Others	37,599	22,260
	<u><u>\$ 3,642,461</u></u>	<u><u>3,642,936</u></u>
Major products lines:		
Retifiers	<u><u>\$ 3,642,461</u></u>	<u><u>3,642,936</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and trade receivable (include related parties)	\$ 869,480	837,493	1,104,604
Less: allowance for impairment	(12,984)	(12,984)	(12,952)
Total	<u>\$ 856,496</u>	<u>824,509</u>	<u>1,091,652</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(p) Non-operating income and expenses

(i) Interest income

The Company's interest income detail was as follows:

	2020	2019
Interest income from bank deposits	<u>\$ 1,468</u>	<u>2,601</u>

(ii) Other income

	2020	2019
Rent income	\$ 1,077	1,077
Others	6,105	4,107
Interest capitalization transferred to revenue	10,872	-
Total	<u>\$ 18,054</u>	<u>5,184</u>

(iii) Other gains and losses

	2020	2019
Gains on disposals of property, plant and equipment	\$ 2,998	1,435
Gains on disposals of investments	6,478	3,468
Foreign exchange gains (losses)	(93)	6,246
Gains on financial asset at fair value through profit or loss	1,843	491
Other gains and losses	<u>\$ 11,226</u>	<u>11,640</u>

(iv) Finance costs

	2020	2019
Interest expense	\$ (21,785)	(28,519)
Plus: Interest capitalization	32,657	16,955
Less: Interest capitalization transferred to revenue	(10,872)	-
Other financial costs	(741)	(1,072)
Finance costs	<u>\$ (741)</u>	<u>(12,636)</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(q) Remunerations to employees and directors

In accordance with the Company's articles of incorporation, require that earnings shall first be offset against any deficit, then, a range from 4% to 10% will be distributed as employee remuneration and a maximum of 1% will be allocated as directors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The abovementioned directors' remuneration, which should be distributed in cash, and the amount of remuneration to employees, had been approved by the Board of Directors and will be reported during the shareholders' meeting.

The Company estimated its remuneration to employees amounting to \$37,523 thousand and \$38,197 thousand for the years ended December 31, 2020 and 2019, respectively, and estimated its remuneration to directors amounting \$6,254 thousand and \$6,366 thousand for the years ended December 31, 2020 and 2019, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. There were no differences between the estimated amounts reflected in the 2020 and 2019 financial reports, and the actual amounts approved by the Board of Directors. The related information can be accessed from market observation post system website.

(r) Earnings per share

(i) Basic earnings per share

	2020	2019
Net income	<u>\$ 537,242</u>	<u>527,629</u>
Weighted-average number of outstanding shares (thousands)	<u>234,963</u>	<u>230,438</u>
Basic earnings per share (\$)	<u>\$ 2.29</u>	<u>2.29</u>

(ii) Diluted earnings per share

	2020	2019
Net income	\$ 537,242	527,629
Effect of interest expense of convertible notes	10,842	10,842
Net income	<u>\$ 548,084</u>	<u>538,471</u>
Weighted-average number of outstanding shares (thousands)	234,963	230,438
Employee bonuses	900	997
Effect of conversion of convertible notes	16,207	15,196
Diluted weighted-average number of common shares outstanding (thousands)	<u>252,070</u>	<u>246,631</u>
Diluted earnings per share (\$)	<u>\$ 2.17</u>	<u>2.18</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets, represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

During 2020 and 2019, approximately 20% and 18% of the Company's revenue was attributable to sales transactions with a single customer. However, geographically, there was no concentration of credit risk.

3) Receivable and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flow	1 year	1-2 years	2-5 years	More than 5 years
December 31, 2020						
Non-derivative financial liabilities						
Short-term borrowings	\$ 606,960	608,081	608,081	-	-	-
Notes and accounts payable (include related parties)	739,235	739,235	739,235	-	-	-
Other payables to related parties	28,103	28,103	28,103	-	-	-
Bonds payable	778,947	858,990	858,990	-	-	-
Long-term borrowings	269,550	275,137	1,230	1,230	272,358	319
Derivative financial liabilities						
Exchange forward contract	1,216	1,216	1,216	-	-	-
	<u>\$ 2,424,011</u>	<u>2,510,762</u>	<u>2,236,855</u>	<u>1,230</u>	<u>272,358</u>	<u>319</u>
December 31, 2019						
Non-derivative financial liabilities						
Short-term borrowings	\$ 774,870	776,352	776,352	-	-	-
Notes and accounts payable (include related parties)	608,832	608,832	608,832	-	-	-
Other payables to related parties	24,730	24,730	24,730	-	-	-
Bonds payable	887,388	993,520	993,520	-	-	-
Long-term borrowings	99,500	103,617	100,208	706	2,114	589
Derivative financial liabilities						
Exchange forward contract	5	5	5	-	-	-
	<u>\$ 2,395,325</u>	<u>2,507,056</u>	<u>2,503,647</u>	<u>706</u>	<u>2,114</u>	<u>589</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020		December 31, 2019	
	Exchange rate	Amount (TWD)	Exchange rate	Amount (TWD)
<u>Financial assets</u>				
<u>Monetary Items</u>				
USD	\$ 28.4800	894,541	29.9800	970,731
EUR	35.0200	185,955	33.5900	136,141
JPY	0.2763	11	0.2760	39
RMB	4.3770	407,201	4.3050	177,147
KRW	0.0263	1,886	0.0260	1,981
		<u>\$ 1,489,594</u>		<u>1,286,039</u>
<u>Derivative financial instruments</u>				
USD	\$ 28.4800	<u>5,377</u>	29.9800	<u>2,323</u>
Investments accounted for the using equity method:				
USD	28.4800	2,725,963	29.9800	2,654,447
EUR	35.0200	26,990	33.5900	31,318
JPY	0.2763	84,558	0.2760	75,712
HKD	3.6730	544,381	3.8490	535,214
		<u>\$ 3,381,892</u>		<u>3,296,691</u>
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 28.4800	197,271	29.9800	362,403
EUR	35.0200	16,438	33.5900	13,917
JPY	0.2763	254	0.2760	4,139
RMB	4.3770	709,881	4.3050	436,955
KRW	0.0263	1,998	0.0260	2,040
		<u>\$ 925,842</u>		<u>819,454</u>
<u>Derivative financial instruments</u>				
EUR	\$ 35.0200	<u>1,216</u>	33.5900	<u>5</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets, financial liabilities and investment investments accounted for using equity method that are denominated in foreign currency.

A strengthening (weakening) of 3% of the NTD against the foreign currency as of December 31, 2020 and 2019, would have increased or decreased the net profit after tax by \$94,795 thousand and \$90,374 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019 (prior year).

3) Foreign exchange gains and losses of monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange gain (including realized and unrealized portions) amounted to \$(93) thousand and \$6,246 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

For the years ended December 31, 2020 and 2019, the Company's borrowing amounted to \$876,510 thousand and \$874,370 thousand, respectively. If the interest rate had increased by 1 basis points, the Company's one-year cash flow would have increased by \$8,765 thousand and \$8,744 thousand, respectively.

(v) Other price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follow, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

	For the years ended December 31			
	2020		2019	
	Other consolidated profit or loss after tax	Net income	Other consolidated profit or loss after tax	Net income
<u>Security price on the reporting date</u>				
Rise 1%	\$ -	-	-	-
Drop 1%	\$ -	-	-	-

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 5,377	-	5,377	-	5,377
Loans and receivables					
Cash and cash equivalents	421,732	-	-	-	-
Notes and accounts receivable (include related parties)	856,496	-	-	-	-
Other receivables	10,641	-	-	-	-
Other financial assets	55,603	-	-	-	-
Subtotal	1,344,472	-	-	-	-
Total	\$ 1,349,849	-	5,377	-	5,377

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

		December 31, 2020				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	1,216	-	1,216	-	1,216
Financial liabilities at amortized cost						
Borrowings		876,510	-	-	-	-
Notes and accounts payable (include related parties)		739,235	-	-	-	-
Bonds payable		778,947	-	-	-	-
Subtotal		2,394,692	-	-	-	-
Total	\$	2,395,908	-	1,216	-	1,216
		December 31, 2019				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Derivative financial assets	\$	2,323	-	2,323	-	2,323
Loans and receivables						
Cash and cash equivalents		373,454	-	-	-	-
Notes and accounts receivable (include related parties)		824,509	-	-	-	-
Other receivables		13,487	-	-	-	-
Other financial assets		55,516	-	-	-	-
Subtotal		1,266,966	-	-	-	-
Total	\$	1,269,289	-	2,323	-	2,323
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	5	-	5	-	5
Financial liabilities at amortized cost						
Borrowings		874,370	-	-	-	-
Notes and accounts payable (include related parties)		608,832	-	-	-	-
Bonds payable		887,388	-	-	-	-
Subtotal		2,370,590	-	-	-	-
Total	\$	2,370,595	-	5	-	5

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Fair value hierarchy transfer

There were no transfer from one level to another in December 31, 2020 and 2019.

(t) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

If the Company retains the rights to the products that have already been sold, the Company shall also have the right to require collateral if payment has not been received. The Company does not require any collateral for accounts receivable and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2020, no other guarantees were outstanding (2019: none).

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2020 and 2019, the Company's unused credit line were amounted to \$3,816,690 thousand and \$3,695,119 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Please refer to note 6(s)iii(1) for more details on currency risk exposure

2) Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios. The Company assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(u) Capital management

The Company sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interests of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interests plus net debt.

The Company's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 60% so as to ensure financing at reasonable cost. The gearing ratios on the reporting date were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 3,080,200	3,143,771
Less: cash and cash equivalents	421,732	373,454
Net liabilities	2,658,468	2,770,317
Total equity	5,827,688	5,606,711
Total capital	<u>\$ 8,486,156</u>	<u>8,377,028</u>
Debt-to-equity ratio	31%	33%

(7) Related-party transactions:

(a) Related-party transactions

The Company is the ultimate controlling party of the Consolidated Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Ever Energetic	Subsidiary
Ever Winner	Subsidiary
Skyrise	Subsidiary
TSCE	Subsidiary
TSCJ	Subsidiary
TSCH	Subsidiary
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	Subsidiary
TSC America, Inc. (TSCA)	Subsidiary
Shanghai Great Technology Trading Co., Ltd. (TSCC)	Subsidiary

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

Name of related party	Relationship with the Company
Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Subsidiary
Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell)	Subsidiary
TSC Auto ID Technology EMEA GmbH (TSCAE)	Subsidiary
TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Subsidiary
TSC Auto ID Technology Spain, S.L. (TSCAS)	Subsidiary
TSC Auto ID (H.K.) Ltd. (TSC HK)	Subsidiary
TSC Auto Technology America Inc. (TSCAA)	Subsidiary
Printronic Auto ID Technology Inc. (PTNX US)	Subsidiary
Tianjin TSC Auto ID Technology Co., Ltd. (TTSC)	Subsidiary
Shenzhen Printronix Auto ID Technology Co., Ltd. (SPTNX)	Subsidiary
Diversified Labeling Solutions, Inc. (DLS)	Subsidiary
Precision Press & Label, Inc. (PPL)	Subsidiary

(c) Significant transaction with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

Account	Name of related party	2020	2019
	Subsidiaries:		
Sales	TSCH	\$ 741,680	684,110
	TSCJ	252,949	279,738
	TSCA	199,975	265,522
	TSCC	93,986	73,396
	TSC Auto ID	1,410	1,795
		\$ 1,290,000	1,304,561

The selling price of the Company in the aforesaid sales by the Company to related parties is on the basis of cost-plus. The payment period for general purchasers is 30 to 120 days after monthly statement, while for the related parties, it is 90 to 120 days after monthly statement, which is subject to adjustment according to their funding needs. In addition, the payment amount between the Company and the related parties is settled on a net basis between receivables and payables.

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(ii) Purchase and processing fee

The amounts of significant purchases by the Company from related parties were as follows:

	2020	2019
Subsidiaries:		
Yangxin Everwell	\$ 1,867,363	1,785,279
Tianjin Everwell	299,457	22,700
TSCC	240,340	-
	<u>\$ 2,407,160</u>	<u>1,807,979</u>

The main raw material of the wafers in the rectifiers produced and sold by the Company, is produced by the Company itself or purchased by the Company or Tianjin Everwell as a purchasing agent, and after back-end packaging by Yangxin Everwell, the Company purchases the finished product therefrom. In accordance with the regulations, the Company does not recognize the relevant sales revenue and costs thereof. The amount of the wafers delivered in the aforementioned transaction model was \$966,955 thousand in 2020 and \$514,813 thousand in 2019, and the receivables were calculated based on a negotiated delivery price.

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Name of related party	December 31, 2020	December 31, 2019
	Subsidiaries:		
Account receivables	TSCH	283,412	244,393
	TSCJ	50,568	50,823
	TSCA	55,342	72,497
	TSCC	-	27,482
	TSC Auto ID	411	656
		<u>\$ 389,733</u>	<u>395,851</u>

(iv) Payables to related parties

The payables to related parties were as follows:

Account	Name of related party	December 31, 2020	December 31, 2019
	Subsidiaries:		
Accounts payable	Yangxin Everwell	\$ 472,728	398,114
	TSCC	47,717	-
	Tianjin Everwell	12,382	3,154
		<u>\$ 532,827</u>	<u>401,268</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(v) Commission expense

The Company's payable of commission expense accounts-related parties were stated as follows:

	2020	2019
Subsidiaries:		
TSCE	\$ 75,279	82,560
Tianjin Everwell	4,088	8,266
TSCA	5,246	6,259
	<u>\$ 84,613</u>	<u>97,085</u>

Regarding the net foreign sales revenue of the Company through foreign sales subsidiaries as an agent or the purchase of Tianjin Everwell for main wafer materials on behalf of Yangxin Everwell, the commissions are calculated on a monthly basis according to the terms of relevant commission contracts signed and paid after monthly statement. .

The Company's payable of commission expense accounts-related parties were stated as follows:

Account	Name of related party	December 31, 2020	December 31, 2019
	Subsidiaries:		
Other payables to related parties	TSCE	\$ 26,385	21,137
	Tianjin Everwell	1,167	1,980
	TSCA	454	1,495
		<u>\$ 28,006</u>	<u>24,612</u>

(vi) Others

The amounts of other receivables and payables arising out of reimbursed freight and insurance fees and other operating expenses are listed as below:

Account	Name of related party	December 31, 2020	December 31, 2019
	Subsidiaries:		
Other receivables	TSCH	\$ 638	293
	TSCC	25	34
	TSC Auto ID	7	-
		<u>\$ 670</u>	<u>327</u>
	Subsidiaries:		
Other payables to related parties	TSCH	<u>\$ 97</u>	<u>118</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employment benefits	\$ 67,685	73,812
Post-employment benefits	1,294	1,751
	\$ 68,979	75,563

(8) Pledged assets: None

(9) Commitments and contingencies:

The guarantee notes provided by the Company to the banks were as follows:

	December 31, 2020	December 31, 2019
TWD	\$ 2,623,200	2,590,000
USD	21,000	50,700

As of December 31, 2020 and 2019, the Company has unused letters of credit issued by the Company.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

The information on employee benefits, depreciation, and amortization expenses, by function, is summarized as follows:

By function By item	December 31, 2020			December 31, 2019		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	145,802	208,363	354,165	178,788	206,427	385,215
Labor and health insurance	16,553	13,180	29,733	18,482	14,378	32,860
Pension	8,688	5,778	14,466	9,421	6,502	15,923
Remuneration of directors	-	7,334	7,334	-	7,446	7,446
Others	11,199	4,675	15,874	13,318	4,984	18,302
Depreciation	281,767	15,155	296,922	121,957	11,615	133,572
Amortization	-	33,317	33,317	-	17,011	17,011

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019, the total numbers of employees and employee benefits were as follows:

	2020	2019
Number of employees	476	524
Number of directors who were not employees	3	3
The average employee benefits	\$ 876	868
The average salaries and wages	\$ 749	739
The adjustment rate of average employee salaries	1.35%	(12.13)%
The compensation to supervisor	\$ -	-

The Company's compensation policies (including directors, managers and employees) are as below:

(a) Directors and managers:

The Company has established a Remuneration Committee and formulated the “TAIWAN SEMICONDUCTOR Co., LTD. Remuneration Committee Charter”. The Remuneration Committee is responsible for professionally and objectively evaluating the compensation policies and systems for the Company's directors, supervisors and managers in accordance with relevant regulations. Based on the evaluation, the Compensation Committee is to propose suggestions to the Board of Directors for its decision-making reference. With the care of a prudent person, the Compensation Committee faithfully performs its duties and submits suggestions to the Board of Directors for discussion. It shall evaluate the achievement of the performance goals of the directors and managers regularly, and determine the content and amount of compensation based on the results from the performance evaluation standards, then submit them to the shareholders meeting.

(b) Employees

The Company has developed an objective salary system to attract outstanding talents externally while ensuring fairness and growth internally. The Company combines the policies regarding employee performance appraisal, salary and reward, and other benefits with its corporate social responsibility policies, thus establishing a clear and effective reward and punishment system. In accordance with the Articles of Incorporation and employee remuneration policies, the Company distributes the profits each year as per employee performance appraisal, making sure that employees enjoy the benefits of the Company's growth. Furthermore, employees are provided with training and policy publicity, so that they can fully understand the Company's relevant compensation and reward policies.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	TSC Auto ID	TSCAA	Other receivables	Yes	242,000	227,840	133,856	1.2%	2	-	Repayment of bank loans	-	None	-	710,243	1,420,486
2	TSC Auto ID	DLS	Other receivables	Yes	363,000	341,760	170,880	1.27%	2	-	Repayment of bank loans	-	None	-	710,243	1,420,486

Note 1: Necessity of short-term financing.

Note 2: Limitation on amount of loans to short-term financing company individually by TSC Auto ID is 20% of TSC Auto ID's net asset.

Note 3: Limitation on amount of loans to short-term financing company in total by TSC Auto ID is 40% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 30.25 NTD to USD on February 29, 2020.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
1	TSC Auto ID	TSCAA	2	1,420,486	332,750	227,840	56,960	-	9.37%	2,130,729	N	N	N

Note 1: Subsidiary of the Company.

Note 2: Limitation on amount of guarantees and endorsements for a specific enterprise is 40% of TSC Auto ID's net asset.

Note 3: Limitation on amount of guarantees and endorsement in total is 60% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 30.25 NTD to USD on February 29, 2020.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Note
				Shares/Units (thousands)	Carrying value	Fair value	
The Company	Applied Wireless Identifications Group, Inc.	-	Financial assets at fair value through profit or loss-current	243	-	-	
The Company	Third Dimension (3D) Semiconductor, Inc.	-	Financial assets at fair value through profit or loss-current	921	-	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock :None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms (Note 1)	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSCJ	Subsidiary	Sale	(252,949)	(7)%		-		50,568	6%	
The Company	TSCH	Subsidiary	Sale	(741,680)	(20)%		-		283,412	33%	
The Company	TSCA	Sub-subsidiary	Sale	(199,975)	(6)%		-		55,342	6%	
The Company	Yangxin Everwell	Sub-subsidiary	Purchase	1,867,363	65%		-		(472,728)	(64)%	(Note 2)
The Company	Tianjin Everwell	Sub-subsidiary	Purchase	299,457	10%		-		(12,382)	(2)%	
The Company	TSCC	Sub-subsidiary	Purchase	240,340	8%		-		(47,717)	(7)%	

Note 1: Open Account 90~120 days. Adjustments depend on demand for funds when necessary.

Note 2: Accounts payable presents at net.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	TSCH	Subsidiary	283,412	2.81%	-		148,515	-

Note 1: As of audit report date.

- (ix) Trading in derivative instruments: Please refer to notes 6(b).

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2020:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Ever Energetic	British Virgin Islands	Holding company and general import and export business	665,501	665,501	21,175	100.00%	1,319,394	68,188	68,188	Subsidiary
The Company	Ever Winner	British Virgin Islands	Holding company and general import and export business	465,127	465,127	16,010	100.00%	1,404,771	123,474	123,474	Subsidiary
The Company	Skyrise	British Virgin Islands	Holding company and general import and export business	2,845	2,845	50	100.00%	1,798	(48)	(48)	Subsidiary
The Company	TSCE	Germany	General import and export business	10,972	10,972	-	100.00%	26,990	(5,545)	(5,545)	Subsidiary
The Company	TSCJ	Japan	Trading of rectifiers	28,689	28,689	2	100.00%	84,558	8,802	8,802	Subsidiary
The Company	TSCH	Hong Kong	Trading of rectifiers	282,312	282,312	672	25.22%	544,381	177,670	42,051	Subsidiary
The Company	TSC Auto ID	Taiwan	Sale of bar code printers	163,728	163,728	15,453	36.38%	684,393	715,352	239,845	Subsidiary
Ever Energetic	TSCA	United States	Trading of rectifiers	258,520	258,520	6,750	75.00%	191,872	3,475	2,606	Subsidiary
Ever Energetic	TSCH	Hong Kong	Trading of rectifiers	571,628	571,628	985	36.96%	1,053,794	177,670	65,667	Subsidiary
Ever Winner	TSCA	United States	Trading of rectifiers	83,813	83,813	2,250	25.00%	63,957	3,475	869	Subsidiary
Ever Winner	TSCC	Mainland China	Trading of rectifiers	4,461	4,461	-	100.00%	187,724	55,499	55,499	Subsidiary
Ever Winner	TSCH	Hong Kong	Trading of rectifiers	792,254	792,254	1,008	37.82%	1,078,314	177,670	67,195	Subsidiary
TSCH	Yangxin Everwell	Mainland China	Trading of rectifiers	966,119	966,119	-	100.00%	2,020,285	96,132	96,132	Subsidiary
TSCH	Tianjin Everwell	Mainland China	Manufacture and sale of wafers	787,044	787,044	-	100.00%	572,411	35,230	35,230	Subsidiary
TSC Auto ID	TSCAE	Germany	Trading of bar code printers and other parts	2,943	2,943	-	100.00%	30,441	4,541	4,541	Subsidiary
TSC Auto ID	TSCAA	United States	Trading of bar code printers and other parts	1,096,621	1,096,621	16,000	100.00%	945,059	18,766	18,766	Subsidiary
TSC Auto ID	TSC HK	Hong Kong	Holding company and general import and export business	51,738	51,738	11,711	100.00%	493,495	84,423	84,423	Subsidiary
TSC Auto ID	Printronic AD	Taiwan	Trading of bar code printers and other parts	5,000	5,000	500	100.00%	5,688	1,640	1,640	Subsidiary
TSC Auto ID	PTNXUS	United States	Trading of bar code printers and other parts	63,021	63,021	-	5.00%	47,366	23,425	(353)	Subsidiary
TSC Auto ID	DLS	United States	Customization of design, integration and marketing of label papers and other parts	801,558	801,558	1	100.00%	843,395	73,667	73,667	Subsidiary

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Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
TSCAE	TSCAD	United Arab Emirates	Trading of bar code printers and other parts	8,234	8,234	-	100.00%	(5,340)	(281)	(281)	Subsidiary
TSCAE	TSCAS	Spain	Trading of bar code printers and other parts	124	124	-	100.00%	2,149	277	277	Subsidiary
TSCAA	PTNXUS	United States	Trading of bar code printers and other parts	45,319 (thousands USD)	45,319 (thousands USD)	-	95.00%	1,217,314	23,425	(6,468)	Subsidiary
DLS	PPL	United States	Manufacture and sale of bar code printers and other parts	115 (thousands USD)	115 (thousands USD)	850	100.00%	2,577	5,224	5,224	Subsidiary
TSC HK	TTSC	Mainland China	Trading of bar code printers and other parts	42,720	44,970	-	100.00%	496,796	80,022	80,022	Subsidiary
TSC HK	SPTNX	Mainland China	Trading of bar code printers and other parts	4,386	4,617	-	100.00%	12,251	4,401	4,401	Subsidiary

Note 1: Calculated by equity according to investee's audited financial report.

(c) Information on overseas branches and representative offices: None

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
TSCC	Trading of rectifiers	4,461	(3)	4,461	-	-	4,461	55,499	100.00%	55,499	187,724	-	91,811
Yangxin Everwell	Manufacture and sale of rectifiers	1,667,160	(3)	628,196	-	-	628,196	96,132	100.00%	96,132	2,020,285	-	250,864
Tianjin Everwell	Manufacture and sale of wafers	387,173	(3)	387,173	-	-	387,173	35,230	100.00%	35,230	572,411	-	452,102
TTSC	Manufacture and sale of bar code printers and other parts	45,959	(3)	42,720	-	-	42,720	80,022	36.38%	29,112	496,796	-	691,539
SPTNX	Manufacture and sale of bar code printers and other parts	4,377	(3)	4,386	-	-	4,386	4,401	36.38%	1,601	12,251	-	-

Note 1: Invest company in mainland China through the investment on company located at the third.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
938,993	1,850,353	3,496,613

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Fubon Life Insurance Co., Ltd		19,055,000	7.58%
TSC Auto ID		13,600,000	5.41%

Note (i):The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note (ii):If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the Consolidated report of 2020.

6.The company and its affiliates in the most recent year and as of the printing date of the annual report. Occurrence of financial difficulties: no such situation

7.The basis and basis of the assessment method of the asset-liability evaluation items in the financial statements :

Item	Asset and Liability Evaluation Subject	Basis of Evaluation	Basis of Evaluation
1	Allowance for loss of inventory depreciation	The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the duration. When determining whether the credit risk has increased significantly since the initial recognition, the merging company considers reasonable and verifiable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the historical experience of the merging company, credit assessment and analysis of forward-looking information.	The company's allowance for losses on receivables is mainly based on the economic environment, historical payment behaviors and extensive analysis of the credit ratings of the target customers. The allowance account for accounts receivable is used to record allowance losses, unless the company is convinced that the relevant money may not be recoverable, and when it believes that the money cannot be recovered, the allowance will be used to offset the financial assets.
2	Allowance for loss of inventory depreciation	Relying on sluggish inventory and aging analysis to be scrapped; Measured by the lower of cost and net realizable value, and compare them individually. Cost includes acquisition, production or processing costs and other costs incurred to make it available for use in locations and conditions, and is calculated using the first-in first-out method. The cost of finished goods and work-in-progress inventory includes manufacturing expenses that are amortized in proportion to normal production capacity. The net realizable value is calculated on the basis of the estimated selling price under normal operations on the balance sheet date minus the estimated cost to be completed and the estimated cost required to complete the sale.	(1) Good product: Measured by the lower of cost and net realizable value, and compare them individually (2) Products to be scrapped: 100%
3	Depreciation	Depreciation is calculated using	Except that the land does not need

Item	Asset and Liability Evaluation Subject	Basis of Evaluation	Basis of Evaluation
		the straight-line method based on the estimated useful life of the asset after deducting the residual value from the cost of the asset, and is evaluated based on the individual significant components of the asset. If the useful life of a component is different from the other parts of the asset, this component should be separately provided. Column depreciation. The withdrawal of depreciation is recognized as profit or loss. If the depreciation of leased assets can be reasonably confirmed that the company will acquire ownership at the end of the lease period, it shall be listed based on its useful life; the remaining leased assets shall be listed based on the shorter of the lease period and its useful life.	to be depreciated, the estimated service life of the current period and the comparative period are as follows: (1) Housing and construction: 5 to 55 years (2) Machinery and equipment: 2-10 years (3) Transportation equipment: 3 to 6 years (4) Office and other equipment: 3-10 years The depreciation method, service life and residual value are reviewed on each annual report day. If the expected value is different from the previous estimate, adjust it if necessary, The change shall be dealt with in accordance with the provisions on changes in accounting estimates.
4	Monetary assets	Such financial products include financial assets and receivables that are measured at fair value through profit and loss. Financial assets measured at fair value through profit or loss are held for trading or designated as financial assets measured at fair value through profit or loss. Financial assets held for trading are sold or repurchased in a short period of time because the main purpose of their acquisition or occurrence is to sell or repurchase them.	The initial recognition is measured at fair value, and the transaction cost is recognized as profit or loss when incurred; afterwards, it is measured at fair value, and then the resulting profit or loss (including related dividend income and interest income) is recognized as profit or loss.
Item	Asset and Liability Evaluation Subject	Basis of Evaluation	Basis of Evaluation
5	Impairment of financial assets	For financial assets, when determining whether the credit risk has increased significantly since the initial recognition, the merging company considers reasonable and verifiable information (which can be obtained without undue cost or investment), including qualitative and quantitative information, and according to the merger company's information Analysis of historical experience, credit evaluation and forward-looking information.	Expected credit loss is the probability-weighted estimate of the credit loss during the expected life of the financial instrument. Credit loss is measured based on the present value of all short-term cash receipts, that is, the difference between the cash flow that the merging company can receive under the contract and the cash flow that the merging company expects to receive. Expected credit losses are discounted at the effective interest rate of financial assets.

Item	Asset and Liability Evaluation Subject	Basis of Evaluation	Basis of Evaluation
			On each reporting date, the merging company assesses whether there are credit impairments for financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive gains and losses. When one or more events that have an adverse effect on the estimated future cash flow of a financial asset have occurred, the financial asset has been credit-impaired.
6	Delisting of financial assets	The company only delists financial assets when the contractual rights from the cash flow of the asset are terminated, or the financial asset has been transferred and almost all the risks and rewards of the asset's ownership have been transferred to other companies.	Same as left.
7	Impairment of non-financial assets	Regarding non-financial assets other than inventories and deferred income tax assets, the company assesses whether impairment has occurred on each reporting day, and estimates the recoverable amount of assets with signs of impairment. If the recoverable amount of an individual asset cannot be estimated, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs to assess the impairment.	The recoverable amount is the higher of the fair value of the individual asset or cash-generating unit minus the cost of disposal and its value in use. When evaluating the value in use, the estimated future cash flows are converted to the present value at a pre-tax discount rate, which should reflect the current market's assessment of the time value of money and the specific risks of the asset or cash-generating unit. If the recoverable amount of an individual asset or cash-generating unit is lower than the book amount, the book amount of the individual asset or cash-generating unit will be adjusted to the recoverable amount, and the impairment loss will be recognized. The impairment loss is immediately recognized in the current profit and loss. The company reassess on each reporting date whether there are signs that the impairment losses recognized for non-financial assets in previous years may no longer exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss shall be reversed to increase the carrying

Item	Asset and Liability Evaluation Subject	Basis of Evaluation	Basis of Evaluation
			amount of the individual asset or cash-generating unit to its recoverable amount, but not exceeding if the individual asset or cash-generating unit has not been recognized in the previous year When depreciation or amortization is listed, the book amount after depreciation or amortization should be deducted.

7. Review and analysis of financial status and operating results and risk issues

1. Review and analysis of financial status

1、Comparative Analysis Table for Financial Status

Unit:NTD\$'000

Item \ Year	2021 Year (Merged)	2020 Year (Merged)	Difference	
			Amount	%
Current assets	8,868,174	7,445,021	1,423,153	19.12%
Real estate, plant and equipment	4,501,135	4,562,886	-61,751	-1.35%
Intangible assets	1,412,442	1,530,728	-118,286	-7.73%
Other assets	1,204,220	1,091,838	112,382	10.29%
Total assets	15,985,971	14,630,473	1,355,498	9.26%
Current liabilities	4,304,035	4,542,988	-238,953	-5.26%
Non-current liabilities	2,454,427	2,238,896	215,531	9.63%
Total liabilities	6,758,462	6,781,884	-23,422	-0.35%
Equity attributable to owners of the parent company	7,026,655	5,827,688	1,198,967	20.57%
Equity	2,650,854	2,516,735	134,119	5.33%
Capital reserve	2,166,799	1,516,265	650,534	42.90%
Retained surplus	3,247,117	2,760,978	486,139	17.61%
Other rights	(531,125)	(459,300)	-71,825	15.64%
Treasury stock	(506,990)	(506,990)	0	0.00%
Non-controlling interests	2,200,854	2,020,901	179,953	8.90%
Total equity	9,227,509	7,848,589	1,378,920	17.57%

2. Description of major variations of accounting items: (The change ratio is less than 20%, and analysis and explanation are exempted).

- (a) The increase in equity attributable to owners of the parent company was mainly due to the substantial increase in revenue and net profit of rectifier products.
- (b) The increase in capital reserve was mainly attributable to the increase in the number of changes in related companies recognized using the equity method.

3. The impact of major changes in current liabilities and long-term liabilities due within one year in the last two years and future response plans:

The company's current liabilities in 2021 decreased by NT\$238,953 thousand compared with that in 2020, mainly due to a decrease of NT\$480,528 thousand in short-term bank loans and a decrease of NT\$778,947 in convertible corporate bonds due within one year. Based on the quarterly financial report, the company's consolidated working capital is NT\$4,564,139 thousand, which is sufficient to cover changes in current liabilities.

2. Review and analysis of financial performance

1. Comparative analysis of financial performance

Unit : NTD\$'000

Item \ Year	2021 Year (Merged)	2020 (Merged)	Increase or decrease Amount	Change ratio
Net operating income	13,177,417	10,390,279	2,787,138	26.82%
Operating cost	9,049,696	7,219,036	1,830,660	25.36%
Operating margin	4,127,721	3,171,243	956,478	30.16%
Operating expenses	2,218,814	1,909,650	309,164	16.19%
Business interest	1,908,907	1,261,593	647,314	51.31%
Non-operating income and expenses	38,725	67,221	(28,496)	-42.39%
Net profit before tax	1,947,632	1,328,814	618,818	46.57%
Income tax expense	565,737	336,465	229,272	68.14%
Net profit for the period	1,381,895	992,349	389,546	39.25%
Other comprehensive profit and loss_(net after tax)	(112,081)	(53,424)	(58,657)	109.80%
Total comprehensive profit and loss for the current period	1,269,814	938,925	330,889	35.24%
Net profit for the period attributable to the owners of the parent company	882,805	537,242	345,563	64.32%
Non-controlling interests	499,090	455,107	43,983	9.66%
The total comprehensive profit and loss is attributable to the owners of the parent company	809,542	525,988	283,554	53.91%
Total comprehensive profit and loss attributable to non-controlling interests	460,272	412,937	47,335	11.46%
Earnings per share (NT\$)	3.55	2.29	1.26	55.02%

Analysis and explanation of the increase and decrease ratio:

In 2021, the Company showed significant growth in overall performance as compared with 2020, mainly due to the Company's active and continuous deployment of vehicle electronics, industrial control, servers, and analog IC in the area of rectifiers, the operation of barcode printing machine products in various label papers and its consumables grew, the overall cost, gross profit, and expenses were well controlled, and in addition; increase in gain on recognition of the transfer of investment and exchange gain; The decrease in non-operating income and expenses from the previous period was mainly due to the impact of government grant income in 2020. In summary, the net profit before tax for 2021, net profit for the current period, total consolidated profit or loss for the current period, and net profit for the current period attributable to owners of the parent companies all increased significantly compared to 2020.

2. Analysis of changes in operating gross profit:

The main business items sold by the relevant operating departments of the company in 2021 are the manufacturing and trading of rectifiers and bar code printers. The gross profit margin for the Republic of China in 2021 is 31.32%, and the gross profit margin for 2020 is 30.52%, and the rate of change is 2.62%. If the range is less than 20%, analysis and explanation are exempted.

3. Review and analysis of cash flow

1. Liquidity analysis in the last two years

Item \ Year	2021 Year	2020 Year	Increase or decrease ratio (%)
Cash flow ratio	46.29	32.22	43.67%
Allowable cash flow ratio	95.19	81.54	16.74%
Cash reinvestment ratio	11.36	9.30	22.15%
Analysis and explanation of the increase and decrease ratio: (a) The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities and decrease in current liabilities. (b) The increase in the cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities, decrease in property, plant and equipment, decrease in assets of use and intangible assets.			

2、Analysis of cash liquidity in the coming year (2022)

Unit: NTD\$'000

Beginning cash balance (1)	Estimated annual net cash flow from operating activities (2)	Estimated annual cash outflow from non-operating activities (3)	Estimated cash surplus (insufficient) amount (1)+(2)+(3)	Remedial measures for expected cash shortage	
				Investment plan	Financing plan
2,701,648	3,000,000	(2,500,000)	3,201,648	—	Bank loan

(1) Analysis of cash flow changes in the next year:

(a) The net cash inflow from operating activities is mainly the cash inflow generated by the company's operations.

(b) The cash outflow is mainly due to the cash dividends paid to shareholders in response to operating needs, estimated capital expenditures and the 2021 earnings distribution plan.

(2) Remedial measures and liquidity analysis of estimated cash surplus (insufficient): The company's estimated cash outflow in the next year is mainly due to future operating needs. In addition to the cash inflow from operating activities, it will be used when the cash balance is insufficient. Respond with bank borrowings.

4. The impact of major capital expenditures in the most recent year on financial operations:

The company and its subsidiaries purchased machinery and equipment and other real estate, plant and equipment for a total amount of NT\$525,777,000 in 2021. The main reason is that the company and its subsidiary TSC Auto ID Technology will replace some of the machinery and equipment or automation needs in response to future operational needs, expected to improve the process capability, strengthen product research and development, and improve product quality to meet customer needs, a positive effect on the company's financial business.

5. The reinvestment policy in the most recent year, the main reason for its profit or loss, improvement plan and investment plan for the next year:

1. Reinvestment policy

The company's newly-increased reinvestment will focus on semiconductor-related businesses, and will gradually reduce non-core issues.

Industry re-investment; other financial assets held at cost, reported on the date of deposit financing

For the measurement of production impairment, the reasonable estimate of its fair value cannot be reasonably assessed, so it cannot reliably measure the amount.

2.Reinvestment situation and main reasons for profit or loss

Unit : NTD\$'000

Reinvestment company	Investment gains and losses in the most recent (2021) year	The main reason for profit or loss	Improvement Program
Ever Energetic Int.l Ltd.	124,241	Mainly the costs and expenses of the mainland plant are properly controlled, and the profits have increased compared with the same period last year.	Continue to expand the market to increase revenue
Ever Winner Int'l Co., Ltd.	251,203	Mainly the costs and expenses of the mainland plant are properly controlled, and the profits have increased compared with the same period last year.	Continue to expand the market to increase revenue
Skyrise Int'l Ltd.	(32)	The main department's annual fee has an impact.	None
Taiwan Semiconductor Europe GmbH (TSCE)	9,203	Mainly the European region was affected by the Sino-U.S. trade war and COVID 19, and its profits decreased compared with the same period last year.	Continue to expand the market to increase revenue
Taiwan Semiconductor Japan Ltd.(TSCJ)	17,177	Mainly the Japanese region was affected by the Sino-U.S. trade war and COVID 19, and its profit decreased compared with the same period last year.	Continue to expand the market to increase revenue
Taiwan Semiconductor (H.K.) Co., Ltd.(TSCH)	288,847	Mainly due to the recovery of the mainland domestic market, profits increased compared with the same period last year.	Continue to expand the market to increase revenue
TSC Auto ID Technology Co.	264,996	The main bar code printers were affected by the Sino-US trade war and COVID 19, and their profits decreased compared with the same period last year.	Continue to expand the market to increase revenue
TSC America	20,145	The main market in the Americas has recovered, and profits have increased over the same period last year.	Continue to expand the market to increase revenue
Shanghai Great International Trade Co.	134,484	The operation of main line rectifiers has been warmed up by the mainland domestic market, and profits have increased compared with the same period last year.	Continue to expand the market to increase revenue

Reinvestment company	Investment gains and losses in the most recent (2021) year	The main reason for profit or loss	Improvement Program
Yangxin Everwell Electronics Co.	163,774	Mainly the mainland factories are affected by the market rebound and their costs and expenses are controlled appropriately, and their profits have increased compared with the same period last year.	Continue to expand the market to increase revenue
Tianjin Everwell Technology Co.	63,071	The operation of main line rectifiers has been warmed up by the mainland domestic market, and profits have increased compared with the same period last year.	Continue to expand the market to increase revenue
TSC Auto ID Technology EMEA GmbH (TSCAE)	3,266	Due to the impact of the Sino-U.S. trade war and COVID 19, the European region of the main bar code printer has a lower profit than the same period last year.	Continue to expand the market to increase revenue
TSC Auto ID (H.K.) Ltd. (TSCHK)	97,144	The mainland factory of the main bar code printer is affected by the market recovery and the cost and expense are controlled properly.	Continue to expand the market to increase revenue
TSC Auto Technology America Inc. (TSCAA)	9,409	Mainly bar code printer operation growth and proper cost and expense control.	Continue to expand the market to increase revenue
Printronic Auto ID Technology Ltd.	(262)	The main bar code printer has stable performance, and the cost and expense are properly controlled..	None
Printronic Auto ID Technology Inc. (PTNX US)	(8,627)	Mainly the stable performance of TSC Auto ID Technology and TSCAA, and the proper control of costs and expenses.	Continue to expand the market to increase revenue
TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	(666)	Mainly revenue decline and expense increase	Continue to expand the market to increase revenue
TSC Auto ID Technology Spain, S.L. (TSCAS)	300	Mainly stable performance in Spain	None
Tianjin TSC Auto ID Technology Ltd.	107,462	Mainly due to the performance growth of the mainland domestic market and the proper control of the costs and expenses of investment in mainland plants.	None

Reinvestment company	Investment gains and losses in the most recent 2021 year	The main reason for profit or loss	Improvement Program
Shenzhen Printronix Auto ID Technology Co., Ltd.	(723)	Mainly revenue decline and expense increase	None
Diversified Labeling Solutions Inc.	109,410	The operating growth of various label papers and consumables of the main printers, as well as the proper control of costs and expenses	Continue to expand the market to increase revenue
Precision Press & Label, Inc.	10,271	The operating growth of various label papers and consumables of the main printers, as well as the proper control of costs and expenses	Continue to expand the market to increase revenue
TSC Auto ID Technology India Private Ltd.	(63)	New Company	None

3. Investment plan for the next year

The company will uphold the existing reinvestment policy and make investment at the appropriate time based on changes in the industrial environment.

6. Analysis and assessment of risk issues in the most recent year and as of the date of publication of the annual report:

1. The impact of interest rate, exchange rate changes, and inflation on the company's profit and loss and future countermeasures:

Unit : \$NTD'000

Item	Impact on the company's profit and loss		
	Subject	2021 Year	Season 1 of 2022 (consolidated)
Interest rate	Interest expense	30,911	6,567
Exchange rate changes	Net conversion (profit) and loss	17,313	68,318
Inflation	—	—	—

(1) The impact of interest rate, exchange rate changes, and inflation on the company's profit:

The company monitors the company's cash position and plans appropriate financing channels to control liquidity risk for financial assets and financial liabilities risk exposure. The company's working capital is sufficient to meet the cash demand when the long-term and short-term loan contracts expire, so there is no liquidity risk of raising funds to repay the loan. The sensitivity analysis is determined based on the interest rate risk of derivative and non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year. The rate of change used by the company when reporting interest rates internally to key management is an increase or decrease of 1% in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases or decreases by 1% and all other variables remain unchanged, the company's net profit before tax for the year of 2020 will decrease or increase by NT\$24,707,000, mainly due to the company's variable interest rate bank borrowings.

(2) The company's specific measures in response to exchange rate changes:

(a) The company regularly analyzes the exchange rate trend, monitors the company's cash position at any time and makes appropriate plans Financing channels, assess the interest rate of bank borrowings, and keep in close contact with the bank so as to grasp the latest changes in foreign exchange rates to control liquidity risks.

(b) Engage in forward foreign exchange transactions to avoid the exchange rate risk of foreign currency accounts receivable to offset foreign exchange Possible risks.

(c) Adjust foreign currency deposits in a timely manner based on capital status and exchange changes.

(3) The impact of inflation and corresponding measures:

As the price of oil and electricity rises, the price of raw materials rises, causing pressure to rise. The company's current strategy is to reduce the cost of raw materials and increase high additional prices through continuous research and development.

Value products to reduce the impact of inflation on the rise of raw materials.

2. Policies for engaging in high-risk, high-leverage investments, fund loans to others, endorsements, and derivative commodity transactions, the main reasons for profit or loss, and future countermeasures:
 - (1) The company does not engage in high-risk, high-leverage investments and fund loans to others.
 - (2) Endorsement guarantee: According to the company's endorsement guarantee method, as of the printing date of the annual report, this company The company has no endorsement to guarantee the situation.
 - (3) Derivative commodity trading:
 - (a) Policy:

The principle of hedging purpose is to conduct reverse hedging transactions against the risks of market price fluctuations in interest rates and exchange rates for assets or liabilities that the company actually owns or is determined to own.
 - (b) The main reason for profit or loss:

Due to the impact of exchange rate changes.
 - (c) Future response measures:

In addition to the special personnel responsible for derivative commodity transactions, the company also distributes regular or irregular distributions. Analysis and discussion in order to minimize foreign exchange risk.
3. Future R&D plans and estimated R&D expenses:
 - (1) New products and services planned to be developed
 - a. Wafer products (progress→under development):
 - (1) Lower loss Schottky wafer Trench Schottky wafer
 - (2) High voltage (>200V) Schottky wafer
 - (3) Industrial grade high voltage 1200V fast recovery wafer
 - (4) Industrial grade faster (Trr<15nS) recovery wafer
 - (5) Low-loss planar process diode wafer
 - (6) Ultra-low loss trench diode wafer
 - (7) High voltage (220V-550V) surge suppressor wafer
 - (8) Low voltage (<10V) surge suppressor wafer
 - b. Packaged products (progress→under development): comprehensively improve quality, automated production and high power Rate SMD fully automated production line established
 - (1) PDFN56 (U-foot Wettable Flank Lead design)
 - (2) SMPC (U-foot Wettable Flank Lead design)
 - c. Barcode printer products: Regarding matters to be disclosed by the barcode printer department (TSC Auto ID Technology), TSC Auto ID

Technology (stock code: 3611) has compiled its own annual report, please Refer to the company's annual report.

- (2) Estimated investment in research and development expenses: The estimated investment in research and development expenses incurred by all merged companies in the year 2022 is NT\$387,767,000.
- (3) Estimated time to complete mass production: It is expected to be completed in 2022-2024 years.
- (4) The main factors affecting the success of research and development in the future: manpower and process design.

- 4. The impact of important domestic and foreign policies and legal changes on the company's financial business and corresponding measures:

The company pays attention to important domestic and foreign policies and legal changes at any time, and evaluates the possible impact. There has been no major policy or legal change that has adversely affected the company's financial business in the recent year.

- 5. The impact of technological changes and industrial changes on the company's financial business and corresponding measures:

The company's rectifier products are the basic parts of electronic products. The changes in technology still require the use of the company's products, and the company actively invests in research and development, promotes the application of the company's products, and improves competitiveness. This is the goal of the company's efforts.

- 6. The impact of corporate image changes on corporate crisis management and countermeasures:

The company has always been committed to maintaining a good corporate image and complying with laws and regulations, and there is nothing that affects the corporate image.

- 7. Expected benefits and possible risks of mergers and acquisitions: No such situation.

- 8. Expected benefits and possible risks of expanding the plant:

In terms of rectifier products, the company's expanded plant is for use by the semiconductor division. These products are the company's current main products. The relevant personnel have many years of operating experience, regardless of suppliers, customers, and production processes. A high degree of mastery will effectively reduce the risk of plant expansion and increase the company's revenue.

9. Possible risks faced by purchase or sale of goods:

In order to reduce credit risk, the company continuously evaluates the financial status of customers and the possibility of recovery of their accounts receivable, and makes appropriate allowances for bad debts. Major customers have good credit records in the past, and in accordance with internal control regulations for suppliers, relevant units are required to do a good job in supplier management, and the company has a large customer base and suppliers, and does not significantly concentrate on transactions with a single customer or supplier. Therefore, The company has never suffered major credit risk losses due to these major customers or suppliers.

10. Directors, supervisors or major shareholders holding more than 10% of the shares, transfer or replacement of a large number of shares impact on the company and risks: No such situation.

11. The impact and risk of the change of operating rights on the company: no such situation.

12. Major litigation, non-litigation or administrative litigation in which the company's directors, supervisors, managers, substantive persons in charge, major shareholders holding more than 10% of the shares, and affiliated companies have determined or are still in the family For events whose results may have a significant impact on shareholder rights or securities prices, the facts in dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling conditions as of the printing date of the annual report should be disclosed: no such circumstances.

13. Other important risks and corresponding measures: None.

7. Other important matters:

1. Financial risk management:

(1) Summary: The company is exposed to the following risks due to the use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(2) Risk management structure

The board of directors is solely responsible for establishing and supervising the company's risk management structure, and is responsible for developing and controlling the risk management policies of the combined company.

The establishment of the company's risk management policy is to identify and analyze the risks faced by the company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are regularly reviewed to reflect market conditions and changes in the company's operations. The company develops a disciplined and constructive control environment through training, management standards and operating procedures, so that all employees understand their roles and responsibilities.

The audit committee of the company supervises how management personnel monitor the compliance of the company's risk management policies and procedures, and review the appropriateness of the company's risk management structure for the risks they face. Internal auditors assist the audit committee of the company to play a supervisory role. These personnel conduct regular and exceptional review of risk management controls and procedures, and report the review results to the Audit Committee.

(3) Credit risk

Credit risk is the risk of the company's financial loss due to the inability of customers or financial instrument counterparties to fulfill contractual obligations, and mainly comes from the company's accounts and investments receivable from customers.

(a) Accounts receivable and other receivables

The company has established a credit policy. According to this policy, the company must analyze the credit rating of each new customer individually before granting standard payment and shipping conditions and terms. The company's review includes, if available, an external rating, and in some cases, a note from the bank. The purchase limit is established based on individual customers and represents the maximum outstanding amount that does not need to be approved by the board of directors. This limit is regularly reviewed. Customers who do not meet the company's benchmark credit rating can only trade with the company on an advance receipt basis.

If the sale of goods has a retention-of-title clause, the company may have the right to claim for security in the event of non-payment. The company does not require collateral for accounts receivable and other receivables.

(b) Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the company's financial department. Since the company's transaction partners and contract performance parties are creditworthy banks and financial institutions, corporate organizations and government agencies with investment grade and above, there are no major performance concerns, so there is no major credit risk.

(c) Guarantee

The company's policy stipulates that only financial guarantees can be provided to fully owned subsidiaries. As of December 31, 2021, the company has not provided any endorsement guarantee.

(4) Liquidity risk

The company manages and maintains sufficient cash and cash equivalents to support the company's operations and reduce the impact of cash flow fluctuations. The company's management personnel supervise the use of bank financing lines and ensure compliance with the terms of the loan contract. Bank loans are an important source of liquidity for the company. As of December 31, 2021, the company's unused bank financing line was NT\$6,433,463,000.

(5) Market risk

Market risk refers to the risk that changes in market prices, such as exchange rates, interest rates, and equity instrument prices, affect the company's earnings or the value of financial instruments held. The goal of market risk management is to control the risk of market risk within a tolerable range and to optimize the return on investment. To manage market risks, the company engages in derivative transactions, which in turn generates financial assets and liabilities. All transactions are executed in accordance with the guidelines of the Risk Management Committee.

(a) Exchange rate risk

The company regularly analyzes the trend of foreign exchange rates, monitors the company's cash position at any time, and plans to raise funds appropriately. Capital channels, assess the interest rate of bank borrowings, and keep in close contact with the bank to keep abreast of the most.

To control the liquidity risk due to changes in the interest rate of Xinhui, the company engages in forward foreign exchange transactions. Avoid the exchange rate risk of foreign currency accounts receivable to offset the risks that may arise from foreign exchange and consider the capital foreign currency deposits shall be adjusted in due course on the status and exchange rate changes.

(b) Interest rate risk

The company's policy is to ensure that the risk insurance against changes in borrowing interest rates is based on a fixed interest rate.

(c) Other market price risks

The company incurs equity price risk insurance due to equity securities investment in the listed counter. The equity investment is not

Holding for trading is a strategic investment. The company does not actively trade these investments, and the company's management personnel manage risks by holding a portfolio of different risk investments. In addition, the company assigns a specific team to monitor price risk and evaluate when to increase the risk-averse position.

2. Risk management policies and procedures, disclosure of risk management scope, organizational structure, and its operation

(1) Risk management policies and procedures

The Company has already set the "Measures for the Management of Professional Ethics Risk Assessment", "Measures for the Management of Social Responsibility Risk Assessment", "Procedures for the Identification and Risk Management of Safety and Health Hazards", "Procedures for the Operation of Risk and Opportunity Management" and "Procedures for the Identification and Management of Environmental Considerations" as the guiding principles for the Company's Risk Management. The Company periodically evaluates exposures and prepares risk management policies for each risk exposure annually, covering management objectives, organizational structure, accountability and risk management procedures, and execution of such mechanisms to effectively identify, measure and control risks of the Company, to control risks arising from business activities to an acceptable extent. Performance of 2021 was reported to the Board of Directors on 28 March 2022.

(2) Risk management scope

The Company is committed to proactively and cost-effectively integrating and managing all potential risks such as strategies, operations, finance and hazards that may affect its operations and profitability by identifying potential risks through risk categories with the objective of providing appropriate risk management to all stakeholders. The Company's risk management includes all internal processes and activities, including: management of "market risk", "clearance risk", "professional ethics risk", "financial risk", "social responsibility risk", "raw material risk", "water resource risk", "climate change risk", "occupational safety and health risk", "environmental risk", "natural disaster risk" and "Information Security Risks", etc.

(3) Organizational Structure

- (a) The Board oversees the Company's risk management structure to develop and control the risk management policies of the Consolidated Companies.

The responsible department of the risk control unit of the Company is the "general manager's office", which is responsible for the definition, establishment, execution, recording, maintenance and continuous and effective management of risk procedures and is responsible for the guidance. The Company's risk management policy is established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor compliance with risk and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the operations of the Company. The Company develops a disciplined and constructive control environment through training, management standards and operation procedures to enable all employees to understand their roles and obligations.

The audit committee of the Company reviews how management monitors the Company's risk management policies and procedures and review the adequacy of the Company's risk management framework for risk exposures. The internal audit staff assist the audit committee of the Company in its review. These personnel review risk management controls and procedures on a regular and exceptional basis and report the findings to the Audit Committee.

(b) Risk Management Organization Table

Important risk assessment items	The first layer and risk control (each department unit being in charge of)	Second-level risk review and control	The third level of risk review and control	Implementation effectiveness review at the fourth level
1. Interest rate, exchange rate and financial risks	Finance Department	Factory Supervisor or Associate or Vice President	President or Chairman	Auditing unit: risk inspection, evaluation, supervision, improvement tracking, and reporting
2. Fund loans to others, endorsement guarantee operations, derivative commodity transactions and financial wealth management investment	Finance Department			
3. R&D plan	R&D Department			
4. Corporate Image	Management Department of General Management			

Important risk assessment items	The first layer and risk control (each department unit being in charge of)	Second-level risk review and control	The third level of risk review and control	Implementation effectiveness review at the fourth level
	Office, various plant affairs departments			
5. Expansion or production	Manufacturing departments			
6. Investment, reinvestment and M&A benefits	President's Office, Finance Department and related units			
7. Changes in policies and laws	President's Office, General Management Office Management Department, and Factory Affairs Departments			
8. Changes in the equity of directors, supervisors and major shareholders	President's Office, Board of Directors			
9. Litigation and non-litigation matters	Legal Affairs Department, General Management Office Management Department, and Factory Affairs Departments			
10. Personnel conduct, ethics and ethics	Management Department of General Management Office, various plant affairs departments			
11. Compliance with SOP and regulations	Supervisors at all levels			

(4) Operation

The Group has established a internal control system in accordance with the " Regulations Governing Establishment of Internal Control Systems by Public Companies ", which is effectively implemented and regularly reviewed to ensure the system is designed and implemented in a sustainable manner in response to changes in the internal and external environment. Risk management policies and organizations, identifying risk events as responsible actions for strengthening the operations of the Company, implementing various risk controls, reducing operational risks and crises, and achieving the goal of sustainable operation.

The Company actively promotes the implementation of the risk management mechanism and reports its operations to the Board once a year.

The principal operating situations in 2021 are as follows:

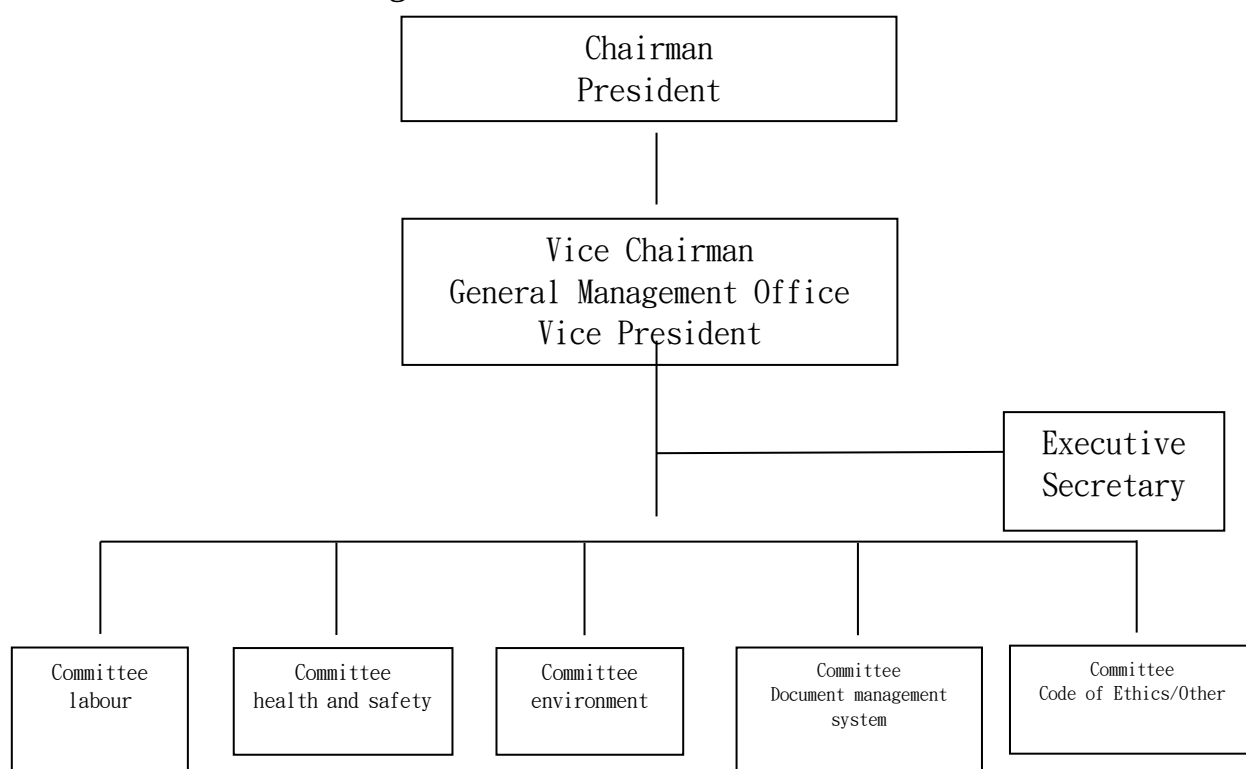
(a) The general manager office establishes the risk management policy of the Company.

(b) The Audit Unit shall perform the risk identification and annual audit for potential risks.

(c) Strengthening the implementation of risk management mechanisms and the unit supervision of the General Manager Office.

(d) The concept of risk management was promoted by the RBA members to enhance the Company's operational risk cultural awareness and awareness.

RBA Electronic Industry Code of Conduct
Organizational chart of the Committee



(5) Risk assessment and related risk management policies or strategies

The Company carries out risk assessment on key issues in relation to the principle of materiality in corporate sustainable development and sets relevant risk management policies or strategies based on the risk arising from the evaluation. In addition; The Company's control of risks requires the involvement of relevant units to be informed, and legal advisers or audit units to be advised if necessary. In normal times, if it is found that there is an immediate risk, it may also report to the superior immediately for proper prevention. Major matters such as investment and financial management, signing of important contracts and major procurement cases shall be reviewed at meetings and regularly reviewed by the audit unit.

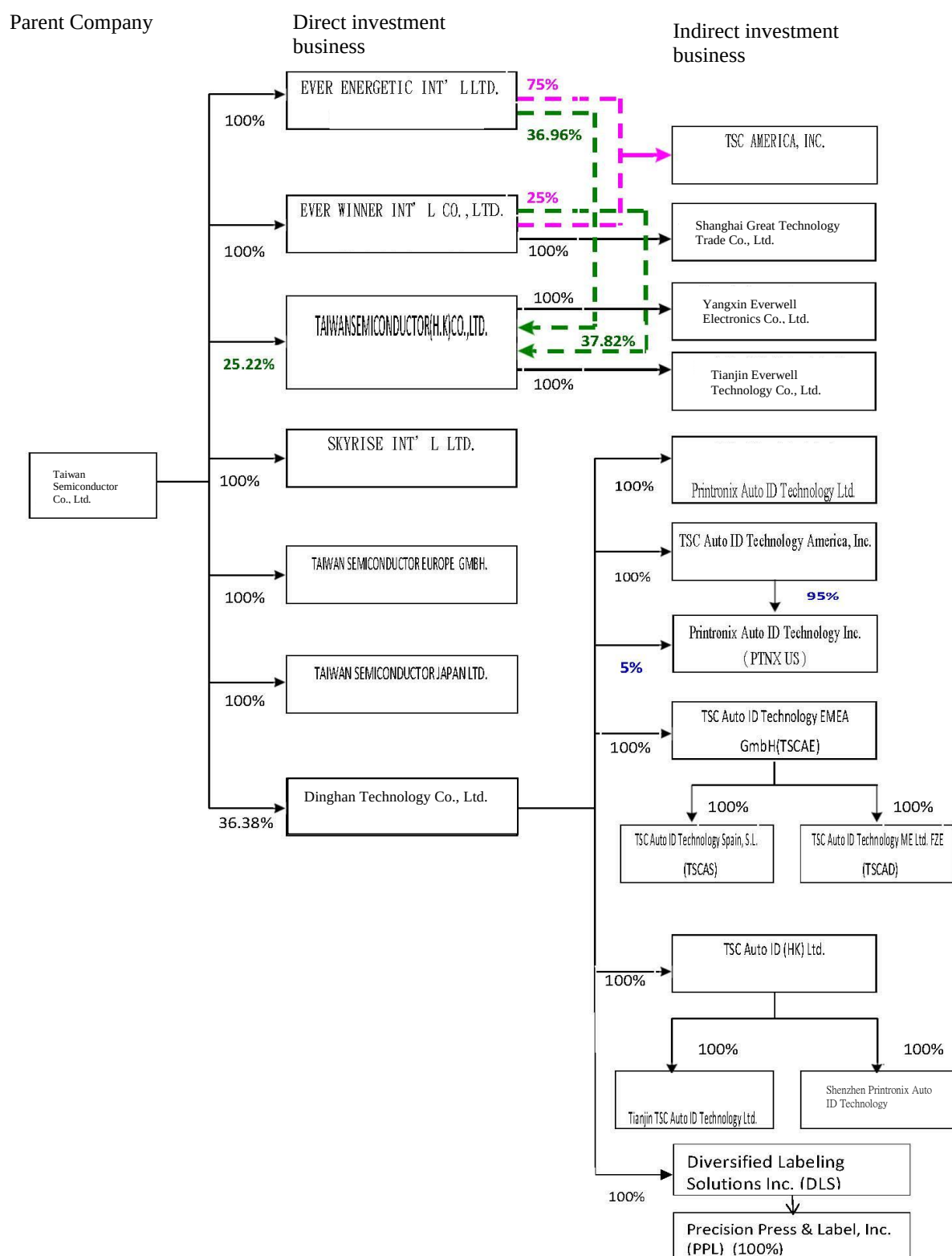
8. Special records

1. Related information of related companies

1. Consolidated business report of affiliated companies

(1) The overview of the affiliates (2021.12.31)

Affiliated company organization chart



The description of the relationship enterprise diagram is as follows:

- (1) Taiwan Semiconductor Co., Ltd. (parent company) was established in January 1968, and its stocks were listed on the OTC in February 1989. Currently, it is mainly engaged in the manufacturing and trading of rectifiers.

- (2) EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.) was established in the British Virgin Islands in 1984, mainly for the investment business of various production businesses and general import and export business.
- (3) EVER WINNER INT'L CO., LTD. was established in the British Virgin Islands in 1985, mainly for investment in various production businesses and general import and export business.
- (4) Yangxin Everwell Electronics Co., Ltd. was approved by EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.) to invest and establish in Shandong Province, China, after the investment review letter (84) No. 84019666 on November 27, 1995. Yangxin County mainly produces and sells rectifier parts.
- (5) Tianjin Everwell Technology Co., Ltd. was approved by EVER WINNER INT'L CO., LTD. (Changsheng International Co., Ltd.) investment and establishment on August 27, 1996 through the investment review letter (85) No. 85012488. In the Tianjin Economic and Technological Development Zone in mainland China, it mainly produces and sells chips.
In order to comply with laws and regulations and integrate the organization structure of overseas investment, the company reported to the Ministry of Economic approved by the meeting committee to change the investment framework of the company's reinvestment business in December 1996. From the original 100% indirect investment through Ever Energetic and Ever Winner, the equity of Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd., which were set up in mainland China, changed to the company's joint venture with Ever Energetic and Ever Winner. TSCH 100% indirect reinvestment.
- (6) SKYRISE INT'L LTD. was established in the British Virgin Islands in 1987, mainly for the parent company's investment business in various production businesses and general import and export business.
- (7) TSC AMERICA, INC. was jointly invested and established in California by EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.) and EVER WINNER INT'L CO., LTD. (Changsheng International Co., Ltd.) in 1985. , Mainly to expand the marketing network in the Americas.
- (8) TAIWAN SEMICONDUCTOR EUROPE GMBH. was established in Germany in April 1991. Its main business items are general import and export business.
- (9) TAIWAN SEMICONDUCTOR JAPAN LTD. was established in Japan in April 1992. Its main business line is general import and export business.
- (10) TAIWAN SEMICONDUCTOR (H.K.) CO., LTD. was established in Hong Kong in December 1993. Its main business items are investment in various production businesses and the trading of rectifiers.

- (11) Shanghai Great Technology Trade Co., Ltd. was established in April 1996. The company was approved by the Investment Review Committee on September 20, 1995, and the Second Word No. 09500299110, and was reviewed on October 19, 1995. The Second Letter No. 09500344230 approved EVER WINNER INT'L CO., LTD. to invest and set up in Shanghai, China, mainly for the trading of rectifiers.
- (12) TSC Auto ID Technology Co., Ltd. was established in March 1996 as a division and transfer of barcode printers and other businesses. In cooperation with the segmented barcode printer business, the company reinvested and established TSC Printer Europe GmbH (TSCP) in Europe in April 1996. Its main business line is the trading of barcode printers. In response to the operational needs of TSC Auto ID Technology, the company sold the entire equity of TSCP to TSC Auto ID Technology in November 1996. Renamed to TSC Auto ID Technology EMEA GmbH (TSCAE) on November 26, 1998
- (13) TSC Auto ID Technology America, Inc. is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. is a reinvested subsidiary established in the United States. Its main business item is the sale of barcode printers and their parts.
- (14) TSC Auto ID (HK) Ltd. is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested and established a subsidiary in Hong Kong. Its main business items are investment in various production businesses and general import and export business.
- (15) Tianjin TSC Auto ID Technology Ltd. is a reinvested subsidiary of the company → TSC Auto ID Technology Co., Ltd. reinvested through its Hong Kong subsidiary TSC Auto ID (HK) Ltd. , The main business items are the production and sales of barcode printers and their parts in the Mainland China.
- (16) TSC Auto ID Technology ME Ltd. FZE (TSCAD) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested in Dubai through its European subsidiary TSC Auto ID Technology EMEA GmbH (TSCAE), mainly The business item is the sale of barcode printers and their parts.
- (17) TSC Auto ID Technology Spain, SL (TSCAS) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested in Spain through its European subsidiary TSC Auto ID Technology EMEA GmbH (TSCAE), its main business The item is the sale of barcode printers and their parts.
- (18) Printronix Auto ID Technology Ltd. (Printronix Auto ID Technology Ltd.) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. was established as a subsidiary of the Republic of China on December 14, 2004. The main business items are Sales of barcode printers and their parts.
- (19) Shenzhen Printronix Auto ID Technology Co., Ltd. is a reinvested subsidiary of the company → TSC Auto ID Technology Co., Ltd. reinvested through its Hong Kong subsidiary TSC Auto ID (HK) Ltd., on January 15, 2015 Established in China, the main business item is the sale of barcode printers and their parts in the mainland.

- (20) Printronix Auto ID Technology Inc. (PTNX US) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. and its subsidiary TSC Auto ID Technology America, Inc. reinvested in the United States jointly invested. The main business items are Sales of barcode printers and their parts.
- (21) Diversified Labeling Solutions Inc. (DLS) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested and established a subsidiary in the United States. The main business items are printer consumables and the customization of various label papers. Design, integration, production and marketing.
- (22) Precision Press & Label, Inc. (PPL) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. re-invested through its US subsidiary Diversified Labeling Solutions Inc. (DLS), the main business items are Sales of various label papers and consumables for printers.
- (23) TSC Auto ID Technology India Private Ltd. is a subsidiary reinvested by the company → TSC Auto ID Technology Co., Ltd. reinvested and established in India. The main business item is the sales of barcode printers and its components.

2、The name, date of establishment, address, paid-in capital and main business items of each affiliated company

Unit : NTD'000; 2021.12.31

Company Name	Date of establishment	Address	Paid-in capital (Note 3)	Main business items or production items
EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.)	1995.12	P.O.BOX 71, CRAIGMUIR CHAMERS, ROAD TOWN, TORTOLA,B.V.I.	USD 21,175	Investment business for various production businesses and general import and export business
EVER WINNER INT'L CO., LTD. (Changsheng International Co., Ltd.)	1995.09	C/O SIMMONDS BUILDING P.O.BOX 961, ROAD TOWN, TORTOLA,B.V.I.	USD 16,010	Investment business for various production businesses and general import and export business
SKYRISE INT'L LTD.	1997.08	C/O SIMMONDS BUILDING P.O.BOX 961, ROAD TOWN, TORTOLA,B.V.I.	USD 50	Investment business for various production businesses and general import and export business
Yangxin Everwell Electronics Co., Ltd.	1995.12	No. 251807, River Town, Yangxin County, Shandong Province, China	RMB 362,259	Rectifier manufacturing and trading business
Tianjin Everwell Technology Co., Ltd.	1996.09	No. 165, Huanghai Road, Tianjin Economic and Technological Development Zone, China	RMB 107,970	Chip manufacturing and trading business
TSC AMERICA, INC.	1996.06	3040 Saturn Street, Suite 200, Brea, CA 92821, USA	USD 90	Rectifier trading business
TAIWAN SEMICONDUCTOR EUROPE GMBH	2002.04	GEORG-WIMMER-RING 8B D-85604 ZORNEDING, GERMANY	EUR 300	General import and export business
TAIWAN SEMICONDUCTOR JAPAN LTD.	2003.04	Yuasa Bldg, 3F, 2-13-10, Hongo Bunkyo-Ku, Tokyo 113-0033, Japan	JPY 75,000	Rectifier trading business

Company Name	Date of establishment	Address	Paid-in capital (Note 3)	Main business items or production items
TAIWAN SEMICONDUCTOR(H.K.) CO., LTD.	2004.12.	5/F., Meeco Industrial Building, 53 – 55, Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong (53-55 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong Mei Gao Industrial Building 5th Floor)	HKD 266,424	Investment in various production businesses and trading of rectifiers
Shanghai Great Technology Trade Co., Ltd.	2007.04	Room 2909, No. 228 Meiyuan Road, Jing'an District, Shanghai	RMB 1,021 (USD 135)	Rectifier trading business
TSC Auto ID Technology Co., Ltd.	2007.03	No. 35, Section 2, Ligong 1st Road, Chengxing Village, Wujie Township, Yilan County	NT\$ 424,769	Manufacturing and trading of barcode printers
TSC Auto ID (HK) Ltd.	2008.02	7/F, Chuang's Enterprises Building, 382 Lockhart Road, Wanchai, Hong Kong	USD 1,654	Investment in various production businesses and general import and export business
Tianjin TSC Auto ID Technology Ltd.	2008.03	2nd Floor Workshop, Rongda Building, No. 51 the 9th Avenue, Tianjin Economic-Technologic Development Area, Tianjin 300457 China	RMB 10,500 (USD 1,500 千元)	Production and sales of barcode printers and their parts
TSC Auto ID Technology America, Inc.	2008.03	3040 Saturn Street, Suite 200, Brea, CA 92821, USA	USD 1,600	Sales of barcode printers and their parts
TSC Auto ID Technology ME Ltd. FZE (TSCAD)	2011.11	BUILDING NO.7WA/WEST WING, OFFICE NO.G009 PO BOX NO.293673 DUBAI, UAE	AED 1,001	Sales of barcode printers and their parts
TSC Auto ID Technology Spain, S.L.(TSCAS)	2011.12	08328 Alella (Barcelona), Avenida Ricra Principal Nr. 8.	EUR 3	Sales of barcode printers and their parts
Printronic Auto ID Technology Ltd.	2015.12	9th Floor, No. 95 Minquan Road, Xindian District, New Taipei City	NT\$ 5,000	Sales of barcode printers and their parts
Shenzhen Printronix Auto ID Technology Co., Ltd.	2016.01	New World Business Center, 6009 Yitian Road, Fubao Street, Futian District, Shenzhen	RMB 1,000	Sales of barcode printers and their parts
Printronic Auto ID Technology Inc. (PTNX US)	2016.01	3040 Saturn Street, Suite 200, Brea, CA 92821, USA	USD 1	Sales of barcode printers and their parts

Company Name	Date of establishment	Address	Paid-in capital (Note 3)	Main business items or production items
Diversified Labeling Solutions Inc.	2019.02	1285 Hamilton Pkwy, Itasca, IL 60143	USD 0.1	Customized design, integration, production and sales of printer consumables and various label papers
Precision Press & Label, Inc.	2019.05	900 N. GREAT SOUTHWEST PARKWAY SUITE 100 ARLINGTON, TX 76011	USD 850	Sales of various label papers and consumables for printers
TSC Auto ID Technology India Private Ltd.	2021.05	B-108, DAMJI SHAMJI CORPORATE SQUARE, LAXMI NAGAR, GHATKOPAR (E) MUMBAI-400075	USD 100	Sales of barcode printers and their parts

Note 1: All related companies, regardless of size, should be disclosed.

Note 2: If each affiliated company has a factory, and the sales value of the factory's products exceeds 10% of the operating income of the controlling company, the factory name, date of establishment, address and the main production items of the factory should be added.

Note 3: If the affiliated company is a foreign company, the name and address of the company may be expressed in English, and the date of establishment may also be expressed in AD dates, and the amount of paid-in capital may not be included.

Currency, but the exchange rate on the statement date should be added).

Note 4: Exchange rate on the reporting date: USD/NTD : 27.68 RMB/NTD : 4.344 EUR/NTD : 31.32 JPY/NTD : 0.2405 HKD/NTD : 3.549 .

3. Information of the same shareholder who is presumed to have control and affiliation: no such incident.

4. Industries covered by the business of the overall relationship enterprise:

The main business items of the company's overall affiliated companies are the manufacture and sale of rectifiers and barcode printers. The rectifier products utilize the characteristics of unidirectional conductivity.

Converting input AC power to DC power output has a wide range of applications, covering consumer electronics, machinery and industrial equipment, information and communication products, automobiles, defense industry products, and medical equipment.

Since its establishment, the company has been committed to the development, manufacturing and sales of rectifiers. In addition, in view of the changes in the domestic industrial environment, the principle of division of production and sales between the two sides of the strait has been applied.

To invest and set up factories in mainland China, which has more production advantages, it was originally through the third region-EVER ENERGETIC INT'L LTD. and EVER WINNER INT'L CO., LTD.

Established Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd. To comply with laws and regulations and integrate the organization structure of overseas investment, the company was approved by the Investment Review Committee of the Ministry of Economic Affairs and changed the company in December 1996. The investment structure of the reinvested business was changed from the original 100% indirect reinvestment of the equity of Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd. in Mainland China through Ever Energetic and Ever Winner to the company and Ever Energetic Together with Ever Winner, 100% indirect reinvestment through TSCH. And in a gradual manner, the manufacturing focus will be shifted to the mainland factory for production, and then transferred to Taiwan Semiconductor (Stock) Corporation and other branches and subsidiaries to sell products.

For bar code printer products, please refer to the 2021 annual report of TSC Auto ID Technology Co., Ltd., a subsidiary of our company.

5、Information on directors, supervisors and presidents of related companies (2021.12.31)

Company name	Title	Name or representative	Holding shares (Note 2, Note 3)	
			Number of shares or capital contribution (thousand dollar)	Holding ratio or capital contribution ratio
EVER ENERGETIC INT'L LTD.	Chairman of the board	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting	21,175,000 shares	100%
EVER WINNER INT'L CO., LTD.	Chairman of the board	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting	16,010,000 shares	100%
SKYRISE INT'L LTD.	Chairman of the board	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting	50,000 shares	100%
Yangxin Everwell Electronics Co., Ltd.	Chairman of the board	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting	RMB 362,259	100%

Company name	Title	Name or representative	Holding shares (Note 2, Note 3)	
			Number of shares or capital contribution (thousand dollar)	Holding ratio or capital contribution ratio
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Fon		
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Yan Guo Yin		
Tianjin Everwell Technology Co., Ltd.	Chairman of the board	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting	RMB 107,970	100%
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Fon		
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Yan Guo Yin		
	Supervisor	Representative of Taiwan Semiconductor Co., Ltd.: Wang Xing Lei		
TSC AMERICA, INC.	Chairman of the board	Representative of Taiwan Semiconductor (Stock) Company: Adam Cheng	9,000,000 shares	100%
TAIWAN SEMICONDUCTOR.JAPAN LTD.	Director	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting	1,500 shares	100%
	Director	Representative of Taiwan Semiconductor (Stock) Company: Liu Mei Feng		
	Supervisor	Representative of Taiwan Semiconductor Co., Ltd.: Adam Cheng		
TAIWAN SEMICONDUCTOR(H.K.) CO., LTD.	Director	Representative of Taiwan Semiconductor (Stock) Company: Adam Cheng	2,664,238 shares	100%
Shanghai Great Technology Trade Co., Ltd.	Chairman of the board	Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Fon	RMB 1,021 (USD 135)	100%
	Supervisor	Representative of Taiwan Semiconductor (Stock) Company: Adam Cheng		

Company name	Title	Name or representative	Holding shares (Note 2, Note 3)	
			Number of shares or capital contribution (thousand dollar)	Holding ratio or capital contribution ratio
TAIWAN SEMICONDUCTOR EUROPE GMBH	Director	Representative of Taiwan Semiconductor Co., Ltd.: Sloup Ladislav	EUR 300	100%
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Wang Xing Lei		
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Ralf Welter		
TSC Auto ID Technology Co., Ltd.	Chairman of the board	Wang Shiu Ting	15,453,177shares	36.38%
	Director	Wang Xing Lei		
	Director	Representative of Taiwan Semiconductor Co., Ltd.: Luo Yuegui		
	Director	Wait until Board of director re-election		
	Independent director	Ma Jiaying		
	Independent director	Li Junqi		
	Independent director	Wu Qiming		
TSC Auto ID Technology EMEA GmbH(TSCAE)	Director	Representative of TSC Auto ID Technology Co., Ltd.: Sloup Ladislav	EUR 101	36.38%
	Director	Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei		
	Director	Representative of TSC Auto ID Technology Co., Ltd.: Amine Soubai		
TSC Auto ID (HK) Ltd.	Chairman of the board	Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei	USD 1,654	36.38%

Company name	Title	Name or representative	Holding shares (Note 2, Note 3)	
			Number of shares or capital contribution (thousand dollar)	Holding ratio or capital contribution ratio
Tianjin TSC Auto ID Technology Ltd.	Chairman of the board	Representative of TSC Auto ID Technology Co.	RMB 10,500 (USD1,500 thousand)	36.38%
	Director	Representative of TSC Auto ID Technology Co.		
	Director	Representative of TSC Auto ID Technology Co.: Chen Ming Yi		
	Supervisor	Representative of TSC Auto ID Technology Co.		
TSC Auto ID Technology America, Inc.	Chairman of the board	Representative of TSC Auto ID Technology Co.	USD 1,600	36.38%
TSC Auto ID Technology ME Ltd. FZE (TSCAD)	Representative	TSC Auto ID Technology EMEA GmbH(TSCAE) Representative : Sloup Ladislav	AED 1,001	36.38%
TSC Auto ID Technology Spain, S.L.(TSCAS)	Representative	TSC Auto ID Technology EMEA GmbH(TSCAE) Representative : Sloup Ladislav	EUR 3	36.38%
Printronix Auto ID Technology Ltd.	Chairman of the board	Representative of TSC Auto ID Technology Co., Ltd.: Wang Shiu Ting	NT\$ 5,000	36.38%
	Director	Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei		
	Director	Representative of TSC Auto ID Technology Co., Ltd.: Zheng Yicheng		
	Supervisor	Representative of TSC Auto ID Technology Co., Ltd.: Chen Ming Yi		
Shenzhen Printronix Auto ID Technology	Chairman of the	Representative of TSC Auto ID Technology Co., Ltd.: Wang Shiu Ting	RMB 1,000	36.38%

Company name	Title	Name or representative	Holding shares (Note 2, Note 3)	
			Number of shares or capital contribution (thousand dollar)	Holding ratio or capital contribution ratio
Co., Ltd.	board			
	Director	Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei		
	Director	Representative of TSC Auto ID Technology Co., Ltd.: Chen Ming Yi		
	Supervisor	Representative of TSC Auto ID Technology Co., Ltd.: Zheng Yicheng		
Printronix Auto ID Technology Inc. (PTNX US)	Chairman of the board	Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei	USD 1	36.38%
Diversified Labeling Solutions Inc.	Chairman of the board	Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei	USD 0.1	36.38%
Precision Press & Label, Inc.	Chairman of the board	Diversified Labeling Solutions Inc. Representative: Wang Xing Lei	USD 850	36.38%
TSC Auto ID Technology India Private Ltd.	Chairman of the board	TSC Auto ID Technology India Private Ltd. Representative: Wang Xing Lei	USD 100	36.38%

Note 1: If the affiliated company is a foreign company, the position equivalent is listed.

Note 2: If the invested company is a company limited by shares, please fill in the number of shares and shareholding ratio; otherwise, please fill in the capital contribution amount and capital contribution ratio and indicate it.

Note 3: When the directors and supervisors are legal persons, the relevant information of the representatives shall be disclosed.

6. Consolidated financial statements of related companies

Please refer to item 4 of the previous "Lu and Financial Overview" (consolidated financial report for the accountant's verification visa for the year 2021).

7. Relationship report: None.

2. In the most recent year and as of the printing date of the annual report, the status of private equity securities handling: please refer to the attached table below

Private equity securities information

Item	In 2019, the private placement of capital increase and the issuance of ordinary shares Release Date: November 18, 2019
Types of private equity securities (Note 2) Ordinary shares	Types of private equity securities (Note 2) Ordinary shares
Date and amount approved by the shareholders meeting (Note 3)	According to the resolution of the shareholders meeting of the company on June 14, 2019, the quota of not more than 10,000,000 shares shall be processed in one lump sum within one year from the date of the resolution of the shareholders meeting.
The basis and reasonableness of price setting	The private placement price is set in accordance with the laws of the competent authority. The reference price is as follows: (1) The setting of the price of private common stocks this time, Calculated based on 80% of the higher price not lower than the following two benchmarks before the company's pricing date: (a) The simple arithmetic average of the closing price of ordinary shares calculated on one, three, or five business days before the pricing day, deducting the free allotment ex-rights and dividends, and adding back the stock price after the capital reduction and ex-rights or (b) The simple arithmetic average of the closing prices of ordinary shares on the 30 business days before the pricing day deducts the free allotment ex-rights and dividends, and adds back the stock price after the capital reduction and ex-rights. (2) In accordance with the above pricing principles, the simple arithmetic averages of the closing prices of common stocks calculated 1, 3, and 5 business days before the pricing date are October 30, 2019, and are respectively NTD\$49.10, NTD\$49.33, NTD\$49.42 and The average price of the 30 business days before the pricing day is NTD\$46.77, According to the company's regulations, the higher (average price of the 5 business days before the pricing date) The reference price is NTD\$49.42. After comprehensive consideration, the private placement price is set at NTD\$44.50. Not less than 80% of the reference price, it complies with the pricing principles adopted by the company's regular shareholders' meeting on June 14, 2019.

Item	In 2019, the private placement of capital increase and the issuance of ordinary shares Release Date: November 18, 2019
	(3) In addition, considering that the Securities Exchange Law has three-year transfer restrictions on private equity securities, It should be reasonable.
The method selected by a specific person (Note 4)	The target of this private placement of securities is in compliance with relevant laws and regulations such as Article 43-6 of the Securities Exchange Act. It is limited to the specific person specified in the regulations and related letters of the competent authority.
Necessary reasons for private placement	Enrich working capital, strengthen financial structure, and introduce strategic partners in line with operational development.
Payment completion date	November 11, 2019

Applicant Information	Private placement target (Note 5)	Qualification (Note 6)	Subscription quantity	Relationship with the company	Participating in the company's business
	Hongcheng Venture Capital Co., Ltd. (English name: FORTUNE VENTURE CAPITAL CORP.), a 100% reinvested subsidiary of the listed company Lianhua Electronics Co., Ltd.	Comply with Article 43-6 of the Securities Exchange Law and the relevant regulations of the competent authority	6,741,000 shares	Not an insider or related person of the company, and not an overseas Chinese or foreigner	None
Actual subscription price (Note 7)	Subscription amount per share: NT\$44.50; Total subscription amount for this private placement: NT\$ 299,974,500				
	The actual subscription price is 90.05% of the reference price of RMB 49.42, not lower than 80% of the reference price				
Difference between actual subscription price and reference price (Note 7)	The purpose of this private placement is to enrich working capital, strengthen financial structure, and introduce strategic partners in line with operational development. It is expected to strengthen the company's competitiveness and improve operational efficiency, promote stable growth of company operations, and benefit shareholders' equity.				
	The proceeds of this private placement of NT\$ 299,974,500 were used to repay bank borrowings in the fourth quarter of 2019, to enrich working capital and strengthen the financial structure, and				

	the process was completed
The impact of private placement on shareholder rights	Improve the financial structure, increase the current ratio, reduce the debt ratio, increase the level of self-owned funds, and increase the flexibility of capital deployment.

Note 1: The number of fields is adjusted according to the actual number of transactions. If there are private placement securities in stages, they should be listed separately.

Note 2: It is to list ordinary shares, special shares, special shares for conversion, special shares with options, ordinary corporate bonds, converted corporate bonds, corporate bonds with stock options, overseas converted corporate bonds, types of private equity securities such as overseas depositary receipts and employee stock options.

Note 3: Those are privately placed corporate bonds and do not need to be approved by the shareholders meeting, The date and amount approved by the board of directors should be filled out.

Note 4: For private equity cases under processing, if the applicant has been negotiated, the applicant's name or name and the relationship with the company should be listed.

Note 5: The number of fields is adjusted according to the actual number.

Note 6: It is to fill in the first paragraph of Article 43-6 of the Securities Exchange Law, the second or third paragraph.

Note 7: The actual subscription (or conversion) price refers to the subscription (or conversion) price set when the private equity securities is actually issued.

3、In the most recent year and as of the publication date of the annual report, the status of subsidiaries holding or disposing of the company's stocks:

The most recent year and as of the printing of the annual report
Subsidiary holding or disposing of the company's stock

Unit : NTD\$'000 ; Share ; %

Subsidiary name (Note 1)	Paid-in capital	Sources of funds	The company's shareholding ratio	Date of acquisition or punishment	Number and amount of shares acquired (Note 2)	Disposal of shares and amount (Note 2)	Investment gains and losses	Number and amount of shares held as of the publication date of the annual report (Note 3)	Setting the pledge situation	The company endorses the guarantee amount for the subsidiary	Amount of loan from the company to subsidiary
TSC Auto ID Technology Co. Ltd.	424	769 self-owned working capital	36.38%	From June 2013 to October 2013 (No claim in 2013)	5,700,000 shares; NT\$ 127,755 thousand	0	Listed under treasury shares	5,700,000 shares; NT\$ 127,755 thousand	No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan
				From January 2015 to February 2015	2,000,000 shares; NT\$ 66,534 thousand	0	Listed under treasury shares	7,700,000 shares; NT\$ 194,289 thousand	No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan
				From May 2016 to June 2016	2,000,000 shares; NT\$ 75,438 thousand	0	Listed under treasury shares	9,700,000 shares; NT\$ 269,727 thousand	No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan
				From August 2017 to September 2017	1,790,000 shares; NT\$ 74,833 thousand	0	Listed under treasury shares	11,490,000 shares; NT\$ 344,560 thousand	No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan
				From April 13, 2020 to April 30, 2020	2,110,000 shares; NT\$ 76,949 thousand	0	Listed under treasury shares	13,600,000 shares; NT\$ 421,509 thousand	No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan
				From March 1, 2022 to March 7, 2022	1,200,000 shares; NT\$ 84,535 thousand	0	Listed under treasury shares	14,800,000 shares; NT\$ 506,044 thousand	No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan
				This year ends at the printing date of the annual report (2022.04.23)	14,800,000 shares; NT\$ 506,044 thousand	0	Listed under treasury shares	14,800,000 shares; NT\$ 506,044 thousand	Note(4) No pledge setting	NTD 0; no endorsement guarantee	NTD0; no capital loan

Note 1: Please list separately by subsidiary.

Note 2: The amount referred to refers to the amount actually obtained or disposed of.

Note 3: The holding and disposition situation should be listed separately.

Note 4: Impact on the company's financial performance and financial status:

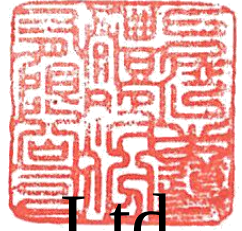
As of the printing date of the annual report (2022.04.23), TSC Auto ID Technology Co., Ltd. (hereinafter referred to as the company) is based on its own funds NT\$506,044 thousand to acquire 14,800 thousand shares of the company, accounting for 5.61% of the company's shareholding as of the date of publication of the annual report. Under the company's account of

treasury stocks, the company manages and maintains sufficient cash and contracts. When cash is used to support the company's operations and reduce the impact of cash flow fluctuations. The company's management supervises the use of bank financing lines and ensures compliance with loan contract terms to manage liquidity risks. Because the company's liquidity is sufficient to meet the due liabilities, there is no risk of failing to deliver cash or other financial assets to pay off financial liabilities and failing to perform related obligations. Therefore, it has little effect on its financial performance and financial status.

4. Other necessary supplementary explanation items: None.

9. In the most recent year and as of the date of publication of the annual report, there have been matters that have a significant impact on shareholders' equity or securities prices in the second paragraph of Article 36, Paragraph 3 of the Securities and Exchange Act: None.

Taiwan Semiconductor Co., Ltd.



Chairman Wang Shiu Ting

