

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 467,613,443	19	\$ 455,399,336	20	\$ 649,697,262	29
Financial assets at fair value through profit or loss (Note 7)	788,526	-	326,839	-	1,322,756	-
Financial assets at fair value through other comprehensive income (Note 8)	129,403,588	5	127,396,577	6	113,594,232	5
Financial assets at amortized cost (Note 9)	7,210,148	-	299,884	-	-	-
Hedging financial assets (Note 10)	-	-	25,884	-	576	-
Notes and accounts receivable, net (Note 11)	148,708,035	6	138,908,589	6	115,725,802	5
Receivables from related parties (Note 31)	891,691	-	862,070	-	404,906	-
Other receivables from related parties (Note 31)	2,581,070	-	51,653	-	1,541,754	-
Inventories (Note 12)	83,788,094	4	82,981,196	4	108,231,879	5
Other financial assets (Note 32)	10,436,627	1	11,041,091	-	14,934,531	1
Other current assets	6,610,338	-	5,320,795	-	4,725,640	-
Total current assets	860,031,580	35	822,613,914	36	1,010,179,338	45
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 8)	4,300,519	-	4,124,337	-	4,040,800	-
Financial assets at amortized cost (Note 9)	1,640,558	-	7,348,914	-	7,921,781	-
Investments accounted for using equity method (Note 13)	16,975,748	1	18,698,788	1	17,352,733	1
Property, plant and equipment (Note 14)	1,493,560,950	61	1,352,377,405	60	1,142,871,184	51
Right-of-use assets (Note 15)	21,036,894	1	17,232,402	1	18,042,308	1
Intangible assets (Note 16)	27,395,600	1	20,653,028	1	17,500,830	1
Deferred income tax assets (Note 4)	20,493,373	1	17,928,358	1	17,123,994	1
Refundable deposits	1,502,926	-	2,084,968	-	2,570,491	-
Other noncurrent assets	1,726,374	-	1,742,918	-	1,740,212	-
Total noncurrent assets	1,588,632,942	65	1,442,191,118	64	1,229,164,333	55
TOTAL	\$ 2,448,664,522	100	\$ 2,264,805,032	100	\$ 2,239,343,671	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 17 and 29)	\$ 169,546,950	7	\$ 118,522,290	5	\$ 78,261,120	4
Short-term bills payable (Notes 18 and 29)	6,493,398	-	-	-	30,767	-
Financial liabilities at fair value through profit or loss (Note 7)	1,543,265	-	982,349	-	34,542	-
Hedging financial liabilities (Note 10)	14,839	-	1,798	-	31,802,685	1
Accounts payable	38,100,739	2	38,771,006	2	767,451	-
Payables to related parties (Note 31)	1,433,005	-	1,434,900	-	10,130,299	-
Salary and bonus payable	14,747,716	1	16,272,353	1	-	-
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Note 28)	40,028,506	2	23,648,903	1	33,638,050	2
Payables to contractors and equipment suppliers	97,739,201	4	140,810,703	6	71,028,923	3
Cash dividends payable (Note 21)	129,651,902	5	129,651,902	6	259,379,871	12
Income tax payable (Note 4)	33,020,177	1	32,466,136	1	22,068,494	1
Long-term liabilities - current portion (Notes 19 and 29)	12,800,000	1	31,800,000	1	48,100,000	2
Accrued expenses and other current liabilities (Notes 15, 20, 22 and 29)	69,676,030	3	56,373,281	3	68,014,176	3
Total current liabilities	614,795,728	26	599,725,701	26	622,256,378	28
NONCURRENT LIABILITIES						
Bonds payable (Notes 19 and 29)	82,439,681	3	25,100,000	1	35,300,000	2
Deferred income tax liabilities (Note 4)	354,306	-	344,393	-	147,176	-
Lease liabilities (Notes 15 and 29)	19,164,873	1	15,041,833	1	15,405,489	1
Net defined benefit liability (Note 4)	8,381,192	-	9,182,496	-	9,400,580	-
Guarantee deposits (Notes 20 and 29)	171,622	-	176,904	-	210,970	-
Others	2,143,738	-	2,128,279	-	2,201,551	-
Total noncurrent liabilities	112,655,412	4	51,973,905	2	62,665,766	3
Total liabilities	727,451,140	30	642,709,606	28	684,922,144	31
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 21)	259,303,805	11	259,303,805	11	259,303,805	12
Capital surplus (Note 21)	56,339,981	2	56,339,709	3	56,320,929	2
Retained earnings (Note 21)	311,146,899	13	311,146,899	14	311,146,899	14
Appropriated as legal capital reserve	24,873,338	1	10,675,106	-	10,724,130	-
Appropriated as special capital reserve	1,105,471,752	45	1,011,512,974	45	923,704,726	41
Unappropriated earnings	1,441,491,990	59	1,333,334,979	59	1,345,575,783	55
Others (Note 21)	(36,757,795)	(2)	(27,568,369)	(1)	(7,385,940)	-
Equity attributable to shareholders of the parent	1,720,377,981	70	1,621,410,124	72	1,553,814,579	69
NON - CONTROLLING INTERESTS						
Total equity	835,401	-	685,302	-	606,948	-
TOTAL	\$ 2,448,664,522	100	\$ 2,264,805,032	100	\$ 2,239,343,671	100

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 22, 31 and 37)	\$ 310,698,367	100	\$ 240,998,475	100	\$ 621,295,550	100	\$ 459,702,944	100
COST OF REVENUE (Notes 12, 28, 31 and 35)	146,005,542	47	137,325,245	57	295,818,544	48	265,677,589	58
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	164,692,825	53	103,673,230	43	325,477,006	52	194,025,355	42
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	(69,034)	-	56,830	-	(76,707)	-	62,262	-
GROSS PROFIT	164,623,791	53	103,730,060	43	325,400,299	52	194,087,617	42
OPERATING EXPENSES (Notes 28 and 31)	24,893,043	8	21,393,728	9	49,861,926	8	41,811,039	9
Research and development	6,894,405	2	4,288,263	2	12,797,466	2	8,428,992	2
General and administrative	1,733,261	1	1,483,004	-	3,184,363	-	2,942,977	-
Marketing	33,520,709	11	27,164,925	11	65,843,755	10	53,183,008	11
Other operating expenses	(8,544)	-	(261,012)	-	59,631	-	(334,533)	-
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14, 15 and 28)	-	-	-	-	-	-	-	-
INCOME FROM OPERATIONS (Note 37)	131,094,538	42	76,304,053	32	259,616,175	42	140,570,076	31
NON-OPERATING INCOME AND EXPENSES	678,757	-	628,335	-	1,404,725	-	1,062,026	-
Share of profits of associates	2,478,362	1	4,546,917	2	5,467,431	1	8,955,693	2
Interest income (Note 23)	233,415	-	244,430	-	343,924	-	244,430	-
Other income	2,779,312	1	(738,611)	-	3,155,103	-	(507,929)	-
Foreign exchange gain/(loss), net (Note 34)	(409,145)	-	(864,751)	(1)	(939,709)	-	(1,763,816)	(1)
Finance costs (Note 24)	(456,601)	-	424,862	-	(301,833)	-	166,612	-
Other gains and losses, net (Note 25)	5,304,100	2	4,241,382	1	8,929,641	1	8,157,016	1
Total non-operating income and expenses	136,398,638	44	80,545,440	33	268,545,816	43	148,727,092	32
INCOME BEFORE INCOME TAX	13,506,124	5	13,769,589	5	30,590,409	5	20,563,911	4
INCOME TAX EXPENSE (Notes 4 and 26)	120,892,514	39	66,775,851	28	237,955,407	38	128,163,161	28
NET INCOME	-	-	-	-	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 26)	-	-	-	-	-	-	-	-
Items that will not be reclassified subsequently to profit or loss:	-	-	-	-	-	-	-	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	22,337	-	175,258	-	(21,710)	-	228,799	-
Gain/(loss) on hedging instruments	-	-	106,554	-	(42,749)	-	12,006	-
Share of other comprehensive loss of associates	(152)	-	(11,134)	-	(3,469)	-	(10,886)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	352	-	12,552	-	466	-	(5,494)	-
Items that may be reclassified subsequently to profit or loss:	22,537	-	283,235	-	(67,462)	-	224,425	-
Exchange differences arising on translation of foreign operations	(14,725,220)	(5)	2,289,984	1	(11,690,196)	(2)	5,508,062	1
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	2,909,147	1	935,894	-	2,698,399	1	2,384,284	1
Share of other comprehensive income (loss) of associates	(89,950)	-	16,902	-	(176,309)	-	25,235	-
Other comprehensive income (loss) for the period, net of income tax	(11,906,023)	(4)	3,242,785	1	(9,168,106)	(1)	7,917,581	2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(11,883,486)	(4)	3,526,020	1	(9,235,568)	(1)	8,142,006	2
NET INCOME ATTRIBUTABLE TO:	\$ 109,009,028	35	\$ 70,301,871	29	\$ 228,719,839	37	\$ 136,305,167	30
Shareholders of the parent	\$ 120,822,193	39	\$ 66,764,850	28	\$ 237,808,913	38	\$ 128,158,701	28
Non-controlling interests	70,321	-	11,001	-	146,494	-	4,460	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	\$ 120,892,514	39	\$ 66,775,851	28	\$ 237,955,407	38	\$ 128,163,161	28
Shareholders of the parent	\$ 108,937,736	35	\$ 70,290,835	29	\$ 228,572,728	37	\$ 136,300,654	30
Non-controlling interests	71,292	-	11,036	-	147,111	-	4,513	-
	\$ 109,009,028	35	\$ 70,301,871	29	\$ 228,719,839	37	\$ 136,305,167	30

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Income Attributable to Shareholders of the Parent				
EARNINGS PER SHARE (NT\$, Note 27)				
Basic earnings per share	\$ 4.66	\$ 2.57	\$ 9.17	\$ 4.94
Diluted earnings per share	\$ 4.66	\$ 2.57	\$ 9.17	\$ 4.94

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

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent															Non-controlling Interests	Total Equity
	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	Total				
	Capital Stock - Common Stock			Retained Earnings													
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total										
BALANCE, JANUARY 1, 2020	25,930,380	\$ 259,303,805	\$ 56,339,709	\$ 311,146,899	\$ 10,675,106	\$1,011,512,974	\$1,333,334,979	\$ (26,871,400)	\$ (692,959)	\$ (3,820)	\$ (190)	\$ (27,568,369)	\$1,621,410,124	\$ 685,302	\$1,622,095,426		
Appropriations of earnings																	
Special capital reserve	-	-	-	-	14,198,232	(14,198,232)	-	-	-	-	-	-	-	-	-		
Cash dividends to shareholders	-	-	-	-	-	(129,651,902)	(129,651,902)	-	-	-	-	-	(129,651,902)	-	(129,651,902)		
Total	-	-	-	-	14,198,232	(143,850,134)	(129,651,902)	-	-	-	-	-	(129,651,902)	-	(129,651,902)		
Net income for the six months ended June 30, 2020	-	-	-	-	-	237,808,913	237,808,913	-	-	-	-	-	237,808,913	146,494	237,955,407		
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	-	(11,866,395)	2,672,959	(42,749)	-	(9,236,185)	(9,236,185)	617	(9,235,568)		
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	237,808,913	237,808,913	(11,866,395)	2,672,959	(42,749)	-	(9,236,185)	228,572,728	147,111	228,719,839		
Basis adjustment for gain on hedging instruments	-	-	-	-	-	-	-	-	-	46,569	-	46,569	46,569	-	46,569		
Adjustments to share of changes in equities of associates	-	-	272	-	-	-	-	-	-	-	190	190	462	-	462		
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	2,988	2,988		
BALANCE, JUNE 30, 2020	25,930,380	\$ 259,303,805	\$ 56,339,981	\$ 311,146,899	\$ 24,873,338	\$1,105,471,753	\$1,441,491,990	\$ (38,737,795)	\$ 1,980,000	\$ -	\$ -	\$ (36,757,795)	\$1,720,377,981	\$ 835,401	\$1,721,213,382		
BALANCE, JANUARY 1, 2019	25,930,380	\$ 259,303,805	\$ 56,315,932	\$ 276,033,811	\$ 26,907,527	\$1,073,706,503	\$1,376,647,841	\$ (12,042,347)	\$ (3,429,324)	\$ 23,601	\$ (1,843)	\$ (15,449,913)	\$1,676,817,665	\$ 678,731	\$1,677,496,396		
Appropriations of prior year's earnings																	
Legal capital reserve	-	-	-	35,113,088	-	(35,113,088)	-	-	-	-	-	-	-	-	-		
Special capital reserve	-	-	-	-	(16,183,397)	16,183,397	-	-	-	-	-	-	-	-	-		
Cash dividends to shareholders	-	-	-	-	-	(259,303,805)	(259,303,805)	-	-	-	-	-	(259,303,805)	-	(259,303,805)		
Total	-	-	-	35,113,088	(16,183,397)	(278,213,496)	(259,303,805)	-	-	-	-	-	(259,303,805)	-	(259,303,805)		
Net income for the six months ended June 30, 2019	-	-	-	-	-	128,158,701	128,158,701	-	-	-	-	-	128,158,701	4,460	128,163,161		
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	-	5,533,346	2,596,706	11,901	-	8,141,953	8,141,953	53	8,142,006		
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	128,158,701	128,158,701	5,533,346	2,596,706	11,901	-	8,141,953	136,300,654	4,513	136,305,167		
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	73,048	73,048	-	(73,048)	-	-	(73,048)	-	-	-		
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(6,775)	-	(6,775)	(6,775)	-	(6,775)		
Adjustments to share of changes in equities of associates	-	-	4,627	-	-	-	-	-	-	-	1,843	1,843	6,470	110	6,580		
From share of changes in equities of subsidiaries	-	-	370	-	-	-	-	-	-	-	-	-	370	(370)	-		
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(76,036)	(76,036)		
BALANCE, JUNE 30, 2019	25,930,380	\$ 259,303,805	\$ 56,320,929	\$ 311,146,899	\$ 10,724,130	\$ 923,704,756	\$1,245,575,785	\$ (6,509,001)	\$ (905,666)	\$ 28,727	\$ -	\$ (7,385,940)	\$1,553,814,579	\$ 606,948	\$1,554,421,527		

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 268,545,816	\$ 148,727,092
Adjustments for:		
Depreciation expense	136,065,309	149,897,048
Amortization expense	3,364,420	2,699,106
Expected credit losses recognized (reversal) on investments in debt instruments	188	(987)
Finance costs	939,709	1,763,816
Share of profits of associates	(1,404,725)	(1,062,026)
Interest income	(5,467,431)	(8,955,693)
Share-based compensation	2,988	-
Loss (gain) on disposal or retirement of property, plant and equipment, net	(6,290)	700,386
Loss on disposal of intangible assets, net	-	2,377
Reversal of impairment loss on property, plant and equipment	-	(301,384)
Loss on financial instruments at fair value through profit or loss, net	3,434	890,206
Gain on disposal of investments in debt instruments at fair value through other comprehensive income, net	(926,919)	(172,465)
Loss from disposal of subsidiaries	-	4,598
Unrealized (realized) gross profit on sales to associates	76,707	(62,262)
Loss (gain) on foreign exchange, net	(2,916,873)	1,722,527
Dividend income	(341,797)	(244,430)
Gain arising from fair value hedges, net	-	(17,826)
Loss (gain) on lease modification	(3)	196
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(53,699)	(80,241)
Notes and accounts receivable, net	(11,310,413)	9,178,788
Receivables from related parties	(29,621)	179,506
Other receivables from related parties	(10,813)	8,789
Inventories	(2,806,898)	(5,000,903)
Other financial assets	1,618,067	4,363,408
Other current assets	(1,363,358)	511,681
Accounts payable	(478,898)	(1,669,615)
Payables to related parties	(1,895)	(609,048)
Salary and bonus payable	(1,524,637)	(4,341,073)
Accrued profit sharing bonus to employees and compensation to directors and supervisors	16,379,603	8,656,896
Accrued expenses and other current liabilities	8,356,817	1,721,475
Net defined benefit liability	(801,304)	(250,825)
Cash generated from operations	405,907,484	308,259,117
Income taxes paid	(32,543,083)	(37,827,811)
Net cash generated by operating activities	<u>373,364,401</u>	<u>270,431,306</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at fair value through other comprehensive income	\$ (123,362,626)	\$ (98,468,264)
Financial assets at amortized cost	(1,366,370)	(313,958)
Property, plant and equipment	(319,258,103)	(192,294,786)
Intangible assets	(8,487,562)	(2,682,181)
Proceeds from disposal or redemption of:		
Financial instruments at fair value through profit or loss - debt instruments	-	1,387,817
Financial assets at fair value through other comprehensive income	126,227,986	86,851,335
Financial assets at amortized cost	-	14,349,190
Property, plant and equipment	182,002	155,320
Derecognition of hedging financial instruments	(339,255)	(294,290)
Interest received	5,959,214	9,396,746
Proceeds from government grants - property, plant and equipment	475,703	2,565,338
Proceeds from government grants - land use right and others	20,077	850,623
Other dividends received	406,277	218,705
Dividends received from investments accounted for using equity method	233,439	233,439
Refundable deposits paid	(120,582)	(1,336,839)
Refundable deposits refunded	686,368	475,381
	<u>(318,743,432)</u>	<u>(178,906,424)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	52,578,588	(11,198,385)
Proceeds from short-term bills payable	7,485,303	-
Repayments of short-term bills payable	(1,000,000)	-
Proceeds from issuance of bonds	60,000,000	-
Repayment of bonds	(21,600,000)	(8,400,000)
Payments for transaction costs attributable to the issuance of bonds	(62,063)	-
Repayment of the principal portion of lease liabilities	(1,412,758)	(1,814,471)
Interest paid	(1,196,001)	(1,625,029)
Guarantee deposits received	21,177	42,659
Guarantee deposits refunded	(7,702)	(347,951)
Cash dividends	(129,651,902)	-
Increase in non-controlling interests	-	30
	<u>(34,845,358)</u>	<u>(23,343,147)</u>
Net cash used in financing activities		(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	<u>Six Months Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>(7,561,504)</u>	\$ <u>3,700,926</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,214,107	71,882,661
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>455,399,336</u>	<u>577,814,601</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 467,613,443</u>	<u>\$ 649,697,262</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 FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

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, selling, 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 4.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on August 11, 2020.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on TSMC and its subsidiaries' (collectively as the "Company") accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

(Continued)