

TAIWAN SEMICONDUCTOR CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

Address: 11F., No. 205, Sec. 3, Beixin Rd., Xindian Dist., New
Taipei City 231, Taiwan (R.O.C.)
Telephone: (02)89131588

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~23
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	23~24
(6) Explanation of significant accounts	24~52
(7) Related-party transactions	52~56
(8) Pledged assets	56
(9) Commitments and contingencies	56
(10) Losses Due to Major Disasters	56
(11) Subsequent Events	56
(12) Other	56~57
(13) Other disclosures	
(a) Information on significant transactions	58~59
(b) Information on investees	60
(c) Information on investment in mainland China	60~61
(d) Major shareholders	61
(14) Segment information	61
9. The contents of statements of major accounting items	62~74



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

Independent Auditors' Report

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

Opinion

We have audited the financial statements of TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of which represented investment accounted for using the equity method of the Company. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The investment in TSC Auto ID amounted for using the equity method constituting 10.67% and 8.68% of the total assets at December 31, 2023 and 2022, respectively, and the related share of profit of subsidiaries accounted for using the equity method constituting 31.95% and 17.16% of the total income before tax for the years then ended respectively.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(m) to financial statements for accounting policy of revenue recognition; and Note 6(o) “Revenue from contracts with customers” for details on the related explanation.

Description of the key audit matter:

The main business items of the Company are the manufacture and sale of rectifiers. Revenue recognition is one of the key assessment matters in our audit. Revenue is the key indicator to evaluate the performance by investors and management. Therefore, revenue recognition is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included: (i) testing the relevant control over the sales and collection cycle to determine the reliability of revenue records. (ii) checking and adjusting the data of sales system and general ledger entries, and evaluating whether the conditions of sale are consistent with the recognition of accounting policies. (iii) Performing trend analysis on the top ten sales customers to assess whether there are any material abnormality. (iv) using system tools to sample sales transactions before and after the year end to evaluate the accuracy of the period and amount of revenue recognition.

2. Impairment on investment accounted for using the equity method

Please refer to Note 4(h) “Investment in subsidiaries” and (l) “Impairment of non-financial assets” of the financial statements for the details on the accounting policy about investments accounted for using equity method; Note 5(c) “Investments impairment assessment for using equity method” for details on the significant accounts assumptions and judgments Note 6(e) “investments accounted for using equity method” for details on the related explanation.

Description of the key audit matter:

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

How the matter was addressed in our audit:

Our key audit procedures included: communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor’s report of TSC Auto ID issued by other Certified Public Accountants.

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

Our audit procedure also compare the difference of the investment amounted and the net assets of TSC Auto ID (according to our ownership share) and observe TSC Auto ID 's stock price.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo, Yang-Lun and Hsiao, Pei-Ju.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN SEMICONDUCTOR CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 795,597	8	1,139,543	10	2100	Short-term borrowings (note 6(i))	\$ 950,000	9	590,000	5
1110	Current financial assets at fair value through profit or loss - current (note 6(b))	21,060	-	-	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	-	-	408	-
1150	Notes receivable, net (note 6(c))	282	-	52	-	2170	Accounts payable	263,239	2	482,502	4
1170	Accounts receivable, net (note 6(c))	435,637	4	618,016	5	2181	Accounts payable to related parties (note 7)	303,235	3	338,627	3
1180	Accounts receivable due from related parties, net (note 7)	442,830	4	670,796	6	2220	Other payables to related parties (note 7)	35,604	-	38,555	-
1200	Other receivables (note 7)	32,318	-	38,005	-	2230	Current tax liabilities	98,768	1	221,499	2
130X	Inventories (note 6(d))	1,224,393	11	1,193,998	10	2320	Long-term borrowings, current portion (note 6(j))	298,583	3	259,349	2
1479	Other current assets	32,587	-	109,435	1	2280	Lease liabilities, current (note 6(k))	940	-	-	-
		<u>2,984,704</u>	<u>27</u>	<u>3,769,845</u>	<u>32</u>	2399	Other current liabilities	325,091	3	418,550	4
								<u>2,275,460</u>	<u>21</u>	<u>2,349,490</u>	<u>20</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	22,383	-	-	-	2541	Long-term borrowings (note 6(j))	228,808	2	527,391	5
1517	Non-current financial assets at fair value through other comprehensive income (note (b))	-	-	4,157	-	2570	Deferred tax liabilities (note 6(m))	449,473	4	441,616	4
1551	Investments accounted for using equity method (note (e))	5,212,425	49	5,113,463	45	2580	Lease liabilities non-current (note (k))	1,360	-	-	-
1600	Property, plant and equipment (note (f))	2,089,063	20	2,168,878	19	2640	Net defined benefit liability, non-current (note 6(l))	22,493	-	20,046	-
1755	Right-of-use assets (note (g))	4,024	-	-	-			<u>702,134</u>	<u>6</u>	<u>989,053</u>	<u>9</u>
1822	Intangible assets (note (h))	71,765	1	64,459	1		Total liabilities	<u>2,977,594</u>	<u>27</u>	<u>3,338,543</u>	<u>29</u>
1840	Deferred tax assets (note (m))	110,445	1	70,596	1		Stockholder' equity attributable to parent:(note 6(n))				
1980	Other non-current financial assets (note (b))	51,867	-	67,718	1	3110	Common stock	2,634,854	25	2,634,854	23
1990	Other non-current assets	166,313	2	141,359	1	3200	Capital surplus	2,209,251	21	2,137,088	19
		<u>7,728,285</u>	<u>73</u>	<u>7,630,630</u>	<u>68</u>	3300	Retained earnings	3,816,863	36	4,155,591	36
						3400	Other stockholders' equity	(419,530)	(4)	(359,558)	(3)
						3500	Treasury shares	(506,043)	(5)	(506,043)	(4)
							Total equity	<u>7,735,395</u>	<u>73</u>	<u>8,061,932</u>	<u>71</u>
Total assets		<u>\$ 10,712,989</u>	<u>100</u>	<u>11,400,475</u>	<u>100</u>		Total liabilities and equity	<u>\$ 10,712,989</u>	<u>100</u>	<u>11,400,475</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4110	Total sales revenue (notes 6(o) and 7)	\$ 4,708,842	102	5,755,056	101
4190	Less: Sales discounts and allowances	<u>98,369</u>	<u>2</u>	<u>55,901</u>	<u>1</u>
	Net operating revenues	<u>4,610,473</u>	<u>100</u>	<u>5,699,155</u>	<u>100</u>
5000	Cost of goods sold (notes 6(d) and 7)	<u>3,506,778</u>	<u>76</u>	<u>4,058,148</u>	<u>71</u>
	Gross profit	<u>1,103,695</u>	<u>24</u>	<u>1,641,007</u>	<u>29</u>
5910	Less: Unrealized profit (loss) from sales	<u>(15,662)</u>	<u>-</u>	<u>53,444</u>	<u>1</u>
		<u>1,119,357</u>	<u>24</u>	<u>1,587,563</u>	<u>28</u>
6000	Operating expenses (note 7):				
6100	Selling expenses	354,097	7	438,244	8
6200	Administrative expenses	215,950	5	297,659	5
6300	Research and development expenses	141,341	3	81,604	1
6450	Impairment gain	<u>(7,803)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>703,585</u>	<u>15</u>	<u>817,507</u>	<u>14</u>
	Operating income	<u>415,772</u>	<u>9</u>	<u>770,056</u>	<u>14</u>
	Non-operating income and expenses (notes 6(p) and 7):				
7100	Interest income	11,614	-	3,635	-
7010	Other income	19,311	-	28,629	1
7020	Other gains and losses	36,031	1	164,096	3
7050	Finance costs	<u>(22,675)</u>	<u>-</u>	<u>(11,349)</u>	<u>-</u>
7070	Share of profit of subsidiaries accounted for using equity method (note 6(e))	<u>404,836</u>	<u>9</u>	<u>874,492</u>	<u>15</u>
		<u>449,117</u>	<u>10</u>	<u>1,059,503</u>	<u>19</u>
	Profit before income tax	<u>864,889</u>	<u>19</u>	<u>1,829,559</u>	<u>33</u>
7950	Less: Income tax expenses (note 6(m))	<u>146,249</u>	<u>3</u>	<u>266,672</u>	<u>5</u>
	Profit	<u>718,640</u>	<u>16</u>	<u>1,562,887</u>	<u>28</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(l))	<u>(2,775)</u>	<u>-</u>	<u>2,549</u>	<u>-</u>
8330	Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	<u>(651)</u>	<u>-</u>	<u>1,752</u>	<u>-</u>
		<u>(3,426)</u>	<u>-</u>	<u>4,301</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>(59,972)</u>	<u>(1)</u>	<u>171,567</u>	<u>3</u>
8300	Other comprehensive income (after tax)	<u>(63,398)</u>	<u>(1)</u>	<u>175,868</u>	<u>3</u>
	Comprehensive income	<u>\$ 655,242</u>	<u>15</u>	<u>1,738,755</u>	<u>31</u>
	Basic earnings per common share (NT dollars) (note 6(r))	<u>\$ 2.89</u>		<u>6.28</u>	
	Diluted earnings per common share (NT dollars) (note 6(r))	<u>\$ 2.88</u>		<u>6.23</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN SEMICONDUCTOR CO., LTD.
Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total retained earnings	Total other equity interest	Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
Balance at January 1, 2022	\$ 2,650,854	2,166,799	884,887	459,300	1,902,930	3,247,117	(531,125)	(506,990)	7,026,655
Net income	-	-	-	-	1,562,887	1,562,887	-	-	1,562,887
Other comprehensive income	-	-	-	-	4,301	4,301	171,567	-	175,868
Total comprehensive income	-	-	-	-	1,567,188	1,567,188	171,567	-	1,738,755
Retirement of treasury shares	(16,000)	(69,482)	-	-	-	-	-	85,482	-
Subsidiaries purchase of treasury shares	-	-	-	-	-	-	-	(84,535)	(84,535)
Appropriation and distribution of retained earnings:									
Provision of legal reserve	-	-	88,137	-	(88,137)	-	-	-	-
Provision of special reserve	-	-	-	71,825	(71,825)	-	-	-	-
Cash dividends	-	-	-	-	(658,714)	(658,714)	-	-	(658,714)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	37,000	-	-	-	-	-	-	37,000
Changes in equity of affiliate accounted for using equity method	-	2,771	-	-	-	-	-	-	2,771
Balance at December 31, 2022	2,634,854	2,137,088	973,024	531,125	2,651,442	4,155,591	(359,558)	(506,043)	8,061,932
Net income	-	-	-	-	718,640	718,640	-	-	718,640
Other comprehensive income	-	-	-	-	(3,426)	(3,426)	(59,972)	-	(63,398)
Total comprehensive income	-	-	-	-	715,214	715,214	(59,972)	-	655,242
Appropriation and distribution of retained earnings:									
Provision of legal reserve	-	-	156,719	-	(156,719)	-	-	-	-
Cash dividends	-	-	-	-	(1,053,942)	(1,053,942)	-	-	(1,053,942)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	59,200	-	-	-	-	-	-	59,200
Changes in equity of affiliate accounted using equity method	-	12,963	-	-	-	-	-	-	12,963
Balance at December 31, 2023	<u>\$ 2,634,854</u>	<u>2,209,251</u>	<u>1,129,743</u>	<u>531,125</u>	<u>2,155,995</u>	<u>3,816,863</u>	<u>(419,530)</u>	<u>(506,043)</u>	<u>7,735,395</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 864,889	1,829,559
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	333,878	319,548
Amortization expense	51,927	48,443
Reversal of expected credit loss	(7,803)	-
Gain on financial assets or liabilities at fair value through profit or loss	(3,169)	1,701
Interest expense	21,285	9,810
Interest income	(11,614)	(3,635)
Share of profit of subsidiaries accounted for using equity method	(404,836)	(874,492)
Gain on disposal of property, plant and equipment	(99)	(2,792)
Others	(15,662)	53,444
Total adjustments to reconcile profit (loss)	<u>(36,093)</u>	<u>(447,973)</u>
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(16,918)	150,593
(Increase) decrease in notes receivable	(230)	479
Decrease in accounts receivable	190,174	100,374
(Increase) decrease in accounts receivable due from related parties	227,966	(111,821)
(Increase) decrease in other receivable	5,230	(13,231)
Increase in inventories	(30,395)	(433,884)
(Increase) decrease in other current assets	76,848	(40,096)
Decrease in notes payable	-	(1,607)
Increase(decrease) in accounts payable	(219,263)	168,248
Decrease in accounts payable to related parties	(35,392)	(325,609)
Increase (decrease) in other payable	(252)	637
Decrease in other payable to related parties	(2,951)	(16,772)
Increase (decrease) in other current liabilities	(93,459)	123,740
Decrease in net defined benefit liability	(328)	(462)
Total adjustments	<u>64,937</u>	<u>(847,384)</u>
Cash inflow generated from operations	929,826	982,175
Interest received	12,071	3,179
Dividends received	333,180	250,906
Interest paid	(22,432)	(10,913)
Income taxes paid	(300,972)	(140,144)
Net cash flows from operating activities	<u>951,673</u>	<u>1,085,203</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(19,607)	-
Acquisition of financial assets at fair value through other comprehensive income	-	(4,157)
Acquisition of property, plant and equipment	(105,072)	(52,494)
Proceeds from disposal of property, plant and equipment	-	3,475
Acquisition of right-of-use assets	(2,035)	-
Acquisition of intangible assets	(59,233)	(21,449)
(Increase) decrease in other non-current assets	70,878	(2,617)
Increase in prepayments for equipment	(226,692)	(133,453)
Net cash flows used in investing activities	<u>(341,761)</u>	<u>(210,695)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	360,000	219,280
Proceeds from long-term borrowings	-	139,320
Repayments of long-term borrowings	(259,349)	(1,890)
Payment of lease liabilities	(567)	-
Cash dividends paid	(1,053,942)	(658,714)
Net cash flows used in financing activities	<u>(953,858)</u>	<u>(302,004)</u>
Net increase in cash and cash equivalents	<u>(343,946)</u>	<u>572,504</u>
Cash and cash equivalents at the beginning of period	<u>1,139,543</u>	<u>567,039</u>
Cash and cash equivalents at the end of period	<u>\$ 795,597</u>	<u>1,139,543</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) was incorporated in January 1979 under the Company Act of the Republic of China. Its major business activities are the manufacture and sale of rectifiers and bar code printers. The Company’s common stock has been officially listed and traded on the GreTai Securities Market starting from February 2000.

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

The Company primarily is involved in the manufacture and sale of rectifiers.

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

The financial statements were authorized for issue by the Board of Directors on March 15, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

An entity shall classify a liability as current when:

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

(e) Cash and cash equivalents

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

Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPII) on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

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

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

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

2) Financial liabilities

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

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

3) Treasury shares

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

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

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

(g) Inventories

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

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

(h) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income are the same as the profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements. The equity balance in the separate financial statements is the same as the equity balance in the financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

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

- 1) Buildings and improvements: 4~56 years.
- 2) Machinery and equipment: 3~15 years.
- 3) Transportation equipment: 7 years.
- 4) Office equipment and others: 1~11 years.

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

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

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

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

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

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

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

(ii) As a lessor

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

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

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

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

(k) Intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization is calculated over the cost of the asset, less its residual value. Intangible assets useful lives are as follows:

Computer software: 1~7 years

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

(l) Impairment of non-financial assets

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

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

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

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

(m) Revenue recognition

(i) Revenue from contracts with customers

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

1) Sale of goods

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

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

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

2) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

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

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction that affects neither accounting nor taxable profits (losses);
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(q) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no segmental information was disclosed in the separate financial statement.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing the financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is as follows.

(a) Assessment of impairment of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Please refer to note 6 (c) for the relevant assumptions, input values and impairment recognition.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(d) for inventory valuation.

(c) Investments impairment assessment for using the equity method

The assessment of impairment of using the equity method requires the Company to make subjective judgments to identify CGUs, and estimate the recoverable amount of relevant CGUs.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and petty cash	\$ 163	163
Checking and demand deposits	663,288	742,594
Time deposits	<u>132,146</u>	<u>396,786</u>
	<u><u>\$ 795,597</u></u>	<u><u>1,139,543</u></u>

Please refer to note 6(s) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

(i) The financial instruments held by the Company were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current (financial assets):		
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificates	\$ 20,032	-
Forward exchange contracts	<u>1,028</u>	<u>-</u>
	<u><u>\$ 21,060</u></u>	<u><u>-</u></u>
Non-current (financial assets):		
Measured at fair value through other comprehensive income:		
Fund in foreign markets	\$ <u>22,383</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>4,157</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

	December 31, 2023	December 31, 2022
Other financial assets:		
Refundable deposits	\$ <u>51,867</u>	<u>67,718</u>
Current (financial liabilities):		
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ <u>-</u>	<u>408</u>

Please refer to note 6(s) for the disclosures of credit risk exposures, currency risk exposures, and interest rate risk exposures.

- (ii) The Company uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

December 31, 2023					
		Contract amount		Currency	Contract period
Selling/buying forward	USD	2,000 /NTD	62,482	USD to NTD	2024.01.05

December 31, 2022					
		Contract amount		Currency	Contract period
Selling/buying forward	EUR	500 /USD	521	EUR to USD	2023.02.17

- (iii) Since the foreign funds held by the Company were not classified as equity instrument investments, and consequently, failed to meet the contractual cash flow characteristics of debt instruments, they were transferred to financial assets that were mandatorily measured at fair value through profit and loss as of 2023.

- (c) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 282	52
Accounts receivable	440,402	630,576
Less: Allowance for impairment	<u>(4,765)</u>	<u>(12,560)</u>
	<u>\$ 435,919</u>	<u>618,068</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

The loss allowance provision in Rectifiers was determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 422,673	1 %	4,225
1~90 days past due	18,011	3 %	540
	<u>\$ 440,684</u>		<u>4,765</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 575,575	1.85 %	10,655
1~90 days past due	54,161	3 %	1,625
91~180 days past due	644	5 %	32
271-365 days past due	196	100 %	196
Over 365 days past due	52	100 %	52
	<u>\$ 630,628</u>		<u>12,560</u>

The movement in the allowance for notes and trade receivable was as follows:

	2023	2022
Balance on January 1, 2023 and 2022	\$ 12,560	12,963
Impairment losses reversed	(7,795)	(403)
Balance on December 31, 2023 and 2022	<u>\$ 4,765</u>	<u>12,560</u>

The Company does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 617,798	573,310
Work in process	119,510	226,649
Raw material and supplies	375,951	255,650
Outsourcing inventories	106,995	133,091
Inventories in transit	4,139	5,298
	<u>\$ 1,224,393</u>	<u>1,193,998</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$3,305,509 thousand and \$3,959,967 thousand for the years ended December 31, 2023 and 2022, respectively.

During the years December 31, 2023 and 2022, the write-down of inventories to net realizable value amounting to \$201,269 thousand and \$98,181 thousand, respectively.

As of December 31, 2023 and 2022, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

(i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Subsidiaries:		
Ever Energetic Int'l Ltd. (Ever Energetic)	\$ 1,508,678	1,559,456
Ever Winner Int'l Co., Ltd. (Ever Winner)	1,749,041	1,786,727
Skyrise Int'l Ltd. (Skyrise)	1,831	1,856
Taiwan Semiconductor Europe GmbH (TSCE)	71,525	60,648
Taiwan Semiconductor Japan Ltd. (TSCJ)	121,218	111,535
Taiwan Semiconductor (H.K.) Co., Ltd. (TSCH)	617,134	604,227
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	<u>1,142,998</u>	<u>989,014</u>
	<u>\$ 5,212,425</u>	<u>5,113,463</u>

(ii) Subsidiaries

Please see the consolidated financial statements for the year end December 31, 2023.

The Company's share of gain of subsidiaries accounted for using the equity method was \$404,836 thousand and \$874,492 thousand for the December 31, 2023 and 2022, respectively.

The Company invested \$1,000 thousand in March 2007, to establish TSC Auto ID, and transferred the assets and liabilities of the Company's Barcode Printer Business Division, with a book value of \$150,000 thousand, to it on August 1, 2007. Additionally, TSC Auto ID had issued new shares for cash capital increase several times since establishment, which led to the changes of the shares held by the Company due to the failure of the Company subscribing the new shares according to its original shareholding ratio each time. As such, the total equity held by the Company arising from the investment varied, which was recognized as equity transactions accordingly. Moreover, there had been employees successively exercising their stock rights to purchase the issued new shares of TSC Auto ID. In summary, as of December 31, 2023 and 2022, the shareholding ratio of the Company in TSC Auto ID was 36.05% and 36.35%.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

As of December 31, 2023 and 2022, the Company had a shareholding ratio of 25.22% in TSCH, 36.96% in Ever Energetic and Ever Winner. In summary, the comprehensive shareholding ratio of the Company in TSCH was 100%.

(f) Property, plant and equipment

The cost, depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, were as follows:

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Office and other facilities</u>	<u>Total</u>
Cost or deemed cost:					
Balance at 1 January, 2023	\$ 636,086	737,016	2,822,017	132,222	4,327,341
Additions	-	1,967	88,337	14,768	105,072
Disposals	-	-	(5,147)	(1,349)	(6,496)
Others (include capitalized interest)	-	130	146,120	1,894	148,144
Balance at December 31, 2023	<u>\$ 636,086</u>	<u>739,113</u>	<u>3,051,327</u>	<u>147,535</u>	<u>4,574,061</u>
Balance at 1 January, 2022	\$ 636,086	732,644	2,772,740	124,924	4,266,394
Additions	-	532	44,609	7,353	52,494
Sales of assets	-	-	(7,370)	-	(7,370)
Disposals	-	-	(40,794)	(600)	(41,394)
Others (include capitalized interest)	-	3,840	52,832	545	57,217
Balance at December 31, 2022	<u>\$ 636,086</u>	<u>737,016</u>	<u>2,822,017</u>	<u>132,222</u>	<u>4,327,341</u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ -	300,279	1,754,707	103,477	2,158,463
Depreciation for the year	-	27,858	293,278	11,890	333,026
Disposals	-	-	(5,147)	(1,344)	(6,491)
Balance at December 31, 2023	<u>\$ -</u>	<u>328,137</u>	<u>2,042,838</u>	<u>114,023</u>	<u>2,484,998</u>
Balance at January 1, 2022	\$ -	272,395	1,522,150	92,347	1,886,892
Depreciation for the year	-	27,884	279,966	11,698	319,548
Sales of assets	-	-	(7,370)	-	(7,370)
Disposals	-	-	(40,039)	(568)	(40,607)
Balance at December 31, 2022	<u>\$ -</u>	<u>300,279</u>	<u>1,754,707</u>	<u>103,477</u>	<u>2,158,463</u>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 636,086</u>	<u>410,976</u>	<u>1,008,489</u>	<u>33,512</u>	<u>2,089,063</u>
Balance at January 1, 2022	<u>\$ 636,086</u>	<u>460,249</u>	<u>1,250,590</u>	<u>32,577</u>	<u>2,379,502</u>
Balance at December 31, 2022	<u>\$ 636,086</u>	<u>436,737</u>	<u>1,067,310</u>	<u>28,745</u>	<u>2,168,878</u>

The Company's interest capitalized for purchasing property, plant and equipment for the years ended December 31, 2023, and 2022, were \$1,206 thousand and \$453 thousand, respectively, both at a rate of 1.50%.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

As of December 31, 2023 and 2022, the Company did not provide any property, plant and equipment as collateral for its loans.

(g) Right-of-use assets

The Company leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Building and construction</u>
Cost:	
Balance at 1 January, 2023	\$ -
Additions	<u>4,876</u>
Balance at December 31, 2023	<u><u>\$ 4,876</u></u>
Accumulated depreciation and impairment losses:	
Balance at January 1, 2023	\$ -
Depreciation for the year	<u>852</u>
Balance at December 31, 2023	<u><u>\$ 852</u></u>
Carrying amount:	
Balance at December 31, 2023	<u><u>\$ 4,024</u></u>
Balance at January 1, 2022	<u><u>\$ -</u></u>
Balance at December 31, 2022	<u><u>\$ -</u></u>

(h) Intangible assets

The cost, amortization of the intangible assets of the Company for the years ended December 31, 2023 and 2022, were as follows:

	<u>Computer Software</u>
Cost:	
Balance at January 1, 2023	\$ 205,638
Additions	<u>59,233</u>
Balance at December 31, 2023	<u><u>\$ 264,871</u></u>
Balance at January 1, 2022	\$ 184,189
Additions	<u>21,449</u>
Balance at December 31, 2022	<u><u>\$ 205,638</u></u>
Accumulated amortization:	
Balance at January 1, 2023	\$ 141,179
Amortization for the year	<u>51,927</u>
Balance at December 31, 2023	<u><u>\$ 193,106</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

	Computer Software
Balance at January 1, 2022	\$ 92,736
Amortization for the year	<u>48,443</u>
Balance at December 31, 2022	<u><u>\$ 141,179</u></u>
Carrying amount:	
Balance at December 31, 2023	<u><u>\$ 71,765</u></u>
Balance at January 1, 2022	<u><u>\$ 91,453</u></u>
Balance at December 31, 2022	<u><u>\$ 64,459</u></u>

(i) Short-term borrowings

	December 31, 2023	December 31, 2022
Credit loans	<u><u>\$ 950,000</u></u>	<u><u>590,000</u></u>
Unused short-term credit lines	<u><u>\$ 1,899,165</u></u>	<u><u>2,074,200</u></u>
Range of interest rates (%)	<u><u>1.57%~ 1.60%</u></u>	<u><u>1.45%~ 1.81%</u></u>

Please refer to notes 9 for disclosures of mortgaged and pledged assets.

(j) Long-term borrowings

	December 31, 2023		
	Rate range	Maturity year	Amount
Unsecured bank loans	1.20%	2027.07.16	\$ 229,334
	1.20%	2026.12.04	66,157
	1.20%	2025.03.28	100,000
	1.20%	2024.12.25	120,000
	1.75%	2024.03.08	<u>11,900</u>
			527,391
Less: Current portion			<u>(298,583)</u>
Total			<u><u>\$ 228,808</u></u>
Unused long-term credit lines			<u><u>\$ 911,370</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

	December 31, 2022		
	Rate range	Maturity year	Amount
Unsecured bank loans	1.075%	2027.07.16	\$ 256,000
	1.075%	2026.12.04	88,840
	1.075%	2025.03.28	160,000
	1.075%	2024.12.25	240,000
	1.625%	2024.03.08	41,900
			786,740
Less: Laurent portion			(259,349)
Total			\$ 527,391
Unused long-term credit lines			\$ 913,260

To enhance mid-term working capital, The Company has signed loan agreements with different banks and paid interest incurred periodically. Before the expiry of contracts, short-term loans can be made within the revolving credit lines. There are no revolving credit lines for mid-term or long-term loans. The maturity dates above are based on the end dates of the loan periods.

For the year ended December 31, 2022 the amounts of the Company's unsecured bank loans was \$139,320 thousand, respectively, with a grace period ranging from 3~5 years based on the contracts.

(k) Lease liability

The carrying amounts of lease liabilities were as follows:

	December 31, 2023
Current	\$ 940
Non-current financial assets	1,360
	\$ 2,300

For the maturity analysis, please refer to note 6(s).

The amounts recognized in profit or loss were as follows:

	2023
Interest on lease liabilities	\$ 26
Expenses relating to short-term leases	\$ 3,679
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 218

The amounts recognized in the statement of cash flows for the Group was as follows:

	2023
Total cash outflow for leases	\$ 4,490

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

The company leases houses and buildings as offices and factories for a three-year lease period.

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan assets at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ (62,438)	(60,476)
Fair value of plan assets	39,945	40,430
Net defined benefit liabilities	<u>\$ (22,493)</u>	<u>(20,046)</u>

1) Composition of plan assets

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement. The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$39,945 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movements in the present value of defined benefit obligations for the Company in 2023 and 2022 were as follows:

	2023	2022
Defined benefit obligations on January 1	\$ (60,476)	(63,094)
Current service costs and interest	(677)	(299)
Remeasurement in net defined benefit liability		
— Actuarial gains and losses arising from demographic assumptions	(242)	2,915
— Actuarial losses arising from changes in financial assumption	(2,706)	(3,902)
Pension paid	1,663	3,904
Defined benefit obligations on December 31	<u>\$ (62,438)</u>	<u>(60,476)</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

3) Movement in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company in December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets on January 1	\$ 40,430	40,037
Interest income	710	302
Remeasurement in net defined benefit liability		
— Return on plan assets (exclude current interest)	173	3,536
Contributions paid by the employer	295	459
Pension paid	<u>(1,663)</u>	<u>(3,904)</u>
Fair value of plan assets on December 31	<u>\$ 39,945</u>	<u>40,430</u>

4) The expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current service costs	\$ -	-
Net interest on net defined benefit asset	<u>(33)</u>	<u>(3)</u>
	<u>\$ (33)</u>	<u>(3)</u>
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ (9)	-
Selling expenses	(3)	-
Administrative expenses	(20)	(3)
Research and development expenses	<u>(1)</u>	<u>-</u>
	<u>\$ (33)</u>	<u>(3)</u>

5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2023</u>	<u>2022</u>
Accumulative amount at January 1	\$ (817)	(3,366)
(Recognized) reversed during the period	<u>(2,775)</u>	<u>2,549</u>
Accumulative amount at December 31	<u>\$ (3,592)</u>	<u>(817)</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.25%~1.625%	1.25%~1.75%
Future salary increase rate	2.50 %	2.50 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date were \$260 thousand.

For the year 2023 and 2022, the defined benefited obligation weight-average duration of the Company is between 2.00 years to 14.46 years and 2.33 years to 14.97 years, respectively.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>The impact on the present value of the defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2023		
Discount rate	\$ (637)	656
Future salary increasing rate	638	(623)
December 31, 2022		
Discount rate	(720)	742
Future salary increasing rate	724	(705)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$20,172 thousand and \$17,841 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(m) Income tax

(i) The components of income tax in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expenses		
Current period	\$ 157,857	242,424
Additional tax on undistributed earnings	26,405	3,135
Adjustment for prior periods	<u>(6,021)</u>	<u>(6,981)</u>
	<u>178,241</u>	<u>238,578</u>
Deferred tax expenses		
Origination of temporary differences	<u>(31,992)</u>	<u>28,094</u>
Total income tax expenses	<u>\$ 146,249</u>	<u>266,672</u>

(ii) There is no income tax recognized in other comprehensive income for the years 2023 and 2022.

(iii) The Company's reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	<u>\$ 864,889</u>	<u>1,829,559</u>
Income tax	\$ 172,978	365,912
Recognized income under equity method	(46,698)	(98,434)
Additional tax on undistributed earnings	26,405	3,135
Others	<u>(6,436)</u>	<u>(3,941)</u>
Total	<u>\$ 146,249</u>	<u>266,672</u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Company's deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 8,401</u>	<u>8,125</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

	Inventory obsolescence	Allowance for impairment	Unrealized gross profit	Others	Total
Balance at January 1, 2023	\$ 50,338	937	13,563	5,758	70,596
Recognized in profit or loss	40,254	(690)	(3,153)	3,438	39,849
Balance at December 31, 2023	<u>\$ 90,592</u>	<u>247</u>	<u>10,410</u>	<u>9,196</u>	<u>110,445</u>
Balance at January 1, 2022	\$ 30,702	1,802	2,895	3,822	39,221
Recognized in profit or loss	19,636	(865)	10,668	1,936	31,375
Balance at December 31, 2022	<u>\$ 50,338</u>	<u>937</u>	<u>13,563</u>	<u>5,758</u>	<u>70,596</u>

Deferred tax liabilities:

	Recognized income under equity method	Others	Total
Balance at January 1, 2023	\$ (436,112)	(5,504)	(441,616)
Recognized in profit or loss	(7,727)	(130)	(7,857)
Balance at December 31, 2023	<u>\$ (443,839)</u>	<u>(5,634)</u>	<u>(449,473)</u>
Balance at January 1, 2022	\$ (375,832)	(6,315)	(382,147)
Recognized in profit or loss	(60,280)	811	(59,469)
Balance at December 31, 2022	<u>\$ (436,112)</u>	<u>(5,504)</u>	<u>(441,616)</u>

(v) As of December 31, 2023, the income tax returns of the Company through the year 2021 were assessed by the Tax Authority.

(vi) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be transferred back in the short run. In accordance with paragraph A39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.

(n) Stockholders' equity

(i) Common stock

A resolution was passed during the general meeting of shareholders held on 14 June, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 10,000 thousand. Subsequently, a resolution was passed during the board meeting held on 30 October, 2019 for the issuance of 6,741 thousand ordinary shares under private placement, with par value of \$10 per share, amounting to \$299,975 thousand, with 18 November, 2019 as the date of capital increase. The relevant statutory registration procedures have since been completed.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a threeyear period has elapsed from the delivery date of the private placement securities (December 18, 2019), and after applying for a public offering with the Financial Supervisory Commission. The Company has reissued its public offering, and declared it effective on May 18, 2023.

The Company retired 1,600 thousand of treasury shares and eliminate 69,482 thousand of capital surplus treasury shares, which approved by the board of directors on January 10, 2022, as the date of capital reduction. The related registration procedures were completed.

The Company increased its capital to \$9,000,000 thousand based on a resolution approved during the shareholders' meeting held on June 19, 2023. All relevant registration procedures had been completed on June 30, 2023. As of December 31, 2023, and 2022, the authorized capital amounted to \$9,000,000 thousand, and \$3,600,000 thousand (including the amount of \$100,000 authorized for the issuance of the employee stock options); the Company's outstanding capital amounted to \$2,634,854 thousand, respectively, with a par value of \$10 (dollars) per share.

(ii) Capital surplus

	December 31, 2023	December 31, 2022
Premium on shares issued above par value	\$ 639,859	639,859
Conversion premium of convertible corporate bonds	1,229,442	1,229,442
Treasury share transactions	200,145	140,945
Employee share options premium	24,378	24,378
Interest compensation payable on convertible corporate bonds	18,674	18,674
Employee share options	1,543	1,543
Change in affiliates recognized under equity method	95,210	82,247
	<u>\$ 2,209,251</u>	<u>2,137,088</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(iv) Special reserve

According to ROC SFB regulations, an ROC publicly listed company should retain its special reserve equal to any deductions from stockholders' equity before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings. The remaining earnings may be distributed as stockholders' dividends.

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to \$302,149. In accordance with Ruling issued by the Financial Supervisory Commission, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$302,149 on December 31, 2023 and 2022.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Distribution of earnings and dividend policy

In accordance with the Company's articles of incorporation, if there are appropriate earnings at year-end, the after-tax earnings shall first be offset against any deficit, and 10% should be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equal the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

According to the stock dividend policy of the Company, in consideration of future capital needs, operational development, capital needs, international and domestic competitiveness, and stockholders' benefits, etc., cash dividends cannot be lower than 10% of total stock dividends. However, stock dividends instead of cash dividends are distributed if the cash dividends per share are less than \$0.2 (dollars).

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

The annual shareholders' meeting on June 19, 2023 and June 21, 2022, resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2022 and 2021 as follows:

	2022		2021	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 4.00	<u><u>1,053,942</u></u>	2.50	<u><u>658,714</u></u>

(vi) Treasury stocks

In accordance with Article 28-2 of the Securities and Exchange Act, in order to transfer shares to employees, the Company repurchased 1,600 thousand shares of treasury stock at a cost of \$85,482 thousand and retired \$85,482 thousand of treasury shares in January 2022, as described in common stock.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

As of December 31, 2023 and 2022, a subsidiary of the Company, TSC Auto ID, held 14,800 thousand shares of the Company with a total value of \$506,043 thousand, respectively, recognized under treasury shares.

As of year-end 2023 and 2022, the Company had recognized dividend income received from its TSC Auto ID subsidiary in the amount of \$59,200 thousand and \$37,000 thousand, respectively, and the total amount were transferred to capital surplus – treasury shares under the equity method.

(vii) Other equity

	Foreign exchange differences arising from foreign operation
Balance at January 1, 2023	\$ (359,558)
Foreign exchange differences	<u>(59,972)</u>
Balance at December 31, 2023	<u><u>\$ (419,530)</u></u>
Balance at January 1, 2022	\$ (531,125)
Foreign exchange differences	<u>171,567</u>
Balance at December 31, 2022	<u><u>\$ (359,558)</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Asia	\$ 2,317,121	2,905,882
America	508,412	910,777
Europe	1,725,706	1,772,769
Others	<u>59,234</u>	<u>109,727</u>
	<u>\$ 4,610,473</u>	<u>5,699,155</u>
Major products lines:		
Rectifiers	<u>\$ 4,610,473</u>	<u>5,699,155</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes and trade receivable (include related parties)	\$ 883,514	1,301,424	1,290,859
Less: Allowance for impairment	<u>(4,765)</u>	<u>(12,560)</u>	<u>(12,963)</u>
Total	<u>\$ 878,749</u>	<u>1,288,864</u>	<u>1,277,896</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(p) Non-operating income and expenses

(i) Interest income

The Company's interest income detail was as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 11,614</u>	<u>3,635</u>

(ii) Other income

	<u>2023</u>	<u>2022</u>
Rent income	\$ 539	1,077
Others	<u>18,772</u>	<u>27,552</u>
Total	<u>\$ 19,311</u>	<u>28,629</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains on disposal of property, plant and equipment	\$ 99	2,792
Foreign exchange gains	32,763	165,644
Gains (losses) on financial asset at fair value through profit or loss	3,169	(1,701)
Others	-	(2,639)
	<u>\$ 36,031</u>	<u>164,096</u>

(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense	\$ (22,702)	(10,284)
Less: Interest capitalization	1,417	474
Other financial costs	(1,390)	(1,539)
	<u>\$ (22,675)</u>	<u>(11,349)</u>

(q) Remunerations to employees and director

In accordance with the Company's articles of incorporation, require that earnings shall first be offset against any deficit, then, a range from 4% to 10% will be distributed as employee remuneration and a maximum of 1% will be allocated as directors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The abovementioned directors' remuneration, which should be distributed in cash, and the amount of remuneration to employees, had been approved by the Board of Directors and will be reported during the shareholders' meeting.

The Company estimated its remuneration to employees amounting to \$55,799 thousand and \$139,206 thousand for the years ended December 31, 2023 and 2022, respectively, and estimated its remuneration to directors amounting \$9,300 thousand and \$19,886 thousand for years ended December 31, 2023 and 2022, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. There were no differences between the estimated amounts reflected in the 2023 and 2022 financial reports, and the actual amounts approved by the Board of Directors. The related information can be accessed from market observation post system website.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(r) Earnings per share

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net income	\$ <u>718,640</u>	<u>1,562,887</u>
Weighted-average number of outstanding shares (thousands)	<u>248,685</u>	<u>248,877</u>
Basic earnings per share (\$)	\$ <u>2.89</u>	<u>6.28</u>

(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Diluted net income	\$ <u>718,640</u>	<u>1,562,887</u>
Weighted-average number of outstanding shares (thousands)	248,685	248,877
Employees' remuneration	880	2,058
Diluted weighted-average number of common shares outstanding (thousands)	<u>249,565</u>	<u>250,935</u>
Diluted earnings per share (\$)	\$ <u>2.88</u>	<u>6.23</u>

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets, represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

During 2023 and 2022, approximately were 11% and 14% of the Company's revenue was attributable to sales transactions with a single customer. However, geographically, there was no concentration of credit risk.

3) Receivable and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 950,000	951,550	951,550	-	-
Accounts payable (include related parties)	566,474	566,474	566,474	-	-
Other payables to related parties	35,604	35,604	35,604	-	-
Lease liabilities	2,300	2,347	971	971	405
Long-term borrowings (including expires within one year)	<u>527,391</u>	<u>536,143</u>	<u>303,244</u>	<u>109,161</u>	<u>123,738</u>
	<u>\$ 2,081,769</u>	<u>2,092,118</u>	<u>1,857,843</u>	<u>110,132</u>	<u>124,143</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 590,000	593,743	593,743	-	-
Accounts payable (include related parties)	821,129	821,129	821,129	-	-
Other payables to related parties	38,555	38,555	38,555	-	-
Long-term borrowings (including expires within one year)	786,740	802,274	266,949	302,760	232,565
Derivative financial liabilities					
Exchange forward contract	<u>408</u>	<u>408</u>	<u>408</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,236,832</u>	<u>2,256,109</u>	<u>1,720,784</u>	<u>302,760</u>	<u>232,565</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Exchange rate</u>	<u>Amount (TWD)</u>	<u>Exchange rate</u>	<u>Amount (TWD)</u>
<u>Financial assets</u>				
<u>Monetary Items</u>				
USD	\$ 30.705	1,276,626	30.71	2,076,887
EUR	33.98	216,012	32.72	180,709
JPY	0.2172	2,397	0.2324	1,222
CNY	4.327	382,224	4.408	547,819
KRW	0.0238	<u>702</u>	0.0244	<u>2,390</u>
		<u>\$ 1,877,961</u>		<u>2,809,027</u>
<u>Derivative financial instruments</u>				
USD	\$ 30.705	<u>1,028</u>	30.71	<u>-</u>
Investments accounted for using equity method:				
USD	30.705	3,259,550	30.71	3,348,039
EUR	33.98	71,525	32.72	60,648
JPY	0.2172	121,218	0.2324	111,535
HKD	3.929	<u>617,134</u>	3.938	<u>604,227</u>
		<u>\$ 4,069,427</u>		<u>4,124,449</u>
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 30.705	203,349	30.71	357,155
EUR	33.98	26,031	32.72	19,847
JPY	0.2172	833	0.2324	2,486
CNY	4.327	481,967	4.408	669,523
KRW	0.0238	<u>875</u>	0.0244	<u>2,509</u>
		<u>\$ 713,055</u>		<u>1,051,520</u>
<u>Derivative financial instruments</u>				
USD	\$ 30.705	<u>-</u>	30.71	<u>408</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets, financial liabilities and investment accounted for using equity method that are denominated in foreign currency.

A strengthening (weakening) of 3% of the NTD against the foreign currency as of December 31, 2023 and 2022, would have increased or decreased the net profit after tax by \$125,649 thousand and \$141,157 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2022 (prior year).

3) Foreign exchange gains and losses of monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, foreign exchange gain (including realized and unrealized portions) amounted to \$32,763 thousand and \$165,644 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

For the years ended December 31, 2023 and 2022, the Company's borrowing amount is \$1,477,391 thousand and \$1,376,740 thousand, respectively. If the interest rate had increased by 1 basis points, the Company's one-year cash flow would have increased by \$14,774 thousand and \$13,767 thousand, respectively.

(v) Other price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follow, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

<u>Security price on the reporting date</u>	<u>2023</u>		<u>2022</u>	
	<u>Other consolidated profit or loss after tax</u>	<u>Net income</u>	<u>Other consolidated profit or loss after tax</u>	<u>Net income</u>
	Increasing 1%	\$ -	379	33
Decreasing 1%	\$ -	(379)	(33)	-

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	<u>December 31, 2023</u>				
	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 20,032	20,032	-	-	20,032
Derivative financial assets	1,028	-	1,028	-	1,028
Fund in foreign market	22,383	-	-	22,383	22,383
Subtotal	43,443	20,032	1,028	22,383	43,443
Financial assets measured at amortized cost					
Cash and cash equivalents	795,597	-	-	-	-
Notes and accounts receivable (include related parties)	878,749	-	-	-	-
Other receivables	32,318	-	-	-	-
Other financial assets	51,867	-	-	-	-
Subtotal	1,758,531	-	-	-	-
Total	\$ 1,801,974	20,032	1,028	22,383	43,443

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

		December 31, 2023				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial liabilities at amortized cost						
Accounts payable (include related parties)	\$	566,474	-	-	-	-
Other payables to related parties		35,604	-	-	-	-
Lease liabilities		2,300	-	-	-	-
Bank loans		1,477,391	-	-	-	-
Subtotal		<u>2,081,769</u>	-	-	-	-
Total		<u>\$ 2,081,769</u>	-	-	-	-
		December 31, 2022				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income						
Fund in foreign market	\$	<u>4,157</u>	-	-	<u>4,157</u>	<u>4,157</u>
Financial assets measured at amortized cost						
Cash and cash equivalents		1,139,543	-	-	-	-
Notes and accounts receivable (include related parties)		1,288,864	-	-	-	-
Other receivables		38,005	-	-	-	-
Other financial assets		<u>67,718</u>	-	-	-	-
Subtotal		<u>2,534,130</u>	-	-	-	-
Total		<u>\$ 2,538,287</u>	-	-	<u>4,157</u>	<u>4,157</u>
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	<u>408</u>	-	<u>408</u>	-	<u>408</u>
Financial liabilities at amortized cost						
Accounts payable (include related parties)		821,129	-	-	-	-
Other payables to related parties		38,555	-	-	-	-
Bank loans		<u>1,376,740</u>	-	-	-	-
Subtotal		<u>2,236,424</u>	-	-	-	-
Total		<u>\$ 2,236,832</u>	-	<u>408</u>	-	<u>408</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the balance sheet date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Fair value hierarchy transfer

There were no transfer from one level to another in December 31, 2023 and 2022.

4) Reconciliation of Level 3 fair values

	Financial assets at fair value through profit or loss
Opening balance, January 1, 2023	\$ -
Total gains or losses	
Recognized in profit or loss	(1,381)
Purchased	19,607
Reclassified	<u>4,157</u>
Ending balance, December 31, 2023	<u><u>\$ 22,383</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

For the years ended 2023 and 2022 December 31, the total gains and losses that were included in "other gains and losses" were as follows:

	2023	2022
Total gains or losses		
Recognized in profit or loss (presented in "other gains and losses")	\$ (1,381)	(2,639)

- 5) Quantified information on significant unobservable inputs Level 3 used in fair value measurement.

The Company's financial instruments that use Level 3 inputs to measure the fair value include the financial assets at fair value through profit and loss – other financial assets and fund in foreign markets, please refer to note 6(b).

The funds held by the Company in foreign markets, which are categorized as level 3, have only one significant unobservable input.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss – fund in foreign markets	Net Asset Value Method	Net Asset Value	The higher the net asset value is, the higher the estimated fair value would be.

- (t) Financial risk management

- (i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

If the Company retains the rights to the products that have already been sold, the Company shall also have the right to require collateral if payment has not been received. The Company does not require any collateral for accounts receivable and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2023, no other guarantees were outstanding (2022: none).

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line were amounted to \$2,810,535 thousand and \$2,987,460 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Please refer to note 6(s)iii(1) for more details on currency risk exposure

2) Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios. The Company assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(u) Capital management

The Company sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interests of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interests plus net debt.

The Company's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 60% so as to ensure financing at reasonable cost. The gearing ratios on the reporting date were as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Total liabilities	\$ 2,977,594	3,338,543
Less: cash and cash equivalents	<u>795,597</u>	<u>1,139,543</u>
Net liabilities	\$ 2,181,997	2,199,000
Total equity	<u>7,735,395</u>	<u>8,061,932</u>
Total capital	<u>\$ 9,917,392</u>	<u>10,260,932</u>
Debt-to-equity ratio	<u>22%</u>	<u>21%</u>

(7) Related-party transactions:

(a) Related-party transactions

The Company is the ultimate controlling party of the Consolidated Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements:

<u>Name of related party</u>	<u>the Company</u>
Ever Energetic	Subsidiary
Ever Winner	Subsidiary
Skyrise	Subsidiary
TSCE	Subsidiary
TSCJ	Subsidiary
TSCH	Subsidiary
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	Subsidiary
TSC America, Inc. (TSCA)	Subsidiary
Shanghai Great Technology Trading Co., Ltd. (TSCC)	Subsidiary
Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Subsidiary
Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell)	Subsidiary
TSC Auto ID Technology EMEA GmbH (TSCAE)	Subsidiary

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

<u>Name of related party</u>	<u>the Company</u>
TSC Auto ID Technology ME, Ltd. FZE (TSCAD)	Subsidiary
TSC Auto ID Technology Spain, S.L. (TSCAS)	Subsidiary
TSC Auto ID (H.K.) Ltd. (TSC HK)	Subsidiary
TSC Auto Technology America Inc. (TSCAA)	Subsidiary
Tianjin TSC Auto ID Technology Co., Ltd. (TTSC)	Subsidiary
Shenzhen Printronix Auto ID Technology Co., Ltd. (SPTNX) (Note 1)	Subsidiary
Printronix Auto ID Technology Co., Ltd. (Printronix AD)	Subsidiary
Diversified Labeling Solutions, Inc. (DLS)	Subsidiary
Precision Press & Label, Inc. (PPL)	Subsidiary
TSC Auto ID Technology India Private Limited (TSCIN)	Subsidiary
Mosfortico Investments sp. z o.o. (TSCPL)	Subsidiary
MGN sp. z o.o. (MGN)	Subsidiary

Note 1: Please refer to note 13(c) “The names of investees in China, the main businesses and products, and other information”.

(c) Significant transaction with related parties

(i) Sales

The amount of significant sales by Company and related parties were as follow:

<u>Items</u>	<u>Name of related party</u>	<u>2023</u>	<u>2022</u>
	subsidiaries:		
Sales	TSCH	\$ 519,244	793,641
	TSCA	484,009	652,858
	TSCC	403,387	298,495
	TSCJ	282,477	437,947
	TSC Auto ID	<u>467</u>	<u>1,827</u>
		<u>\$ 1,689,584</u>	<u>2,184,768</u>

The selling price of the Company in the aforesaid sales by the Company to related parties is on the basis of cost plus. The payment period for general purchasers is 30 to 120 days after monthly statement, while for the related parties, it is 90 to 120 days after monthly statement, which is subject to adjustment according to their funding needs. In addition, the payment amount between the Company and the related parties is settled on a net basis between receivables and payables.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(ii) Purchase and processing fee

The amount of significant purchases by the Company from related parties were as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries:		
Yangxin Everwell	\$ 1,511,067	2,398,381
TSCC	198,936	389,561
Tianjin Everwell	<u>209,840</u>	<u>337,368</u>
	<u>\$ 1,919,843</u>	<u>3,125,310</u>

The main raw material of the wafers in the rectifiers produced and sold by the Company, is produced by the Company itself or purchased by the Company or Tianjin Everwell as a purchasing agent, and after back end packaging by Yangxin Everwell, the Company purchases the finished product therefrom. In accordance with the regulations, the Company does not recognize the relevant sales revenue and costs thereof. The amount of the wafers delivered in the aforementioned transaction model was \$894,324 thousand in 2023 and \$1,358,613 thousand in 2022, and the receivables were calculated based on a negotiated delivery price.

(iii) Receivables from-related parties

The receivable from-related parties were as follows:

<u>Account</u>	<u>Name of related party</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	Subsidiaries:		
Accounts receivable	TSCH	\$ 180,148	262,593
	TSCA	135,498	260,841
	TSCC	79,724	76,973
	TSCJ	47,388	70,288
	TSC Auto ID	<u>72</u>	<u>101</u>
		<u>\$ 442,830</u>	<u>670,796</u>

(iv) Payables to related parties

The payable to related parties were as follows:

<u>Account</u>	<u>Name of related party</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	Subsidiaries:		
Accounts payable	Yangxin Everwell	\$ 289,040	331,053
	Tianjin Everwell	<u>14,255</u>	<u>7,574</u>
		<u>\$ 303,295</u>	<u>338,627</u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(v) Commission expense

The Company's payable of commission expense accounts-related parties is stated as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries:		
TSCE	\$ 109,699	138,438
TSCA	<u>6,759</u>	<u>11,698</u>
	<u><u>\$ 116,458</u></u>	<u><u>150,136</u></u>

Regarding the net foreign sales revenue of the Company through foreign sales subsidiaries as an agent or the purchase of Tianjin Everwell for main wafer materials on behalf of Yangxin Everwell, the commissions are calculated on a monthly basis according to the terms of relevant commission contracts signed and paid after monthly statement.

The Company's payable of commission expense accounts-related parties were stated as follows:

<u>Account</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Subsidiaries:		
Other payables to related parties	TSCE	\$ 33,477	37,478
	TSCA	<u>2,027</u>	<u>994</u>
		<u><u>\$ 35,504</u></u>	<u><u>38,472</u></u>

(vi) Others

The amounts of other receivables and payables arising out of reimbursed freight and insurance fees and other operating expenses are listed as below:

<u>Account</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Subsidiaries:		
Other receivables	TSCA	\$ 5,168	-
	TSCH	450	661
	TSCC	149	214
	Tianjin Everwell	-	1,299
	Yangxin Everwell	<u>-</u>	<u>1</u>
		<u><u>\$ 5,767</u></u>	<u><u>2,175</u></u>
	Subsidiaries:		
Other income	TSCA	<u><u>\$ 13,317</u></u>	<u><u>21,718</u></u>
	Subsidiaries:		
Other payables to related parties	TSCH	<u><u>\$ 92</u></u>	<u><u>83</u></u>
		<u><u>\$ 13,409</u></u>	<u><u>21,801</u></u>

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employment benefits	\$ 111,950	132,239
Post-employment benefits	<u>1,722</u>	<u>977</u>
	<u>\$ 113,672</u>	<u>133,216</u>

(8) Pledged assets:None**(9) Commitments and contingencies:**

The guarantee notes provided by the Company to the banks were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
TWD	\$ 2,081,900	2,411,900
USD	14,000	21,000

As of December 31, 2023 and 2022, the Company has unused letters of credit issued by the Company.

(10) Losses Due to Major Disasters:None**(11) Subsequent Events: None****(12) Other:**

The information on employee benefits, depreciation, and amortization expenses, by function, is summarized as follows:

By function By item	December 31, 2023			December 31, 2022		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	274,291	277,259	551,550	260,059	334,789	594,848
Labor and health insurance	29,394	19,612	49,006	25,473	12,989	38,462
Pension	13,161	6,978	20,139	12,229	5,609	17,838
Remuneration of directors	-	10,620	10,620	-	21,207	21,207
Others	16,451	4,903	21,354	15,779	4,531	20,310
Depreciation	315,213	18,665	333,878	301,752	17,796	319,548
Amortization	13,388	38,539	51,927	13,736	34,707	48,443

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to the Financial Statements

For the years ended December 31, 2023 and 2022, the total numbers of employees and employee benefits were as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>638</u>	<u>577</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 1,014</u>	<u>1,174</u>
The average salaries and wages	<u>\$ 871</u>	<u>1,040</u>
The adjustment rate of average employee salaries	<u>(16.25)%</u>	<u>23.52 %</u>
The compensation to supervisor	<u>\$ -</u>	<u>-</u>

The Company's compensation policies (including directors, managers and employees) are as below:

(a) Directors and managers:

The Company has established a Compensation Committee and formulated the “TAIWAN SEMICONDUCTOR Co., LTD. Compensation committee organization book”. The Compensation Committee is responsible for professionally and objectively evaluating the compensation policies and systems for the Company's directors, supervisors and managers in accordance with relevant regulations. Based on the evaluation, the Compensation Committee is to propose suggestions to the Board of Directors for its decisionmaking reference. With the care of a prudent person, the Compensation Committee faithfully performs its duties and submits suggestions to the Board of Directors for discussion. It shall evaluate the achievement of the performance goals of the directors and managers regularly, and determine the content and amount of compensation based on the results from the performance evaluation standards, then submit them to the shareholders meeting.

(b) Employees

The Company has developed an objective salary system to attract outstanding talents externally while ensuring fairness and growth internally. The Company combines the policies regarding employee performance appraisal, salary and reward, and other benefits with its corporate social responsibility policies, thus establishing a clear and effective reward and punishment system. In accordance with the Articles of Incorporation and employee remuneration policies, the Company distributes the profits each year as per employee performance appraisal, making sure that employees enjoy the benefits of the Company's growth. Furthermore, employees are provided with training and policy publicity, so that they can fully understand the Company's relevant compensation and reward policies.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Notes to Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	TSC Auto ID	TSCAA	Other receivables-related parties	Yes	-	-	-	- %	2	-	Canceled on March 15, 2023	-	None	-	-	-
2	TSC Auto ID	DLS (Note 5)	Other receivables-related parties	Yes	322,700	-	-	- %	2	-	Repayment of bank loans	-	None	-	1,092,254	2,184,508
3	TSC Auto ID	TSCPL	Other receivables-related parties	Yes	173,550	169,900	-	- %	2	-	Repayment of bank loans	-	None	-	1,092,254	2,184,508
4	TSC Auto ID	TSCAE	Other receivables-related parties	Yes	34,710	33,980	8,495	- %	2	-	Repayment of bank loans	-	None	-	1,092,254	2,184,508

Note 1: No.2 refers to those who have the need for short term financing.

Note 2: Limitation on amount of loans to short-term financing company individually by TSC Auto ID is 20% of TSC Auto ID's net asset.

Note 3: Limitation on amount of loans to short-term financing company in total by TSC Auto ID is 40% of TSC Auto ID's net asset.

Note 4: Conversion at the exchange rate of NTD 32.27 for USD on September 30, 2023, and NTD 34.71 for EUR on August 31, 2023.

Note 5: The capital loan amounts of TSC Auto ID to its subsidiary DLS expired on November 8, 2023.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
1	TSC Auto ID	TSCAA	2	2,184,508	369,000	184,230	-	-	3.37 %	3,276,763	N	N	N
2	TSC Auto ID	TSCAE	2	2,184,508	-	15,353	-	-	0.28 %	3,276,763	N	N	N

Note 1: No.2 refers to companies that directly and indirectly hold more than 50% shares of voting rights.

Note 2: Limitation on amount of guarantees and endorsements for a specific enterprise is 40% of TSC Auto ID's net asset.

Note 3: Limitation on amount of guarantees and endorsement in total is 60% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 30.75 NTD to USD on May 31, 2023.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,885	20,032	-	20,032	
The Company	Applied Wireless Identifications Group, Inc.	-	Financial assets at fair value through profit or loss-current	243	-	-	-	
The Company	Third Dimension (3D) Semiconductor, Inc.	-	Financial assets at fair value through profit or loss-current	921	-	-	-	

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Achi Capital Partners Fund LP	-	Financial assets at fair value through profit or loss-non-current	-	22,383	-	22,383	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock :

(In Thousands of New Taiwan Dollars/Shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Other (note1)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Amount	Shares	Amount
TSC Auto ID	TSCPL	Investment using equity method	TSCPL	Subsidiary	-	-	-	498,827	-	-	-	-	6,752	-	505,579
TSCPL	MGN (Note 2)	Investment using equity method	SEBASTIAN LUKASZNAWROT AND ROBERT ZENONMALAK AND MGN		-	-	2	71,834 (thousands PLN)	-	-	-	-	(865) (thousands PLN)	2	70,969 (thousands PLN)

Note 1: Others represent the investment gains and losses, as well as exchange differences, in the statement of foreign operation.

Note 2: TSC Auto ID acquired the entire equity interest of MGN from SEBASTIAN LUKASZNAWROT and ROBERT ZENON MALAK through TSCPL. An additional capital increase of MGN in the amount of PLN 8,282 thousand was made.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms (Note 1)	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSCJ	Subsidiary	Sale	(282,477)	(6) %		-		47,388	5%	
The Company	TSCH	Subsidiary	Sale	(519,244)	(11) %		-		180,148	21%	
The Company	TSCA	Sub-subsiary	Sale	(484,009)	(10) %		-		135,498	15%	
The Company	TSCC	Sub-subsiary	Sale	(403,387)	(9) %		-		79,724	9%	(Note 2)
The Company	TSCC	Sub-subsiary	Purchase	198,936	7 %		-		-	-%	
The Company	Yangxin Everwell	Sub-subsiary	Purchase	1,511,067	52 %		-		(289,040)	(51)%	(Note 2)
The Company	Tianjin Everwell	Sub-subsiary	Purchase	209,840	7 %		-		(14,255)	(3)%	

Note 1: Open Account 90~120 days. Adjustments depend on demand for funds when necessary.

Note 2: Accounts receivable (payable) presents at net amount.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	TSCH	Subsidiary	180,148	2.35 %	-		88,395	-
The Company	TSCA	Sub-subsiary	135,498	2.44 %	-		59,818	-

Note 1: As of audit report date.

- (ix) Trading in derivative instruments: Please refer to notes 6(b).

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Ever Energetic	British Virgin Islands	Holding company and general import and export business	665,501	665,501	21,175	100.00 %	1,508,678	(30,416)	(30,416)	Subsidiary
The Company	Ever Winner	British Virgin Islands	Holding company and general import and export business	465,127	465,127	16,010	100.00 %	1,749,041	121,998	121,998	Subsidiary
The Company	Skyrise	British Virgin Islands	Holding company and general import and export business	2,845	2,845	50	100.00 %	1,831	(25)	(25)	Subsidiary
The Company	TSCE	Germany	General import and export business	10,972	10,972	-	100.00 %	71,525	8,458	8,458	Subsidiary
The Company	TSCJ	Japan	Trading of rectifiers	28,689	28,689	2	100.00 %	121,218	17,306	17,306	Subsidiary
The Company	TSCH	Hong Kong	Holding company and trading of rectifiers	282,312	282,312	672	25.22 %	617,134	(27,136)	11,194	Subsidiary
The Company	TSC Auto ID	Taiwan	Manufacture and sale of bar code printers	163,728	163,728	16,995	36.05 %	1,142,998	926,874	276,321	Subsidiary
Ever Energetic	TSCA	United States	Trading of rectifiers	258,520	258,520	6,750	75.00 %	235,165	(27,046)	(20,284)	Subsidiary
Ever Energetic	TSCH	Hong Kong	Holding company and trading of rectifiers	571,628	571,628	985	36.96 %	1,199,916	(27,136)	(10,030)	Subsidiary
Ever Winner	TSCA	United States	Trading of rectifiers	83,813	83,813	2,250	25.00 %	78,388	(27,046)	(6,762)	Subsidiary
Ever Winner	TSCC	Mainland China	Trading of rectifiers	4,461	4,461	-	100.00 %	368,174	139,098	139,098	Subsidiary
Ever Winner	TSCH	Hong Kong	Holding company and trading of rectifiers	792,254	792,254	1,008	37.82 %	1,227,836	(27,136)	(10,263)	Subsidiary
TSCH	Yangxin Everwell	Mainland China	Manufacture and sale of rectifiers	966,119	966,119	-	100.00 %	2,263,424	(39,574)	(39,574)	Subsidiary
TSCH	Tianjin Everwell	Mainland China	Manufacture and sale of wafers	787,044	787,044	-	100.00 %	638,418	(21,271)	(21,271)	Subsidiary
TSC Auto ID	TSCAE	Germany	Trading of bar code printers and other parts	2,943	2,943	-	100.00 %	(87,915)	(13,080)	(13,080)	Subsidiary
TSC Auto ID	TSCAA	United States	Trading of bar code printers and other parts	1,096,621	1,096,621	16,000	100.00 %	1,014,055	2,555	2,555	Subsidiary
TSC Auto ID	TSC HK	Hong Kong	Holding company and general import and export business	47,468	51,738	11,711	100.00 %	785,817	228,001	228,001	Subsidiary
TSC Auto ID	Printronix AD	Taiwan	Trading of bar code printers and other parts	5,000	5,000	500	100.00 %	4,796	(463)	(463)	Subsidiary
TSC Auto ID	DLS	United States	Customization of design, integration and marketing of label papers and other parts	801,558	801,558	1	100.00 %	1,352,977	129,839	129,839	Subsidiary
TSC Auto ID	TSCIN	India	Trading of bar code printers and other parts	2,791	2,791	710	100.00 %	1,189	(411)	(411)	Subsidiary
TSC Auto ID	TSCPL	Poland	General investments	498,827	-	-	100.00 %	505,579	(26,356)	(26,356)	Subsidiary
TSCAE	TSCAD	United Arab Emirates	Trading of bar code printers and other parts	8,234	8,234	-	100.00 %	(12,405)	(5,018)	(5,018)	Subsidiary
TSCAE	TSCAS	Spain	Trading of bar code printers and other parts	124	124	-	100.00 %	2,997	231	231	Subsidiary
DLS	PPL	United States	Trading of bar code printers, label papers, and other parts	115	115	850	100.00 %	38,691	8,919	8,919	Subsidiary
TSCPL	MGN	Poland	Customization of design integration and marketing of label papers and other parts	71,834	-	2	100.00 %	564,328	519	(6,507)	Subsidiary
TSC HK	TTSC	China	Trading of bar code printers and other parts	46,058	46,058	-	100.00 %	824,980	230,188	230,188	Subsidiary
TSC HK	SPTNX (Note 2)	China	Trading of bar code printers and other parts	-	4,729	-	- %	-	(1,600)	(1,600)	Subsidiary

Note 1: Calculated by equity according to investee's audited financial report.

Note 2: Please refers to note 13(c) "The names of investees in China, the main businesses and products, and other information".

(c) Information on overseas branches and representative offices:None

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.
Notes to Financial Statements

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value as of December 31, 2023	Accumulated remittance of earnings in current period
					Outflow	Inflow						
TSCC	Trading of rectifiers	4,461	(2)	4,461	-	-	4,461	139,098	100.00%	139,098	368,174	397,444
Yangxin Everwell	Manufacture and sale of rectifiers	1,677,160	(2)	628,196	-	-	628,196	(39,574)	100.00%	(39,574)	2,263,424	250,864
Tianjin Everwell	Manufacture and sale of wafers	387,173	(2)	387,173	-	-	387,173	(21,271)	100.00%	(21,271)	638,418	452,102
TTSC	Manufacture and sale of bar code printers and other parts	45,434	(2)	46,058	-	-	46,058	230,188	36.05%	82,983	824,980	787,814
SPTNX (Note 2)	Sale of bar code and other parts	-	(2)	4,729	-	(4,729)	-	(1,600)	-	(577)	-	5,898

Note 1: No.2 refers to investing in China companies through reinvesting in existing companies in the third region.

Note 2: Shenzhen Printronix Auto ID Technology has repatriated its share capital to TSCHK in July 2023 and was liquidated on August 31, 2023; TSCHK repatriated the share capital of Shenzhen Printronix Auto ID Technology to TSC Auto ID in July 2023; the investment amount has been applied for cancellation to the Department of Investment Review, Ministry of Economic Affairs, R.O.C., and obtained the letter of authorization No. 11256107350 dated October 17, 2023 from the Commission for record.

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,012,321	1,994,881	4,641,237

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

- (d) Major shareholders:

Unit:Share

Shareholder's Name	Shareholding	Shares	Percentage
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)		14,800,000	5.61 %

Note (i):The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total nonphysical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered nonphysical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note (ii):If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the Consolidated Financial Statement of 2023.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and petty cash		\$ 163
Checking and demand deposits		114,619
Foreign currency deposits		
	USD14,856 thousand, exchange rate 30.705	\$ 456,148
	EUR2,620 thousand, exchange rate 33.98	89,018
	CNY110 thousand, exchange rate 4.327	477
	JPY11,034 thousand, exchange rate 0.2172	2,396
	KRW26,514 thousand, exchange rate 0.0238	<u>630</u>
		548,669
Time deposits		
	CNY 30,540 thousand, exchange rate 4.327, the interest rate range is 2.33% to 2.98%	132,146
Total		<u>\$ 795,597</u>

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of financial assets measured at fair value through profit or loss - current

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units (thousand)	Par value	Total amount (Notional Amount)	Interest rate (%)	Acquisition cost	Fair value		Note
							Unit price (dollar)	Total amount	
Stock in public Companies not Listed on the Exchange and OTC									
Applied Wireless Identifications Group, Inc.		243	\$ -	-	-	14,259	-	-	None collateral
Third Dimension (3D) Semiconductor, Inc.		921	-	-	-	956	-	-	"
subtotal						15,215		-	
Beneficiary Certification:									
Franklin Templeton Sinoam Money Market Fund		1,885	-	-	-	20,032	10.63	20,032	"
Derivatives									
Forward exchange contracts	2024.01.05	-	-	USD2,000 thousand	-	-	-	1,028	"
Total						\$ 35,247		21,060	

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of notes receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Company A	Operating revenue	\$ 212
Company B	"	60
Others (Note)	"	<u>10</u>
Total		<u>\$ 282</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Statement of trade receivables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Company C	Operating revenue	\$ 45,957
Company D	"	31,422
Company E	"	24,068
Company F	"	23,118
Company G	"	22,438
Others (Note)	"	<u>293,399</u>
		440,402
Less: Allowance for impairment		<u>(4,765)</u>
Total		<u>\$ 435,637</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of other receivables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Value added tax refund receivable	\$ 16,478
Others (Note)	15,840
Total	\$ 32,318

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Notes
	Cost	Net realizable value	
Finished goods	\$ 1,019,332	774,887	Basic of inventories net realizable value
Work in process	158,042	161,211	Basic of inventories net realizable value
Raw material and supplies	388,845	386,428	Basic of replacement cost and inventories net realizable value
Outsource inventories	106,995	106,995	Cost
Inventories in transit	4,139	4,139	Cost
Less: provision for obsolescence and devaluation	(452,960)	-	
Total	\$ 1,224,393	1,433,660	

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of other current assets

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Office supplies	Repairs and maintenance	\$ 14,374
Prepaid expenses		9,697
Prepaid insurance		6,893
Others (Note)		1,623
Total		\$ 32,587

Note: The amount of individual item included in others does not exceed 5% of the account balance.

**Statement of financial assets measured at fair value
through profit or loss-non current**

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Others (Note)		Ending Balance		Collateral
	Shares or units (thousand)	Fain Value	Shares or units (thousand)	amount	Shares or units (thousand)	amount	Shares or units (thousand)	Fair Value	
Achi Capital Partners Fund LP	-	\$ -	-	19,607	-	2,776	-	22,383	None

Note: Others included a transfer 4,157 thousand from financial assets at fair value through other comprehensive income and loss of (1,381) thousand from Financial instrument at fair value through profit or loss.

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition (Note 1)		Decrease		Others (Note 2)		Ending Balance			Net assets value	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of owner ship	Amount		
Ever Energetic Int'l Ltd.	21,175	\$ 1,559,456	-	-	-	-	-	(50,778)	21,175	100.00	1,508,678	1,508,678	No
Ever Winner Int'l Co., Ltd.	16,010	1,786,727	-	-	-	-	-	(37,686)	16,010	100.00	1,749,041	1,749,041	"
Skyrise Int'l Ltd.	50	1,856	-	-	-	-	-	(25)	50	100.00	1,831	1,831	"
Taiwan Semiconductor Europe GmbH	-	60,648	-	-	-	-	-	10,877	-	100.00	71,525	71,525	"
Taiwan Semiconductor Japan Ltd.	2	111,535	-	-	-	-	-	9,683	2	100.00	121,218	121,218	"
Taiwan Semiconductor (H.K.) Co., Ltd.	672	604,227	-	-	-	-	-	12,907	672	25.22	617,134	669,183	"
TSC Auto ID Technology Co., Ltd.	15,453	989,014	1,542	-	-	-	-	153,984	16,995	36.05	1,142,998	1,661,763	"
Total		<u>\$ 5,113,463</u>		<u>-</u>		<u>-</u>		<u>98,962</u>			<u>5,212,425</u>		

Note 1 : Share dividends from the invested companies.

Note 2: Other transaction include \$404,836 thousand to recognize subsidiaries' gains under the equity method, \$(651) thousand to recognize subsidiaries' comprehensive income under equity method, \$59,200 thousand to distribute cash dividends to subsidiaries, \$(59,972) thousand as a debit balance due to exchange differences on transaction of financial statements of foreign operating agencies, \$(333,180) thousand of cash dividends from the invested companies, \$12,963 thousand as the effect of changes in shareholding ratio, and \$15,766 thousand of losses unrealized in downstream transaction.

TAIWAN SEMICONDUCTOR CO., LTD.

**Statement of changes in property, plant and
equipment**

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(f).

Statement of changes in right-of-use assets

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(g).

Statement of changes in intangible assets

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h).

TAIWAN SEMICONDUCTOR CO., LTD.
Statement of other non-current financial assets
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(b).

Statement of other non-current assets
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Prepaid for equipment		\$ 137,931
Others (Note)		<u>28,382</u>
Total		<u><u>\$ 166,313</u></u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Statement of deferred tax assets
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(m).

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of short-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Creditors</u>	<u>Maturity</u>	<u>Range of interest rate</u>	<u>Loan commitments</u>	<u>Ending balance</u>	<u>Collateral</u>
Credit loans	Financial institutions	Within/ year	1.57%~1.60%	\$ 2,849,165	<u><u>950,000</u></u>	No

Statement of trade payables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
Company H	Purchases	\$ 38,129
Company I	"	25,522
Company J	"	25,261
Company K	"	24,384
Company L	"	23,345
Company M	"	19,747
Company N	"	14,244
Company O	"	14,017
Others (Note)	"	<u>78,590</u>
Total		<u><u>\$ 263,239</u></u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of lease liability

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Lease period	Discount rate	Balance on December 31, 2023
Building and construction	2023.6.1~2026.5.31	1.75%	\$ 2,300
Less:lease liabilities, current			(940)
Lease liabilities, non current			\$ 1,360

Statement of other current liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payable		\$ 165,746
Expenses payable	For operating use	86,736
Payables on equipment	Accounts payable with no Invoice	36,487
Refunded Liabilities-current		16,265
Others (Note)		19,857
Total		\$ 325,091

Note: The amount of individual item included in others does not exceed 5% of the account balance.

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of long-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Creditors</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Collateral</u>
Hua Nan Bank	Credit loans	\$ 229,334	2020.07.16~2027.07.16, the interest is paid monthly, and the principal is repaid 48 period from 2023.08.15.	1.20%	No
Hua Nan Bank	Credit loans	66,157	2019.12.04~2026.12.04, the interest is paid monthly, and the principal is repaid 48 period from 2022.12.15.	"	"
CTBC Bank	Credit loans	100,000	2020.03.30~2025.03.28, the interest is paid monthly, and the principal is repaid 24 period from 2023.03.30.	"	"
CTBC Bank	Credit loans	120,000	2019.12.25~2024.12.25, the interest is paid monthly, and the principal is repaid 24 period from 2022.12.25.	"	"
Bank of Taiwan	Credit loans	11,900	2021.03.08~2024.03.08, the interest is paid monthly, and the principal is repaid 4 period from 2023.06.08.	1.75%	"
		<u>527,391</u>			
Less: current portion		<u>(298,583)</u>			
Total		<u>\$ 228,808</u>			

Statement of operating revenue

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantities</u>	<u>Amount</u>
Rectifiers	4,904,246KPCS	\$ 4,702,042
Others (Note)		6,800
Less: Sales discounts and allowances		<u>(98,369)</u>
Total		<u>\$ 4,610,473</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Account
Raw materials used	
Initial materials	\$ 266,769
Outsource inventories, beginning of year	133,091
Plus: Raw materials purchased	872,640
Transferred from work- in-process and finished goods	1,011,867
Less: Raw materials end of the year	(388,845)
Outsource inventories, end of the year	(106,995)
Transferred to operating expense and others	(39,791)
Raw materials used	1,748,736
Direct labor	105,447
Manufacturing expense	916,111
Manufacturing costs	2,770,294
Plus: Work in process, beginning of the year	268,219
Outsourcing fees	339,871
Transferred finished goods	74,425
Less: Work in process, end of the year	(158,042)
Transferred to raw materials and supplies	(950,664)
Others	(2,418)
Cost of finished goods	2,341,685
Plus: Finished goods, beginning of the year (including in-transit inventories amounted to \$5,298 thousand)	777,610
Purchases	2,032,797
Less: Finished goods, end of the year (including in-transit inventories amounted to \$4,139 thousand)	(1,023,471)
Transferred to materials and work-in-process	(135,628)
Transferred to operating expense and others	(29,187)
Wafers purchased on behalf, roll out	(653,925)
Others	(2,096)
Cost of sales of finished goods	3,307,785
Plus: Loss on inventory obsolescence	2
Cost of material sold	4,042
Allowance for obsolescence loss	201,269
Less: Sale of scrap	(6,320)
Cost of goods sold	\$ 3,506,778

TAIWAN SEMICONDUCTOR CO., LTD.

Statement of selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Account
Commission expenses	\$ 119,484
Payroll expenses	112,265
Export expenses	48,820
Sample expenses	17,184
Others (Note)	56,344
Total	\$ 354,097

Note: The amount of individual item included in others does not exceed 5% of the account balance.

Statement of administrative expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Account
Payroll expenses	\$ 130,419
Amortization	27,516
Service expenses	15,372
Depreciation expenses	10,040
Others (Note)	32,603
Total	\$ 215,950

Note: The amount of individual item included in others does not exceed 5% of the account balance.