
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 1-14700

台灣積體電路製造股份有限公司
(Exact Name of Registrant as Specified in Its Charter)

Taiwan Semiconductor Manufacturing Company Limited
(Translation of Registrant's Name Into English)

Republic of China
(Jurisdiction of Incorporation or Organization)

**No. 8, Li-Hsin Road 6
Hsinchu Science Park
Hsinchu 300-096, Taiwan
Republic of China**
(Address of Principal Executive Offices)

Wendell Huang, Senior Vice President & Chief Financial Officer & Spokesperson
Telephone: 886-3-5055921 / Email: invest@tsmc.com
No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu 300-096, Taiwan, Republic of China
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares, par value NT\$10.00 each*	TSM	The New York Stock Exchange, Inc.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2025, 25,932,524,521 Common Shares, par value NT\$10 each were outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Emerging Growth Company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

†The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued
by the International Accounting Standards Board ☒

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

* Not for trading, but only in connection with the listing on the New York Stock Exchange, Inc. of American Depositary Shares (“ADS”) representing such Common Shares.

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“TSMC”, “tsmc”, “jasm”, “esmc”, “Open Innovation Platform”, “CyberShuttle”, “CoWoS”, “TSMC-SolC”, “3DFabric”, “N6e”, “N12e”, and “TSMC A16™” are some of our registered and/or pending trademarks used by us in various jurisdictions, including the United States of America. All rights reserved.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This annual report includes statements that are, or may be deemed to be, “forward-looking statements” within the meaning of U.S. securities laws. Such statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The terms “anticipates,” “expects,” “may,” “will,” “could,” “should” and other similar expressions identify forward-looking statements. These statements appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this annual report. Important factors that could cause those differences include, but are not limited to:

- general local and global economic conditions, including impacts caused by geopolitical tensions;
- the political stability of our local region;
- our ability to deal with the challenges and risks related to our global operations and expansion;
- outlook of the major and emerging end markets for our products, such as high performance computing (“HPC”), smartphones, internet of things (“IoT”), automotive and digital consumer electronics;
- the volatility of the semiconductor and electronics industry;
- our ability to develop new technologies successfully and remain a technological leader;
- the increased competition from other companies;
- overcapacity in the semiconductor industry;
- our reliance on certain major customers;
- the reliability of our information technology systems and resilience to any cyberattacks;
- our ability to maintain control over expansion and facility modifications;
- our ability to generate growth and profitability;
- our ability to hire and retain qualified personnel;
- our ability to acquire required equipment and supplies necessary to meet business needs;
- our ability to protect our technologies, intellectual property (“IP”) rights and third-party licenses;
- disruptive events or industrial accidents;
- shortages or increased prices of power and other utilities; and
- fluctuations in foreign currency rates, in particular, any material appreciation of the NT dollar against the U.S. dollar, and our ability to manage such risks.

Forward-looking statements include, but are not limited to, statements regarding our strategy and future plans, future business condition and financial results, our capital expenditure plans, our capacity management plans, expectations as to the commercial production using 16-angstrom and more advanced technologies, technological upgrades, investment in research and development, future market demand, future regulatory or other developments in our industry, business expansion plans or new investments as well as business acquisitions and financing plans. If any one or more of the assumptions underlying the industry or market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements. Please see “Item 3. Key Information – Risk Factors” for a further discussion of certain factors that may cause actual results to differ materially from those indicated by our forward-looking statements.

As used in this annual report, all references to “we,” “us,” the “Company” and “TSMC” are to Taiwan Semiconductor Manufacturing Company Limited and its consolidated subsidiaries, while “R.O.C.” and “Taiwan” are references to the Republic of China.

EXCHANGE RATES

We publish our financial statements in New Taiwan dollars, the lawful currency of the R.O.C. In this annual report, “\$,” “US\$” and “U.S. dollars” mean United States dollars, the lawful currency of the United States, and “NT\$” and “NT dollars” mean New Taiwan dollars. This annual report contains translations of certain NT dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from NT dollars to U.S. dollars in this annual report were made at NT\$31.37 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2025.

No representation is made that the NT dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

Risk Factors

We wish to caution readers that the following important factors, and those important factors described in other reports submitted to, or filed with, the U.S. Securities and Exchange Commission (“U.S. SEC”), among other factors, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf, and that such factors may adversely affect our business and financial status and therefore the value of your investment.

Risks Relating to Our Business

Any global systemic political, economic and financial crisis (as well as the indirect effects flowing therefrom) could negatively affect our business, results of operations, and financial condition.

In recent times, several major systemic political, economic and financial crises negatively affected global business, banking and financial sectors, including the semiconductor industry and markets.

Since 2018, political and trade tensions among a number of the world’s major economies have been on the rise. These tensions have resulted or may result in the implementation of tariffs, non-tariff trade barriers, sanctions, export controls and other measures that have been particularly impactful to the semiconductor industry and related markets. Prolonged or increased use of such measures may negatively impact the growth of the global economy and the semiconductor industry, resulting in declines in electronic products sales from which we generate our income through our products and services. For example, in April 2025, the U.S. President announced a 10% baseline tariff on imports into the U.S. from all countries, as well as varying reciprocal tariffs on most of the U.S.’s trading partners under the International Emergency Economic Powers Act (“IEEPA”). Collection of the reciprocal tariffs was delayed until August 2025, and while they excluded semiconductors, semiconductor manufacturing equipment and their respective derivative products (collectively “Semiconductor Items”), these tariffs nonetheless affected our cost of operations in the U.S. These tariffs were declared unlawful by a February 2026 U.S. Supreme Court ruling. While the ruling removes IEEPA as a basis for tariffs, its broader impact on the U.S.’s tariff and trade agenda, international trade activities, and the global economy remains uncertain. Following the Supreme Court ruling, the U.S. imposed a replacement tariff under Section 122 of the Trade Act of 1974 and in March 2026, the U.S. Trade Representative, using authority in Section 301 of the Trade Act of 1974, initiated two investigations relating to alleged manufacturing overcapacity and failures to take action on forced labor, targeting various economies, including Taiwan, which could result in trade actions such as the imposition of additional tariffs. Also, in April 2025, the U.S. government initiated a Section 232 investigation related to imports of Semiconductor Items, which concluded in December 2025. As a result, the U.S. issues a proclamation imposing a 25% ad valorem tariff on the import of certain advanced computing chips and derivative products meeting specified technical performance thresholds, unless such products are imported for designated use in the U.S. The proclamation also signaled the potential for broader tariffs on Semiconductor Items following further trade negotiations, accompanied by a tariff offset program intended to incentivize the U.S. domestic manufacturing. Further, in January 2026, the U.S. announced it had reached a trade and investment agreement with Taiwan which would reduce U.S. reciprocal tariff rates on Taiwanese goods to no more than 15%. The agreement also grants preferential Section 232 treatment for Taiwanese semiconductor producers investing in U.S. manufacturing capacity. However, details regarding the impacts of the U.S. Supreme Court decision

striking down the IEEPA reciprocal tariffs as well as the preferential treatment with respect to Section 232 tariffs, including any offsets, are still unclear. Any tariffs imposed on imports of semiconductors and products incorporating chips into the U.S. may result in increased costs for purchasing such products, which may, in turn, lead to decreased demand for our products and services and adversely affect our business and future growth. Any tariffs imposed on imports of semiconductor manufacturing materials and equipment into the U.S. may result in increased costs for our manufacturing operations in the U.S. and reduce our profitability.

Additionally, any increase in the use of export control restrictions and sanctions to target certain countries and entities, any expansion of the extraterritorial jurisdiction of such measures, or a complete or partial ban on semiconductor products sales to certain entities could impact not only our ability to continue supplying products to those customers, but also our customers' demand for our products, and could even lead to changes in semiconductor supply chains. For example, in October 2022 and October 2023, the U.S. adopted additional export controls (the "October Rules") over specified countries (including China) under the U.S. Export Administration Regulations ("U.S. EAR") on certain advanced computing integrated circuits ("ICs"). In January 2025, the U.S. further issued new rules to reinforce controls on exports of advanced computing ICs, pursuant to which we may need to obtain an export license prior to shipping products using 16-nanometer or below process to specified destinations unless specific conditions are met. As a result, shipments of certain products may be delayed or prohibited due to the license requirements and our financial results may be adversely affected. The October Rules also impose license requirements for items subject to the U.S. EAR where the items are destined to a semiconductor fabrication facility in China that fabricates specified advanced node ICs as well as for U.S. persons' activities supporting such facility or semiconductor manufacturing items. In response, we obtained from the U.S. Department of Commerce a Validated End-User (the "VEU") authorization for our fab located in Nanjing, China, which allowed our fab in Nanjing to receive exports of eligible items from the U.S. without separate licenses. Although the VEU authorization expired in December 2025, the U.S. Department of Commerce has granted TSMC Nanjing Company Limited ("TSMC Nanjing") an annual export license that allows U.S. export-controlled items to be supplied to TSMC Nanjing, which ensures uninterrupted fab operations and product deliveries. However, there is no assurance that this annual export license will not be terminated, or we can timely get the license renewed in the future.

On the other hand, measures adopted by an affected country to counteract the impact of another country's actions or regulations could lead to significant legal liability to multinational corporations including our own. For example, in January 2021, China adopted a blocking statute that, among other matters, entitles Chinese entities incurring damages from a multinational's compliance with foreign laws to seek civil remedies. As of the date of this annual report, our current results of operations have not been materially affected by the expanded export control regulations or the novel rules or measures adopted to counteract them. Nevertheless, depending on future developments in global trade tensions and military conflicts, such regulations, rules, or measures may have an adverse impact on our business and operations, and we may incur significant legal liability and financial losses as a result. Please see "Our failure to comply with applicable laws and regulations material to our operations, such as export control, environmental and climate related laws and regulations, or the inability to timely obtain requisite approvals necessary for the conduct of our business, such as fab land and construction approvals, could harm our business and operational results or subject us to potential significant legal liability" for a further discussion.

Any future systemic political, economic or financial crisis or market volatility, including but not limited to interest rate and foreign exchange rate fluctuations, inflation or deflation or changes in economic, fiscal and monetary policies in major economies, could cause revenue or profits for the semiconductor industry as a whole to decline dramatically. If the economic conditions or financial conditions of our customers were to deteriorate, the demand for our products and services may decrease and additional accounting related allowances may be required, which could reduce our revenue and income. For example, the geopolitical instability resulting from military conflicts cause, among others, supply chains disruptions, inflation, heightened regulatory uncertainty and volatility in financial markets, which may lead to broader negative impacts on the global economy. In addition, sufficient external financing may not be available to us on a timely basis, on commercially reasonable terms to us, or at all. If sufficient external financing is not available when we need such financing to meet our capital requirements, we may be forced to curtail our expansion, modify plans or delay the deployment of new or expanded services until we obtain such financing. In conclusion, any of these events, including any future global systemic crisis or further escalation of trade tensions as described above, could materially and adversely affect our results of operations.

Our global manufacturing, design and sales activities subject us to risks associated with political, economic, financial, military or other conditions or developments in various jurisdictions, including in particular the R.O.C., as well as in international trade, which could negatively affect our business and financial status and therefore the market value of your investment.

The majority of our principal executive officers and our principal production facilities are located in the R.O.C., and the majority of our net revenue is derived from our operations in the R.O.C. In addition, we have operations worldwide and a significant percentage of our revenue comes from sales to locations outside the R.O.C. Operating in the R.O.C. and overseas exposes us to changes in laws, rules, regulations and the enforcements of such laws, rules and regulations in certain key areas that could have a material impact on our operations, such as intellectual property, labor, antitrust, export controls, import restrictions, and trade barriers or disputes. In addition, deterioration in general political, economic, financial or social conditions, military conflicts, the risk of outbreak of war or hostilities, terrorism events, security risks, social unrest, health conditions and possible disruptions in transportation networks in the various jurisdictions in which we operate or elsewhere, could have an adverse impact on our business and results of operations as well as the market price and the liquidity of our ADSs and common shares. Furthermore, any major change in economic, fiscal and/or trade policies in the U.S. from which we derive a substantial portion of our revenue or in another major jurisdiction could severely affect our business, financial condition and results of operations. For example, recent political and trade tensions among major economies as well as military conflicts (such as the conflict in Ukraine since early 2022) have resulted in the imposition of trade barriers, such as sanctions and import and export controls, which could increase our manufacturing costs, limit our access to certain supplies, make our pricing less competitive, and limit our ability to offer our products and services in some markets or source key materials and key production equipment, which may have adverse direct or indirect effects on our sales.

Any law or government policy that encourages our customers to relocate their manufacturing capacity or supply chain to their own countries or require their respective contractors, subcontractors and relevant agents to do so could also impair our ability to sustain our current level of productivity and manufacturing efficiency. An important aspect of our business operation is an ecosystem of interconnected semiconductor fabs, employees and suppliers that provides us with significant operational synergies, flexibility and efficiencies. For example, we are able to temporarily reassign thousands of our engineers and other relevant personnel from one manufacturing site to another to refine specific designs and adapt manufacturing processes in a timely manner. These advantages permit us to operate our manufacturing fabs efficiently and resolve any technical or commercial difficulties quickly to maintain our competitive edge. Restrictions on our ability to transfer people among our operations in the R.O.C., the United States, the P.R.C., Japan, and Europe efficiently due to challenges such as regional employment rules and regulations, and immigration or travel restrictions, may impair or reduce these advantages, and we may not be able to sustain our current ability to supply our customers with goods and services at the current level of cost, quality, quantity and delivery schedule to which our customers have been accustomed.

In addition, the financial markets have viewed certain past developments in relations between the R.O.C. and the P.R.C. as occasions to depress general market prices of the securities of R.O.C. companies, including our own. Also, we may face potential operational risks arising from applicable export controls which impose license requirements on our P.R.C. fab's acquisition of certain manufacturing tools.

If we are unable to successfully manage the complexity of our global operations and deal with the challenges and risks related to our global expansion, our business, financial condition and results of operations could be adversely affected.

We have multiple expansion projects that are currently underway, including the design and construction of new fabs worldwide. Global expansion has required and will continue to require considerable managerial, financial and other resources. We expect to face particular challenges in global expansion and operations, including but not limited to:

- higher costs associated with the construction of new fabs, establishing supply chains for various materials in different locations, sustaining our current level of productivity and manufacturing efficiency provided by our ecosystem, and recruiting and retaining talent;
- labor shortages, interruptions in the supply chains for various materials, and construction issues, which could substantially delay the completion of our expansion projects, and could further result in substantial additional costs or failure to meet our capacity expansion plans;
- disruptions to our operations caused by natural or man-made disasters, including earthquakes, flooding, typhoons, droughts, tsunamis, sandstorms, wildfires, volcanic eruptions, fire, gas/chemical leakage or spill,

pandemic, cyberattacks, supply chain disruption, geopolitical tensions, labor issues, sabotage, failure of critical facilities and equipment, and disruptions in utilities, such as water, electricity and natural gas, etc.;

- scarcity of industrial-use land and access to utilities which could limit our future expansion of operations;
- compliance with applicable foreign laws and regulations, and the risk of penalties if our practices are deemed not to be in compliance;
- challenges in managing information technology infrastructure in multiple locations and across different systems and risks of our information technology infrastructure succumbing to cyberattacks worldwide;
- adverse changes relating to government grants or other government incentives, including non-receipt, delay and potential clawbacks of government grants;
- challenges in creating an inclusive workplace in new sites to embrace the cultural differences and managing the operation over large geographic distances and in the context of different employment practices and labor laws and regulations;
- increased intellectual property infringement assertions and enforcement actions against us; and
- exposure to different tax jurisdictions and potential adverse tax consequences.

If we are unable to overcome the above challenges, our business, financial condition and results of operations could be adversely affected.

Decreases in demand and average selling prices for products that contain semiconductors may adversely affect demand for our products and may result in a decrease in our revenue and earnings.

A vast majority of our revenue is derived from customers who use our products in HPC (including AI applications), smartphones, IoT, automotive, and digital consumer electronics. Any deterioration in or a slowdown in the growth of such end markets, driven by various factors such as shortages in the supply of certain components, constraints in power supply or environmental, social, and governance (“ESG”) concerns, which results in a substantial decrease in the demand for overall global semiconductor foundry services, including our products and services, could adversely affect our revenue. Further, semiconductor manufacturing facilities require substantial investment to construct and are largely fixed cost assets once they are in operation. Because we own most of our manufacturing capacities, a significant portion of our operating costs is fixed. In general, these costs do not decline when customer demand or our capacity utilization rates drop, and thus declines in customer demand, among other factors, may significantly decrease our margins. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, which can improve our margins. In addition, the historical trend of declining average selling prices (“ASP”) of end-use applications places downward pressure on the prices of the components that go into such applications. Decreases in the ASP of end-use applications may increase pricing pressure on components produced by us, which, in turn, may negatively impact our revenue, margin and earnings.

Since we are dependent on the highly cyclical semiconductor and electronics industries, which have experienced significant and sometimes prolonged periods of downturn and overcapacity, our revenue, margins and earnings may fluctuate significantly.

The electronics industries and semiconductor market are cyclical and subject to significant and often rapid fluctuations in product demand, which could impact our semiconductor foundry business. Variations in customer order levels may result in volatility in our revenue and earnings. From time to time, the electronics and semiconductor industries have experienced significant and occasionally prolonged periods of downturn and overcapacity. Because we are, and will continue to be, dependent on the demand of electronics and semiconductor companies for our services, periods of downturn and overcapacity in the general electronics and semiconductor industries could lead to reduced demand for overall semiconductor foundry services, including our services. If we are not able to take appropriate actions, such as reducing our costs to sufficiently offset declines in demand, our revenue, margins, and earnings will likely suffer during periods of downturn and overcapacity.

If we are unable to remain a technological leader in the semiconductor industry, unable to timely respond to fast-changing semiconductor market dynamics, or unable to maintain our edge in product quality, we may become less competitive.

The semiconductor industry and its technologies are constantly changing. We compete by developing process technologies using increasingly advanced nodes and manufacturing products with more functions. We also compete by developing new derivative technologies. If we do not anticipate these changes in technologies and rapidly develop new and innovative technologies, or our competitors unforeseeably gain sudden access to additional technologies, we may not be able to provide services on competitive terms. For example, the global surge in the development of AI has had a significant impact on customer demand for advanced semiconductor chips and the market dynamics in our industry; thus, our ability to continuously develop relevant technologies, products and services to meet these customer needs and changes in the AI industry will be critical for us to effectively compete in this space. In addition, our customers have accelerated the cadence of introducing new products and services to the market. If we are unable to meet these shorter product time-to-market, we risk losing these customers. These factors have also been intensified by the shift of the global technology market to AI-related products, such as AI smartphones, AI PCs, and AI accelerators, and increasing competition and concentration of customers (all further discussed among these risk factors).

The uncertainty and instability inherent in advanced technologies impose challenges for achieving expected product quality and product yield. If we fail to overcome these challenges, it may result in loss of revenue and additional cost, as well as loss of business or customer trust. We also believe that the effective use of AI in our internal operations is important to our long-term success. As the AI technologies are rapidly evolving, if we are unable to effectively deploy new AI technologies in our internal operations, it may hurt our competitive position.

If we are unable to overcome the above factors, we may become less competitive and our revenue may decline significantly.

If we are unable to compete effectively in the highly competitive foundry segment of the semiconductor industry, including through equal access to governmental financial incentives, especially those available to our competitors, we may lose customers and/or our profit margin and earnings may decrease.

The competition in the semiconductor foundry segment is fierce. We compete with other foundry service providers, as well as a number of integrated device manufacturers. Some of these companies may have access to more advanced or different technologies than us. Other companies may have greater financial and other resources than us, such as the possibility of receiving direct or indirect government subsidies, economic stimulus funds, or other incentives that may be unavailable to us. The governments of the United States, China, Europe, South Korea and Japan provide various incentive programs to promote developments of their domestic semiconductor industries, such as the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the “U.S. CHIPS Act”), which provides financial incentives to incentivize the development of U.S. semiconductor industry. In November 2024, TSMC Arizona Corporation (“TSMC Arizona”) entered into agreements with the U.S. Department of Commerce for the receipt of certain incentives pursuant to the U.S. CHIPS Act, which includes up to US\$6.6 billion in total direct funding and up to US\$5 billion of proposed loans. Please see “Item 4. Information on The Company – Our Subsidiaries and Affiliates.” In December 2024, ESMC, our subsidiary in Germany, entered into an agreement with the Federal Republic of Germany for the receipt of up to EUR5 billion state aid under the European Chips Act (Regulation (EU) 2023/1781). Although governments in certain countries or regions where we are currently expanding or planning to expand our production capacity have extended or may in the future extend certain financial incentives to us, there is no assurance that we will be able to receive such financial incentives, including pursuant to the U.S. CHIPS Act, at the levels we anticipate or at all. Additionally, any financial incentives we receive may be subject to conditions and requirements imposed by the grantors, such as restrictions on the expansion of facilities in foreign countries of concern and on joint research and technology licensing efforts with foreign entities of concern on any technology or product that raises national security concerns. Noncompliance with the terms and conditions of the grants that we may receive could result in a delay or forfeiture of all or a portion of any future amounts to be received, as well as obligate us to repay all or a portion of amounts already received pursuant to the grants. Even if we satisfy the conditions and requirements for the funding disbursement, it is possible that the grantor may delay the disbursement or be unable to provide the funding. While we expect to continue benefiting from government incentives, failure to obtain grants that we seek, to fully utilize available grants, or to comply with the terms and conditions of grants could impact our ability to achieve our goals for the projects that would otherwise benefit from grant funding and could have an adverse effect on our business, results of operations, and financial condition.

Moreover, our competitors may, from time to time, also decide to undertake aggressive pricing initiatives. Our competitors may also compete for our customers who seek to diversify their supply chains. These competitive activities may decrease our customer base, our pricing, or both. If we are unable to compete effectively with such competitors on technology, manufacturing capacity, product quality, supply chain diversification and resilience, and customer satisfaction, we risk losing customers or business to such contenders and our profit margin and earnings may decrease.

If we are unable to manage our capacity and production facilities effectively, our competitiveness may be weakened.

We perform long-term market demand forecasts on a regular basis for our products and services to manage our overall capacity. Based on market demand, we have continued to add capacity to meet market needs for our products and services, including in Taiwan, in Arizona, U.S., in Kumamoto, Japan and in Dresden, Germany.

Implementing these capacity expansion plans will increase our costs, and the increases may be substantial. For example, we would need to build new facilities, purchase additional equipment and hire and train personnel to operate the new equipment. If the market demand does not materialize, and/or we do not increase our net revenue accordingly, our financial performance may be adversely affected by these increased costs. See “Item 4. Information on The Company – Capacity Management and Technology Upgrade Plans” for a further discussion.

In addition, market conditions are dynamic, and our market demand forecasts may change significantly at any time. During periods of decreased demand, certain manufacturing lines or tools in some of our manufacturing facilities may be suspended or shut down temporarily. However, if demand subsequently increases rapidly over a short period of time, we may not be able to restore the capacity in a timely manner to take advantage of the upturn. In such circumstances, our financial performance and competitiveness may be adversely affected.

Having one or more large customers that account for a significant percentage of our revenue may render us vulnerable to the loss of or significant curtailment of purchases by such customers that could in turn adversely affect our results of operations. Similarly, the increasing consolidation of our customers may further increase our revenue concentration.

Over the years, our customer profile and the nature of our customers’ business have changed dramatically. While we generate revenue from hundreds of customers worldwide, our ten largest customers in 2023, 2024 and 2025 accounted for approximately, 70%, 76% and 78% of our net revenue in the respective year. Our largest customer in 2023, 2024 and 2025 accounted for 25%, 22% and 19% of our net revenue in the respective year. Our second largest customer in 2023, 2024 and 2025 accounted for 11%, 12%, and 17% of our net revenue in the respective year. A more concentrated customer base may subject our revenue to seasonal demand fluctuations from our large customers and cause different seasonal patterns in our business. This customer concentration results in part from the changing dynamics of the electronics industry with the structural shift to HPC and smartphone applications and software that provide the content for such devices.

There are only a limited number of customers who are successfully exploiting this new business model paradigm. Also, we have seen changes in the nature of our customers’ business models in response to this new business model paradigm. For example, there is a growing trend among system companies designing their own semiconductors and working directly with the semiconductor foundries, which makes their products and services more marketable in a changing consumer market. These shifting business models could lead to significant variations in our sales if the growth of their products and services, particularly in the AI sector, is volatile or not sustainable.

Also, since the global semiconductor industry has become increasingly competitive, some of our customers have engaged in industry consolidations in order to remain competitive. Such consolidations have taken the form of mergers and acquisitions. If more of our major customers consolidate, this will further decrease the overall number of our customer pool. In addition, regulatory restrictions, such as export controls directed at our major customers, could impact our ability to supply products to those customers or reduce those customers’ demand for our products and services and thus impact their business operations.

The loss of, or significant curtailment of purchases by, one or more of our top customers including curtailments due to increased competitive pressures, industry consolidation, changes in applicable regulatory restrictions, product designs, manufacturing sourcing or outsourcing policies or practices of these customers, the timing of customer inventory adjustments, or changes in our major customers’ business models, may adversely affect our results of operations and financial condition.

If our information technology systems or those of our service providers with whom we share our confidential information succumb to cyberattacks by third parties worldwide, our business and operations may be severely interrupted or even shut down, and our results of operations, financial condition, prospects and reputation may also be materially and adversely affected.

Even though we have established a comprehensive internet and computing security network, we cannot guarantee that our computing systems which control or maintain vital corporate functions, such as our manufacturing operations and enterprise accounting, would be completely immune to crippling cyberattacks. In the event of a serious cyberattack, our systems may lose important corporate data or our production lines may be shut down pending the resolution of such attack. Major cyberattacks could also lead to loss or divulgence of trade secrets and other sensitive information, such as proprietary information of our customers and other stakeholders and personal information of our employees. While we seek to continuously review and assess our cybersecurity policies and procedures to ensure their adequacy and effectiveness, we cannot guarantee that we will not be susceptible to new and emerging risks and attacks in the evolving landscape of cybersecurity threats. For example, as AI continues to evolve, cyber-attackers could also use AI to develop malicious codes and sophisticated phishing attempts.

Malicious hackers may also try to introduce computer viruses, corrupted software or ransomware into our network systems to disrupt our operations, blackmail us to regain control of our computing systems, or spy on us for sensitive information. These attacks may result in us having to pay damages for our delayed or disrupted orders or incur significant expenses in implementing remedial and improvement measures to further enhance our cybersecurity network, and may also expose us to significant legal liabilities arising from or related to legal proceedings or regulatory investigations associated with such breaches.

In the past, we experienced and may in the future be subject to attack by malicious software. We have implemented and continually update rigorous cybersecurity measures to prevent and minimize harm caused by such attacks. See “Item 16K. Cybersecurity” for a further discussion. While these ongoing enhancements further improve our cybersecurity defense solutions, there can be no assurance that we are immune to cyberattacks.

In addition, we employ certain third-party service providers for us and our affiliates worldwide with whom we need to share highly sensitive and confidential information to enable them to provide the relevant services. While we require such third-party service providers to strictly fulfill the confidentiality and/or internet security requirements in our service agreements with them, there is no assurance that each of them will comply with such obligations. Moreover, such third-party service providers may also be susceptible to cyberattacks. If we or our service providers are not able to timely resolve the respective technical difficulties caused by such cyberattacks, or ensure the integrity and availability of our data (and data belonging to our customers and other third parties) or maintain control of our or our service providers’ computing systems, our commitments to our customers and other stakeholders may be materially impaired and our results of operations, financial condition, prospects and reputation may also be materially and adversely affected.

We may not be able to implement our planned growth and development or maintain our leading position if we are unable to recruit and retain key executives, managers, and skilled technical and service personnel.

We rely on the continued services and contributions of our management team, as well as skilled technical and professional personnel. Our business could suffer from the inability to fulfill personnel needs with high quality professionals in a timely fashion caused by the loss of personnel, talent shortages, illegal talent poaching, immigration controls, or related changes in market demand for our products and services. The fierce competition for talent could potentially lead to our being unable to ensure timely fulfillment of our personnel demand.

We may be unable to obtain in a timely manner and at a reasonable cost equipment that is necessary for us to remain competitive.

Our operations and ongoing expansion plans depend on our ability to obtain necessary equipment and related services available from a limited number of suppliers. As a result, we may encounter the situation of limited supply and/or long delivery cycles. To better manage our supply chain, we evaluate and project delivery lead times to minimize the impact of supply chain risks on operating costs. We have also implemented various collaborative business models and risk management contingencies with suppliers to ensure supply and shorten the procurement lead time. To enhance our sourcing capabilities for our global sites, we have also taken steps to strengthen our understanding of local regulations, policies, and supply chains. However, if we are unable to acquire in a timely manner the equipment and parts we need, we may fail to successfully implement capacity expansion plans and exploit time sensitive business opportunities. Additionally, ongoing trade tensions could result in increased prices for, or even unavailability of, key equipment, through

delay or denial of necessary export licenses, adoption of additional export control measures and other tariff or non-tariff barriers. If we are unable to obtain equipment in a timely fashion to fulfill our customers' demand for technology and production capacity, or unable to do so at a reasonable cost, our financial condition and results of operations could be negatively impacted.

Our revenue and profitability may decline if we are unable to obtain adequate supplies of raw materials in a timely manner and at commercially reasonable prices.

Our production operations require that we obtain adequate supplies of raw materials, such as silicon wafers, gases, chemicals, and photoresist, on a timely basis and at commercially reasonable prices. In the past, shortages in the supply of some materials, whether by specific suppliers or by the semiconductor industry generally, have resulted in occasional industry-wide price adjustments and delivery delays. Moreover, major natural disasters, trade barriers and political or economic turmoil, including military conflicts and inflation, occurring within the country of origin of such raw materials may also significantly disrupt the availability of such raw materials or increase their prices. Also, since we procure some of our raw materials from sole-sourced suppliers, there is a risk that our need for such raw materials may not be met or that back-up supplies may not be readily available. Importation and domestic production limitations may also restrict our ability to obtain adequate supplies of raw materials as well as materials of the necessary quality. In addition, recent trade tensions could result in increased prices or even unavailability of raw materials due to tariffs, export control or other non-tariff barriers. Our revenue and earnings could be adversely affected if we are unable to obtain adequate supplies of the necessary raw materials in a timely manner or if there are significant increases in the costs of raw materials.

Any inability to obtain, preserve, enforce, defend and protect our technologies, intellectual property rights and third-party licenses could harm our competitive position.

Our ability to compete successfully and to achieve future growth depends in part on the continued strength of our intellectual property portfolio. While we actively enforce and protect our intellectual property rights, there can be no assurance that our efforts will be adequate to prevent the misappropriation or improper use of our proprietary technologies, software, trade secrets or know-how. Also, we cannot assure you that, as our business or business models expand into new areas, we will be able to develop independently the technologies, patents, software, trade secrets or know-how necessary to conduct our business or that we can do so without unknowingly infringing the intellectual property rights of others. As a result, we may have to rely on, to a certain degree, licensed technologies and patent licenses from others. To the extent that we rely on licenses from others, there can be no assurance that we will be able to obtain any or all of the necessary licenses in the future on terms we consider reasonable or at all. The lack of necessary licenses could expose us to claims for damages and/or injunctions from third parties, as well as claims for indemnification by our customers in instances where we have contractually agreed to indemnify our customers against damages resulting from infringement claims.

We have received, from time to time, communications from third parties, including non-practicing entities and semiconductor companies, asserting that our technologies, our manufacturing processes, or the design IPs of the semiconductors made by us or the use of those semiconductors by our customers may infringe their patents or other intellectual property rights. Because of the nature of the industry, our market position, and the expansion of our manufacturing operations outside of Taiwan, we may receive an increased number of such communications in the future. The assertions made and lawsuits initiated by litigious, well-funded, non-practicing entities are particularly aggressive in their monetary demand and in seeking court-issued injunctions. Recent developments at the U.S. Patent and Trademark Office limiting access to *inter partes review* to remove erroneously issued patents may result in an increase of such assertions and lawsuits, and hinder our ability to reach a reasonable resolution with patent owners. Such lawsuits and assertions may increase our cost of doing business and may potentially be extremely disruptive if these asserting entities succeed in blocking the trade of products made and services offered by us. See "Item 8. Financial Information – Legal Proceedings" for a further discussion. Also, with the expansion of our manufacturing operations into certain non-R.O.C jurisdictions, we have faced increased challenges in managing risks of intellectual property misappropriation. Despite our efforts to adopt robust measures to mitigate the risk of intellectual property misappropriation in such new jurisdictions, we cannot guarantee that the protection measures we adopted will be sufficient to prevent us from potential infringements by others, or at all.

If we fail to obtain or maintain certain technologies or intellectual property licenses or fail to prevent our intellectual property from being misappropriated and, if litigation relating to alleged intellectual property matters occurs, it could: (i) prevent us from manufacturing particular products or selling particular services or applying particular technologies; and (ii) reduce our ability to compete effectively against entities benefiting from our misappropriated intellectual property, which could reduce our opportunities to generate revenue.

Our operational results could also be materially and adversely affected by disruptive events or industrial accidents, in the locations in which we, our customers or our suppliers operate.

Our operations are vulnerable to interruptions from various natural and man-made disasters. These include earthquakes, flooding, typhoons, droughts, tsunamis, sandstorms, wildfires, volcanic eruptions, fire, gas/chemical leakage or spill, pandemic, cyberattacks, supply chain disruption, geopolitical tensions, sabotage and terrorism. Additionally, the failure of critical facilities and equipment, along with disruptions in utility services such as water, electricity and natural gas, could also interrupt our operations. Most of our production facilities, as well as those of many of our suppliers, customers and upstream providers of complementary semiconductor manufacturing services, are located in areas susceptible to various natural disasters. These locations may also face potential shortages of electricity and/or water, which could cause interruptions to our operations. For instance, in April 2024 and January 2025, several earthquakes struck Taiwan, causing damage to our inventories, plant facilities, machinery and equipment. We recognized approximately NT\$3 billion and NT\$5.3 billion in losses from earthquakes, net of insurance claim, respectively, in the second quarter of 2024 and the first quarter of 2025.

If one or more natural disasters were to create a prolonged disruption to our operations, or those of our suppliers, it could significantly reduce our manufacturing capacity and lead to the loss of important customers. In addition, disruption to our customers' operations could reduce demand for our products and services. Either scenario could therefore have an adverse and material impact on our operational and financial performance.

Our operations may be interrupted, and our expansion may be limited, by power or other utility outages or shortages, and our financial results may be adversely affected by increased prices of power or other utilities.

We have occasionally experienced power outages, dips or surges caused by difficulties encountered by our electricity supplier or other power consumers on the same power grid. Some of these incidents have resulted in interruptions to our operations. Such outages, shortages or interruptions in our electricity supply could further be exacerbated by changes in government energy policy or shortages in the supply of power generation fuels. If we are unable to secure reliable and uninterrupted supply of electricity for our manufacturing fabs, our ability to fulfill customers' orders would be jeopardized. Moreover, we have experienced, and may continue to encounter utility price increases. Higher electricity prices could increase our manufacturing costs and therefore adversely impact our financial results.

In addition, government measures taken in response to severe weather events, such as water rationing and conservation measures in response to droughts, may materially affect our operations and our suppliers' production. This could, in turn, cause interruptions to our operations and expansion plans.

If such events were to occur over prolonged periods, our operations and financial performance may be materially adversely affected and our future capacity expansions could be curtailed.

Adverse fluctuations in exchange rates could decrease our operating margin and/or revenue.

Substantially all of our sales are denominated in U.S. dollars and over half of our capital expenditures are denominated in currencies other than the NT dollar, primarily in U.S. dollars, Euros and Japanese yen. As a result, any significant fluctuations to our disadvantage in the exchange rate of the NT dollar against such currencies, in particular a weakening of the U.S. dollar against the NT dollar, would have an adverse impact on our revenue and operating profit as expressed in NT dollars. For example, every 1% depreciation of the U.S. dollar against the NT dollar would result in an approximately 0.3 percentage point decrease in our operating margin based on our 2025 results.

Conversely, if the U.S. dollar appreciates significantly versus other major currencies, the demand for the products and services of our customers and for our goods and services will likely decrease, which will negatively affect our revenue. Please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk" for a further discussion.

Our failure to comply with applicable laws and regulations material to our operations, such as export control, antitrust, environmental and climate related laws and regulations, or the inability to timely obtain requisite approvals necessary for the conduct of our business, such as fab land and construction approvals, could harm our business and operational results or subject us to potential significant legal liability.

Because we engage in manufacturing activities in multiple jurisdictions and conduct business with our customers located worldwide, such activities are subject to a myriad of governmental regulations. For example, the manufacturing,

assembling and testing of our products require the use of equipment that is subject to export control laws and regulations, as well as metals, chemicals, and materials that are subject to environmental, climate-related, health and safety, and humanitarian forced labor prohibition and conflict-free sourcing laws, regulations and guidelines issued worldwide. Our failure to comply with any such laws or regulations, as amended from time to time, and our failure to comply with any information and document sharing requests from the relevant authorities in a timely manner could result in:

- significant penalties and legal liabilities, such as the denial of import or export permits or third party private lawsuits, criminal or administrative proceedings;
- the temporary or permanent suspension of production of the affected products;
- the temporary or permanent inability to procure or use certain production critical chemicals or materials;
- unfavorable alterations in our manufacturing, fabrication and assembly and test processes;
- challenges from our customers that place us at a significant competitive disadvantage, such as loss of revenue in case we are unable to satisfy the applicable legal standard or customer requirement;
- restrictions on our operations or sales;
- loss of tax benefits, including termination of current tax incentives, disqualification of tax credit application and repayment of the tax benefits that we are not entitled to; and
- damages to our goodwill and reputation.

Our role in the semiconductor supply chain inherently limits our visibility into the downstream use or user of final products that incorporate our customer's semiconductor products manufactured by us. This constraint impedes our ability to fully ensure such semiconductors will not be diverted to unintended end use or end-user, including potentially by our customers, or by third parties. In addition, export controls over certain semiconductors often depend on the products' specific features or performance characteristics that foundries may not be able to verify independently. If our customers' activities or products are found to be subject to such export controls and our exports to them did not obtain the required authorization, we could be found in violation of applicable export control or sanctions laws. This could adversely affect us through reputational harm, government investigations, penalties or other financial exposures resulting from relevant legal proceedings, or other adverse consequences. In October 2024, we notified relevant U.S. and Taiwan authorities that one type of our customer's chip manufactured by us might have been diverted to a restricted entity or incorporated into a restricted entity's product, and since then have been cooperating with the authorities' requests for additional information and documents. Despite our best efforts to comply with all relevant export control and sanctions laws and regulations, there is no assurance that our business activities will not be found noncompliant with export control laws and regulations.

We are subject to antitrust laws and regulations in multiple jurisdictions, and from time to time receive related inquiries from enforcement agencies. With our success in the foundry business and the increasing criticism on the concentration of the semiconductor industry and sometimes directly on us, we are subject to heightened risks of antitrust investigations. Any adverse results of potential antitrust proceedings could harm our business and distract our management, and thereby have a material adverse effect on our results of operations or prospects, and subject us to potential significant legal liability.

Complying with applicable laws and regulations, such as environmental and climate related laws and regulations, could also require us, among other things, to do the following: (a) purchase, use or install remedial equipment; (b) implement remedial programs such as climate change mitigation programs and air pollution reduction plans; (c) modify our product designs and manufacturing processes, or incur other significant expenses such as paying any incurred carbon fees if our emission levels exceed applicable thresholds, and obtaining renewable energy sources, renewable energy certificates or carbon credits, substitute raw materials or chemicals that may cost more or be less available for our operations.

Our inability to timely obtain approvals necessary for the conduct of our business could impair our operational and financial results. For example, if we are unable to timely obtain environmental related approvals needed to undertake the development and construction of a new fab or expansion project, then such inability may delay, limit, or increase the cost of our expansion plans that could also in turn adversely affect our business and operational results. In light of increased public interest in environmental issues, our operations and expansion plans may be adversely affected or delayed in response to public concern and social environmental pressures even if we comply with all applicable laws and regulations.

For further details, please see our compliance record with Taiwan and international environmental and climate related laws and regulations as well as our business continuity management of climate change policy in “Item 4. Information on The Company – Environmental and Climate Related Laws and Regulations”.

Any impairment charges may have a material adverse effect on our net income.

Under IFRSs, we are required to evaluate our tangible assets, right-of-use assets and intangible assets for impairment whenever triggering events or changes in circumstances indicate that the asset may be impaired. If certain criteria are met, we are required to record an impairment charge. We are not able to estimate the extent or timing of any impairment charge for future years. Any impairment charge required may have a material adverse effect on our net income.

The determination of an impairment charge at any given time is mainly based on the projected results of operations over several years subsequent to that time. Consequently, an impairment charge is more likely to occur during a period when our operating results are otherwise already depressed. See “Item 5. Operating and Financial Reviews and Prospects – Critical Accounting Policies, Judgments and Key Sources of Estimation and Uncertainty” for a discussion of how we assess if an impairment charge is required and, if so, how the amount is determined.

Any failure to achieve and maintain effective internal controls could have a material adverse effect on our business and results of operations.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud and corruption, our reputation and results of operations could be harmed.

We are required to comply with various R.O.C. and U.S. laws and regulations on internal controls, but internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, fraud or corruption.

Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, our business and operating results could be harmed, we could fail to meet our reporting obligations, and there could be a material adverse effect on the market price of our common shares and ADSs.

Any amendments to existing tax regulations or the implementation of any new tax laws in the R.O.C., the United States or other jurisdictions in which we operate our business may have an adverse effect on our net income.

While we are subject to tax laws and regulations in various jurisdictions in which we operate or conduct business, our principal operations are in the R.O.C. and we are exposed primarily to taxes levied by the R.O.C. government. Any unfavorable changes of tax laws and regulations in these jurisdictions could increase our effective tax rate and adversely affect our operating results. Further, changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting (“BEPS”) project that was undertaken by the Organisation for Economic Cooperation and Development (“OECD”). These changes may increase tax uncertainty and have an adverse effect on our operating results. See “Item 5. Operating and Financial Reviews and Prospects – Taxation” for further discussion of significant tax regulation changes.

Risks Relating to Ownership of ADSs

Your voting rights as a holder of ADSs will be limited.

Holders of American Depositary Receipts (“ADRs”) evidencing ADSs may exercise voting rights with respect to the common shares represented by these ADSs only in accordance with the provisions of our ADS deposit agreement. The deposit agreement provides that, upon receipt of notice of any meeting of holders of our common shares, the depositary bank will, as soon as practicable thereafter, mail to the holders (i) the notice of the meeting sent by us, (ii) voting instruction forms and (iii) a statement as to the manner in which instructions may be given by the holders.

ADS holders will not generally be able to exercise the voting rights attaching to the deposited securities on an individual basis. According to the provisions of our ADS deposit agreement, the voting rights attaching to the deposited securities must be exercised as to all matters subject to a vote of shareholders collectively in the same manner, except in the case of an election of directors. Election of directors is by means of cumulative voting. See “Item 10. Additional

Information – Voting of Deposited Securities” for a more detailed discussion of the manner in which a holder of ADSs can exercise its voting rights.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under our ADS deposit agreement, the depositary bank will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the United States Securities Act of 1933, as amended, (the “Securities Act”), with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. Although we may be eligible to take advantage of certain exemptions for rights offerings by certain foreign companies, we can give no assurance that we can establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to have such a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

If the depositary bank is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

The value of your investment may be reduced by possible future sales of common shares or ADSs by us or our shareholders or fluctuations in foreign exchange.

One or more of our existing shareholders may, from time to time, dispose of significant numbers of our common shares or ADSs. For example, the National Development Fund of the R.O.C., which owned 6.38% of TSMC’s outstanding shares as of February 28, 2026, had from time to time in the past sold our shares in the form of ADSs in several transactions.

We cannot predict the effect, if any, that future sales of ADSs or common shares, or the availability of ADSs or common shares for future sales, will have on the market price of ADSs or common shares prevailing from time to time. Sales of substantial amounts of ADSs or common shares in the public market, or the perception that such sales may occur, could depress the prevailing market price of our ADSs or common shares. In addition, fluctuations in the exchange rate between the U.S. dollar and the NT dollar may affect the U.S. dollar value of our common shares and the market price of the ADSs and the U.S. dollar value of any cash dividends paid in NT dollars on our common shares represented by ADSs.

The market value of our shares may fluctuate due to the volatility of, and government intervention in, the R.O.C. securities market.

The Taiwan Stock Exchange has experienced from time to time substantial fluctuations in the prices and volumes of sales of listed securities. There are currently limits on the range of daily price movements on the Taiwan Stock Exchange. In response to past declines and volatility in the securities markets in Taiwan, and in line with similar activities by other countries in Asia, the government of the R.O.C. formed the Stabilization Fund, which had purchased and may from time to time purchase shares of Taiwan companies to support these markets. In addition, other funds associated with the R.O.C. government had in the past purchased, and may from time to time purchase, shares of Taiwan companies on the Taiwan Stock Exchange or other markets. These funds had disposed and may from time to time dispose shares of Taiwan companies so purchased at a later time. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or cease, may cause fluctuations in the market prices of our ADSs and common shares.

ITEM 4. INFORMATION ON THE COMPANY

Our History and Structure

Our legal and commercial name is 台灣積體電路製造股份有限公司 (Taiwan Semiconductor Manufacturing Company Limited). We were founded in 1987 as a joint venture among the R.O.C. government and other private investors and were incorporated in the R.O.C. as a company limited by shares on February 21, 1987. Since our establishment, we have built a strong position in manufacturing capacity as a dedicated foundry. Our common shares have been listed on the Taiwan Stock Exchange since September 5, 1994, and our ADSs have been listed on the New York Stock Exchange (“NYSE”) since October 8, 1997.

Our Principal Office

Our principal executive office is located at No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan, Republic of China. Our telephone number at that office is (886-3) 563-6688. Our website is www.tsmc.com. Information contained on our website is not incorporated herein by reference and does not constitute part of this annual report.

Business Overview of the Company

As a foundry, we manufacture semiconductors using our manufacturing processes for our customers based on proprietary integrated circuit designs provided by them. We offer a comprehensive range of wafer fabrication processes, including processes to manufacture complementary metal-oxide-semiconductor (“CMOS”) logic, mixed-signal, radio frequency (“RF”), embedded memory, bipolar complementary metal-oxide-semiconductor (“BiCMOS”, which uses CMOS transistors in conjunction with bipolar junction transistor) mixed-signal and others. We also offer design, mask making, TSMC 3DFabric® advanced silicon stacking and packaging services, and testing services.

We believe that our scale and capacity, particularly for advanced technologies, is a major competitive advantage. Please see “– Semiconductor Manufacturing Capacity and Technology” and “– Capacity Management and Technology Upgrade Plans” for a further discussion of our capacity.

We count among our customers many of the world’s leading semiconductor companies, ranging from fabless semiconductor companies, system companies to integrated device manufacturers.

Our Semiconductor Facilities

We currently operate one 150mm wafer fab, six 200mm wafer fabs, nine 300mm wafer fabs, and seven advanced backend fabs. Our corporate headquarters and nine of our fabs are located in the Hsinchu Science Park, two fabs are located in the Central Taiwan Science Park, seven fabs are located in the Southern Taiwan Science Park, two fabs are located in the United States, one fab is located in Shanghai, one fab is located in Nanjing, and one fab is located in Japan. As of February 28, 2026, our corporate headquarters and our nine fabs in Hsinchu Science Park occupy parcels of land of a total of approximately 1,440,012 square meters, of which, approximately 1,296,797 square meters of land is leased by us from the Hsinchu Science Park Administration for our eight fabs in Hsinchu Science Park under agreements that will be up for renewal between December 2026 and December 2044, and approximately 143,215 square meters of land is owned by us, where Advanced Backend Fab 6 and related offices are located. We have leased from the Central Taiwan Science Park Administration a parcel of land of approximately 1,089,957 square meters for our Taichung fabs under agreements that will be up for renewal between September 2029 and December 2044. We have leased from the Southern Taiwan Science Park Administration approximately 2,502,262 square meters for our fabs in the Southern Taiwan Science Park under agreements that will be up for renewal between March 2026 and March 2045. We have leased from the Kaohsiung City Government approximately 751,384 square meters of land in the Kaohsiung Nanzih Technology Industrial Park, where Fab 22 is located, under agreements that will be up for renewal by December 2026. TSMC Washington, LLC (“TSMC Washington”) owns a parcel of land of approximately 1,052,186 square meters in the State of Washington in the United States, where the TSMC Washington fab and related offices are located. TSMC China Company Limited (“TSMC China”) owns the land use rights of 369,087 square meters of land in Shanghai, where Fab 10 and related offices are located. TSMC Nanjing owns the land use rights of 453,403 square meters of land in Nanjing, where Fab 16 and related offices are located. TSMC Arizona owns a parcel of land of approximately 4,775,885 square meters in the State of Arizona where Fab 21 and related offices are located. JASM owns a parcel of land of approximately 476,290 square meters in Kumamoto Prefecture, Japan, where Fab 23 and related offices are located. ESMC owns a parcel of land of approximately 513,557 square meters in the City of Dresden in Germany, where Fab 24 and related facilities will be located. Other than certain equipment under leases located at testing areas, we own all of the buildings and equipment for our fabs.

Semiconductor Manufacturing Capacity and Technology

We manufacture semiconductors on silicon wafers based on proprietary circuitry designs provided by our customers. Two key factors that characterize a foundry’s manufacturing capabilities are output capacity and fabrication process technologies. Since our establishment, we have built a strong position in manufacturing capacity as a dedicated foundry. We also believe that we are the technology leader among the dedicated foundries in terms of our net revenue of advanced semiconductors of 7-nanometer and below and are one of the leaders in the semiconductor manufacturing industry for mainstream and specialty technologies. Our 2-nanometer technology entered volume production in 2025. Also, the development of our 16-angstrom technology is on track, and its risk production is expected in 2026.

The following table lists our wafer fabs and those of our subsidiaries in operation as of February 28, 2026, together with the year of commencement of commercial production, wafer size and the most advanced technology for volume production:

Fab(1)	Year of commencement of commercial production	Wafer size	The most advanced technology for volume production(2)
2	1990	6-inch	450
3	1995	8-inch	150
5	1997	8-inch	150
6	2000	8-inch	110
8	1998	8-inch	110
10	2004	8-inch	150
11	1998	8-inch	150
12	2001	12-inch	40
14	2004	12-inch	16
15	2012	12-inch	7
16	2018	12-inch	16
18	2020	12-inch	3
20	2025	12-inch	2
21	2024	12-inch	5
22	2025	12-inch	2
23	2024	12-inch	28

(1) Fabs 2, 3, 5, 8, 12 and Fab 20 are located in Hsinchu Science Park. Fab 6, Fab 14, Fab 18, and Fab 22 are located in the Southern Taiwan Science Park. Fab 15 is located in Central Taiwan Science Park. Fab 11 is located in the Washington State, United States. Fab 10 is located in Shanghai, China, Fab 16 is located in Nanjing, China, Fab 21 is located in Arizona, U.S. and Fab 23 is located in Kumamoto, Japan.

(2) In nanometers, as of 2025 year-end.

In 2025, our annual capacity (in 12-inch equivalent wafers) exceeded 17 million wafers, compared to approximately 17 million wafers in 2024. This increase was primarily from the expansion of our 3-nanometer advanced technologies.

Capacity Management and Technology Upgrade Plans

We manage our overall capacity and technology upgrade plans based on long term market demand forecasts for our products and services. According to our current market demand forecasts, we intend to maintain the strategy of expanding manufacturing capacity and upgrading manufacturing technologies to meet both the fabrication and the technology needs of our customers.

Our capital expenditures in 2023, 2024 and 2025 were NT\$949,817 million, NT\$956,007 million and NT\$1,272,411 million (US\$40,895 million, translated from a weighted average exchange rate of NT\$31.11 to US\$1.00), respectively. Our capital expenditures in 2026 are expected to be between US\$52 billion and US\$56 billion, which, depending on market conditions, may be adjusted later. Our capital expenditures for 2023, 2024 and 2025 were funded by our operating cash flow and proceeds from the issuance of corporate bonds, and our capital expenditures for 2026 are also expected to be funded in the same way. In 2026, we anticipate our capital expenditures to focus primarily on the following:

- installing and expanding capacity, mainly for 2-nanometer and 3-nanometer nodes, including building/facility expansion for Fab 20, Fab 21 and Fab 22;
- expanding capacity for specialty technologies and advanced packaging, including building/facility expansion for Fab 24; and
- investing in research and development projects for new process technologies.

We are entering a period of higher growth as the multiyear megatrends of 5G, AI and high performance computing are expected to fuel strong demand for our semiconductor technologies in the next several years. We are working closely with our customers to address their needs in a sustainable manner.

These investment plans are preliminary and may change according to market conditions.

Markets and Customers

We categorize our net revenue mainly based on the countries where our customers are headquartered, which may be different from the countries to which we actually sell or ship our products or different from where products are actually ordered. Under this approach, the following table presents a geographic breakdown of our net revenue during the periods indicated:

Geography	Year ended December 31,					
	2023		2024		2025	
	Net Revenue	Percentage	Net Revenue	Percentage	Net Revenue	Percentage
(NT\$ in millions, except percentages)						
North America	1,470,215	68%	2,031,326	70%	2,875,270	75%
Asia Pacific(1)	174,947	8%	284,308	10%	329,269	9%
China	267,154	12%	331,673	11%	327,503	9%
Japan	132,072	6%	144,240	5%	150,428	4%
EMEA(2)	117,348	6%	102,761	4%	126,584	3%
Total	2,161,736	100%	2,894,308	100%	3,809,054	100%

(1) China and Japan are excluded from Asia Pacific.

(2) EMEA stands for Europe, Middle East, and Africa.

In 2025, our net revenue increased by a total of NT\$914,746 million compared to 2024, which was mainly due to an increase in orders from North America of NT\$843,944 million, or a 42% year-over-year increase and from Asia Pacific of NT\$44,961 million, or a 16% year-over-year increase. In 2024, our net revenue increased by a total of NT\$732,572 million compared to 2023, which was mainly due to an increase in orders from North America of NT\$561,111 million, or a 38% year-over-year increase and from Asia Pacific of NT\$109,361 million, or a 63% year-over-year increase.

We provide worldwide customer support. Our office in Hsinchu and subsidiaries in the United States, Canada, Japan, China, Germany, the Netherlands and South Korea are dedicated to serving our customers worldwide. Foundry services, which are both technologically and logistically intensive, involve frequent and in-depth interaction with customers. We believe that the most effective means of providing foundry services is by developing direct and close relationships with our customers. Our customer service and technical support managers work closely with the sales force to offer integrated services to customers. To facilitate customer interaction and information access on a real-time basis, a suite of web-based applications have also been offered to provide more active interactions with customers in design, engineering and logistics.

Advance Payment by Customers. Because of the fast-changing technology and functionality in semiconductor design, foundry customers generally do not place purchase orders far in advance to manufacture a particular type of product. However, some of our customers have entered into agreements with us to pay temporary receipts in order to retain specified capacity at our fabs. The treatment of advance temporary receipts, either by refund or by accounts receivable offsetting, will be determined by mutual consent when the terms and conditions set forth in the agreements are satisfied. See note 22 to our consolidated financial statements for further information.

The Semiconductor Fabrication Process

In general, the semiconductor manufacturing process begins with a thin silicon wafer on which an array of semiconductor devices is fabricated. The following processes cover assembly, packaging, and testing of the semiconductor devices. Our focus is on wafer fabrication although we also provide other services either directly or through outsourcing arrangements.

Our Foundry Services

Range of Services. Because of our ability to provide a full array of services, we are able to accommodate customers with a variety of needs at every stage of the overall foundry process. The flexibility in input stages allows us to cater to a variety of customers with different in-house capabilities and thus to service a wider class of customers as compared to a foundry that cannot offer design or mask making services, for example. As we serve a large global customer base that entails a wide range of applications, such customer diversification helps to smooth fluctuations in demand.

Fabrication Processes. We manufacture semiconductors mainly using the CMOS process. The CMOS process is currently the mainstream semiconductor manufacturing process. We use the CMOS process to manufacture logic semiconductors, mixed-signal/radio frequency semiconductors, which combine analog and digital circuitry in a single semiconductor, micro-electro-mechanical-systems (“MEMS”), which combines micrometer featured mechanical parts, analog and digital circuitry in a single semiconductor, and embedded memory semiconductors, which combine logic and memory in a single semiconductor, etc.

Types of Semiconductors We Manufacture. We manufacture different types of semiconductors with different specific functions by changing the number and the combinations of conducting, insulating and semiconducting layers and by defining different patterns in which such layers are applied on the wafer. At any given point in time, there are thousands of different products in various stages of fabrication at our fabs. We believe that the keys to maintaining high production quality and utilization rates are our effective management and control of the manufacturing process technologies which come from our extensive experience as the longest existing dedicated foundry and our dedication to quality control and process improvements. Our semiconductors are used for a variety of different platforms. The principal platforms include:

High Performance Computing (“HPC”): Driven by data explosion and AI application innovation, HPC has become the key growth driver for our business. We provide customers, including both fabless IC design companies and system companies, with leading-edge logic process technologies such as 2-nanometer Nanosheet Transistor (“N2”), 3-nanometer Fin Field-Effect Transistor (“FinFET”), 4-nanometer FinFET, 5-nanometer FinFET, 6-nanometer FinFET, and 7-nanometer FinFET, as well as comprehensive intellectual properties including high-speed interconnect intellectual properties to meet customers’ product requirements for transferring and processing vast amounts of data anywhere at any time. Specifically, we introduced our HPC-focused technologies such as N4X, N3X, and N2X, representing the ultimate performance and maximum clock frequencies in our 5-nanometer, 3-nanometer, and 2-nanometer families, respectively. Based on advanced process nodes, a variety of HPC products have been launched, such as AI accelerators, including AI graphics processor units (“GPUs”) and AI application specific integrated circuits (“ASICs”), personal computer central processing units (“CPUs”), consumer GPUs, field programmable gate arrays (“FPGAs”), server processors, and high-speed networking chips, etc. These products can be used in current and future 5G/6G infrastructures, AI, cloud, and enterprise data centers. We also offer multiple TSMC 3DFabric® advanced silicon stacking and packaging solutions, such as TSMC-SoIC® manufacturing services and CoWoS® advanced packaging services, to enable homogeneous and heterogeneous chip integration to meet customer requirements for high performance, high compute density and high energy efficiency, low latency, and high integration. We will continue to optimize our HPC platform and strengthen collaboration with customers to help them capture market growth in HPC markets.

Smartphones: For customers’ premium product applications, we offer leading logic process technologies such as 2-nanometer Nanosheet Plus (“N2P”), 3-nanometer FinFET Plus (“N3P”), 3-nanometer FinFET Enhanced (“N3E”), 3-nanometer FinFET, 4-nanometer FinFET Plus (“N4P”), 4-nanometer FinFET, 5-nanometer FinFET Plus (“N5P”), and 5-nanometer FinFET, as well as comprehensive intellectual properties to further enhance chip performance, reduce power consumption, and decrease chip size. For mainstream product applications, we provide a broad range of logic process technologies, including 3-nanometer FinFET Compact (“N3C”), 4-nanometer FinFET Compact (“N4C”), 6-nanometer FinFET, 7-nanometer FinFET Plus (“N7+”), 7-nanometer FinFET, 12-nanometer FinFET Compact Plus (“12FFC+”), 12-nanometer FinFET Compact (“12FFC”), 16-nanometer FinFET Compact Plus (“16FFC+”), 16-nanometer FinFET Compact (“16FFC”), 28-nanometer High Performance Compact Plus (“28HPC+”), 28-nanometer High Performance Compact (“28HPC”), and 22-nanometer Ultra-Low Power (“22ULP”), as well as comprehensive intellectual properties, to satisfy customer needs for high-performance and low-power chips. Furthermore, for both premium and mainstream product applications, we offer leading-edge, highly competitive specialty technologies to deliver specialty companion chips for customers’ logic application processors, including radio frequency (“RF”), RF front-end, embedded non-volatile memory (“eNVM”), power management ICs (“PMICs”), sensors, and display chips, as well as TSMC 3DFabric® advanced packaging services, such as our industry-leading InFO technology.

Internet of Things (“IoT”): Following the three megatrends of the IoT segment, “Everything Connected, Smart and Green,” we not only provide customers with solid logic technologies, including 4-nanometer, 5-nanometer, 6-nanometer, 7-nanometer, 12-nanometer, 16-nanometer, and 28-nanometer, but also build a leading, complete and highly integrated ultra-low power (“ULP”) technology platform based on our logic technologies to enable customers’ product innovations for the Artificial Intelligence of Things (“AIoT”, AI+IoT) and Edge AI. Our industry-leading ULP technologies feature both energy efficiency and high performance, providing more computing power and AI inferencing capability while reducing system power consumption. FinFET-based 6-nanometer technology service (“N6e® ULP”) and 12-nanometer technology service (“N12e® ULP”) have both entered volume production, while the next-generation 4-nanometer ULP technology is in development. In addition, planar transistor-based mainstream technologies, such as 22-nanometer Ultra-Low Leakage (“ULL”), 28-nanometer ULP, 40-nanometer ULP, and 55-nanometer ULP technologies, have been widely adopted by various IoT system-on-a-chip (“SoC”) and battery-powered products to extend battery life. Our ULP technology platform also provides customers with comprehensive specialty technologies, covering RF, enhanced analog devices, embedded non-volatile memory, sensors, display devices, and PMICs. For extreme low-power product applications, we have also extended our low operating voltage (“Low Vdd”) offerings and have provided simulation program with integrated circuit emphasis (“SPICE”) models with a wide range of operating voltages and design guidelines to lower the adoption barrier and reduce lead time to help customers successfully launch innovative products.

Automotive: We offer a comprehensive spectrum of technologies and services to support the automotive industry’s three megatrends – building vehicles that are “Safer, Smarter and Greener.” We are also an industry leader in providing a robust automotive intellectual property ecosystem, which covers 3-nanometer, 4-nanometer, 5-nanometer, 7-nanometer, and 16-nanometer FinFET technologies, for advanced driver-assistance systems (“ADAS”), advanced in-vehicle infotainment (“IVI”), as well as zonal controllers for new electrical/electronic (“E/E”) architectures in next-generation vehicles, including both internal combustion engines (“ICEs”) and electric vehicles (“EVs”). 3-nanometer FinFET Automotive (“N3A”) technology, based on N3E technology, is our most advanced automotive-grade technology to date and was released to customers at the end of 2025. In addition to our advanced logic platform, we offer comprehensive automotive-grade specialty technologies including 28-nanometer embedded flash memory, 28-nanometer, 22-nanometer, and 16-nanometer RF for millimeter wave (“mmWave”) applications, high dynamic range (“HDR”) and high sensitivity CMOS image sensors (“CIS”), light detection and ranging (“LiDAR”) sensors, and PMICs. As for magnetoresistive random-access memory (“MRAM”), the 16-nanometer technology as second-generation MRAM passed Automotive Grade-1 requirements in 2025. 22ULL resistive random-access memory (“RRAM”) technology also passed Automotive Grade-1 requirements in 2025.

Digital Consumer Electronics (“DCE”): We provide customers with leading comprehensive technologies to deliver superior performance for 8K/4K video streaming, AI features, better power efficiency, and seamless connectivity for DCE applications, including smart digital TVs (“DTVs”), set-top boxes (“STBs”), AI-embedded smart cameras and associated wireless local area networks (“WLANs”), and PMICs, etc. Our leading 5-nanometer FinFET, 7-nanometer/6-nanometer FinFET, 16-nanometer FinFET/12-nanometer FinFET, and 22ULP/22ULL technologies have been widely adopted by leading global makers of 8K/4K DTVs and STBs, 4K streaming media devices (“SMDs”)/over-the-top (“OTT”), digital single-lens reflex (“DSLR”) cameras, and so on. We will continue to make these technologies more competitive through design-technology co-optimization (“DTCO”) for customers’ digital intensive chip designs and to drive lower power consumption for more cost-effective packaging.

The following table presents a breakdown of our net revenue by platform during the periods indicated:

Platform	Year ended December 31,					
	2023		2024		2025	
	Net Revenue	Percentage	Net Revenue	Percentage	Net Revenue	Percentage
(NT\$ in millions, except percentages)						
High Performance Computing	934,769	43%	1,476,891	51%	2,192,931	58%
Smartphone	814,914	38%	1,005,130	35%	1,110,816	29%
Internet of Things	161,917	8%	165,516	6%	191,047	5%
Automotive	133,654	6%	139,323	5%	186,667	5%
Digital Consumer Electronics	47,000	2%	47,961	1%	47,997	1%
Others	69,482	3%	59,487	2%	79,596	2%
Total	2,161,736	100%	2,894,308	100%	3,809,054	100%

The increase in our net revenue from 2024 to 2025 mainly came from High Performance Computing of NT\$716,040 million, or a 48% year-over-year increase, and from Smartphone of NT\$105,686 million, or a 11% year-over-year increase. The increase in our net revenue from 2023 to 2024 mainly came from High Performance Computing of NT\$542,122 million, or a 58% year-over-year increase, and from Smartphone of NT\$190,216 million, or a 23% year-over-year increase.

Design and Technology Platforms. Modern integrated circuit designers need sophisticated design infrastructure to optimize productivity and cycle time. Such infrastructure includes design flow for electronic design automation (“EDA”), silicon proven building blocks such as libraries and intellectual properties, simulation and verification design kits such as PDK and technology files. All of this infrastructure is built on top of the technology foundation, and each technology needs its own design infrastructure to be usable for designers. This is the concept of our technology platforms.

For years, we and our alliance partners have spent considerable effort, time and resources to build our technology platforms. We unveiled an Open Innovation Platform® (“OIP”) initiative in 2008 to further enhance our technologies offerings. More OIP deliverables were introduced over the years, as well as in 2025. In the design methodology area, we announced EDA and intellectual property readiness of 3-nanometer, 2-nanometer and TSMC A16™, as well as continuous development of solutions to enhance power, performance and area (“PPA”) on existing production technology nodes. In addition, we contributed the 3Dblox Standard to the Institute of Electrical and Electronics Engineers (the “IEEE”), and made available various 3-Dimensional Integrated Circuit (“3DIC”) reference flows to support TSMC 3DFabric® technology services in 3D silicon stacking and advanced packaging which cover a wide range of system-level design applications.

Multi-project Wafer Program (“CyberShuttle®”). To help our customers reduce costs, we offer a dedicated multi-project wafer processing service that allows us to provide multiple customers with circuits produced with the same mask. This program reduces mask costs by a very significant amount, resulting in accelerated time-to-market for our customers. We have extended this program to all of our customers and library and intellectual property partners using our broad selection of process technologies, ranging from the latest 2-, 3-, 4-, 5-, 6-, 7-, 12-, 16-, 22-, 28-, 40-, 45-, 55-, 65- and 90-nanometer processes to 0.13-, 0.18-, 0.25- and 0.35-micron. This extension offers a routinely scheduled multi-project wafer run to customers on a shared-cost basis for prototyping and verification.

We developed our multi-project wafer program in response to the current SoC development methodologies, which often require the independent development, prototyping and validation of several intellectual properties before they can be integrated onto a single device. By sharing mask costs among our customers to the extent permissible, the SoC supplier can enjoy reduced prototyping costs and greater confidence that the design will be successful.

Customer Service

We believe that our dedication to customer service has been an indispensable factor in attracting new customers, helping to ensure the satisfaction of existing customers, and building a mutually beneficial relationship with our customers. The key elements are our:

- customer-oriented culture through multi-level interaction with customers;
- ability to deliver products of consistent quality, competitive ramp-up speed and fast yield improvement;
- responsiveness to customers’ issues and requirements, such as engineering change and special wafer handling requests;
- flexibility in manufacturing processes, supported by our competitive technical capability and production planning;
- dedication to help reduce customer costs through collaboration and services, such as our multi-project wafer program, which combines multiple designs on a single mask set for cost-saving; and
- availability of our online service which provides necessary information in design, engineering and logistics to ensure seamless services to our customers throughout the product life cycle.

We also conduct an annual customer satisfaction survey to assess customer satisfaction and to ensure that their needs are adequately understood and addressed. Continuous improvement plans based upon customer feedback are an integral part of this business process. We use data derived from the survey as a base to identify future focus areas. We believe that satisfaction leads to better customer relationships, which would result in more business opportunities.

Research and Development

The semiconductor industry is characterized by rapid technological changes, frequently leading to the introduction of new technologies to meet customer demand and the obsolescence of recently introduced technology and products. We believe that to remain technologically ahead of our competitors and maintain our market position in the foundry segment, we need to be a technology leader in the semiconductor industry. In 2023, 2024, and 2025, we spent NT\$182,370 million, NT\$204,182 million, and NT\$246,427 million (US\$7,855 million), respectively, on research and development, representing 8.5%, 7.1% and 6.5% of our net revenue, respectively. We plan to continue significant investment in research and development in 2026 to maintain our leadership in advanced process technologies. Our research and development efforts have enabled us to offer customers access to advanced process technologies, such as 7-, 5-, 3- and 2-nanometer technology for volume production, prior to the implementation of those advanced process technologies by competitors and many integrated device manufacturers. We expect to further advance our process technologies to 16-angstrom and below in the coming years to sustain our technology leadership. We will also invest in research and development for our mature technology offerings to provide function-rich process capabilities to our customers. Our research and development activities are divided into centralized and fab-conducted research and development activities. Centralized research and development activities focus on developing new logic, SoC, derivatives, package/system-in-package (“SIP”) technologies, along with cost-effective 3D wafer level system integration solutions. Fab-conducted research and development activities focus on improving and upgrading the manufacturing process technologies.

To advance our process technologies, we rely primarily on our internal engineering capabilities, know-how and research and development efforts, including collaboration with our customers, equipment vendors and external research and development consortia.

We continually create inventions and in-house know-how. Since our inception, we have applied for and been issued a substantial number of patents in the United States and other countries, the majority of which are semiconductor related.

Competition

We compete internationally and domestically with other foundry service providers, as well as with a number of integrated device manufacturers. We compete primarily on process technologies, manufacturing excellence, customer trust and service quality, such as earlier technology readiness, better quality, faster yield improvement and shorter cycle time. The level of competition varies with the process technologies involved. For example, in more mature technologies, competitors tend to be numerous and offer specialized processes. Some companies compete with us in selected geographic regions or niche application markets. In recent years, substantial investments have been made by others to establish new foundry capacities worldwide, or to transform certain manufacturing operations of integrated device manufacturers into foundry capacities.

Equipment

The quality and technology of the equipment used in the semiconductor manufacturing process are important in that they effectively define the limits of our process technologies. Advances in process technologies cannot be brought about without commensurate advances in equipment technology. We have periodic meetings with suppliers with respect to co-developing next-generation equipment.

The principal pieces of equipment used by us to manufacture semiconductors are scanners, cleaners and track equipment, inspection equipment, etchers, furnaces, wet stations, strippers, implanters, sputterers, chemical vapor deposition (“CVD”) equipment, chemical mechanism polish (“CMP”) equipment, testers and probers. Other than certain equipment under leases located at testing areas, we own all of the equipment used at our fabs.

In implementing our capacity management and technology advancement plans, we expect to make significant purchases of equipment required for semiconductor manufacturing. Some of the equipment is available from a limited number of suppliers and/or is manufactured in relatively limited quantities, and certain equipment has only recently been developed. We believe that well management of the relationships with our equipment suppliers is important for us as a major purchaser of semiconductor fabrication equipment. We work closely with manufacturers that provide equipment customized to our needs for certain advanced technologies.

Raw Materials

Our manufacturing processes use many raw materials, primarily silicon wafers, chemicals, gases and various types of precious metals. Although most of our raw materials are available from multiple suppliers, some materials are purchased through sole-sourced suppliers. Our raw material procurement policy is to select only those suppliers who have demonstrated quality control and reliability on delivery time and to maintain multiple sources for each raw material whenever possible so that a quality or delivery problem with any one supplier will not adversely affect our operations. The quality and delivery performance of each supplier is evaluated quarterly and quantity allocations are adjusted for subsequent periods based on the evaluation.

The most important raw material used in our production is silicon wafer, which is the basic raw material from which integrated circuits are made. In pursuit of high quality raw wafers, the majority of our raw wafers are supplied by a limited number of suppliers located in Taiwan, Japan, Germany, and Singapore. We have in the past obtained, and believe we will continue to be able to obtain, a sufficient supply of wafers. In order to secure a reliable and flexible supply of high quality wafers, we have entered into long-term agreements and intend to continue to develop strategic relationships with major wafer suppliers to cover our anticipated wafer needs for future years. Also, we actively address supply chain issues and bring together fab operations, materials management, quality system and risk management teams to mitigate potential supply chain risks and enhance supply chain agility. This taskforce works with our primary suppliers to review their business continuity plans, qualify their dual-plant materials, prepare safety inventories, improve the quality of their products, and manage the supply chain risks of their suppliers. Please see “Item 3. Key Information – Risk Factors – Risks Relating to Our Business” for a discussion of the risk related to raw materials, including the fluctuation of prices of our main raw materials.

Environmental and Climate Related Laws and Regulations

The semiconductor production process generates gaseous chemical wastes, greenhouse gases (“GHG”), liquid wastes, wastewater and other industrial wastes in various stages of the manufacturing process. We have installed in our fabs various types of pollution control equipment for the treatment of gaseous and liquid chemical wastes and wastewater, equipment for GHG emission reduction and equipment for the recycling of used chemicals and treated water. Operations at our fabs are subject to regulations and periodic monitoring by the R.O.C. Ministry of Environment, the U.S. Environmental Protection Agency, the State Environmental Protection Administration of China, the Japan Ministry of the Environment, the European Environment Agency and European Chemicals Agency, and local environmental protection authorities in Taiwan, the U.S., China, Japan and Germany.

We have adopted pollution control and GHG emission reduction measures to ensure compliance with environmental protection and climate related standards consistent with the practice of the semiconductor industry in Taiwan, the U.S., China, Japan and Europe. We conduct environmental audits at least once annually to ensure that we are in compliance in all material respects with applicable environmental and climate related laws and regulations. An environmental, safety and health (“ESH”) team operates at the corporate level that is responsible for policy establishment and enforcement, coordination with ESH teams located at each manufacturing facility and for coordination and interaction with government agencies worldwide.

To fulfill our commitment to environmental sustainability in our business and operations, we have continued to explore and participate in initiatives to expand our use of renewable energy. In 2025, TSMC used renewable energy and purchased renewable energy certificates and carbon credits globally in a total of 5,780 GWh, of which approximately 2,795 GWh enabled our overseas sites to be 100% powered by clean energy for the eighth consecutive year. As of the end of 2025, we have signed power purchase agreements to purchase 7.3 GW of renewable energy, thereby eliminating an estimated 7.5 million metric tons of carbon dioxide equivalent emissions per year.

Environmental, Social and Governance Initiatives

At TSMC, we believe that a strong sustainability governance framework is essential to sustaining long-term competitiveness and creating value for all stakeholders. Our sustainability efforts are overseen by the Board of Directors and the Nominating, Corporate Governance, and Sustainability Committee, supported by two key management platforms: the ESG Steering Committee and the ESG Committee. The ESG Steering Committee, led by the Company Chairman, collaborates with the management team to define ESG strategies aligned with our operations. The ESG Committee implements resolutions from the ESG Steering Committee, coordinates resources across departments, directs the dedicated Corporate Sustainability Office and management representatives from organizations to identify material issues and develop

action plans, and monitors progress on a quarterly basis. To further enhance the transparency of information, in 2024, we initiated the IFRS Sustainability Disclosure Standards Adoption Project. In 2025, in accordance with IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and S2 (Climate-related Disclosures), we identified sustainability and climate-related risks and opportunities, assessed their financial impacts, set appropriate management metrics and targets, and provided updates on progress to the Board of Directors regularly.

Currently, TSMC's ESG initiatives center on five directions:

Drive green manufacturing. We strive to set industry benchmarks for environmental protection by embedding green practices into daily operations. Through innovative technologies, we address climate and energy challenges, water stewardship, circular resource management, air quality control, and biodiversity conservation, reinforcing our commitment to coexist and thrive with the Earth's ecosystem.

Build a responsible supply chain. We work closely with supply chain partners to uphold standards in technology, quality, delivery, human rights, and environmental safety. In response to climate change, we advance green innovation and climate/nature resilience, aiming to establish a low-carbon semiconductor supply chain.

Create a healthy and inclusive workplace. We foster a people-oriented culture built on open communication, inclusivity, and safety, where every employee feels valued and a sense of belonging. We provide competitive compensation and benefits, promote continuous learning, and strive to be a company where innovation thrives and employees feel empowered to contribute.

Develop talent. We actively support our employees' career development and dedicate ourselves to inspiring the next generation of professionals. To accomplish this, we partner with institutions, government organizations, and NGOs/NPOs to promote STEAM (science, technology, engineering, art, and mathematics) and biodiversity education, strengthening our efforts in industry-academia collaboration.

Care for the underprivileged. In collaboration with the TSMC Education and Culture Foundation and the TSMC Charity Foundation, we address societal needs by fostering educational innovation for learners of all ages, promoting community inclusion, cultivating art and culture literacy, strengthening ecological sustainability and environmental awareness, and advancing health protection to drive positive and lasting change.

Through these efforts, ESG principles are seamlessly integrated into all aspects of our operations, ensuring a steadfast commitment to environmental stewardship, social responsibility, and corporate governance. For further information on our ESG initiatives, please refer to our annual sustainability reports, available on our sustainability website at <https://esg.tsmc.com/en-US>. The information contained on our website is not incorporated herein by reference and does not constitute part of this annual report.

Electricity and Water

We have occasionally experienced power outages, dips or surges caused by difficulties encountered by our electricity supplier, or other power consumers on the same power grid. Such power outages, dips or surges may lead to interruptions in our production schedule. The semiconductor manufacturing process uses extensive amounts of electricity and water. Due to changes in government energy policy, the growth of manufacturers in Taiwan's Science Parks, and the droughts that Taiwan experiences from time to time, raise ongoing concerns regarding future availability of sufficient electricity and water for our production in Taiwan. To help address these potential shortages and mitigate the potential impact that insufficient electricity and water supplies may have on our semiconductor production, we have adopted various natural resources conservation methodologies. Moreover, we have encountered and anticipate continued increases in utility prices. Higher electricity prices could increase our manufacturing costs and therefore adversely impact our financial results. Please see "Item 3. Key Information – Risk Factors – Risks Relating to Our Business" for a discussion of the risk related to shortages or increased prices in electricity and water.

Risk Management

We adopt a balanced risk-reward management strategy that aims to optimize business returns. This strategy applies to all aspects of the business, including addressing ESG issues and delivering long-term sustainable value to all stakeholders. Our risk management policy, approved by the Board of Directors and signed by the Chairman and Chief Executive Officer ("CEO"), outlines our commitment to maintaining a proactive and robust risk management system. This

system assists us in making well-considered, risk-based decisions that fulfill the corporate vision and deliver sustainable value to us and our stakeholders.

We draw from the International Organization for Standardization (ISO) 31000: 2018 Risk Management System and the Enterprise Risk Management (“ERM”)-Integrated Framework by COSO (Committee of Sponsoring Organizations of the Treadway Commission) to establish our risk governance organization. This approach integrates operational and business processes to strengthen our overall risk management capabilities. Our ERM framework is a systematic approach that enables us to respond to changing dynamics in the business environment, as well as to capitalize on business opportunities. The ERM framework specifies the risk governance structure, the management process that integrates business operations, and the tools that facilitate the identification, assessment, response, monitoring, and review of risks. A risk criteria matrix on the potential likelihood of impact across financial, operational, reputational, and compliance aspects is applied in the assessment and prioritization of identified risks. A formalized training and communication program builds risk competency and fosters a risk-aware culture, helping management make informed risk-based decisions, against our risk appetite, while implementing corporate strategies. Internal and external audits of the risk management framework and process are conducted to identify opportunities to improve the effectiveness of our risk management system. We recognize that our systems and processes provide reasonable but not absolute assurance, and hence we continually strive to improve our ability to manage and respond to risks and capitalize on opportunities.

To mitigate the operational impact of crisis events, we implement pre-crisis risk assessments, response procedures and recovery plans. To enhance operational preparedness, we conduct exercises and drills to validate emergency responses, crisis management, and business continuity plans. In major incidents or crisis events, we follow our crisis management guidelines. Our central crisis command center (“C4”), headed by the Chairman and CEO and comprising senior executives across key functions, provides guidance and decision-making to maintain response readiness, including timely communication to key stakeholders.

We also maintain insurance with respect to our facilities, equipment and inventories. The insurance for our fabs and equipment covers, subject to some limitations, various risks, including earthquake, fire, typhoon, and other risks. This coverage is generally up to the respective policy limit for their replacement values and lost profits due to business interruption. In addition, we have insurance policies covering losses with respect to the construction of all our fabs. Equipment and inventories in transit are also insured. While we maintain insurance to cover certain types of losses, no assurance can be given that insurance will fully cover all the losses that may arise or that our emergency responses and business continuity plans will be effective in preventing or reducing losses.

For further information, please see detailed risk factors related to the impact of climate change regulations and international accords, and natural disasters on our operations in “Item 3. Key Information – Risk Factors – Risks Relating to Our Business”.

Our Subsidiaries and Affiliates

Vanguard International Semiconductor Corporation (“VIS”). In 1994, we, the R.O.C. Ministry of Economic Affairs and other investors established VIS, then an integrated dynamic random access memory (“DRAM”) manufacturer. VIS commenced commercial production in 1995 and listed its shares on the Taipei Exchange (originally the R.O.C. Over-the-Counter Securities Exchange) in March 1998. In 2004, VIS completely terminated its DRAM production and became a dedicated foundry company. In October 2024, we acquired additional shares in VIS’ capital increase transaction. As of February 28, 2026, we owned approximately 27.6% of the equity interest in VIS. Please see “Item 7. Major Shareholders and Related Party Transactions” for a further discussion.

TSMC Washington, LLC (“TSMC Washington”, previously WaferTech, LLC (“WaferTech”)). In 1996, we entered into a joint venture called WaferTech (of which the manufacturing entity is Fab 11) with several U.S.-based investors to construct and operate a foundry in the United States. Initial trial production at WaferTech commenced in July 1998 and commercial production commenced in October 1998. In December 2023, WaferTech was renamed as TSMC Washington. As of February 28, 2026, we owned 100% of the equity interest in TSMC Washington.

TSMC Global Ltd. (“TSMC Global”). In December 1998, we established TSMC Holding Ltd. in the B.V.I. as a company with limited liability. In 2006, TSMC Holding Ltd. was renamed to TSMC Global Ltd. TSMC Global is a wholly-owned subsidiary primarily engaged in corporate treasury investment activities.

Systems on Silicon Manufacturing Company Pte. Ltd. (“SSMC”). In March 1999, we entered into an agreement with Koninklijke Philips NV (“Philips”) and EDB Investment Pte. Ltd. (“EDB”) to found a joint venture, SSMC, and build

a fab in Singapore. The SSMC fab commenced commercial production in December 2000. As of February 28, 2026, we owned approximately 38.8% of the equity interest in SSMC. Please see “Item 7. Major Shareholders and Related Party Transactions” for a further discussion.

Global Unichip Corporation (“GUC”). In January 2003, we acquired a 52.0% equity interest in GUC, a SoC design service company that provides large scale SoC implementation services. GUC listed its shares on the Taiwan Stock Exchange in November 2006. As of February 28, 2026, we owned approximately 34.8% of the equity interest in GUC. Please see “Item 7. Major Shareholders and Related Party Transactions” for a further discussion.

TSMC China. In August 2003, we established TSMC China (of which the manufacturing entity is Fab 10), a wholly-owned subsidiary primarily engaged in the manufacture and sale of integrated circuits. TSMC China commenced commercial production in late 2004.

VisEra Technologies Company, Ltd. (“VisEra Technologies”). In October 2003, we and OmniVision Technologies Inc. (“OVT”), entered into an agreement to form VisEra Technologies, a joint venture in Taiwan, for the purpose of providing back-end service for CMOS image sensor manufacturing business. In November 2015, we acquired all of OVT’s equity interest in VisEra Technologies. In March 2021, we disposed certain common shares of VisEra Technologies to facilitate its initial public offering (“IPO”). Immediately following VisEra Technologies’ IPO in June 2022, our shareholding was diluted to approximately 67.9%. As of February 28, 2026, we owned approximately 67.2% of the equity interest in VisEra Technologies.

Xintec, Inc. (“Xintec”). In January 2007, we acquired a 51.2% equity interest in Xintec, a supplier of wafer level packaging service, to support our CMOS image sensor manufacturing business. In March 2015, Xintec listed its shares on the Taipei Exchange. Subsequent to Xintec’s IPO, our shareholding in Xintec was diluted to approximately 41.2%. As of February 28, 2026, we owned approximately 41.0% of the equity interest in Xintec. Please see “Item 7. Major Shareholders and Related Party Transactions” for a further discussion.

TSMC Nanjing. In May 2016, we established TSMC Nanjing (of which the manufacturing entity is Fab 16), a wholly-owned subsidiary primarily engaged in the manufacture and sale of integrated circuits. TSMC Nanjing commenced commercial production in April 2018.

TSMC Arizona. In November 2020, we established TSMC Arizona (of which the manufacturing entity is Fab 21), a wholly-owned subsidiary that is expected to be primarily engaged in the manufacture and sale of integrated circuits. TSMC Arizona plans to build and operate multiple advanced semiconductor manufacturing facilities in Phoenix, Arizona.

Our first facility successfully entered high volume production at the end of 2024. Construction of our second facility is ongoing, and the construction of our third facility commenced in 2025. Furthermore, we acquired an additional parcel of land in 2026 to support our current expansion plans and provide more flexibility in response to strong customer demand.

In November 2024, TSMC Arizona entered into a direct funding agreement (the “Direct Funding Agreement”) with the U.S. Department of Commerce (the “DOC”) under the U.S. CHIPS Act. Under this agreement, the DOC agrees to award TSMC Arizona up to US\$6.6 billion in direct funding related to TSMC Arizona’s semiconductor manufacturing facilities in Phoenix, Arizona (the “Projects”). In addition to the Direct Funding Agreement, TSMC Arizona also entered into a loan guarantee agreement and several ancillary agreements with the DOC (the “Loan Agreements”), under which TSMC Arizona is entitled to draw down up to US\$5 billion in government loans for the Projects. In connection with the Direct Funding Agreement and the Loan Agreements, the Company entered into certain guarantee agreements, under which the Company agrees to provide an irrevocable, absolute and unconditional guarantee to the DOC regarding any financial obligations owed by TSMC Arizona to the DOC. The awards under the Direct Funding Agreement are subject to various conditions, compliance requirements, program requirements and project milestone requirements.

JASM. In December 2021, we established JASM (of which the manufacturing entity is Fab 23) in Kumamoto, Japan, which is expected to be primarily engaged in the manufacture and sale of integrated circuits. In January 2022, Sony Semiconductor Solution Corporation (“Sony”) acquired a less than 20% equity interest in JASM. In April 2022, DENSO Corporation (“DENSO”) acquired a more than 10% minority equity interest in JASM. Construction on the site commenced in April 2022 and volume production commenced in December 2024. In February 2024, we, Sony, DENSO and Toyota Motor Corporation (“Toyota”) announced further investment into JASM to build and operate a second semiconductor manufacturing facility. Construction on the second site commenced in October 2025. By way of such investment, Toyota

also took a minority stake in JASM. As of February 28, 2026, we owned approximately 72.6% of the equity interest in JASM.

ESMC. In June 2023, we established ESMC in Dresden, Germany, which is expected to be primarily engaged in the manufacturing and sale of integrated circuits. In January 2024, Robert Bosch GmbH, Infineon Technologies AG, and NXP Semiconductors Germany GmbH, a wholly-owned subsidiary of NXP Semiconductors N.V. (“NXP”), each acquired 10% equity interest and together acquired 30% equity interest in ESMC. Construction on the site commenced in 2024. As of February 28, 2026, we owned 70.0% of the equity interest in ESMC.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEWS AND PROSPECTS

The following discussion covers items for and a comparison between the fiscal years ended December 31, 2025 and 2024. For the discussion covering items for the fiscal year ended December 31, 2023 and a comparison between the fiscal years ended December 31, 2024 and 2023, please refer to “Item 5” of our annual report on Form 20-F for the fiscal year ended December 31, 2024 filed with the U.S. SEC.

Overview

We manufacture a variety of semiconductors based on designs provided by our customers. Our business model is commonly called a “dedicated semiconductor foundry.” As a leader of the foundry segment, our net revenue and net income attributable to shareholders of the parent were NT\$2,894,308 million and NT\$1,158,380 million in 2024, and NT\$3,809,054 million (US\$121,423 million) and NT\$1,697,604 million (US\$54,116 million) in 2025, respectively. Please see “– Year-to-Year Comparisons – Net Revenue” for a discussion of the changes in net revenue from 2024 to 2025.

The principal source of our revenue is wafer fabrication, which accounted for approximately 86% of our net revenue in 2025. The rest of our net revenue was mainly derived from packaging and testing services, mask making, design, and royalty income. Factors that significantly impact our revenue include:

- worldwide demand and capacity supply for semiconductor products;
- pricing;
- production capacity;
- technology development; and
- fluctuation in foreign currency exchange rates.

While the above factors are significant factors, four of which are elaborated as follows:

Pricing. We establish pricing levels for specific periods of time with our customers, some of which are subject to adjustment during the course of that period to take into account market conditions and other factors. We believe that customers find value in our flexible manufacturing capabilities, focus on customer service and timely delivery of high yield products, and this value is reflected in our pricing. Our pricing enables us to continue to invest significantly in research and development to deliver ever-improving products to our customers, and sustain healthy financial conditions to expand capacity and support customers’ growth.

Production Capacity. We currently own and operate our semiconductor manufacturing facilities. In 2025, our annual capacity (in 12-inch equivalent wafers) exceeded 17 million wafers, compared to approximately 17 million wafers in 2024.

Technology Development. Our operation utilizes a variety of process technologies, ranging from mature process technologies of 0.25 micron or above circuit resolutions to advanced process technologies of 3-nanometer circuit resolutions. The table below presents a breakdown of wafer revenue by circuit resolution during the periods indicated:

Resolution	Year ended December 31,		
	2023	2024	2025
	Percentage of total wafer revenue(1)	Percentage of total wafer revenue(1)	Percentage of total wafer revenue(1)
3-nanometer	6 %	18 %	24 %
5-nanometer	33 %	34 %	36 %
7-nanometer	19 %	17 %	14 %
16-nanometer	10 %	8 %	7 %
20-nanometer	1 %	0 %	0 %
28-nanometer	10 %	7 %	7 %
40/45-nanometer	6 %	4 %	3 %
65-nanometer	6 %	4 %	4 %
90-nanometer	1 %	1 %	1 %
0.11/0.13 micron	2 %	2 %	1 %
0.15/0.18 micron	5 %	4 %	3 %
≥0.25 micron	1 %	1 %	0 %
Total	100 %	100 %	100 %

(1) The figure represents wafer revenue from a certain technology as a percentage of the total wafer revenue.

In 2025, the 3-nanometer, 5-nanometer and 7-nanometer revenues represented 24%, 36% and 14% of total wafer revenue, respectively. Advanced technologies (7-nanometer and below) accounted for 74% of total wafer revenue, up from 69% in 2024.

In 2024, the 3-nanometer, 5-nanometer and 7-nanometer revenues represented 18%, 34% and 17% of total wafer revenue, respectively. Advanced technologies (7-nanometer and below) accounted for 69% of total wafer revenue, up from 58% in 2023.

Foreign Currency Exchange Rate. Substantially all of our sales are denominated in U.S. dollars while we publish our financial statements in NT dollars. As a result, fluctuations in exchange rates of the NT dollar against the U.S. dollar would have a significant impact on our reported revenue. The NT dollar appreciation in 2025 had an unfavorable effect on our revenue, with weighted average exchange rates of the NT dollar per U.S. dollar appreciating from NT\$32.13 in 2024 to NT\$31.11 in 2025.

Critical Accounting Policies, Judgments and Key Sources of Estimation and Uncertainty

Summarized below are our accounting policies that we believe are important to the portrayal of our financial results and also involve the need for management to make estimates about the effect of matters that are uncertain in nature. Actual results may differ from these estimates, judgments and assumptions. Certain accounting policies are particularly critical because of their significance to our reported financial results and the possibility that future events may differ significantly from the conditions and assumptions underlying the estimates used and judgments made by us in preparing our financial statements. The following discussion should be read in conjunction with the consolidated financial statements and related notes, which are included in this annual report.

Critical Accounting Policies and Judgments

Revenue Recognition. We recognize revenue when performance obligations are satisfied. Our performance obligations are satisfied when customers obtain control of the promised goods, which is generally when the goods are delivered to our customers' specified locations.

Commencement of Depreciation Related to Property, Plant and Equipment Classified as Equipment under Installation and Construction in Progress ("EUI" and "CIP"). Commencement of depreciation related to EUI/CIP involves determining when the assets are available for their intended use. The criteria we use to determine whether EUI/

CIP are available for their intended use involves subjective judgments and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner.

Critical Accounting Policies and Key Sources of Estimation and Uncertainty

Estimation of Sales Returns and Allowances. Sales returns and other allowances is estimated and recorded based on historical experience and in consideration of different contractual terms. The amount is deducted from revenue in the same period the related revenue is recorded. We periodically review the reasonableness of the estimates. However, because of the inherent nature of estimates, actual returns and allowances could be different from our estimates. If the actual returns are greater than our estimated amount, we could be required to record an additional liability, which would have a negative impact on our recorded revenue and gross margin. For further information, please refer to note 22 to the consolidated financial statements.

Inventory Valuation. Inventories are stated at the lower of cost or net realizable value for finished goods, work-in-progress, raw materials, supplies and spare parts. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items.

A significant amount of our manufacturing costs is fixed because our extensive manufacturing facilities (which provide us large production capacity) require substantial investment to construct and are largely fixed-cost assets once they become operational. When the capacity utilization increases, the fixed manufacturing costs are spread over a larger amount of output, which would lower the inventory cost per unit.

We evaluate our ending inventory based on standard cost under normal capacity utilization, and reduce the carrying value of our inventory when the actual capacity utilization is higher than normal capacity utilization. No adjustment is made to the carrying value of inventory when the actual capacity utilization is at or lower than normal capacity utilization. Normal capacity utilization is established based on historic loadings compared to total available capacity in our wafer manufacturing fabs.

We also evaluate our ending inventory and reduce the carrying value of inventory for normal waste, obsolescence and unmarketable items by an amount that is the difference between the cost of the inventory and the net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon, which is generally 180 days or less.

Impairment of Tangible Assets, Right-of-Use Assets and Intangible Assets Other than Goodwill. We assess the impairment of tangible assets (property, plant and equipment), right-of-use assets and intangible assets other than goodwill whenever triggering events or changes in circumstances indicate that the asset may be impaired and the carrying value may not be recoverable.

Indicators we consider important which could trigger an impairment review include, but are not limited to, the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or our overall business strategy; and
- significant unfavorable industry or economic trends.

When we determine that the carrying value of tangible assets, right-of-use assets and intangible assets other than goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment for tangible assets, right-of-use assets and intangible assets other than goodwill based on projected future cash flow. If the tangible assets, right-of-use assets or intangible assets other than goodwill are determined to be impaired, we recognize an impairment loss through a charge to our operating results to the extent the recoverable amount, measured at the present value of discounted cash flows attributable to the assets, is less than their carrying value. Such cash flow analysis includes assumptions about expected future economic and market conditions, the applicable discount rate, and the future revenue generation from the use or disposition of the assets. We also perform a periodic review to identify assets that are no longer used and are not expected to be used in future periods and record an impairment charge to the extent that the carrying amount of the tangible assets, right-of-use assets and intangible assets other than goodwill exceeds the recoverable amount. If the recoverable amount subsequently increases, the impairment loss previously recognized will be reversed to the extent of the increase in the recoverable amount, provided that the increased carrying amount does not

exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

In the process of evaluating the potential impairment of tangible assets, right-of-use assets and intangible assets other than goodwill, we are required to review for impairment groups of assets related to the lowest level of identifiable independent cash flows. We determine the independent cash flows that can be related to specific asset groups. In addition, we determine the remaining useful lives of assets and the expected future revenue and expenses associated with the assets. Any change in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future periods. Our projection for future cash flow is generally lower during periods of reduced earnings. As a result, an impairment charge is more likely to occur during a period when our operating results are already otherwise depressed. For further information, including impairment losses recognized in 2024 and 2025, please refer to note 15, note 16 and note 17 to the consolidated financial statements.

Realization of Deferred Income Tax Assets. When we have temporary differences in the amount of tax expenses recorded for tax purposes and financial reporting purposes, we may be able to reduce the amount of tax that we would otherwise be required to pay in future periods. We generally recognize deferred tax assets to the extent that it is probable that sufficient taxable income will be available in the future to utilize such assets. The income tax benefit or expense is recorded when there is a net change in our total deferred tax assets and liabilities in a period. The ultimate realization of the deferred tax assets depends upon the generation of future taxable income during the periods in which the temporary differences may be utilized. Specifically, the realization of deferred income tax assets is impacted by our expected future revenue growth and profitability, tax holidays, the surtax imposed on unappropriated earnings and the amount of tax credits that can be utilized within the statutory period. In determining the amount of deferred tax assets as of December 31, 2025, we considered past performance, the general outlook of the semiconductor industry, business conditions, future taxable income and prudent and feasible tax planning strategies.

Because the determination of the amount of deferred tax assets that can be realized is based, in part, on our forecast of future profitability, it is inherently uncertain and subjective. Changes in market conditions and our assumptions may cause the actual future profitability to differ materially from our current expectation, which may require us to increase or decrease the deferred tax assets that we have recorded. For further information, including the amount of deferred tax assets as of the end of 2024 and 2025, please refer to note 26 to the consolidated financial statements.

Results of Operations

The following table sets forth, for the periods indicated, certain financial data from our consolidated statements of profit or loss and other comprehensive income, expressed in each case as a percentage of net revenue:

	For the year ended December 31,		
	2023	2024	2025
Net revenue	100.0%	100.0%	100.0%
Cost of revenue	(45.6)%	(43.9)%	(40.1)%
Gross profit	54.4%	56.1%	59.9%
Operating expenses			
Research and development	(8.5)%	(7.1)%	(6.5)%
General and administrative	(2.8)%	(2.9)%	(2.2)%
Marketing	(0.5)%	(0.4)%	(0.4)%
Total operating expenses	(11.8)%	(10.4)%	(9.1)%
Other operating income and expenses, net	0.0 %	0.0%	0.0%
Income from operations	42.6%	45.7%	50.8%
Non-operating income and expenses	2.7%	2.9%	2.8%
Income before income tax	45.3%	48.6%	53.6%
Income tax expense	(5.9)%	(8.6)%	(9.1)%
Net income	39.4%	40.0%	44.5%
Other comprehensive income (loss) for the year, net of income tax	(0.4%)	2.5 %	(1.5%)
Total comprehensive income for the year	39.0%	42.5%	43.0%
Net income attributable to shareholders of the parent	39.4%	40.0%	44.6%
Net income attributable to non-controlling interests	0.0%	0.0%	(0.1%)

Year-to-Year Comparisons

Net Revenue and Gross Margin

	For the year ended December 31,					
			% Change in NT\$ from 2023			% Change in NT\$ from 2024
	2023	2024		2025		
	NT\$	NT\$		NT\$	US\$	
	(in millions, except for percentages and wafer shipment)					
Net revenue	2,161,736	2,894,308	33.9 %	3,809,054	121,423	31.6 %
Cost of revenue	(986,625)	(1,269,954)	28.7 %	(1,527,760)	(48,701)	20.3 %
Gross profit	1,175,111	1,624,354	38.2 %	2,281,294	72,722	40.4 %
Gross margin percentage	54.4%	56.1%	—	59.9%	59.9%	—
Wafer (12-inch equivalent) shipment(1)	12,002	12,910	—	15,022	15,022	—

(1) In thousands.

Net Revenue

Our net revenue in 2025 increased by 31.6% from 2024, which was mainly attributed to an increase in ASP due to a higher proportion of advanced technology (7-nanometer and below) revenue and an increase in wafer shipments, partially

offset by an appreciation of the NT dollar against the U.S. dollar. We shipped approximately 15 million 12-inch equivalent wafers in 2025 compared to 13 million in 2024.

Gross Margin

Our gross margin fluctuates with the level of capacity utilization, price change, cost improvement, product mix and exchange rate, among other factors. Furthermore, our gross margin would be negatively impacted in the year when a new technology is introduced.

In 2025, our gross margin increased to 59.9% of net revenue from 56.1% in 2024, mainly attributable to higher capacity utilization and cost improvement, partially offset by unfavorable foreign exchange rate.

Operating Expenses

	For the year ended December 31,					
			%			%
			Change in			Change in
	2023	2024	NT\$ from	2025		NT\$ from
	NT\$	NT\$	2023	NT\$	US\$	2024
(in millions, except percentages)						
Research and development	182,370	204,182	12.0%	246,427	7,855	20.7%
General and administrative	60,873	83,745	37.6%	82,304	2,624	(1.7%)
Marketing	10,591	13,144	24.1%	16,918	539	28.7%
Total operating expenses	253,834	301,071	18.6%	345,649	11,018	14.8%
Percentage of net revenue	11.8%	10.4%	—	9.1%	9.1%	—
Other operating income and expenses, net	189	(1,230)	(750.8%)	447	14	—
Income from operations	921,466	1,322,053	43.5 %	1,936,092	61,718	46.4%
Operating Margin	42.6%	45.7%	—	50.8%	50.8%	—

Operating expenses increased by NT\$44,578 million in 2025, or 14.8%, from 2024.

Research and Development Expenses

We remain strongly committed to being the leader in advanced process technologies development. We believe that continuing investment in process technologies is essential for us to remain competitive in the markets we serve.

Research and development expenses increased by NT\$42,245 million in 2025, or 20.7%, from 2024. The increases were mainly attributed to a higher level of research activities for 10-angstrom, 14-angstrom, and 16-angstrom process technologies, as we continued to advance to smaller processing nodes.

We plan to continue our investment in technology research and development in 2026.

General and Administrative and Marketing Expenses

General and administrative and marketing expenses in 2025 increased by NT\$2,333 million, or 2.4%, compared to 2024, mainly reflecting higher employee profit sharing expenses due to higher net income.

Other Operating Income and Expenses, Net

Net other operating income and expenses in 2025 increased by NT\$1,677 million from 2024 to a net gain of NT\$447 million (US\$14 million), mainly due to lower loss on disposal of property, plant and equipment and reversal of impairment losses in 2025.

Non-Operating Income and Expenses

For the year ended December 31,						
	2023	2024	% Change in NT\$ from 2023	2025		% Change in NT\$ from 2024
	NT\$	NT\$		NT\$	US\$	
(in millions, except percentages)						
Share of profits of associates	4,800	4,881	1.7%	5,489	175	12.5%
Interest income	60,293	87,213	44.6%	105,739	3,371	21.2%
Other income	480	567	18.1%	592	19	4.4%
Foreign exchange gain (loss), net	(2,686)	10,001	—	13,831	441	38.3%
Finance costs	(11,999)	(10,495)	(12.5)%	(12,371)	(395)	17.9 %
Other gains and losses, net	6,962	(8,380)	(220.4)%	(7,717)	(246)	(7.9)%
Net non-operating income	57,850	83,787	44.8%	105,563	3,365	26.0%

Non-operating income and expenses in 2025 increased by NT\$21,776 million, or 26.0%, from 2024, mainly due to higher interest income of NT\$18,526 million compared to 2024.

Income Tax Expense

For the year ended December 31,						
	2023	2024	% Change in NT\$ from 2023	2025		% Change in NT\$ from 2024
	NT\$	NT\$		NT\$	US\$	
(in millions, except percentages)						
Income tax expense	(128,288)	(248,316)	93.6 %	(346,530)	(11,047)	39.6%
Net income	851,028	1,157,524	36.0 %	1,695,125	54,036	46.4%
Net income attributable to shareholders of the parent	851,740	1,158,380	36.0 %	1,697,604	54,116	46.5%
Net margin attributable to shareholders of the parent	39.4%	40.0%	—	44.6%	44.6%	—

Income tax expenses increased by NT\$98,214 million in 2025, or 39.6%, from 2024. The increase was mainly attributed to higher taxable income in 2025.

Liquidity and Capital Resources

Our sources of liquidity include cash flow from operations, cash and cash equivalents, current marketable securities, and issuances of corporate bonds.

Our primary source of liquidity is cash flow from operations. Cash flow from operations for 2025 was NT\$2,274,976 million (US\$72,521 million), reflecting an increase of NT\$448,799 million from 2024.

Our cash, cash equivalents and current marketable securities increased to NT\$3,068,595 million (US\$97,820 million) as of December 31, 2025, compared to NT\$2,422,019 million as of December 31, 2024. The current marketable securities primarily consisted of fixed income securities. In 2025, we issued NT dollar-denominated corporate bonds totaling NT\$86,900 million (US\$2,770 million). For further information, please refer to note 18 and note 31 to the consolidated financial statements.

We believe that our cash generated from operations, cash and cash equivalents, current marketable securities, and ability to access capital market will be sufficient to fund our working capital needs, capital expenditures, debt repayments, dividend payments and other business requirements associated with existing operations over the next 12 months.

	For the year ended December 31,			
	2023	2024	2025	
	NT\$	NT\$	NT\$	US\$
	(in millions)			
Net cash generated by operating activities	1,241,967	1,826,177	2,274,976	72,521
Net cash used in investing activities	(906,120)	(864,843)	(1,144,394)	(36,481)
Net cash used in financing activities	(204,894)	(346,301)	(440,345)	(14,037)
Effect of exchange rate changes on cash and cash equivalents	(8,339)	47,166	(50,008)	(1,594)
Net increase in cash and cash equivalents	122,614	662,199	640,229	20,409

Cash and cash equivalents increased by NT\$640,229 million in 2025, following an increase of NT\$662,199 million in 2024.

Operating Activities

In 2025, we generated NT\$2,274,976 million (US\$72,521 million) net cash from operating activities, as compared to NT\$1,826,177 million in 2024. The net cash generated from operating activities was primarily from NT\$2,041,655 million in income before income tax and NT\$688,096 million in non-cash depreciation and amortization expenses, partially offset by income tax payment, net changes in working capital and others of NT\$454,775 million. The higher depreciation and amortization expenses in 2025 were mainly attributed to continuing investment in production capacity for advanced technologies.

In 2024, we generated NT\$1,826,177 million net cash from operating activities, as compared to NT\$1,241,967 million in 2023. The net cash generated from operating activities was primarily from NT\$1,405,840 million in income before income tax and NT\$662,796 million in non-cash depreciation and amortization expenses, partially offset by income tax payment, net changes in working capital and others of NT\$242,459 million. The higher depreciation and amortization expenses in 2024 were mainly attributed to continuing investment in production capacity for advanced technologies.

Investing Activities

In 2025, net cash used in investing activities was NT\$1,144,394 million (US\$36,481 million), as compared to NT\$864,843 million in 2024. The primary use of cash in investing activities in 2025 was for capital expenditures of NT\$1,272,411 million.

In 2024, net cash used in investing activities was NT\$864,843 million, as compared to NT\$906,120 million in 2023. The primary use of cash in investing activities in 2024 was for capital expenditures of NT\$956,007 million.

Our capital expenditures for 2025 were primarily related to:

- installing and expanding capacity, mainly for 2-nanometer, 3-nanometer and 5-nanometer nodes, including building/facility expansion for Fab 20, Fab 21 and Fab 22;
- expanding capacity for specialty technologies and advanced packaging, including building/facility expansion for Fab 23 and Fab 24; and
- investing in research and development projects for new process technologies.

See “Item 3. Key Information – Risk Factors – Risks Relating to Our Business” section for the risks associated with the inability of raising the requisite funding for our expansion programs. Please also see “Item 4. Information on The Company – Capacity Management and Technology Upgrade Plans” for discussion of our capacity management and capital expenditures.

Financing Activities

In 2025, net cash used in financing activities was NT\$440,345 million (US\$14,037 million), as compared to net cash used of NT\$346,301 million in 2024. The net cash used in financing activities in 2025 was mainly due to cash dividend payments, partially offset by the proceeds from issuance of corporate bonds.

In 2024, net cash used in financing activities was NT\$346,301 million, as compared to net cash used of NT\$204,894 million in 2023. The net cash used in financing activities in 2024 was mainly due to cash dividend payments, partially offset by the proceeds from issuance of corporate bonds.

As of December 31, 2025, our short-term loans were nil and our aggregate long-term debts were NT\$1,032,988 million (US\$32,929 million), of which NT\$136,926 million (US\$4,365 million) was classified as current. The long-term debt mainly included NT dollar- and U.S. dollar-denominated corporate bonds with fixed interest rates ranging from 0.41% to 4.63% and remaining maturity ranging from less than one year to 35 years.

Cash Requirements

The following table sets forth information on our material contractually obligated payments (including principals and interests) for the periods indicated as of December 31, 2025:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
(in NT\$ millions)					
Long-Term Debt(1)	1,229,859	156,822	321,847	238,883	512,307
Capital Leases(2)	39,470	4,381	6,574	5,805	22,710
Temporary Receipts(3)	189,858	146,559	43,299	—	—
Capital Purchase or Other Purchase Obligations(4)	1,534,575	1,220,393	314,181	1	—
Total Contractual Cash Obligations	2,993,762	1,528,155	685,901	244,689	535,017

- (1) Represents corporate bonds payable and long-term bank loans. See note 18 and note 19 to our consolidated financial statements for further information regarding interest rates and future repayment of long-term debts.
- (2) Capital lease obligations are described in note 16, note 31 and note 33 to our consolidated financial statements.
- (3) Represents advance temporary receipts from customer. See “Item 4. Information on The Company — Markets and Customers” and note 22 to our consolidated financial statements for further information.
- (4) Represents commitments for construction or purchase of equipment, raw material and other property or services. These commitments were not recorded on our statement of financial position as of December 31, 2025, as we had not received related goods or taken title of the property.

During 2025, we used derivative financial instruments to partially hedge the currency exchange rate risk related to non-NT dollar-denominated assets and liabilities and interest rate risk related to our fixed income investments. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for a further discussion about currency exchange rate risk, interest rate risk, and derivative financial instruments we used to hedge such risks. See also note 5 to the consolidated financial statements for our accounting policy of derivative financial instruments, and note 8, note 11 and note 33 to the consolidated financial statements for additional details regarding our derivative financial instruments transactions.

We provided letters of credit and entrusted financial institutions to provide performance guarantees. See note 36 to our consolidated financial statements for further information.

Significant amount of capital is required to build, expand, and upgrade our production facilities and equipment. Our capital expenditures for 2026 are expected to be between US\$52 billion and US\$56 billion, which, depending on market conditions, may be adjusted later.

Taxation

The corporate income tax rate in R.O.C. is 20%. The R.O.C. Controlled Foreign Company (“CFC”) rules enacted in 2016 have been implemented since January 1, 2023, pursuant to which, certain profits retained at a CFC located in a low-tax jurisdiction would be taxable at its parent company in Taiwan. On the other hand, effective from January 1, 2023, the R.O.C. Statute for Industrial Innovation was amended such that eligible companies that develop innovative technologies domestically and possess leading position in global supply chain may claim investment tax credit of 25% on qualified R&D expenditure and 5% on procurement of machinery/equipment for advanced processes. We are eligible for these new incentives pursuant to the R.O.C. Statute for Industrial Innovation.

The alternative minimum tax (“AMT”) imposed under the R.O.C. AMT Act is a supplemental income tax which applies if the amount of regular income tax calculated pursuant to the R.O.C. Income Tax Act and relevant laws and regulations is below the amount of basic tax prescribed under the R.O.C. AMT Act. The taxable income for calculating AMT includes most income that is exempt from income tax under various legislations, such as tax holidays. The prevailing AMT rate for business entities is 12%.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Recent Accounting Pronouncements

Please refer to note 4 to the consolidated financial statements.

Summary Financial Information of the Obligor Group

The debt securities issued by TSMC Arizona under an indenture (the “Indenture”), dated as of October 18, 2021, among TSMC Arizona, as the issuer, TSMC, as guarantor, and Citibank, N.A., as trustee, are unconditionally and irrevocably guaranteed as to payment of principal, interest and premium, if any, by TSMC. TSMC Arizona and TSMC are referred to collectively as the Obligor Group. Each guarantee provided under the Indenture is referred to as a Guarantee and collectively, the Guarantees. TSMC Arizona is a corporation incorporated under the laws of the State of Arizona and a wholly-owned subsidiary of TSMC. As of December 31, 2025, the debt securities issued by TSMC Arizona are: (i) US\$1.25 billion aggregate principal amount of the 1.750% Guaranteed Notes due 2026, (ii) US\$1.25 billion aggregate principal amount of the 2.500% Guaranteed Notes due 2031, (iii) US\$1 billion aggregate principal amount of the 3.125% Guaranteed Notes due 2041, (iv) US\$1 billion aggregate principal amount of the 3.250% Guaranteed Notes due 2051, (v) US\$1 billion aggregate principal amount of the 3.875% Guaranteed Notes due 2027, (vi) US\$500 million aggregate principal amount of the 4.125% Guaranteed Notes due 2029, (vii) US\$1 billion aggregate principal amount of the 4.250% Guaranteed Notes due 2032, and (viii) US\$1 billion aggregate principal amount of the 4.500% Guaranteed Notes due 2052.

Under the terms of the Indenture and the Guarantees, TSMC fully, unconditionally and irrevocably guarantees to each holder the full and prompt payment of the principal of, and premium (if any) and interest on, such debt securities (including any Additional Amounts, as defined in the Indenture, payable in respect thereof) when and as the same shall become due and payable as provided in such debt securities. TSMC (i) agrees that its obligations under the Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the debt securities or the Indenture and (ii) waives its right to require the trustee to pursue or exhaust its legal or equitable remedies against the issuer prior to exercising its rights under the Guarantees. Moreover, if at any time any amount paid under a debt security or the Indenture is rescinded or must otherwise be restored, the rights of the holders of the debt securities under the Guarantees will be reinstated with respect to such payments as though such payment had not been made.

The Guarantees (i) constitute senior unsecured obligations of TSMC, (ii) at all times rank at least equally with all other present and future senior unsecured obligations of TSMC, except as may be required by mandatory provisions of law, (iii) are senior in right of payment to all future subordinated obligations of TSMC and (iv) are effectively subordinated to secured obligations of TSMC, to the extent of the assets serving as security therefor.

TSMC will be released from and relieved of its obligations under a Guarantee in the event (i) of repayment in full of the relevant series of debt securities, or (ii) that there is a Legal Defeasance (as defined in the Indenture) of the relevant

series of debt securities, in each case provided that the transaction is otherwise carried out pursuant to and in accordance with all other applicable provisions of the Indenture.

The following summarized financial information is presented for the Obligor Group on a combined basis after elimination of intercompany transactions between entities in the combined group and amounts related to investments in any subsidiary that is a non-guarantor. This information is not intended to present the financial position or results of operations of the combined group of companies in accordance with U.S. GAAP or IFRSs.

Statement of Profit or Loss for Obligor Group

	For the year ended December 31, 2025	
	NT\$	US\$
	(in millions)	
Net sales – external	849,497	27,080
Net sales – to subsidiaries outside of the Obligor Group	2,933,088	93,500
Total net sales	3,782,585	120,580
Gross profit	2,233,467	71,198
Income from operations	1,910,312	60,896
Net income	1,653,325	52,704
Net income attributable to Obligor Group	1,653,325	52,704

Statement of Financial Position for Obligor Group

	As of December 31, 2025	
	NT\$	US\$
	(in millions)	
Assets		
Current assets – external	1,799,046	57,349
Current assets – due from subsidiaries outside of the Obligor Group	211,315	6,736
Total current assets	2,010,361	64,085
Non-current assets – external	3,717,812	118,515
Non-current assets – due from subsidiaries outside of the Obligor Group	1,810,696	57,721
Total non-current assets	5,528,508	176,236
Total assets	7,538,869	240,321
Liabilities		
Current liabilities – external	1,330,733	42,421
Current liabilities – due to subsidiaries outside the Obligor Group	90,726	2,892
Total current liabilities	1,421,459	45,313
Non-current liabilities – external	738,818	23,551
Non-current liabilities – due to subsidiaries outside of the Obligor Group	23,553	751
Total non-current liabilities	762,371	24,302
Total liabilities	2,183,830	69,615

Climate Change Related Issues

The manufacturing, assembling and testing of our products require the use of chemicals and materials that are subject to environmental, climate related, health and safety laws and regulations issued worldwide as well as international accords such as the Paris Agreement. The Climate Change Response Act of the R.O.C., effective since 2015 and amended in

February 2023, set a goal of reaching net-zero emissions in Taiwan by 2050 and established a carbon fee system to collect carbon fees. For emitters with direct and indirect emissions exceeding a certain threshold, carbon fees are levied starting from 2025. As our emissions from each fab in Taiwan exceed the current regulatory threshold, we will start to pay carbon fees from 2026 (for the 2025 fees), which will result in increased manufacturing costs for us. Also, the R.O.C. legislative authority is regularly reviewing various environmental issues to develop laws and regulations relating to environmental protection and climate change. The impact of such laws and regulations is currently indeterminable. Please see detailed risk factors related to the impact of climate change regulations and international accords in “Item 3. Key Information – Risk Factors – Risks Relating to Our Business.” Please also see our compliance record with Taiwan and international environmental and climate-related laws and regulations in “Item 4. Information on The Company – Environmental and Climate Related Laws and Regulations.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Executive Officers

Members of our Board of Directors are elected by our shareholders. Our Board of Directors is currently composed of ten directors. Of our current ten directors, seven are independent directors: Sir Peter L. Bonfield, Mr. Michael R. Splinter, Mr. Moshe N. Gavrielov, Dr. L. Rafael Reif, Ms. Ursula M. Burns, Ms. Lynn L. Elsenhans and Mr. Chuan Lin. The chairman of the Board of Directors is elected by the directors. The chairman of the Board of Directors presides at all meetings of the Board of Directors, and also has the authority to act as our representative. The term of office for directors is three years.

Pursuant to the R.O.C. Securities and Exchange Act, effective from January 1, 2007, a public company is required to either establish an audit committee or to have supervisors. A public company’s audit committee should be composed of all of its independent directors but not less than three, of which at least one member should have accounting or related financial management expertise, and the relevant provisions under the R.O.C. Securities and Exchange Act, the R.O.C. Company Act and other laws applicable to the supervisors are also applicable to the audit committee. Pursuant to the R.O.C. Securities and Exchange Act, effective from March 18, 2011, we are also required to establish a compensation committee which must be composed of qualified independent members as defined under local law. We established our audit committee (the “Audit Committee”) and compensation committee (the “Compensation Committee”) in 2002 and 2003, respectively (several years before being legally required to do so), both of which are now composed entirely of independent directors. In February 2023, our Board of Directors approved the renaming of the Audit Committee as “Audit and Risk Committee” and the Compensation Committee as “Compensation and People Development Committee”, and the establishment of a Nominating, Corporate Governance and Sustainability Committee, each effective as of February 14, 2023.

Pursuant to the R.O.C. Company Act, a person may serve as our director in his personal capacity or as the representative of another legal entity. A director who serves as the representative of a legal entity may be removed or replaced at any time at the discretion of that legal entity, and the replacement director may serve the remainder of the term of office of the replaced director. For example, the National Development Fund of the R.O.C., one of our largest shareholders, has served as our director since our founding. As a corporate entity, the National Development Fund is required to appoint a representative to act on its behalf. Effective September 1, 2025, Dr. Chun-Hsien Yeh has been appointed to replace Mr. Chin-Ching Liu as the representative of the National Development Fund.

The following tables set forth each director and executive officer’s name, position and years with our company, the age range of each director and the year in which each director’s term expires as of February 28, 2026. The business address for each of our directors and executive officers is No. 8, Li Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan, Republic of China.

Board of Directors

Name	Age	Position with our company	Term Expires	Years with our company
C.C. Wei	71-75	Chairman; Chief Executive Officer	2027	28
F.C. Tseng	81-85	Director	2027	39
Chun-Hsien Yeh(1)	56-60	Director (Representative of the National Development Fund)	2027	1
Sir Peter L. Bonfield	81-85	Independent Director	2027	24
Michael R. Splinter	71-75	Independent Director	2027	11
Moshe N. Gavrielov	71-75	Independent Director	2027	7
L. Rafael Reif	71-75	Independent Director	2027	5
Ursula M. Burns	66-70	Independent Director	2027	2
Lynn L. Elsenhans	66-70	Independent Director	2027	2
Chuan Lin	71-75	Independent Director	2027	2

- (1) Effective September 1, 2025, Dr. Chun-Hsien Yeh has been appointed to replace Mr. Chin-Ching Liu as the representative of the National Development Fund.

Executive Officers

Name	Position with our company	Years with our company
C.C. Wei	Chairman; Chief Executive Officer	28
Y.P. Chyn	Executive Vice President; Co-Chief Operating Officer	39
Y.J. Mii	Executive Vice President; Co-Chief Operating Officer	32
Cliff Hou	Senior Vice President; Deputy Co-Chief Operating Officer; Chief Information Security Officer	29
Kevin Zhang	Senior Vice President, Business Development and Global Sales; Deputy Co-Chief Operating Officer	10
Lora Ho (1)	Senior Vice President, Corporate Strategy Development	27
Sylvia Fang	Senior Vice President, Legal; General Counsel; Corporate Governance Officer	31
Wendell Huang	Senior Vice President, Finance; Chief Financial Officer; Spokesperson	27
Y.L. Wang (2)	Senior Vice President, Operations/ Fab Operations I	34
T.S. Chang (2)	Senior Vice President, Operations/ Advanced Technology and Mask Engineering; TSMC Senior Fellow	31
Michael Wu (2)	Senior Vice President, Research & Development/ Platform Development	30
Geoffrey Yeap (2)	Senior Vice President, Research & Development/ Platform Development	10
Min Cao	Vice President, Research & Development/ Pathfinding and Corporate Research	24
Y.H. Liaw	Vice President, Operations/ Fab Operations II; CEO, JASM	38
Simon Jang	Vice President, Research & Development/ Advanced Tool and Module Development	33
C.S. Yoo	Vice President, Research & Development/ Specialty	38
Jun He	Vice President, Operations/ Advanced Packaging Technology and Service	9
Chris Horng-Dar Lin	Vice President, Corporate Information Technology; Chief Information Officer	5
Jonathan Lee	Vice President, Corporate Planning Organization	19
Arthur Chuang	Vice President, Operations/ Facility	37

Name	Position with our company	Years with our company
L.C. Lu	Vice President, Research & Development/ Design & Technology Platform; TSMC Senior Fellow	26
K.C. Hsu	Vice President, Research & Development/ Integrated Interconnect & Packaging	5
Ray Chuang (3)	Vice President, Operations/ Fab Operations I; CEO, TSMC Arizona	29
P.H. Chen (4)	Vice President, Human Resources	36
Y.K. Hwang (5)	Vice President, Materials Management	31
B.Z. Tien (5)	Vice President, Operations/ Fab 12B	28
S.S. Lin (5)	Vice President, Research & Development/ Platform Technology	26
Lipen Yuan (5)	Vice President, Advanced Technology Business Development	15

- (1) Ms. Lora Ho retired on April 4, 2026.
- (2) Each of Dr. Y.L. Wang, Dr. T.S. Chang, Dr. Michael Wu, and Dr. Geoffrey Yeap was promoted to Senior Vice President on February 10, 2026.
- (3) Mr. Ray Chuang was appointed as CEO of TSMC Arizona, effective October 1, 2025.
- (4) Mr. P.H. Chen was promoted to Vice President on February 12, 2025.
- (5) Each of Mr. Y.K. Hwang, Mr. B.Z. Tien, Dr. S.S. Lin, and Dr. Lipen Yuan was promoted to Vice President on February 10, 2026.

C.C. Wei is the Chairman and CEO. Dr. C.C. Wei was our CEO and Vice Chairman from June 2018 to June 2024, and President and Co-CEO from November 2013 to June 2018. He was our Executive Vice President and Co-Chief Operating Officer from March 2012 to November 2013, Senior Vice President of Business Development from 2009 to 2012, Senior Vice President of Mainstream Technology Business from 2008 to 2009, and Senior Vice President of Operations I from 2005 to 2008. He served in a number of executive positions at TSMC Fabs and the Operations organization from 1998 to 2005. Before joining us in 1998, he was Senior Vice President of Technology at Chartered Semiconductor Manufacturing Ltd. in Singapore and Senior Manager for Logic and SRAM technology development at STMicroelectronics N.V. in Texas. Dr. Wei served as the Chairman of Taiwan Semiconductor Industry Association from 2017 to 2019. He holds a Ph.D. in electrical engineering from Yale University.

F.C. Tseng is a director. Dr. F.C. Tseng was our Vice Chairman from July 2005 to June 2018. Prior to that, he was Deputy Chief Executive Officer from August 2001 to June 2005. He also served as our President from May 1998 to August 2001 and the President of Vanguard International Semiconductor Corp. (“VIS”) from 1996 to 1998. Prior to his presidency at VIS, Dr. Tseng served as our Senior Vice President of Operations. Dr. Tseng is currently the Chairman of TSMC China Co., Ltd. (a non-public company) and Global Unichip Corp., the Vice Chairman of VIS, and the Director of eMemory Technology, Inc. He is also the Chairman of TSMC Education and Culture Foundation, and a director of Cloud Gate Culture and Arts Foundation and of Jumin Medical Foundation. He formerly served as an independent director, Chairman of Audit Committee and a member of Compensation Committee of Acer Inc. He holds a Ph.D. in electrical engineering from National Cheng-Kung University and has been active in the semiconductor industry for over 50 years.

Chun-Hsien Yeh, the representative of the National Development Fund (“NDF”), is a director. Dr. Chun-Hsien Yeh currently serves as a Minister without Portfolio, Executive Yuan, the Minister of the National Development Council, and the Convener of the NDF Management Committee. He also serves as the representative of the NDF as a director of Taiwan Business Bank. Dr. Yeh is a Research Fellow at the Institute of Economics, Academia Sinica, Taiwan, and an Adjunct Professor in the Department of Economics of National Taiwan University. He was seconded from Academia Sinica to the Chung-Hua Institution for Economic Research, serving initially as Vice President and subsequently as President. During this period, he also served as an advisory committee member of the Mainland Affairs Council, a member of the National Council for Sustainable Development, a member of the National Income Statistics Review Committee of the Directorate General of Budget, Accounting and Statistics, and an Executive Director of Taiwan Business Bank (all under or in representing the Executive Yuan). Dr. Yeh’s previous roles included a joint appointment as a Professor in the Department of Economics and the Graduate Institute of Industrial Economics at National Central University, and earlier, an Associate Research Fellow and an Assistant Research Fellow at the Institute of Economics, Academia Sinica. He is currently an Associate Editor of Economic Modelling (SSCI), and has also served on the editorial boards of Asia Pacific Management Review (TSSCI), Journal of Social Sciences and Philosophy (TSSCI), and Academia Economic Papers (TSSCI). Dr. Yeh

holds a Ph.D. in Economics from the University of Rochester in the United States. He is a recipient of the Ta-You Wu Memorial Award, and in both 2011 and 2025 received the Outstanding Research Award from Taiwan National Science and Technology Council.

Sir Peter L. Bonfield is an independent director. Sir Peter L. Bonfield was the Chief Executive Officer and Chairman of the Executive Committee of British Telecommunications from January 1996 to January 2002, and the Vice President of the British Quality Foundation from its creation in 1993 until 2012. He also served as the Chairman of NXP Semiconductor N.V. in the Netherlands, the Chairman of GlobalLogic Inc. in the United States, a director of Sony Corp. in Japan, a director of L.M. Ericsson in Sweden, a Senior Independent Director to AstraZeneca, the Chair of Council and Senior Pro-Chancellor at Loughborough University, both in the United Kingdom, a Senior Advisor to Alix Partners LLP in London, an Advisory Board member of the Longreach Group Ltd. in Hong Kong, a member of the International Advisory Board of Citigroup in the United States, a board mentor of Chairman Mentors International (CMi) Ltd. in London, and a non-executive director of Darktrace plc in the United Kingdom. He is currently the non-executive director of Imagination Technologies Group Ltd. (a non-public company) in the United Kingdom. He is a fellow of the Royal Academy of Engineering. He holds a bachelor's degree in engineering and an honorary doctorate of technology from Loughborough University, eleven honorary doctorate degrees in total, and was awarded Commander of the Order of Orange Nassau in 2024.

Michael R. Splinter is an independent director. Mr. Michael R. Splinter served as Chief Executive Officer of Applied Materials from 2003 to 2012 and as Chairman of the Board of Directors since 2009 and retired in June 2015. Prior to that, he served at Intel Corp. as Executive Vice President of Sales and Marketing from 2001 to 2003, and Executive Vice President of Technology and Manufacturing group from 1996 to 2001. He also served as a director of Silicon Valley Leadership Group, SEMI, Meyer Burger Technology Ltd. in Switzerland, University of Wisconsin Foundation and Pica8 Inc. in the United States, the Chairman of the Board of NASDAQ, Inc. and US-Taiwan Business Council, an independent director and Compensation Committee Chair of Gogoro Inc. in Cayman Islands, the Chair of Industrial Advisory Committee of National Institute of Standards and Technology of U.S. Department of Commerce, and the Chair of Board of Trustees of Natcast in the United States. Mr. Splinter currently serves as the lead independent director of NASDAQ, Inc., an independent director, Compensation Committee Chair and Nominating and Corporate Governance Committee member of Tigo Energy, Inc. and General Partner of WISC Partners LP. and of MRS Business and Technology Advisors (a non-public company), all in the United States. Mr. Splinter also serves as an independent director of Kioxia Holdings Corp. in Japan. He is a member of the National Academy of Engineering. Mr. Splinter holds a master's degree in electrical engineering, and an honorary Ph.D. in engineering from the University of Wisconsin-Madison.

Moshe N. Gavrielov is an independent director. Mr. Moshe N. Gavrielov served as President and CEO of Xilinx, Inc. in the United States from January 2008 to January 2018 and as a director of Xilinx, Inc. from February 2008 to January 2018. Prior to that, he served at Cadence Design Systems, Inc. in the United States as Executive Vice President and General Manager of the Verification Division from April 2005 to November 2007, and CEO of Verisity, Ltd. in the United States from March 1998 to April 2005. He also served at a variety of executive management positions in LSI Logic Corp. in the United States for nearly 10 years, and engineering and engineering management positions in National Semiconductor Corporation and Digital Equipment Corporation, both in the United States. He also served as the Executive Chairman of Wind River Systems, Inc. and an Advisor to Matrix Capital Management Company LP, both in the United States. Currently, Mr. Gavrielov is the Chairman of SiMa Technologies, Inc. (a non-public company) in the United States and of Foretellix, Ltd. (a non-public company) in Israel, an independent director of NXP Semiconductors N.V. in the Netherlands, and of Cadence Design Systems, Inc. in the United States. Mr. Gavrielov holds a bachelor's degree in electrical engineering and a master's degree in computer science from Technion - Israel Institute of Technology.

L. Rafael Reif is an independent director. Dr. L. Rafael Reif is currently the President Emeritus of the Massachusetts Institute of Technology (MIT). Dr. Reif was the President of MIT from 2012 to 2022. Since 1980, he held a number of faculty positions at MIT, including Provost, Head of the Department of Electrical Engineering and Computer Science (EECS), Associate Department Head of Electrical Engineering, Director of Microsystems Technology Laboratories, and Fariborz Maseeh Professor of Emerging Technology. Dr. Reif is an elected member of the American Academy of Arts and Sciences, of the National Academy of Engineering and of the Chinese Academy of Engineering, a fellow of the National Academy of Inventors, and also belongs to Tau Beta Pi, the Electrochemical Society and the IEEE. In addition, he is the inventor or co-inventor of 13 patents, has edited or co-edited five books and has supervised 38 doctoral theses to date. Currently, Dr. Reif is also the co-chair of the Growth Technical Advisory Board of Applied Materials, Inc., a director of Engine No. 1 LP. (a non-public company), of Council on Foreign Relations and of Waverley Street Foundation, all in the United States. He is also a member of the Board of Trustees of Carnegie Endowment for International Peace in the United States and of Instituto Tecnológico de Monterrey in Mexico, as well as the Ray and Maria Stata Professor of Electrical

Engineering and Computer Science of MIT. Dr. Reif was previously a member of the Board of Trustees of Massachusetts General Hospital. Dr. Reif holds a master's degree and a Ph.D. in electrical engineering from Stanford University, an honorary Doctor of Laws degree from the Chinese University of Hong Kong, and honorary doctorates from Tsinghua University, the Technion, Arizona State University, and University of Miami.

Ursula M. Burns is an independent director. Ms. Ursula M. Burns was the Chairwoman of the Board of Xerox Corporation from 2010 to 2017 and Chief Executive Officer from 2009 to 2016, after having been appointed President in 2007. She was the Chairwoman and CEO of VEON Ltd. in the Netherlands from 2018 to 2020. She served as a director of American Express Company, of ExxonMobil Corp. and of Endeavor Group Holdings, Inc., all in the United States, and of Nestlé S.A. in Switzerland. She also served as the Executive Chairwoman of Plum Acquisition Corp. I in the United States. Ms. Burns was the Leader of the White House National Program on Science, Technology, Engineering and Math ("STEM"), the Chair of President's Export Council, the Vice Chair of Advisory Council on Supply Chain Competitiveness (ACSCC) of U.S. Department of Commerce from 2022 to 2024, and a member of G7 Gender Equality Advisory Council. Currently, Ms. Burns is the Non-Executive Chairwoman of Teneo Holdings LLC (a non-public company) in the United States, an independent non-executive director of IHS Holding Ltd. in Cayman Islands, and the Founding Partner of Integrum Holdings LP (a non-public company) in the United States. She is a director of Uber Technologies Inc., of Evertree Insurance Services (a non-public company), of CardioSignal Inc. (a non-public company), of True Capital Partners (a non-public company), all in the United States, and of CleanCo Ventures Ltd. in the United Kingdom. She also serves as a Trustee of Ford Foundation, of Massachusetts Institute of Technology (MIT) Corp., of Metropolitan Museum of Art, of Mayo Clinic, of The High Line, of Scratch Foundation, of FIRST, of NAF, of Columbia Engineering, and of University of Rochester. Ms. Burns is a member of the National Academy of Engineering, of the American Academy of Arts and Sciences, and of the Royal Academy of Engineering. She holds a bachelor's degree in mechanical engineering from the Polytechnic Institute of New York University and a master's degree in mechanical engineering from Columbia University.

Lynn L. Elsenhans is an independent director. Ms. Lynn L. Elsenhans was the Chairwoman and CEO of Sunoco, Inc. and Sunoco Logistics Partners L.P., serving Sunoco from 2008 to 2012. Ms. Elsenhans previously spent most of her career in a variety of leadership and general management roles at Royal Dutch Shell in Houston, Singapore, and London. Her senior executive roles included the Executive Vice President of Global Manufacturing, the President and CEO of Shell Oil Products US, and the President of Shell Oil Company and US Country Chair. She was an independent director of International Paper Company and of Flowserve Corporation, both in the United States, and of GlaxoSmithKline plc in the United Kingdom. She served as an independent director and Governance and Corporate Responsibility Chair of Baker Hughes Company, and was a director and committee chair of predecessor companies Baker Hughes Inc. and Baker Hughes, a GE Company, all in the United States. She is currently an independent non-executive director and a member of Audit Committee and Nomination Committee of Saudi Arabian Oil Co. in the Kingdom of Saudi Arabia. She served as the Audit Committee Chair of the said company from 2020 to 2024. She also serves as an independent director of Peter Kiewit and Sons, Inc. in the United States (a non-public company). Ms. Elsenhans holds a bachelor's degree in applied mathematics from Rice University and a master's degree in business administration from Harvard University.

Chuan Lin is an independent director. Dr. Chuan Lin has plenty of industrial, public service, academy and international affairs experience. He previously served as a research fellow of Chung-Hua Institution for Economic Research, the Professor and Department Chair of Public Finance of National Chengchi University, the Director General of Bureau of Finance of Taipei City Government, the Minister of the Directorate General of Budget of Accounting and Statistics of Executive Yuan, the Minister of Finance and Premier of Executive Yuan. Dr. Lin also served as the Chairman of Vanguard International Semiconductor Corp., an independent director of Casetek Holdings Ltd. and of Inotera Memories, Inc., a director of PharmaEngine, Inc. and of Chartis Taiwan Insurance Co., Ltd., and the CEO of New Frontier Foundation. Currently, Dr. Lin is the Chairman of TTY Biopharm Company Ltd. and of TSH Biopharm Corporation Ltd. (Representative of TTY Biopharm Company Ltd.). He also serves as an independent director, Chairman of Audit Committee and a member of Compensation Committee of Pegatron Corp., as well as a senior advisor to the President of the Republic of China (Taiwan). Dr. Lin holds a bachelor's degree in economics from Fu Jen Catholic University, a master's degree in public finance from National Chengchi University and a Ph.D. in economics from University of Illinois Urbana-Champaign in the United States.

Y.P. Chyn is our Executive Vice President and Co-Chief Operating Officer. He was Senior Vice President of Operations and Overseas Operations Office from May 2020 to February 2024 and Senior Vice President of Operations/Product Development from November 2016 to April 2020. He was promoted to Senior Vice President in November 2016. Prior to that, he was Vice President of Operations from October 2009 to November 2016, Vice President of Advanced Technology Business from March 2008 to October 2009. Prior to that, he was Senior Director of Operations II from June

2006 to March 2008 and Senior Director of Product Engineering & Services from 2000 to 2006. He joined us in 1987 and has held various positions in product and engineering functions. He holds a master's degree in electrical engineering from National Cheng Kung University.

Y.J. Mii is our Executive Vice President and Co-Chief Operating Officer. He was Senior Vice President of Research & Development from November 2016 to February 2024. He was promoted to Senior Vice President in November 2016. Prior to that, he was Vice President of Research & Development from August 2011 to November 2016 and Senior Director of Platform I Division from 2006 to 2011. He joined us in 1994 and has been involved continuously in the development and manufacturing of advanced CMOS technologies in both Operations and Research & Development. He holds a Ph.D. in electrical engineering from the University of California, Los Angeles.

Cliff Hou is our Senior Vice President, Deputy Co-Chief Operating Officer and Chief Information Security Officer. He was our Senior Vice President of Europe & Asia Sales and Research & Development/ Corporate Research from October 2020 to February 2024. He was Senior Vice President of Research & Development/ Technology Development from May 2020 to October 2020. He was promoted to Senior Vice President in May 2020. Prior to that, he was Vice President of Research & Development/ Technology Development from August 2018 to May 2020, Vice President of Research & Development/ Design and Technology Platform from August 2011 to August 2018, and Senior Director of Design and Technology Platform from 2010 to 2011. He joined us in 1997 and established the Company's technology design kit and reference flow development organizations. He is currently the Chairman of Taiwan Semiconductor Industry Association. He holds a Ph.D. in electrical and computer engineering from Syracuse University.

Kevin Zhang is our Senior Vice President of Business Development and Global Sales and Deputy Co-Chief Operating Officer. He was promoted to Senior Vice President in August 2020. He joined us in November 2016 as Vice President of Research & Development/ Design and Technology Platform. Prior to joining us in November 2016, he was a Vice President of Technology and Manufacturing Group of Circuit Technology at Intel. He holds a Ph.D. in electrical engineering from Duke University.

Lora Ho was our Senior Vice President of Corporate Strategy Development since July 2025, the ESG Committee Chairwoman since 2011, and retired on April 4, 2026. She was Senior Vice President of Human Resources from September 2022 to June 2025, Senior Vice President of Europe & Asia Sales from September 2019 to September 2022, and Senior Vice President of Finance and Europe & Asia Sales/ Chief Financial Officer/ Spokesperson from January 2019 to August 2019. She was promoted to Senior Vice President of Finance and Chief Financial Officer/ Spokesperson in August 2010 and Vice President of Finance and Chief Financial Officer/ Spokesperson in September 2003. Prior to joining us in 1999 as controller, she had served as Vice President of Finance and Chief Financial Officer at Acer Semiconductor Manufacturing Inc. since 1990. Ms. Ho holds an MBA from National Taiwan University.

Sylvia Fang is our Senior Vice President of Legal and General Counsel/ Corporate Governance Officer. She was promoted to Senior Vice President in February 2024. Prior to that, she was Vice President of Legal and General Counsel from August 2014 to February 2024. She joined us in 1995 and held various positions in legal functions. She holds a master's degree in comparative law from University of Iowa. Ms. Fang is licensed to practice law in Taiwan.

Wendell Huang is our Senior Vice President of Finance and Chief Financial Officer/ Spokesperson. He was promoted to Senior Vice President in February 2024. Prior to that, he was Vice President of Finance and Chief Financial Officer/ Spokesperson from September 2019 to February 2024, Deputy Chief Financial Officer from January 2019 to August 2019, and Senior Director of Finance Division from 2010 to 2018. Prior to joining us in 1999, he was Vice President of Corporate Finance at ING Barings. He holds an MBA from Cornell University.

Y.L. Wang is our Senior Vice President of Operations/ Fab Operations I. He was promoted to Senior Vice President in February 2026. He was Vice President of Operations/ Fab Operations I from May 2020 to February 2026, and concurrently as CEO of TSMC Arizona from April 2023 to September 2025. Prior to that, he was Vice President of Operations/ Fab Operations from August 2018 to April 2020, Vice President of Research & Development/ Technology Development from February 2016 to August 2018 and Vice President of Operations/ Fab 14B from November 2015 to January 2016. He joined us in 1992 and held various positions in manufacturing functions. He holds a Ph.D. in electronics engineering from National Chiao Tung University.

T.S. Chang is our Senior Vice President of Operations/ Advanced Technology and Mask Engineering & TSMC Senior Fellow. He was promoted to Senior Vice President in February 2026. He was Vice President of Operations/ Advanced Technology and Mask Engineering from May 2020 to February 2026, Vice President of Operations/ Product

Development from November 2018 to April 2020 and Vice President of Operations/ Fab 12B from February 2018 to November 2018. Prior to that, he was our Senior Director of Fab 12B. He has been recognized as a TSMC Fellow since February 2013 and became a TSMC Senior Fellow in June 2025. He joined us in 1995 and held various positions in manufacturing functions. He holds a Ph.D. in electrical engineering from National Tsing Hua University.

Michael Wu is our Senior Vice President of Research & Development/ Platform Technology. He was promoted to Senior Vice President in February 2026. He was Vice President of Research & Development/ Platform Technology from February 2023 to February 2026, Vice President of Research & Development/ Platform Development from February 2018 to January 2023. Prior to that, he was Senior Director of Platform Development Division. He joined us in 1996 and participated in advanced CMOS technology development. He holds a Ph.D. in electrical engineering from University of Wisconsin-Madison.

Geoffrey Yeap is our Senior Vice President of Research & Development/ Platform Technology. He was promoted to Senior Vice President in February 2026. He was Vice President of Research & Development/ Platform Technology from February 2023 to February 2026, Vice President of Research & Development/ Platform Development from February 2021 to January 2023. Prior to that, he was Senior Director of Platform Development Division from August 2016 to February 2021, Senior Director of Advanced Technology from March 2016 to August 2016. Prior to joining us in March 2016, he was Vice President of Engineering, Silicon Technology in Qualcomm. He holds a Ph.D. in electrical and computer engineering from University of Texas-Austin.

Min Cao is our Vice President of Research & Development/ Pathfinding and Corporate Research. He was promoted to Vice President in February 2018. Prior to that, he was our Senior Director of Pathfinding Division. He joined us in 2002 and participated in development of multiple generations of advanced CMOS technology. He holds a Ph.D. in physics from Stanford University.

Y.H. Liaw is our Vice President of Operations/ Fab Operations II and CEO of JASM. He was Vice President of Operations/ Fab Operations from June 2019 to April 2020 and Vice President of Operations/ Fab 15B from February 2019 to June 2019 after his promotion to this position. He joined us in 1988 and held various positions in manufacturing functions. He holds an M.S. degree in chemical engineering from National Tsing Hua University.

Simon Jang is our Vice President of Research & Development/ Advanced Tool and Module Development. He was promoted to Vice President in August 2019. Prior to that, he was our Senior Director of Advanced Tool and Module Development Division. He joined us in 1993 and held various positions in research and development functions. He holds a Ph.D. in materials science & engineering from Massachusetts Institute of Technology.

C.S. Yoo is our Vice President of Research & Development/ Specialty. He was Vice President of Europe and Asia Sales from November 2020 to December 2020 after his promotion to this position. Prior to that, he was our Senior Director of Office of Strategic Customer Program from May 2019 to November 2020 and Senior Director of E-Beam Operation Division from February 2010 to May 2019. He joined us in 1988 and held various positions in manufacturing functions. He holds a Ph.D. in chemical engineering from Worcester Polytech Institute.

Jun He is our Vice President of Operations/ Advanced Packaging Technology and Service. He was promoted to Vice President in November 2020 and was our Senior Director of Quality and Reliability from May 2019 to November 2020. Prior to that, he was Senior Director of Manufacturing Quality & Reliability Division from July 2018 to May 2019, and Senior Director of Advanced Technology Quality & Reliability Division from May 2017 to July 2018. Prior to joining us in May 2017, he was a Senior Director of Technology and Manufacturing Group of Quality and Reliability at Intel. He holds a Ph.D. in materials science and engineering from University of California, Santa Barbara.

Chris Horng-Dar Lin is our Vice President of Corporate Information Technology and Chief Information Officer. He was promoted to Vice President in February 2021. Prior to joining us in January 2021, he was Vice President of Information Technology in Mozilla. He holds a Ph.D. in electrical engineering and computer science from University of California, Berkeley.

Jonathan Lee is our Vice President of Corporate Planning Organization. He was promoted to Vice President in June 2021 and was our Senior Director of Strategic Planning Division from February 2012 to June 2021. Prior to joining us in 2007, he was President in Biomimetic Microsystems. He holds a master's degree in Accounting from CUNY-Baruch College.

Arthur Chuang is our Vice President of Operations/ Facility. He was promoted to Vice President in August 2021 and was our Senior Director of Operations/ Facility Division from January 2015 to August 2021. Prior to joining us in 1989, he was an engineer at Texas Instruments. He holds a Ph.D. in Civil Engineering from National Taiwan University.

L.C. Lu is our Vice President of Research & Development/ Design & Technology Platform & TSMC Senior Fellow. He was promoted to Vice President in August 2021 and was our Senior Director of Research & Development/ Design & Technology Platform from August 2018 to August 2021, and Senior Director of Research & Development/ Digital IPs Solution from March 2016 to August 2018. He has been recognized as a TSMC Fellow since April 2012 and became a TSMC Senior Fellow in June 2025. Prior to joining us in 2000, he was Director of Software Division in Avant Tech. Inc. He holds a Ph.D. in Computer Science from Yale University.

K.C. Hsu is our Vice President of Research & Development/ Integrated Interconnect & Packaging. He was promoted to Vice President in November 2021. Prior to joining us in November 2021, he was Chairman, Taiwan in Micron Technology, Inc. He holds an M.S. degree in Management of Technology from National Chiao Tung University.

Ray Chuang is our Vice President of Operations/ Fab Operations I and CEO of TSMC Arizona. He was CEO of ESMC from December 2023 to September 2025. He was promoted to Vice President in May 2023 and was our Senior Fab Director of Operations/ Fab 18A from October 2020 to May 2023. He joined us in 1997 and has served in a variety of production management positions at TSMC Fabs. He holds an M.S. degree in Materials Science & Engineering/ Engineering Economics System from Stanford University.

P.H. Chen is our Vice President of Human Resources. He was promoted to Vice President in February 2025 and was our Senior Director of Program Office from December 2020 to January 2025, and Senior Fab Director of Operations/ Fab 14A from August 2015 to December 2020. He joined us in 1990 and has served in a variety of production management positions at TSMC Fabs. He holds an M.S. degree in Chemistry from National Sun Yat-sen University.

Y.K. Hwang is our Vice President of Materials Management. He was promoted to Vice President in February 2026 and was our Senior Director of Materials Management from August 2025 to February 2026, Senior Director of Quality & Reliability from August 2024 to July 2025, and Senior Fab Director of Operations/ Fab 18B from January 2023 to August 2024. He joined us in 1995 and has served in a variety of production management positions at TSMC Fabs. He holds a master's degree in business administration from University of Texas-Arlington.

B.Z. Tien is our Vice President of Operations/ Fab 12B. He was promoted to Vice President in February 2026. Prior to that, he was our Senior Fab Director of Operations/ Fab 12B from January 2022 to February 2026. He joined us in 1998 and has served in a variety of production management positions at TSMC Fabs. He holds an M.S. degree in electronics engineering from National Chiao Tung University.

S.S. Lin is our Vice President of Research & Development/ Platform Technology. He was promoted to Vice President in February 2026 and was our Senior Director of Research & Development/ Platform Technology from February 2024 to February 2026, Senior Director of Research & Development/ Integration Division from February 2023 to February 2024, and Senior Director of Research & Development/ Platform Development Division from January 2022 to January 2023. He joined us in 2000 and held various positions in research and development functions. He holds a Ph.D. in electronics engineering from National Chiao Tung University.

Lipen Yuan is our Vice President of Advanced Technology Business Development. He was promoted to Vice President in February 2026 and was our Senior Director of Advanced Technology Business Development from January 2022 to February 2026. Prior to joining us in 2011, he was Group R&D Director in Synopsys Inc. He holds a Ph.D. in electrical and computer engineering from the University of Illinois Urbana-Champaign, Champaign.

There is no family relationship between any of the persons named above. Other than that one of our Directors, Dr. Chun-Hsien Yeh, is the representative of our shareholder, National Development Fund of the Executive Yuan, there is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

Share Ownership

The following table sets forth certain information as of March 18, 2026 with respect to our shares owned by our directors and executive officers.

Name of Shareholders(1)	Number of Common Shares Owned(2)	Number of ADSs Owned(2)	Percentage of Total Outstanding Common Shares(2)
C.C. Wei, Chairman; Chief Executive Officer	7,452,349	—	0.03%
F.C. Tseng, Director	29,472,675	—	0.11%
Chun-Hsien Yeh, Director (Representative of National Development Fund, Executive Yuan) (3)	1,653,709,980	—	6.38%
Sir Peter L. Bonfield, Independent Director	—	—	—
Michael R. Splinter, Independent Director	—	7,565	0.00%
Moshe N. Gavrielov, Independent Director	—	—	—
L. Rafael Reif, Independent Director	—	—	—
Ursula M. Burns, Independent Director	—	2,000	0.00%
Lynn L. Elsenhans, Independent Director	—	2,050	0.00%
Chuan Lin, Independent Director	126,826	—	0.00%
Y.P. Chyn, Executive Vice President; Co-Chief Operating Officer	5,171,935	—	0.02%
Y.J. Mii, Executive Vice President; Co-Chief Operating Officer	1,254,057	25	0.00%
Cliff Hou, Senior Vice President; Deputy Co-Chief Operating Officer; Chief Information Security Officer	662,403	—	0.00%
Kevin Zhang, Senior Vice President; Deputy Co-Chief Operating Officer	329,663	2,500	0.00%
Lora Ho, Senior Vice President (4)	4,644,012	—	0.02%
Sylvia Fang, Senior Vice President; General Counsel; Corporate Governance Officer	858,392	—	0.00%
Wendell Huang, Senior Vice President; Chief Financial Officer; Spokesperson	1,811,543	—	0.01%
Y.L. Wang, Senior Vice President (5)	362,392	—	0.00%
T.S. Chang, Senior Vice President; TSMC Senior Fellow (5)	317,638	—	0.00%
Michael Wu, Senior Vice President (5)	630,228	—	0.00%
Geoffrey Yeap, Senior Vice President (5)	212,375	—	0.00%
Min Cao, Vice President	507,879	—	0.00%
Y.H. Liaw, Vice President; CEO of JASM	463,054	—	0.00%
Simon Jang, Vice President	443,879	—	0.00%
C.S. Yoo, Vice President	1,797,614	—	0.01%
Jun He, Vice President	120,119	1,154	0.00%
Chris Horng-Dar Lin, Vice President; Chief Information Officer	128,184	2,800	0.00%
Jonathan Lee, Vice President	506,032	—	0.00%
Arthur Chuang, Vice President	2,695,165	—	0.01%
L.C. Lu, Vice President; TSMC Senior Fellow	276,716	—	0.00%
K.C. Hsu, Vice President	178,924	6,050	0.00%
Ray Chuang, Vice President; CEO of TSMC Arizona (6)	239,738	50	0.00%
P.H. Chen, Vice President (7)	433,414	—	0.00%
Y.K. Hwang, Vice President (8)	206,418	—	0.00%

Name of Shareholders(1)	Number of Common Shares Owned(2)	Number of ADSs Owned(2)	Percentage of Total Outstanding Common Shares(2)
B.Z. Tien, Vice President (8)	8,051	70	0.00%
S.S. Lin, Vice President (8)	21,269	—	0.00%
Lipen Yuan, Vice President (8)	3,000	—	0.00%

- (1) None of our directors and executive officers owned any stock option as of March 18, 2026.
- (2) The disclosed number of shares owned by the directors and executive officers did not include (i) any shares owned by their related parties, (ii) any shares held by a trust pursuant to the ESPP and LTI (as defined below), respectively, on behalf of such individuals, or (iii) any common shares held in the form of RSAs (as defined below) by such individuals that have not vested as of March 18, 2026. The percentage of shares held by each individual as to the total outstanding common shares of the Company was calculated by including both common shares and shares held in the form of ADSs (each ADS represents five (5) common shares) held by such individuals.
- (3) Represented shares held by the National Development Fund, Executive Yuan.
- (4) Ms. Lora Ho retired on April 4, 2026.
- (5) Each of Dr. Y.L. Wang, Dr. T.S. Chang, Dr. Michael Wu, and Dr. Geoffrey Yeap was promoted to Senior Vice President on February 10, 2026.
- (6) Mr. Ray Chuang was appointed as CEO of TSMC Arizona, effective October 1, 2025.
- (7) Mr. P.H. Chen was promoted to Vice President on February 12, 2025.
- (8) Each of Mr. Y.K. Hwang, Mr. B.Z. Tien, Dr. S.S. Lin, and Dr. Lipen Yuan was promoted to Vice President on February 10, 2026.

The following table sets forth certain information as of March 1, 2026, with respect to RSAs held by our executives under our equity incentive plan for the year 2023 (the “2023 Rules”, see “— Employee Restricted Stock Awards Rules for Years 2022, 2023, and 2024” for a further discussion). Under the 2023 Rules, 2,102,106 shares have vested and 155,394 shares have been reclaimed as of March 1, 2026.

Name	Common Shares Underlying Outstanding RSAs(1)	Exercise Price	Grant Date	Expiration Date
C.C. Wei, Chairman; Chief Executive Officer				
Y.P. Chyn, Executive Vice President; Co-Chief Operating Officer				
Y.J. Mii, Executive Vice President; Co-Chief Operating Officer				
Cliff Hou, Senior Vice President; Deputy Co-Chief Operating Officer; Chief Information Security Officer				
Kevin Zhang, Senior Vice President; Deputy Co-Chief Operating Officer				
Lora Ho, Senior Vice President				
Wei-Jen Lo, Senior Vice President				
J.K. Lin, Senior Vice President				
Sylvia Fang, Senior Vice President; General Counsel; Corporate Governance Officer	702,500	—	March 1, 2024	—
Wendell Huang, Senior Vice President; Chief Financial Officer; Spokesperson				
Y.L. Wang, Senior Vice President				
Douglas Yu, Vice President; TSMC Distinguished Fellow				
T.S. Chang, Senior Vice President; TSMC Senior Fellow				
Michael Wu, Senior Vice President				
Min Cao, Vice President				
Y.H. Liaw, Vice President; CEO of JASM				
Simon Jang, Vice President				
C.S. Yoo, Vice President				
Jun He, Vice President				
Geoffrey Yeap, Senior Vice President				
Chris Horng-Dar Lin, Vice President; Chief Information Officer				
Jonathan Lee, Vice President				
Arthur Chuang, Vice President				
L.C. Lu, Vice President; TSMC Senior Fellow				
K.C. Hsu, Vice President				
Ray Chuang, Vice President; CEO of TSMC Arizona				

- (1) The RSAs granted under the 2023 Rules held by each of these directors and executives represent less than one percent of our total outstanding common shares.

The following table sets forth certain information as of March 1, 2026, with respect to RSAs held by our executives under our equity incentive plan for the year 2024 (the “2024 Rules”, see “— Employee Restricted Stock Awards Rules for Years 2022, 2023, and 2024” for a further discussion). Under the 2024 Rules, 1,102,000 shares have vested and 132,000 shares have been reclaimed as of March 1, 2026.

Name	Common Shares Underlying Outstanding RSAs(1)	Exercise Price	Grant Date	Expiration Date
C.C. Wei, Chairman; Chief Executive Officer				
Y.P. Chyn, Executive Vice President; Co-Chief Operating Officer				
Y.J. Mii, Executive Vice President; Co-Chief Operating Officer				
Cliff Hou, Senior Vice President; Deputy Co-Chief Operating Officer; Chief Information Security Officer				
Kevin Zhang, Senior Vice President; Deputy Co-Chief Operating Officer				
Lora Ho, Senior Vice President				
Wei-Jen Lo, Senior Vice President				
J.K. Lin, Senior Vice President				
Sylvia Fang, Senior Vice President; General Counsel; Corporate Governance Officer	1,119,000	—	September 1, 2024	—
Wendell Huang, Senior Vice President; Chief Financial Officer; Spokesperson				
Y.L. Wang, Senior Vice President				
Douglas Yu, Vice President; TSMC Distinguished Fellow				
T.S. Chang, Senior Vice President; TSMC Senior Fellow				
Michael Wu, Senior Vice President				
Min Cao, Vice President				
Y.H. Liaw, Vice President; CEO of JASM				
Simon Jang, Vice President				
C.S. Yoo, Vice President				
Jun He, Vice President				
Geoffrey Yeap, Senior Vice President				
Chris Horng-Dar Lin, Vice President; Chief Information Officer				
Jonathan Lee, Vice President				
Arthur Chuang, Vice President				
L.C. Lu, Vice President; TSMC Senior Fellow				
K.C. Hsu, Vice President				
Ray Chuang, Vice President; CEO of TSMC Arizona				
Vanessa Lee, Vice President				

- (1) The RSAs granted under the 2024 Rules held by each of these directors and executives represent less than one percent of our total outstanding common shares.

Employee Restricted Stock Awards Rules for Years 2022, 2023, and 2024

We adopted the Employee Restricted Stock Awards Rules for each of Year 2022 (the “2022 Rules”), Year 2023, (the “2023 Rules”), and Year 2024 (the “2024 Rules”) to attract and retain corporate executives and/or critical talents at TSMC and/or its subsidiaries. These rules link the compensation of employees with shareholders’ interests and/or our ESG

achievements. The 2022 Rules, 2023 Rules, and 2024 Rules authorized the grant of up to 3,065,000 common shares, up to 6,249,000 common shares, and up to 4,185,000 common shares, with par value of NT\$10 per share, respectively. The grants are in the form of RSAs. The 2022 Rules, 2023 Rules, and 2024 Rules became effective on July 25, 2022, December 28, 2023, and July 31, 2024, respectively.

Under these rules, RSAs may be granted to full-time executives and/or critical talents who meet specific performance requirements. The number of RSAs granted is determined by our Chairman and Chief Executive Officer and approved by the Compensation and People Development Committee and the Board of Directors. The number of RSAs granted under the 2023 Rules and 2024 Rules also requires approval from the Audit and Risk Committee. Grants under these rules are made free of charge to the recipients and are subject to certain vesting conditions, as separately outlined in the rules for each respective year.

Under each of the 2022 Rules, 2023 Rules, and 2024 Rules, the maximum amount of RSAs that may vest each year are as follows: 50% on the first anniversary of the grant, 25% on the second anniversary and 25% on the third anniversary.

Issuances under these rules can be granted over a period of one year from the respective effective date of the 2022 Rules and 2023 Rules. Issuance under the 2024 Rules can be granted over a period of two years from the effective date. In February 2023, our Board of Directors resolved to approve the issuance of 2,110,000 units of RSAs under the 2022 Rules. In February 2024, our Board of Directors resolved to approve the issuance of 2,960,000 units of RSAs under the 2023 Rules. In August 2024, our Board of Directors resolved to approve the issuance of 2,353,000 units of RSAs under the 2024 Rules.

As of March 1, 2026, among the total 2,110,000 units of RSAs issued under the 2022 Rules, 996,560 units have vested and 1,113,440 units have been reclaimed, and no RSAs issued under the 2022 Rules remain outstanding.

Long-term Incentive Bonus Plan

Effective in 2025, we adopted an annual Long-Term Incentive (the “LTI”) bonus plan to attract and retain corporate executives and critical talent. Eligible participants are granted a target amount, initially represented as a notional cash value, tied to a comprehensive set of performance metrics. These metrics include annual individual performance, as well as company-level financial indicators, total shareholder return performance relative to a peer group and ESG achievements. LTI results, the annual budget for the LTI, the applicable performance metrics, and the assessment of achievement against those metrics are reviewed and approved by the Compensation and People Development Committee each year. After the achievement results have been approved, the final results of LTI bonus is determined and credited to a trust for the purchase of common shares of the Company.

Global Employee Stock Purchase Plan

In 2022, we established an employee stock purchase plan (the “ESPP”), which provides an opportunity for eligible employees to purchase our ADSs or common shares through voluntary automatic payroll deductions, to contribute to a real and sustainable culture of employees as shareholders. The ESPP became effective on May 10, 2022 and was implemented from October 1, 2022. ADSs and common shares available for purchase by participants under the ESPP will be authorized and issued ADSs or authorized and issued common shares acquired by the administrator of the ESPP on behalf of participants. We shall contribute to a participant’s contribution account so that fifteen percent (15%) of the purchase price for each ADS or common share purchased under the ESPP for a participant is funded by the employer contribution. We may, with thirty (30) days’ notice to eligible employees, change such percentage for the employer contribution.

Compensation

According to our Articles of Incorporation, not more than 0.3 percent of our annual profits, after recovering any losses incurred in prior years, may be distributed as compensation to our directors and at least one percent of our annual profits may be distributed as profit sharing bonuses to employees, including executive officers. Compensation to directors is always paid in cash, while bonuses to our executive officers may be granted in cash, stock, or stock options or the combination of all these three. Individual awards are based on each individual’s job responsibility, contribution and performance. See note 29 to our consolidated financial statements. Under our Articles of Incorporation, directors who also serve as executive officers are not entitled to any director compensation.

Remuneration of Directors

The following table presents the remuneration and benefits in kind accrued in 2025 for our non-employee directors:

Name/Title	Fees Earned or Paid in Cash	Stock Awards	All Other Compensation (3)	Total (4)	
	NT\$	NT\$	NT\$	NT\$	US\$
(in millions)					
F.C. Tseng, Director (1)	12.1	—	1.1	13.2	0.4
Chun-Hsien Yeh, Director (Representative of National Development Fund, Executive Yuan) (2)	12.1	—	—	12.1	0.4
Sir Peter L. Bonfield, Independent Director	18.9	—	—	18.9	0.6
Michael R. Splinter, Independent Director	18.9	—	—	18.9	0.6
Moshe N. Gavrielov, Independent Director	18.9	—	—	18.9	0.6
L. Rafael Reif, Independent Director	18.9	—	—	18.9	0.6
Ursula M. Burns, Independent Director	18.9	—	—	18.9	0.6
Lynn L. Elsenhans, Independent Director	18.9	—	—	18.9	0.6
Chuan Lin, Independent Director	18.9	—	—	18.9	0.6
Total	156.3	—	1.1	157.4	5.0

- (1) In addition to the above, Dr. F.C. Tseng received NT\$18.6 million of compensation from non-consolidated affiliates and NT\$19.9 million of advisor fee from TSMC.
- (2) Effective September 1, 2025, Dr. Chun-Hsien Yeh has been appointed to replace Mr. Chin-Ching Liu as the representative of the National Development Fund.
- (3) Included pensions funded according to applicable law and expenses for company cars, but did not include compensation paid to car drivers made available to directors.
- (4) The compensation of directors was expensed based on the estimated payment amounts. If the actual amounts subsequently paid differ from the above estimated amounts, the differences will be recorded in the year fully paid as a change in accounting estimate.

Compensation of Executive Officers(1)

The following table presents the compensation and benefits in kind accrued in 2025 for our executive officers:

Name/Title	Salary	Bonus (2)	Stock Awards	All Other Compensation (3)	Total	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$
	(in millions)					
C.C. Wei, Chairman; Chief Executive Officer	17.3	895.8	367.1	1,142.5	2,422.7	77.2
Wendell Huang, Senior Vice President; Chief Financial Officer; Spokesperson	6.8	206.9	41.7	84.1	339.5	10.8
Y.P. Chyn, Executive Vice President; Co-Chief Operating Officer						
Y.J. Mii, Executive Vice President; Co-Chief Operating Officer						
Cliff Hou, Senior Vice President; Deputy Co-Chief Operating Officer; Chief Information Security Officer						
Kevin Zhang, Senior Vice President; Deputy Co-Chief Operating Officer						
Lora Ho, Senior Vice President						
Wei-Jen Lo, Senior Vice President (4)						
J.K. Lin, Senior Vice President (4)						
Rick Cassidy, Executive Consultant (4)						
Sylvia Fang, Senior Vice President; General Counsel; Corporate Governance Officer						
Y.L. Wang, Senior Vice President						
T.S. Chang, Senior Vice President; TSMC Senior Fellow						
Michael Wu, Senior Vice President						
Jun He, Vice President						
Douglas Yu, Vice President; TSMC Distinguished Fellow (4)	174.5	3,778.0	805.5	1,539.8	6,297.8	200.8 (6)
Min Cao, Vice President						
Y.H. Liaw, Vice President; CEO of JASM						
Simon Jang, Vice President						
C.S. Yoo, Vice President						
Jun He, Vice President						
Chris Horng-Dar Lin, Vice President; Chief Information Officer						
Jonathan Lee, Vice President						
Arthur Chuang, Vice President						
L.C. Lu, Vice President; TSMC Senior Fellow						
K.C. Hsu, Vice President						
Ray Chuang, Vice President; CEO of TSMC Arizona						
Vanessa Lee, Vice President (4)						
P.H. Chen, Vice President (5)						
Total	198.6	4,880.7	1,214.3	2,766.4	9,060.0	288.8

- (1) The total compensation paid to the executive officers is decided based on their job responsibility, contribution, company performance and projected future risks the Company will face. It is reviewed by the Compensation and People Development Committee then submitted to the Board of Directors for approval.
- (2) Included cash bonus and profit sharing bonus.
- (3) Included LTI bonus plan, pensions funded according to applicable law and expenses for company cars.
- (4) Mr. J.K. Lin retired, effective April 10, 2025. Mr. Rick Cassidy changed his job responsibility to Executive Consultant, effective July 1, 2025. Dr. Douglas Yu retired, effective July 8, 2025. Ms. Vanessa Lee resigned, effective July 13, 2025. Dr. Wei-Jen Lo retired, effective July 27, 2025.
- (5) Mr. P.H. Chen was promoted to Vice President, effective February 12, 2025. These amounts did not include compensation for the period before his promotion.
- (6) Aggregate amount for executive officers other than Dr. C.C. Wei and Mr. Wendell Huang.

Board Practices

General

For a discussion of the term of office of the Board of Directors, see “– Directors and Executive Officers – Management”. No benefits are payable to members of the Board upon termination of their relationship with us.

Audit and Risk Committee

Our Audit Committee was established on August 6, 2002 to assist our Board of Directors in the review and monitoring of our financial and accounting matters, and the integrity of our financial reporting process and controls. In February 2023, the Board of Directors approved the renaming of our Audit Committee as “Audit and Risk Committee” to reflect its oversight responsibility for the risk management program, effective as of February 14, 2023.

Our Audit and Risk Committee is responsible for the risk oversight of our operations and financial controls. Please see “Item 4. Information on The Company – Risk Management” and “Item 16K. Cybersecurity” for a further discussion on our Audit and Risk Committee’s role in risk management and our management of risks from cybersecurity threats.

All members of the Audit and Risk Committee must have a basic understanding of finance and accounting and at least one member must have accounting or related financial management expertise.

Currently, the Audit and Risk Committee consists of seven members comprising all of our independent directors. The members of the Audit and Risk Committee are Sir Peter L. Bonfield, the Chairman of our Audit and Risk Committee, Mr. Michael R. Splinter, Mr. Moshe N. Gavrielov, Dr. L. Rafael Reif, Ms. Ursula M. Burns, Ms. Lynn L. Elsenhans and Mr. Chuan Lin. In addition, Mr. Jan C. Lobbezoo was appointed to serve as a financial expert consultant to the Audit and Risk Committee from February 14, 2006 onwards. See “Item 16A. Audit Committee Financial Expert”. The Audit and Risk Committee is required to meet at least once every quarter. Our Audit and Risk Committee charter grants the Audit and Risk Committee the authority to conduct any investigation which it deems appropriate to fulfill its responsibilities. It has direct access to all our books, records, facilities, personnel, as well as registered public accountants. It has the authority to, among other things, appoint, terminate and approve all fees to be paid to our registered public accountants, subject to the approval of the Board of Directors as appropriate, and to oversee the work performed by the registered public accountants. The Audit and Risk Committee also has the authority to engage special legal, accounting, or other consultants it deems necessary in the performance of its duties. Beginning on January 1, 2007, the Audit and Risk Committee also assumed the responsibilities of supervisors pursuant to the R.O.C. Securities and Exchange Act.

The Audit and Risk Committee convened four regular meetings in 2025. In addition to these meetings, the Audit and Risk Committee members and consultant participated in one special meeting and three telephone conferences to discuss our annual report to be filed with the Taiwan and U.S. authorities and investor conference materials with management.

Compensation and People Development Committee

Our Board of Directors established a Compensation Committee in June 2003 to assist our Board of Directors in discharging its responsibilities related to our compensation and benefit policies, plans and programs, and the compensation of our directors of the Board and executives. In February 2023, the Board of Directors approved the renaming of our Compensation Committee as “Compensation and People Development Committee” to enhance its responsibility of reviewing the Company’s succession planning pipeline for senior executives, effective as of February 14, 2023.

The members of the Compensation and People Development Committee are appointed by the Board as required by the R.O.C. laws. The Compensation and People Development Committee, by its charter, shall consist of no fewer than three independent directors of the Board. Currently, the Compensation and People Development Committee comprises four of our independent directors. The members of the Compensation and People Development Committee are Mr. Michael R. Splinter, the Chairman of our Compensation and People Development Committee, Sir Peter L. Bonfield, Mr. Moshe N. Gavrielov, and Ms. Ursula M. Burns.

The Compensation and People Development Committee convened four regular meetings in 2025.

Nominating, Corporate Governance and Sustainability Committee

In February 2023, our Board of Directors approved the establishment of a Nominating, Corporate Governance and Sustainability Committee, effective as of February 14, 2023, to assist our Board of Directors mainly in selecting candidates for nomination to be elected as independent directors to the Board, and advising on corporate governance and sustainability matters.

The members of the Nominating, Corporate Governance and Sustainability Committee are appointed by the Board. The Nominating, Corporate Governance and Sustainability Committee, by its charter, shall be composed of the Chairman of the Board and three to six independent directors. The members of the Nominating, Corporate Governance and Sustainability Committee are Mr. Chuan Lin, the Chairman of our Nominating, Corporate Governance and Sustainability Committee, Dr. C.C. Wei, Dr. L. Rafael Reif, and Ms. Lynn L. Elsenhans.

The Nominating, Corporate Governance and Sustainability Committee convened four meetings in 2025.

Employees

The following table sets out, as of the dates indicated, the number of our full-time employees serving in the capacities indicated.

Function	As of December 31,		
	2023	2024	2025
Managers	7,861	8,737	9,582
Professionals	36,807	40,477	44,690
Assistant Engineers/Clericals	9,235	10,207	11,368
Technicians	22,575	24,404	24,917
Total	76,478	83,825	90,557

The following table sets out, as of the dates indicated, a breakdown of the number of our full-time employees by geographic location:

Location of Facility and Principal Offices	As of December 31,		
	2023	2024	2025
Hsinchu Science Park, Taiwan	31,524	32,703	33,507
Southern Taiwan Science Park, Taiwan	24,444	23,059	24,702
Central Taiwan Science Park, Taiwan	8,775	8,540	8,830
Taoyuan City, Taiwan	2,007	2,817	2,413
Miaoli County, Taiwan	1,675	3,055	3,985
Kaohsiung Nanzih Technology Industrial Park, Taiwan	35	2,805	4,756
Taipei City, Taiwan	—	—	14
China	4,484	4,478	4,402
North America	2,668	4,497	5,290
Europe	60	78	209
Japan	804	1,791	2,447
Korea	2	2	2
Total	76,478	83,825	90,557

As of December 31, 2025, our total employee population was 90,557 with an educational makeup of 3.6% PhDs, 49.8% masters, 29.7% university bachelors, 7.0% college degrees and 9.9% others. Among this employee population, 59.9% were at a managerial or professional level. We emphasize two strategies for talent development: (1) unleashing employees' potential and innovation by encouraging and enabling self-learning and continuous innovation to create a positive impact on the Company and society, and (2) equipping employees with future capabilities by preparing employees with the skills for the future and building a talent pool.

Pursuant to our Articles of Incorporation, our employees participate in our profits sharing program by way of a bonus. Employees in the aggregate are entitled to not less than 1% of our annual profits (defined under local law), after recovering any losses incurred in prior years. Our practice has been to determine the amount of the bonus based on our operating results and industry practice in the R.O.C. In 2024 and 2025, we distributed employees' business performance bonus of NT\$70,296 million and employees' cash profit sharing bonus of NT\$70,296 million to our employees in relation to year 2024 profits. In 2025 and 2026, we distributed employees' business performance bonus of NT\$103,073 million (US\$3,286 million) to our employees in relation to year 2025 profits. Employees' cash profit sharing bonus of NT\$103,073 million (US\$3,286 million) in relation to year 2025 profits will be distributed in July 2026.

As to employee relations, we value two-way communication and are committed to keeping our communication channels open and transparent between the management level and their subordinates. In addition, we are dedicated to providing diverse employee engagement programs, which support our goals in reinforcing close rapport with employees and maintaining harmonious labor relations.

Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

There was no erroneously awarded compensation that was required to be recovered pursuant to our compensation recovery policy during the fiscal year ended December 31, 2025.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth certain information as of February 28, 2026, with respect to our common shares owned by (i) each person who, according to our records, beneficially owned five percent or more of our common shares and by (ii) all directors and executive officers as a group.

Names of Shareholders	Number of Common Shares Owned	Percentage of Total Outstanding Common Shares
National Development Fund, Executive Yuan	1,653,709,980	6.38%
Directors and executive officers as a group(1)	60,237,681	0.23%

(1) Excluded ownership of the National Development Fund, Executive Yuan.

As of February 28, 2026, a total of 25,932,524,521 common shares were outstanding. With certain limited exceptions, holders of common shares that are not R.O.C. persons are required to hold their common shares through their custodians in the R.O.C. As of February 28, 2026, 5,313,450,863 common shares, represented by 1,062,690,167 ADSs, were registered in the name of a nominee of Citibank, N.A., the depository under our ADS deposit agreement. Citibank, N.A., advised us that, as of February 28, 2026, such ADSs were held of record by Cede & Co. and 173 other registered shareholders domiciled in and outside of the United States. We have no further information as to common shares held, or beneficially owned, by U.S. persons.

Our major shareholders have the same voting rights as our other shareholders. For a description of the voting rights of our shareholders, see “Item 10. Additional Information – Description of Common Shares – Voting Rights”.

We are currently not aware of any arrangement that may at a subsequent date result in a change of control of us.

Related Party Transactions

Vanguard International Semiconductor Corporation (“VIS”)

In 1994, we, the R.O.C. Ministry of Economic Affairs and other investors established VIS, then an integrated DRAM manufacturer. VIS commenced commercial production in 1995 and listed its shares on the Taipei Exchange in March 1998. In 2004, VIS completely terminated its DRAM production and became a dedicated foundry company. As of February 28, 2026, we owned approximately 27.6% of the equity interest in VIS.

Pursuant to the terms of a manufacturing agreement between both parties, VIS was obligated to use its best commercial efforts to manufacture wafers at specified yield rates for us up to a fixed amount of reserved capacity per month, and TSMC was required to use its best commercial efforts to maintain utilization of such reserved capacity. In 2025, we had total purchases of NT\$878 million (US\$28 million) from VIS, representing 0.1% of our total cost of revenue.

Systems on Silicon Manufacturing Company Pte. Ltd. (“SSMC”)

SSMC is a joint venture in Singapore that we established with Philips and EDB to produce integrated circuits by means of advanced submicron manufacturing processes. Following the 2006 assignment by Philips of its rights and obligations to NXP, and the subsequent purchase of EDB’s shares by NXP and us, our current ownership in SSMC is 38.8%, with NXP holding the remaining 61.2%. SSMC’s business is exclusively dedicated to the manufacturing of wafers for us, our subsidiaries, NXP and its subsidiaries. We and NXP have the right to purchase up to 100% of SSMC’s annual capacity and are required in the aggregate to purchase at least 70% of its capacity.

Pursuant to a technology cooperation agreement entered into between us and SSMC in 1999, SSMC bases at least a major part of its production on processes compatible with those used in our metal oxide semiconductor integrated circuits wafer volume production fabs. In return, we provide SSMC with certain technical support and limited licenses of related intellectual property rights for the manufacture of products for us. SSMC pays to us during, and up to three years after, the

term of this agreement a remuneration of a fixed percentage of the net selling price of all products manufactured by SSMC. In 2025, we had total purchases of NT\$4,113 million (US\$131 million) from SSMC, representing 0.3% of our total cost of revenue.

Global Unichip Corporation (“GUC”)

In January 2003, we acquired a 52.0% equity interest in GUC, a SoC design service company that provides large scale SoC implementation services. GUC listed its shares on the Taiwan Stock Exchange in November 2006. As of February 28, 2026, we owned approximately 34.8% of the equity interest in GUC.

In 2025, we had total sales of NT\$31,094 million (US\$991 million) to GUC, representing 0.8% of our total revenue.

Xintec, Inc. (“Xintec”)

In January 2007, we acquired a 51.2% equity interest in Xintec, a supplier of wafer level packaging service, to support our CMOS image sensor manufacturing business. Xintec listed its shares on the Taipei Exchange in March 2015. Subsequent to Xintec’s IPO, our shareholding in Xintec was diluted to approximately 41.2%. As of February 28, 2026, we owned approximately 41.0% of the equity interest in Xintec.

In 2025, we incurred total manufacturing expenses of NT\$5,448 million (US\$174 million) from Xintec, representing 0.4% of our total cost of revenue.

ITEM 8. FINANCIAL INFORMATION

Consolidated Financial Statements and Other Financial Information

Please see “Item 18. Financial Statements”. Other than as disclosed elsewhere in this annual report, no significant change has occurred since the date of the annual consolidated financial statements.

Legal Proceedings

As is the case with many companies in the semiconductor industry, we have received from time to time communications from third parties asserting that our technologies, our manufacturing processes, or the design of the semiconductors made by us or the use of those semiconductors by our customers may infringe upon their patents or other intellectual property rights. These assertions have at times resulted in litigation by or against us and settlement payments by us. Irrespective of the validity of these claims, we could incur significant costs in the defense thereof or could suffer adverse effects on our operations. We are also subject to antitrust compliance requirements and scrutiny by governmental regulators in multiple jurisdictions. Any adverse results of such proceeding or other similar proceedings that may arise in those jurisdictions could harm our business and distract our management, and thereby have a material adverse effect on our results of operations or prospects, and subject us to potential significant legal liability.

In February 2025, Longitude Licensing Ltd. and Marlin Semiconductor Limited (collectively, “Marlin”) filed complaints with the U.S. International Trade Commission (“ITC”) and the U.S. District Court for the Eastern District of Texas alleging that TSMC and its customers infringe five U.S. patents. The ITC instituted an investigation on March 21, 2025 and the lawsuit in the Eastern District Court for Texas was statutorily stayed on April 23, 2025 pending the ITC investigation. The outcome cannot be determined, and we cannot make a reliable estimate of the contingent liability at this time.

Other than the matter described above, we were not a party to any material litigation as of December 31, 2025 and are not currently a party to any other material litigation.

Dividends and Dividend Policy

Except as otherwise specified in the Articles of Incorporation or under the R.O.C. laws, we will not pay dividends or make other distributions to shareholders when there are no earnings. Our profits may be distributed by way of cash dividend, stock dividend, or a combination of cash and stock. Pursuant to our Articles of Incorporation, distributions of profits shall be made preferably by way of cash dividend. In addition, the ratio for stock dividends shall not exceed 50% of the total distribution. Distribution of stock dividends is subject to approval by the R.O.C. FSC.

Pursuant to our Articles of Incorporation, our Board of Directors is authorized to approve quarterly cash dividends after the close of each quarter. After our Board of Directors approves quarterly cash dividends, we will distribute the dividends within six months. The respective amounts and payment dates of 2025 quarterly cash dividends are demonstrated in the table below.

Period	Approved Date	Payment Date	Cash Dividend Per Share (NT\$)	Total Amount (NT\$)
First quarter of 2025	May 13, 2025	October 9, 2025	5.00001754	129,663,077,605
Second quarter of 2025	August 12, 2025	January 8, 2026	5.00001118	129,662,912,605
Third quarter of 2025	November 11, 2025	April 9, 2026	6.00003573	155,595,147,126
Fourth quarter of 2025	February 10, 2026	July 9, 2026	6.0(1)	155,595,147,126

(1) To be adjusted by then outstanding shares as of record date for such dividend payment.

Holders of outstanding common shares on a dividend record date will be entitled to the full dividend declared without regard to any subsequent transfer of the common shares.

Holders of ADRs evidencing ADSs are entitled to receive dividends, subject to the terms of the deposit agreement, to the same extent as the holders of common shares. Cash dividends will be paid to the depositary and, after deduction of any applicable R.O.C. taxes and except as otherwise provided in the deposit agreement, will be paid to holders. Stock dividends will be distributed to the depositary and, except as otherwise provided in the deposit agreement, will be distributed to holders by the depositary in the form of additional ADSs.

For information relating to R.O.C. withholding taxes payable on cash and stock dividends, see “Item 10. Additional Information – Taxation – R.O.C. Taxation – Dividends”.

ITEM 9. THE OFFER AND LISTING

The principal trading market for our common shares is the Taiwan Stock Exchange. Our common shares have been listed on the Taiwan Stock Exchange under the symbol “2330” since September 5, 1994, and the ADSs have been listed on the NYSE under the symbol “TSM” since October 8, 1997. The outstanding ADSs are identified by the CUSIP number 874039100.

ITEM 10. ADDITIONAL INFORMATION

Description of Common Shares

We are organized under the laws of the R.O.C. Set forth below is a description of our common shares, including summaries of the material provisions of our Articles of Incorporation, the R.O.C. Company Act, the R.O.C. Securities and Exchange Act and the regulations promulgated thereunder. Please refer to further information set forth in exhibit 1.1 to this annual report.

General

Our authorized share capital is NT\$280,500,000,000, divided into 28,050,000,000 common shares, of which 500,000,000 common shares are reserved for the issuance for our employee stock options and among which 25,932,524,521 common shares were issued and outstanding as of December 31, 2025 and February 28, 2026. No employee stock options were outstanding as of December 31, 2025 and February 28, 2026. On March 1, 2026, we reclaimed 32,060 common shares, 81,394 common shares and 41,000 common shares formerly granted in the form of RSAs pursuant to our 2022 Rules, 2023 Rules and 2024 Rules, respectively. Please see “Item 6. Directors, Senior Management and Employees – Share Ownership” for a further discussion.

The R.O.C. Company Act, the R.O.C. Act for Establishment and Administration of Science Parks and the R.O.C. Securities and Exchange Act provide that any change in the issued share capital of a public company, such as us, requires the approval of its board of directors, (or, for capital reduction, a resolution of its shareholders meeting), the approval of, or the registration with, the R.O.C. FSC and the Ministry of Economic Affairs or the Science Park Administration (as

applicable) and/or an amendment to its articles of incorporation (if such change also involves a change in the authorized share capital).

There are no provisions under either R.O.C. law or the deposit agreement under which holders of ADSs would be required to forfeit the common shares represented by ADSs.

Dividends and Distributions

An R.O.C. company is generally not permitted to distribute dividends or to make any other distributions to shareholders in respect of any year for which it did not have either earnings or retained earnings. In addition, before distributing a dividend to shareholders following the end of a fiscal year, the company must recover any past losses, pay all outstanding taxes and set aside in a legal reserve, until such time as its legal reserve equals its paid-in capital, 10% of its net income for that fiscal year (less any past losses and outstanding tax), and may set aside a special reserve.

Before the R.O.C. Company Act was amended in August 2018, the Board of Directors submitted our financial statements for the preceding fiscal year and any proposal for the distribution of a dividend or the making of any other distribution to shareholders from our earnings or retained earnings (subject to compliance with the requirements described above) at the end of the preceding fiscal year to the shareholders for their approval at the annual general meeting of our shareholders. All common shares outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution so approved. Dividends may be distributed in cash, in the form of common shares or a combination thereof, as determined by the shareholders at the meeting.

The R.O.C. Company Act, amended in August 2018, allows a company, as authorized by its articles of incorporation, to distribute dividends on a quarterly basis or a semi-annual basis and to have its board of directors to approve the dividends in cash. Our 2019 Annual Shareholders' Meeting has approved the amendments to the Articles of Incorporation to authorize our Board of Directors to approve cash dividends after the close of each quarter.

In addition to permitting dividends to be paid out of earnings or retained earnings, the R.O.C. Company Act permits us to make distributions to our shareholders in cash or in the form of common shares from capital surplus and the legal reserve. However, dividend distribution out of our legal reserve can only be effected to the extent of the excessive amount of the accumulated legal reserve over 25% of our paid-in capital.

For information as to R.O.C. taxes on dividends and distributions, see “– Taxation – R.O.C. Taxation”.

Preemptive Rights and Issues of Additional Common Shares

Under the R.O.C. Company Act, when a public company, such as us, issues new shares of common stock for cash, 10% to 15% of the issue must be offered to its employees. The remaining new shares must be offered to existing shareholders in a preemptive rights offering, subject to a requirement under the R.O.C. Securities and Exchange Act that at least 10% of these issuances must be offered to the public. This percentage can be increased by a resolution passed at a shareholders' meeting, thereby limiting or waiving the preemptive rights of existing shareholders. The preemptive rights provisions do not apply to limited circumstances, such as:

- issuance of new shares upon conversion of convertible bonds; and
- offerings of new shares through a private placement approved at a shareholders' meeting.

Authorized but unissued shares of any class may be issued at such times and, subject to the above-mentioned provisions of the R.O.C. Company Act and the R.O.C. Securities and Exchange Act, upon such terms as the board of directors may determine. The shares with respect to which preemptive rights have been waived may be freely offered, subject to compliance with applicable R.O.C. law.

Meetings of Shareholders

Meetings of our shareholders may be general meetings or special meetings. General meetings of shareholders are generally held in Hsinchu, Taiwan, within six months after the end of each fiscal year. Special meetings of shareholders may be convened by resolution of the Board of Directors whenever it deems necessary, or under certain circumstances, by shareholders or the Audit Committee. For a public company such as us, notice in writing of shareholders' meetings, stating

the place, time and purpose thereof, must be sent to each shareholder at least thirty days (in the case of general meetings) and fifteen days (in the case of special meetings) prior to the date set for each meeting.

Voting Rights

A holder of common shares has one vote for each common share. Except as otherwise provided by law, a resolution may be adopted by the holders of a simple majority of the total issued and outstanding common shares represented at a shareholders' meeting at which a majority of the holders of the total issued and outstanding common shares are present. The election of directors at a shareholders' meeting is by cumulative voting. As authorized under the R.O.C. Company Act and as required by the R.O.C. FSC, we have adopted a nomination procedure for election of our directors in our Articles of Incorporation. According to our Articles of Incorporation, ballots for the election of directors and independent directors are cast separately.

The R.O.C. Company Act also provides that in order to approve certain major corporate actions, including but not limited to, (i) any amendment to the articles of incorporation (which is required for, among other actions, any increase in authorized share capital), (ii) execution, modification or termination of any contracts regarding leasing of all business or joint operations or mandate of the company's business to other persons, (iii) the dissolution, amalgamation or spin-off of a company or the transfer of the whole or an important part of its business or its properties or the taking over of the whole of the business or properties of any other company which would have a significant impact on the acquiring company's operations, (iv) the removal of directors or supervisors or (v) the distribution of any stock dividend, a meeting of the shareholders must be convened with a quorum of holders of at least two-thirds of all issued and outstanding shares of common stock at which the holders of at least a majority of the common stock represented at the meeting vote in favor thereof. However, in the case of a publicly held company such as us, such a resolution may be adopted by the holders of at least two-thirds of the shares of common stock represented at a shareholders' meeting at which holders of at least a majority of the issued and outstanding shares of common stock are present.

A shareholder may be represented at a shareholders' meeting by proxy. A valid proxy must be delivered to us at least five days prior to the commencement of the shareholders' meeting.

Holders of ADSs will not have the right to exercise voting rights with respect to the common shares represented thereby, except as described in "— Voting of Deposited Securities".

Other Rights of Shareholders

Under the R.O.C. Company Act, dissenting shareholders are entitled to appraisal rights in the event of amalgamation, spin-off or certain other major corporate actions. A dissenting shareholder may request us to redeem all of the shares owned by that shareholder at a fair price to be determined by mutual agreement or a court order if agreement cannot be reached. A shareholder may exercise these appraisal rights by serving a written notice on us prior to the related shareholders' meeting and by raising an objection at the shareholders' meeting. In addition to appraisal rights, any shareholder has the right to sue for the annulment of any resolution adopted at a shareholders' meeting where the procedures were legally defective within thirty days after the date of such shareholders' meeting. One or more shareholders who have held one percent or more of our issued and outstanding shares for six months or longer may require the audit committee to bring a derivative action against a director for that director's liability to us as a result of that director's unlawful actions or failure to act. In addition, one or more shareholders who have held three percent or more of our issued and outstanding shares for over a year may require the board of directors to convene a special shareholders' meeting by sending a written request to the board of directors, while one or more shareholders who have held over 50% of our issued and outstanding shares for three months may convene a special shareholders' meeting by themselves.

The R.O.C. Company Act allows shareholder(s) holding 1% or more of the total issued shares of a company to, during the period of time prescribed by the company, submit one proposal in writing or through any electronic means designated by us, which contains no more than three hundred words (Chinese characters) for discussion at the general meeting of shareholders. In addition, if a company adopts a nomination procedure for election of directors or supervisors in its articles of incorporation, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list in writing to the company along with relevant information and supporting documents.

Register of Shareholders and Record Dates

Our share registrar, CTBC Bank Co., Ltd., maintains the register of our shareholders at its office in Taipei, Taiwan. Under the R.O.C. Company Act, the transfer of common shares in registered form is effected by endorsement of the transferor's and transferee's seals on the share certificates and delivery of the related share certificates. In order to assert shareholders' rights against us, however, the transferee must have his name and address registered on the register of shareholders. Shareholders are required to file their respective specimen signatures or seals with us. The settlement of trading in the common shares is carried out on the book-entry system maintained by the Taiwan Depository & Clearing Corporation and therefore, the share transfer will follow the procedures of the Taiwan Depository & Clearing Corporation.

The R.O.C. Company Act permits us to set a record date and close the register of shareholders for a specified period in order for us to determine the shareholders or pledgees that are entitled to certain rights pertaining to common shares by giving advance public notice. Under the R.O.C. Company Act, our register of shareholders should be closed for a period of sixty days, thirty days and five days immediately before each general meeting of shareholders, special meeting of shareholders and record date of dividend distribution, respectively.

Annual Financial Statements

Under the R.O.C. Company Act, ten days before the general meeting of shareholders, our annual financial statements must be available at our principal office in Hsinchu for inspection by the shareholders.

Acquisition of Common Shares by Us

With minor exceptions, neither we nor our subsidiaries may acquire our common shares under the R.O.C. Company Act. However, under the R.O.C. Securities and Exchange Act, we may, by a board resolution adopted by majority consent at a meeting with two-thirds of our directors present, purchase our common shares on the Taiwan Stock Exchange or by a tender offer, in accordance with the procedures prescribed by the R.O.C. FSC, for any of the following purposes: (i) to transfer shares to our employees; (ii) to satisfy our obligations to provide our common shares upon exercise or conversion of any warrants, convertible bonds or convertible preferred shares; or (iii) if necessary, to maintain our credit and our shareholders' equity (such as for the purpose of supporting the trading price of our common shares during market dislocations), provided that the common shares so purchased shall be cancelled thereafter.

We are not allowed to purchase more than ten percent of our total issued and outstanding common shares. In addition, we may not spend more than the aggregate amount of our retained earnings, premium from issuing stock and the realized portion of the capital reserve to purchase our common shares.

We may not pledge or hypothecate any purchased common shares. In addition, we may not exercise any shareholders' rights attached to such common shares. In the event that we purchase our common shares on the Taiwan Stock Exchange, our affiliates, directors, officers and shareholders, together with their respective spouses, minor children and nominees holding more than 10% of our total shares, as well as the respective spouses, minor children and nominees of the foregoing persons, are prohibited from selling any of our common shares during the period in which we purchase our common shares.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of preferred shares, if any, will be distributed pro rata to our shareholders in accordance with the R.O.C. Company Act.

Transaction Restrictions

The R.O.C. Securities and Exchange Act (i) requires each director, supervisor, officer or shareholder, together with his/her spouse and minor children and its/his/her nominees, holding more than ten percent of the shares of a public company to report the amount of that person's shareholding (as well as the shareholding of his/her spouse and minor children and its/his/her nominees), on a monthly basis, to that company and (ii) limits the number of shares that can be sold or transferred on the Taiwan Stock Exchange or on the Taipei Exchange by that person, as well as his/her respective spouse and minor children and its/his/her nominees, per day. The above sale and transfer of shares can be made only after that person (as well as his/her respective spouse and minor children and its/his/her nominees) has held the shares for more than

six months and that person should report to the R.O.C. FSC at least three days before the intended sale or transfer; unless the number of shares to be sold or transferred does not exceed 10,000.

Material Contracts

TSMC is not currently a party to any material contract, other than contracts entered into in the ordinary course of our business.

Foreign Investment in the R.O.C.

Since 1983, the R.O.C. government has periodically enacted legislation and adopted regulations to permit foreign investment in the R.O.C. securities market.

On September 30, 2003, the R.O.C. Executive Yuan approved an amendment to Regulations Governing Investment in Securities by Overseas Chinese and Foreign National, or the Regulations, which took effect on October 2, 2003. According to the Regulations, the R.O.C. FSC abolished the mechanism of the so-called “qualified foreign institutional investors” and “general foreign investors” as stipulated in the Regulations before the amendment.

Under the Regulations, foreign investors are classified as either “onshore foreign investors” or “offshore foreign investors” according to their respective geographical location. Both onshore and offshore foreign investors are allowed to invest in R.O.C. securities after they register with the Taiwan Stock Exchange. The Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. “Foreign institutional investors” refer to those investors incorporated and registered in accordance with foreign laws outside of the R.O.C. (i.e., offshore foreign institutional investors) or their branches set up within the R.O.C. (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling that will be separately determined by the R.O.C. FSC after consultation with the Central Bank of the Republic of China (Taiwan). Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the R.O.C. securities market.

Except for certain specified industries, such as telecommunications, investments in R.O.C.-listed companies by foreign investors are not subject to individual or aggregate foreign ownership limits. Custodians for foreign investors are required to submit to the Central Bank of the Republic of China (Taiwan) and the Taiwan Stock Exchange a monthly report of trading activities and status of assets under custody and other matters. Capital remitted to the R.O.C. under these guidelines may be remitted out of the R.O.C. at any time after the date the capital is remitted to the R.O.C. Capital gains and income on investments may be remitted out of the R.O.C. at any time.

Foreign investors (other than foreign investors who have registered with the Taiwan Stock Exchange for making investments in the R.O.C. securities market) who wish to make direct investments in the shares of R.O.C. companies are required to submit a foreign investment approval application to the Department of Investment Review of the R.O.C. Ministry of Economic Affairs or other applicable government authority. The Department of Investment Review or such other government authority reviews each foreign investment approval application and approves or disapproves each application after consultation with other governmental agencies (such as the Central Bank of the Republic of China (Taiwan) and the R.O.C. FSC).

Under current R.O.C. law, any non-R.O.C. person possessing a foreign investment approval may repatriate annual net profits, interest and cash dividends attributable to the approved investment. Stock dividends attributable to this investment, investment capital and capital gains attributable to this investment may be repatriated by the non-R.O.C. person possessing a foreign investment approval after approvals of the Department of Investment Review or other government authorities have been obtained.

In addition to the general restriction against direct investment by non-R.O.C. persons in securities of R.O.C. companies, non-R.O.C. persons (except in certain limited cases) are currently prohibited from investing in certain industries in the R.O.C. pursuant to a “negative list”, as amended by the R.O.C. Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the negative list is absolute in the absence of a specific exemption from the application of the negative list. Pursuant to the negative list, certain other industries are restricted so that non-R.O.C. persons (except in limited cases) may invest in these industries only up to a specified level and with the specific approval of the relevant competent authority that is responsible for enforcing the relevant legislation that the negative list is intended to implement.

The R.O.C. FSC announced on April 30, 2009 the Regulations Governing Mainland Chinese Investors' Securities Investments ("P.R.C. Regulations") and amended the same on October 6, 2010. According to the P.R.C. Regulations, a P.R.C. qualified domestic institutional investor ("QDII") is allowed to invest in R.O.C. securities (including less than 10% (or less in certain industries) shareholding of an R.O.C. company listed on Taiwan Stock Exchange or the Taipei Exchange.) Nevertheless, the total investment amount of QDIIs cannot exceed US\$500 million. For each QDII, the custodians of such QDIIs must apply with the Taiwan Stock Exchange for the remittance amount for each QDII, which cannot exceed US\$100 million, and QDII can only invest in the R.O.C. securities market with the amount approved by the Taiwan Stock Exchange. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the R.O.C. FSC and amended from time to time. P.R.C. investors other than QDII, however, are prohibited from making investments in an R.O.C. company listed on the Taiwan Stock Exchange or the Taipei Exchange, unless with approval from the Department of Investment Review of the R.O.C. Ministry of Economic Affairs for its investment of 10% or more (or other percentage applicable to certain restricted industries) of the equity interest of such R.O.C. company.

In addition to investments permitted under the P.R.C. Regulations, P.R.C. investors who wish to make (i) direct investment in the shares of R.O.C. private companies or (ii) investments, individually or aggregately, in 10% or more (or other percentage applicable to certain restricted industries) of the equity interest of an R.O.C. company listed on the Taiwan Stock Exchange or the Taipei Exchange are required to submit an investment approval application to the Department of Investment Review of the R.O.C. Ministry of Economic Affairs or other government authority. The Department of Investment Review of the R.O.C. Ministry of Economic Affairs or such other government authority reviews investment approval application and approves or disapproves each application after consultation with other governmental agencies. Furthermore, P.R.C. investor who wishes to be elected as an R.O.C. company's director or supervisor shall also submit an investment approval application to the Department of Investment Review of the R.O.C. Ministry of Economic Affairs or other government authority for approval.

Depository Receipts

In April 1992, the R.O.C. FSC enacted regulations permitting R.O.C. companies with securities listed on the Taiwan Stock Exchange, with the prior approval of the R.O.C. FSC, to sponsor the issuance and sale to foreign investors of depository receipts. Depository receipts represent deposited shares of R.O.C. companies. In December 1994, the R.O.C. FSC allowed companies whose shares are listed on the Taiwan Stock Exchange or traded on the Taipei Exchange, upon approval of the R.O.C. FSC, to sponsor the issuance and sale of depository receipts.

Our deposit agreement has been amended and restated on November 16, 2007 to: (i) make our ADSs eligible for the direct registration system, as required by the NYSE, by providing that ADSs may be certificated or uncertificated securities, (ii) enable the distribution of our reports by electronic means and (iii) reflect changes in R.O.C. laws in connection with the nomination of candidates for independent directors, for voting at the meeting of the shareholders. A copy of our amended and restated deposit agreement has been filed under the cover of Form F-6 on November 16, 2007.

A holder of depository receipts (other than citizens of the P.R.C. and entities organized under the laws of the P.R.C. save for QDII or those which otherwise obtain the approval of the Department of Investment Review of the R.O.C. Ministry of Economic Affairs) may request the depository to either cause the underlying shares to be sold in the R.O.C. and to distribute the sale proceeds to the holder or to withdraw from the depository receipt facility the shares represented by the depository receipts to the extent permitted under the deposit agreement (for depository receipts representing existing shares, immediately after the issuance of the depository receipts; and for depository receipts representing new shares, in practice four to seven business days after the issuance of the depository receipts) and transfer the shares to the holder.

We, or the foreign depository bank, may not increase the number of depository receipts by depositing shares in a depository receipt facility or issuing additional depository receipts against these deposits without specific R.O.C. FSC approval, except in limited circumstances. These circumstances include issuances of additional depository receipts in connection with:

- dividends or free distributions of shares;
- the exercise by holders of existing depository receipts of their pre-emptive rights in connection with capital increases for cash; or

- if permitted under the deposit agreement and custody agreement, the deposit of common shares purchased by any person directly or through a depositary bank on the Taiwan Stock Exchange or the Taipei Exchange (as applicable) or held by such person for deposit in the depositary receipt facility.

However, the total number of deposited shares outstanding after an issuance under the circumstances described in the third clause above may not exceed the number of deposited shares previously approved by the R.O.C. FSC plus any depositary receipts created under the circumstances described in the first two clauses above. Issuances of additional depositary receipts under the circumstances described in the third clause above will be permitted to the extent that previously issued depositary receipts have been cancelled and the underlying shares have been withdrawn from the depositary receipt facility.

Under current R.O.C. law, a non-R.O.C. holder of ADSs who withdraws and holds the underlying shares must register with the Taiwan Stock Exchange and appoint an eligible local agent to:

- open a securities trading account with a local securities brokerage firm;
- open an NT dollars bank account;
- pay taxes;
- remit funds; and
- exercise rights on securities and perform other matters as may be designated by the holder.

In addition, a withdrawing non-R.O.C. holder must appoint a local custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds and reporting of information. Under existing R.O.C. laws and regulations, without meeting these requirements, holders of ADSs that withdraw and hold the common shares represented by the ADSs would not be able to hold or subsequently transfer the common shares, whether on the Taiwan Stock Exchange or otherwise.

Holders of ADSs who are non-R.O.C. persons withdrawing common shares represented by ADSs are required under current R.O.C. law and regulations to appoint an agent in the R.O.C. for filing tax returns and making tax payments. This agent, a “tax guarantor”, must meet certain qualifications set by the R.O.C. Ministry of Finance and, upon appointment, becomes a guarantor of the withdrawing holder’s R.O.C. tax payment obligations. In addition, under current R.O.C. law, repatriation of profits by a non-R.O.C. withdrawing holder is subject to the submission of evidence of the appointment of a tax guarantor to, and approval thereof by, the tax authority, or submission of tax clearance certificates or submission of evidencing documents issued by such agent (so long as the capital gains from securities transactions are exempt from R.O.C. income tax).

Under existing R.O.C. laws and regulations relating to foreign exchange control, a depositary may, without obtaining further approvals from the Central Bank of the Republic of China (Taiwan) or any other governmental authority or agency of the R.O.C., convert NT dollars into other currencies, including U.S. dollars, in respect of the following: proceeds of the sale of shares represented by depositary receipts, proceeds of the sale of shares received as stock dividends and deposited into the depositary receipt facility and any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. A depositary may be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) on a payment-by-payment basis for conversion from NT dollars into other currencies relating to the sale of subscription rights for new shares. Proceeds from the sale of any underlying shares by holders of depositary receipts withdrawn from the depositary receipt facility may be converted into other currencies without obtaining approval from the Central Bank of the Republic of China (Taiwan). Proceeds from the sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the Taiwan Stock Exchange or the Taipei Exchange, subject to compliance with applicable laws and regulations.

Direct Share Offerings

Since 1997, the R.O.C. government has amended regulations to permit R.O.C. companies listed on the Taiwan Stock Exchange or the Taipei Exchange to issue shares directly (not through depositary receipt facility) overseas.

Overseas Corporate Bonds

Since 1989, the R.O.C. FSC has approved a series of overseas corporate bonds issued by R.O.C. companies listed on the Taiwan Stock Exchange or the Taipei Exchange in offerings outside the R.O.C. Under current R.O.C. law, these overseas corporate bonds can be:

- converted by bondholders, other than citizens of the P.R.C. and entities organized under the laws of the P.R.C. save for QDII or those that have obtained the approval of the Department of Investment Review of the R.O.C. Ministry of Economic Affairs, into shares of R.O.C. companies; or
- subject to R.O.C. FSC approval, converted into depositary receipts issued by the same R.O.C. company or by the issuing company of the exchange shares, in the case of exchangeable bonds.

The relevant regulations also permit public companies to issue corporate debt in offerings outside the R.O.C. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the Taiwan Stock Exchange or traded on the Taipei Exchange, subject to compliance with applicable laws and regulations.

Exchange Controls in the R.O.C.

The R.O.C. Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the R.O.C. FSC and by the Central Bank of the Republic of China (Taiwan). Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Trade aside, R.O.C. companies and resident individuals may, without foreign exchange approval, remit to and from the R.O.C. foreign currency of up to US\$100 million or its equivalent (or such other amount as determined by the Central Bank of the Republic of China (Taiwan) from time to time at its discretion in consideration of the R.O.C.'s economic and financial conditions or the need to maintain the order of the foreign exchange market in the R.O.C.) and US\$10 million or its equivalent (or such other amount as determined by the Central Bank of the Republic of China (Taiwan) from time to time at its discretion in consideration of the R.O.C.'s economic and financial conditions or the needs to maintain the order of the foreign exchange market in the R.O.C.), respectively, in each calendar year. Furthermore, any remittance of foreign currency into the R.O.C. by a R.O.C. company or resident individual in a year will be offset by the amount remitted out of R.O.C. by such company or individual (as applicable) within its annual quota and will not use up its annual inward remittance quota to the extent of such offset. The above limits apply to remittances involving a conversion of NT dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises incorporated or registered in the R.O.C. to register their medium- and long-term foreign debts with the Central Bank of the Republic of China (Taiwan).

In addition, foreign persons may, subject to certain requirements, but without foreign exchange approval of the Central Bank of the Republic of China (Taiwan), remit outside and into the R.O.C. foreign currencies of up to US\$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT dollars to a foreign currency and vice versa. The above limit does not, however, apply to the conversion of NT dollars into other currencies, including U.S. dollars, in respect of the proceeds of sale of any underlying shares withdrawn from a depositary receipt facility.

Voting of Deposited Securities

Holders may direct the exercise of voting rights with respect to the common shares represented by the ADSs only in accordance with the provisions of the deposit agreement as described below and applicable R.O.C. law. See "Item 3. Key Information – Risk Factors – Risks Relating to Ownership of ADSs – Your voting rights as a holder of ADSs will be limited".

Except as described below, the holders will not be able to exercise the voting rights attaching to the common shares represented by the ADSs on an individual basis. According to provisions of the deposit agreement, the voting rights attaching to the common shares represented by ADSs must be exercised as to all matters subject to a vote of shareholders by the depositary bank or its nominee, who represents all holders of ADSs, collectively in the same manner, except in the

case of an election of directors. Directors are elected by cumulative voting unless our Articles of Incorporation stipulate otherwise.

In the deposit agreement, the holders will appoint the depositary bank as their representative to exercise the voting rights with respect to the common shares represented by the ADSs.

We will provide the depositary bank with copies (including English translations) of notices of meetings of our shareholders and the agenda of these meetings, including a list of the director candidates, if an election of directors is to be held at the meeting. The depositary bank will mail these materials, together with a voting instruction form to holders as soon as practicable after the depositary bank receives the materials from us. In order to validly exercise its voting rights, the holder of ADSs must complete, sign and return to the depositary bank the voting instruction form by a date specified by the depositary bank.

Subject to the provisions described in the second succeeding paragraph, which will apply to the election of directors done by means of cumulative voting, if persons together holding at least 51% of the ADSs outstanding at the relevant record date instruct the depositary bank to vote in the same manner in respect of one or more resolutions to be proposed at the meeting (other than the election of directors), the depositary bank will notify the instructions to the chairman of our board of directors or a person he may designate. The depositary bank will appoint the chairman or his designated person to serve as the voting representative of the depositary bank or its nominee and the holders. The voting representative will attend such meeting and vote all the common shares represented by ADSs to be voted in the manner so instructed by such holders in relation to such resolution or resolutions.

If, for any reason, the depositary bank has not by the date specified by it received instructions from persons together holding at least 51% of all the ADSs outstanding at the relevant record date to vote in the same manner in respect of any resolution specified in the agenda for the meeting (other than the election of directors), then the holders will be deemed to have instructed the depositary bank or its nominee to authorize and appoint the voting representative as the representative of the depositary bank and the holders to attend such meeting and vote all the common shares represented by all ADSs as the voting representative deems appropriate with respect to such resolution or resolutions, which may not be in your interests; provided, however, that the depositary bank or its nominee will not give any such authorization and appointment unless it has received an opinion of R.O.C. counsel addressed to the depositary bank and in form and substance satisfactory to the depositary bank, at its sole expense, to the effect that, under R.O.C. law (i) the deposit agreement is valid, binding and enforceable against us and the holders and (ii) the depositary bank will not be deemed to be authorized to exercise any discretion when voting in accordance with the deposit agreement and will not be subject to any potential liability for losses arising from such voting. We and the depositary bank will take such actions, including amendment of the provisions of the deposit agreement relating to voting of common shares, as we deem appropriate to endeavor to provide for the exercise of voting rights attached to the common shares represented by all ADSs at shareholders' meetings in a manner consistent with applicable R.O.C. law.

The depositary bank will notify the voting representative of the instructions for the election of directors received from holders and appoint the voting representative as the representative of the depositary bank and the holders to attend such meeting and vote the common shares represented by ADSs as to which the depositary bank has received instructions from holders for the election of directors, subject to any restrictions imposed by R.O.C. law and our Articles of Incorporation. Holders who by the date specified by the depositary bank have not delivered instructions to the depositary bank will be deemed to have instructed the depositary bank to authorize and appoint the voting representative as the representative of the depositary bank or its nominee and the holders to attend such meeting and vote all the common shares represented by ADSs as to which the depositary bank has not received instructions from the holders for the election of directors as the voting representative deems appropriate, which may not be in your best interests. Candidates standing for election as representatives of a shareholder may be replaced by such shareholder prior to the meeting of the shareholders, and the votes cast by the holders for such candidates shall be counted as votes for their replacements.

By accepting and continuing to hold ADSs or any interest therein, the holders will be deemed to have agreed to the voting provisions set forth in the deposit agreement, as such provisions may be amended from time to time to comply with applicable R.O.C. law.

There can be no assurance that the holders will receive notice of shareholders' meetings sufficiently prior to the date established by the depositary bank for receipt of instructions to enable you to give voting instructions before the cutoff date.

Moreover, in accordance with the deposit agreement, as further amended and restated as of November 16, 2007 and pursuant to R.O.C. Company Act, holders that individually or together with other holders hold at least 51% of the ADSs outstanding at the relevant record date are entitled to submit each year one written proposal for voting at the general meeting of shareholders; provided, that (i) such proposal is in Chinese language and does not exceed 300 Chinese characters, (ii) such proposal is submitted to the depositary bank at least two business days prior to the expiry of the relevant submission period, which shall be publicly announced by us each year in a report on Form 6-K filed with the U.S. SEC prior to the commencement of the 60 days closed period for general meetings of shareholders, (iii) such proposal is accompanied by a written certificate to the depositary bank, in the form required by the depositary bank, certifying that such proposal is being submitted by holders that individually or together with other holders hold at least 51% of the ADSs outstanding at the date of the submission and, if the date of the submission is on or after the relevant record date, also certifying that the holders who submitted the proposal held at least 51% of the ADSs outstanding as of the relevant record date, (iv) if the date of the submission is prior to the relevant record date, the holders who submitted the proposal must also provide, within five business days after the relevant record date, a second written certificate to the depositary bank, in the form required by the depositary bank, certifying that the holders who submitted the proposal continued to hold at least 51% of the ADSs outstanding at the relevant record date, (v) such proposal is accompanied by a joint and several irrevocable undertaking of all submitting holders to pay all fees and expenses incurred in relation to the submission (including the costs and expenses of the depositary bank or its agent to attend the general meeting of the shareholders) as such fees and expenses may be reasonably determined and documented by the depositary bank or us, and (vi) such proposal shall only be voted upon at the general meeting of shareholders if such proposal is accepted by our board of directors as eligible in accordance with applicable law for consideration at a shareholders meeting.

Taxation

R.O.C. Taxation

The following is a general summary of the principal R.O.C. tax consequences of the ownership and disposition of ADSs or common shares by and to a non-resident individual or entity. It applies only to a holder that is:

- an individual who is not an R.O.C. citizen, who owns ADSs and who is not physically present in the R.O.C. for 183 days or more during any calendar year; or
- a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the R.O.C. and has no fixed place of business or business agent in the R.O.C.

Holders of ADSs should consult their own tax advisors as to the particular R.O.C. tax consequences of owning the ADSs which may affect them.

Dividends. Effective from 2018, dividends declared by us out of our retained earnings and distributed to the holders are subject to R.O.C. withholding tax at 21% on the amount of the distribution in the case of cash dividends or on the par value of the common shares in the case of stock dividends unless a lower withholding rate is provided under a tax treaty between the R.O.C. and the jurisdiction where the holders are residents. Starting 2019, no retained earnings tax paid can offset as a credit against the 21% withholding tax.

Distribution of common shares or cash out of our capital reserves is not subject to R.O.C. withholding tax, except under limited circumstances.

Capital Gains. Starting from January 1, 2016, capital gains realized from the sale or disposal of the common shares are exempt from R.O.C. income tax under Article 4-1 of the R.O.C. Income Tax Act.

Sales of ADSs are not regarded as sales of R.O.C. securities and thus any gains derived from transfers of ADSs are not regarded as R.O.C.-sourced income. Accordingly, any gains derived from transfers of ADSs by holders are not currently subject to R.O.C. income tax.

Subscription Rights. Distributions of statutory subscription rights for common shares in compliance with R.O.C. law are not subject to any R.O.C. tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax at the rate of 0.3% of the gross amount received. Holders are exempt from income tax on capital gains from the sale of statutory subscription rights evidenced by securities. Proceeds derived from sales of statutory subscription rights not evidenced by securities are not subject to securities transaction tax but the capital gains are subject to R.O.C. income tax at a fixed rate of 20%.

Subject to compliance with R.O.C. law, we, at our sole discretion, can determine whether statutory subscription rights shall be evidenced by issuance of securities.

Securities Transaction Tax. A securities transaction tax, at the rate of 0.3% of the sales proceeds, will be withheld upon a sale of common shares in the R.O.C. Transfers of ADSs are not subject to R.O.C. securities transaction tax. Withdrawal of common shares from the deposit facility is not subject to R.O.C. securities transaction tax.

Estate and Gift Tax. R.O.C. estate tax is payable on any property within the R.O.C. left by a deceased, and R.O.C. gift tax is payable on any property within the R.O.C. donated by an individual. Estate tax and gift tax are currently payable at the progressive rates of 10%, 15% and 20%. Under R.O.C. estate and gift tax laws, common shares issued by R.O.C. companies are deemed located in the R.O.C. regardless of the location of the holder. It is unclear whether a holder of ADSs will be considered to hold common shares for this purpose.

Tax Treaty. The R.O.C. does not have a double taxation treaty with the United States. On the other hand, the R.O.C. has double taxation treaties with Indonesia, Singapore, South Africa, Australia, Vietnam, New Zealand, Malaysia, North Macedonia, Israel, Gambia, the Netherlands, the United Kingdom, Senegal, Sweden, Belgium, Denmark, Paraguay, Hungary, France, Eswatini, India, Slovakia, Switzerland, Germany, Thailand, Luxembourg, Kiribati, Austria, Italy, Japan, Canada, Poland, Czech Republic, Saudi Arabia and South Korea, which may limit the rate of R.O.C. withholding tax on dividends paid with respect to common shares in R.O.C. companies. The ADS holders may or may not be considered to hold common shares for the purposes of these treaties. The holders should consult their tax advisors concerning their eligibility for the benefits with respect to the ADSs.

United States Federal Income Taxation

This section discusses the material United States federal income tax consequences of owning and disposing of our common shares or ADSs. It applies to you only if you hold your common shares or ADSs as capital assets for United States federal income tax purposes. This discussion addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- dealers or traders in securities or foreign currencies;
- banks and certain other financial institutions;
- brokers;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- tax-exempt organizations, retirement plans, individual retirement accounts and other tax-deferred accounts;
- life insurance companies;
- persons that actually or constructively own 10% or more of the combined voting power of our voting stock or of the total value of our stock;
- persons that hold common shares or ADSs as part of a straddle or a hedging or conversion or integrated transaction for United States federal income tax purposes;
- persons that purchases or sells common shares or ADSs as part of a wash sale for tax purposes;
- persons who are former citizens or former long-term residents of the United States, or
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed Treasury regulations, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. In general, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

You are a U.S. holder if you are a beneficial owner of common shares or ADSs and you are, for United States federal income tax purposes:

- a citizen or resident of the United States;
- a United States domestic corporation, or other entity subject to United States federal income tax as a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

A "non-U.S. holder" is a beneficial owner of common shares or ADSs that is not a United States person and is not a partnership for United States federal income tax purposes.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of the common shares or ADSs, the United States tax treatment of a partner in the partnership generally will depend on the status of the partner and the tax treatment of the partnership. A holder of the common shares or ADSs that is a partnership and partners in such a partnership should consult their own tax advisors concerning the United States federal income tax consequences of purchasing, owning and disposing of common shares or ADSs.

The tax treatment of your common shares or ADSs will depend in part on whether or not we are classified as a passive foreign investment company ("PFIC"), for United States federal income tax purposes. Except as discussed below under "—PFIC Rules", this discussion assumes that we are not classified as a PFIC for United States federal income tax purposes.

You should consult your own tax advisor regarding the United States federal, state, local income tax and other tax consequences of owning and disposing of common shares or ADSs in your particular circumstances.

U.S. Holders

Taxation of Distributions

If you are a U.S. holder, the gross amount of any distribution we pay in respect of your common shares or ADSs out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes), other than certain pro-rata distributions of our common shares, including the amount of any R.O.C. tax withheld, will be treated as a dividend that is subject to United States federal income taxation. Because we do not expect to calculate our earnings and profits under U.S. federal income tax principles, a U.S. holder should expect that any distribution made by us to such holder will generally be treated as a dividend. If you are a noncorporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains, provided that you hold our common shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the ADSs will be qualified dividend income provided that, in the year that you receive the dividend, the ADSs are readily tradable on the NYSE or another established securities market in the United States. Our ADSs are listed on the NYSE, and we therefore expect that dividends we pay with respect to the ADSs will be qualified dividend income. It is unclear whether dividends we pay with respect to the common shares will be qualified dividend income.

The dividend is taxable to you when you, in the case of common shares, or the Depositary, in the case of ADSs, receive the dividend actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income will be the U.S. dollar value of the NT dollar payments made, determined at the spot NT dollar/U.S. dollar rate on the date the dividend is distributed, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date of the dividend distribution to the date the payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Subject to generally applicable limitations and restrictions, it is possible that the R.O.C. taxes withheld from dividend distributions and paid over to the R.O.C. would be eligible for credit against your U.S. federal income tax liabilities. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. Dividends will generally be income from sources outside the United States. Dividends will generally be “passive” income for purposes of computing the foreign tax credit allowable to you. The rules applicable to the United States foreign tax credit are complex, and you should consult your own tax adviser concerning the availability of the credit in your particular circumstances.

Pro rata distributions of common shares by us to holders of common shares or ADSs may not be subject to U.S. federal income tax. Accordingly, such distributions may not give rise to taxable foreign-source income against which the R.O.C. tax imposed on such distributions may be credited.

Taxation of Capital Gains

If you are a U.S. holder and you sell or otherwise dispose of your common shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your common shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Your ability to deduct capital losses is subject to limitations.

PFIC Rules

We believe that our common shares and ADSs should not currently be treated as stock of a PFIC for United States federal income tax purposes and we do not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination that is made annually, and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year. Accordingly, no assurance can be given that we will not be considered by the U.S. Internal Revenue Service (“IRS”) to be a PFIC in current or future years.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our common shares or ADSs:

- at least 75% of our gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets in such taxable year is attributable to assets that produce or are held for the production of passive income.

“Passive income” generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income and certain other specified categories of income. If a foreign corporation owns directly or indirectly at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income.

If we are treated as a PFIC, and you are a U.S. holder that does not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your common shares or ADSs; and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year, other than the taxable year in which your holding period in the common shares or ADSs begin, that are greater than 125% of the average annual distributions received by you in respect of the common shares or ADSs during the three preceding taxable years or, if shorter, the portion of your holding period for the common shares or ADSs that preceded the taxable year in which you receive the distribution).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the common shares or ADSs,

- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income,
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own common shares or ADSs in a PFIC that are treated as marketable stock, you may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your common shares or ADSs at the end of the taxable year over your tax basis in your common shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the tax basis of your common shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your tax basis in the common shares or ADSs will be adjusted to reflect any such income or loss amounts. Your gain, if any, recognized upon the sale of your common shares or ADSs will be taxed as ordinary income.

Also, where a company that is a PFIC meets certain reporting requirements, a U.S. holder could avoid certain adverse PFIC consequences described herein by making a “qualified electing fund” (“QEF”) election to be taxed currently on its proportionate share of the PFIC’s ordinary income and net capital gains. U.S. holders will not be able to treat a company as a QEF if the company does not prepare the information that U.S. holders would need to make a QEF election. We do not intend to prepare or provide the information that would enable U.S. holders to make a QEF election.

In addition, notwithstanding any election you make with regard to the common shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Moreover, your common shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your common shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your common shares or ADSs, you will be treated as having a new holding period in your common shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income as well as the special rules provided with respect to excess distributions, if applicable, as described above.

If you own common shares or ADSs during any year that we are a PFIC with respect to you, you generally must file IRS Form 8621.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above, including our ownership of any non-U.S. subsidiaries. As a result, U.S. holders should consult their own tax advisors concerning the PFIC rules.

Information with Respect to Foreign Financial Assets

U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” may include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. holders should consult their tax advisors regarding the application of these rules to their ownership of common shares or ADSs.

Non-U.S. Holders

Except as described in the section titled “Information Reporting and Backup Withholding” below, a non-U.S. holder will not be subject to U.S. federal income or withholding tax on the payment of dividends and the proceeds from the disposition of common shares or ADSs unless: such item is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States and, in the case of a resident of a country which has a treaty with the United States and is eligible for the benefits of the treaty with the United States, such item is attributable to a permanent establishment or, in the case of an individual, a fixed place of business, in the United States; or the non-U.S. holder is an individual who holds the common shares or ADSs as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition, certain other conditions are met, and such non-U.S. holder does not qualify for an exemption. If the first exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax with respect to such item in the same manner as a U.S. holder unless otherwise provided in an applicable income tax treaty; a non-U.S. holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such item at a rate of 30% (or at a reduced rate under an applicable income tax treaty). If the second exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which such non-U.S. holder’s capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of the common shares or ADSs.

Information Reporting and Backup Withholding

U.S. holders generally are subject to information reporting requirements, on IRS Form 1099, with respect to dividends paid on common shares or ADSs and on the proceeds from the sale, exchange or disposition of common shares or ADSs unless the holder is a corporation or otherwise establishes a basis for exemption. In addition, U.S. holders are subject to back-up withholding on dividends paid on common shares or ADSs, and on the sale, exchange or other disposition of common shares or ADSs, unless each such U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Non-U.S. holders generally are not subject to information reporting or backup withholding with respect to dividends, or the proceeds from the sale, exchange or other disposition of common shares or ADSs, provided that each such non-U.S. holder certifies as to its foreign status on the applicable duly executed IRS Form W-8 or otherwise establishes an exemption. Backup withholding is not an additional tax and the amount of any backup withholding will be allowed as a credit against a U.S. holder’s or non-U.S. holder’s U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Documents on Display

The U.S. SEC maintains a website www.sec.gov that contains reports, proxy statements and other information regarding registrants, including the Company, that file electronically with the U.S. SEC. Please note that copies of the Company’s Form 20-F and Form SD filed by us can be inspected at the website set forth above and are also available on our website at www.tsmc.com (the website does not form part of this annual report on Form 20-F).

Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to financial market risks, primarily in currency exchange rates, interest rates and equity investment prices. A portion of these risks is hedged.

Foreign Currency Risk: Substantially all of our revenue is denominated in U.S. dollars and over half of our capital expenditures are denominated in currencies other than NT dollars, primarily in U.S. dollars, Euros and Japanese yen. As a result, any significant fluctuations to our disadvantage in the exchange rate of the NT dollar against such currencies, in particular a weakening of the U.S. dollar against the NT dollar, would have an adverse impact on our revenue and operating profit as expressed in NT dollars.

We use foreign currency derivatives contracts, such as currency forwards or currency swaps, and non-derivative financial instruments, such as foreign currency denominated debts and bank deposits, to protect against currency exchange rate risks associated with non-NT dollar-denominated monetary assets and liabilities, net investments in foreign

subsidiaries, and certain forecasted transactions. These hedges reduce, but do not entirely eliminate, the effect of foreign currency exchange rate movements on our assets and liabilities. Based on a sensitivity analysis performed on our total monetary assets and liabilities, a hypothetical adverse foreign currency exchange rate change of 10% as of December 31, 2024 and 2025 would have decreased our net income by NT\$1,906 million and NT\$1,987 million (US\$63 million) in 2024 and 2025, respectively, after taking into account hedges and offsetting positions. For further information, please refer to note 8, note 11 and note 33 to the consolidated financial statements.

Interest Rate Risks: We are exposed to interest rate risks primarily in relation to our investment portfolio and outstanding debt. Changes in interest rates affect the interest earned on our cash and cash equivalents and fixed income securities, the fair value of those securities, as well as the interest paid on our debt.

The objective of our investment policy is to achieve a return that will allow us to preserve principal and support liquidity requirements. The policy generally requires us to invest in investment grade securities and limits the amount of credit exposure to any one issuer. The majority of our fixed income investments are fixed-rate securities, which are classified as financial assets at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. For those fixed income investments classified as financial assets at FVTOCI, changes in their fair value are recognized through other comprehensive income; for those classified as financial assets at amortized cost, changes in their fair value are not reflected in the carrying amount. Both classifications are recognized in profit or loss if the assets are sold.

Based on a sensitivity analysis performed on our fixed income investments, a hypothetical adverse interest rate change of 100 basis points across all maturities would have decreased our other comprehensive income by NT\$4,501 million and NT\$4,081 million (US\$130 million) in 2024 and 2025, respectively, after taking into account interest rate hedges. For further information, please refer to note 9, note 10, note 11 and note 33 to the consolidated financial statements.

The majority of our debt is fixed-rate and measured at amortized cost and, as such, changes in interest rates would not affect future cash flows or the carrying amount. For further information, please refer to note 18, note 19 and note 33 to the consolidated financial statements.

We have entered and may in the future enter into interest rate derivatives to partially hedge interest rate risk on our fixed income investments and anticipated debt issuance. However, these hedges can offset only a limited portion of the financial impact from movements in interest rates.

Inflation Risk: We are subject to the effects of inflation through increases in the cost of items such as raw materials and equipment used to produce our products, wage expenses and employee benefits, electricity costs, and costs in relation to construction of fabs. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high inflation in the future may have an adverse effect on our ability to maintain current levels of profit margin if the selling prices of our products and services do not increase with these increased costs.

Other Market Risk: Our equity securities are subject to a wide variety of market-related risks that could substantially reduce the fair value of our holdings. We currently do not reduce our equity market exposure through hedging activities. As of December 31, 2024 and 2025, we had investments in private equity securities mostly through a number of investment funds with a carrying value of NT\$7,823 million and NT\$8,797 million (US\$280 million), respectively. Based on a sensitivity analysis performed on our equity investments as of December 31, 2024 and 2025, a hypothetical adverse price change of 10% would have decreased our other comprehensive income by approximately NT\$1,013 million and NT\$1,020 million (US\$33 million) in 2024 and 2025, respectively. The actual disposal value of these investments may be significantly different from their carrying value. For further information, please refer to note 33 to the consolidated financial statements.

ITEM 12D. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Depository Fees and Charges

Under the terms of the Deposit Agreement for the TSMC American Depositary Shares (“ADSs”), an ADS holder may have to pay the following service fees to the depository bank:

Service	Fees
Issuance of ADS	Up to US\$0.05 (or fractions thereof) per ADS issued
Cancellation of ADS	Up to US\$0.05 (or fractions thereof) per ADS cancelled
Distribution of cash proceeds (i.e., upon sale of rights and other entitlements)	Up to US\$0.02 (or fractions thereof) per ADS held
Distribution of ADS rights or other free distributions of Stock (excluding stock dividends)	Up to US\$0.05 (or fractions thereof) per ADS issued

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly-issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these transaction fees to their clients.

Depository Payment

In 2025, we received reimbursement of proxy related expenses of US\$12,284 from Citibank, N.A., the Depository Bank for our ADR program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. Pursuant to Rule 13a-15(b) of the Exchange Act, an evaluation was carried out under the supervision and with the participation of our principal executive and principal financial officers of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officers and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of December 31, 2025.

Management's Annual Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with IFRSs as issued by the IASB. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRSs as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

As of the end of 2025, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2025, was effective.

Our independent registered public accounting firm, Deloitte & Touche, independently assessed the effectiveness of our company's internal control over financial reporting. Deloitte & Touche has issued an attestation report, which is included at the end of this Item 15.

Changes in Internal Control over Financial Reporting. During 2025, there was no material change to our internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
Taiwan Semiconductor Manufacturing Company Limited

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the "Company") as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2025, of the Company and our report dated April 16, 2026, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche
Taipei, Taiwan
Republic of China
April 16, 2026

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Audit and Risk Committee has engaged a financial expert consultant who our Board of Directors determined has the attributes required of an "audit committee financial expert" as defined under the applicable rules of the U.S. SEC issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. In particular, our Board of Directors appointed Mr. Jan C. Lobbezoo to serve as an independent financial expert consultant to our Audit and Risk Committee from February 14, 2006 onwards. Our Board of Directors believes that the Audit and Risk Committee members along with the advisors of the Audit and Risk Committee, including the financial expert consultant, possess sufficient financial knowledge and experience.

ITEM 16B. CODE OF ETHICS

We have adopted a "Ethics and Business Conduct Policy" for employees, officers and directors, which also applies to our Chief Executive Officer, Chief Financial Officer, Controller, and any other persons performing similar functions.

We will provide to any person without charge, upon request, a copy of our "Ethics and Business Conduct Policy". Any request should be made per email to our Investor Relations Division at invest@tsmc.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table below summarizes the fees that we paid for services provided by Deloitte & Touche (PCAOB ID No. 1060) and its affiliated firms (the “Deloitte Entities”) for the years ended December 31, 2024 and 2025.

	For the year ended December 31,	
	2024	2025
	NT\$	NT\$
	(In thousands)	
Audit Fees	76,544	96,012
Audit Related Fees	1,025	1,556
Tax Fees	3,226	804
All Other Fees	566	1,417
Total	81,361	99,789

Audit Fees. This category includes the audit of our annual financial statements and internal control over financial reporting, review of quarterly financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of quarterly financial statements and statutory audits required by non-U.S. jurisdictions, including statutory audits required by the Tax Bureau of the R.O.C., Customs Bureau of the R.O.C., and the R.O.C. FSC.

Audit Related Fees. This category consists of assurance and related services by the Deloitte Entities that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees.” The services for the fees disclosed under this category were related to corporate bonds offering.

Tax Fees. This category consists of professional services rendered by the Deloitte Entities for tax compliance and tax advice.

All Other Fees. This category consists of related services for consultation of SEC climate disclosure rules, the issuance of shares arising from restricted share awards and employee stock options and research tool for accounting standards and regulations.

Our policy and procedures require all services performed by Deloitte & Touche to be pre-approved by the Audit and Risk Committee. The Audit and Risk Committee agreed to delegate to the Chairman of the Audit and Risk Committee authority to pre-approve non-material unanticipated non-audit services and to report any such items to the Audit and Risk Committee for ratification at its next scheduled meeting. All audit and non-audit services performed by Deloitte & Touche in 2024 and 2025 were pre-approved by the Audit and Risk Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

TSMC’s corporate governance practices are governed by applicable Taiwan law, specifically, the R.O.C. Company Act and R.O.C. Securities and Exchange Act, and also TSMC’s Articles of Incorporation. Also, because TSMC securities are registered with the U.S. SEC and are listed on the NYSE, TSMC is subject to corporate governance requirements applicable to NYSE-listed foreign private issuers.

Under Section 303A of the NYSE Listed Company Manual, NYSE-listed non-US companies may, in general, follow their home country corporate governance practices in lieu of most of the new NYSE corporate governance requirements. However, all NYSE-listed foreign private issuers must comply with NYSE Sections 303A.06, 303A.11, 303A.12(b), 303A.12(c) and 303A.14.

Item 16G as well as NYSE Section 303A.11 requires that foreign private issuers disclose any significant ways in which their corporate governance practices differ from US companies under NYSE listing standards. This requirement is not intended to suggest that one country's corporate governance practices are better or more effective than another. A NYSE-listed foreign private issuer is required to provide to its US investors, a brief, general summary of the significant differences, either: (a) on the company website in English, or (b) in its annual report distributed to its US investors. To comply with NYSE Section 303A.11, TSMC has prepared the comparison in the table below.

The most relevant differences between TSMC corporate governance practices and NYSE standards for listed companies are as follows:

NYSE Standards for US Companies under Listed Company Manual Section 303A	TSMC Corporate Practices
NYSE Section 303A.01 requires a NYSE-listed company to have a majority of independent directors on its board of directors.	Taiwan law does not require a board of directors of publicly traded companies to consist of a majority of independent directors. Taiwan law requires public companies meeting certain criteria to have at least three independent directors but no less than one fifth of the total number of directors on its board of directors. Starting from 2024, public companies that meet certain criteria are required to have a minimum of one-third of their directors serving as independent directors. In addition, Taiwan law requires public companies to disclose information pertaining to their directors, including their independence status. Please see TSMC's annual report and Form 20-F for the relevant year filed with the Taiwan authorities and the U.S. SEC (both of which are available online at www.tsmc.com) for information on the total number of TSMC directors and directors who would be considered independent under NYSE Section 303A.02 and Taiwan law.
NYSE Section 303A.02 establishes general standards to evaluate directors' independence (no director qualifies as independent unless the board of directors affirmatively determines that the director has no material relationship with the listed company either directly or as a partner, shareholder or officer of an organization that has a relationship with the listed company).	Taiwan law establishes comparable standards to evaluate director independence. For further information, please consult TSMC's Taiwan annual report for the relevant year.
NYSE Section 303A.03 requires non-management directors to meet at regularly scheduled executive meetings that are not attended by management.	Taiwan law does not contain such a requirement. Except for meetings of sub-committees of the board of directors and those held by managing directors, Taiwan law does not allow separate board meetings of part but not all of the board of directors.

NYSE Section 303A.04 requires listed companies to have a nominating/corporate governance committee comprised entirely of independent directors which committee shall have a written charter establishing certain minimum responsibilities as set forth in NYSE Section 303A.04(b)(i) and providing for an annual evaluation of the committee’s performance.	Taiwan law does not contain such a requirement. Pursuant to Taiwan law, TSMC’s directors must be nominated either by the shareholders or by the entire board of directors. TSMC, however, has established a Nominating, Corporate Governance and Sustainability Committee in February 2023 to assist our Board of Directors mainly in selecting candidates for nomination to be elected as independent directors to the Board and advising on corporate governance and sustainability matters. The Nominating, Corporate Governance and Sustainability Committee, by its charter, shall be composed of the Chairman of the Board and three to six independent directors.
NYSE Section 303A.05(a) requires listed companies to have a compensation committee comprised entirely of independent directors.	Taiwan law requires certain public companies, such as us, to establish a compensation committee by September 30, 2011. TSMC, however, has established its Compensation Committee since 2003 (renamed as “Compensation and People Development Committee” effective as of February 14, 2023), which has met the requirements under the Taiwan law. Taiwan law permits a non-director independent member, appointed by the board of directors, to serve as a member on the compensation committee, so long as such member meets the independent and other requirements under the relevant Taiwan law. Also, as required by the TWSE, the compensation committee of the companies listed on the TWSE must consist of a majority of independent directors, and all the members of the compensation committee shall elect an independent director to act as the convener and the chairperson of the meeting. Please see TSMC’s annual report and Form 20-F for the relevant year filed with the Taiwan authorities and the U.S. SEC (both of which are available online at www.tsmc.com) for further information regarding the composition and functions of its compensation committee.
NYSE Section 303A.05(b) requires a compensation committee’s charter to establish certain minimum responsibilities and to provide for an annual evaluation of the committee’s performance.	Taiwan law requires certain public companies, such as us, to establish a compensation committee by September 30, 2011. TSMC, however, has established its Compensation Committee since 2003, which has met the requirements under the Taiwan law, and TSMC’s Compensation and People Development Committee charter contains the same responsibilities as those provided under NYSE Section 303A.05(b)(i) and mandates the committee to review the adequacy of its charter annually.
NYSE Section 303A.06 requires listed companies to have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act. Foreign private issuers must satisfy the requirements of Rule 10A-3 under the Exchange Act by July 31, 2005.	TSMC voluntarily established its Audit Committee (renamed as “Audit and Risk Committee” effective as of February 14, 2023) before the promulgation of related Taiwan law. Our Audit and Risk Committee fully complies with both local law requirements and corporate governance standards. Please see TSMC’s annual report and Form 20-F for the relevant year filed with the Taiwan authorities and the U.S. SEC (both of which are available online at www.tsmc.com) for further information regarding the composition of its audit committee. TSMC’s Audit and Risk Committee members are all independent directors satisfying requirements of Rule 10A-3 under the Exchange Act.

NYSE Section 303A.07(a) requires an audit committee to consist of at least three board members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration.	Taiwan law requires all independent directors of a public company to be members of the audit committee if the company has established such a committee of which at least one shall have accounting or financial expertise. Please see TSMC's annual report and Form 20-F for the relevant year filed with the Taiwan authorities and the U.S. SEC (both of which are available online at www.tsmc.com) for further information regarding the composition of its audit committee. TSMC's Audit and Risk Committee members are all financially literate and are assisted by a financial expert consultant.
NYSE Section 303A.07(a) requires that if an audit committee member is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then, in each case the board of that company shall determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee, and shall report its decision in the annual proxy statement of the company or in the company's annual report on Form 10-K filed with the U.S. SEC.	Taiwan law does not contain such requirement. Taiwan law requires all independent directors of a public company to be members of the audit committee if the company has established such a committee. Taiwan law forbids an independent director from serving as an independent director on a total of more than four Taiwan public companies.
NYSE Section 303A.07(a) requires all members of the audit committee to be independent.	Taiwan law requires all independent directors of a public company to be members of the audit committee if the company has established such a committee.
NYSE Section 303A.07(b) requires an audit committee to have a written charter establishing the duties and responsibilities of its members, including the duties and responsibilities required, at a minimum, by Rule 10A-3(b)(2), (3), (4) & (5) of the Exchange Act.	Taiwan law requires comparable standards. TSMC currently has a written Audit and Risk Committee charter containing the same duties and responsibilities as those provided under Section 10A-3(b)(1) of the Exchange Act.
NYSE Section 303A.07(b)(iii)(B) and (C) establishes audit committee objectives: (i) to discuss the annual audited financial statements and the quarterly financial statements of the company with management and the independent auditor, including the information disclosed under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and (ii) to discuss the company's press releases relating to its earnings as well as the financial information and guidelines relating to its earnings that are supplied to analysts and rating agencies.	TSMC's written Audit and Risk Committee charter establishes the same audit committee objectives.
NYSE Section 303A.07(b)(iii)(G) requires an audit committee to establish clear policies for hiring external auditor's employees.	Taiwan law does not contain such requirement.
NYSE Section 303A.07(c) requires each company to have an internal audit function that provides to the management and to the audit committee ongoing assessments on the company's risk management processes and internal control system.	Taiwan law requires public companies to establish an internal audit function. Internal auditors are subject to strict qualification standards under Taiwan law, which require the board of directors to approve the appointment of the head of a company's internal audit function. TSMC's internal audit function has substantially the same responsibilities as provided under NYSE Section 303A.07(d).

NYSE Section 303A.08 requires each company to give to shareholders the opportunity to vote on all equity based compensation plans and material revisions thereto with certain exceptions.	Taiwan law imposes a similar requirement. Employee stock option plans (“ESOPs”) are required to be approved by the board of directors. Shareholders’ approval is not required if the number of options granted under the relevant ESOP does not exceed the reservation made in TSMC’s Articles of Incorporation and if the exercise price is not below the price as determined by relevant regulations. Otherwise, any change to such reservation in the Articles requires shareholders’ approval. Employee restricted stock awards are required to be approved by the board of directors and the shareholders’ meeting with a quorum of holders of at least two-thirds of all issued and outstanding shares of common stock at which the holders of at least a majority of the common stock represented at the meeting vote in favor thereof. However, in the case of a publicly held company such as TSMC, such a resolution by the shareholders’ meeting may be adopted by the holders of at least two-thirds of the shares of common stock represented at a shareholders’ meeting at which holders of at least a majority of the issued and outstanding shares of common stock are present. TSMC currently has two equity-based compensation plans in effect, which were approved by the Board of Directors on February 14, 2023 and February 6, 2024, and by the shareholders on June 6, 2023 and June 4, 2024, respectively.
NYSE Section 303A.09 requires public companies to adopt and disclose corporate governance guidelines, including several issues for which such reporting is mandatory, and to include such information on the company’s website (which website should also include the charters of the audit committee, the nominating committee, and the compensation committee.)	Taiwan law does not contain such requirement. TSMC, however, voluntarily adopted corporate governance guidelines in May 2023, and discloses such guidelines at www.tsmc.com.
NYSE Section 303A.09 requires the board of directors to make a self-assessment of its performance at least once a year to determine if it or its committees function effectively and report thereon.	Starting from 2020, companies listed on the TWSE are required by TWSE’s new rule to conduct self-assessment or peer assessment on the performance of the board of directors and each director every year and to submit the assessment results to TWSE by the end of the first quarter of the next year. TSMC has been conducting annual self-assessment on its Audit and Risk Committee’s performance since 2011 and on its Board of Directors as well as each director since 2020 in compliance with TWSE’s requirements. Starting from 2023, TSMC also conducts annual assessment on all its Board committees, including the Audit and Risk Committee, Compensation and People Development Committee, and Corporate Governance and Sustainability Committee.
NYSE Section 303A.10 provides for the adoption of a Code of Business Conduct and Ethics and sets out the topics that such code must contain.	Taiwan law does not contain such requirement. But, because of sound corporate governance principles, TSMC has adopted an “Ethics and Business Conduct Policy”, which complies with the Sarbanes-Oxley Act’s requirements concerning financial officers and CEO accountability.

NYSE Section 303A.12(a) requires the CEO, on a yearly basis, to certify to the NYSE that he or she knows of no violation by the company of NYSE rules relating to corporate governance.	Taiwan law does not contain such a requirement. But, in order to comply with relevant U.S. SEC regulations, TSMC's CEO is required to certify in TSMC's 20-F annual report that, to his or her knowledge the information contained therein fairly represents in all material respects the financial condition and results of operation of TSMC.
NYSE Section 303A.12(b) requires the CEO to notify the NYSE in writing whenever any executive officer of the company becomes aware of any substantial non-fulfillment of any applicable provision under NYSE Section 303A.	Taiwan law does not contain such requirement. But, in order to be consistent with the corporate governance principles established under the Sarbanes-Oxley Act of 2002, TSMC's CEO complies with the notice provision as set forth under NYSE Section 303A.12(b).
NYSE Section 303A.12(c) requires each listed company to submit an executed Written Affirmation annually to the NYSE and Interim Written Affirmation each time a specified change occurs in the board or any of the committees subject to Section 303A.	Taiwan law does not contain such requirement. But, in order to comply with the corporate governance principles established under the Sarbanes-Oxley Act of 2002, TSMC complies with NYSE Section 303A.12(c).
NYSE Section 303A.14 requires each listed company to adopt a policy for the recovery of excess incentive-based compensation earned by current or former executive officers.	In compliance with NYSE Section 303A.14, TSMC adopted the TSMC Clawback Policy in August 2023, available on TSMC's website.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

The Company has insider trading policies and procedures that govern the purchase, sale and other dispositions of the Company's securities by directors, officers, employees and other covered persons. We believe these policies and procedures are reasonably designed to promote compliance with insider trading laws, rules and regulations and listing standards applicable to the Company. A copy of our Insider Trading Rules is filed with our annual report on Form 20-F for the fiscal year ended December 31, 2024, filed on April 17, 2025 as Exhibit 11.1.

ITEM 16K. CYBERSECURITY

Our Audit and Risk Committee of the Board is responsible for the oversight of risks from cybersecurity threats, including reviewing periodic reports from the head of Global Security Management function relating to our information technology and security matters, including any cybersecurity incidents, assessment of new and emerging cybersecurity risks and threats and their proposed improvement measures. Based on such reviews and their discussions with the head of Global Security Management function, our Audit and Risk Committee assists our Board to review, assess, and enhance the adequacy and effectiveness of our cybersecurity policies and procedures on an ongoing basis.

The head of our Global Security Management function assesses and manages the cybersecurity risk and reports to the Audit and Risk Committee. Our head of Global Security Management function has over 30 years of experience in cybersecurity and other professionals in our Global Security Management function have cybersecurity experiences or certifications. Our Global Security Management function regularly assesses the threat landscape and takes a holistic view of cybersecurity risks. We have implemented and continually updated rigorous cybersecurity measures to assess, identify

and manage cybersecurity risks and to prevent and minimize harm caused by cybersecurity attacks. Such measures mainly include:

- building a defense shield on the cloud that includes adopting advanced cloud solution against distributed denial-of-service (“DDoS”) attacks, implementing domain name system (“DNS”) service on secure cloud platform, securing internet access by cloud solution, and enhancing phishing mail defense;
- certifying office computer security compliance and installing advanced malware defense solutions for critical computers and servers;
- enhancing data center security by sunsetting insecure protocols, conducting network port security scans and enhancing server security hardening;
- reviewing and enhancing fab and facility zone security controls;
- improving software security by implementing security scanning and conducting effective vulnerability management and penetration tests;
- enhancing internal security assessment automation and conducting external red team testing and practicing responses to ransomware attacks;
- collaborating with major suppliers to improve their security measures, conducting third-party posture assessment and self-assessment questionnaires to monitor security capabilities, sharing exposed critical vulnerability and best practices on demand or by schedule, conducting supplier security onsite audits and providing guidance and support to reduce supply chain risks; and
- applying AI to enhance the performance of cybersecurity defense, detection and response.

While AI has enabled greater innovation, productivity and efficiency, thereby enhancing corporate competitiveness, effective AI risk management is essential to address the challenges posed by AI systems. These challenges include data privacy concerns, security vulnerabilities, bias, lack of transparency, unexpected behaviors, and potential regulatory violations. By leveraging industry AI risk management frameworks, we have initiated an AI risk mitigation taskforce.

To our knowledge, as of the date of this annual report, there is no material risk from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect our business strategy, results of operation or financial condition.

PART III

ITEM 17. FINANCIAL STATEMENTS

The Company has elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS

Refer to the consolidated financial statements starting on page F-1 of this annual report.

ITEM 19. EXHIBITS

(a) See page F-1 for an index of the financial statements filed as part of this annual report.

(b) Exhibits to this annual report:

- 1.1 [Articles of Incorporation of Taiwan Semiconductor Manufacturing Company Limited, as amended and restated on June 3, 2025.](#)
- 2.1 [Description of Securities Registered Under Section 12 of the Exchange Act.](#)
- 2.2 The Company hereby agrees to furnish to the U.S. Securities and Exchange Commission, upon request, copies of instruments defining the rights of holders of long-term debt of the Company and its subsidiaries.
- 3.1(1) [Rules for Election of Directors, as amended and restated on July 26, 2021.](#)
- 3.2(1) [Rules and Procedures of Board of Directors Meetings, as amended and restated on November 8, 2022.](#)
- 3.3(2) Rules and Procedures of Shareholders' Meetings, as amended and restated on May 7, 2002. (P).
- 4.1(3) [Land Lease with Southern Taiwan Science Park Administration \(formerly Tainan Science Park Administration\) relating to the fabs located in Southern Taiwan Science Park \(effective August 1, 2017 to July 31, 2037\) \(in Chinese with English summary\).](#)
- 4.2(4) [Land Lease with Southern Taiwan Science Park Administration \(formerly Tainan Science Park Administration\) relating to the fabs located in Southern Taiwan Science Park \(effective May 1, 2018 to April 30, 2038\) \(English summary\).](#)
- 4.3(5) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective November 1, 2019 to October 31, 2039\) \(English summary\).](#)
- 4.4(6) [Land Lease with Hsinchu Science Park Administration relating to Fab 3 and F12 \(Phase III\) \(effective December 4, 2009 to December 31, 2028\) \(English summary\).](#)
- 4.5(7) [Land Lease with Hsinchu Science Park Administration relating to Fab 3 and F12 \(Phase III\) \(effective July 1, 2015 to December 31, 2034\) \(in Chinese with English summary\).](#)
- 4.6(8) [Land Lease with Hsinchu Science Park Administration relating to Fab 8 \(effective March 15, 2017 to March 14, 2037\) \(English summary\).](#)
- 4.7(5) [Land Lease with Hsinchu Science Park Administration relating to Fab 12 \(Phase I\) and Corporate Headquarters \(effective December 1, 2019 to December 31, 2038\) \(English summary\).](#)
- 4.8(9) Shareholders Agreement, dated as of March 15, 1999, by and among EDB Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd. (P).
- 4.9(6) [Land Lease with Hsinchu Science Park Administration relating to Fabs 2 and 5 \(effective April 1, 2008 to December 31, 2027\) \(English summary\).](#)
- 4.10(6) [Land Lease with Hsinchu Science Park Administration relating to Fabs 3 \(effective May 16, 2013 to December 31, 2032\) \(English summary\).](#)

- 4.11(10) [Land Lease with Hsinchu Science Park Administration relating to Fab 12 and Corporate Headquarters \(Phase II\) \(effective January 1, 2021 to December 31, 2040\) \(English summary\).](#)
- 4.12(1) [Land Lease with Central Taiwan Science Park Administration relating to the fabs located in Taichung Science Park \(effective January 1, 2024 to September 1, 2029\) \(English summary\).](#)
- 4.13(11) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective January 1, 2025 to December 31, 2044\) \(English summary\).](#)
- 4.14(11) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective January 1, 2025 to December 31, 2044\) \(English summary\).](#)
- 4.15(6) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective December 1, 2009 to November 30, 2029\) \(English summary\).](#)
- 4.16(11) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective January 1, 2025 to December 31, 2044\) \(English summary\).](#)
- 4.17(6) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective October 1, 2011 to September 30, 2030\) \(English summary\).](#)
- 4.18(6) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective August 1, 2012 to July 31, 2032\) \(English summary\).](#)
- 4.19(12) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective January 22, 2014 to July 31, 2032\) \(English summary\).](#)
- 4.20(6) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective February 1, 2012 to January 31, 2032\) \(English summary\).](#)
- 4.21(10) [Land Lease with Hsinchu Science Park Administration relating to Fab 12 \(Phase V, VI, VII\) \(effective February 1, 2021 to December 31, 2026\) \(English summary\).](#)
- 4.22(10) [Land Lease with Hsinchu Science Park Administration relating to Fab 12 \(Phase V, VI, VII\) \(effective February 1, 2021 to December 31, 2026\) \(English summary\).](#)
- 4.23(6) [Land Lease with Hsinchu Science Park Administration relating to Fabs 2 and 5 \(effective April 1, 2010 to December 31, 2029\) \(English summary\).](#)
- 4.24(6) [Land Lease with Hsinchu Science Park Administration relating to Fab 12 \(Phase I and Phase IV bridge\) \(effective July 21, 2008 to December 31, 2027\) \(English summary\).](#)
- 4.25(5) [Land Lease with Hsinchu Science Park Administration relating to Fab 8 \(effective May 15, 2019 to December 31, 2038\) \(English summary\).](#)
- 4.26(12) [Land Lease with Hsinchu Science Park Administration relating to Fab 12 \(effective December 1, 2014 to December 31, 2033\) \(English summary\).](#)
- 4.27(12) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective March 1, 2014 to February 28, 2034\) \(English summary\).](#)
- 4.28(12) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs located in Southern Taiwan Science Park \(effective August 1, 2014 to July 31, 2034\) \(English summary\).](#)
- 4.29 [Land Lease with Hsinchu Science Park Administration relating to AP3 located in Longtan Science Park \(effective August 1, 2025 to December 31, 2034\) \(English summary\).](#)
- 4.30(7) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs \(AP2B and F6 bridge\) located in Southern Taiwan Science Park \(effective March 16, 2015 to March 15, 2035\) \(English summary\).](#)

- 4.31(7) [Land Lease with Central Taiwan Science Park Administration relating to F15B located in Taichung Science Park \(effective March 25, 2015 to December 31, 2034\) \(English summary\).](#)
- 4.32(1) [Land Lease with Central Taiwan Science Park Administration relating to AP5 located in Taichung Science Park \(effective January 1, 2024 to July 26, 2031\) \(English summary\).](#)
- 4.33(3) [Land Lease with Southern Taiwan Science Park Administration relating to Fab18 located in Southern Taiwan Science Park \(effective August 1, 2017 to July 31, 2037\) \(English summary\).](#)
- 4.34(3) [Land Lease with Hsinchu Science Park Administration relating to F12 \(Phase VII\) \(effective February 1, 2017 to January 31, 2037\) \(English summary\).](#)
- 4.35 [Land Lease with Southern Taiwan Science Park Administration relating to the facility warehouse in Southern Taiwan Science Park \(effective December 16, 2025 to November 30, 2038\) \(English summary\).](#)
- 4.36(5) [Land Lease with Southern Taiwan Science Park Administration relating to Fab18 located in Southern Taiwan Science Park \(effective January 1, 2020 to December 31, 2034\) \(English summary\).](#)
- 4.37(5) [Land Lease with Southern Taiwan Science Park Administration relating to Fab18 located in Southern Taiwan Science Park \(effective January 1, 2020 to December 31, 2034\) \(English summary\).](#)
- 4.38(5) [Land Lease with Hsinchu Science Park Administration relating to Fab12 \(Phase 8 and Phase 9\) \(effective February 5, 2020 to December 31, 2039\) \(English summary\).](#)
- 4.39(10) [Land Lease with Southern Taiwan Science Park Administration relating to T-Site Water Reclamation Plant \(effective April 1, 2020 to March 31, 2040\) \(English summary\).](#)
- 4.40(10) [Land Lease with Southern Taiwan Science Park Administration relating to T-Site Water Reclamation Plant \(effective September 1, 2020 to March 31, 2040\) \(English summary\).](#)
- 4.41(10) [Land Lease with Southern Taiwan Science Park Administration relating to Fab18 located in Southern Taiwan Science Park \(effective October 1, 2020 to September 30, 2040\) \(English summary\).](#)
- 4.42(10) [Land Lease with Southern Taiwan Science Park Administration relating to a warehouse \(effective October 26, 2020 to October 25, 2040\) \(English summary\).](#)
- 4.43(10) [Land Lease with Southern Taiwan Science Park Administration relating to Fab18 located in Southern Taiwan Science Park \(effective October 20, 2020 to October 19, 2040\) \(English summary\).](#)
- 4.44(10) [Land Lease with Southern Taiwan Science Park Administration relating to Fab14 & Fab18 located in Southern Taiwan Science Park \(effective January 6, 2021 to January 5, 2041\) \(English summary\).](#)
- 4.45(13) [Land Lease with Southern Taiwan Science Park Administration relating to Fab14 & Fab18 located in Southern Taiwan Science Park \(effective January 1, 2022 to December 31, 2041\) \(English summary\).](#)
- 4.46(13) [Land Lease with Central Taiwan Science Park Administration relating to Taichung Zero Waste Manufacturing Center located in Taichung Science Park \(effective June 21, 2021 to June 20, 2041\) \(English summary\).](#)
- 4.47(13) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs \(Fab18 bridge\) located in Southern Taiwan Science Park \(effective January 1, 2022 to December 31, 2041\) \(English summary\).](#)
- 4.48(13) [Taiwan Semiconductor Manufacturing Company Ltd. Employee Restricted Stock Awards Rules for Year 2022.](#)
- 4.49(1) [Taiwan Semiconductor Manufacturing Company Ltd. Employee Restricted Stock Awards Rules for Year 2023.](#)

- 4.50(1) [Taiwan Semiconductor Manufacturing Company Ltd. Employee Restricted Stock Awards Rules for Year 2024.](#)
- 4.51(11) [Taiwan Semiconductor Manufacturing Company Limited Global Employee Stock Purchase Plan for ADSs.](#)
- 4.52(14) [Taiwan Semiconductor Manufacturing Company Limited Employee Stock Purchase Plan for Common Shares.](#)
- 4.53(14) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective September 1, 2022 to December 31, 2041\) \(English summary\).](#)
- 4.54(14) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective July 4, 2022 to December 31, 2041\) \(English summary\).](#)
- 4.55(14) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective November 1, 2022 to December 31, 2041\) \(English summary\).](#)
- 4.56(14) [Land Lease with Kaohsiung City Government relating to Fab22 \(effective August 1, 2022 to December 31, 2026\) \(English summary\).](#)
- 4.57 [Land Lease with Hsinchu Science Park Administration relating to the Fab located in Longtan Science Park \(effective August 1, 2025 to December 31, 2042\) \(English summary\).](#)
- 4.58(14) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective March 1, 2023 to December 31, 2042\) \(English summary\).](#)
- 4.59(1) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective June 1, 2023 to December 31, 2042\) \(English summary\).](#)
- 4.60(1) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective July 14, 2023 to December 31, 2042\) \(English summary\).](#)
- 4.61(1) [Land Lease with Southern Taiwan Science Park Administration relating to the fabs \(Fab 14 bridge\) located in Southern Taiwan Science Park \(effective June 1, 2023 to May 31, 2043\) \(English summary\).](#)
- 4.62 [Land Lease with Southern Taiwan Science Park Administration relating to AP7 \(effective September 5, 2025 to June 30, 2043\) \(English summary\).](#)
- 4.63(11) [Land Lease with Southern Taiwan Science Park Administration relating to AP8P1 \(effective November 20, 2024 to December 31, 2044\) \(English summary\).](#)
- 4.64 [Land Lease with Southern Taiwan Science Park Administration relating to AP8P1 \(effective January 16, 2026 to December 31, 2044\) \(English summary\).](#)
- 4.65(11) [Land Lease with Kaohsiung City Government relating to Fab22 \(effective September 1, 2024 to December 31, 2026\) \(English summary\).](#)
- 4.66(11) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective November 1, 2024 to October 31, 2044\) \(English summary\).](#)
- 4.67(11) [Land Lease with Hsinchu Science Park Administration relating to Fab20 \(effective February 3, 2025 to December 31, 2044\) \(English summary\).](#)
- 4.68(11) [Land Lease with Hsinchu Science Park Administration relating to HR Talents Training Center \(effective January 1, 2025 to December 31, 2044\) \(English summary\).](#)
- 4.69(11) [Land Lease with Hsinchu Science Park Administration relating to HR Talents Training Center \(effective January 1, 2025 to December 31, 2044\) \(English summary\).](#)
- 4.70(11) [Land Lease with Southern Taiwan Science Park Administration relating to Tainan Zero Waste Manufacturing Center located in Tainan Science Park \(effective April 1, 2025 to March 31, 2045\) \(English summary\).](#)
- 4.71(11) [Land Lease with Southern Taiwan Science Park Administration relating to Tainan Zero Waste Manufacturing Center located in Tainan Science Park \(effective April 1, 2025 to March 31, 2045\) \(English summary\).](#)

4.72	<u>Land Lease with Central Taiwan Science Park Administration relating to F25 located in Taichung Science Park (effective June 2, 2025 to December 31, 2044) (English summary).</u>
4.73	<u>Land Lease with Southern Taiwan Science Park Administration relating to AP8 (effective December 1, 2025 to June 30, 2043) (English summary).</u>
4.74	<u>Land Lease with Southern Taiwan Science Park Administration relating to AP7 (effective August 22, 2025 to June 30, 2043) (English summary).</u>
4.75	<u>Land Lease with Southern Taiwan Science Park Administration relating to AP7 (effective December 25, 2025 to June 30, 2043) (English summary).</u>
4.76	<u>Land Lease with Kaohsiung City Government relating to Fab22 (effective June 20, 2025 to December 31, 2026) (English summary).</u>
4.77	<u>Land Lease with Southern Taiwan Science Park Administration relating to Fab14 & Fab18 located in Southern Taiwan Science Park (effective February 1, 2026 to January 31, 2031) (English summary).</u>
8.1	<u>Subsidiaries of Taiwan Semiconductor Manufacturing Company Limited.</u>
11.1(11)	<u>Insider Trading Rules of Taiwan Semiconductor Manufacturing Company Limited.</u>
12.1	<u>Certification of Chief Executive Officer required by Rule 13a-14(a) under the Exchange Act.</u>
12.2	<u>Certification of Chief Financial Officer required by Rule 13a-14(a) under the Exchange Act.</u>
13.1	<u>Certification of Chief Executive Officer required by Rule 13a-14(b) under the Exchange Act.</u>
13.2	<u>Certification of Chief Financial Officer required by Rule 13a-14(b) under the Exchange Act.</u>
15.1	<u>Consent of Deloitte & Touche.</u>
17(14)	<u>Issuers of Guaranteed Securities.</u>
97(1)	<u>Taiwan Semiconductor Manufacturing Company Limited Clawback Policy.</u>
101.INS	iXBRL Instance Document. (Embedded within the Inline XBRL document)
101.SCH	iXBRL Taxonomy Extension Schema Document.
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	iXBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	iXBRL Taxonomy Extension Label Linkbase Document.
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File. (Embedded within the Inline XBRL document)

- (1) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2023, filed by TSMC on April 18, 2024.
- (2) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2001, filed by TSMC on May 9, 2002.
- (3) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2017, filed by TSMC on April 19, 2018.
- (4) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2018, filed by TSMC on April 17, 2019.
- (5) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2019, filed by TSMC on April 15, 2020.
- (6) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2013, filed by TSMC on April 14, 2014.
- (7) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2015, filed by TSMC on April 11, 2016.
- (8) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2016, filed by TSMC on April 13, 2017.

- (9) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 1998, filed by TSMC on April 30, 1999.
- (10) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2020, filed by TSMC on April 16, 2021.
- (11) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2024, filed by TSMC on April 17, 2025
- (12) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2014, filed by TSMC on April 13, 2015.
- (13) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2021, filed by TSMC on April 14, 2022.
- (14) Previously filed in TSMC's annual report on Form 20-F for the fiscal year ended December 31, 2022, filed by TSMC on April 20, 2023.
- (P) Paper filing.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned.

Date: April 16, 2026

TAIWAN SEMICONDUCTOR MANUFACTURING
COMPANY LIMITED

By: /s/ Wendell Huang

Name: Wendell Huang

Title: Senior Vice President, Finance and
Chief Financial Officer / Spokesperson

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
Taiwan Semiconductor Manufacturing Company Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Taiwan Semiconductor Manufacturing Company Limited (a Republic of China corporation) and subsidiaries (the “Company”) as of December 31, 2024 and 2025, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2025, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Our audits also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of the readers outside the Republic of China.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 16, 2026, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the consolidated financial statements that was communicated or required to be communicated to the audit and risk committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as

a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Property, plant and equipment (PP&E) - commencement of depreciation related to PP&E classified as equipment under installation and construction in progress (EUI/CIP) - Refer to Notes 5, 6, and 15

Critical Audit Matter Description

The Company's evaluation of when to commence depreciation of EUI/CIP involves determining when the assets are available for their intended use. The criteria the Company uses to determine whether EUI/CIP are available for their intended use involves subjective judgments and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner. Changes in these assumptions could have a significant impact on when depreciation is recognized.

Given the subjectivity in determining the date to commence depreciation of EUI/CIP, performing audit procedures to evaluate the reasonableness of the Company's judgments and assumptions required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the evaluation of when to commence depreciation of EUI/CIP included the following, among others:

1. We read the Company's policy and understood the criteria used to determine when to commence depreciation.
2. We tested the effectiveness of the controls over the evaluation of when to commence depreciation of EUI/CIP.
3. We sampled the year-end balance of EUI/CIP and performed the following for each selection:
 - a. Evaluated whether the selection did not meet the criteria specified by the Company for commencement of depreciation.
 - b. Observed the assets and evaluated their status.
4. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation during the year.
5. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation subsequent to year end.

/s/ Deloitte & Touche
Taipei, Taiwan
Republic of China

April 16, 2026

We have served as the Company's auditor since 1987.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Millions of New Taiwan Dollars or U.S. Dollars)

	Notes	December 31, 2024	December 31, 2025	
		NT\$	NT\$	US\$ (Note 3)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	7	\$ 2,127,627.0	\$ 2,767,856.4	\$ 88,232.6
Financial assets at fair value through profit or loss	8	207.7	100.2	3.2
Financial assets at fair value through other comprehensive income	9	192,202.7	175,692.7	5,600.7
Financial assets at amortized cost	10	101,971.3	124,945.5	3,983.0
Hedging financial assets	11	11.0	-	-
Notes and accounts receivable, net	12	270,683.2	279,051.6	8,895.5
Receivables from related parties	34	1,404.5	2,739.5	87.3
Other receivables from related parties	34	0.2	268.1	8.5
Inventories	6, 13	287,868.8	288,109.5	9,184.2
Other financial assets	30, 31, 35	63,138.3	59,702.9	1,903.2
Other current assets	30, 31	43,237.4	118,664.4	3,782.7
Total current assets		3,088,352.1	3,817,130.8	121,680.9
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss	8	15,199.8	15,032.1	479.2
Financial assets at fair value through other comprehensive income	9	7,822.9	8,797.2	280.5
Financial assets at amortized cost	10	88,596.5	110,507.8	3,522.7
Investments accounted for using equity method	14	37,247.8	37,851.9	1,206.6
Property, plant and equipment	6, 15, 30	3,234,980.1	3,691,840.9	117,687.0
Right-of-use assets	6, 16	40,128.4	43,918.9	1,400.0
Intangible assets	6, 17	26,282.5	24,952.6	795.4
Deferred income tax assets	6, 26	65,943.3	62,940.3	2,006.4
Refundable deposits		5,495.9	4,242.6	135.3
Other noncurrent assets	30, 31	81,715.4	115,627.4	3,685.9
Total noncurrent assets		3,603,412.6	4,115,711.7	131,199.0
TOTAL		\$ 6,691,764.7	\$ 7,932,842.5	\$ 252,879.9

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (In Millions of New Taiwan Dollars or U.S. Dollars)

	Notes	December 31, 2024	December 31, 2025	
		NT\$	NT\$	US\$ (Note 3)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss	8	\$ 466.5	\$ 3,083.9	\$ 98.3
Hedging financial liabilities	11	-	0.8	-
Accounts payable		72,800.6	82,551.6	2,631.6
Payables to related parties	34	1,426.0	1,778.7	56.7
Salary and bonus payable		47,451.5	63,872.9	2,036.1
Accrued profit sharing bonus to employees and compensation to directors	29	70,871.2	103,355.3	3,294.7
Payables to contractors and equipment suppliers		192,635.2	177,730.3	5,665.6
Cash dividends payable	21	220,418.8	285,258.1	9,093.3
Income tax payable	6, 26	191,569.4	266,732.6	8,502.8
Long-term liabilities - current portion	18, 19, 31	59,857.9	136,925.7	4,364.9
Accrued expenses and other current liabilities	6, 16, 22, 31	451,158.8	401,124.1	12,786.9
Total current liabilities		1,308,655.9	1,522,414.0	48,530.9
NONCURRENT LIABILITIES				
Bonds payable	18, 31	926,604.5	856,227.5	27,294.5
Long-term bank loans	19, 31	31,824.4	39,834.5	1,269.8
Deferred income tax liabilities	6, 26	3,988.5	3,888.8	124.0
Lease liabilities	16	28,755.3	31,595.0	1,007.2
Net defined benefit liability	20	7,580.7	6,012.3	191.6
Guarantee deposits		845.6	764.2	24.3
Others	22	104,238.2	75,887.0	2,419.1
Total noncurrent liabilities		1,103,837.2	1,014,209.3	32,330.5
Total liabilities		2,412,493.1	2,536,623.3	80,861.4
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock	21	259,327.3	259,325.3	8,266.6
Capital surplus	21, 28	73,260.8	73,445.6	2,341.3
Retained earnings	21			
Appropriated as legal capital reserve		311,147.0	311,147.0	9,918.6
Appropriated as special capital reserve		-	87,284.5	2,782.4
Unappropriated earnings		3,561,826.4	4,640,512.7	147,928.4
		3,872,973.4	5,038,944.2	160,629.4
Others	21, 28	38,705.0	(16,676.4)	(531.6)
Equity attributable to shareholders of the parent		4,244,266.5	5,355,038.7	170,705.7
NON - CONTROLLING INTERESTS		35,005.1	41,180.5	1,312.8
Total equity		4,279,271.6	5,396,219.2	172,018.5
TOTAL		\$ 6,691,764.7	\$ 7,932,842.5	\$ 252,879.9

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In Millions of New Taiwan Dollars or U.S. Dollars, Except Earnings Per Share that are in New Taiwan or U.S. Dollars)

	Notes	2023 NT\$	2024 NT\$	2025 NT\$ US\$ (Note 3)	
NET REVENUE	6, 22, 34, 38	\$ 2,161,735.8	\$ 2,894,307.7	\$ 3,809,054.3	\$ 121,423.5
COST OF REVENUE	6, 13, 29, 34, 37	986,625.2	1,269,954.1	1,527,760.3	48,701.3
GROSS PROFIT		1,175,110.6	1,624,353.6	2,281,294.0	72,722.2
OPERATING EXPENSES	6, 29, 34				
Research and development		182,370.2	204,181.8	246,427.2	7,855.5
General and administrative		60,872.8	83,745.0	82,304.3	2,623.7
Marketing		10,590.7	13,143.6	16,918.1	539.3
Total operating expenses		253,833.7	301,070.4	345,649.6	11,018.5
OTHER OPERATING INCOME AND EXPENSES, NET	15, 29, 37	188.7	(1,230.2)	447.3	14.2
INCOME FROM OPERATIONS	38	921,465.6	1,322,053.0	1,936,091.7	61,717.9
NON-OPERATING INCOME AND EXPENSES					
Share of profits of associates		4,800.2	4,880.7	5,488.5	174.9
Interest Income	23	60,293.9	87,213.4	105,739.1	3,370.7
Other income		480.0	566.9	591.7	18.9
Foreign exchange gain (loss), net		(2,685.4)	10,000.8	13,831.3	440.9
Finance costs	24	(11,999.4)	(10,495.4)	(12,370.4)	(394.3)
Other gains and losses, net	25	6,961.6	(8,379.4)	(7,717.2)	(246.0)
Total non-operating income and expenses		57,850.9	83,787.0	105,563.0	3,365.1
INCOME BEFORE INCOME TAX		979,316.5	1,405,840.0	2,041,654.7	65,083.0
INCOME TAX EXPENSE	6, 26	128,288.8	248,316.1	346,529.8	11,046.5
NET INCOME		851,027.7	1,157,523.9	1,695,124.9	54,036.5
OTHER COMPREHENSIVE INCOME (LOSS)	6, 20, 21, 26				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(623.4)	144.4	(693.3)	(22.1)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income		1,954.6	5,091.9	745.3	23.8
Gain (loss) on hedging instruments		39.9	5.0	(31.0)	(1.0)
Share of other comprehensive income (loss) of associates		42.6	(69.4)	(113.2)	(3.6)
Income tax benefit (expense) related to items that will not be reclassified subsequently		124.6	(38.9)	138.6	4.4
		1,538.3	5,133.0	46.4	1.5
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(14,464.4)	64,299.7	(60,951.7)	(1,943.0)
Unrealized gain on investments in debt instruments at fair value through other comprehensive income		4,123.2	1,949.9	4,689.0	149.4

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In Millions of New Taiwan Dollars or U.S. Dollars, Except Earnings Per Share that are in New Taiwan or U.S. Dollars)

	Notes	2023	2024	2025	
		NT\$	NT\$	NT\$	US\$ (Note 3)
Loss on hedging instruments		\$ (74.7)	\$ (80.2)	\$ (81.2)	\$ (2.6)
Share of other comprehensive income (loss) of associates		63.9	283.3	(29.0)	(0.9)
		(10,352.0)	66,452.7	(56,372.9)	(1,797.1)
Other comprehensive income (loss), net of income tax		(8,813.7)	71,585.7	(56,326.5)	(1,795.6)
TOTAL COMPREHENSIVE INCOME		\$ 842,214.0	\$ 1,229,109.6	\$ 1,638,798.4	\$ 52,240.9
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Shareholders of the parent		\$ 851,740.0	\$ 1,158,380.2	\$ 1,697,604.0	\$ 54,115.5
Non-controlling interests		(712.3)	(856.3)	(2,479.1)	(79.0)
		\$ 851,027.7	\$ 1,157,523.9	\$ 1,695,124.9	\$ 54,036.5
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Shareholders of the parent		\$ 843,751.9	\$ 1,230,949.1	\$ 1,640,975.3	\$ 52,310.3
Non-controlling interests		(1,537.9)	(1,839.5)	(2,176.9)	(69.4)
		\$ 842,214.0	\$ 1,229,109.6	\$ 1,638,798.4	\$ 52,240.9
EARNINGS PER SHARE 27					
Basic earnings per share		\$ 32.85	\$ 44.68	\$ 65.47	\$ 2.09
Diluted earnings per share		\$ 32.85	\$ 44.67	\$ 65.47	\$ 2.09
EARNINGS PER EQUIVALENT ADS					
Basic earnings per share		\$ 164.24	\$ 223.39	\$ 327.37	\$ 10.44
Diluted earnings per share		\$ 164.24	\$ 223.37	\$ 327.34	\$ 10.43

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Millions of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent																			
	Capital Stock - Common Stock							Others												
								Retained Earnings				Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total	Treasury Stock	Total	Non- controlling Interests	Total Equity
								Shares (In Millions)	Amount	Capital Surplus	Legal Capital Reserve									
BALANCE, JANUARY 1, 2023	25,930.3	\$259,303.8	\$69,330.3	\$311,147.0	\$ 3,154.3	\$ 2,280,589.9	\$2,594,891.2	\$ (11,743.3)	\$ (10,056.4)	\$ 1,479.3	\$ (185.2)	\$(20,505.6)	\$ -	\$2,903,019.7	\$ 14,812.7	\$2,917,832.4				
Appropriations of earnings																				
Special capital reserve	-	-	-	-	(3,154.3)	3,154.3	-	-	-	-	-	-	-	-	-	-				
Cash dividends to shareholders	-	-	-	-	-	(317,663.2)	(317,663.2)	-	-	-	-	-	-	(317,663.2)	-	(317,663.2)				
Total	-	-	-	-	(3,154.3)	(314,508.9)	(317,663.2)	-	-	-	-	-	-	(317,663.2)	-	(317,663.2)				
Net income	-	-	-	-	-	851,740.0	851,740.0	-	-	-	-	-	-	851,740.0	(712.3)	851,027.7				
Other comprehensive income (loss), net of income tax	-	-	-	-	-	(484.9)	(484.9)	(13,573.5)	6,108.4	(38.2)	-	(7,503.3)	-	(7,988.2)	(825.5)	(8,813.7)				
Total comprehensive income (loss)	-	-	-	-	-	851,255.1	851,255.1	(13,573.5)	6,108.4	(38.2)	-	(7,503.3)	-	843,751.8	(1,537.8)	842,214.0				
Disposal of investments accounted for using equity method	-	-	(18.1)	-	-	-	-	-	-	-	-	-	-	(18.1)	(0.4)	(18.5)				
Employee restricted shares retired	(0.4)	(4.2)	4.2	-	-	4.6	4.6	-	-	-	-	-	-	4.6	-	4.6				
Share-based payment arrangements	2.1	21.1	564.9	-	-	-	-	-	-	-	(108.3)	(108.3)	-	477.7	-	477.7				
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	151.9	151.9	-	(151.9)	-	-	(151.9)	-	-	-	-				
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(45.2)	-	(45.2)	-	(45.2)	-	(45.2)				
From share of changes in equities of subsidiaries	-	-	(21.3)	-	-	-	-	-	-	-	-	-	-	(21.3)	11,266.0	11,244.7				
Donation from shareholders	-	-	16.4	-	-	-	-	-	-	-	-	-	-	16.4	-	16.4				
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(196.4)	(196.4)				
BALANCE, DECEMBER 31, 2023	25,932.0	259,320.7	69,876.4	311,147.0	-	2,817,492.6	3,128,639.6	(25,316.8)	(4,099.9)	1,395.9	(293.5)	(28,314.3)	-	3,429,522.4	24,344.1	3,453,866.5				
Appropriations of earnings																				
Cash dividends to shareholders	-	-	-	-	-	(414,915.5)	(414,915.5)	-	-	-	-	-	-	(414,915.5)	-	(414,915.5)				
Total	-	-	-	-	-	(414,915.5)	(414,915.5)	-	-	-	-	-	-	(414,915.5)	-	(414,915.5)				
Net income	-	-	-	-	-	1,158,380.2	1,158,380.2	-	-	-	-	-	-	1,158,380.2	(856.3)	1,157,523.9				
Other comprehensive income (loss), net of income tax	-	-	-	-	-	126.0	126.0	65,579.8	6,948.8	(85.7)	-	72,442.9	-	72,568.9	(983.2)	71,585.7				
Total comprehensive income (loss)	-	-	-	-	-	1,158,506.2	1,158,506.2	65,579.8	6,948.8	(85.7)	-	72,442.9	-	1,230,949.1	(1,839.5)	1,229,109.6				
Employee restricted shares retired	(1.4)	(14.0)	14.0	-	-	19.9	19.9	-	-	-	-	-	-	19.9	-	19.9				
Share-based payment arrangements	5.3	53.1	2,584.3	-	-	-	-	-	-	-	(1,414.6)	(1,414.6)	-	1,222.8	-	1,222.8				
Treasury stock acquired	-	-	-	-	-	-	-	-	-	-	-	-	(3,089.2)	(3,089.2)	-	(3,089.2)				
Treasury stock retired	(3.2)	(32.5)	(7.1)	-	-	(3,049.6)	(3,049.6)	-	-	-	-	-	3,089.2	-	-	-				
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	3,772.8	3,772.8	-	(4,009.1)	-	-	(4,009.1)	-	(236.3)	236.3	-				
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1	-	0.1				
Adjustments to share of changes in equities of associates	-	-	870.0	-	-	-	-	-	-	-	-	-	-	870.0	-	870.0				
From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	-	-	5.3	-	-	-	-	-	-	-	-	-	-	5.3	(4.3)	1.0				
From share of changes in equities of subsidiaries	-	-	(91.0)	-	-	-	-	-	-	-	-	-	-	(91.0)	6,918.8	6,827.8				

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Millions of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent																
											Others						
											Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total	Treasury Stock	Total
	Capital Stock - Common Stock		Retained Earnings														
Shares (In Millions)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total											
Donation from shareholders	-	\$ -	\$ 8.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8.9	\$ -	\$ 8.9
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,349.7	5,349.7
BALANCE, DECEMBER 31, 2024	25,932.7	259,327.3	73,260.8	311,147.0	-	3,561,826.4	3,872,973.4	40,263.0	(1,160.2)	1,310.3	(1,708.1)	38,705.0	-	4,244,266.5	35,005.1	4,279,271.6	
Appropriations of earnings																	
Special capital reserve	-	-	-	-	87,284.5	(87,284.5)	-	-	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(531,618.4)	(531,618.4)	-	-	-	-	-	-	(531,618.4)	-	(531,618.4)	
Total	-	-	-	-	87,284.5	(618,902.9)	(531,618.4)	-	-	-	-	-	-	(531,618.4)	-	(531,618.4)	
Net income	-	-	-	-	-	1,697,604.0	1,697,604.0	-	-	-	-	-	-	1,697,604.0	(2,479.1)	1,695,124.9	
Other comprehensive income (loss), net of income tax	-	-	-	-	-	(559.9)	(559.9)	(61,282.1)	5,308.8	(95.5)	-	(56,068.8)	-	(56,628.7)	302.2	(56,326.5)	
Total comprehensive income (loss)	-	-	-	-	-	1,697,044.1	1,697,044.1	(61,282.1)	5,308.8	(95.5)	-	(56,068.8)	-	1,640,975.3	(2,176.9)	1,638,798.4	
Employee restricted shares retired	(0.2)	(2.0)	2.1	-	-	4.0	4.0	-	-	-	-	-	-	4.1	-	4.1	
Share-based payment arrangements	-	-	(21.9)	-	-	-	-	-	-	-	-	1,231.1	1,231.1	-	1,209.2	-	1,209.2
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	541.1	541.1	-	(557.1)	-	-	(557.1)	-	(16.0)	16.0	-	
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	13.4	-	13.4	-	13.4	-	13.4	
Adjustments to share of changes in equities of associates	-	-	192.8	-	-	-	-	-	-	-	-	-	-	192.8	-	192.8	
From share of changes in equities of subsidiaries	-	-	(14.9)	-	-	-	-	-	-	-	-	-	-	(14.9)	7.9	(7.0)	
Donation from shareholders	-	-	26.7	-	-	-	-	-	-	-	-	-	-	26.7	0.1	26.8	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,328.3	8,328.3	
BALANCE, DECEMBER 31, 2025	25,932.5	\$259,325.3	\$73,445.6	\$311,147.0	\$87,284.5	\$ 4,640,512.7	\$5,038,944.2	\$ (21,019.1)	\$ 3,591.5	\$ 1,228.2	\$ (477.0)	\$ (16,676.4)	\$ -	\$5,355,038.7	\$ 41,180.5	\$5,396,219.2	
BALANCE, DECEMBER 31, 2025 (IN MILLIONS OF US\$ - Note 3)		\$ 8,266.6	\$ 2,341.3	\$ 9,918.6	\$ 2,782.4	\$ 147,928.4	\$ 160,629.4	\$ (670.0)	\$ 114.5	\$ 39.1	\$ (15.2)	\$ (531.6)	\$ -	\$ 170,705.7	\$ 1,312.8	\$ 172,018.5	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Millions of New Taiwan Dollars or U.S. Dollars)

	2023	2024	2025	
	NT\$	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 979,316.5	\$ 1,405,840.0	\$ 2,041,654.7	\$ 65,083.0
Adjustments for:				
Depreciation expense	522,932.7	653,610.5	679,684.0	21,666.7
Amortization expense	9,258.2	9,186.1	8,412.4	268.2
Expected credit losses recognized (reversal) on investments in debt instruments	35.7	49.9	(3.9)	(0.1)
Finance costs	11,999.4	10,495.4	12,370.4	394.3
Share of profits of associates	(4,800.2)	(4,880.7)	(5,488.5)	(175.0)
Interest income	(60,293.9)	(87,213.4)	(105,739.1)	(3,370.7)
Share-based compensation	483.0	1,242.7	1,246.1	39.7
Loss on disposal or retirement of property, plant and equipment, net	369.1	2,597.9	1,581.0	50.4
Loss (gain) on disposal or retirement of intangible assets, net	(3.0)	-	4.5	0.2
Impairment loss on property, plant and equipment	-	1,150.5	782.0	24.9
Loss (gain) on financial instruments at fair value through profit or loss, net	(12.4)	137.7	(353.1)	(11.2)
Loss on disposal of investments in debt instruments at fair value through other comprehensive income, net	473.9	683.1	200.2	6.4
Gain on disposal of investments accounted for using equity method, net	(15.8)	(7.1)	-	-
Loss from disposal of subsidiaries	-	-	168.0	5.4
Loss (gain) on foreign exchange, net	(246.7)	4,576.3	4,308.9	137.4
Dividend income	(464.1)	(566.9)	(591.7)	(18.9)
Others	(338.0)	(435.7)	1,049.2	33.5
Changes in operating assets and liabilities:				
Financial instruments at fair value through profit or loss	289.6	842.6	8,436.2	268.9
Notes and accounts receivable, net	28,442.0	(69,369.4)	(8,368.3)	(266.8)
Receivables from related parties	959.5	(780.1)	(1,335.0)	(42.6)
Other receivables from related parties	(2.9)	71.7	(267.9)	(8.5)
Inventories	(29,847.9)	(36,871.7)	(240.7)	(7.7)
Other financial assets	1,878.7	(2,377.5)	64,524.9	2,056.9
Other current assets	(12,530.9)	(15,537.3)	(74,620.3)	(2,378.7)
Other noncurrent assets	(720.3)	(3,862.0)	(38,798.1)	(1,236.8)
Accounts payable	847.0	17,073.8	9,751.0	310.8
Payables to related parties	(76.3)	(140.3)	352.7	11.2
Salary and bonus payable	(3,234.9)	14,250.9	16,421.4	523.5
Accrued profit sharing bonus to employees and compensation to directors	(11,031.6)	20,154.3	32,484.1	1,035.5
Accrued expenses and other current liabilities	(44,466.7)	74,659.4	(103,215.5)	(3,290.3)
Other noncurrent liabilities	13,329.9	16,768.7	385.1	12.3
Net defined benefit liability	(687.2)	(1,532.2)	(2,261.6)	(72.1)
Cash generated from operations	1,401,842.4	2,009,817.2	2,542,533.1	81,049.8
Income taxes paid	(159,875.1)	(183,640.1)	(267,557.5)	(8,529.1)
Net cash generated by operating activities	1,241,967.3	1,826,177.1	2,274,975.6	72,520.7

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Millions of New Taiwan Dollars or U.S. Dollars)

	2023	2024	2025	
	NT\$	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Financial instruments at fair value through profit or loss	\$ (14,142.1)	\$ (1,178.8)	\$ (260.1)	\$ (8.3)
Financial assets at fair value through other comprehensive income	(62,752.0)	(87,787.5)	(66,823.2)	(2,130.2)
Financial assets at amortized cost	(149,387.9)	(151,656.4)	(188,288.6)	(6,002.2)
Hedging financial instruments	-	-	(631.6)	(20.1)
Investments accounted for using equity method	-	(3,738.8)	-	-
Property, plant and equipment	(949,816.8)	(956,006.5)	(1,272,410.5)	(40,561.4)
Intangible assets	(5,518.4)	(8,875.7)	(10,146.9)	(323.5)
Proceeds from disposal or redemption of:				
Financial assets at fair value through other comprehensive income	35,698.6	67,684.5	80,052.3	2,551.9
Financial assets at amortized cost	134,605.8	118,350.9	138,203.7	4,405.6
Property, plant and equipment	703.9	894.6	797.0	25.4
Intangible assets	3.1	57.2	-	-
Derecognition of derivative financial instruments	-	-	(5,703.1)	(181.8)
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	128.0	325.9	101.5	3.2
Derecognition of hedging financial instruments	68.2	118.3	566.9	18.1
Interest received	55,887.2	76,434.1	98,954.7	3,154.5
Proceeds from government grants - property, plant and equipment	47,544.7	75,164.0	76,258.8	2,431.0
Proceeds from government grants - others	1.2	0.3	-	-
Other dividends received	445.1	541.8	635.1	20.3
Dividends received from investments accounted for using equity method	3,076.5	2,965.2	3,304.5	105.3
Increase in prepayments for leases	(63.2)	(99.4)	(39.8)	(1.3)
Refundable deposits paid	(4,056.5)	(1,304.8)	(420.2)	(13.4)
Refundable deposits refunded	1,454.0	3,268.3	1,456.1	46.4
Net cash used in investing activities	(906,120.6)	(864,842.8)	(1,144,393.4)	(36,480.5)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in hedging financial liabilities - bank loans	27,908.6	(26,496.6)	335.1	10.7
Proceeds from issuance of bonds	85,700.0	34,300.0	86,900.0	2,770.2
Repayment of bonds	(18,100.0)	(7,000.0)	(54,310.0)	(1,731.3)
Proceeds from long-term bank loans	2,450.0	30,897.0	10,658.4	339.8
Repayment of long-term bank loans	(1,756.9)	(2,295.6)	(2,710.0)	(86.4)
Payments for transaction costs attributable to the issuance of bonds	(88.7)	(35.7)	(90.3)	(2.9)
Treasury stock acquired	-	(3,089.2)	-	-
Repayment of the principal portion of lease liabilities	(2,854.3)	(2,873.7)	(3,496.5)	(111.4)
Interest paid	(17,359.0)	(18,751.2)	(19,128.8)	(609.8)
Guarantee deposits received	230.1	5.0	3.0	-
Guarantee deposits refunded	(367.4)	(93.3)	(48.5)	(1.5)
Cash dividends	(291,721.9)	(363,055.2)	(466,779.2)	(14,879.8)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Millions of New Taiwan Dollars or U.S. Dollars)

	2023	2024	2025	
	NT\$	NT\$	NT\$	US\$ (Note 3)
Disposal of ownership interests in subsidiaries (without losing control)	\$ -	\$ 1.0	\$ -	\$ -
Donation from shareholders	16.5	8.9	26.8	0.9
Increase in non-controlling interests	11,048.8	12,177.6	8,295.4	264.4
Net cash used in financing activities	(204,894.2)	(346,301.0)	(440,344.6)	(14,037.1)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,338.8)	47,165.9	(50,008.2)	(1,594.1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	122,613.7	662,199.2	640,229.4	20,409.0
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,342,814.1	1,465,427.8	2,127,627.0	67,823.6
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,465,427.8</u>	<u>\$ 2,127,627.0</u>	<u>\$ 2,767,856.4</u>	<u>\$ 88,232.6</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, sales, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

On September 5, 1994, TSMC's shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities of TSMC's subsidiaries are described in Note 5.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issuance by the management on April 16, 2026.

3. U.S. DOLLAR AMOUNTS

TSMC and its subsidiaries (collectively as the "Company") maintain its accounts and express its consolidated financial statements in New Taiwan dollars. For convenience only, U.S. dollar amounts presented in the accompanying consolidated financial statements have been translated from New Taiwan dollars at the exchange rate as set forth in the statistical release of the Federal Reserve Board of the United States, which was NT\$31.37 to US\$1.00 as of December 31, 2025. The convenient translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), INTERNATIONAL ACCOUNTING STANDARDS (IAS), IFRIC INTERPRETATIONS (IFRIC), AND SIC INTERPRETATIONS (SIC) ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) (collectively, "IFRS Accounting Standards")

- a. New and revised standards, amendments and interpretations in issue but not yet effective

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of classification of financial assets	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027

(Concluded)

IFRS 18 “Presentation and Disclosure in Financial Statements” and consequential amendments

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as “other” only if it cannot find a more informative label.

In addition, a consequential amendment has been made to IAS 7 “Statement of Cash Flows”, requiring the Company to use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.

Except for the above impact, as of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating other impacts of the above amended standards and on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes its evaluation.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Material accounting policies are summarized as follows:

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Basis of Consolidation

The basis of preparation and the basis for the consolidated financial statements

The consolidated financial statements incorporate the financial statements of TSMC and entities controlled by TSMC (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership		Note
				December 31, 2024	December 31, 2025	
TSMC	TSMC North America	Sales and marketing of integrated circuits and other semiconductor devices	San Jose, California, U.S.A.	100%	100%	-
	TSMC Europe B.V. (TSMC Europe)	Customer service and supporting activities	Amsterdam, the Netherlands	100%	100%	a)
	TSMC Japan Limited (TSMC Japan)	Customer service and supporting activities	Yokohama, Japan	100%	100%	a)
	TSMC Design Technology Japan, Inc. (TSMC JDC)	Engineering support activities	Yokohama, Japan	100%	100%	a)

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership		Note
				December 31, 2024	December 31, 2025	
TSMC	TSMC Japan 3DIC R&D Center, Inc. (TSMC 3DIC)	Engineering support activities	Yokohama, Japan	100%	100%	a)
	TSMC Korea Limited (TSMC Korea)	Customer service and supporting activities	Seoul, Korea	100%	100%	a)
	TSMC Partners, Ltd. (TSMC Partners)	Investing in companies involved in the semiconductor design and manufacturing, and other investment activities	Tortola, British Virgin Islands	100%	100%	-
	TSMC Global Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	-
	TSMC China Company Limited (TSMC China)	Manufacturing, sales, testing and computer-aided design of integrated circuits and other semiconductor devices	Shanghai, China	100%	100%	-
	TSMC Nanjing Company Limited (TSMC Nanjing)	Manufacturing, sales, testing and computer-aided design of integrated circuits and other semiconductor devices	Nanjing, China	100%	100%	-
	VisEra Technologies Company Ltd. (VisEra Tech)	Research, design, development, manufacturing, sales, packaging and test of color filter	Hsinchu, Taiwan	67%	67%	-
	TSMC Arizona Corporation (TSMC Arizona)	Manufacturing, sales and testing of integrated circuits and other semiconductor devices	Phoenix, Arizona, U.S.A.	100%	100%	-
	Japan Advanced Semiconductor Manufacturing, Inc. (JASM)	Manufacturing, sales and testing of integrated circuits and other semiconductor devices	Kumamoto, Japan	73%	73%	-
	European Semiconductor Manufacturing Company (ESMC) GmbH (ESMC)	Manufacturing, sales and testing of integrated circuits and other semiconductor devices	Dresden, Germany	70%	70%	-
TSMC Partners	VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in technology start-up companies	Cayman Islands	98%	-	b), c)
	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in technology start-up companies	Cayman Islands	98%	-	b), c)
	Emerging Fund, L.P. (Emerging Fund)	Investing in technology start-up companies	Cayman Islands	99.9%	99.9%	b)
	TSMC Development, Inc. (TSMC Development)	Investing in companies involved in semiconductor manufacturing	Delaware, U.S.A.	100%	100%	-
VTAF III	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.	100%	100%	a)
	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	a)
	Growth Fund Limited (Growth Fund)	Investing in technology start-up companies	Cayman Islands	100%	-	b), c)
TSMC Development	TSMC Washington, LLC (TSMC Washington)	Manufacturing, sales and testing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	-

(Concluded)

Note a: This is an immaterial subsidiary for which the consolidated financial statements are neither reviewed nor audited by the Company's independent auditors.

Note b: This is an immaterial subsidiary for which the consolidated financial statements for the year ended, are audited by the Company's independent auditors.

Note c: VTAF II/VTAF III and the Growth Fund have completed the liquidation procedures respectively in the first quarter and the second quarter of 2025.

Foreign Currencies

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of TSMC and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$). In preparing the consolidated financial statements, the operating results and financial positions of each consolidated entity are translated into NT\$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting period. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Category of financial assets and measurement

Financial assets are classified into the following categories: financial assets at FVTPL, investments in debt instruments and equity instruments at FVTOCI, and financial assets at amortized cost.

1) Financial asset at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset.

2) Investments in debt instruments at FVTOCI

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of collecting contractual cash flows and selling the financial assets, are measured at FVTOCI.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the Company's rights clearly represent a recovery of part of the cost of the investment.

4) Measured at amortized cost

Cash and cash equivalents, commercial paper, debt instrument investments, notes and accounts receivable (including related parties), other receivables, refundable deposits and temporary payments (including those classified under other current assets and other noncurrent assets) are measured at amortized cost.

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of holding financial assets in order to collect contractual cash flows, are measured at amortized cost.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss.

b. Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and for investments in debt instruments that are measured at FVTOCI.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c. **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

a. **Fair value hedge**

The Company designates certain hedging instruments, such as interest rate futures contracts, to partially hedge against the fair value change caused by interest rates fluctuation in the Company's fixed income investments. Changes in the fair value of hedging instruments that are designated and qualify as fair value

hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged items that are attributable to the hedged risk.

b. Cash flow hedge

The Company designates certain hedging instruments, such as forward exchange contracts and bank deposits denominated in foreign currency, to partially hedge its foreign exchange rate risks associated with certain highly probable forecast transactions (e.g. capital expenditures). The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income. When forecast transactions actually take place, the accumulated gains or losses that were recognized in other comprehensive income are transferred from equity to the initial cost of the hedged items, or reclassified to finance costs of hedged items in the same period or periods during which the hedged expected future cash flows affect profit or loss. The gains or losses from hedging instruments relating to the ineffective portion are recognized immediately in profit or loss.

The Company prospectively discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

c. Hedges of net investments in foreign operations

The Company designates certain hedging instruments, such as bank loans denominated in foreign currency, as a hedge of net investments in foreign operations to manage the exchange differences arising on translation of foreign operations due to currency fluctuations. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The gains and losses on the hedging instrument relating to the effective portion of the hedge, which were accumulated in the foreign currency translation reserve, are reclassified to profit or loss on the disposal or partial disposal of a foreign operation.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Investments Accounted for Using Equity Method

Investments accounted for using the equity method are investments in associates.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Company retains an interest in the former associate, the Company measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Company's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Company should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not owned by the Company.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction, acquisition of the item of property, plant and equipment or borrowing costs eligible for capitalization.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other identical categories of property, plant and equipment, commences when the assets are available for their intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method mainly over the following estimated useful lives: land improvements - 10 to 20 years; buildings (assets used by the Company and assets subject to operating leases) - 10 to 20 years; machinery and equipment (assets used by the Company and assets subject to operating leases) - 5 years; and office equipment - 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

For a contract that contains a lease component and non-lease component, the Company may elect to account for the lease and non-lease components as a single lease component.

The Company as lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

The Company as lessee

Except for payments for low-value asset leases and short-term leases (leases of machinery and equipment and others) which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments and initial direct costs made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the consolidated statements of financial position.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are measured at the present value of the lease payments. Lease payments comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted using the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated statements of financial position.

Intangible Assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: Technology license fees - the estimated life of the technology or the term of the technology transfer contract; software and system design costs - 3 years or contract period; patent and others - the economic life or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Tangible Assets, Right-of-use Assets and Intangible Assets

Goodwill

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Tangible assets, right-of-use assets and other intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets (property, plant and equipment), right-of-use assets and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue Recognition

The Company recognizes revenue when performance obligations are satisfied. The performance obligations are satisfied when customers obtain control of the promised goods, which is generally when the goods are delivered to the customers' specified locations.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities, which is classified under accrued expenses and other current liabilities.

In principle, payment term granted to customers is due 30 days from the invoice date or 15 days from the end of the month of when the invoice is issued. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan.

Treasury Stock

Treasury stock represents the outstanding shares that the Company buys back from market, which is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount.

Share-based payment arrangements

a. Equity-settled share-based payment arrangements

Restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in other equity - unearned stock-based employee compensation.

When restricted shares for employees are issued, other equity - unearned stock-based employee compensation is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Dividends paid to employees on restricted shares which do not need to be returned if employees resign in the vesting period are recognized as expenses upon the dividend declaration with a corresponding adjustment in retained earnings.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

b. Cash-settled share-based payment arrangements

For cash-settled share-based payments, a liability is recognized for the services acquired, measured at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the earnings arise and adjusted to the extent that distributions are approved by the shareholders in the following year.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits arising from purchases of machinery and equipment and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire noncurrent assets (mainly including land use right and depreciable assets) are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets. Government grants that are receivables as compensation for expenses already incurred are deducted from incurred expenses in the period in which they become receivables.

6. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the aforementioned Company's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Material Accounting Judgments

Revenue Recognition

The Company recognizes revenue when the conditions described in Note 5 are satisfied.

Commencement of Depreciation Related to Property, Plant and Equipment Classified as Equipment under Installation and Construction in Progress (EUI/CIP)

As described in Note 5, commencement of depreciation related to EUI/CIP involves determining when the assets are available for their intended use. The criteria the Company uses to determine whether EUI/CIP are available for their intended use involves subjective judgments and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner.

Key Sources of Estimation and Uncertainty

Estimation of Sales Returns and Allowances

Sales returns and other allowance is estimated and recorded based on historical experience and in consideration of different contractual terms. The amount is deducted from revenue in the same period the related revenue is recorded. The Company periodically reviews the reasonableness of the estimates.

Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses estimate to determine the net realizable value of inventory at the end of each reporting period.

The Company estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon.

Impairment of Tangible Assets, Right-of-use Assets and Intangible Assets Other than Goodwill

In the process of evaluating the potential impairment of tangible assets, right-of-use assets and intangible assets other than goodwill, the Company determines the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any change in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets and unused tax losses can be utilized. Assessment of the realization of the deferred tax assets requires subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

7. CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Cash and deposits in banks	\$ 2,120,674.8	\$ 2,761,829.9
Government bonds/Agency bonds	-	2,627.1
Money market funds	2,826.7	2,056.7
Repurchase agreements	2,127.0	1,342.7
Commercial paper	1,998.5	-
	<u>\$ 2,127,627.0</u>	<u>\$ 2,767,856.4</u>

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
<u>Financial assets</u>		
Convertible preferred stocks	\$ 14,181.8	\$ 13,608.8
Mutual funds	886.9	1,297.5
Simple agreement for future equity	131.1	125.8
Forward exchange contracts	207.7	100.2
	<u>\$ 15,407.5</u>	<u>\$ 15,132.3</u>

(Continued)

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Current	\$ 207.7	\$ 100.2
Noncurrent	15,199.8	15,032.1
	<u>\$ 15,407.5</u>	<u>\$ 15,132.3</u>
<u>Financial liabilities</u>		
Forward exchange contracts	<u>\$ 466.5</u>	<u>\$ 3,083.9</u>
		(Concluded)

The Company entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these forward exchange contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Millions)
<u>December 31, 2024</u>		
Sell US\$	January 2025 to March 2025	US\$ 3,331.4
Sell JPY	January 2025	JPY 45,234.0
<u>December 31, 2025</u>		
Sell US\$	January 2026 to March 2026	US\$ 9,234.0
Sell JPY	January 2026	JPY 6,096.0

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Investments in debt instruments at FVTOCI		
Corporate bonds	\$ 108,612.1	\$ 88,636.1
Agency mortgage-backed securities	46,611.4	49,150.8
Government bonds/Agency bonds	20,645.9	25,437.5
Asset-backed securities	11,490.5	8,512.2
	<u>187,359.9</u>	<u>171,736.6</u>
		(Continued)

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Investments in equity instruments at FVTOCI		
Non-publicly traded equity investments	\$ 7,822.9	\$ 8,797.2
Publicly traded stocks	4,842.8	3,956.1
	<u>12,665.7</u>	<u>12,753.3</u>
	<u>\$ 200,025.6</u>	<u>\$ 184,489.9</u>
Current	\$ 192,202.7	\$ 175,692.7
Noncurrent	<u>7,822.9</u>	<u>8,797.2</u>
	<u>\$ 200,025.6</u>	<u>\$ 184,489.9</u>
		(Concluded)

These investments in equity instruments are held for medium to long-term purposes and therefore are accounted for as financial assets at FVTOCI. For dividends recognized from these investments, please refer to consolidated statements of cash flows. All of the dividends are mainly from investments held at the end of the reporting period.

For the years ended December 31, 2023, 2024 and 2025, as the Company adjusted its investment portfolio, equity investments designated at FVTOCI were divested for NT\$272.0 million, NT\$6,190.0 million and NT\$940.7 million, respectively. The related other equity-unrealized gain/loss on financial assets at FVTOCI of NT\$151.9 million, NT\$3,772.8 million and NT\$541.1 million were transferred to increase retained earnings, respectively.

As of December 31, 2024 and 2025, the cumulative loss allowance for expected credit loss of NT\$63.1 million and NT\$43.8 million was recognized under investments in debt instruments at FVTOCI, respectively. Refer to Note 33 for information relating to the credit risk management and expected credit loss.

10. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Corporate bonds	\$ 172,092.0	\$ 231,374.0
Government bonds/Agency bonds	4,379.5	4,213.5
Commercial paper	14,221.7	-
Less: Allowance for impairment loss	<u>(125.4)</u>	<u>(134.2)</u>
	<u>\$ 190,567.8</u>	<u>\$ 235,453.3</u>
Current	\$ 101,971.3	\$ 124,945.5
Noncurrent	<u>88,596.5</u>	<u>110,507.8</u>
	<u>\$ 190,567.8</u>	<u>\$ 235,453.3</u>

Refer to Note 33 for information relating to credit risk management and expected credit loss for financial assets at amortized cost.

11. HEDGING FINANCIAL INSTRUMENTS

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
<u>Financial assets- current</u>		
Fair value hedges		
Interest rate futures contracts	\$ 11.0	\$ -
<u>Financial liabilities- current</u>		
Fair value hedges		
Interest rate futures contracts	\$ -	\$ 0.8

Fair value hedge

The Company entered into interest rate futures contracts, which are used to partially hedge against the fair value changes caused by interest rate fluctuation in the Company's fixed income investments. The hedge ratio is adjusted in response to the changes in the financial market and capped at 100%.

On the basis of economic relationships, the value of the interest rate futures contracts and the value of the hedged financial assets change in opposite directions in response to movements in interest rates.

The main source of hedge ineffectiveness in these hedging relationships is the credit risk of the hedged financial assets, which is not reflected in the fair value of the interest rate futures contracts. No other sources of ineffectiveness have emerged from these hedging relationships during the hedging period. Amount of hedge ineffectiveness recognized in profit or loss is classified under other gains and losses, net.

The following tables summarize the information relating to the hedges of interest rate risks.

December 31, 2024

Hedging Instruments	Contract Amount (US\$ in Millions)	Maturity
Interest rate futures contracts - US Treasury futures	US\$ 40.4	March 2025

Hedged Items	Asset Carrying Amount NT\$ (In Millions)	Accumulated Amount of Fair Value Hedge Adjustments NT\$ (In Millions)
Financial assets at FVTOCI	\$ 3,129.2	\$ (11.0)

December 31, 2025

Hedging Instruments	Contract Amount (US\$ in Millions)	Maturity
Interest rate futures contracts - US Treasury futures	US\$ 23.7	March 2026
Hedged Items	Asset Carrying Amount NT\$ (In Millions)	Accumulated Amount of Fair Value Hedge Adjustments NT\$ (In Millions)
Financial assets at FVTOCI	\$ 711.9	\$ 0.8

The effect for the years ended December 31, 2023, 2024 and 2025 is detailed below:

Hedging Instruments/Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness		
	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
Hedging Instruments			
Interest rate futures contracts - US Treasury futures	\$ 20.5	\$ 174.1	\$ (45.7)
Hedged Items			
Financial assets at FVTOCI	(20.5)	(174.1)	45.7
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cash flow hedge

The Company has designated the bank deposits denominated in foreign currency and forward exchange contracts to partially hedge foreign exchange rate risks associated with certain highly probable forecast transactions (capital expenditures). The hedge ratio is adjusted in response to the changes in the financial market and capped at 100%. The forward exchange contracts and foreign currency deposits have maturities of 12 months or less.

On the basis of economic relationships, the Company expects that the value of forward exchange contracts and the foreign currency deposits will move in opposite directions to the value of hedged transactions in response to foreign exchange rates movements.

The main source of hedge ineffectiveness in these hedging relationships is driven by the effect of the counterparty's own credit risk on the fair value of forward exchange contracts and foreign currency deposits. No other sources of ineffectiveness have emerged from these hedging relationships during the hedging period. Refer to Note 21(d) for gain or loss arising from changes in the fair value of hedging instruments and hedged item affects profit or loss, and the amount transferred to initial carrying amount of hedged items.

The effect for the years ended December 31, 2023, 2024 and 2025 is detailed below:

Hedging Instruments/Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness		
	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
Hedging Instruments			
Forward exchange contracts	\$ 39.9	\$ 5.0	\$ -
Foreign currency deposits	\$ -	\$ -	\$ (31.0)
Hedged Items			
Forecast transaction (capital expenditures)	\$ (39.9)	\$ (5.0)	\$ 31.0

Hedges of net investments in foreign operations

TSMC has designated the bank loans denominated in foreign currency as a hedge of net investments in foreign operations to manage its foreign currency risk arising from investment in overseas subsidiaries.

The main source of hedge ineffectiveness in these hedging relationships is driven by the material difference between the notional amount of bank loans denominated in foreign currency and the net investment in foreign operations. No other sources of ineffectiveness have emerged from these hedging relationships during the hedging period. Refer to Note 21 (d) for gain or loss arising from changes in the fair value of hedging instruments.

The effect for the years ended December 31, 2023, 2024 and 2025 is detailed below:

Hedging Instruments/Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness		
	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
Hedging Instruments			
Bank loans	\$ 618.2	\$ 793.8	\$ 335.1
Hedged Items			
Net investments in foreign operations	\$ (618.2)	\$ (793.8)	\$ (335.1)

12. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
At amortized cost		
Notes and accounts receivable	\$ 265,223.7	\$ 271,835.1
Less: Loss allowance	(453.0)	(478.6)
	264,770.7	271,356.5
At FVTOCI	5,912.5	7,695.1
	<u>270,683.2</u>	<u>279,051.6</u>

The Company signed a contract with the bank to sell certain accounts receivable without recourse and transaction cost required. These accounts receivable are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In principle, the payment term granted to customers is due 30 days from the invoice date or 15 days from the end of the month when the invoice is issued. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels with consideration of factors of historical loss ratios and customers' financial conditions, competitiveness and business outlook. For accounts receivable past due over 90 days without collaterals or guarantees, the Company recognizes loss allowance at full amount.

Aging analysis of notes and accounts receivable

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Not past due	\$ 255,669.6	\$ 263,767.0
Past due		
Past due within 30 days	15,464.1	15,762.4
Past due over 31 days	2.5	0.8
Less: Loss allowance	(453.0)	(478.6)
	<u>\$ 270,683.2</u>	<u>\$ 279,051.6</u>

All of the Company's accounts receivable classified as at FVTOCI were not past due.

Movements of the loss allowance for accounts receivable

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ 331.6	\$ 531.5	\$ 453.0
Provision (Reversal)	199.9	(78.5)	25.6
Balance, end of year	<u>\$ 531.5</u>	<u>\$ 453.0</u>	<u>\$ 478.6</u>

For the years ended December 31, 2023, 2024 and 2025, the changes in loss allowance were mainly due to the variations in the balance of accounts receivable of different risk levels.

13. INVENTORIES

	December 31,	December 31,
	2024	2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Finished goods	\$ 35,177.0	\$ 29,412.9
Work in process	181,198.8	188,014.4
Raw materials	46,449.3	45,863.4
Supplies and spare parts	25,043.7	24,818.8
	<u>\$ 287,868.8</u>	<u>\$ 288,109.5</u>

Write-down of inventories to net realizable value (excluding earthquake losses) and reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue, which were as follows. Please refer to related earthquake losses in Note 37.

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Net inventory losses	<u>\$ 3,494.6</u>	<u>\$ 888.7</u>	<u>\$ 2,125.9</u>

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025
			NT\$ (In Millions)	NT\$ (In Millions)		
Vanguard International Semiconductor Corporation (VIS)	Manufacturing, sales, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks	Hsinchu, Taiwan	\$ 18,212.9	\$ 18,068.7	28%	28%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Manufacturing and sales of integrated circuits and other semiconductor devices	Singapore	11,387.2	12,419.2	39%	39%
Xintec Inc. (Xintec)	Wafer level chip size packaging and wafer level post passivation interconnection service	Taoyuan, Taiwan	4,189.6	4,470.4	41%	41%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	3,458.1	2,893.6	35%	35%
			<u>\$ 37,247.8</u>	<u>\$ 37,851.9</u>		

As of December 31, 2024 and 2025, no investments in associates are individually material to the Company. Please refer to the consolidated statements of profit or loss and other comprehensive income for recognition of share of both profit (loss) and other comprehensive income (loss) of associates that are not individually material.

The market prices of the associates' ownership held by the Company in publicly traded stocks calculated base on the closing price are summarized as follows. The closing price represents the quoted price in active markets, the level 1 fair value measurement.

Name of Associate	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
GUC	\$ 63,495.5	\$ 99,211.7
VIS	\$ 50,620.3	\$ 46,667.9
Xintec	\$ 22,033.8	\$ 15,468.1

15. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2023	December 31, 2024	December 31, 2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Assets used by the Company	\$ 3,064,424.3	\$ 3,234,778.4	\$ 3,690,642.0
Assets subject to operating leases	50.7	201.7	1,198.9
	<u>\$ 3,064,475.0</u>	<u>\$ 3,234,980.1</u>	<u>\$ 3,691,840.9</u>

Assets used by the Company

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Equipment under Installation and Construction in Progress	Total
	NTS	NTS	NTS	NTS	NTS	NTS
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Cost						
Balance at January 1, 2023	\$ 7,661.8	\$ 637,046.9	\$ 4,295,942.6	\$ 85,028.0	\$ 1,336,842.6	\$ 6,362,521.9
Additions (deductions)	-	182,033.3	1,120,848.7	18,205.5	(423,568.7)	897,518.8
Disposals or retirements	-	(585.5)	(28,525.9)	(3,325.3)	-	(32,436.7)
Reclassification	-	-	13.7	-	-	13.7
Effect of exchange rate changes	(39.8)	(671.7)	(3,293.5)	(83.1)	(4,984.1)	(9,072.2)
Balance at December 31, 2023	<u>\$ 7,622.0</u>	<u>\$ 817,823.0</u>	<u>\$ 5,384,985.6</u>	<u>\$ 99,825.1</u>	<u>\$ 908,289.8</u>	<u>\$ 7,218,545.5</u>
Accumulated depreciation and impairment						
Balance at January 1, 2023	\$ 556.1	\$ 342,938.4	\$ 3,264,880.9	\$ 59,540.1	\$ 790.7	\$ 3,668,706.2
Additions	1.3	45,052.9	463,825.3	10,586.7	-	519,466.2
Disposals or retirements	-	(583.0)	(27,407.7)	(3,324.2)	-	(31,314.9)
Reclassification	-	-	9.7	-	-	9.7
Effect of exchange rate changes	0.7	(394.4)	(2,299.7)	(52.6)	-	(2,746.0)
Balance at December 31, 2023	<u>\$ 558.1</u>	<u>\$ 387,013.9</u>	<u>\$ 3,699,008.5</u>	<u>\$ 66,750.0</u>	<u>\$ 790.7</u>	<u>\$ 4,154,121.2</u>
Carrying amounts at December 31, 2023	<u>\$ 7,063.9</u>	<u>\$ 430,809.1</u>	<u>\$ 1,685,977.1</u>	<u>\$ 33,075.1</u>	<u>\$ 907,499.1</u>	<u>\$ 3,064,424.3</u>
Cost						
Balance at January 1, 2024	\$ 7,622.0	\$ 817,823.0	\$ 5,384,985.6	\$ 99,825.1	\$ 908,289.8	\$ 7,218,545.5
Additions	5,542.9	141,097.1	490,799.0	13,719.2	147,349.2	798,507.4
Disposals or retirements	(278.3)	(119.8)	(34,140.5)	(8,334.2)	-	(42,872.8)
Reclassification	-	(197.9)	56.5	-	-	(141.4)
Effect of exchange rate changes	167.6	531.4	10,502.1	224.7	24,645.2	36,071.0
Balance at December 31, 2024	<u>\$ 13,054.2</u>	<u>\$ 959,133.8</u>	<u>\$ 5,852,202.7</u>	<u>\$ 105,434.8</u>	<u>\$ 1,080,284.2</u>	<u>\$ 8,010,109.7</u>
Accumulated depreciation and impairment						
Balance at January 1, 2024	\$ 558.1	\$ 387,013.9	\$ 3,699,008.5	\$ 66,750.0	\$ 790.7	\$ 4,154,121.2
Additions	13.6	52,205.0	585,635.2	12,047.5	-	649,901.3
Disposals or retirements	-	(114.7)	(30,823.2)	(8,332.5)	-	(39,270.4)
Reclassification	-	(14.4)	53.8	-	-	39.4
Impairment losses	-	47.5	1,103.0	-	-	1,150.5
Effect of exchange rate changes	36.8	1,231.9	7,905.6	215.0	-	9,389.3
Balance at December 31, 2024	<u>\$ 608.5</u>	<u>\$ 440,369.2</u>	<u>\$ 4,262,882.9</u>	<u>\$ 70,680.0</u>	<u>\$ 790.7</u>	<u>\$ 4,775,331.3</u>
Carrying amounts at December 31, 2024	<u>\$ 12,445.7</u>	<u>\$ 518,764.6</u>	<u>\$ 1,589,319.8</u>	<u>\$ 34,754.8</u>	<u>\$ 1,079,493.5</u>	<u>\$ 3,234,778.4</u>
Cost						
Balance at January 1, 2025	\$ 13,054.2	\$ 959,133.8	\$ 5,852,202.7	\$ 105,434.8	\$ 1,080,284.2	\$ 8,010,109.7
Additions	331.5	248,048.4	451,764.9	21,154.0	439,678.9	1,160,977.7
Disposals or retirements	-	(164.1)	(56,155.0)	(1,768.4)	-	(58,087.5)
Reclassification	-	(1,181.5)	-	-	-	(1,181.5)
Effect of exchange rate changes	60.1	(13,974.8)	(11,134.9)	(556.3)	(966.9)	(26,572.8)
Balance at December 31, 2025	<u>\$ 13,445.8</u>	<u>\$ 1,191,861.8</u>	<u>\$ 6,236,677.7</u>	<u>\$ 124,264.1</u>	<u>\$ 1,518,996.2</u>	<u>\$ 9,085,245.6</u>

(Continued)

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Equipment under Installation and Construction in Progress	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2025	\$ 608.5	\$ 440,369.2	\$ 4,262,882.9	\$ 70,680.0	\$ 790.7	\$ 4,775,331.3
Additions	19.7	71,348.0	590,058.1	13,943.2	-	675,369.0
Disposals or retirements	-	(107.7)	(53,440.1)	(1,760.5)	-	(55,308.3)
Reclassification	-	(127.9)	-	-	-	(127.9)
Impairment losses (reversed)	-	1.5	1,571.2	-	(790.7)	782.0
Effect of exchange rate changes	(24.3)	(188.8)	(1,150.6)	(78.8)	-	(1,442.5)
Balance at December 31, 2025	<u>\$ 603.9</u>	<u>\$ 511,294.3</u>	<u>\$ 4,799,921.5</u>	<u>\$ 82,783.9</u>	<u>\$ -</u>	<u>\$ 5,394,603.6</u>
Carrying amounts at December 31, 2025	<u>\$ 12,841.9</u>	<u>\$ 680,567.5</u>	<u>\$ 1,436,756.2</u>	<u>\$ 41,480.2</u>	<u>\$ 1,518,996.2</u>	<u>\$ 3,690,642.0</u>

(Concluded)

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 20 years, 10 years and 10 years, respectively.

In the second quarter of 2024 and first quarter of 2025, the Company recognized impairment losses due to partial plant facilities and machinery and equipment damage caused by earthquakes, which rendered them unusable. Please refer to the related earthquake losses in Note 37.

The Company assesses impairment and recognizes impairment losses or reversal gains based on the asset's usage status and expected usage plan. These are recorded under other operating income and expenses.

Information about capitalized interest is set out in Note 24.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
<u>Carrying amounts</u>		
Land	\$ 36,981.0	\$ 39,873.4
Buildings	3,103.9	4,005.3
Office equipment	<u>43.5</u>	<u>40.2</u>
	<u>\$ 40,128.4</u>	<u>\$ 43,918.9</u>

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Additions to right-of-use assets	\$ 2,145.4	\$ 4,579.6	\$ 9,115.2
Depreciation of right-of-use assets			
Land	\$ 2,459.1	\$ 2,541.9	\$ 3,002.0
Buildings	976.1	1,114.3	1,233.4
Machinery and equipment	0.4	-	-
Office equipment	23.4	23.3	23.1
	\$ 3,459.0	\$ 3,679.5	\$ 4,258.5

b. Lease liabilities

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
<u>Carrying amounts</u>		
Current portion (classified under accrued expenses and other current liabilities)	\$ 3,049.0	\$ 3,833.0
Noncurrent portion	28,755.3	31,595.0
	\$ 31,804.3	\$ 35,428.0

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2024	December 31, 2025
Land	0.39%-2.30%	0.39%-3.50%
Buildings	0.40%-6.52%	0.40%-6.52%
Office equipment	0.28%-6.46%	0.28%-6.46%

c. Material terms of right-of-use assets

The Company leases land and buildings mainly for the use of plants and offices with lease terms of 1 to 36 years. The lease contracts for land located in the R.O.C. specify that lease payments will be adjusted every 2 years on the basis of changes in announced land value prices. The Company does not have purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Total cash outflow for leases	\$ 4,916.9	\$ 3,415.5	\$ 4,186.4

17. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Cost</u>					
Balance at January 1, 2023	\$ 5,791.8	\$ 25,759.0	\$ 48,675.8	\$ 11,701.9	\$ 91,928.5
Additions	-	461.1	4,947.4	621.3	6,029.8
Disposals or retirements	-	-	(4,289.2)	-	(4,289.2)
Effect of exchange rate changes	4.6	1.3	(17.0)	24.2	13.1
Balance at December 31, 2023	\$ 5,796.4	\$ 26,221.4	\$ 49,317.0	\$ 12,347.4	\$ 93,682.2
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2023	\$ -	\$ 17,696.4	\$ 38,838.4	\$ 9,394.5	\$ 65,929.3
Additions	-	2,792.4	5,308.1	1,157.7	9,258.2
Disposals or retirements	-	-	(4,289.1)	-	(4,289.1)
Effect of exchange rate changes	-	1.3	(10.7)	26.5	17.1
Balance at December 31, 2023	\$ -	\$ 20,490.1	\$ 39,846.7	\$ 10,578.7	\$ 70,915.5
Carrying amounts at December 31, 2023	\$ 5,796.4	\$ 5,731.3	\$ 9,470.3	\$ 1,768.7	\$ 22,766.7
<u>Cost</u>					
Balance at January 1, 2024	\$ 5,796.4	\$ 26,221.4	\$ 49,317.0	\$ 12,347.4	\$ 93,682.2
Additions	-	2,378.4	9,166.4	977.4	12,522.2
Disposals or retirements	-	(32.5)	(5,235.3)	(210.6)	(5,478.4)
Effect of exchange rate changes	274.5	(0.8)	31.0	19.2	323.9
Balance at December 31, 2024	\$ 6,070.9	\$ 28,566.5	\$ 53,279.1	\$ 13,133.4	\$ 101,049.9
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2024	\$ -	\$ 20,490.1	\$ 39,846.7	\$ 10,578.7	\$ 70,915.5
Additions	-	2,730.0	5,470.2	985.9	9,186.1
Disposals or retirements	-	(32.5)	(5,235.3)	(102.0)	(5,369.8)
Effect of exchange rate changes	-	(0.8)	19.1	17.3	35.6
Balance at December 31, 2024	\$ -	\$ 23,186.8	\$ 40,100.7	\$ 11,479.9	\$ 74,767.4
Carrying amounts at December 31, 2024	\$ 6,070.9	\$ 5,379.7	\$ 13,178.4	\$ 1,653.5	\$ 26,282.5

(Continued)

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Cost</u>					
Balance at January 1, 2025	\$ 6,070.9	\$ 28,566.5	\$ 53,279.1	\$ 13,133.4	\$ 101,049.9
Additions	-	1,218.1	5,846.7	317.5	7,382.3
Disposals or retirements	-	(82.5)	(667.7)	(74.9)	(825.1)
Effect of exchange rate changes	(179.8)	0.3	(6.7)	(38.9)	(225.1)
Balance at December 31, 2025	<u>\$ 5,891.1</u>	<u>\$ 29,702.4</u>	<u>\$ 58,451.4</u>	<u>\$ 13,337.1</u>	<u>\$ 107,382.0</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2025	\$ -	\$ 23,186.8	\$ 40,100.7	\$ 11,479.9	\$ 74,767.4
Additions	-	1,408.6	6,447.4	556.4	8,412.4
Disposals or retirements	-	(82.5)	(663.2)	-	(745.7)
Effect of exchange rate changes	-	0.3	(5.4)	0.4	(4.7)
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ 24,513.2</u>	<u>\$ 45,879.5</u>	<u>\$ 12,036.7</u>	<u>\$ 82,429.4</u>
Carrying amounts at December 31, 2025	<u>\$ 5,891.1</u>	<u>\$ 5,189.2</u>	<u>\$ 12,571.9</u>	<u>\$ 1,300.4</u>	<u>\$ 24,952.6</u>

(Concluded)

The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rates of 9.3% and 9.5% in its test of impairment as of December 31, 2024 and 2025, respectively, to reflect the relevant specific risk in the cash-generating unit.

For the years ended December 31, 2023, 2024 and 2025, the Company did not recognize any impairment loss on goodwill.

18. BONDS PAYABLE

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Domestic unsecured bonds	\$ 478,536.0	\$ 538,388.0
Overseas unsecured bonds	507,904.0	455,938.0
Less: Discounts on bonds payable	(2,687.5)	(2,292.5)
Less: Current portion	(57,148.0)	(135,806.0)
	<u>\$ 926,604.5</u>	<u>\$ 856,227.5</u>

The major terms of domestic unsecured bonds are as follows:

Issuance	Tranche	Issuance Period	Total Issue Amount NT\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
NT\$ unsecured bonds					
109-1	A	March 2020 to March 2025	\$ 3,000.0	0.58%	Bullet repayment; interest payable annually
	B	March 2020 to March 2027	10,500.0	0.62%	The same as above
	C	March 2020 to March 2030	10,500.0	0.64%	The same as above
109-2	A	April 2020 to April 2025	5,900.0	0.52%	The same as above
	B	April 2020 to April 2027	10,400.0	0.58%	The same as above
	C	April 2020 to April 2030	5,300.0	0.60%	The same as above
109-3	A	May 2020 to May 2025	4,500.0	0.55%	The same as above
	B	May 2020 to May 2027	7,500.0	0.60%	The same as above
	C	May 2020 to May 2030	2,400.0	0.64%	The same as above
109-4	A	July 2020 to July 2025	5,700.0	0.58%	Two equal installments in last two years; interest payable annually
	B	July 2020 to July 2027	6,300.0	0.65%	The same as above
	C	July 2020 to July 2030	1,900.0	0.67%	The same as above
109-5	A	September 2020 to September 2025	4,800.0	0.50%	The same as above
	B	September 2020 to September 2027	8,000.0	0.58%	The same as above
	C	September 2020 to September 2030	2,800.0	0.60%	The same as above
109-6 (Green bond)	A	December 2020 to December 2025	1,600.0	0.40%	The same as above
	B	December 2020 to December 2027	5,600.0	0.44%	The same as above
	C	December 2020 to December 2030	4,800.0	0.48%	The same as above
109-7	A	December 2020 to December 2025	1,900.0	0.36%	The same as above
	B	December 2020 to December 2027	10,200.0	0.41%	The same as above
	C	December 2020 to December 2030	6,400.0	0.45%	The same as above

(Continued)

Issuance	Tranche	Issuance Period	Total Issue Amount NT\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
110-1	A	March 2021 to March 2026	\$ 4,800.0	0.50%	Bullet repayment; interest payable annually
	B	March 2021 to March 2028	11,400.0	0.55%	The same as above
	C	March 2021 to March 2031	4,900.0	0.60%	The same as above
110-2	A	May 2021 to May 2026	5,200.0	0.50%	The same as above
	B	May 2021 to May 2028	8,400.0	0.58%	The same as above
	C	May 2021 to May 2031	5,600.0	0.65%	The same as above
110-3	A	June 2021 to June 2026	6,900.0	0.52%	The same as above
	B	June 2021 to June 2028	7,900.0	0.58%	The same as above
	C	June 2021 to June 2031	4,900.0	0.65%	The same as above
110-4	A	August 2021 to August 2025	4,000.0	0.485%	The same as above
	B	August 2021 to August 2026	8,000.0	0.50%	The same as above
	C	August 2021 to August 2028	5,400.0	0.55%	The same as above
	D	August 2021 to August 2031	4,200.0	0.62%	The same as above
110-6	A	October 2021 to April 2026	3,200.0	0.535%	The same as above
	B	October 2021 to October 2026	6,900.0	0.54%	The same as above
	C	October 2021 to October 2028	4,600.0	0.60%	The same as above
	D	October 2021 to October 2031	1,600.0	0.62%	The same as above
110-7	A	December 2021 to December 2026	7,700.0	0.65%	The same as above
	B	December 2021 to June 2027	3,500.0	0.675%	The same as above
	C	December 2021 to December 2028	5,500.0	0.72%	The same as above
111-1 (Green bond)	A	January 2022 to January 2027	2,100.0	0.63%	The same as above
	B	January 2022 to January 2029	3,300.0	0.72%	The same as above

(Continued)

Issuance	Tranche	Issuance Period	Total Issue Amount NT\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
111-2	A	March 2022 to September 2026	\$ 3,000.0	0.84%	Bullet repayment; interest payable annually
	B	March 2022 to March 2027	9,600.0	0.85%	The same as above
	C	March 2022 to March 2029	1,600.0	0.90%	The same as above
111-3 (Green bond)	-	May 2022 to May 2027	6,100.0	1.50%	The same as above
111-4 (Green bond)	A	July 2022 to July 2026	1,200.0	1.60%	The same as above
	B	July 2022 to July 2027	10,100.0	1.70%	The same as above
	C	July 2022 to July 2029	1,200.0	1.75%	The same as above
	D	July 2022 to July 2032	1,400.0	1.95%	The same as above
111-5	A	August 2022 to June 2027	2,000.0	1.65%	The same as above
	B	August 2022 to August 2027	8,900.0	1.65%	The same as above
	C	August 2022 to August 2029	2,200.0	1.65%	The same as above
	D	August 2022 to August 2032	2,500.0	1.82%	The same as above
111-6 (Green bond)	A	October 2022 to October 2027	5,700.0	1.75%	The same as above
	B	October 2022 to October 2029	1,000.0	1.80%	The same as above
	C	October 2022 to October 2032	3,500.0	2.00%	The same as above
112-1 (Green bond)	A	March 2023 to March 2028	12,200.0	1.54%	The same as above
	B	March 2023 to March 2030	2,300.0	1.60%	The same as above
	C	March 2023 to March 2033	4,800.0	1.78%	The same as above
112-2 (Green bond)	A	May 2023 to May 2028	13,100.0	1.60%	The same as above
	B	May 2023 to May 2030	2,300.0	1.65%	The same as above
	C	May 2023 to May 2033	5,300.0	1.82%	The same as above

(Continued)

Issuance	Tranche	Issuance Period	Total Issue Amount NT\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
112-3	A	June 2023 to June 2028	\$ 11,400.0	1.60%	Bullet repayment; interest payable annually
	B	June 2023 to June 2030	2,600.0	1.65%	The same as above
	C	June 2023 to June 2033	6,000.0	1.80%	The same as above
112-4	A	August 2023 to August 2028	7,300.0	1.60%	The same as above
	B	August 2023 to August 2030	700.0	1.65%	The same as above
	C	August 2023 to August 2033	7,900.0	1.76%	The same as above
112-5	A	October 2023 to October 2028	4,300.0	1.62%	The same as above
	B	October 2023 to October 2033	5,500.0	1.76%	The same as above
113-1 (Green bond)	A	March 2024 to March 2029	12,000.0	1.64%	The same as above
	B	March 2024 to March 2034	10,800.0	1.76%	The same as above
113-2 (Green bond)	A	May 2024 to May 2029	4,900.0	1.98%	The same as above
	B	May 2024 to May 2034	6,600.0	2.10%	The same as above
114-1 (Green bond)	A	March 2025 to March 2030	12,000.0	1.90%	The same as above
	B	March 2025 to March 2035	7,200.0	2.05%	The same as above
114-2 (Green bond)	A	June 2025 to June 2030	12,500.0	1.92%	The same as above
	B	June 2025 to June 2035	1,600.0	2.05%	The same as above
114-3 (Green bond)	A	July 2025 to July 2030	8,300.0	1.92%	The same as above
	B	July 2025 to July 2035	4,000.0	2.05%	The same as above
114-4	A	September 2025 to September 2030	13,800.0	1.66%	The same as above
	B (Green bond)	September 2025 to September 2035	4,000.0	1.73%	The same as above

(Continued)

Issuance	Tranche	Issuance Period	Total Issue Amount NT\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
114-5 (Green bond)	A	November 2025 to November 2030	\$ 14,000.0	1.50%	Bullet repayment; interest payable annually
	B	November 2025 to November 2032	3,000.0	1.53%	The same as above
	C	November 2025 to November 2035	6,500.0	1.58%	The same as above

(Concluded)

Issuance	Tranche	Issuance Period	Total Issue Amount US\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
US\$ unsecured bonds					
109-1	-	September 2020 to September 2060	US\$ 1,000.0	2.70%	Bullet repayment (callable on the 5th anniversary of the issue date and every anniversary thereafter); interest payable annually
110-5	-	September 2021 to September 2051	1,000.0	3.10%	The same as above

The Company issued domestic unsecured bonds during the period from January 1, 2026 to April 16, 2026, the major terms are as follows:

Issuance	Tranche	Issuance Period	Total Issue Amount NT\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
NT\$ unsecured bonds					
115-1	A	March 2026 to March 2031	\$ 12,600.0	1.72%	Bullet repayment; interest payable annually
	B	March 2026 to March 2036	4,600.0	1.78%	The same as above

The major terms of overseas unsecured bonds are as follows:

Issuance Period	Total Issue Amount US\$ (In Millions)	Coupon Rate	Repayment and Interest Payment
September 2020 to September 2025	US\$ 1,000.0	0.75%	Bullet repayment (callable at any time, in whole or in part, at the relevant redemption price according to relevant agreements); interest payable semi-annually
September 2020 to September 2027	750.0	1.00%	The same as above
September 2020 to September 2030	1,250.0	1.375%	The same as above
April 2021 to April 2026	1,100.0	1.25%	The same as above
April 2021 to April 2028	900.0	1.75%	The same as above
April 2021 to April 2031	1,500.0	2.25%	The same as above
October 2021 to October 2026	1,250.0	1.75%	The same as above
October 2021 to October 2031	1,250.0	2.50%	The same as above
October 2021 to October 2041	1,000.0	3.125%	The same as above
October 2021 to October 2051	1,000.0	3.25%	The same as above
April 2022 to April 2027	1,000.0	3.875%	The same as above
April 2022 to April 2029	500.0	4.125%	The same as above
April 2022 to April 2032	1,000.0	4.25%	The same as above
April 2022 to April 2052	1,000.0	4.50%	The same as above
July 2022 to July 2027	400.0	4.375%	The same as above
July 2022 to July 2032	600.0	4.625%	The same as above

19. LONG-TERM BANK LOANS

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
NT\$ unsecured loans	\$ 4,410.8	\$ 1,700.8
JPY unsecured loans	30,124.8	39,253.5
Less: Discounts on government grants	(1.3)	(0.1)
Less: Current portion	(2,709.9)	(1,119.7)
	<u>\$ 31,824.4</u>	<u>\$ 39,834.5</u>
Loan content		
Annual interest rate	0.13%-1.78%	0.79%-1.78%
Maturity date	Due by December 2030	Due by December 2030

The long-term bank loans of the Company are used for plants setup, procurement of machinery and equipment, and operating capital. The partial long-term bank loans are with preferential interest rates

subsidized by the government, and the loans are used to fund capital expenditure qualifying for the subsidy.

The Company is required to maintain certain financial covenants during the borrowing period, including the annual equity of the subsidiary receiving the partial loan not to fall below a specific amount; its debt-to-equity ratio must not exceed a certain ratio; and the ratio of the Company's annual debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) not to exceed a certain multiple.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, TSMC and VisEra Tech have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC Europe, TSMC Japan, TSMC JDC, TSMC 3DIC, TSMC China, TSMC Nanjing, TSMC Arizona, JASM, ESMC, TSMC Technology and TSMC Canada also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Company recognized expenses of NT\$5,365.5 million, NT\$5,932.2 million and NT\$6,707.5 million for the years ended December 31, 2023, 2024 and 2025, respectively.

b. Defined benefit plans

TSMC has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans were as follows:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Current service cost	\$ 139.1	\$ 153.0	\$ 150.5
Net interest expense	142.3	122.7	106.3
Components of defined benefit costs recognized in profit or loss	281.4	275.7	256.8
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	(16.2)	(774.6)	(764.2)

(Continued)

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Actuarial loss arising from experience adjustments	\$ 68.3	\$ 911.7	\$ 539.5
Actuarial loss arising from changes in demographic assumptions	-	-	581.5
Actuarial (gain) loss arising from changes in financial assumptions	571.3	(281.5)	336.5
Components of defined benefit costs recognized in other comprehensive income	623.4	(144.4)	693.3
Total	<u>\$ 904.8</u>	<u>\$ 131.3</u>	<u>\$ 950.1</u>
			(Concluded)

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Cost of revenue	\$ 182.3	\$ 178.5	\$ 169.1
Research and development expenses	76.1	75.3	69.5
General and administrative expenses	19.3	18.4	15.1
Marketing expenses	3.7	3.5	3.1
	<u>\$ 281.4</u>	<u>\$ 275.7</u>	<u>\$ 256.8</u>

The amounts arising from the defined benefit obligation of the Company were as follows:

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Present value of defined benefit obligation	\$ 18,332.2	\$ 19,339.1
Fair value of plan assets	(10,751.5)	(13,326.8)
Net defined benefit liability	<u>\$ 7,580.7</u>	<u>\$ 6,012.3</u>

Movements in the present value of the defined benefit obligation were as follows:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ 17,484.0	\$ 17,995.1	\$ 18,332.2
Current service cost	139.1	153.0	150.5
Interest expense	304.0	242.8	281.1
Remeasurement:			
Actuarial loss arising from experience adjustments	68.3	911.7	539.5
Actuarial (gain) loss arising from changes in financial assumptions	571.3	(281.5)	336.5
Actuarial loss arising from changes in demographic assumptions	-	-	581.5
Benefits paid from plan assets	(556.5)	(679.1)	(803.3)
Benefits paid directly by the Company	(15.1)	(9.8)	(78.9)
Balance, end of year	<u>\$ 17,995.1</u>	<u>\$ 18,332.2</u>	<u>\$ 19,339.1</u>

Movements in the fair value of the plan assets were as follows:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ 8,162.9	\$ 8,737.9	\$ 10,751.5
Interest income	161.7	120.1	174.8
Remeasurement:			
Return on plan assets (excluding amounts included in net interest expense)	16.2	774.6	764.2
Contributions from employer	953.6	1,798.0	2,439.7
Benefits paid from plan assets	(556.5)	(679.1)	(803.4)
Balance, end of year	<u>\$ 8,737.9</u>	<u>\$ 10,751.5</u>	<u>\$ 13,326.8</u>

The fair value of the plan assets by major categories at the end of reporting period was as follows:

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Cash	\$ 1,569.7	\$ 1,652.5
Equity instruments	6,245.6	8,224.0
Debt instruments	2,936.2	3,450.3
	<u>\$ 10,751.5</u>	<u>\$ 13,326.8</u>

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2024	December 31, 2025
Discount rate	1.60%	1.40%
Future salary increase rate	4.00%	4.00%

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

Assuming a hypothetical decrease in interest rate at the end of the reporting period contributed to a decrease of 0.5% (and not below -%) in the discount rate and all other assumptions were held constant, the present value of the defined benefit obligation would increase by NT\$717.5 million and NT\$883.7 million as of December 31, 2024 and 2025, respectively.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

Assuming the expected salary rate increases by 0.5% at the end of the reporting period and all other assumptions were held constant, the present value of the defined benefit obligation would increase by NT\$697.7 million and NT\$857.3 million as of December 31, 2024 and 2025, respectively.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability.

The Company expects to make contributions of NT\$2,537.3 million to the defined benefit plans in the next year starting from December 31, 2025. The weighted average duration of the defined benefit obligation is 9 years.

21. EQUITY

a. Capital stock

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Authorized shares (in millions)	28,050.0	28,050.0
Authorized capital	\$ 280,500.0	\$ 280,500.0
Issued and paid shares (in millions)	25,932.7	25,932.5
Issued capital	\$ 259,327.3	\$ 259,325.3

The par value of issued common shares is NT\$10 per share. A holder of common shares has one vote for each common share and is entitled to receive dividends.

The authorized shares include 500.0 million shares allocated for the exercise of employee stock options.

On March 1, 2023, March 1, 2024 and September 1, 2024, TSMC issued employee restricted stock awards (RSAs) for its employees in a total of 2.1 million shares, 3.0 million shares and 2.3 million shares, respectively, with a par value of NT\$10 per share. The aforementioned issuance of new shares was approved by the relevant authority and the registration has been completed.

During the first quarter of 2023, the first quarter of 2024, the first quarter of 2025, and the third quarter of 2025, TSMC reclaimed 0.4 million, 1.4 million, 0.1 million and 0.1 million employee restricted shares, respectively, that were unvested. On May 9, 2023, June 5, 2024, May 13, 2025 and November 11, 2025, TSMC's Board of Directors resolved to cancel the aforementioned shares. Subsequently, TSMC completed the registration for share cancellation. Refer to Note 28 for information on RSAs.

On August 13, 2024, TSMC's Board of Directors resolved to cancel 3.2 million treasury shares. Refer to Note 21(e) for further information.

As of December 31, 2025, TSMC's total issued and outstanding ADSs were 1,062.7 million units, representing 5,313.6 million common shares.

b. Capital surplus

The categories of uses and the sources of capital surplus based on regulations were as follows:

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Additional paid-in capital	\$ 24,809.7	\$ 26,343.5
From merger	22,800.4	22,800.4
From convertible bonds	8,891.3	8,891.3

(Continued)

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
From difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal	\$ 8,411.6	\$ 8,411.6
Donations - donated by shareholders	11.3	11.3
<u>May only be used to offset a deficit</u>		
From share of changes in equities of subsidiaries	4,108.9	4,094.0
From share of changes in equities of associates	1,172.4	1,365.2
Donations - unclaimed dividend	79.0	105.7
<u>May not be used for any purpose</u>		
Employee restricted shares	2,976.2	1,422.6
	<u>\$ 73,260.8</u>	<u>\$ 73,445.6</u>
		(Concluded)

If such capital surplus is distributed as transferred to share capital, it is limited to a certain percentage of the Company's paid-in capital each year.

c. Retained earnings and dividend policy

TSMC's Articles of Incorporation provide that, earnings distribution may be made on a quarterly basis after the close of each quarter. Distribution of earnings by way of cash dividends should be approved by TSMC's Board of Directors and reported to TSMC's shareholders in its meeting. When allocating earnings, TSMC shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings (until the accumulated legal capital reserve equals TSMC's paid-in capital), then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any balance left over shall be allocated according to relevant laws and TSMC's Articles of Incorporation.

TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of earnings shall be made preferably by way of cash dividend. Distribution of earnings may also be made by way of stock dividend, provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

The legal capital reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside an additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of the foreign currency translation reserve, the effectiveness of hedges of net investments in foreign operations, unrealized valuation gain or loss from fair value through other comprehensive income financial assets, gain or loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2023, 2024 and 2025 quarterly earnings have been approved by TSMC's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	First Quarter of 2023	Second Quarter of 2023	Third Quarter of 2023	Fourth Quarter of 2023
	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Resolution Date of TSMC's Board of Directors in its meeting	May 9, 2023	August 8, 2023	November 14, 2023	February 6, 2024
Special capital reserve	\$ 3,273.5	\$ (6,365.5)	\$ (17,228.4)	\$ 28,020.8
Cash dividends to shareholders	\$ 77,796.2	\$ 77,796.2	\$ 90,762.3	\$ 90,762.2
Cash dividends per share (NT\$)	\$ 3.00	\$ 3.00	\$ 3.50	\$ 3.50

	First Quarter of 2024	Second Quarter of 2024	Third Quarter of 2024	Fourth Quarter of 2024
	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Resolution Date of TSMC's Board of Directors in its meeting	May 10, 2024	August 13, 2024	November 12, 2024	February 12, 2025
Special capital reserve	\$ (28,020.8)	\$ -	\$ -	\$ -
Cash dividends to shareholders	\$ 103,734.5	\$ 103,721.5	\$ 116,697.3	\$ 116,697.3
Cash dividends per share (NT\$)	\$ 4.00	\$ 4.00	\$ 4.50	\$ 4.50

	First Quarter of 2025	Second Quarter of 2025	Third Quarter of 2025	Fourth Quarter of 2025
	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Resolution Date of TSMC's Board of Directors in its meeting	May 13, 2025	August 12, 2025	November 11, 2025	February 10, 2026
Special capital reserve	\$ -	\$ 181,554.8	\$ (94,270.4)	\$ (71,085.1)
Cash dividends to shareholders	\$ 129,663.1	\$ 129,662.9	\$ 155,595.1	\$ 155,595.1
Cash dividends per share (NT\$)	\$ 5.00	\$ 5.00	\$ 6.00	\$ 6.00

The special capital reserve for 2025 is to be presented for approval in TSMC's shareholders' meeting to be held on June 4, 2026 (expected).

The quarterly cash dividends per share is affected by the subsequent number of outstanding ordinary shares, the information of the actual payout is available at the Market Observation Post System website.

d. Others

Changes in others were as follows:

Year Ended December 31, 2023					
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ (11,743.3)	\$ (10,056.4)	\$ 1,479.3	\$ (185.2)	\$ (20,505.6)
Exchange differences arising on translation of foreign operations	(14,255.6)	-	-	-	(14,255.6)
Gain (loss) on hedging instruments designated as hedges of net investments in foreign operations	618.2	-	-	-	618.2
Unrealized gain (loss) on financial assets at FVTOCI					
Equity instruments	-	1,953.0	-	-	1,953.0
Debt instruments	-	3,639.8	-	-	3,639.8
Disposal of investments in equity instruments at FVTOCI	-	(151.9)	-	-	(151.9)
Cumulative unrealized gain (loss) of debt instruments at FVTOCI transferred to profit or loss due to disposal	-	473.9	-	-	473.9
Loss allowance adjustments from debt instruments at FVTOCI	-	9.5	-	-	9.5
Gain (loss) arising on changes in the fair value of hedging instruments and hedged item affects profit or loss	-	-	(34.8)	-	(34.8)
Transferred to initial carrying amount of hedged items	-	-	(45.2)	-	(45.2)
Issuance of employee restricted stock	-	-	-	(586.0)	(586.0)
Share-based payment expenses recognized	-	-	-	477.7	477.7
Share of other comprehensive income (loss) of associates	63.9	32.2	(3.4)	-	92.7
Balance, end of year	<u>\$ (25,316.8)</u>	<u>\$ (4,099.9)</u>	<u>\$ 1,395.9</u>	<u>\$ (293.5)</u>	<u>\$ (28,314.3)</u>

Year Ended December 31, 2024					
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ (25,316.8)	\$ (4,099.9)	\$ 1,395.9	\$ (293.5)	\$ (28,314.3)
Exchange differences arising on translation of foreign operations	64,502.7	-	-	-	64,502.7
Gain (loss) on hedging instruments designated as hedges of net investments in foreign operations	793.8	-	-	-	793.8
Unrealized gain (loss) on financial assets at FVTOCI					
Equity instruments	-	5,078.3	-	-	5,078.3
Debt instruments	-	1,254.5	-	-	1,254.5
Disposal of investments in equity instruments at FVTOCI	-	(4,009.1)	-	-	(4,009.1)
Cumulative unrealized gain (loss) of debt instruments at FVTOCI transferred to profit or loss due to disposal	-	683.1	-	-	683.1
Loss allowance adjustments from debt instruments at FVTOCI	-	12.3	-	-	12.3

(Continued)

Year Ended December 31, 2024					
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Gain (loss) arising on changes in the fair value of hedging instruments and hedged item affects profit or loss	\$ -	\$ -	\$ (75.2)	\$ -	\$ (75.2)
Transferred to initial carrying amount of hedged items	-	-	0.1	-	0.1
Issuance of employee restricted stock	-	-	-	(2,637.4)	(2,637.4)
Share-based payment expenses recognized	-	-	-	1,222.8	1,222.8
Share of other comprehensive income (loss) of associates	290.4	(69.4)	(10.5)	-	210.5
Other comprehensive income transferred to profit or loss due to decline of equity method	(7.1)	-	-	-	(7.1)
Income tax effect	-	(10.0)	-	-	(10.0)
Balance, end of year	<u>\$ 40,263.0</u>	<u>\$ (1,160.2)</u>	<u>\$ 1,310.3</u>	<u>\$ (1,708.1)</u>	<u>\$ 38,705.0</u>
(Concluded)					

Year Ended December 31, 2025					
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Employee Compensation	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ 40,263.0	\$ (1,160.2)	\$ 1,310.3	\$ (1,708.1)	\$ 38,705.0
Exchange differences arising on translation of foreign operations	(61,588.2)	-	-	-	(61,588.2)
Gain (loss) on hedging instruments designated as hedges of net investments in foreign operations	335.1	-	-	-	335.1
Unrealized gain (loss) on financial assets at FVTOCI					
Equity instruments	-	744.5	-	-	744.5
Debt instruments	-	4,505.9	-	-	4,505.9
Disposal of investments in equity instruments at FVTOCI	-	(557.1)	-	-	(557.1)
Cumulative unrealized gain (loss) of debt instruments at FVTOCI transferred to profit or loss due to disposal	-	200.2	-	-	200.2
Loss allowance adjustments from debt instruments at FVTOCI	-	(17.1)	-	-	(17.1)
Gain (loss) arising on changes in the fair value of hedging instruments and hedged item affects profit or loss	-	-	(112.2)	-	(112.2)
Transferred to initial carrying amount of hedged items	-	-	13.4	-	13.4
Share-based payment expenses recognized	-	-	-	1,231.1	1,231.1
Share of other comprehensive income (loss) of associates	(29.0)	(124.7)	16.7	-	(137.0)
Balance, end of year	<u>\$ (21,019.1)</u>	<u>\$ 3,591.5</u>	<u>\$ 1,228.2</u>	<u>\$ (477.0)</u>	<u>\$ (16,676.4)</u>

The aforementioned other equity includes the changes in other equities of TSMC and TSMC's share of its subsidiaries and associates.

e. Treasury stock

For TSMC's shareholders' interests, TSMC's Board of Directors approved a share buyback program on June 5, 2024 to repurchase 3.2 million shares. TSMC has completed this share buyback program during the second quarter of 2024. On August 13, 2024, TSMC's Board of Directors resolved to cancel the 3.2 million shares and set September 1, 2024 as the record date for capital reduction. The registration for share cancellation was completed on September 11, 2024.

22. NET REVENUE

a. Disaggregation of revenue from contracts with customers

Product	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
Wafer	\$ 1,882,518.1	\$ 2,514,461.3	\$ 3,272,553.5
Others	279,217.7	379,846.4	536,500.8
	<u>\$ 2,161,735.8</u>	<u>\$ 2,894,307.7</u>	<u>\$ 3,809,054.3</u>

Geography	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
Taiwan	\$ 149,777.4	\$ 270,413.5	\$ 299,445.8
United States	1,408,841.9	1,992,280.4	2,834,692.1
China	267,154.1	331,673.3	327,502.8
Japan	132,072.0	144,239.9	150,427.9
Europe, the Middle East and Africa	117,348.2	102,760.9	126,584.1
Others	86,542.2	52,939.7	70,401.6
	<u>\$ 2,161,735.8</u>	<u>\$ 2,894,307.7</u>	<u>\$ 3,809,054.3</u>

The Company categorized the net revenue mainly based on the countries where the customers are headquartered.

Platform	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
High Performance Computing	\$ 934,768.6	\$ 1,476,890.6	\$ 2,192,931.0
Smartphone	814,914.3	1,005,130.5	1,110,816.4
Internet of Things	161,916.5	165,516.2	191,046.8
Automotive	133,654.3	139,323.1	186,667.0
Digital Consumer Electronics	46,999.8	47,960.4	47,996.5
Others	69,482.3	59,486.9	79,596.6
	<u>\$ 2,161,735.8</u>	<u>\$ 2,894,307.7</u>	<u>\$ 3,809,054.3</u>

Resolution	Years Ended December 31		
	2023	2024	2025
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
3-nanometer	\$ 108,045.3	\$ 459,530.2	\$ 794,341.4
5-nanometer	629,300.4	861,318.9	1,179,907.2
7-nanometer	357,270.7	416,790.3	459,258.1
16-nanometer	191,306.1	202,383.7	215,722.1
20-nanometer	10,359.0	4,077.2	4,304.9
28-nanometer	186,924.9	188,155.0	225,134.2
40/45-nanometer	114,667.4	108,468.2	95,582.7
65-nanometer	107,425.4	93,120.1	120,399.3
90-nanometer	25,642.0	21,509.3	21,358.7
0.11/0.13 micron	47,149.3	52,442.8	48,846.1
0.15/0.18 micron	86,614.2	90,796.8	88,293.7
0.25 micron and above	17,813.4	15,868.8	19,405.1
Wafer revenue	<u>\$ 1,882,518.1</u>	<u>\$ 2,514,461.3</u>	<u>\$ 3,272,553.5</u>

b. Contract balances

	January 1, 2024	December 31, 2024	December 31, 2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Contract liabilities (classified under accrued expenses and other current liabilities)	<u>\$ 52,736.4</u>	<u>\$ 89,435.4</u>	<u>\$ 49,954.4</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

The Company recognized revenue from the beginning balance of contract liability, which amounted to NT\$69,598.3 million, NT\$51,578.4 million and NT\$57,567.1 million for the years ended December 31, 2023, 2024 and 2025, respectively.

c. Temporary receipts from customers

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Current portion (classified under accrued expenses and other current liabilities)	\$ 198,602.6	\$ 146,559.3
Noncurrent portion (classified under other noncurrent liabilities)	92,499.2	43,298.9
	<u>\$ 291,101.8</u>	<u>\$ 189,858.2</u>

The Company's temporary receipts from customer are payments made by customers to the Company to retain the Company's capacity. When the terms and conditions set forth in the agreements are subsequently satisfied, the treatment of temporary receipts, either by refund or by accounts receivable offsetting, will be determined by mutual consent.

d. Refund liabilities

Estimated sales returns and other allowances is made and adjusted based on historical experience and the consideration of varying contractual terms. As of December 31, 2024 and 2025, the aforementioned refund liabilities amounted to NT\$63,185.2 million and NT\$79,293.4 million (classified under accrued expenses and other current liabilities), respectively.

23. INTEREST INCOME

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Interest income			
Cash and cash equivalents	\$ 49,740.0	\$ 72,126.2	\$ 86,643.0
Financial assets at amortized cost	6,363.7	8,458.2	10,182.8
Financial assets at FVTOCI	4,190.2	6,629.0	7,301.5
Government grants receivable	-	-	1,611.8
	<u>\$ 60,293.9</u>	<u>\$ 87,213.4</u>	<u>\$ 105,739.1</u>

24. FINANCE COSTS

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Interest expense			
Corporate bonds	\$ 17,848.9	\$ 19,278.1	\$ 19,148.2
Lease liabilities	382.0	373.4	453.7
Bank loans	95.4	150.8	378.5
Others	2.8	3.4	5.9
Less: Capitalized interest under property, plant and equipment	<u>(6,329.7)</u>	<u>(9,310.3)</u>	<u>(7,615.9)</u>
	<u>\$ 11,999.4</u>	<u>\$ 10,495.4</u>	<u>\$ 12,370.4</u>

Information about capitalized interest is as follows:

	Years Ended December 31	
	2024	2025
Capitalization rate	1.20%-3.34%	1.32%-3.34%

25. OTHER GAINS AND LOSSES, NET

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Loss on disposal of financial assets, net			
Investments in debt instruments at FVTOCI	\$ (473.9)	\$ (683.1)	\$ (200.2)
Gain on disposal of investments accounted for using equity method, net	15.7	7.1	-
Loss on disposal of subsidiaries	-	-	(168.0)
Gain (loss) on financial instruments at FVTPL, net	6,523.1	(8,204.7)	(8,083.1)
Reversal of (provision for) expected credit loss of financial assets			
Investments in debt instruments at FVTOCI	(9.5)	(12.3)	17.1
Financial assets at amortized cost	(26.2)	(37.6)	(13.2)
Other gains, net	932.4	551.2	730.2
	<u>\$ 6,961.6</u>	<u>\$ (8,379.4)</u>	<u>\$ (7,717.2)</u>

26. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Current income tax expense			
Current tax expense recognized in the current year	\$ 156,684.0	\$ 275,726.3	\$ 400,540.9
Income tax adjustments on prior years	(32,775.5)	(29,968.0)	(56,821.0)
Other income tax adjustments	244.3	371.4	126.7
	<u>124,152.8</u>	<u>246,129.7</u>	<u>343,846.6</u>
Deferred income tax expense			
The origination and reversal of temporary differences	4,136.0	916.0	6,472.8
Income tax adjustments on prior years	-	3,925.3	(65.1)
Operating loss carryforward	-	(2,654.9)	(3,724.5)
	<u>4,136.0</u>	<u>2,186.4</u>	<u>2,683.2</u>
Income tax expense recognized in profit or loss	<u>\$ 128,288.8</u>	<u>\$ 248,316.1</u>	<u>\$ 346,529.8</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Income before tax	<u>\$ 979,316.5</u>	<u>\$ 1,405,840.0</u>	<u>\$ 2,041,654.7</u>
Income tax expense at the statutory rate	\$ 197,935.7	\$ 280,827.9	\$ 414,946.5
Tax effect of adjustment items:			
Adjusting items in determining taxable income	(7,642.2)	(5,647.5)	(23,175.8)
Additional income tax on unappropriated earnings	29,221.8	44,131.1	64,394.7
Unrecognized deductible temporary differences	-	729.2	-
Unrecognized operating loss carryforward	-	2,263.1	6,637.7
The origination and reversal of temporary differences	3,210.1	916.0	6,472.8
Operating loss carryforward	-	(2,654.9)	(3,724.5)
Income tax credits	(61,905.4)	(46,577.5)	(62,262.2)
	<u>160,820.0</u>	<u>273,987.4</u>	<u>403,289.2</u>
Income tax adjustments on prior years	(32,775.5)	(26,042.7)	(56,886.1)
Other income tax adjustments	<u>244.3</u>	<u>371.4</u>	<u>126.7</u>
Income tax expense recognized in profit or loss	<u>\$ 128,288.8</u>	<u>\$ 248,316.1</u>	<u>\$ 346,529.8</u>

The income tax adjustments for prior years were primarily due to the difference between the actual and estimated income tax on unappropriated earnings.

For the years ended December 31, 2023, 2024 and 2025, the Company applied a tax rate of 20% for entities subject to the R.O.C. Income Tax Law; for other jurisdictions, taxes are calculated using the applicable tax rate for each individual jurisdiction.

b. Deferred income tax balance

The analysis of deferred income tax assets and liabilities was as follows:

	December 31,	December 31,
	2024	2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Deferred income tax assets		
Temporary differences		
Depreciation	\$ 33,319.8	\$ 25,924.0
Refund liability	13,274.4	16,438.7
Unrealized exchange losses	9,078.2	6,094.4

(Continued)

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Others	\$ 7,656.5	\$ 8,418.1
Operating loss carryforward	2,614.4	6,065.1
	<u>\$ 65,943.3</u>	<u>\$ 62,940.3</u>
<u>Deferred income tax liabilities</u>		
Temporary differences		
Subsidiary's projected earnings distribution	\$ (3,925.3)	\$ (3,860.2)
Others	(63.2)	(28.6)
	<u>\$ (3,988.5)</u>	<u>\$ (3,888.8)</u>
		(Concluded)

Year Ended December 31, 2023					
Balance, Beginning of Year	Recognized in		Effect of Exchange Rate Changes	Balance, End of Year	
	Profit or Loss	Other Comprehensive Income			
NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Deferred income tax assets</u>					
Temporary differences					
Depreciation	\$ 45,299.3	\$ (4,197.2)	\$ -	\$ (7.4)	\$ 41,094.7
Refund liability	12,089.5	(2,673.5)	-	(1.0)	9,415.0
Unrealized exchange losses	5,782.4	1,317.6	-	-	7,100.0
Others	6,014.7	440.3	124.6	(13.5)	6,566.1
	<u>\$ 69,185.9</u>	<u>\$ (5,112.8)</u>	<u>\$ 124.6</u>	<u>\$ (21.9)</u>	<u>\$ 64,175.8</u>

<u>Deferred income tax liabilities</u>					
Temporary differences					
Others	\$ (1,031.4)	\$ 976.8	\$ -	\$ 0.8	\$ (53.8)

Year Ended December 31, 2024					
Balance, Beginning of Year	Recognized in		Effect of Exchange Rate Changes	Balance, End of Year	
	Profit or Loss	Other Comprehensive Income			
NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Deferred income tax assets</u>					
Temporary differences					
Depreciation	\$ 41,094.7	\$ (7,787.6)	\$ -	\$ 12.7	\$ 33,319.8
Refund liability	9,415.0	3,856.8	-	2.6	13,274.4
Unrealized exchange losses	7,100.0	1,978.2	-	-	9,078.2
Others	6,566.1	1,045.1	(38.9)	84.2	7,656.5
Operating loss carryforward	-	2,654.9	-	(40.5)	2,614.4
	<u>\$ 64,175.8</u>	<u>\$ 1,747.4</u>	<u>\$ (38.9)</u>	<u>\$ 59.0</u>	<u>\$ 65,943.3</u>

<u>Deferred income tax liabilities</u>					
Temporary differences					
Subsidiary's projected earning distribution	\$ -	\$ (3,925.3)	\$ -	\$ -	\$ (3,925.3)
Others	(53.8)	(8.5)	-	(0.9)	(63.2)
	<u>\$ (53.8)</u>	<u>\$ (3,933.8)</u>	<u>\$ -</u>	<u>\$ (0.9)</u>	<u>\$ (3,988.5)</u>

	Year Ended December 31, 2025				
	Balance, Beginning of Year	Recognized in		Effect of Exchange Rate Changes	Balance, End of Year
		Profit or Loss	Other Comprehensive Income		
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Deferred income tax assets</u>					
Temporary differences					
Depreciation	\$ 33,319.8	\$ (7,366.6)	\$ -	\$ (29.2)	\$ 25,924.0
Refund liability	13,274.4	3,165.9	-	(1.6)	16,438.7
Unrealized exchange losses	9,078.2	(2,983.8)	-	-	6,094.4
Others	7,656.5	677.2	138.6	(54.2)	8,418.1
Operating loss carryforward	2,614.4	3,724.5	-	(273.8)	6,065.1
	<u>\$ 65,943.3</u>	<u>\$ (2,782.8)</u>	<u>\$ 138.6</u>	<u>\$ (358.8)</u>	<u>\$ 62,940.3</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Subsidiary's projected earning distribution	\$ (3,925.3)	\$ 65.1	\$ -	\$ -	\$ (3,860.2)
Others	(63.2)	34.5	-	0.1	(28.6)
	<u>\$ (3,988.5)</u>	<u>\$ 99.6</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ (3,888.8)</u>

- c. The operating loss carryforward and deductible temporary differences for which no deferred income tax assets have been recognized

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Operating loss carryforward-No expiry date	<u>\$ 11,896.9</u>	<u>\$ 32,143.7</u>
Deductible temporary differences	<u>\$ 83,705.6</u>	<u>\$ 64,904.5</u>

- d. The information of unrecognized deferred income tax liabilities associated with investments

As of December 31, 2024 and 2025, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred income tax liabilities amounted to NT\$327,787.5 million and NT\$329,889.2 million, respectively.

- e. Income tax examination

The tax authorities have examined income tax returns of TSMC through 2023. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

27. EARNINGS PER SHARE

	Years Ended December 31		
	2023	2024	2025
	(NT\$)	(NT\$)	(NT\$)
Basic EPS	\$ 32.85	\$ 44.68	\$ 65.47
Diluted EPS	\$ 32.85	\$ 44.67	\$ 65.47

EPS is computed as follows:

	Years Ended December 31		
	2023	2024	2025
	(NT\$)	(NT\$)	(NT\$)
Basic EPS			
Net income available to common shareholders of the parent (in millions)	\$ 851,740.0	\$1,158,380.2	\$1,697,604.0
Weighted average number of common shares outstanding used in the computation of basic EPS (in millions)	25,929.2	25,927.6	25,928.3
Basic EPS (in dollars)	\$ 32.85	\$ 44.68	\$ 65.47
Diluted EPS			
Net income available to common shareholders of the parent (in millions)	\$ 851,740.0	\$1,158,380.2	\$1,697,604.0
Weighted average number of common shares outstanding used in the computation of basic EPS (in millions)	25,929.2	25,927.6	25,928.3
Effects of all dilutive potential common shares (in millions)	0.1	2.1	2.3
Weighted average number of common shares used in the computation of diluted EPS (in millions)	25,929.3	25,929.7	25,930.6
Diluted EPS (in dollars)	\$ 32.85	\$ 44.67	\$ 65.47

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Equity-settled share-based payment-RSAs

The RSAs in each year are as follows:

	2021 RSAs	2022 RSAs	2023 RSAs	2024 RSAs
Resolution Date of TSMC's shareholders in its meeting	July 26, 2021	June 8, 2022	June 6, 2023	June 4, 2024
Resolution Date of TSMC's Board of Directors in its meeting	February 15, 2022	February 14, 2023	February 6, 2024	August 13, 2024
Issuance of stocks (in millions)	1.4	2.1	3.0	2.3
Available for issuance (in millions)	-	-	-	1.8
Eligible employees	Executive officers	Executive officers	Executive officers	Executive officers
Grant date/Issuance date	March 1, 2022	March 1, 2023	March 1, 2024	September 1, 2024

Vesting conditions of the aforementioned arrangement are as follow:

- 1) The RSAs granted to eligible employees can only be vested if
 - the employee remains employed by the Company on the last date of each vesting period;
 - during the vesting period, the employee may not breach any agreement with the Company or violate the Company's work rules; and

- certain employee performance metrics and TSMC's business performance metrics are met.
- 2) The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 50%; two-year anniversary of the grant: 25%; and three-year anniversary of the grant: 25%; provided that the actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of TSMC's business performance metrics.
- 3) For eligible executive officers of TSMC: The maximum number of RSAs that may be vested in each year will be set as 110%, among which 100% will be subject to a calculation based on TSMC's relative Total Shareholder Return ("TSR", including capital gains and dividends) achievement to determine the number of RSAs to be vested; this number will be further subject to a modifier to increase or decrease up to 10% based on the Compensation and People Development Committee's evaluation of TSMC's Environmental, Social, and Governance ("ESG") achievements. The number of shares so calculated should be rounded down to the nearest integral.

TSMC's TSR relative to the TSR of S&P 500 IT Index	Ratio of Shares to be Vested
Above the Index by X percentage points	$50\% + X * 2.5\%$, with the maximum of 100%
Equal to the Index	50%
Below the Index by X percentage points	$50\% - X * 2.5\%$, with the minimum of 0%

- 4) Restrictions imposed on the employees' rights in the RSAs before the vesting conditions are fulfilled:
- During each vesting period, no employee granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs.
 - Before the vesting conditions are fulfilled, the attendance, proposal rights, speech rights, voting rights and etc. shall be exercised by the engaged trustee/custodian on the employee's behalf. Any other shareholder rights including but not limited to the entitlement to any distribution regarding dividends, bonuses and capital reserve, and the subscription right of the new shares issued for any capital increase, are the same as those of holders of common shares of TSMC.
- 5) Details of granted RSAs in each year are as follows:

	2021 RSAs	2022 RSAs	2023 RSAs	2024 RSAs
	Number of Shares (In Millions)	Number of Shares (In Millions)	Number of Shares (In Millions)	Number of Shares (In Millions)
Balance, beginning of year	0.4	1.0	3.0	2.3
Vested shares	(0.4)	(0.5)	(1.4)	(1.1)
Canceled shares	-	-	(0.1)	(0.1)
Balance, end of year	-	0.5	1.5	1.1
Weighted-average fair value of RSAs (NT\$ in dollars)	\$ 325.81	\$ 277.71	\$ 364.43	\$ 662.42

The RSAs in each year are measured at fair value at grant date by using the binominal tree approach. Relevant information is as follows:

	2021 RSAs	2022 RSAs	2023 RSAs	2024 RSAs
	March 1, 2022	March 1, 2023	March 1, 2024	September 1, 2024
Stock price at measurement date (NT\$ in dollars)	\$ 604	\$ 511	\$ 689	\$ 944
Expected price volatility	25.34%-28.28%	29.34%-32.11%	24.77%-26.12%	25.51%-29.87%
Expected life	1-3 years	1-3 years	1-3 years	1-3 years
Risk-free interest rate	0.57%	1.06%	1.16%	1.40%

Refer to Note 29 for the compensation costs of the RSAs recognized by TSMC.

b. Cash-settled share-based payment arrangements

The cash-settled share-based payment arrangements in each year are as follows:

	2021 Plan	2022 Plan	2023 Plan
Resolution Date of TSMC's Board of Directors in its meeting	February 15, 2022	February 14, 2023	February 6, 2024
Issuance of units (in millions) (Note)	0.2	0.4	0.6
Grant date	March 1, 2022	March 1, 2023	March 1, 2024

Note: One unit of the right represents a right to the market value of one TSMC's common share when vested.

The vesting conditions and the ratio of units to be vested for key management personnel of the plan are the same as the aforementioned RSAs.

The fair value of compensation costs for the cash-settled share-based payment was measured by using binominal tree approach and will be measured at each reporting period until settlement. Relevant information is as follows:

	Year Ended December 31				
	2024			2025	
	2021 Plan	2022 Plan	2023 Plan	2022 Plan	2023 Plan
Stock price at measurement date (NT\$ in dollars)	\$ 1,090	\$ 1,090	\$ 1,090	\$ 1,510	\$ 1,510
Expected price volatility	25.61%-30.78%	25.61%-30.78%	25.61%-30.78%	23.67%-30.35%	23.67%-30.35%
Residual life	1 year	1-2 years	1-3 years	1 year	1-2 years
Risk-free interest rate	1.37%	1.41%	1.45%	1.20%	1.22%

Refer to Note 29 for the compensation costs of the cash-settled share-based payment recognized by TSMC. As of December 31, 2024 and 2025, the liabilities under cash-settled share-based payment arrangement amounted to NT\$455.7 million and NT\$330.9 million, respectively.

29. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
a. Depreciation of property, plant and equipment and right-of-use assets			
Recognized in cost of revenue	\$ 492,827.4	\$ 616,390.4	\$ 638,013.5
Recognized in operating expenses	30,097.8	37,190.4	41,614.0
Recognized in other operating income and expenses	7.5	29.7	56.5
	<u>\$ 522,932.7</u>	<u>\$ 653,610.5</u>	<u>\$ 679,684.0</u>
b. Amortization of intangible assets			
Recognized in cost of revenue	\$ 6,538.1	\$ 6,342.3	\$ 5,362.0
Recognized in operating expenses	2,720.1	2,843.8	3,050.4
	<u>\$ 9,258.2</u>	<u>\$ 9,186.1</u>	<u>\$ 8,412.4</u>
c. Employee benefits expenses			
Post-employment benefits			
Defined contribution plans	\$ 5,365.5	\$ 5,932.2	\$ 6,707.5
Defined benefit plans	281.4	275.7	256.8
	<u>5,646.9</u>	<u>6,207.9</u>	<u>6,964.3</u>
Share-based payments			
Equity-settled	483.0	1,242.7	1,246.1
Cash-settled	61.4	403.5	304.1
	<u>544.4</u>	<u>1,646.2</u>	<u>1,550.2</u>
Other employee benefits	233,517.3	293,968.0	387,600.3
	<u>\$ 239,708.6</u>	<u>\$ 301,822.1</u>	<u>\$ 396,114.8</u>
Employee benefits expense summarized by function			
Recognized in cost of revenue	\$ 133,334.7	\$ 163,657.1	\$ 235,604.0
Recognized in operating expenses	106,373.9	138,165.0	160,510.8
	<u>\$ 239,708.6</u>	<u>\$ 301,822.1</u>	<u>\$ 396,114.8</u>

According to TSMC's Articles of Incorporation, TSMC shall allocate compensation to directors and profit sharing bonus to employees of TSMC not more than 0.3% and not less than 1% of annual profits during the period, respectively (among which not less than 30% as profit sharing bonuses to entry-level employees).

TSMC accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period; compensation to directors was expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. Accrued profit sharing bonus to employees is illustrated below:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Profit sharing bonus to employees	\$ 50,090.5	\$ 70,296.3	\$ 103,073.0

TSMC's accrued profit sharing bonus to employees and compensation to directors for 2023, 2024 and 2025 are illustrated below:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Profit sharing bonus to employees	\$ 50,090.5	\$ 70,296.3	\$ 103,073.0
Compensation to directors	\$ 552.0	\$ 359.0	\$ 156.3

There is no significant difference between the aforementioned amounts and the amounts charged against earnings of 2023, 2024 and 2025, respectively.

30. GOVERNMENT GRANTS

Subsidiaries such as TSMC Arizona, ESMC, JASM and TSMC Nanjing received subsidies from the governments of the United States, Germany, Japan and China, respectively, for local plant setup and operation, which were mainly used to subsidize the purchase costs of property, plant and equipment as well as partial costs and expenses incurred from plant construction and production. For the years ended December 31, 2023, 2024 and 2025, TSMC received a total of NT\$47,545.9 million, NT\$75,164.3 million and NT\$76,258.8 million as government grants respectively.

The aforementioned subsidiaries have signed grant agreements with the local government. The agreements include the construction timelines and other conditions that must be complied with. TSMC Arizona is also eligible to apply for a 25% investment grant for its qualified investments.

31. CASH FLOW INFORMATION

a. Non-cash transactions

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Additions of property, plant and equipment	\$ 897,557.1	\$ 798,507.4	\$ 1,160,977.7
Changes in other receivables	44.5	140,289.7	93,113.2
Exchange of assets	(78.0)	(109.3)	(169.5)
Changes in payables to contractors and equipment suppliers	40,750.2	(17,988.1)	12,550.4

(Continued)

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Changes in accrued expenses and other current liabilities	\$ 17,832.8	\$ 44,612.1	\$ 13,585.6
Transferred to initial carrying amount of hedged items	39.9	5.0	(31.0)
Capitalized interests	(6,329.7)	(9,310.3)	(7,615.9)
Payments for acquisition of property, plant and equipment	<u>\$ 949,816.8</u>	<u>\$ 956,006.5</u>	<u>\$1,272,410.5</u>
			(Concluded)

b. Reconciliation of liabilities arising from financing activities

	Balance as of January 1, 2023	Financing Cash Flow	Non-cash Changes		Balance as of December 31, 2023
			Foreign Exchange Movement	Other Changes (Note)	
			NT\$	NT\$	
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Bonds payable	<u>\$ 852,436.4</u>	<u>\$ 67,511.3</u>	<u>\$ 587.7</u>	<u>\$ 362.1</u>	<u>\$ 920,897.5</u>

	Balance as of January 1, 2024	Financing Cash Flow	Non-cash Changes		Balance as of December 31,2024
			Foreign Exchange Movement	Other Changes (Note)	
			NT\$	NT\$	
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Bonds payable	<u>\$ 920,897.5</u>	<u>\$ 27,264.3</u>	<u>\$ 35,202.9</u>	<u>\$ 387.8</u>	<u>\$ 983,752.5</u>

	Balance as of January 1, 2025	Financing Cash Flow	Non-cash Changes		Balance as of December 31, 2025
			Foreign Exchange Movement	Other Changes (Note)	
			NT\$	NT\$	
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Bonds payable	<u>\$ 983,752.5</u>	<u>\$ 32,499.7</u>	<u>\$ (24,602.7)</u>	<u>\$ 384.0</u>	<u>\$ 992,033.5</u>

Note: Other changes include amortization of bonds payable.

32. CAPITAL MANAGEMENT

The objective of the Company's capital management is to maintain a capital structure that ensures liquidity and supports a solid investment grade credit rating. The capital structure includes both debt and equity. The Company adjusts its capital structure mainly through changes in the level of debt and adjustments of dividend payout to shareholders.

The Company's capital management policy remained unchanged in 2025. TSMC's current credit ratings are AA- from S&P Global Ratings and Aa3 from Moody's, same as those as of December 31, 2024.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31, 2024	December 31, 2025
	NT\$	NT\$
	(In Millions)	(In Millions)
Financial assets		
FVTPL	\$ 15,407.5	\$ 15,132.3
FVTOCI (Note 1)	205,938.1	192,185.0
Hedging financial assets	11.0	-
Amortized cost (Note 2)	2,721,319.3	3,368,760.8
	<u>\$ 2,942,675.9</u>	<u>\$ 3,576,078.1</u>
Financial liabilities		
FVTPL	\$ 466.5	\$ 3,083.9
Hedging financial liabilities	-	0.8
Amortized cost (Note 3)	1,963,297.3	1,974,710.2
	<u>\$ 1,963,763.8</u>	<u>\$ 1,977,794.9</u>

Note 1: Including notes and accounts receivable (net), equity and debt investments.

Note 2: Including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable (including related parties), other receivables, refundable deposits and temporary payments (including those classified under other current assets and other noncurrent assets).

Note 3: Including accounts payable (including related parties), payables to contractors and equipment suppliers, cash dividends payable, accrued expenses and other current liabilities, bonds payable, long-term bank loans, guarantee deposits and other noncurrent liabilities.

b. Financial risk management objectives

The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Audit and Risk Committee and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Company must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates, interest rates and equity prices. A portion of these risks is hedged.

Foreign currency risk

Substantially all the Company's sales are denominated in U.S. dollars and over half of its capital expenditures are denominated in currencies other than NT dollars, primarily in U.S. dollars, Japanese yen and Euros. As a result, any significant fluctuations to its disadvantage in the exchanges rate of NT dollar against such currencies, in particular a weakening of U.S. dollar against NT dollar, would have an adverse impact on the revenue and operating profit as expressed in NT dollars. The Company uses foreign currency derivative contracts, such as currency forwards or currency swaps, and non-derivative financial instruments, such as foreign currency denominated debts and foreign currency deposits, to protect against currency exchange rate risks associated with non-NT dollar-denominated monetary assets and liabilities, net investments in foreign operations, and certain forecasted transactions. These hedges reduce, but do not entirely eliminate, the effect of foreign currency exchange rate movements on the assets and liabilities.

Based on a sensitivity analysis performed on the Company's total monetary assets and liabilities for the years ended December 31, 2023, 2024 and 2025, a hypothetical adverse foreign currency exchange rate change of 10% would have decreased its net income by NT\$891.0 million, NT\$1,906.3 million and NT\$1,986.5 million, respectively, after taking into account hedges and offsetting positions.

Interest rate risk

The Company is exposed to interest rate risks primarily in relation to its investment portfolio and outstanding debt. Changes in interest rates affect the interest earned on the Company's cash and cash equivalents and fixed income securities, the fair value of those securities, as well as the interest paid on its debt.

The majority of the Company's fixed income investments are fixed-rate securities, which are classified as financial assets at FVTOCI or at amortized cost. For those fixed income investments classified as financial assets at FVTOCI, changes in their fair value are recognized through other comprehensive income; for those classified as financial assets at amortized cost, changes in their fair value are not reflected in the carrying amount. Both classifications are recognized in profit or loss if the assets are sold.

Based on a sensitivity analysis performed on the Company's fixed income investments at the end of the reporting period, interest rates increase of 100 basis points (1.00)% across all maturities would have decreased the Company's other comprehensive income by NT\$3,842.0 million, NT\$4,500.9 million and NT\$4,081.0 million for the years ended December 31, 2023, 2024, and 2025, respectively.

The majority of the Company's debt is fixed-rate and measured at amortized cost and as such, changes in interest rates would not affect future cash flows or the carrying amount.

The Company has entered and may in the future enter into interest rate derivatives to partially hedge the interest rate risk on its fixed income investments and anticipated debt issuance. However, these hedges can offset only a limited portion of the financial impact from movements in interest rates.

Other price risk

The Company is exposed to convertible preferred stocks, equity instrument investments, and other investments price risk arising from financial assets at FVTPL and FVTOCI.

Assuming a hypothetical decrease of 10% in prices of the investments mentioned above at the end of the reporting period, the net income would have decreased by NT\$1,073.4 million, NT\$1,216.0 million and NT\$1,202.6 million for the years ended December 31, 2023, 2024 and 2025, respectively, and the other comprehensive income would have decreased by NT\$954.9 million, NT\$1,013.3 million and NT\$1,020.3 million for the years ended December 31, 2023, 2024 and 2025, respectively.

d. Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks from operating activities, primarily accounts receivable, and from investing activities, primarily deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business related and financial related exposures. As of the end of the reporting period, the Company's maximum credit risk exposure is equal to the carrying amount of financial assets.

Business related credit risk

The Company's accounts receivable are from its customers worldwide. The majority of the Company's outstanding accounts receivable are not covered by collaterals or guarantees. While the Company has procedures to monitor and manage credit risk exposure on accounts receivable, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. This risk is heightened during periods when economic conditions worsen.

As of December 31, 2024 and 2025, the Company's ten largest customers accounted for 93% and 84% of accounts receivable, respectively. The Company considers the concentration of credit risk for the remaining accounts receivable not material.

Financial credit risk

The Company mitigates its financial credit risk by selecting counterparties with investment grade credit ratings and by limiting the exposure to any individual counterparty. The Company regularly monitors and reviews the limit applied to counterparties and adjusts the limit according to market conditions and the credit standing of the counterparties.

The objective of the Company's investment policy is to achieve a return that will allow the Company to preserve principal and support liquidity requirements. The policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer. The Company assesses whether there has been a significant increase in credit risk in the invested securities since initial recognition by reviewing changes in external credit ratings, financial market conditions and material information of the issuers.

The Company assesses the 12-month expected credit loss and lifetime expected credit loss based on the probability of default and loss given default provided by external credit rating agencies. The current credit risk assessment policies are as follows:

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio
Performing	Credit rating is investment grade on valuation date	12 months expected credit loss	0-0.1%
Doubtful	Credit rating is non-investment grade on valuation date	Lifetime expected credit loss-not credit impaired	-
In default	Credit rating is CC or below on valuation date	Lifetime expected credit loss-credit impaired	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	-

For the years ended December 31, 2023, 2024 and 2025, the expected credit loss increased NT\$35.8 million, increased NT\$58.5 million and increased NT\$10.4 million, respectively. The changes were mainly due to adjusted investment portfolio and fluctuations in exchange rates.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business operations over the next 12 months. The Company manages its liquidity risk by maintaining adequate cash and cash equivalents, financial assets at FVTOCI-current, financial assets at amortized cost-current and sufficient cost-efficient funding.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)	NT\$ (In Millions)
<u>December 31, 2024</u>					
<u>Non-derivative financial liabilities</u>					
Accounts payable (including related parties)	\$ 74,226.6	\$ -	\$ -	\$ -	\$ 74,226.6
Payables to contractors and equipment suppliers	192,635.2	-	-	-	192,635.2
Accrued expenses and other current liabilities	358,165.7	-	-	-	358,165.7
Bonds payable	76,460.8	335,240.8	197,389.1	587,602.6	1,196,693.3
Long-term bank loans	2,935.2	2,275.6	27,044.8	3,151.1	35,406.7
Lease liabilities (including those classified under accrued expenses and other current liabilities) (Note)	3,483.5	5,794.8	4,826.8	20,782.7	34,887.8
Others	-	86,979.5	11,737.1	-	98,716.6
	<u>707,907.0</u>	<u>430,290.7</u>	<u>240,997.8</u>	<u>611,536.4</u>	<u>1,990,731.9</u>

(Continued)

	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
Derivative financial instruments					
Forward exchange contracts					
Outflows	\$ 109,525.4	\$ -	\$ -	\$ -	\$ 109,525.4
Inflows	(109,251.5)	-	-	-	(109,251.5)
	273.9	-	-	-	273.9
	<u>\$ 708,180.9</u>	<u>\$ 430,290.7</u>	<u>\$ 240,997.8</u>	<u>\$ 611,536.4</u>	<u>\$ 1,991,005.8</u>
					(Concluded)
December 31, 2025					
Non-derivative financial liabilities					
Accounts payable (including related parties)	\$ 84,330.3	\$ -	\$ -	\$ -	\$ 84,330.3
Payables to contractors and equipment suppliers	177,730.3	-	-	-	177,730.3
Accrued expenses and other current liabilities	344,034.9	-	-	-	344,034.9
Bonds payable	155,291.2	310,496.6	209,405.3	512,306.9	1,187,500.0
Long-term bank loans	1,530.4	11,349.9	29,477.8	-	42,358.1
Lease liabilities (including those classified under accrued expenses and other current liabilities) (Note)	4,381.4	6,573.8	5,804.5	22,709.9	39,469.6
Others	-	35,208.7	6,060.4	8,333.5	49,602.6
	<u>767,298.5</u>	<u>363,629.0</u>	<u>250,748.0</u>	<u>543,350.3</u>	<u>1,925,025.8</u>
Derivative financial instruments					
Forward exchange contracts					
Outflows	279,876.5	-	-	-	279,876.5
Inflows	(276,880.3)	-	-	-	(276,880.3)
	2,996.2	-	-	-	2,996.2
	<u>\$ 770,294.7</u>	<u>\$ 363,629.0</u>	<u>\$ 250,748.0</u>	<u>\$ 543,350.3</u>	<u>\$ 1,928,022.0</u>

Note: Information about the maturity analysis for lease liabilities more than 5 years:

	5-10 Years	10-15 Years	15-20 Years	More Than 20 Years	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)	(In Millions)
December 31, 2024					
Lease liabilities	<u>\$ 10,296.9</u>	<u>\$ 6,821.6</u>	<u>\$ 3,547.4</u>	<u>\$ 116.8</u>	<u>\$ 20,782.7</u>
December 31, 2025					
Lease liabilities	<u>\$ 10,974.2</u>	<u>\$ 7,513.6</u>	<u>\$ 4,002.5</u>	<u>\$ 219.6</u>	<u>\$ 22,709.9</u>

f. Fair value of financial instruments

1) Fair value measurements recognized in the consolidated statements of financial position

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The timing of transfers between levels within the fair value hierarchy is at the end of reporting period.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

December 31, 2024				
	Level 1	Level 2	Level 3	Total
	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Financial assets at FVTPL</u>				
Convertible preferred stocks	\$ -	\$ -	\$ 14,181.8	\$ 14,181.8
Mutual funds	-	-	886.9	886.9
Forward exchange contracts	-	207.7	-	207.7
Simple agreement for future equity	-	-	131.1	131.1
	<u>\$ -</u>	<u>\$ 207.7</u>	<u>\$ 15,199.8</u>	<u>\$ 15,407.5</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Corporate bonds	\$ -	\$ 108,612.1	\$ -	\$ 108,612.1
Agency mortgage-backed securities	-	46,611.4	-	46,611.4
Government bonds/ Agency bonds	20,645.9	-	-	20,645.9
Asset-backed securities	-	11,490.5	-	11,490.5
Investments in equity instruments				
Non-publicly traded equity investments	-	-	7,822.9	7,822.9
Publicly traded stocks	4,842.8	-	-	4,842.8
Notes and accounts receivable, net	-	5,912.5	-	5,912.5
	<u>\$ 25,488.7</u>	<u>\$ 172,626.5</u>	<u>\$ 7,822.9</u>	<u>\$ 205,938.1</u>
<u>Hedging financial assets</u>				
<u>Fair value hedges</u>				
Interest rate futures contracts	<u>\$ 11.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11.0</u>
<u>Financial liabilities at FVTPL</u>				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 466.5</u>	<u>\$ -</u>	<u>\$ 466.5</u>

December 31, 2025				
	Level 1	Level 2	Level 3	Total
	NT\$	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)	(In Millions)
<u>Financial assets at FVTPL</u>				
Convertible preferred stocks	\$ -	\$ -	\$ 13,608.8	\$ 13,608.8
Mutual funds	-	-	1,297.5	1,297.5
Simple agreement for future equity	-	-	125.8	125.8
Forward exchange contracts	-	100.2	-	100.2
	<u>\$ -</u>	<u>\$ 100.2</u>	<u>\$ 15,032.1</u>	<u>\$ 15,132.3</u>
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments				
Corporate bonds	\$ -	\$ 88,636.1	\$ -	\$ 88,636.1
Agency mortgage-backed securities	-	49,150.8	-	49,150.8
Government bonds/ Agency bonds	25,437.5	-	-	25,437.5
Asset-backed securities	-	8,512.2	-	8,512.2
Investments in equity instruments				
Non-publicly traded equity investments	-	-	8,797.2	8,797.2
Publicly traded stocks	3,956.1	-	-	3,956.1
Notes and accounts receivable, net	-	7,695.1	-	7,695.1
	<u>\$ 29,393.6</u>	<u>\$ 153,994.2</u>	<u>\$ 8,797.2</u>	<u>\$ 192,185.0</u>
<u>Financial liabilities at FVTPL</u>				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 3,083.9</u>	<u>\$ -</u>	<u>\$ 3,083.9</u>
<u>Hedging financial liabilities</u>				
Fair value hedges				
Interest rate futures contracts	<u>\$ 0.8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.8</u>

Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were financial assets at FVTPL and equity investments classified as financial assets at FVTOCI. Reconciliations for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Balance, beginning of year	\$ 6,282.1	\$ 20,849.6	\$ 23,022.7
Additions	14,887.2	2,007.3	915.3
Recognized in profit or loss	12.3	(137.7)	353.1
Recognized in other comprehensive income or loss	262.4	(499.0)	1,251.8
Disposals and proceeds from return of capital of investments	(128.0)	(347.8)	(750.4)
Transfers out of level 3 (Note)	-	(164.9)	(89.7)
Effect of exchange rate changes	(466.4)	1,315.2	(873.5)
Balance, end of year	<u>\$ 20,849.6</u>	<u>\$ 23,022.7</u>	<u>\$ 23,829.3</u>

Note: The transfer from level 3 to level 1 is because quoted prices (unadjusted) in active markets data became available for the equity investments.

Valuation techniques and assumptions used in Level 2 fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of corporate bonds, agency bonds, agency mortgage-backed securities, asset-backed securities and government bonds are determined by quoted market prices provided by third party pricing services.
- The fair values of forward exchange contracts are measured using forward rates and discount rates derived from quoted market prices.
- The fair value of accounts receivable classified as at FVTOCI is determined by the present value of future cash flows based on the discount rate that reflects the credit risk of counterparties.

Valuation techniques and assumptions used in Level 3 fair value measurement

The fair values of convertible preferred stocks, convertible bonds, simple agreement for future equity, mutual funds and non-publicly traded equity investments are mainly determined by using the asset approach, income approach or market approach.

The asset approach takes into account the net asset value measured at the fair value. On December 31, 2024 and 2025, the Company uses unobservable inputs derived from discount for lack of marketability of 10%. When other inputs remain equal, the fair value will decrease by NT\$56.2 million and NT\$64.1 million, respectively, if discounts for lack of marketability increase by 1%.

The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. On December 31, 2024 and 2025, the Company mainly uses unobservable inputs, which include expected returns, discount rate of 8.6% and 8.9%, and discount for lack of marketability of 20%. On December 31, 2024 and 2025, with other inputs remain equal, if discount rate increases by 1%, the fair value will decrease by NT\$1,606.9 million and NT\$1,812.4 million, respectively; if

discount for lack of marketability increases by 1%, the fair value will decrease by NT\$140.8 million and NT\$133.6 million, respectively.

For the remaining few investments, the market approach is used to arrive at their fair values, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered.

3) Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company considers that the carrying amounts of financial instruments in the consolidated financial statements that are not measured at fair value approximate their fair values.

Fair value hierarchy

The table below sets out the fair value hierarchy for the Company's financial assets and liabilities which are not required to be measured at fair value:

December 31, 2024					
	Carrying Amount	Fair Value			
		Level 1	Level 2	Total	
Financial assets					
Financial assets at amortized costs					
Corporate bonds	\$ 171,980.2	\$ -	\$ 172,518.5	\$ 172,518.5	
Commercial paper	14,208.1	-	14,222.7	14,222.7	
Government bonds/Agency bonds	4,379.5	4,353.4	-	4,353.4	
	<u>\$ 190,567.8</u>	<u>\$ 4,353.4</u>	<u>\$ 186,741.2</u>	<u>\$ 191,094.6</u>	
Financial liabilities					
Financial liabilities at amortized costs					
Bonds payable	<u>\$ 983,752.5</u>	<u>\$ -</u>	<u>\$ 900,344.7</u>	<u>\$ 900,344.7</u>	
December 31, 2025					
	Carrying Amount	Fair Value			
		Level 1	Level 2	Total	
Financial assets					
Financial assets at amortized costs					
Corporate bonds	\$ 231,239.8	\$ -	\$ 232,259.2	\$ 232,259.2	
Government bonds/Agency bonds	4,213.5	4,284.6	-	4,284.6	
	<u>\$ 235,453.3</u>	<u>\$ 4,284.6</u>	<u>\$ 232,259.2</u>	<u>\$ 236,543.8</u>	
Financial liabilities					
Financial liabilities at amortized costs					
Bonds payable	<u>\$ 992,033.5</u>	<u>\$ -</u>	<u>\$ 939,475.3</u>	<u>\$ 939,475.3</u>	

Valuation techniques and assumptions used in Level 2 fair value measurement

The fair values of corporate bonds, the Company's bonds payable and agency bonds are determined by quoted market prices provided by third party pricing services.

The fair value of commercial paper is determined by the present value of future cash flows based on the discounted curves that are derived from the quoted market prices.

34. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between TSMC and its subsidiaries, which are related parties of TSMC, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of significant transactions between the Company and other related parties:

a. Related party name and categories

Related Party Name	Related Party Categories
GUC and its subsidiaries (GUC)	Associates
VIS and its subsidiaries (VIS)	Associates
SSMC	Associates
Xintec	Associates
TSMC Charity Foundation	Other related parties
TSMC Education and Culture Foundation	Other related parties

b. Net revenue

		Years Ended December 31		
		2023	2024	2025
		NT\$	NT\$	NT\$
		(In Millions)	(In Millions)	(In Millions)
<u>Item</u>	<u>Related Party Categories</u>			
Sales revenue	Associates	\$ 13,406.0	\$ 15,034.1	\$ 33,226.4

c. Purchases

		Years Ended December 31		
		2023	2024	2025
		NT\$	NT\$	NT\$
		(In Millions)	(In Millions)	(In Millions)
<u>Related Party Categories</u>				
Associates		\$ 4,562.2	\$ 4,619.6	\$ 4,991.6

d. Receivables from related parties

		December 31, 2024	December 31, 2025
		NT\$	NT\$
		(In Millions)	(In Millions)
<u>Item</u>	<u>Related Party Name</u>		
Receivables from related parties	GUC	\$ 610.0	\$ 1,651.0
	VIS	626.7	945.2
	Others	167.8	143.3
		<u>\$ 1,404.5</u>	<u>\$ 2,739.5</u>
Other receivables from related parties	VIS	\$ -	\$ 267.8
	SSMC	0.2	0.3
		<u>\$ 0.2</u>	<u>\$ 268.1</u>

e. Payables to related parties

		December 31, 2024	December 31, 2025
		NT\$	NT\$
		(In Millions)	(In Millions)
<u>Item</u>	<u>Related Party Name</u>		
Payables to related parties	Xintec	\$ 988.0	\$ 1,298.7
	SSMC	308.4	374.1
	Others	129.6	105.9
		<u>\$ 1,426.0</u>	<u>\$ 1,778.7</u>

f. Accrued expenses and other current liabilities

		December 31, 2024	December 31, 2025
		NT\$	NT\$
		(In Millions)	(In Millions)
<u>Item</u>	<u>Related Party Categories</u>		
Temporary receipts	Associates	<u>\$ 4,271.5</u>	<u>\$ 638.8</u>

g. Others

		Years Ended December 31		
		2023	2024	2025
		NT\$	NT\$	NT\$
		(In Millions)	(In Millions)	(In Millions)
<u>Item</u>	<u>Related Party Categories</u>			
Manufacturing expenses	Associates	<u>\$ 5,043.5</u>	<u>\$ 5,232.8</u>	<u>\$ 5,448.2</u>

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company leased factory and office from associates. The lease terms and prices were both determined in accordance with mutual agreements. The rental expenses were paid to associates monthly; the related expenses were both classified under manufacturing expenses.

h. Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	Years Ended December 31		
	2023	2024	2025
	NT\$	NT\$	NT\$
	(In Millions)	(In Millions)	(In Millions)
Short-term employee benefits	\$ 3,492.3	\$ 4,447.5	\$ 8,006.8
Post-employment benefits	3.9	3.8	3.3
Share-based payments	525.8	1,357.4	1,214.3
	<u>\$ 4,022.0</u>	<u>\$ 5,808.7</u>	<u>\$ 9,224.4</u>

The compensation to directors and other key management personnel were determined by the Compensation and People Development Committee of TSMC in accordance with the individual performance and market trends.

35. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of December 31, 2024 and 2025, the aforementioned other financial assets amounted to NT\$132.1 million and NT\$129.40 million, respectively.

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity provided TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of the end of reporting period, the R.O.C. Government did not invoke such right.
- b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and NXP B.V. are

required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of the end of reporting period.

- c. In February 2025, Longitude Licensing Ltd. and Marlin Semiconductor Limited (collectively, "Marlin") filed complaints with the U.S. International Trade Commission ("ITC") and the U.S. District Court for the Eastern District of Texas alleging that TSMC and its customers infringe five U.S. patents. The ITC instituted an investigation on March 21, 2025 and the lawsuit in the Eastern District Court for Texas was statutorily stayed on April 23, 2025 pending the ITC investigation. The outcome cannot be determined, and we cannot make a reliable estimate of the contingent liability at this time.
- d. TSMC entered into long-term purchase agreements of materials and supplies, manufacturing services and agreements of waste disposal with multiple suppliers. The relative minimum fulfillment quantity and price are specified in the agreements.
- e. TSMC entered into long-term purchase agreement of equipment and maintenance service. The relative fulfillment period, quantity and price are specified in the agreement.
- f. TSMC entered into long-term energy purchase agreements with multiple suppliers. The relative fulfillment period, quantity and price are specified in the agreements.
- g. Amounts available under unused letters of credit as of December 31, 2024 and 2025 were NT\$489.9 million and NT\$438.7 million, respectively.
- h. The Company entrusted financial institutions to provide performance guarantees mainly for import and export of goods, lease agreement and apply for subsidy. As of December 31, 2024 and 2025, the aforementioned guarantee amounted to NT\$10,315.6 million and NT\$23,375.2 million, respectively.

37. SIGNIFICANT LOSS FROM DISASTER

On April 3, 2024, an earthquake struck Taiwan. The resulting damage was mostly to inventories, plant facilities and machinery and equipment. In the second quarter of 2024, the Company recognized related earthquake losses to be approximately NT\$3 billion, net of insurance claim. Such losses were primarily included in the cost of revenue and other operating income and expenses in net amounts.

In January 2025, several earthquakes struck Taiwan. The resulting damage was mostly to inventories, machinery and equipment. In the first quarter of 2025, the Company recognized related earthquake losses to be approximately NT\$5.3 billion, net of insurance claim. Such losses were primarily included in the cost of revenue and other operating income and expenses in net amounts.

38. OPERATING SEGMENTS INFORMATION

a. Operating segments, segment revenue and operating results

TSMC's chief operating decision makers periodically review operating results, focusing on operating income generated by foundry segment. Operating results are used for resource allocation and/or performance assessment. As a result, the Company has only one operating segment, the foundry segment. The foundry segment engages mainly in the manufacturing, sales, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The basis for the measurement of income from operations is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

b. Geographic and major customers' information were as follows:

1) Geographic information

	December 31, 2024	December 31, 2025
	NT\$	NT\$
Noncurrent Assets	(In Millions)	(In Millions)
Taiwan	\$ 2,613,112.2	\$ 3,102,343.0
United States	541,836.3	540,057.4
Japan	126,600.6	117,403.2
China	82,405.8	65,019.9
Europe, the Middle East and Africa	19,150.1	51,515.1
Others	1.4	1.2
	<u>\$ 3,383,106.4</u>	<u>\$ 3,876,339.8</u>

Noncurrent assets include property, plant and equipment, right-of-use assets, intangible assets and other noncurrent assets.

2) Major customers representing at least 10% of net revenue

Years Ended December 31						
2023			2024		2025	
Amount	%		Amount	%	Amount	%
NT\$			NT\$		NT\$	
(In Millions)			(In Millions)		(In Millions)	
Customer A	NA (Note)	NA	\$ 352,271.2	12	\$726,974.3	19
Customer B	546,550.9	25	624,345.5	22	645,178.7	17
Customer C	241,152.4	11	NA (Note)	NA	NA (Note)	NA

Note: Revenue less than 10% of the Company's net revenue.

ARTICLES OF INCORPORATION

OF

TAIWAN SEMICONDUCTOR MANUFACTURING
COMPANY LIMITED

Section I - General Provisions

Article 1

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 台灣積體電路製造股份有限公司 in the Chinese language, and Taiwan Semiconductor Manufacturing Company Limited in the English language.

Article 2

The scope of business of the Corporation shall be as follows:

1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.
Provision of packaging and testing services related to the above services.
Providing computer assisted design services and technology for integrated circuits.
Providing mask making and mask design services.
(CC01080 Electronics Components Manufacturing)
2. Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems.
(CC01080 Electronics Components Manufacturing)
(CC01040 Lighting Equipment Manufacturing)
3. Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic modules and their related systems and applications.
(CC01080 Electronics Components Manufacturing)
(IG03010 Energy Technical Services)
(CC01090 Manufacture of Batteries and Accumulators)
4. Selling recycled and processed chemical, metal, plastic and other industrial products, and fertilizer derived from the Corporation's operating activities.
(C801990 Other Chemical Materials Manufacturing)
(C802990 Other Chemical Products Manufacturing)
(CA02990 Other Metal Products Manufacturing)
(C805990 Other Plastic Products Manufacturing)

(C801110 Fertilizer Manufacturing)

(CZ99990 Manufacture of Other Industrial Products Not Elsewhere Classified)

Article 3

The Corporation shall have its head office in Hsinchu Science Park, Taiwan, Republic of China, and shall be free, upon approval of government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

Article 4

Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations of the Republic of China.

Article 5

The Corporation may provide endorsement and guarantee and act as a guarantor.

Article 6

The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

Section II - Capital Stock

Article 7

The total capital stock of the Corporation shall be in the amount of 280,500,000,000 New Taiwan Dollars, divided into 28,050,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

The Corporation may issue employee stock options from time to time. A total of 500,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

Where the Corporation issues employee restricted shares, qualified employees of its subsidiaries may be eligible for the granting of such shares.

Article 8

The Corporation may issue shares without printing share certificate(s). If the Corporation decides to print share certificates for shares issued, the Corporation shall comply with relevant provisions of the Company Law and relevant rules and regulations of the Republic of China.

Article 9

The share certificates of the Corporation shall all be name-bearing share certificates, and issued in accordance with the Company Law and relevant rules and regulations of the Republic of China.

Article 10

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the “Guidelines for Stock Operations for Public Companies” unless specified otherwise by law and securities regulations.

Article 11

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

Article 12

Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

Shareholders' meetings of the Corporation may be held through remote video conferencing, or in other forms as and to the extent permitted by relevant government authorities in charge.

Article 13

All shareholders shall receive notice for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the notices given to the shareholders. Notices shall be in Chinese, and English when necessary.

Article 14

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. According to regulatory requirements, shareholders may also vote via an electronic voting system, and those who do shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.

Article 15

Each share of stock shall be entitled to one vote.

Article 16

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law and other relevant laws, rules and regulations. Unless otherwise stipulated by applicable laws or regulations, a representative does not need to be a shareholder of the Corporation.

Article 17

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, either the Vice Chairman of the Board of Directors, or one of the Directors shall preside in accordance with Article 208 of the Company Law.

Article 18

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Corporation. The minutes shall be drafted in both the Chinese language and the English language.

Section III - Directors

Article 19

The Corporation shall have seven to ten Directors. The Board of Directors is authorized to determine the number of Directors.

The aforesaid Board of Directors must have at least three independent directors, and independent directors must make up at least one third of the Board.

Article 19-1

For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors.

Directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the Company Law. The nomination of directors and related announcement shall comply with the relevant regulations of the Company Law and the Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.

Article 19-2

In compliance with Articles 14-4 of the Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Law, the Securities and Exchange Law and other relevant regulations.

Article 20

The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election, subject to the limitations imposed by relevant laws, rules and regulations regarding the tenure limits of independent directors.

Article 21

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

Article 22

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall not have a second or casting vote at any meeting of the Board of Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

Article 23

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least fourteen days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The meeting of the Board of Directors shall be held at least once every quarter. Such prescribed notices may be waived in writing by any Director, either before or after the meeting. The meetings of the Board of Directors may be convened, at any time, without such prescribed notice in case of urgent circumstances. Notices shall be written in both the Chinese language and the English language. Personal attendance at a meeting will represent a waiver of the notice. Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

Article 24

The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. In addition, the Chairman shall have the right to execute documents in accordance with the resolutions of the Board of Directors in the name and on behalf of the Corporation as well as acting on behalf of the Board pursuant to Board resolutions and the Corporation's objectives when the Board is not in session. In his absence, the Vice Chairman of the Board of Directors, or any one of the Directors shall be acting for him according to Article 208 of the Company Law.

Article 25

A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

Article 26

The Directors shall exercise their functions by resolutions adopted at meetings of Shareholders and the Board of Directors.

Article 27

In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors shall serve the remaining term of the predecessors.

Article 28

The Board of Directors is authorized to determine the salary for the Chairman, Vice Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

Section IV - Management of the Corporation

Article 29

The Corporation may, by resolution of the Board of Directors, appoint one or more Chief Executive Officer, President(s), Vice President(s) or such other officers to meet the Corporation's operational or managerial needs.

The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Quarterly statements and year-end statements shall be furnished within the deadline set forth in relevant laws, rules and regulations. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, and shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

Article 30

The Chief Executive Officer reports to the Board of Directors. The President(s), Vice President(s) and other officers shall perform such duties as designated by the Chief Executive Officer or the Board of Directors.

Article 31

Subject to the provisions of the Company Law of the Republic of China and these Articles of Incorporation, all actions of the Corporation's employees shall be in conformance with, and in furtherance of, the directions of the Board of Directors.

Section V - Financial Reports

Article 32

The fiscal year for the Corporation shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning the Distribution of Earnings or Covering of Losses.

Article 33

The distribution of earnings or the covering of losses may be made on a quarterly basis after the close of each quarter. When the earnings are to be distributed in cash, the distribution shall be approved by the Board of Directors in accordance with Article 228-1 and Paragraph V of Article 240 of the Company Law and reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for acceptance.

The Corporation shall not pay dividends or bonuses to shareholders when there are no earnings. When allocating the earnings, the Corporation shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings provided that the amount of accumulated legal capital reserve has not reached the amount of the paid-in capital of the Corporation, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.

Before paying dividends or bonuses to shareholders, the Corporation shall set aside not more than 0.3% of its profits of the period for which the Corporation distributes the earnings as compensation to its directors and not less than 1% as profit sharing bonuses to its employees (among which not less than 30% as profit sharing bonuses to entry-level employees); provided, however, that the Corporation shall have reserved a sufficient amount to offset its accumulated losses. Directors' compensation is governed by the rules set by the Board of Directors; directors who also serve as executive officers of the Corporation are not entitled to receive compensation to directors. Employees' profit sharing bonuses are resolved by a majority vote at a Board of Directors meeting attended by at least two-thirds of the total number of directors and shall be reported to the shareholders' meeting. The Corporation may issue profit sharing bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors.

After the Corporation has set aside the capital reserves pursuant to the second Paragraph of this Article, the balance left over shall be allocated according to the applicable laws and regulations, the relevant rules set forth herein, and the following principles: Earnings may be distributed in total after taking into consideration financial, business and operational factors. Earnings of the Corporation may be distributed by way of cash dividend and/or stock dividend. Since the Corporation is in a capital-intensive industry at the steady growth stage of its business, distribution of earnings shall be made preferably by way of cash dividend. Distribution of earnings may also be made by way of stock dividend, provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

In case there are no earnings for distribution, or the earnings are far less than the earnings actually distributed by the Corporation previously, or considering the financial, business or operational factors of the Corporation, the Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge. When the reserves are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with Article 241 of the Company Law and reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for acceptance.

Section VI - Supplementary Provisions

Article 34

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

Article 35

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

Article 36

These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, the twenty-second Amendment on June 7, 2016, the twenty-third Amendment on June 8, 2017, the twenty-fourth Amendment on June 5, 2018, the twenty-fifth Amendment on June 5, 2019, the twenty-sixth Amendment on June 8, 2022, the twenty-seventh Amendment on June 4, 2024, and the twenty-eighth Amendment on June 3, 2025.

**DESCRIPTION OF SECURITIES
REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT**

As of December 31, 2025, Taiwan Semiconductor Manufacturing Company Limited (“TSMC”, the “Company”, “we”, “us” and “our”) had the following series of securities registered pursuant to Section 12 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”):

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Shares, par value NT\$10.00 each*	TSM	The New York Stock Exchange, Inc.
American Depositary Shares, each representing five (5) Common Shares	TSM	The New York Stock Exchange, Inc.
Guaranteed Notes due 2026	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2031	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2041	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2051	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2027	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2029	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2032	N/A	Singapore Exchange Securities Trading Limited
Guaranteed Notes due 2052	N/A	Singapore Exchange Securities Trading Limited

* Not for trading and registered only in connection with the registration of the American Depositary Shares (“ADS”) representing such common shares, pursuant to the requirement of the U.S. Securities and Exchange Commission (the “SEC”).

Capitalized terms used but not defined herein have the meanings given to them in TSMC’s annual report on Form 20-F for the fiscal year ended December 31, 2025 (the “2025 Form 20-F”). Section headings referenced herein are to those set forth in the 2025 Form 20-F.

A. Description of Common Shares

The following description of our common shares is a summary and does not purport to be complete. This summary is subject to and qualified in its entirety by reference to our Articles of Incorporation, the R.O.C. Company Act, the R.O.C. Securities and Exchange Law and the regulations promulgated thereunder, each as amended from time to time. See also “Item 10. Additional Information – Description of Common Shares”.

Title and Class

Our authorized share capital is NT\$280,500,000,000, divided into 28,050,000,000 common shares (par value NT\$10.00 each). See “Item 10. Additional Information – Description of Common Shares – General”.

Dividend Rights

See “Item 10. Additional Information – Description of Common Shares – Dividends and Distributions”.

Redemption of Shares

See “Item 10. Additional Information – Description of Common Shares – Acquisition of Common Shares by Us”.

Voting Rights

See “Item 10. Additional Information – Description of Common Shares – Voting Rights”.

Liquidation Rights

See “Item 10. Additional Information – Description of Common Shares – Liquidation Rights”.

Preemption Rights

See “Item 10. Additional Information – Description of Common Shares – Preemptive Rights and Issues of Additional Common Shares”.

Limitations on the Rights to Own Shares

See “Item 10. Additional Information – Foreign Investment in the R.O.C.”.

Provisions Affecting Any Change of Control

See “Item 10. Additional Information – Description of Common Shares – Other Rights of Shareholders” relating to appraisal rights under the R.O.C. Company Act and other shareholder rights.

Transfer Restrictions

See “Item 10. Additional Information – Description of Common Shares – Transaction Restrictions”.

Amendments to Shareholder Rights

See “Item 10. Additional Information – Description of Common Shares – Voting Rights”.

B. Description of the ADSs

The following description of our ADSs is a summary and does not purport to be complete. This summary is subject to and qualified in its entirety by reference to our registration statement on Form F-6, filed with the SEC on November 16, 2007, including any exhibits thereto. In the following description, references to “you” are to the person registered with the Depositary (as defined below).

General

We have appointed Citibank, N.A. (the “Depositary”) as the depositary bank for our ADSs pursuant to the Deposit Agreement, entered into among us, the Depositary and the holders and owners of beneficial interests in our ADSs (the “Deposit Agreement”). The Depositary’s offices are located at 388 Greenwich Street, 26th Floor, New York, NY 10013. The Depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A. Taipei Branch, located at 7F, No. 16, Nanking E. Road, Section 4, Taipei, Taiwan, R.O.C.

Each ADS represents ownership of five common shares on deposit with the custodian. The ADSs are normally evidenced by certificates that are commonly known as American Depositary Receipts (“ADRs”). If you become an owner of ADSs, you will become a party to the Deposit Agreement and therefore will be bound to its terms and to the terms of the ADR that represents your ADSs. As a holder of ADSs, you appoint the Depositary to act on your behalf in certain circumstances.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name or through a brokerage or safekeeping account. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as an ADS owner. Please consult with your broker or bank to determine what those procedures are. This summary description assumes you have opted to own the ADSs directly by means of an ADR registered in your name and, as such, we will refer to you as the “holder”. When we refer to “you”, we assume the reader owns ADSs or will own ADSs at the relevant time.

Voting Rights and Procedures

See “Item 10. Additional Information – Voting of Deposited Securities”.

Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations, legal limitations and the terms of the Deposit Agreement. Holders will receive such distributions under the terms of the Deposit Agreement in proportion to the number of ADSs held as of a specified record date.

Distributions of Cash. Whenever we make a cash distribution for the securities on deposit with the custodian, the Depositary will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders subject to any restrictions imposed by applicable laws and regulations.

The conversion into U.S. dollars will take place only if practicable and only if the U.S. dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement.

Distributions of Shares. Subject to applicable laws, whenever we declare a dividend in or make a free distribution of common shares for the securities on deposit with the custodian, the Depositary may, and will upon our request, distribute to holders new ADSs representing the common shares deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution. If additional ADSs are not distributed, the ADS-to-common share ratio will be modified subject to applicable R.O.C. law, in which case each ADS you hold will represent rights and interests in the additional common shares so deposited.

The distribution of new ADSs or the modification of the ADS-to-common share ratio upon a distribution of common shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the new common shares so distributed.

No such distribution of new ADSs or modification of the ADS-to-common share ratio will be made if it would violate a law (i.e., U.S. securities laws). If the Depositary does not distribute new ADSs or modify the ADS-to-common share ratio as described above, it is expected to use its best efforts to sell the common shares received and would distribute the proceeds of the sales as in the case of a distribution in cash.

Distributions of Rights. Subject to applicable laws, whenever we distribute rights to purchase additional common shares, we will assist the Depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The Depositary will establish procedures to distribute rights to purchase additional ADSs to holders if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the Deposit Agreement (including opinions to address the legality of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights.

In circumstances in which rights would not otherwise be distributed, if you request the distribution of warrants or other instruments in order to exercise the rights allocable to your ADSs, the Depositary will make such rights

available to you as allowed by applicable law upon written notice from us. Our notice to the Depositary must indicate that:

- we have elected in our sole discretion to permit the rights to be exercised; and
- you have executed such documents as we have determined in our sole discretion are reasonably required under applicable law.

The Depositary may sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be allocated to the account of the holders otherwise entitled to the rights. If the Depositary is unable to sell the rights, it will allow the rights to lapse.

Other Distributions. Subject to applicable laws, whenever we distribute property other than cash, common shares or rights in respect of the deposited securities, the Depositary will determine whether such distribution to holders is feasible. If it is feasible to distribute such property to you, the Depositary will distribute the property to the holders in a manner it deems practicable. If the Depositary considers such distribution not to be feasible, it may sell all or a portion of the property received. The proceeds of such a sale will be distributed to holders as in the case of a distribution in cash.

Any distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement.

Transmittal of Notices, Reports and Communications

The Depositary will make available for inspection by holders at its principal office any reports and communications received from us which are both (a) received by the Depositary as representative of the holder of record of the deposited securities, and (b) made generally available to the holders of such deposited securities by us. The Depositary will also promptly provide or make available to the holders copies of such reports and communications when furnished by us pursuant to the Deposit Agreement. In addition, we are subject to the periodic reporting requirements of the Exchange Act and, accordingly, file certain reports with the SEC. Such reports and documents can be retrieved from the SEC's website (www.sec.gov).

Issuance of ADSs upon Deposit of Common Shares

Under current R.O.C. law, no deposit of common shares may be made into the depositary facility, and no ADSs may be issued against such deposits, without specific approval by the R.O.C. Financial Supervisory Commission, except in connection with (i) dividends on or free distributions of common shares, (ii) the exercise by holders of existing ADSs of their pre-emptive rights in connection with rights offerings or (iii) if permitted under the Deposit Agreement and the custodian agreement, the deposit of common shares purchased by any person directly or through the Depositary on the Taiwan Stock Exchange or the Taipei Exchange (formerly the Gre Tai Securities Market) (as applicable) or held by such person for deposit in the depositary facility; provided that the total number of ADSs outstanding after an issuance described in clause (iii) above does not exceed the number of issued ADSs previously approved by the R.O.C. Financial Supervisory Commission (plus any ADSs created pursuant to clauses (i) and (ii) above) and subject to any adjustment in the number of common shares represented by each ADS. Under current R.O.C. law, issuances under clause (iii) above will be permitted only to the extent that previously issued ADSs have been cancelled and the underlying shares have been withdrawn from the ADR facility. The Depositary will refuse to accept common shares for deposit pursuant to clause (iii) unless it receives satisfactory legal opinions as described in the Deposit Agreement. In addition, the Depositary may, or if so directed by us, will, refuse to accept common shares for deposit whenever we have notified the Depositary that (i) there are outstanding common shares with rights, including rights to dividends, that are different from the common shares held by the Depositary, (ii) we have restricted the transfer of these common shares to comply with delivery, transfer or ownership restrictions referred to in the Deposit Agreement or under applicable law or otherwise or (iii) we have otherwise restricted the deposit of common shares pursuant to the Deposit Agreement.

The Depositary may create ADSs on your behalf if you or your broker deposits common shares with the custodian and meets the foregoing requirements. The Depositary will deliver these ADSs to the person you indicate only after

you pay any applicable fees, charges and taxes payable for the transfer of the common shares to and the issuance and delivery of the ADSs by the Depositary or custodian.

The issuance of ADSs may be delayed until the Depositary or the custodian receives confirmation that all required approvals have been given and that the common shares have been duly transferred to the custodian. The Depositary will only issue ADSs in whole numbers.

When you make a deposit of common shares, you will be responsible for transferring good and valid title to the Depositary. As such, you will be deemed to represent and warrant that:

- the common shares are duly and validly authorized, issued and outstanding, fully paid and non-assessable and free of any preemptive rights;
- you are duly authorized to deposit the common shares; and
- the common shares are not restricted securities and your deposit of common shares is not restricted by United States federal securities laws and does not violate the Deposit Agreement.

If any of the representations or warranties are incorrect in any way, we and the Depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Changes Affecting Common Shares

The common shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, consolidation or reclassification of such common shares, or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the common shares held on deposit. The Depositary may in such circumstances deliver new ADSs to you or call for the exchange of your existing ADSs for new ADSs. If the Depositary may not lawfully distribute such property to you, the Depositary may sell such property and distribute the net proceeds to you in cash.

Amendments and Termination

We may agree with the Depositary to modify the Deposit Agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would prejudice any of their substantial rights under the Deposit Agreement (except in very limited circumstances enumerated in the Deposit Agreement).

You will be bound by the modifications to the Deposit Agreement if you continue to hold your ADSs after the modifications to the Deposit Agreement become effective. The Deposit Agreement cannot be amended to prevent you from withdrawing the common shares represented by your ADSs (except to comply with applicable law).

We have the right to direct the Depositary to terminate the Deposit Agreement. Similarly, the Depositary may in certain circumstances on its own initiative terminate the Deposit Agreement. In either case, the Depositary must give notice to the holders at least 60 days before termination.

Upon termination, the following will occur under the Deposit Agreement:

- for a period of six months after termination, you will be able to request the cancellation of your ADSs and the withdrawal of the common shares represented by your ADSs and the delivery of all other property held by the Depositary in respect of those common shares on the same terms as prior to the termination. During this six-month period, the Depositary will continue to collect all distributions received on the common shares on deposit (i.e., dividends) but will not distribute any property to you until you request the cancellation of your ADSs; and
- after the expiration of the six-month period, the Depositary may sell the securities held on deposit. The Depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in

a non-interest bearing account. At that point, the Depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding.

Rights to Inspect the Books of the Depositary and the List of Holders

The Depositary will maintain ADS holder records at its depositary office. You may inspect such records at that office during regular business hours, but solely for the purpose of communicating with other holders in the interest of our business or matters relating to the ADSs and the Deposit Agreement.

The Depositary will maintain in The City of New York facilities to record and process the execution and delivery, registration, registration of transfers and surrender of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Withdrawal of Common Shares Upon Cancellation of ADSs

You may withdraw and hold the common shares represented by your ADSs unless you are a citizen of the PRC, or an entity organized under the laws of the PRC or request the Depositary to sell the common shares represented by your ADSs. If you are a non-R.O.C. person and elect to withdraw common shares and hold the withdrawn common shares, you will be required to appoint a tax guarantor as well as an agent and a custodian in the R.O.C.

In order to withdraw the common shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the common shares being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once cancelled, the ADSs will not have any rights under the Deposit Agreement.

If you hold any ADSs registered in your name, the Depositary may ask you to provide proof of citizenship, residence, tax payer status, exchange control approval, payment of taxes and other governmental charges, compliance with applicable laws and regulations and certain other documents as the Depositary may deem appropriate before it will effect any withdrawal of the common shares represented by such ADS. The withdrawal of the common shares represented by your ADSs may be delayed until the Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. If the common shares are withdrawn to or for the account of any person other than the person receiving the proceeds from the sale of ADSs, such evidence may include the disclosure of:

- your name;
- the name and nationality (and the identity number, if such person is an R.O.C. citizen) of any person in whose name the common shares you are withdrawing will be registered;
- the number of common shares such person will receive upon such withdrawal;
- the aggregate number of common shares such person has received upon all withdrawals since the establishment of the depositary facility; and
- any other information that we or the Depositary may deem necessary or desirable to comply with any R.O.C. disclosure or reporting requirements.

The Depositary will only accept ADSs for cancellation that represent a whole number of common shares on deposit. If you surrender a number of ADSs for withdrawal representing other than a whole number of common shares the Depositary will either return the number of ADSs representing any remaining fractional common shares or sell the common shares represented by the ADSs you surrendered and remit the net proceeds of that sale to you as in the case of a distribution in cash.

You will have the right to withdraw the securities represented by your ADSs at any time subject to the requirements listed above and:

- temporary delays that may arise because (i) the transfer books for the shares or ADSs are closed, or (ii) common shares are immobilized on account of a shareholders' meeting, a payment of dividends or rights offering;

- obligations to pay fees, taxes and similar charges; and
- restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The Deposit Agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Pre-Release Transactions

The Depositary may, to the extent permitted by applicable laws and regulations, issue ADSs before receiving a deposit of common shares. These transactions are commonly referred to as “pre-release transactions”. The Deposit Agreement limits the aggregate size of pre-release transactions and imposes a number of conditions on such transactions (i.e., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The Depositary may retain the compensation received from the pre-release transactions.

Limitations on Obligations and Liabilities

The Deposit Agreement is governed by New York law. However, our obligations to the holders of common shares will continue to be governed by the laws of the R.O.C., which may be different from the laws in the United States. The Deposit Agreement limits our obligations and the Depositary’s obligations to you. Please note the following:

- We and the Depositary are obligated only to take the actions specifically stated in the depositary agreement without negligence and in good faith.
- The Depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the Deposit Agreement.
- The Depositary disclaims any liability to monitor or enforce our obligations under the Deposit Agreement, including our obligation to replace the certificate of payment in respect of common shares.
- We and the Depositary will not be obligated to perform any act that is not set forth in the Deposit Agreement.
- We and the Depositary disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our Articles of Incorporation, any provision of any securities on deposit or by reason of any act of God or war or other circumstances beyond our control.
- We and the Depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement.
- We and the Depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting common shares for deposit, any holder of ADSs or authorized representative thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the Depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of common shares but is not, under the terms of the Deposit Agreement, made available to that holder.
- We and the Depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

C. Description of the Guaranteed Notes due 2026, the Guaranteed Notes due 2031, the Guaranteed Notes due 2041, the Guaranteed Notes due 2051, the Guaranteed Notes due 2027, the Guaranteed Notes due 2029, the Guaranteed Notes due 2032 and the Guaranteed Notes due 2052

The 1.750% notes due 2026 (the “Guaranteed Notes due 2026”), the 2.500% notes due 2031 (the “Guaranteed Notes due 2031”), the 3.125% notes due 2041 (the “Guaranteed Notes due 2041”), the 3.250% notes due 2051 (the “Guaranteed Notes due 2051”), the 3.875% notes due 2027 (the “Guaranteed Notes due 2027”), the 4.125% notes due 2029 (the “Guaranteed Notes due 2029”), the 4.250% notes due 2032 (the “Guaranteed Notes due 2032”), and the 4.500% notes due 2052 (the “Guaranteed Notes due 2052”, and, together with the Guaranteed Notes due 2026, the Guaranteed Notes due 2031, the Guaranteed Notes due 2041, the Guaranteed Notes due 2051, the Guaranteed

Notes due 2027, the Guaranteed Notes due 2029 and the Guaranteed Notes due 2032, the “Notes”) are issued by TSMC Arizona Corporation (the “Issuer”) under an indenture (the “Indenture”), dated as of October 18, 2021, among itself, Taiwan Semiconductor Manufacturing Company Limited, as guarantor (the “Guarantor”) and Citibank, N.A., as trustee (the “Trustee”). The Notes are unconditionally and irrevocably guaranteed (the “Guarantees”) as to payment of principal, interest and premium, if any, by the Guarantor. The following description is a summary of the material provisions of the Indenture, the Notes and the Guarantees, does not purport to be complete and is qualified in its entirety by reference to the provisions thereof. Capitalized terms used and not defined herein have the meanings assigned to them in the Indenture, the Notes and the Guarantees, as applicable.

The Notes have the respective maturity dates, interest rates and interest payment dates as specified in the table below.

Notes	Interest Rate	Maturity Date	Interest Accrues From	Interest Payment Date(s)
1.750% Guaranteed Notes due 2026	1.750%	October 25, 2026	October 25, 2021	April 25 and October 25
2.500% Guaranteed Notes due 2031	2.500%	October 25, 2031	October 25, 2021	April 25 and October 25
3.125% Guaranteed Notes due 2041	3.125%	October 25, 2041	October 25, 2021	April 25 and October 25
3.250% Guaranteed Notes due 2051	3.250%	October 25, 2051	October 25, 2021	April 25 and October 25
3.875% Guaranteed Notes due 2027	3.875 %	April 22, 2027	April 22, 2022	April 22 and October 22
4.125% Guaranteed Notes due 2029	4.125 %	April 22, 2029	April 22, 2022	April 22 and October 22
4.250% Guaranteed Notes due 2032	4.250 %	April 22, 2032	April 22, 2022	April 22 and October 22
4.500% Guaranteed Notes due 2052	4.500 %	April 22, 2052	April 22, 2022	April 22 and October 22

The Guaranteed Notes due 2026 will mature on October 25, 2026, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, the Guaranteed Notes due 2031 will mature on October 25, 2031, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, the Guaranteed Notes due 2041 will mature on October 25, 2041, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, the Guaranteed Notes due 2051 will mature on October 25, 2051, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, the Guaranteed Notes due 2027 will mature on April 22, 2027, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, the Guaranteed Notes due 2029 will mature on April 22, 2029, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, the Guaranteed Notes due 2032 will mature on April 22, 2032, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture, and the Guaranteed Notes due 2052 will mature on April 22, 2052, unless redeemed prior to their maturity pursuant to the terms thereof and of the Indenture. The Guaranteed Notes due 2026 bear interest at the rate of 1.750% per annum, the Guaranteed Notes due 2031 bear interest at the rate of 2.500% per annum, the Guaranteed Notes due 2041 bear interest at the rate of 3.125% per annum, and the Guaranteed Notes due 2051 bear interest at the rate of 3.250% per annum, in each case, payable semi-annually in arrears on April 25 and October 25 of each year, beginning on April 25, 2022, to the persons in whose names the Guaranteed Notes due 2026, the Guaranteed Notes due 2031, the Guaranteed Notes due 2041 and the Guaranteed Notes due 2051 are registered at the close of business on the preceding April 10 and October 10, respectively. The Guaranteed Notes due 2027 bear interest at the rate of 3.875% per annum, the Guaranteed Notes due 2029 bear interest at the rate of 4.125% per annum, the Guaranteed Notes due 2032 bear interest at the rate of 4.250% per annum, and the Guaranteed Notes due 2052 bear interest at the rate of 4.500% per annum, in each case, payable semi-annually in arrears on April 22 and October 22 of each year, beginning on October 22, 2022, to the persons in whose names the Guaranteed Notes due 2027, the Guaranteed Notes due 2029, the Guaranteed Notes due 2032 and the Guaranteed Notes due 2052 are registered at the close of business on the preceding April 7 and October 7, respectively. At maturity, the Notes are payable at their principal amount plus accrued and unpaid interest thereon.

In any case where the payment of principal of, or interest on, the Notes is due on a date that is not a New York Business Day, then payment of principal of or interest on the Notes, as the case may be, will be made on the next succeeding New York Business Day and no interest will accrue with respect to such payment for the period from and after such date that is not a New York Business Day to such next succeeding New York Business Day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes will not be subject to, nor entitled to the benefit of, any sinking fund.

No service charge will be made for any registration of transfer or exchange of the Notes, but the Issuer, the Guarantor, the transfer agent or the registrar may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith. The Guarantor fully, unconditionally and irrevocably guarantee to each holder of a Guaranteed Note due 2026, each holder of a Guaranteed Note due 2031, each holder of a Guaranteed Note due 2041, each holder of a Guaranteed Note due 2051, each holder of a Guaranteed Note due 2027, each holder of a Guaranteed Note due 2029, each holder of a Guaranteed Note due 2032, and each holder of a Guaranteed Note due 2052, the full and prompt payment of the principal of, and premium (if any) and interest on, such Notes (including any Additional Amounts payable in respect thereof) when and to the extent that such amounts shall become due and payable as provided in such Notes.

The principal of, interest on, and all other amounts payable under the Notes will be payable, and the Notes may be exchanged or transferred, at the office or agency of the Issuer which initially will be the corporate office of the Trustee, as paying agent, transfer agent and registrar (collectively in such capacities, the “Agents”), located at 388 Greenwich Street, New York, NY 10013. The principal of, premium (if any) and interest on the Notes will be payable in U.S. dollars (or in such other coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts) in immediately available funds. Payments of interest, premium (if any) and principal with respect to interests in the Global Notes will be credited to the accounts of the holders of such interests with DTC, Euroclear or Clearstream, as the case may be.

Ranking

The Notes:

- constitute senior unsecured obligations of the Issuer;
- at all times rank *pari passu* and without any preference or priority among themselves and at least equally with all other present and future senior unsecured obligations of the Issuer, except as may be required by mandatory provisions of law;
- are senior in right of payment to all future subordinated obligations of the Issuer; and
- are effectively subordinated to secured obligations of the Issuer, to the extent of the assets serving as security therefor.

Further Issues

In accordance with the terms of the Indenture, the Issuer may, from time to time, without the consent of the holders of the Notes, create and issue further securities having the same terms and conditions as each series of the Notes in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions). Additional Notes issued in this manner will be consolidated and form a single series with the previously outstanding Notes of the relevant series to constitute a single series of Notes. The Issuer may only issue any Additional Notes of each series with the same CUSIP number as the relevant series of Notes issued hereunder if such further issuance would be treated as part of the same “issue” as the relevant series of Notes issued hereunder within the meaning of United States Treasury regulation section 1.1275-1(f) or 1.1275-2(k) or would otherwise be fungible with the relevant series of Notes issued hereunder for United States federal income tax purposes.

The Guarantees

The Guarantor will fully, unconditionally and irrevocably guarantee to each holder of a Guaranteed Note due 2026, each holder of a Guaranteed Note due 2031, each holder of a Guaranteed Note due 2041, each holder of a Guaranteed Note due 2051, each holder of a Guaranteed Note due 2027, each holder of a Guaranteed Note due

2029, each holder of a Guaranteed Note due 2032, and each holder of a Guaranteed Note due 2052, the full and prompt payment of the principal of, and premium (if any) and interest on, such Notes (including any Additional Amounts payable in respect thereof) when and as the same shall become due and payable as provided in such Notes. The Guarantor will (i) agree that its obligations under the Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (ii) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the holders of the Notes under the Guarantees will be reinstated with respect to such payments as though such payment had not been made. Each Guarantee constitutes a separate obligation of the Guarantor and will relate solely to the payment of the principal of, and premium (if any) and interest on, the relevant series of Notes (including any Additional Amounts payable in respect thereof).

The Guarantees:

- constitute senior unsecured obligations of the Guarantor;
- at all times rank at least equally with all other present and future senior unsecured obligations of the Guarantor, except as may be required by mandatory provisions of law;
- are senior in right of payment to all future subordinated obligations of the Guarantor; and
- are effectively subordinated to secured obligations of the Guarantor, to the extent of the assets serving as security therefor.

The Guarantor will be released from and relieved of its obligations under a Guarantee in the event (i) of repayment in full of the relevant series of Notes; or (ii) that there is a Legal Defeasance of the relevant series of Notes, provided that the transaction is otherwise carried out pursuant to and in accordance with all other applicable provisions of the Indenture.

No release of the Guarantor from its obligations under a Guarantee will be effective against the Trustee or the holders of the relevant series of Notes until the Issuer has delivered to the Trustee an Officers' Certificate and the opinion of Independent Legal Counsel, each stating that all covenants and conditions precedent relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Tax Redemption

Each series of Notes may be redeemed at any time, at the option of the Issuer, in whole but not in part, upon notice as described below, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but not including, the date fixed for redemption (for the avoidance of doubt, along with Additional Amounts, if any, then due and which will become due on the date fixed for redemption), if (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (or, in the case of Additional Amounts payable by a successor Person to the Issuer or the Guarantor, the applicable Successor Jurisdiction), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (or, in the case of Additional Amounts payable by a successor Person to the Issuer or the Guarantor, the date on which such successor Person became such pursuant to the applicable provisions of the Indenture), the Issuer or the Guarantor or any such successor Person is, or would be, obligated to pay Additional Amounts upon the next payment of principal or interest in respect of such Notes or the next payment under the relevant Guarantee, as applicable, and (ii) such obligation cannot be avoided by the Issuer or the Guarantor or such successor Person, as applicable, taking reasonable measures available to it.

Prior to the giving of any notice of redemption of a series of Notes pursuant to the foregoing, the Issuer or the Guarantor or any such successor Person to the Issuer or the Guarantor, as applicable, shall deliver to the Trustee (i) a notice of such redemption election, (ii) an opinion of an Independent Legal Counsel or an opinion of an Independent Tax Consultant to the effect that the Issuer or the Guarantor or any such successor Person is, or would become, obligated to pay such Additional Amounts as the result of a Tax Change and (iii) an Officers' Certificate of the Issuer or the Guarantor or such successor Person, stating that such amendment or change has occurred, describing the facts leading thereto and stating that such requirement cannot be avoided by the Issuer or the Guarantor or the relevant successor Person, as applicable, taking reasonable measures available to it.

Notice of redemption of a series of Notes as provided above shall be given to the holders (with a copy to the Trustee) not less than 10 nor more than 60 days prior to the date fixed for redemption. Notice having been given, the relevant Notes shall become due and payable on the date fixed for redemption and will be paid at the redemption price, together with accrued and unpaid interest, if any, to, but not including, the date fixed for redemption, at the place or places of payment and in the manner specified in the relevant Notes.

From and after the redemption date, if moneys for the redemption of such Notes shall have been made available as provided in the Indenture for redemption on the redemption date, such Notes shall cease to bear interest, and the only right of the holders of such Notes shall be to receive payment of the redemption price and accrued and unpaid interest, if any, to, but not including, the date fixed for redemption.

Optional Redemption

The Issuer may, at any time upon giving not less than 10 nor more than 60 days' notice to holders of a series of Notes (with a copy to the Trustee), redeem such series of Notes, in whole or in part; provided that the principal amount of any Note remaining outstanding after redemption in part shall be US\$200,000 or an integral multiple of US\$1,000 in excess thereof. The redemption price for any Notes to be redeemed prior to the Applicable Par Call Date will be equal to the greater of (i) 100% of the aggregate principal amount of the Notes to be redeemed and (ii) the sum, as determined by the Independent Investment Banker based on the Reference Treasury Dealer Quotations, of the present values of the Remaining Scheduled Payments, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using a discount rate equal to the Treasury Rate plus 10 basis points, in the case of the Guaranteed Notes due 2026, 15 basis points, in the case of the Guaranteed Notes due 2031, 20 basis points, in the case of the Guaranteed Notes due 2041, 20 basis points, in the case of the Guaranteed Notes due 2051, 15 basis points, in the case of the Guaranteed Notes due 2027, 20 basis points, in the case of the Guaranteed Notes due 2029, 25 basis points, in the case of the Guaranteed Notes due 2032, and 25 basis points, in the case of the Guaranteed Notes due 2052, plus, in the case of each of clause (i) or (ii), accrued and unpaid interest thereon to, but not including, the redemption date for such Notes. On or after the Applicable Par Call Date, the redemption price will be equal to 100% of the aggregate principal amount of the Guaranteed Notes due 2026, the Guaranteed Notes due 2031, the Guaranteed Notes due 2041, the Guaranteed Notes due 2051, the Guaranteed Notes due 2027, the Guaranteed Notes due 2029, the Guaranteed Notes due 2032 or the Guaranteed Notes due 2052, as the case may be, to be redeemed, plus accrued and unpaid interest thereon to, but not including, the redemption date for such Notes. Neither the Trustee nor the paying agent shall be responsible for verifying or calculating the redemption price payable to holders.

If only some of the Notes of any series are to be redeemed, the Notes of such series to be redeemed will be selected, while such Notes are in global form, by the applicable clearing system and/or stock exchange requirements, or while such Notes are in certificated form, by the Trustee on a pro rata basis, by lot or by such method as the Trustee in its sole discretion deems fair and appropriate, unless otherwise required by law.

Any notice of redemption of Notes as described in this “—Optional Redemption” section shall state the redemption price (if known) or the formula pursuant to which the redemption price is to be determined if the redemption price cannot be determined at the time the notice is given. If the redemption price cannot be determined at the time such notice is to be given, the actual redemption price, calculated as described in clause (ii) of the first paragraph under “—Optional Redemption” above, shall be set forth in an Officers' Certificate delivered to the Trustee no later than two New York Business Days prior to the redemption date.

Any notice of redemption of Notes as described in this “—Optional Redemption” section may, at the Issuer's discretion, be given subject to one or more conditions precedent, including, but not limited to, the completion of a corporate transaction that is pending (such as an equity or equity-linked offering, an incurrence of indebtedness or an acquisition or other strategic transaction involving a change of control in the Issuer or another entity). If such redemption is so subject to the satisfaction of one or more conditions precedent, such notice shall describe each such condition, and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or otherwise waived on or prior to the New York Business Day immediately preceding the relevant redemption date. The Issuer shall notify holders and the Trustee of any such rescission as soon as reasonably practicable after it determines that such conditions precedent will not be able to be satisfied or the Issuer shall not be able or willing to waive such conditions precedent. Once the notice of redemption is mailed or sent, subject to the satisfaction of any conditions precedent provided in the notice of redemption, the Notes called for redemption will become due and

payable on the redemption date and at the applicable redemption price as described in this “—Optional Redemption” section.

Payment of Additional Amounts

All payments of principal, premium and interest made by the Issuer in respect of the Notes of any series or the Guarantor in respect of the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature (including penalties, interest and any other additions thereto) (“Taxes”) imposed or levied by or on behalf of the R.O.C., the U.S., or any political subdivision thereof or any authority therein having power to tax (a “Relevant Jurisdiction”), unless such withholding or deduction of such Taxes is required by law or by regulation. If the Issuer or the Guarantor (or their paying agents) is required to make such withholding or deduction, the Issuer or the Guarantor, as applicable, will withhold such Taxes and pay them to the relevant government authority, and the Issuer or the Guarantor, as applicable, will pay such additional amounts in respect of Taxes as will result (i) with respect to the Issuer, in the receipt by the holders or beneficial owners of the Notes of such series of such amounts as would have been received by such holders or beneficial owners had no such withholding or deduction of such Taxes been required or (ii) with respect to the Guarantor, in the receipt by the holders or beneficial owners of the Notes of such series of such amounts as would have been received by such holders or beneficial owners in respect of payments under the related Guarantee had no such withholding or deduction of such Taxes been required (such additional amounts payable by the Issuer or the Guarantor, the “Additional Amounts”), except that no such Additional Amounts shall be payable:

(i) in respect of any such Taxes that would not have been imposed, deducted or withheld but for the existence of any connection (whether present or former) between the holder or beneficial owner of a Note and any Relevant Jurisdiction other than merely holding such Notes or receiving principal or interest in respect thereof (including such holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having currently or having had a permanent establishment therein);

(ii) to the extent that any Taxes with respect to a Note would not have been so imposed or levied but for the fact that, where presentation is required in order to receive payment, the applicable Notes or Guarantees were presented more than 30 days after the date on which such payment became due and payable or the date on which payment thereof provided for and notice thereof given to the holders of the applicable Notes, whichever is later, except to the extent that the holder or beneficiary thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such 30-day period;

(iii) in respect of any failure of the holder or beneficial owner of a Note or a Guarantee to comply with a timely request of the Issuer or the Guarantor, as applicable, addressed to the holder or beneficial owner to provide information concerning such holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws, statutes, treaties, regulations or administrative practices of any Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such holder or beneficial owner;

(iv) in respect of any Taxes imposed as a result of any Notes or Guarantees being presented for payment (where presentation is required) in the Relevant Jurisdiction, unless any such Notes or such Guarantees, as applicable, could not have been presented for payment elsewhere;

(v) in respect of any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(vi) to any holder of a Note or beneficiary of a Guarantee that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the holder thereof;

(vii) in respect of any Taxes imposed as a result of the holder or beneficial owner of a Note or Guarantee being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for U.S. federal income tax purposes, a foreign tax exempt organization, or a corporation that has accumulated earnings to avoid U.S. federal income tax;

(viii) in respect of any Taxes imposed as a result of the holder or beneficial owner of a Note or Guarantee being or having been a “10-percent shareholder,” as defined in section 871(h)(3) of the Internal Revenue Code of 1986 (the “Code”), or any successor provision, of the Issuer;

(ix) in respect of any Taxes imposed as a result of the holder or beneficial owner of a Note being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, within the meaning of section 881(c)(3) of the Code or any successor provision;

(x) in respect of any Taxes imposed by reason of the failure of the holder or beneficial owner of a Note, including any intermediary that holds a Note, to fulfill the statement requirements of section 871(h) or section 881(c) of the Code or any successor provision;

(xi) in respect of any Taxes imposed pursuant to section 871(h)(6) or section 881(c)(6) of the Code (or any successor provisions);

(xii) in respect of any Taxes that are payable otherwise than by deduction or withholding from payments on or in respect of any Notes or Guarantees; or

(xiii) in the case of any combination of the above listed items.

In addition, any amounts to be paid on the applicable Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no Additional Amounts will be required to be paid on account of any such deduction or withholding.

In the event that any withholding or deduction for or on account of any Taxes is required in respect of any payment of principal of or interest on the Notes of any series or any payment under the related Guarantee, at least five New York Business Days prior to the date of such payment, the Issuer or the Guarantor, as applicable, will furnish to the Trustee and the paying agent, if other than the Trustee, an Officers’ Certificate specifying the amount required to be withheld or deducted on such payment, certifying that the Issuer or the Guarantor, as applicable, shall pay such amounts required to be withheld to the appropriate governmental authority and certifying the fact that the Additional Amounts will be payable and the amounts so payable to each holder (unless such Additional Amounts are not required to be paid pursuant to the exceptions described above), and that the Issuer or the Guarantor, as applicable, will pay to the Trustee or such paying agent the Additional Amounts required to be paid; provided that no such Officers’ Certificate will be required prior to any date of payment of principal of or interest on any such Notes or any such Guarantees, as applicable, if there has been no change with respect to the matters set forth in a prior Officers’ Certificate. The Trustee and each paying agent may rely on the fact that any Officers’ Certificate contemplated by this paragraph has not been furnished as evidence of the fact that no withholding or deduction for or on account of any Taxes is required. The Issuer and the Guarantor covenant to indemnify the Trustee and any paying agent for and to hold them harmless against any loss, liability or expense reasonably incurred without fraudulent activity, gross negligence or willful misconduct on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any such Officers’ Certificate furnished pursuant to this paragraph or on the fact that any Officers’ Certificate contemplated by this paragraph has not been furnished.

Whenever there is mentioned, in any context, the payment of amounts based upon the principal amount of any applicable Notes or of principal, premium or interest in respect of any applicable Notes, such mention shall be deemed to include the payment of Additional Amounts provided for in the Indenture, to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the Indenture.

The foregoing provisions apply in the same manner with respect to the jurisdiction in which any successor Person to the Issuer or the Guarantor is organized or resident for tax purposes or any authority therein or thereof having the power to tax (a “Successor Jurisdiction”), substituting such Successor Jurisdiction for the applicable Relevant Jurisdiction.

The Issuer’s and the Guarantor’s respective obligations to make payments of Additional Amounts under the terms and conditions described above will survive any termination, defeasance or discharge of the Indenture.

Certain Covenants

The Indenture sets forth limited covenants that apply to each series of Notes. However, these covenants do not, among other things:

- limit the amount of indebtedness or lease obligations that may be incurred by the Issuer, the Guarantor or any Subsidiary of the Guarantor;
- limit the ability of the Issuer, the Guarantor or any Subsidiary of the Guarantor to issue, assume or guarantee indebtedness secured by liens; or
- limit the Issuer, the Guarantor or any Subsidiary of the Guarantor from paying dividends or making distributions on such Person's Capital Stock or purchasing or redeeming such Person's Capital Stock.

Consolidation, Merger and Sale of Assets

Prior to the satisfaction and discharge of the Indenture, the Guarantor and the Issuer may not consolidate with or merge into any other Person in a transaction or, directly or indirectly, convey, transfer or lease all or substantially all of its properties and assets to any Person, unless either:

(i) in the case of a consolidation or merger, the Guarantor or the Issuer is the continuing and surviving Person and no Default or Event of Default shall have occurred and be continuing; or

(ii)(a) the Person formed by such consolidation or into which the Issuer or the Guarantor is merged or to whom the Issuer or the Guarantor has conveyed, transferred or leased all or substantially all of its properties and assets expressly assumes by an indenture supplemental to the Indenture all the obligations of the Issuer or the Guarantor, as applicable, under the Indenture and the applicable Notes and Guarantee, including the obligation to pay Additional Amounts, with any jurisdiction in which the Person is organized or resident for tax purposes also being considered a "Relevant Jurisdiction" for purposes of the Additional Amounts provision;

(b) immediately before and after giving effect to the transaction, no Default or Event of Default under the applicable series of Notes shall have occurred and be continuing; and

(c) the Issuer or the Guarantor, as applicable, has delivered to the Trustee an Officers' Certificate and an opinion of Independent Legal Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with.

An assumption of the Issuer's obligations under a series of Notes by any Person might be deemed for U.S. federal income tax purposes to be an exchange of such Notes for new Notes by the beneficial owners thereof, resulting in the recognition of gain or loss for such purposes and possibly certain other adverse tax consequences. Investors should consult their tax advisors regarding the tax consequences of such an assumption.

Open Market Purchases

The Issuer or the Guarantor or any of the Guarantor's Subsidiaries may, in accordance with all applicable laws and regulations, at any time purchase the Notes in the open market or otherwise at any price, so long as such purchase does not otherwise violate the terms of the Indenture. The Notes so purchased, while held by or on behalf of the Issuer or the Guarantor or any of the Guarantor's Subsidiaries, shall not be deemed to be outstanding for the purposes of determining whether the holders of the requisite principal amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder.

Modification and Waiver

The Indenture contains provisions permitting the Issuer, the Guarantor and the Trustee, without the consent of the holders of a series of Notes, to execute supplemental indentures for certain enumerated purposes in the Indenture and, with the consent of the holders of not less than a majority in aggregate principal amount of the relevant series of Notes then outstanding under the Indenture, to add, change, eliminate or modify in any way the provisions of the Indenture or any supplemental indentures or to change or modify in any manner the rights of the holders of Notes of

such series. The Issuer, the Guarantor and the Trustee may not, however, without the consent of each holder of the Notes of the series affected thereby:

- (i) change the Stated Maturity of such series of Notes;
- (ii) reduce the principal amount of, payments of interest on or stated time for payment of interest on any Notes of such series;
- (iii) change any obligation of the Issuer or the Guarantor to pay Additional Amounts with respect to such series of Notes or the related Guarantee, respectively;
- (iv) change any obligation of the Guarantor to make payments under the Guarantee with respect to such series of Notes;
- (v) change the currency of payment of the principal of or interest on such series of Notes;
- (vi) impair the right to receive payment of the principal of or interest on (including Additional Amounts) such series of Notes on the stated maturity date for such payment expressed in such series of Notes or to institute suit for the enforcement of such payment;
- (vii) reduce the above stated percentage of outstanding Notes of such series necessary to modify or amend the Indenture;
- (viii) reduce the percentage of the aggregate principal amount of outstanding Notes of such series necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults;
- (ix) modify the provisions of the Indenture with respect to modification and waiver; or
- (x) reduce the amount of the premium payable upon the redemption or repurchase of any Notes of such series or change the time at which any Notes of such series may be redeemed or repurchased as described above under “—Optional Redemption” whether through an amendment or waiver of provisions in the covenants, definitions or otherwise.

The holders of not less than a majority in principal amount of a series of Notes may on behalf of all holders of that series of Notes waive any existing or past Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default (i) in the payment of principal of, or interest on (or Additional Amounts payable in respect of), the relevant Notes then outstanding or the payment of any amounts due under the relevant Guarantee, in which event the consent of all holders of that series of Notes is required; or (ii) in respect of a covenant or provision that under the Indenture cannot be modified or amended without the consent of each holder of that series of Notes then outstanding affected thereby. Any such waivers will be conclusive and binding on all holders of the relevant series of Notes, whether or not they have given consent to such waivers, and on all future holders of such series of Notes, whether or not notation of such waivers is made upon the relevant Notes. Any instrument given by or on behalf of any holder of any Notes in connection with any consent to any such waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of any such Notes.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Guarantor and the Trustee may amend the Indenture, the Notes of each series and the Guarantees to, among other things:

- (i) cure any ambiguity, omission, defect or inconsistency; provided, however, that such amendment does not materially and adversely affect the rights of holders of the relevant series of Notes;
- (ii) provide for the assumption by a successor Person of the obligations of the Issuer or the Guarantee under the Indenture and a series of Notes in accordance with “—Consolidation, Merger and Sale of Assets”;
- (iii) provide for or facilitate the issuance of uncertificated Notes in addition to or in place of certificated Notes; provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code;
- (iv) comply with the rules of any applicable depositary;

(v) make any change that does not adversely affect the legal rights under the Indenture of any holder in any material respect;

(vi) evidence and provide for the acceptance of an appointment under the Indenture of a successor trustee; provided that the successor trustee is otherwise qualified and eligible to act as such under the terms of the Indenture;

(vii) conform the text of the Indenture, the Notes or the Guarantees to any provision under “Description of the Notes and the Guarantees” in the prospectus supplement relating to the Notes;

(viii) make any amendment to the provisions of the Indenture relating to the transfer and legend of Notes or the Guarantees as permitted by the Indenture, including, but not limited to, amendments made to facilitate the issuance and administration of the Notes or the Guarantees or, if incurred in compliance with the Indenture, Additional Notes; provided, however, that (a) compliance with the Indenture as so amended would not result in the Notes or the Guarantees being transferred in violation of the Securities Act or any applicable securities law and (b) such amendment does not materially and adversely affect the rights of holders to transfer the Notes and the Guarantees as described in the prospectus supplement relating to the notes;

(ix) to provide for the issuance of Additional Notes of each series in accordance with the limitations set forth in the Indenture;

(x) to evidence the succession of another Person to the Issuer or the Guarantor, and the assumption by any such successor of the covenants of the Issuer or the Guarantor, respectively;

(xi) to establish the form or terms of a new series of notes;

(xii) to reduce or otherwise limit the aggregate principal amount of notes that may be authenticated and delivered under the Indenture;

(xiii) to supplement any of the provisions of the Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Notes, provided that any such action shall not adversely affect the interests of the holders of any Notes then outstanding;

(xiv) to amend or supplement any provision contained herein or in any supplemental indenture, provided that no such amendment or supplement shall adversely affect the interests of the holders of any Notes then outstanding; and

(xv) to comply with the requirements of the SEC in order to maintain the qualification of the Indenture under the Trust Indenture Act.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment or supplement. A consent to any amendment, supplement or waiver under the Indenture by any holder given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment, supplement or waiver under the Indenture becomes effective, the Issuer is required to give to the holders of the affected Notes a notice briefly describing such amendment, supplement or waiver. However, the failure to give such notice to all such holders, or any defect in the notice will not impair or affect the validity of the amendment, supplement or waiver.

Events of Default

For each series of Notes, each of the following shall constitute an Event of Default under the Indenture for such series of Notes:

(i) failure to pay principal or premium in respect of any Notes of such series by the due date for such payment, but in the case of technical or administrative difficulties, only if the default continues for a period of two days;

- (ii) failure to pay interest on any Notes of such series within 30 days after the due date for such payment;
- (iii) the Issuer or the Guarantor defaults in the performance of or breaches its obligations under the “— Consolidation, Merger and Sale of Assets” covenant;
- (iv) the Issuer or the Guarantor defaults in the performance of or breaches any covenant or agreement in the Indenture or under such series of Notes (other than a default specified in clause (i), (ii) or (iii) above) and such default or breach continues for a period of 90 consecutive days after written notice to the Issuer and the Guarantor, as applicable, by the Trustee or the holders of 25% or more in aggregate principal amount of such series of Notes then outstanding;
- (v) the entry by a court having jurisdiction in the premises of (a) a decree or order for relief in respect of the Issuer or the Guarantor in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or (b) a decree or order adjudging the Issuer or the Guarantor bankrupt or insolvent, or approving as final and nonappealable a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Issuer or the Guarantor under any applicable bankruptcy, insolvency or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or the Guarantor or of any substantial part of their respective property, or ordering the winding up or liquidation of their respective affairs (or any similar relief granted under any foreign laws), and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive calendar days;
- (vi) the commencement by the Issuer or the Guarantor of a voluntary case or proceeding under any applicable state or foreign bankruptcy, insolvency or other similar law or of any other case or proceeding to be adjudicated bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Issuer or the Guarantor in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief with respect to the Issuer or the Guarantor under any applicable bankruptcy, insolvency or other similar law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or the Guarantor or of any substantial part of their respective property pursuant to any such law, or the making by the Issuer or the Guarantor of a general assignment for the benefit of creditors in respect of any indebtedness as a result of an inability to pay such indebtedness as it becomes due, or the admission by the Issuer or the Guarantor in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer or the Guarantor that resolves to commence any such action; and
- (vii) the relevant series of Notes, the relevant Guarantee or the Indenture is or becomes or is claimed to be unenforceable, invalid, ceases to be in full force and effect by the Issuer or the Guarantor, as applicable, or is deemed to contravene, breach or violate the laws of any relevant jurisdiction.

However, a default under subparagraph (iv) above will not constitute an Event of Default until the Trustee or the holders of 25% in aggregate principal amount of the then outstanding Notes of the relevant series notify the Issuer and the Guarantor of the default and the Issuer or the Guarantor, as applicable, does not cure such default within the time specified in subparagraph (iv) above after receipt of such notice.

If an Event of Default (other than an Event of Default described in subparagraphs (v) and (vi) above) shall occur and be continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the relevant series of Notes then outstanding by written notice to the Issuer and the Guarantor (and to the Trustee if such notice is given by the holders) as provided in the Indenture may, or the Trustee acting on the directions of the holders of at least 25% in aggregate principal amount of the relevant series of Notes then outstanding (subject to receipt of indemnity and/or security satisfactory to the Trustee) shall, declare the unpaid principal amount of the Notes of such series and any accrued and unpaid interest thereon (and any Additional Amount payable in respect thereof) to be due and payable immediately upon receipt of such notice. If an Event of Default in subparagraphs (v) or (vi) above shall occur, the unpaid principal amount of all the Notes of such series then outstanding and any accrued and unpaid interest thereon will automatically, and without any declaration or other action by the Trustee or any holder of such Notes, become immediately due and payable. After a declaration of acceleration but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of at least a majority in aggregate principal

amount of the affected Notes then outstanding may, under certain circumstances, waive all past Defaults and rescind and annul such acceleration if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all Events of Default in respect of such series of Notes, other than the non-payment of principal, premium, if any, or interest on such Notes that became due solely because of the acceleration of such Notes, have been cured or waived.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default of a series of Notes shall occur and be continuing, the Trustee will be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the written request, order or direction of any of the holders of such Notes, unless such number of holders shall have instructed in writing and offered to the Trustee security and/or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby. Subject to certain provisions, including those requiring security and/or indemnification of the Trustee, the holders of a majority in aggregate principal amount of such Notes then outstanding will have the right to direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. No holder of any Notes will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, the Notes or the Guarantee, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless (i) such holder has previously given to the Trustee written notice of a continuing Event of Default, (ii) the holders of at least 25% in aggregate principal amount of such series of Notes then outstanding have made written request to the Trustee to institute such proceeding, (iii) such holder or holders have instructed in writing and offered indemnity and/or security satisfactory to the Trustee and (iv) the Trustee has failed to institute such proceeding, and has not received from the holders of a majority in aggregate principal amount of such series of Notes then outstanding a written direction inconsistent with such request, within 60 days after such notice, request and offer. However, such limitations do not apply to a suit instituted by a holder of a Note for the enforcement of the right to receive payment of the principal of or interest on any such Notes on or after the applicable due date specified in any such Notes. The Trustee shall not be required to expend its funds in following such direction if it does not reasonably believe that reimbursement or indemnity and/or security is assured to it.

If the Trustee collects any money pursuant to the Indenture, it shall pay out the money in the following order:

First, to the Trustee and the Agents to the extent necessary to reimburse the Trustee and the Agents for any expenses incurred in connection with the collection or distribution of such amounts held or realized and any fees and expenses (including indemnity payments) incurred in connection with carrying out its functions under the Indenture (including reasonable legal fees);

Second, to the payment of the amounts then due and unpaid for principal of and premium, if any, and interest on the Notes of the relevant series in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes of such series for principal and premium, if any, and interest, respectively; and

Third, any surplus remaining after such payments will be paid to the Issuer or to whomever may be lawfully entitled thereto.

The Trustee

Pursuant to the Indenture, Citibank, N.A. is designated as the initial Trustee and initial paying and transfer agent and registrar for the Notes. The corporate trust office of the Trustee is currently located at 388 Greenwich Street, New York, NY 10013.

The Indenture provides that the Trustee, except during the continuance of an Event of Default, undertakes to perform such duties and only such duties as are specifically set forth in such Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect when:

- (i) either:
 - (a) all of the Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or
 - (b) all of the Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or the Guarantor has irrevocably deposited or caused to be deposited with the Trustee, as trust funds in trust solely for the benefit of the holders of the Notes, cash in U.S. dollars, U.S. Government Obligations, or a combination of cash in U.S. dollars and U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge all amounts outstanding on the Notes not delivered to the Trustee for cancellation for principal, premium and accrued interest to the date of maturity or redemption;
- (ii) no Default or Event of Default under the Indenture has occurred and is continuing with respect to the Notes on the date of the deposit referred to in clause (i)(a) or (i)(b) above (other than a Default or Event of Default resulting from or related to the borrowing of funds to be applied to such deposit) and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer is a party or by which it is bound;
- (iii) the Issuer has paid or caused to be paid all sums payable by it under the Indenture with respect to the Notes; and
- (iv) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an opinion of Independent Legal Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Legal Defeasance and Covenant Defeasance

The Indenture provides that the Issuer may, at its option and at any time, elect to have all of its (and the Guarantor's) obligations discharged with respect to the outstanding Notes of a series and the related Guarantees ("Legal Defeasance") except for:

- (i) the rights of holders of the Notes of the relevant series that are then outstanding to receive payments in respect of the principal of, or interest or premium on the Notes of the relevant series when such payments are due from the trust referred to below;
- (ii) the Issuer's obligations with respect to the Notes of the relevant series concerning issuing temporary notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (iii) the rights, powers, trusts, duties, indemnities and immunities of the Trustee for the relevant series of Notes, and the Issuer's obligations in connection therewith; and
- (iv) the Legal Defeasance and Covenant Defeasance (as defined below) provisions of the Indenture for the relevant series of Notes.

The Indenture provides that the Issuer may, at its option and at any time, elect to have its (and the Guarantor's) obligations with respect to the outstanding Notes of the relevant series and the related Guarantee released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission

to comply with those covenants will not constitute a Default or Event of Default. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption “—*Events of Default*” will no longer constitute an Event of Default in respect of such series of Notes.

The Indenture will also provide that, in order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of all the Notes subject to Legal Defeasance or Covenant Defeasance, cash in U.S. dollars, U.S. Government Obligations, or a combination of cash in U.S. dollars and U.S. Government Obligations, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium on such Notes as are then outstanding on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date;

(ii) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion of Independent Legal Counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of Independent Legal Counsel will confirm that, the holders of the then outstanding Notes of the affected series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion of Independent Legal Counsel reasonably acceptable to the Trustee confirming that the holders of the then outstanding Notes of the affected series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) no Default or Event of Default with respect to the Notes of the affected series must have occurred and be continuing on the date of the deposit referred to in clause (i) above (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(v) the Issuer must deliver to the Trustee an Officers’ Certificate stating that the deposit referred to in clause (i) above was not made by it with the intent of preferring the holders of Notes of the affected series over the Issuer’s other creditors with the intent of defeating, hindering, delaying or defrauding its creditors or others; and

(vi) the Issuer must deliver to the Trustee an Officers’ Certificate and an opinion of Independent Legal Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or the Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantor under the Notes, the Indenture or the Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Currency Indemnity

To the fullest extent permitted by law, the obligations of the Issuer or the Guarantor to any holder of the Notes under the Indenture or the Notes or the Guarantees, as the case may be, shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than U.S. dollars (the “Agreement Currency”), be discharged only to the extent that on the Business Day following receipt by such holder or the Trustee, as the case may be, of any amount in the

Judgment Currency, the Agreement Currency may in accordance with normal banking procedures be purchased with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such holder or the Trustee, as the case may be, in the Agreement Currency, the Issuer and the Guarantor agree, as a separate obligation and notwithstanding such judgment, to pay the difference and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such holder, such holder or the Trustee, as the case may be, agrees to pay to or for the account of the Issuer or the Guarantor such excess, *provided* that such holder shall not have any obligation to pay any such excess as long as a default by the Issuer or the Guarantor in its obligations under the Indenture or the relevant series of Notes or the related Guarantee has occurred and is continuing, in which case such excess may be applied by such holder to such obligations.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given by the holders of the Notes are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail, if intended for the Issuer or the Guarantor, addressed to the Issuer or the Guarantor, as applicable, if intended for the Trustee, at the corporate trust office of the Trustee.

Any notices required to be given to the holders of the Notes will be given to DTC, as the registered holder of the Global Notes. In the event that the Global Notes are exchanged for individual Notes in certificated form, notices to holders of the Notes will be sent by prepaid courier or first-class mail addressed to such holder at such holder's last address as it appears in the Register.

Governing Law and Consent to Jurisdiction

The Notes, the Guarantees and the Indenture are governed by and will be construed in accordance with the laws of the State of New York. The Issuer and the Guarantor have agreed that any action arising out of or based upon the Indenture, the Notes or the Guarantees may be instituted in any U.S. federal or New York State court located in the Borough of Manhattan, the City of New York, and have irrevocably submitted to the non-exclusive jurisdiction of any such court in any such action. Prior to the delivery of the Notes, the Issuer and the Guarantor have irrevocably appointed TSMC North America as their agent upon which process may be served in any such action.

Each of the Issuer and the Guarantor has agreed that, to the extent that it is or becomes entitled to any sovereign or other immunity, it will waive such immunity in respect of its obligations under the Indenture.

Certain Definitions

Set forth below are definitions of certain of the terms used herein. Additional terms are defined elsewhere above or in the Indenture.

"Applicable Par Call Date" means with respect to the (i) Guaranteed Notes due 2026, September 25, 2026, (ii) Guaranteed Notes due 2031, July 25, 2031, (iii) Guaranteed Notes due 2041, April 25, 2041, (iv) Guaranteed Notes due 2051, April 25, 2051, (v) Guaranteed Notes due 2027, March 22, 2027, (vi) Guaranteed Notes due 2029, February 22, 2029, (vii) Guaranteed Notes due 2032, January 22, 2032, and (viii) Guaranteed Notes due 2052, October 22, 2051.

"Authorized Officer" means a director, the chairman of the board, the chief executive officer, the chief financial officer or treasurer of the Issuer or any other person duly authorized by the board of directors of the Issuer to act in respect of matters relating to the Indenture.

"Business Day" means a day other than a Saturday, Sunday or a day on which banking institutions or trust companies in the State of New York and Hong Kong are authorized or obligated by law, regulation or executive order to remain closed.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any

Preferred Shares and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity, prior to conversion or exchange.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the Remaining Term of the applicable Notes to be redeemed as described under “—*Optional Redemption*” section that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Term of such Notes.

“Comparable Treasury Price” means, with respect to any redemption date as described under “—*Optional Redemption*” section, (1) the arithmetic average of the applicable Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the Issuer obtains fewer than four applicable Reference Treasury Dealer Quotations, the arithmetic average of all applicable Reference Treasury Dealer Quotations for such redemption date.

“CUSIP” means the identification number provided by Committee on Uniform Securities Identification Procedures.

“Default” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“DTC” means the Depository Trust Company, a subsidiary of the Depository Trust & Clearing Corporation.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Global Notes” means, collectively, each series of Notes issued in definitive, fully registered global form.

“holder” and “Noteholder” in relation to a Note, means the Person in whose name a Note is registered in the Register.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Issuer from time to time to act in such capacity.

“Independent Legal Counsel” means an independent legal firm of internationally recognized standing that is reasonably acceptable to the Trustee.

“Independent Tax Consultant” means an independent accounting firm or consultant of internationally recognized standing that is reasonably acceptable to the Trustee, *provided* that the Trustee shall have no liability for the selection or approval of such agent.

“Issue Date” means with respect to the (i) Guaranteed Notes due 2026, Guaranteed Notes due 2031, Guaranteed Notes due 2041 and Guaranteed Notes due 2051, October 25, 2021, and (ii) Guaranteed Notes due 2027, Guaranteed Notes due 2029, Guaranteed Notes due 2032 and Guaranteed Notes due 2052, April 22, 2022.

“New York Business Day” means a day other than a Saturday, Sunday or a day on which banking institutions or trust companies in the State of New York are authorized or obligated by law, regulation or executive order to remain closed.

“Officer” means a director or the chairman of the board, the chief executive officer, the vice chairman, the chief financial officer, any vice president (whether or not designated by a number or numbers or word or words added before or after the title “vice president”), the treasurer or the secretary of the Guarantor or any other officer duly authorized by the board of directors of the Guarantor to act in respect of matters relating to the Indenture or, in

the case of the Issuer, any Authorized Officer, or in the case of any successor Person to the Issuer or the Guarantor, a director of such successor Person.

“Officers’ Certificate” means a certificate signed by two Officers of each of the Issuer or the Guarantor or any successor Person to the Issuer or the Guarantor, as applicable, one of whom is the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of such Issuer or Guarantor.

“Person” means any individual, corporation, firm, limited liability company, partnership, joint venture, undertaking, association, joint stock company, trust, unincorporated organization, trust, state, government or any agency or political subdivision thereof or any other entity (in each case whether or not being a separate legal entity).

“Preferred Shares,” as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends upon liquidation, dissolution or winding up.

“Primary Treasury Dealer” means a primary U.S. Government securities dealer in the United States of America.

“Reference Treasury Dealer” means (1) Goldman Sachs & Co. LLC and its successors; *provided*, however, that if Goldman Sachs & Co. LLC and its successors cease to be a Primary Treasury Dealer, the Issuer will substitute another Primary Treasury Dealer and (2) any other Primary Treasury Dealers selected by the Issuer.

“Reference Treasury Dealer Quotations” means, with respect to the Reference Treasury Dealer and any redemption date, the arithmetic average, as determined by the Issuer, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third New York Business Day preceding such redemption date.

“Register” means the register of Noteholders maintained by the registrar for the Notes.

“Remaining Scheduled Payments” means, with respect to any Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption (assuming such Note matured on the Applicable Par Call Date); *provided*, however, that, if such redemption date is not an Interest Payment Date with respect to such Note, the amount of the next scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to such redemption date.

“Remaining Term” means, with respect to any Note to be redeemed as described under the “—*Optional Redemption*” section, the period from the relevant redemption date to the Applicable Par Call Date.

“R.O.C.” means the Republic of China.

“SEC” means the U.S. Securities and Exchange Commission.

“Stated Maturity” means October 25, 2026, in the case of the Guaranteed Notes due 2026, October 25, 2031, in the case of the Guaranteed Notes due 2031, October 25, 2041, in the case of the Guaranteed Notes due 2041, October 25, 2051, in the case of the Guaranteed Notes due 2051, April 22, 2027, in the case of the Guaranteed Notes due 2027, April 22, 2029, in the case of the Guaranteed Notes due 2029, April 22, 2032, in the case of the Guaranteed Notes due 2032, and April 22, 2052, in the case of the Guaranteed Notes due 2052.

“Subsidiary” of any Person means (i) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Voting Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (ii) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of

clauses (i) and (ii), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Guarantor.

“Treasury Rate” means, with respect to any redemption date as described under the “—*Optional Redemption*” section, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third New York Business Day immediately preceding that redemption date) of the applicable Comparable Treasury Issue. In determining this rate, the Issuer will assume a price for the applicable Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

“Trustee” means Citibank, N.A., in its capacity as trustee under the Indenture, who will act as the trustee under the Indenture for the Notes.

“U.S. Government Obligations” means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors, managers or trustees, as applicable, of such Person.

(English Summary)
LEASE 202507240010

Parties:

HSINCHU SCIENCE PARK ADMINISTRATION OF NATIONAL SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the “Lessee”)

Lease Premises:

The government-owned land containing 19774.46 square meters, located in Longtan Science Park.

Lease Term:

Commencing August 1, 2025 and expiring on December 31, 2042.

Rental:

The rental should be Twenty New Taiwan Dollars and Eighty-seven cents (NT\$20.87) per square meter per month.

The total amount of monthly rental shall be Four Hundred Twelve Thousand, Six Hundred Ninety-three New Taiwan Dollars (NT\$412,693).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$412,693 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to

become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Hsinchu Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Hsinchu District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202512090054

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 22,171.94 square meters, located in Tainan
Science Park.

Lease Term:

Commencing December 16, 2025 and expiring on November 30, 2038.

Rental:

The rental should be Thirty-five New Taiwan Dollars and Nineteen cents (NT\$35.19) per
square meter per month.

The total amount of monthly rental shall be Seven Hundred Eighty Thousand, Two
Hundred Thirty-one New Taiwan Dollars (NT\$780,231).

After the commencement of this Lease, the Lessee shall pay the rental amount of
NT\$780,231 including applicable taxes, each month in the manner prescribed by the
Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the
above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s
procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the
use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil
and Groundwater Pollution Remediation Act, Act for Establishment and Administration
of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with
relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to

become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202507240009

Parties:

HSINCHU SCIENCE PARK ADMINISTRATION OF NATIONAL SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the “Lessee”)

Lease Premises:

The government-owned land containing 56,030.37 square meters, located in Longtan Science Park.

Lease Term:

Commencing August 1, 2025 and expiring on December 31, 2034.

Rental:

The rental should be Twenty New Taiwan Dollars and Eighty-seven cents (NT\$20.87) per square meter per month.

The total amount of monthly rental shall be One Million One Hundred Sixty-nine Thousand, Three Hundred Fifty-four New Taiwan Dollars (NT\$1,169,354).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$1,169,354 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to

become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Hsinchu Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Hsinchu District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202508260017

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 219,980 square meters, located in Chiayi Science Park.

Lease Term:

Commencing September 5, 2025 and expiring on June 30, 2043.

Rental:

The rental should be Sixteen New Taiwan Dollars (NT\$16) per square meter per month.

The total amount of monthly rental shall be Three Million, Five Hundred Nineteen Thousand, Six Hundred Eighty New Taiwan Dollars (NT\$3,519,680).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$3,519,680 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202601090009

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 41,426.73 square meters, located in Tainan Science Park.

Lease Term:

Commencing January 16, 2026 and expiring on December 31, 2044.

Rental:

The rental should be Thirty-five New Taiwan Dollars and Nineteen cents (NT\$35.19) per square meter per month.

The total amount of monthly rental shall be One Million, Four Hundred Fifty-seven Thousand, Eight Hundred Seven New Taiwan Dollars (NT\$1,457,807).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$1,457,807 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202505270004

Parties:

CENTRAL TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 499,500 square meters, located in Taichung Science Park.

Lease Term:

Commencing June 2, 2025 and expiring on December 31, 2044.

Rental:

The rental should be Sixteen New Taiwan Dollars and Five cents (NT\$16.05) per square meter per month.

The total amount of monthly rental shall be Eight Million, Sixteen Thousand, Nine Hundred Seventy-five New Taiwan Dollars (NT\$8,016,975).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$8,016,975 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to

become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Taichung District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202511270010

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 174,468 square meters, located in Tainan
Science Park.

Lease Term:

Commencing December 1, 2025 and expiring on June 30, 2043.

Rental:

The rental should be Thirty-five New Taiwan Dollars and Nineteen cents (NT\$35.19) per
square meter per month.

The total amount of monthly rental shall be Six Million, One Hundred Thirty-nine
Thousand, Five Hundred Twenty-nine New Taiwan Dollars (NT\$6,139,529).

After the commencement of this Lease, the Lessee shall pay the rental amount of
NT\$6,139,529 including applicable taxes, each month in the manner prescribed by the
Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the
above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s
procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the
use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil
and Groundwater Pollution Remediation Act, Act for Establishment and Administration
of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with
relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to

become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202508260011

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 987 square meters, located in Chiayi Science Park.

Lease Term:

Commencing August 22, 2025 and expiring on June 30, 2043.

Rental:

The rental should be Sixteen New Taiwan Dollars (NT\$16) per square meter per month.

The total amount of monthly rental shall be Fifteen Thousand, Seven Hundred Ninety-two New Taiwan Dollars (NT\$15,792).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$15,792 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202512180029

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 320.99 square meters, located in Chiayi Science Park.

Lease Term:

Commencing December 25, 2025 and expiring on June 30, 2043.

Rental:

The rental should be Sixteen New Taiwan Dollars (NT\$16) per square meter per month.

The total amount of monthly rental shall be Five Thousand, One Hundred Thirty-six New Taiwan Dollars (NT\$5,136).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$5,136 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202505120004

Parties:

KAOHSIUNG CITY GOVERNMENT (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The land contains 270,798.73 square meters, located in Nanzih District, Kaohsiung.

Lease Term:

Commencing June 20, 2025 and expiring until Lessee enters into a new lease with Southern Taiwan Science Park Bureau to replace this Lease.

Rental:

The rental for the period from June 20, 2025 to December 31, 2025 shall be One Hundred Fourteen Million, Eight Hundred Forty-one Thousand, Six Hundred Sixty-one New Taiwan Dollars (NT\$114, 841, 661).

The rental for each year after 2025 will be calculated by the following formula and due by January 20 of each year:

$$[(\text{Leased Area} \times \text{Current Year Announced Land Value} \times 10\% + \text{Leased Area} \times \text{Current Year Announced Land Present Value} \times 1\%) \times (1 + 5\%)] \times (1 + 5\% \text{ Kaohsiung City Government Administrative Fee})$$

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$114, 841, 661 including applicable taxes in the manner prescribed by the Lessor.

Lessee shall pay a deposit to Lessor in the amount of NT\$32,495,848, which will be applied to offset any liability owed by Lessee to Lessor.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including using the land for semiconductor manufacturing only, and compliance with Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act and other applicable environmental laws, rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to become effective immediately upon the confirmation of the adjustment.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee fails to register its business as required by law.
- b. Lessee's use of the land violates the restrictions set forth in applicable local rules or regulations.
- c. Lessee, by sublease or by other means, allows others to use the whole or part of the land or the building it constructed on the land.
- d. Lessee uses the land for illegal purposes or storage of hazardous substances triggering public safety concern.
- e. Lessee has defaulted in the payment of rent for an amount exceeding the total amount of two-year's rent.
- f. Lessee violates the terms and provisions of this Lease pertaining to the use of the land and compliance with environmental laws, rules and regulations.
- g. Lessee fails to take good care of the land which results in the destruction of the land.

If one of the above events occurs, Lessee shall indemnify Lessor against any damage incurred and additionally pay a punitive penalty equal to one-month rent.

Governing Law and Jurisdiction:

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Kaohsiung District Court shall be the competent court of jurisdiction in the first instance.

(English Summary)
LEASE 202601290016

Parties:

SOUTHERN TAIWAN SCIENCE PARK ADMINISTRATION OF NATIONAL
SCIENCE AND TECHNOLOGY COUNCIL (the “Lessor”)
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (the
“Lessee”)

Lease Premises:

The government-owned land containing 17,016.98 square meters, located in Tainan Science Park.

Lease Term:

Commencing February 1, 2026 and expiring on January 31, 2031.

Rental:

The rental should be Thirty-seven New Taiwan Dollars and Fifty-nine cents (NT\$37.59) per square meter per month.

The total amount of monthly rental shall be Six Hundred Thirty-nine Thousand, Six Hundred Sixty-eight New Taiwan Dollars (NT\$639,668).

After the commencement of this Lease, the Lessee shall pay the rental amount of NT\$639,668 including applicable taxes, each month in the manner prescribed by the Lessor.

If Lessee, with Lessor’s consent, uses the land before the execution date of this Lease, the above-mentioned rental should be calculated from the starting date of use.

If Lessee fails to make monthly rental according to the agreed schedule and Lessor’s procedures for payment, certain punitive fine may apply according to the Lease.

Lessee must adhere to the terms and conditions set forth under this Lease concerning the use of the Lease Premises, including Waste Disposal Act, Air Pollution Control Act, Soil and Groundwater Pollution Remediation Act, Act for Establishment and Administration of Science Parks and other relevant rules and regulations.

During the term of the Lease, should the government adjust the rental in accordance with relevant regulations or for any reasons, Lessee agrees to an adjustment of the rent to become effective immediately upon the confirmation of the adjustment. Any deficit/overpayment of rent shall be pursued/reimbursed.

Termination by Lessor:

Lessor may terminate the lease at any time if any of the following shall happen:

- a. Lessee is disqualified from operating or providing service in the park and ordered by the Lessor to withdraw from the Tainan Science Park;
- b. Lessee violates any term or provision of this Lease pertaining to the use of the land and the execution of this Lease while fails to provide remedy after receiving Lessor's written notice within limited time;
- c. Lessee has defaulted in the payment of rent for period or amount exceeding relevant rules and regulations;
- d. Lessee fails to apply for construction license within three months from execution of this Lease; after the Lessor has set a time for such application and the Lessee continues failing to do so; or the application is inadequate and the Lessee has been ordered to supplement the application and fails to do so within such time limit;
- e. Lessee fails to complete the construction according to the schedule and fails to provide remedy during the extended period granted by the Lessor.
- f. Lessee violates the term and provision pertaining to the restrictions on sub-leasing.

Miscellaneous:

The Lease term shall automatically expire unless Lessor and Lessee renew this Lease.

This Lease shall be effective from the execution date of the Lease, however, if the Lessee uses the land before the execution date of this Lease, the Lease shall be effective from the date when the Lessor consent to Lessee's use of the land.

Should any suits arise from this Lease, Lessor and Lessee agree that the governing law shall be the laws of Republic of China and the Taiwan Tainan District Court shall be the competent court of jurisdiction in the first instance.

Exhibit 8.1

Subsidiaries of Taiwan Semiconductor Manufacturing Company Ltd.*

	<u>Jurisdiction of Incorporation</u>
TSMC Global Ltd.	The British Virgin Islands
TSMC Arizona Corporation	The State of Arizona

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Taiwan Semiconductor Manufacturing Company Ltd. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of December 31, 2025.

CERTIFICATIONS

I, C.C. Wei, certify that:

1. I have reviewed this annual report on Form 20-F of Taiwan Semiconductor Manufacturing Company Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 16, 2026

By: /s/ C.C. Wei

Name: C.C. Wei

Title: Chief Executive Officer

CERTIFICATIONS

I, Wendell Huang, certify that:

1. I have reviewed this annual report on Form 20-F of Taiwan Semiconductor Manufacturing Company Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (a) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (b) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Exhibit 12.2

Date: April 16, 2026

By: /s/ Wendell Huang

Name: Wendell Huang

Title: Senior Vice President, Finance
and Chief Financial Officer /
Spokesperson

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, C.C. Wei, Chief Executive Officer of Taiwan Semiconductor Manufacturing Company Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2026

By: /s/ C.C. Wei
Name: C.C. Wei
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, Wendell Huang, Senior Vice President, Finance and Chief Financial Officer / Spokesperson of Taiwan Semiconductor Manufacturing Company Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2026

By: /s/ Wendell Huang
Name: Wendell Huang
Title: Senior Vice President, Finance
and Chief Financial Officer /
Spokesperson

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-265664) of our reports dated April 16, 2026, relating to the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in the Annual Report on Form 20-F of the Company for the year ended December 31, 2025.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 16, 2026