



# Our Business

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# About TSMC

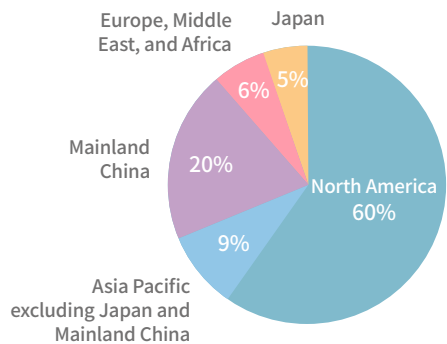
Headquarters  
**Hsinchu Science  
Park, Taiwan**

Founded in  
**1987**

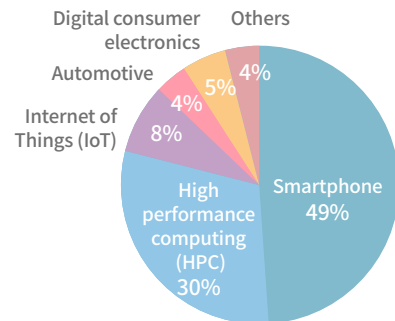
Number of Employees  
**51,297**

TSMC's four core values of Integrity, Commitment, Innovation, and Customer Trust remain as the corestone of its company culture. As world's largest semiconductor foundry and a trusted technology and capacity provider, TSMC always strives to seek greater achievements in its scope of business and to fulfill its corporate social responsibilities for creating a sustainable future when facing the challenges of global climate change and ever-changing global landscapes. TSMC performed better than ever in 2019, netting a consolidated revenue of NT\$1,069 billion and setting a record of year-on-year growth in revenue for 10 consecutive years. As the first and largest dedicated semiconductor foundry, TSMC is committed to offering cutting-edge and comprehensive semiconductor applications solutions. The Company believes in taking responsibility and will continue to move forward with employees, shareholders/ investors, customers, and suppliers to further advance and create sustainable value in the economy, environment, and society.

Revenue Percentage by Customer Location



Revenue Percentage by Product Platform



**345.26** Billion (NT\$)  
Net income

**10** Years  
10 consecutive years of year-on-year growth in revenue

**52%**  
Market share of the total foundry industry

**27%**  
7nm (N7) & 7nm+ (N7+) process technologies accounted for 27% of total wafer sales revenue in 2019

**>12** Million Wafer  
Annual capacity owned and managed by TSMC and its subsidiaries exceeded 12 million 12-inch equivalent wafers.

**1**  
The world's largest capacity provider for logic ICs

**499** Customers  
Manufactured 10,761 different products for 499 customers using 272 types of process technologies

**50%**  
Advanced processes including 16nm & below accounted for 50% of revenue in 2019, compared to 41% in 2018



TSMC has fabrication plants, subsidiaries or offices throughout Taiwan, North America, Europe, Japan, Mainland China, South Korea, and other countries, allowing it to provide real-time business and technology services to its customers around the world.



# Financial Performance

Good financial performance is the key to corporate sustainability. TSMC pursues good financial performance mainly through revenue growth and consistent improvement in profitability to create greater economic value for its stakeholders, including shareholders, employees, customers, suppliers, government, society, and others. To help investors better understand TSMC's long-term investment value, TSMC set clear strategic financial objectives: (1) average return on equity (ROE) to be at least 20% across cycles; (2) compound annual growth rate of net income to be between 5% and 10% for the years 2015 through 2020.

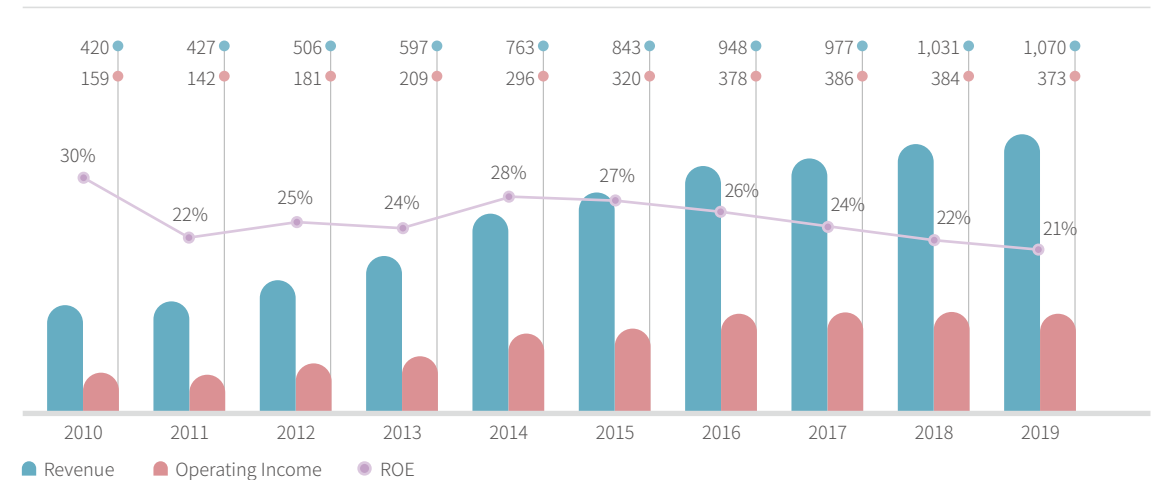
## Four Strategies to Increase Long-term Investment Value



In 2019, TSMC's ROE reached 20.9%; revenue growth calculated in NT dollars reached 3.7%, while net income decreased 1.7%. Net income decreased in 2019 mainly as the Company's capacity utilization was impacted by (1) trade tensions between countries, (2) rising global macroeconomic uncertainties, and (3) inventory adjustments in the semiconductor supply chain. Meanwhile, the Company witnessed an acceleration of the deployment of 5G networks and smartphones in several major markets around the world. The acceleration will trigger a faster worldwide penetration of 5G smartphones with higher silicon content and drive strong 5G-related and HPC demand for TSMC's advanced technologies in the next several years. Therefore, the Company still expects to achieve its strategic financial objectives in 2020.

## Financial Performance

Unit: NT\$ billion



**AA-**

Standard & Poor's (S&P) Ratings

**Aa3**

Moody's Ratings

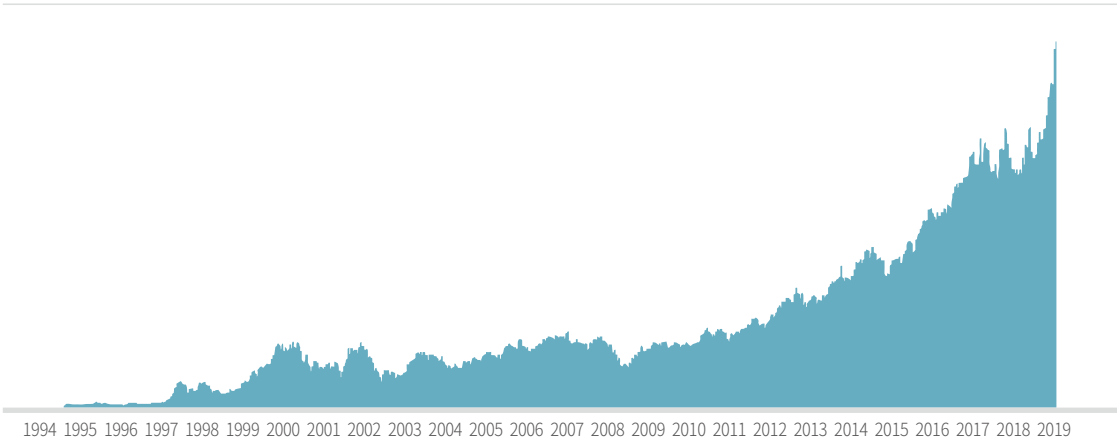
**twAAA**

Taiwan Ratings



## Market Capitalization

Unit: NT\$ trillion



Supported by the Company's strengthening industry position, growth potential and solid operating performance, TSMC's share price, adjusted for cash dividends, increased 53.9% in 2019, marking 11 consecutive years of annual growth. Since the Company went public in 1994, TSMC has been profitable every year and TSMC's market capitalization has been growing steadily. As of December 31, 2019, TSMC's market capitalization reached NT\$8.6 trillion, or US\$288 billion.

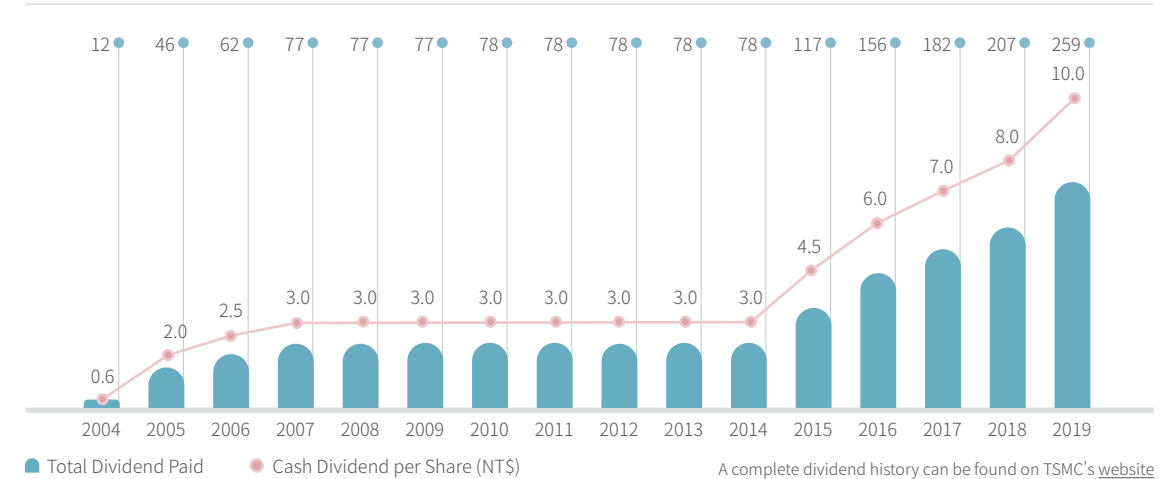
TSMC's solid financial performance enables the Company to distribute profits to shareholders in the form of cash dividends. From 2004 to 2019, TSMC has paid out nearly NT\$1.7 trillion, or US\$53.6 billion, in cash dividends.

In the future, TSMC intends to maintain a sustainable quarterly cash dividend, and to distribute the cash dividend each year at a level not lower than the year before.

In June 2019, TSMC held an annual shareholders' meeting (AGM) to approve the Board's proposed NT\$8 cash dividend per share for full-year 2018 and the revision of the Articles of Incorporation to adopt quarterly dividends. Under the authorization of the AGM, the Board also approved a NT\$2 cash dividend per share for first quarter 2019. Therefore, TSMC's shareholders received a total of NT\$10 per share in cash dividends in 2019.

## Cash Dividend

Unit: NT\$ billion



In August 2019, the Board further raised cash dividend to NT\$2.5 cash dividend per share for second quarter 2019 profit distribution, which was paid in January 2020. The Company expects TSMC's shareholders to receive no less than NT\$2.5 per share per quarter in 2020, or no less than NT\$10 per share in total annual cash dividends.

**24.8%**

10-Year Averaged ROE (2010-2019)

**14.5%**

10-Year Net Income CAGR (2010-2019)

**8.6 Trillion (NT\$)**

Market Capitalization at the End of 2019

**53.9%**

Total Shareholder Return in 2019

**1.7 Trillion (NT\$)**

Cumulative Cash Dividends from 2004 to 2019

**10 Per Share (NT\$)**

Total Cash Dividend Payments in 2019

# Tax Policy

TSMC supports tax policies and incentives that encourage enterprise innovation and foster economic growth. The Company aims for its tax approach and information to be transparent and sustainable in the long term.

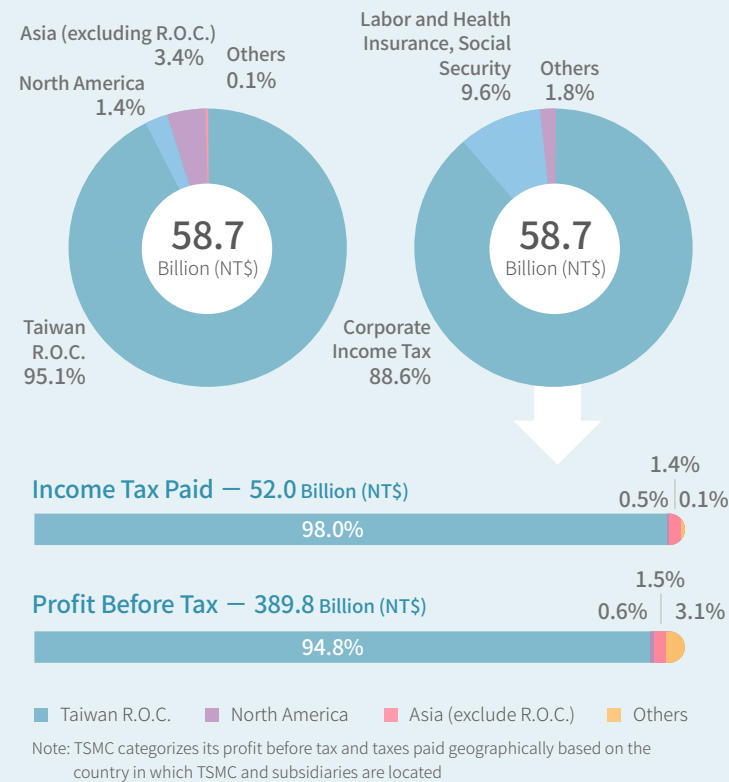
## Eight Commitments

- Act at all times in compliance with all applicable laws and regulations.
- Inter-company transactions are based on the arm's length principle, in compliance with internationally accepted transfer pricing guidance published by the OECD.
- Be transparent in financial reporting. Disclosures are made in accordance with applicable regulations and reporting requirements.
- Do not use tax havens or tax structures whose sole purpose is for tax avoidance.
- Do not transfer value created to low-tax jurisdictions.
- Develop strong, mutually respectful relationships with tax authorities based on transparency and trust.
- Always consider tax as part of major business decisions.
- Analyze the operating environment and assess tax risk through corporate management mechanism.

## Tax Risk Management and Effective Tax Rate

- TSMC is subject to tax laws and regulations in various jurisdictions, in which it operates or conducts business. Any unfavorable changes of tax laws and regulations in these jurisdictions could increase the Company's effective tax rate and have an adverse effect on its operating results. TSMC establishes an enterprise risk management (ERM) program to manage the tax risks. For more details on risk management, please refer to "Risk Management" section in TSMC's 2019 Annual Report.
- TSMC's effective tax rate in 2019 was 11.5%, lower than 11.7% in 2018, mainly due to lower surtax imposed on unappropriated earnings that primarily resulted from the reduced statutory rate of surtax from 10% to 5%. Besides, the effective tax rate in 2019 was lower than the R.O.C. statutory corporate income tax rate of 20%, due primarily to a five-year tax exemption for capital investments made in previous years, and tax credit for research and development expenditures according to regulations under the R.O.C. Statute for Upgrading Industries and the Statute for Industrial Innovation.

## 2019 Tax Breakdown



**58.7** Billion (NT\$)

In 2019, TSMC's total tax payments on cash basis worldwide were NT\$58.7 billion

**>90%**

In 2019, over 90% of TSMC's revenue and profit before tax were generated from its business operations in Taiwan. Meanwhile, over 90% of its tax payments were also made to the Taiwan R.O.C. government

**1<sup>st</sup>**

Based on data provided by "Bloomberg Professional," TSMC was the largest corporate income taxpayer among all public listed companies in Taiwan in 2019

**7.8%**

TSMC's 2019 income tax payment in Taiwan represented 7.8% of total corporate income taxes collected by the R.O.C. government