

**TAIWAN SEMICONDUCTOR CO., LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated 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' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) and its subsidiaries (“the Group”) as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$2,793,802 thousand and \$3,071,715 thousand, constituting 15.18% and 17.54% of the consolidated total assets; and the total liabilities amounting to \$461,707 thousand and \$647,183 thousand, constituting 5.53% and 8.10% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively; as well as total comprehensive income (loss) amounting to \$5,224 thousand, \$137,251 thousand, \$52,066 thousand and \$283,126 thousand, constituting 1.72%, 23.02%, 7.88% and 22.03% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2023 and 2022, respectively.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews and the review report of other auditors (please refer to Other Matter paragraph), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matter**

We did not review the financial statements of TSC Auto ID Technology Co., Ltd., (TSC Auto ID) a subsidiary of the Group. Those financial statements were reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the review report of the other auditors. The financial statements of TSC Auto ID reflect total assets amounting to \$7,771,056 thousand and \$7,053,307 thousand, constituting 42.21% and 40.27% of the consolidated total assets as of June 30, 2023 and 2022, respectively; and the total revenues amounting to \$2,194,622 thousand, \$2,042,284 thousand, \$4,102,667 thousand and \$3,804,367 thousand, constituting 58.35%, 51.51%, 55.54% and 49.30% of the consolidated total revenues for the three months and six months ended June 30, 2023 and 2022, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)  
August 9, 2023

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review report and the accompanying consolidated 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

| Assets                     |   | June 30, 2023        |            | December 31, 2022 |            | June 30, 2022     |            | Liabilities and Equity          |  | June 30, 2023        |            | December 31, 2022 |            | June 30, 2022     |            |
|----------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|---------------------------------|--|----------------------|------------|-------------------|------------|-------------------|------------|
|                            |   | Amount               | %          | Amount            | %          | Amount            | %          |                                 |  | Amount               | %          | Amount            | %          | Amount            | %          |
| <b>Current assets:</b>     |   |                      |            |                   |            |                   |            | <b>Current liabilities:</b>     |  |                      |            |                   |            |                   |            |
| 1100                       | Cash and cash equivalents (note 6(a))   | \$ 3,404,331         | 18         | 3,595,681         | 20         | 2,858,561         | 16         | 2100                            | Short-term borrowings (note 6(j))  | \$ 1,296,610         | 7          | 1,466,515         | 8          | 1,135,034         | 6          |
| 1110                       | Current financial assets at fair value through profit or loss (note 6(b))                 | 520,849              | 3          | 1,798             | -          | 232,342           | 1          | 2120                            | Current financial liabilities at fair value through profit or loss (note 6(b)) | 5,675                | -          | 2,392             | -          | 14,361            | -          |
| 1150                       | Notes receivable, net (notes 6(c) and (r))  | 233                  | -          | 588               | -          | 207               | -          | 2170                            | Accounts payable   | 1,355,621            | 7          | 1,648,557         | 9          | 1,764,263         | 10         |
| 1170                       | Accounts receivable, net (notes 6(c) and (r))   | 2,917,030            | 16         | 3,015,880         | 17         | 3,369,004         | 19         | 2200                            | Other payables (note 6(l))   | 2,311,975            | 12         | 1,065,266         | 6          | 1,829,927         | 10         |
| 1200                       | Other receivables   | 65,385               | -          | 105,789           | 1          | 73,129            | 1          | 2230                            | Current tax liabilities  | 357,724              | 2          | 415,066           | 2          | 357,871           | 2          |
| 1220                       | Current tax assets  | 4,760                | -          | 409               | -          | 10,079            | -          | 2322                            | Long-term borrowings, current portion (note 6(k))                              | 350,469              | 2          | 322,349           | 2          | 109,775           | 1          |
| 130X                       | Inventories (note 6(d))   | 3,472,686            | 19         | 3,500,033         | 19         | 3,059,102         | 18         | 2280                            | Lease liabilities, current (note 6(m))   | 121,331              | 1          | 106,012           | -          | 96,366            | 1          |
| 1410                       | Prepayments   | 209,008              | 1          | 251,545           | 1          | 208,169           | 1          | 2399                            | Other current liabilities  | 322,234              | 2          | 325,900           | 2          | 299,486           | 2          |
| 1476                       | Other current financial assets (note 6(b))  | 85,640               | 1          | 599,488           | 3          | 523,802           | 3          |                                 |  | 6,121,639            | 33         | 5,352,057         | 29         | 5,607,083         | 32         |
|                            |   | 10,679,922           | 58         | 11,071,211        | 61         | 10,334,395        | 59         |                                 |  |                      |            |                   |            |                   |            |
| <b>Non-current assets:</b> |   |                      |            |                   |            |                   |            | <b>Non-Current liabilities:</b> |  |                      |            |                   |            |                   |            |
| 1510                       | Non-current financial assets at fair value through profit or loss (note 6(b))             | 3,499                | -          | -                 | -          | -                 | -          | 2540                            | Long-term borrowings (note 6(k))   | 1,137,966            | 6          | 1,084,391         | 6          | 1,329,555         | 8          |
| 1517                       | Non-current financial assets at fair value through other comprehensive income (note 6(b)) | -                    | -          | 4,157             | -          | -                 | -          | 2580                            | Lease liabilities, non-current (note 6(m))                                     | 102,397              | -          | 123,214           | 1          | 145,588           | 1          |
| 1600                       | Property, plant and equipment (notes 6(f) and (w))  | 4,398,309            | 24         | 4,483,033         | 25         | 4,473,543         | 26         | 2640                            | Net defined benefit liabilities, non-current                                   | 34,871               | -          | 35,000            | -          | 42,578            | -          |
| 1755                       | Right-of-use assets (note 6(g))   | 216,550              | 1          | 229,239           | 1          | 247,387           | 1          | 2570                            | Deferred tax liabilities   | 857,919              | 5          | 825,106           | 5          | 795,446           | 5          |
| 1822                       | Intangible assets (notes 6(h) and (w))  | 297,959              | 2          | 308,413           | 2          | 354,071           | 2          | 2670                            | Other non-current liabilities  | 99,625               | 1          | 71,568            | -          | 72,845            | -          |
| 1805                       | Goodwill (notes 6(i) and (w))   | 1,450,633            | 8          | 1,136,565         | 6          | 1,099,926         | 6          |                                 |  | 2,232,778            | 12         | 2,139,279         | 12         | 2,386,012         | 14         |
| 1840                       | Deferred tax assets   | 502,331              | 3          | 458,165           | 3          | 457,753           | 3          |                                 | <b>Total liabilities</b>   | 8,354,417            | 45         | 7,491,336         | 41         | 7,993,095         | 46         |
| 1980                       | Other non-current financial assets (note 6(b))  | 429,560              | 2          | 83,020            | -          | 79,790            | -          |                                 | <b>Stockholder' equity attributable to parent:</b>                             |                      |            |                   |            |                   |            |
| 1990                       | Other non-current assets  | 431,663              | 2          | 443,016           | 2          | 466,913           | 3          | 3110                            | Common stock   | 2,634,854            | 14         | 2,634,854         | 14         | 2,634,854         | 15         |
|                            |   | 7,730,504            | 42         | 7,145,608         | 39         | 7,179,383         | 41         | 3200                            | Capital surplus  | 2,199,956            | 12         | 2,137,088         | 12         | 2,134,317         | 12         |
|                            |   |                      |            |                   |            |                   |            | 3300                            | Retained earnings  | 3,487,262            | 19         | 4,155,591         | 23         | 3,359,327         | 19         |
|                            |   |                      |            |                   |            |                   |            | 3400                            | Other stockholders' equity   | (442,041)            | (2)        | (359,558)         | (2)        | (387,947)         | (2)        |
|                            |   |                      |            |                   |            |                   |            | 3500                            | Treasury shares  | (506,043)            | (3)        | (506,043)         | (3)        | (506,043)         | (3)        |
|                            |   |                      |            |                   |            |                   |            |                                 | <b>Total equity attributable to owners of parent</b>                           | 7,373,988            | 40         | 8,061,932         | 44         | 7,234,508         | 41         |
|                            |   |                      |            |                   |            |                   |            | 36XX                            | <b>Non-controlling interests</b> (note 6(e))                                   | 2,682,021            | 15         | 2,663,551         | 15         | 2,286,175         | 13         |
|                            |   |                      |            |                   |            |                   |            |                                 | <b>Total equity</b>  | 10,056,009           | 55         | 10,725,483        | 59         | 9,520,683         | 54         |
| <b>Total assets</b>        |   | <b>\$ 18,410,426</b> | <b>100</b> | <b>18,216,819</b> | <b>100</b> | <b>17,513,778</b> | <b>100</b> |                                 | <b>Total liabilities and equity</b>  | <b>\$ 18,410,426</b> | <b>100</b> | <b>18,216,819</b> | <b>100</b> | <b>17,513,778</b> | <b>100</b> |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2023 and 2022

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

|      | For the three months ended June 30   |                   |            |                  | For the six months ended June 30 |                  |            |                  |            |
|------|--|-------------------|------------|------------------|----------------------------------|------------------|------------|------------------|------------|
|      | 2023   |                   | 2022       |                  | 2023                             |                  | 2022       |                  |            |
|      | Amount   | %                 | Amount     | %                | Amount                           | %                | Amount     | %                |            |
| 4110 | Total sales revenue (note 6(r))  | \$ 3,887,069      | 103        | 4,165,048        | 105                              | 7,675,616        | 104        | 8,056,468        | 104        |
| 4190 | Less: Sales discounts and allowances   | 125,967           | 3          | 200,345          | 5                                | 289,151          | 4          | 339,837          | 4          |
|      | <b>Net operating revenues</b>  | <u>3,761,102</u>  | <u>100</u> | <u>3,964,703</u> | <u>100</u>                       | <u>7,386,465</u> | <u>100</u> | <u>7,716,631</u> | <u>100</u> |
| 5000 | Cost of goods sold (note 6(d))   | <u>2,588,848</u>  | <u>69</u>  | <u>2,567,843</u> | <u>65</u>                        | <u>5,088,899</u> | <u>69</u>  | <u>5,089,574</u> | <u>66</u>  |
|      | <b>Gross profit</b>  | <u>1,172,254</u>  | <u>31</u>  | <u>1,396,860</u> | <u>35</u>                        | <u>2,297,566</u> | <u>31</u>  | <u>2,627,057</u> | <u>34</u>  |
| 6000 | <b>Operating expenses</b> (notes 6(n) and (t)):  |                   |            |                  |                                  |                  |            |                  |            |
| 6100 | Selling expenses   | 344,498           | 9          | 330,541          | 8                                | 683,220          | 9          | 648,828          | 8          |
| 6200 | Administrative expenses  | 231,119           | 6          | 226,870          | 6                                | 437,040          | 6          | 427,222          | 6          |
| 6300 | Research and development expenses  | 108,335           | 3          | 91,627           | 2                                | 199,527          | 3          | 177,138          | 2          |
|      |  | <u>683,952</u>    | <u>18</u>  | <u>649,038</u>   | <u>16</u>                        | <u>1,319,787</u> | <u>18</u>  | <u>1,253,188</u> | <u>16</u>  |
|      | <b>Operating income</b>  | <u>488,302</u>    | <u>13</u>  | <u>747,822</u>   | <u>19</u>                        | <u>977,779</u>   | <u>13</u>  | <u>1,373,869</u> | <u>18</u>  |
|      | <b>Non-operating income and expenses</b> (note 6(s)):  |                   |            |                  |                                  |                  |            |                  |            |
| 7100 | Interest income  | 12,248            | -          | 3,522            | -                                | 20,294           | -          | 6,850            | -          |
| 7010 | Other income   | 7,480             | -          | 14,933           | -                                | 27,280           | 1          | 26,915           | -          |
| 7020 | Other gains and losses   | 50,381            | 1          | 55,518           | 1                                | 44,608           | 1          | 106,433          | 1          |
| 7050 | Finance costs  | (19,670)          | (1)        | (8,630)          | -                                | (36,986)         | (1)        | (15,709)         | -          |
|      |  | <u>50,439</u>     | <u>-</u>   | <u>65,343</u>    | <u>1</u>                         | <u>55,196</u>    | <u>1</u>   | <u>124,489</u>   | <u>1</u>   |
|      | <b>Profit before tax</b>   | 538,741           | 13         | 813,165          | 20                               | 1,032,975        | 14         | 1,498,358        | 19         |
| 7950 | Less: Income tax expenses (note 6(o))  | <u>174,513</u>    | <u>5</u>   | <u>238,455</u>   | <u>6</u>                         | <u>308,354</u>   | <u>4</u>   | <u>438,649</u>   | <u>5</u>   |
|      | <b>Profit</b>  | <u>364,228</u>    | <u>8</u>   | <u>574,710</u>   | <u>14</u>                        | <u>724,621</u>   | <u>10</u>  | <u>1,059,709</u> | <u>14</u>  |
| 8300 | <b>Other comprehensive income:</b>   |                   |            |                  |                                  |                  |            |                  |            |
| 8360 | <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>         |                   |            |                  |                                  |                  |            |                  |            |
| 8361 | Exchange differences on translation of foreign financial statements  | (51,044)          | (1)        | 35,838           | 1                                | (57,171)         | (1)        | 258,142          | 3          |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | (10,128)          | -          | (14,243)         | -                                | (7,132)          | -          | (32,432)         | -          |
|      |  | <u>(61,172)</u>   | <u>(1)</u> | <u>21,595</u>    | <u>1</u>                         | <u>(64,303)</u>  | <u>(1)</u> | <u>225,710</u>   | <u>3</u>   |
| 8300 | <b>Other comprehensive income (after tax)</b>  | <u>(61,172)</u>   | <u>(1)</u> | <u>21,595</u>    | <u>1</u>                         | <u>(64,303)</u>  | <u>(1)</u> | <u>225,710</u>   | <u>3</u>   |
|      | <b>Comprehensive income</b>  | <u>\$ 303,056</u> | <u>7</u>   | <u>596,305</u>   | <u>15</u>                        | <u>660,318</u>   | <u>9</u>   | <u>1,285,419</u> | <u>17</u>  |
|      | <b>Net income attributable to:</b>   |                   |            |                  |                                  |                  |            |                  |            |
|      | Owners of the parent   | \$ 155,296        | 2          | 384,888          | 9                                | 385,613          | 5          | 770,924          | 10         |
|      | Non-controlling interests (note 6(e))  | <u>208,932</u>    | <u>6</u>   | <u>189,822</u>   | <u>5</u>                         | <u>339,008</u>   | <u>5</u>   | <u>288,785</u>   | <u>4</u>   |
|      |  | <u>\$ 364,228</u> | <u>8</u>   | <u>574,710</u>   | <u>14</u>                        | <u>724,621</u>   | <u>10</u>  | <u>1,059,709</u> | <u>14</u>  |
|      | <b>Comprehensive income attributable to:</b>   |                   |            |                  |                                  |                  |            |                  |            |
|      | Owners of the parent   | \$ 68,312         | 1          | 370,238          | 9                                | 303,130          | 4          | 914,102          | 12         |
|      | Non-controlling interests (note 6(e))  | <u>234,744</u>    | <u>6</u>   | <u>226,067</u>   | <u>6</u>                         | <u>357,188</u>   | <u>5</u>   | <u>371,317</u>   | <u>5</u>   |
|      |  | <u>\$ 303,056</u> | <u>7</u>   | <u>596,305</u>   | <u>15</u>                        | <u>660,318</u>   | <u>9</u>   | <u>1,285,419</u> | <u>17</u>  |
|      | <b>Basic earnings per common share (NT dollars)</b> (note 6(u))  | <u>\$ 0.62</u>    |            | <u>1.55</u>      |                                  | <u>1.55</u>      |            | <u>3.10</u>      |            |
|      | <b>Diluted earnings per common share (NT dollars)</b> (note 6(u))  | <u>\$ 0.62</u>    |            | <u>1.54</u>      |                                  | <u>1.54</u>      |            | <u>3.08</u>      |            |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

|  | Equity attributable to owners of parent |                  |                  |                 |                                  |                         | Total other equity interest | Exchange differences on translation of foreign financial statements | Treasury shares  | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|--|---|------------------|------------------|-----------------|----------------------------------|-------------------------|-----------------------------|---|------------------|---|---------------------------|--------------|
|  | Retained earnings                       |                  |                  |                 |                                  |                         |                             |   |                  |   |                           |              |
|  | Ordinary shares                         | Capital surplus  | Legal reserve    | Special reserve | Unappropriated retained earnings | Total retained earnings |                             |   |                  |   |                           |              |
| <b>Balance at January 1, 2022</b>  | \$ 2,650,854                            | 2,166,799        | 884,887          | 459,300         | 1,902,930                        | 3,247,117               | (531,125)                   | (506,990)   | 7,026,655        | 2,200,854                                     | 9,227,509                 |              |
| Net income   | -                                       | -                | -                | -               | 770,924                          | 770,924                 | -                           | -   | 770,924          | 288,785                                       | 1,059,709                 |              |
| Other comprehensive income   | -                                       | -                | -                | -               | -                                | -                       | 143,178                     | -   | 143,178          | 82,532  | 225,710                   |              |
| Total comprehensive income   | -                                       | -                | -                | -               | 770,924                          | 770,924                 | 143,178                     | -   | 914,102          | 371,317                                       | 1,285,419                 |              |
| Retirement of treasury shares  | (16,000)                                | (69,482)         | -                | -               | -                                | -                       | -                           | 85,482  | -                | -   | -                         |              |
| Subsidiaries purchase of treasury shares   | -                                       | -                | -                | -               | -                                | -                       | -                           | (84,535)  | (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)        | -   | (658,714)                 |              |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | -                                       | 37,000           | -                | -               | -                                | -                       | -                           | -   | 37,000           | -   | 37,000                    |              |
| Changes in non-controlling interests   | -                                       | -                | -                | -               | -                                | -                       | -                           | -   | -                | (285,996)                                     | (285,996)                 |              |
| <b>Balance at June 30, 2022</b>  | <b>\$ 2,634,854</b>                     | <b>2,134,317</b> | <b>973,024</b>   | <b>531,125</b>  | <b>1,855,178</b>                 | <b>3,359,327</b>        | <b>(387,947)</b>            | <b>(506,043)</b>  | <b>7,234,508</b> | <b>2,286,175</b>                              | <b>9,520,683</b>          |              |
| <b>Balance at January 1, 2023</b>  | \$ 2,634,854                            | 2,137,088        | 973,024          | 531,125         | 2,651,442                        | 4,155,591               | (359,558)                   | (506,043)   | 8,061,932        | 2,663,551                                     | 10,725,483                |              |
| Net income   | -                                       | -                | -                | -               | 385,613                          | 385,613                 | -                           | -   | 385,613          | 339,008                                       | 724,621                   |              |
| Other comprehensive income   | -                                       | -                | -                | -               | -                                | -                       | (82,483)                    | -   | (82,483)         | 18,180  | (64,303)                  |              |
| Total comprehensive income   | -                                       | -                | -                | -               | 385,613                          | 385,613                 | (82,483)                    | -   | 303,130          | 357,188                                       | 660,318                   |              |
| 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)      | -   | (1,053,942)               |              |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | -                                       | 59,200           | -                | -               | -                                | -                       | -                           | -   | 59,200           | -   | 59,200                    |              |
| Changes in equity of affiliate accounted for using equity method                     | -                                       | 3,668            | -                | -               | -                                | -                       | -                           | -   | 3,668            | -   | 3,668                     |              |
| Changes in non-controlling interests   | -                                       | -                | -                | -               | -                                | -                       | -                           | -   | -                | (338,718)                                     | (338,718)                 |              |
| <b>Balance at June 30, 2023</b>  | <b>\$ 2,634,854</b>                     | <b>2,199,956</b> | <b>1,129,743</b> | <b>531,125</b>  | <b>1,826,394</b>                 | <b>3,487,262</b>        | <b>(442,041)</b>            | <b>(506,043)</b>  | <b>7,373,988</b> | <b>2,682,021</b>                              | <b>10,056,009</b>         |              |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

|  | <b>For the six months ended June 30</b> |                  |
|--|---|------------------|
|  | <b>2023</b>                             | <b>2022</b>      |
| <b>Cash flows from (used in) operating activities:</b>                           |   |                  |
| Profit before tax  | \$ 1,032,975                            | 1,498,358        |
| <b>Adjustments:</b>  |   |                  |
| <b>Adjustments to reconcile profit (loss):</b>                                   |   |                  |
| Depreciation expense   | 416,043                                 | 389,024          |
| Amortization expense   | 66,719                                  | 67,627           |
| Expected credit loss   | 16,781                                  | 2,323            |
| Net loss on financial assets or liabilities at fair value through profit or loss | 7,832                                   | 32,322           |
| Interest expense   | 36,028                                  | 14,651           |
| Interest income  | (20,294)                                | (6,850)          |
| Gain on disposal of property, plant and equipment                                | (705)                                   | (857)            |
| Reversal of impairment gain on non-financial assets                              | (44)                                    | (546)            |
| Others   | 3,668                                   | -                |
| <b>Total adjustments to reconcile profit (loss)</b>                              | <u>526,028</u>                          | <u>497,694</u>   |
| <b>Changes in operating assets and liabilities:</b>                              |   |                  |
| Increase in financial assets at fair value through profit or loss                | (522,942)                               | (95,799)         |
| Decrease in notes receivable   | 355                                     | 544              |
| (Increase) decrease in accounts receivable                                       | 164,748                                 | (420,512)        |
| (Increase) decrease in other receivables   | 40,335                                  | (8,013)          |
| (Increase) decrease in inventories   | 86,333                                  | (614,277)        |
| (Increase) decrease in prepayments   | 10,437                                  | (41,205)         |
| (Increase) decrease in other financial assets                                    | 513,848                                 | (150,218)        |
| Decrease in notes payable  | -                                       | (1,607)          |
| Increase (decrease) in accounts payable  | (372,151)                               | 90,714           |
| Increase (decrease) in other payable   | (112,832)                               | 27,722           |
| Increase (decrease) in other current liabilities                                 | (15,180)                                | 66,747           |
| Decrease in net defined benefit liabilities                                      | (129)                                   | (210)            |
| Increase (decrease) in other non-current liabilities                             | (5,524)                                 | 18,077           |
| <b>Total adjustments</b>   | <u>313,326</u>                          | <u>(630,343)</u> |
| Cash inflow generated from operations  | 1,346,301                               | 868,015          |
| Interest received  | 20,363                                  | 5,018            |
| Interest paid  | (31,913)                                | (9,591)          |
| Income taxes paid  | (381,400)                               | (393,598)        |
| <b>Net cash flows from operating activities</b>                                  | <u>953,351</u>                          | <u>469,844</u>   |
| <b>Cash flows from (used in) investing activities:</b>                           |   |                  |
| Acquisition of business combination  | (358,490)                               | -                |
| Acquisition of property, plant and equipment                                     | (133,222)                               | (211,472)        |
| Proceeds from disposal of property, plant and equipment                          | 1,417                                   | 4,372            |
| Increase in other financial assets   | (342,743)                               | (8,207)          |
| Acquisition of intangible assets   | (21,217)                                | (16,852)         |
| (Increase) decrease in other non-current assets                                  | 54,514                                  | (9,727)          |
| Increase in prepayments for equipment  | (110,171)                               | (97,479)         |
| <b>Net cash flows used in investing activities</b>                               | <u>(909,912)</u>                        | <u>(339,365)</u> |
| <b>Cash flows from (used in) financing activities:</b>                           |   |                  |
| Increase (decrease) in short-term borrowings                                     | (178,694)                               | 213,608          |
| Proceeds from long-term borrowings   | 300,000                                 | 90,020           |
| Repayments of long-term borrowings   | (245,248)                               | (200,000)        |
| Payment of lease liabilities   | (49,313)                                | (78,893)         |
| Increase (decrease) in guarantee deposits received                               | (251)                                   | 180              |
| Repurchase of treasury shares  | -                                       | (84,535)         |
| Change in non-controlling interests  | 13,600                                  | 11,265           |
| <b>Net cash flows used in financing activities</b>                               | <u>(159,906)</u>                        | <u>(48,355)</u>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>              | (74,883)                                | 74,789           |
| <b>Net increase (decrease) in cash and cash equivalents</b>                      | (191,350)                               | 156,913          |
| <b>Cash and cash equivalents at the beginning of period</b>                      | <u>3,595,681</u>                        | <u>2,701,648</u> |
| <b>Cash and cash equivalents at the end of period</b>                            | <u>\$ 3,404,331</u>                     | <u>2,858,561</u> |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 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 and its subsidiaries are referred to as the Group, who engages in the manufacture and sale of rectifiers and auto identification systems, as well as product manufacturing and services.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 9, 2023.

**(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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”

(Continued)

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

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

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

| <b>Standards or Interpretations</b>                                      | <b>Content of amendment</b>  | <b>Effective date per IASB</b> |
|--|--|--------------------------------|
| Amendments to IAS12 ” International Tax Reform – Pillar Two Model Rules” | <ul style="list-style-type: none"> <li>● provide companies with a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax; and</li> <li>● require them to provide new disclosures.</li> </ul> | May 23, 2023                   |

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

**(4) Summary of significant accounting policies:**

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

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

The significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

| Name of Investor        | Name of subsidiary                                       | Principal activity   | Shareholding  |                   |               | Instruction |
|-------------------------|--|--|---------------|-------------------|---------------|-------------|
|                         |  |  | June 30, 2023 | December 31, 2022 | June 30, 2022 |             |
| The Company             | Ever Energetic Int'l Ltd. (Ever Energetic)               | Holding company and general import and export business                             | 100.00 %      | 100.00 %          | 100.00 %      |             |
| The Company             | Ever Winner Int'l Co., Ltd. (Ever Winner)                | Holding company and general import and export business                             | 100.00 %      | 100.00 %          | 100.00 %      |             |
| The Company             | Skyrise Int'l Ltd. (Skyrise)                             | Holding company and general import and export business                             | 100.00 %      | 100.00 %          | 100.00 %      |             |
| The Company             | Taiwan Semiconductor Europe GmbH (TSC E)                 | General import and export business   | 100.00 %      | 100.00 %          | 100.00 %      |             |
| The Company             | Taiwan Semiconductor Japan Ltd. (TSC J)                  | Trading of rectifiers  | 100.00 %      | 100.00 %          | 100.00 %      |             |
| The Company             | Taiwan Semiconductor (H.K.) Co., Ltd. (TSC H)            | Holding company and trading of rectifiers  | 25.22 %       | 25.22 %           | 25.22 %       |             |
| The Company             | TSC Auto ID Technology Co., Ltd. (TSC Auto ID)           | Manufacture and sale of bar code printers  | 36.27 %       | 36.35 %           | 36.38 %       |             |
| Ever Energetic          | TSC H  | Holding company and trading of rectifiers  | 36.96 %       | 36.96 %           | 36.96 %       |             |
| Ever Energetic          | TSC America, Inc.(TSC A)                                 | Trading of rectifiers  | 75.00 %       | 75.00 %           | 75.00 %       |             |
| Ever Winner             | TSC H  | Holding company and trading of rectifiers  | 37.82 %       | 37.82 %           | 37.82 %       |             |
| Ever Winner             | TSC A  | Trading of rectifiers  | 25.00 %       | 25.00 %           | 25.00 %       |             |
| Ever Winner             | Shanghai Great Technology Trading Co., Ltd. (TSC S)      | Trading of rectifiers  | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC H                   | Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell) | Manufacture and sale of rectifiers   | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC H                   | Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell) | Manufacture and sale of wafers   | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID             | TSC Auto ID Technology EMEA GmbH (TSC A E)               | Trading of bar code printers and other parts                                       | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID             | TSC Auto ID (H.K.) Ltd. (TSC H K)                        | Holding company and general import and export business                             | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID             | TSC Auto Technology America Inc. (TSC A A)               | Trading of bar code printers and other parts                                       | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID             | Printronic Auto ID Technology Co., Ltd. (Printronic A D) | Trading of bar code printers and other parts                                       | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID and TSC A A | Printronic Auto ID Technology Inc. (PTNXUS)              | Trading of bar code printers and other parts                                       | -             | -                 | 100.00 %      | Note 1      |
| TSC Auto ID             | Diversified Labeling Solutions, Inc. (DLS)               | Customization of design, integration and marketing of label papers and other parts | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID             | TSC Auto ID Technology India Private limited (TSC I N)   | Trading of bar code printers and other parts                                       | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC Auto ID             | Mosfortico Investments sp. z o.o. (TSC P L)              | General investment   | 100.00 %      | -                 | -             | Note 2      |

(Continued)

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

| Name of Investor | Name of subsidiary                                       | Principal activity   | Shareholding  |                   |               | Instruction |
|------------------|--|--|---------------|-------------------|---------------|-------------|
|                  |  |  | June 30, 2023 | December 31, 2022 | June 30, 2022 |             |
| TSCAE            | TSC Auto ID Technology ME, Ltd. FZE (TSCAD)              | Trading of bar code printers and other parts                                       | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSCAE            | TSC Auto ID Technology Spain, S.L. (TSCAS)               | Trading of bar code printers and other parts                                       | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC HK           | Tianjin TSC Auto ID Technology Co., Ltd. (TTSC)          | Manufacture and sale of bar code printers and other parts                          | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSC HK           | Shenzhen Printronix Auto ID Technology Co., Ltd. (SPTNX) | Sale of bar code printers and other parts  | 100.00 %      | 100.00 %          | 100.00 %      |             |
| DLS              | Precision Press & Label, Inc. (PPL)                      | Sale of bar code printers, label papers, other parts                               | 100.00 %      | 100.00 %          | 100.00 %      |             |
| TSCPL            | MGN sp. z o.o. (MGN)                                     | Customization of design, integration and marketing of label papers and other parts | 100.00 %      | -                 | -             | Note 2      |

Note 1: Due to simplify the organizational structure and improvement in operating efficiency of the Group, TSC Auto ID transferred its 5% ownership interest in its sub-subsidiary, PTNX US, at the amount of US\$1,620 thousand, to its subsidiary in the U.S., TSCAA, in order to merge and eliminate PTNX US, based on the resolution approved during the board meeting. Upon the completion of the share transfer, the Board of Directors of TSC Auto ID resolved that July 1, 2022 shall be the record date for the merger, with PTNX US becoming a fully owned subsidiary of TSCAA thereafter and consolidation by merger into TSCAA. The nature of this merger is a restructuring under common control within the Group and does not affect the preparation of the consolidated financial statements; please refer to note 6(v).

Note 2: TSC Auto ID established Mosfortico Investments sp. z o.o. (TSCPL), at the amount of PLN 4,520 (approximately NT\$31 thousand), in February 2023. Moreover, in June 2023, TSC Auto ID was able to merge with, and acquire the entire shares of, MGN sp. z o.o. (MGN), a Polish company, through TSCPL, who conducted a cash capital increase of PLN 58,106 thousand (approximately NT\$429,260 thousand). Please refer to note 6 (w) for details.

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

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

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

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to the consolidated financial statements for the year ended December 31, 2022.

**(6) Explanation of significant accounts:**

Except for the following, disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

|  | <u>June 30,</u><br><u>2023</u> | <u>December 31,</u><br><u>2022</u> | <u>June 30,</u><br><u>2022</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Cash and pretty cash   | \$ 863                         | 476                                | 628                            |
| Checking and demand deposits   | 2,690,750                      | 2,507,863                          | 2,795,328                      |
| Repurchase agreement   | 100,000                        | 500,000                            | -                              |
| Time deposits  | 998,098                        | 587,342                            | 62,605                         |
| Less: Time deposits with an original maturity date of more than three months (note 6(b)) | <u>(385,380)</u>               | <u>-</u>                           | <u>-</u>                       |
|  | <u>\$ 3,404,331</u>            | <u>3,595,681</u>                   | <u>2,858,561</u>               |

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

(Continued)

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

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

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

|  | <u>June 30,</u><br><u>2023</u> | <u>December 31,</u><br><u>2022</u> | <u>June 30,</u><br><u>2022</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Current:   |                                |                                    |                                |
| Mandatorily measured at fair value through profit or loss:                         |                                |                                    |                                |
| Beneficiary certificates   | \$ 520,849                     | -                                  | 230,267                        |
| Forward exchange contracts   | -                              | -                                  | 1,662                          |
| Currency swaps   | -                              | 1,798                              | 413                            |
|  | <u>\$ 520,849</u>              | <u>1,798</u>                       | <u>232,342</u>                 |
| Other financial assets:  |                                |                                    |                                |
| Structure deposits   | \$ -                           | 599,488                            | 523,802                        |
| Time deposits with an original maturity date of more than three months to one year | 85,640                         | -                                  | -                              |
|  | <u>\$ 85,640</u>               | <u>599,488</u>                     | <u>523,802</u>                 |
| Non-current:   |                                |                                    |                                |
| Mandatorily measured at fair value through profit or loss:                         |                                |                                    |                                |
| Fund in foreign markets  | <u>\$ 3,499</u>                | -                                  | -                              |
| Measured at fair value through other comprehensive income:                         |                                |                                    |                                |
| Fund in foreign markets  | \$ -                           | <u>4,157</u>                       | -                              |
| Other financial assets:  |                                |                                    |                                |
| Time deposits with an original maturity date of more than one year                 | \$ 299,740                     | -                                  | -                              |
| Refundable deposits  | 85,416                         | 83,020                             | 79,790                         |
| Other (note 1)   | 44,404                         | -                                  | -                              |
|  | <u>\$ 429,560</u>              | <u>83,020</u>                      | <u>79,790</u>                  |

(Continued)

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

|  | <b>June 30,<br/>2023</b> | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|--|--------------------------|------------------------------|--------------------------|
| Current:   |                          |                              |                          |
| Mandatorily measured at fair value through profit or loss: |                          |                              |                          |
| Forward exchange contracts                                 | \$ 5,675                 | 844                          | 5,508                    |
| Currency swaps   | -                        | 1,548                        | 8,853                    |
|  | <b>\$ 5,675</b>          | <b>2,392</b>                 | <b>14,361</b>            |

Note1: On the merger date of TSC Auto ID and MGN, TSC Auto ID deposited the amount of \$44,404 thousand to a third-party custodian account as the final payment for 18 months to ensure the security of the merger. If both parties have fulfilled their obligations under the acquisition agreement, and no other contingent liability or tax risk of MGN, which would result in the Group's additional losses, have been identified within 18 months, the deposits in such special account will be entirely returned to TSC Auto ID upon maturity.

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

- (ii) The Group uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The Group held the following derivative financial instruments presented as held-for-trading financial assets (liabilities):

| <b>June 30, 2023</b>     |     |                        |                 |                        |                 |
|--------------------------|-----|------------------------|-----------------|------------------------|-----------------|
|                          |     | <b>Contract amount</b> | <b>Currency</b> | <b>Contract period</b> |                 |
| Selling/buying forward   | USD | 3,000 / NTD            | 91,275          | USD to NTD             | 2023.07~2023.08 |
| Selling/buying forward   | EUR | 6,000 / NTD            | 198,331         | EUR to NTD             | 2023.07~2023.09 |
| <b>December 31, 2022</b> |     |                        |                 |                        |                 |
|                          |     | <b>Contract amount</b> | <b>Currency</b> | <b>Contract period</b> |                 |
| Selling/buying forward   | EUR | 500 / USD              | 521             | EUR to USD             | 2023.02.17      |
| Selling/buying forward   | USD | 2,000 / NTD            | 60,718          | USD to NTD             | 2023.02.17      |
| Currency swaps           | USD | 7,200 / NTD            | 219,593         | USD to NTD             | 2023.02~2023.05 |
| <b>June 30, 2022</b>     |     |                        |                 |                        |                 |
|                          |     | <b>Contract amount</b> | <b>Currency</b> | <b>Contract period</b> |                 |
| Selling/buying forward   | USD | 5,000 / CNY            | 32,585          | USD to CNY             | 2022.07~2022.09 |
| Selling/buying forward   | EUR | 3,000 / NTD            | 94,631          | EUR to NTD             | 2022.07~2022.08 |
| Selling/buying forward   | USD | 4,000 / NTD            | 117,607         | USD to NTD             | 2022.07~2022.08 |
| Currency swaps           | USD | 10,500 / NTD           | 302,782         | USD to NTD             | 2022.08~2022.11 |

(Continued)

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

(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

|                      | <b>June 30,<br/>2023</b>   | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|----------------------|----------------------------|------------------------------|--------------------------|
| Notes receivable     | \$ 233                     | 588                          | 207                      |
| Accounts receivable  | 2,971,992                  | 3,053,386                    | 3,411,641                |
| Less: Loss allowance | <u>(54,962)</u>            | <u>(37,506)</u>              | <u>(42,637)</u>          |
|                      | <b><u>\$ 2,917,263</u></b> | <b><u>3,016,468</u></b>      | <b><u>3,369,211</u></b>  |

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

The loss allowance provision in Rectifiers was determined as follows:

|                             | <b>June 30, 2023</b>             |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 1,312,258                     | 2.17%                                      | 28,432                              |
| 1 to 90 days past due       | 120,618                          | 2.08%                                      | 2,509                               |
| 91 to 180 days past due     | 6,495                            | 3.00%                                      | 195                                 |
| 181 to 270 days past due    | 10,429                           | 5.00%                                      | 522                                 |
| 271 to 365 days past due    | <u>25</u>                        | 10.00%                                     | <u>2</u>                            |
|                             | <b><u>\$ 1,449,825</u></b>       |  | <b><u>31,660</u></b>                |
|                             | <b>December 31, 2022</b>         |  |                                     |
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 1,512,691                     | 1.13%                                      | 17,125                              |
| 1 to 90 days past due       | 165,665                          | 1.66%                                      | 2,758                               |
| 91 to 180 days past due     | 7,826                            | 3.16%                                      | 247                                 |
| 271 to 365 days past due    | 331                              | 63.44%                                     | 210                                 |
| More than 365 days past due | <u>52</u>                        | 100.00%                                    | <u>52</u>                           |
|                             | <b><u>\$ 1,686,565</u></b>       |  | <b><u>20,392</u></b>                |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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|                          | <b>June 30, 2022</b>             |  |                                     |
|--------------------------|----------------------------------|--|-------------------------------------|
|                          | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                  | \$ 1,814,608                     | 0.95%                                      | 17,182                              |
| 1 to 90 days past due    | 166,255                          | 0.98%                                      | 1,633                               |
| 91 to 180 days past due  | 2,153                            | 3.00%                                      | 65                                  |
| 181 to 270 days past due | 302                              | 5.00%                                      | 15                                  |
| 271~365 days past due    | 20                               | 10.00%                                     | 2                                   |
|                          | <b>\$ 1,983,338</b>              |  | <b>18,897</b>                       |

The loss allowance provision in Bar Code Printers was determined as follows:

|                             | <b>June 30, 2023</b>             |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 1,152,758                     | 0.45%                                      | 5,173                               |
| 1 to 90 days past due       | 328,052                          | 1.00%                                      | 3,281                               |
| 91 to 180 days past due     | 20,577                           | 3.00%                                      | 1,698                               |
| 181 to 270 days past due    | 4,992                            | 5.00%                                      | 250                                 |
| 271 to 365 days past due    | 3,468                            | 10.00%                                     | 347                                 |
| More than 365 days past due | 12,553                           | 100.00%                                    | 12,553                              |
|                             | <b>\$ 1,522,400</b>              |  | <b>23,302</b>                       |

|                             | <b>December 31, 2022</b>         |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 999,671                       | 0.55%                                      | 5,530                               |
| 1 to 90 days past due       | 339,761                          | 1.00%                                      | 1,880                               |
| 91 to 180 days past due     | 7,684                            | 3.00%                                      | 1,523                               |
| 181 to 270 days past due    | 2,186                            | 5.00%                                      | 60                                  |
| 271 to 365 days past due    | 6,537                            | 10.00%                                     | 362                                 |
| More than 365 days past due | 11,570                           | 100.00%                                    | 7,759                               |
|                             | <b>\$ 1,367,409</b>              |  | <b>17,114</b>                       |

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

|                             | <b>June 30, 2022</b>             |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 1,040,366                     | 0.74%                                      | 7,723                               |
| 1 to 90 days past due       | 314,669                          | 1.00%                                      | 3,147                               |
| 91 to 180 days past due     | 34,454                           | 3.00%                                      | 1,034                               |
| 181 to 270 days past due    | 23,657                           | 5.00%                                      | 1,183                               |
| 271 to 365 days past due    | 5,234                            | 10.00%                                     | 523                                 |
| More than 365 days past due | <u>10,130</u>                    | 100.00%                                    | <u>10,130</u>                       |
|                             | <u><b>\$ 1,428,510</b></u>       |  | <u><b>23,740</b></u>                |

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

|                                     | <b>For the six months ended June 30</b> |                      |
|-------------------------------------|---|----------------------|
|                                     | <b>2023</b>                             | <b>2022</b>          |
| Balance on January 1, 2023 and 2022 | \$ 37,506                               | 39,430               |
| Impairment losses recognized        | 16,781                                  | 2,323                |
| Foreign exchange gains (losses)     | <u>675</u>                              | <u>884</u>           |
| Balance on June 30, 2023 and 2022   | <u><b>\$ 54,962</b></u>                 | <u><b>42,637</b></u> |

As of June 30, 2023, December 31 and June 30, 2022, the Group does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

|                           | <b>June 30,<br/>2023</b>   | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|---------------------------|----------------------------|------------------------------|--------------------------|
| Finished goods            | \$ 1,660,055               | 1,588,815                    | 1,328,658                |
| Work in process           | 568,865                    | 636,075                      | 619,614                  |
| Raw material and supplies | 1,100,709                  | 1,061,904                    | 973,694                  |
| Merchandise inventories   | 23,578                     | -                            | -                        |
| Inventories in transit    | <u>119,479</u>             | <u>213,239</u>               | <u>137,136</u>           |
|                           | <u><b>\$ 3,472,686</b></u> | <u><b>3,500,033</b></u>      | <u><b>3,059,102</b></u>  |

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$2,511,737 thousand, \$2,591,774 thousand, \$4,939,584 thousand and \$5,085,296 thousand for the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, respectively.

During the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, the write-down of inventories to net realizable value amounting to \$77,111 thousand, \$(23,931) thousand, \$149,315 thousand and \$4,278 thousand, respectively.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any inventories as collateral for its loans.

- (e) The significant non-controlling interests of subsidiaries

The subsidiaries' non-controlling interests that have significant effect on the Group were as follows:

| <u>Name of subsidiary</u>                      | <u>Country</u> | <b>Percentage of non-controlling interests on ownership interests and voting rights</b> |                          |                      |
|--|----------------|---|--------------------------|----------------------|
|  |                | <b>June 30, 2023</b>  | <b>December 31, 2022</b> | <b>June 30, 2022</b> |
| TSC Auto ID Technology Co., Ltd. (TSC Auto ID) | Taiwan         | 63.73 %   | 63.65 %                  | 63.62 %              |

The financial statement of TSC Auto ID has been prepared in accordance with the IFRSs endorsed by the FSC. The summary of financial information for TSC Auto ID was as follows. This financial information is disclosed in the amounts before the elimination on transactions between the Group.

The summary of financial information:

|  | <b>June 30, 2023</b>                      | <b>December 31, 2022</b>                | <b>June 30, 2022</b> |
|--|---|---|----------------------|
| Current assets   | \$ 4,437,856                              | 4,246,657                               | 4,119,807            |
| Non-current assets   | 4,834,260                                 | 4,048,112                               | 4,025,948            |
| Current liabilities  | (2,777,675)                               | (2,421,498)                             | (2,762,055)          |
| Non-current liabilities  | (1,379,618)                               | (1,122,546)                             | (1,269,103)          |
| Net assets   | <u>\$ 5,114,823</u>                       | <u>4,750,725</u>                        | <u>4,114,597</u>     |
| Non-controlling interests                                      | <u>\$ 2,682,021</u>                       | <u>2,663,551</u>                        | <u>2,286,175</u>     |
|  | <b>For the three months ended June 30</b> | <b>For the six months ended June 30</b> |                      |
|  | <b>2023</b>                               | <b>2022</b>                             | <b>2023</b>          |
| Sales revenue  | <u>\$ 2,194,641</u>                       | <u>2,042,284</u>                        | <u>4,102,690</u>     |
| Net income   | \$ 327,839                                | 298,368                                 | 453,922              |
| Other comprehensive income                                     | (61,604)                                  | (170,907)                               | 367,447              |
| Comprehensive income   | <u>\$ 266,235</u>                         | <u>127,461</u>                          | <u>899,615</u>       |
| Net income attributable to non-controlling interests           | <u>\$ 208,932</u>                         | <u>189,822</u>                          | <u>339,008</u>       |
| Comprehensive income attributable to non-controlling interests | <u>\$ 234,744</u>                         | <u>226,067</u>                          | <u>371,317</u>       |

(Continued)

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

|  | <b>For the six months ended June 30</b> |                  |
|--|---|------------------|
|  | <b>2023</b>                             | <b>2022</b>      |
| Cash flows from operating activities                         | \$ 610,130                              | 25,550           |
| Cash flows used in investing activities                      | (463,118)                               | (153,797)        |
| Cash flows used in financing activities                      | (180,029)                               | (59,499)         |
| Effect of exchange rate changes on cash and cash equivalents | 7,736                                   | 25,611           |
| Net decrease in cash and cash equivalents                    | <b>\$ (25,281)</b>                      | <b>(162,135)</b> |

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2023 and 2022 were as follows:

|   | <b>Land</b>       | <b>Building and<br/>construction</b> | <b>Machinery and<br/>equipment</b> | <b>Total</b>      |
|---|-------------------|--------------------------------------|------------------------------------|-------------------|
| Cost or deemed cost:                                  |                   |                                      |                                    |                   |
| Balance at 1 January, 2023                            | \$ 861,426        | 1,463,699                            | 7,577,656                          | 9,902,781         |
| Additions   | -                 | 549                                  | 132,673                            | 133,222           |
| Sales of assets                                       | -                 | -                                    | (3,039)                            | (3,039)           |
| Disposals   | -                 | (348)                                | (6,688)                            | (7,036)           |
| Others (including capitalized interest)               | -                 | -                                    | 102,908                            | 102,908           |
| Acquisition through business combinations (note 6(w)) | 2,649             | 39,731                               | 70,834                             | 113,214           |
| Effect of movement in exchange rates                  | 58                | (12,028)                             | (93,758)                           | (105,728)         |
| Balance at June 30, 2023                              | <b>\$ 864,133</b> | <b>1,491,603</b>                     | <b>7,780,586</b>                   | <b>10,136,322</b> |
| Balance at 1 January, 2022                            | \$ 861,426        | 1,452,797                            | 6,966,728                          | 9,280,951         |
| Additions   | -                 | 410                                  | 211,062                            | 211,472           |
| Sales of assets                                       | -                 | -                                    | (9,549)                            | (9,549)           |
| Disposals   | -                 | -                                    | (66,390)                           | (66,390)          |
| Others (including capitalized interest)               | -                 | 3,840                                | 42,825                             | 46,665            |
| Effect of movement in exchange rates                  | -                 | 9,673                                | 107,347                            | 117,020           |
| Balance at June 30, 2022                              | <b>\$ 861,426</b> | <b>1,466,720</b>                     | <b>7,252,023</b>                   | <b>9,580,169</b>  |

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

|   | <u>Land</u>       | <u>Building and<br/>construction</u> | <u>Machinery and<br/>equipment</u> | <u>Total</u>     |
|---|-------------------|--------------------------------------|------------------------------------|------------------|
| Accumulated depreciation and impairment loss:         |                   |                                      |                                    |                  |
| Balance at 1 January, 2023                            | \$ -              | 558,496                              | 4,861,252                          | 5,419,748        |
| Depreciation for the year                             | -                 | 22,126                               | 337,975                            | 360,101          |
| Impairment gain                                       | -                 | -                                    | (44)                               | (44)             |
| Sales of assets                                       | -                 | -                                    | (2,856)                            | (2,856)          |
| Disposals   | -                 | (330)                                | (6,177)                            | (6,507)          |
| Acquisition through business combinations (note 6(w)) | -                 | 11,338                               | 31,540                             | 42,878           |
| Effect of movement in exchange rates                  | -                 | (4,256)                              | (71,051)                           | (75,307)         |
| Balance at June 30, 2023                              | <u>\$ -</u>       | <u>587,374</u>                       | <u>5,150,639</u>                   | <u>5,738,013</u> |
| Balance at 1 January, 2022                            | \$ -              | 512,266                              | 4,267,550                          | 4,779,816        |
| Depreciation for the year                             | -                 | 22,078                               | 315,890                            | 337,968          |
| Impairment gain                                       | -                 | -                                    | (546)                              | (546)            |
| Sales of assets                                       | -                 | -                                    | (9,431)                            | (9,431)          |
| Disposals   | -                 | -                                    | (62,993)                           | (62,993)         |
| Effect of movement in exchange rates                  | -                 | 3,091                                | 58,721                             | 61,812           |
| Balance at June 30, 2022                              | <u>\$ -</u>       | <u>537,435</u>                       | <u>4,569,191</u>                   | <u>5,106,626</u> |
| Carrying amount:                                      |                   |                                      |                                    |                  |
| Balance at January 1, 2023                            | <u>\$ 861,426</u> | <u>905,203</u>                       | <u>2,716,404</u>                   | <u>4,483,033</u> |
| Balance at June 30, 2023                              | <u>\$ 864,133</u> | <u>904,229</u>                       | <u>2,629,947</u>                   | <u>4,398,309</u> |
| Balance at January 1, 2022                            | <u>\$ 861,426</u> | <u>940,531</u>                       | <u>2,699,178</u>                   | <u>4,501,135</u> |
| Balance at June 30, 2022                              | <u>\$ 861,426</u> | <u>929,285</u>                       | <u>2,682,832</u>                   | <u>4,473,543</u> |

- (i) As of June 30, 2023, the property, plant and equipment of the Group had been pledged as collateral for its long-term borrowings; please refer to note 8.
- (ii) As of December 31 and June 30, 2022, the Group did not provide any the property, plant and equipment as collateral for its loans.
- (iii) The Company's interest capitalized for purchasing property, plant, and equipment for the three month and six month ended June 30, 2023, December 31 and June 30, 2022 were \$306 thousand, \$72 thousand, \$359 thousand and \$290 thousand, respectively, both at a rate of 1.50%.

(Continued)

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

## (g) Right-of-use assets

|                            | <u>Land</u>     | <u>Building and<br/>construction</u> | <u>Machinery and<br/>equipment</u> | <u>Total</u>   |
|----------------------------|-----------------|--------------------------------------|------------------------------------|----------------|
| Carrying amount:           |                 |                                      |                                    |                |
| Balance at January 1, 2023 | \$ <u>8,583</u> | <u>216,465</u>                       | <u>4,191</u>                       | <u>229,239</u> |
| Balance at June 30, 2023   | \$ <u>8,163</u> | <u>203,971</u>                       | <u>4,416</u>                       | <u>216,550</u> |
| Balance at January 1, 2022 | \$ <u>8,814</u> | <u>266,977</u>                       | <u>4,874</u>                       | <u>280,665</u> |
| Balance at June 30, 2022   | \$ <u>8,826</u> | <u>233,868</u>                       | <u>4,693</u>                       | <u>247,387</u> |

## (h) Intangible assets

The cost, amortization of the intangible assets of the Group for the six months ended June 30, 2023 and 2022 were as follows:

|   | <u>Acquired<br/>special<br/>technology</u> | <u>Customer<br/>relationship</u> | <u>Patent</u> | <u>Software</u> | <u>Trademarks<br/>rights</u> | <u>Total</u>     |
|---|--|----------------------------------|---------------|-----------------|------------------------------|------------------|
| Cost:   |  |                                  |               |                 |                              |                  |
| Balance at January 1, 2023                            | \$ 153,667                                 | 453,496                          | 50,607        | 345,131         | 13,678                       | 1,016,579        |
| Additions   | -  | -                                | -             | 21,217          | -                            | 21,217           |
| Acquisition through business combinations (note 6(w)) | -  | -                                | -             | 3,985           | -                            | 3,985            |
| Others  | -  | -                                | -             | 31,082          | -                            | 31,082           |
| Effect of movement in exchange rates                  | <u>1,978</u>                               | <u>6,351</u>                     | <u>-</u>      | <u>(31)</u>     | <u>190</u>                   | <u>8,488</u>     |
| Balance at June 30, 2023                              | \$ <u>155,645</u>                          | <u>459,847</u>                   | <u>50,607</u> | <u>401,384</u>  | <u>13,868</u>                | <u>1,081,351</u> |
| Balance at January 1, 2022                            | \$ 139,729                                 | 408,751                          | 50,607        | 307,639         | 12,342                       | 919,068          |
| Additions   | -  | -                                | -             | 16,852          | -                            | 16,852           |
| Effect of movement in exchange rates                  | <u>9,384</u>                               | <u>30,125</u>                    | <u>-</u>      | <u>590</u>      | <u>900</u>                   | <u>40,999</u>    |
| Balance at June 30, 2022                              | \$ <u>149,113</u>                          | <u>438,876</u>                   | <u>50,607</u> | <u>325,081</u>  | <u>13,242</u>                | <u>976,919</u>   |
| Accumulated amortization:                             |  |                                  |               |                 |                              |                  |
| Balance at January 1, 2023                            | \$ 110,110                                 | 293,169                          | 44,281        | 246,928         | 13,678                       | 708,166          |
| Amortization for the year                             | 7,012                                      | 13,632                           | 3,163         | 42,912          | -                            | 66,719           |
| Acquisition through business combinations (note 6(w)) | -  | -                                | -             | 2,401           | -                            | 2,401            |
| Effect of movement in exchange rates                  | <u>1,518</u>                               | <u>4,381</u>                     | <u>-</u>      | <u>17</u>       | <u>190</u>                   | <u>6,106</u>     |
| Balance at June 30, 2023                              | \$ <u>118,640</u>                          | <u>311,182</u>                   | <u>47,444</u> | <u>292,258</u>  | <u>13,868</u>                | <u>783,392</u>   |
| Balance at January 1, 2022                            | \$ 85,464                                  | 218,119                          | 37,955        | 177,172         | 12,342                       | 531,052          |
| Amortization for the year                             | 7,807                                      | 23,816                           | 3,163         | 32,841          | -                            | 67,627           |
| Effect of movement in exchange rates                  | <u>5,820</u>                               | <u>17,025</u>                    | <u>-</u>      | <u>424</u>      | <u>900</u>                   | <u>24,169</u>    |
| Balance at June 30, 2022                              | \$ <u>99,091</u>                           | <u>258,960</u>                   | <u>41,118</u> | <u>210,437</u>  | <u>13,242</u>                | <u>622,848</u>   |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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|                            | <u>Acquired<br/>special<br/>technology</u> | <u>Customer<br/>relationship</u> | <u>Patent</u> | <u>Software</u> | <u>Trademarks<br/>rights</u> | <u>Total</u> |
|----------------------------|--|----------------------------------|---------------|-----------------|------------------------------|--------------|
| Carrying amount:           |  |                                  |               |                 |                              |              |
| Balance at January 1, 2023 | \$ 43,557                                  | 160,327                          | 6,326         | 98,203          | -                            | 308,413      |
| Balance at June 30, 2023   | \$ 37,005                                  | 148,665                          | 3,163         | 109,126         | -                            | 297,959      |
| Balance at January 1, 2022 | \$ 54,265                                  | 190,632                          | 12,652        | 130,467         | -                            | 388,016      |
| Balance at June 30, 2022   | \$ 50,022                                  | 179,916                          | 9,489         | 114,644         | -                            | 354,071      |

## (i) Goodwill

|   | <u>June 30,<br/>2023</u> | <u>December 31,<br/>2022</u> | <u>June 30,<br/>2022</u> |
|---|--------------------------|------------------------------|--------------------------|
| Cost  |                          |                              |                          |
| Beginning balance                                     | \$ 1,136,565             | 1,024,426                    | 1,024,426                |
| Acquisition through business combinations (note 6(w)) | 291,848                  | -                            | -                        |
| Effect of movement in exchange rates                  | 22,220                   | 112,139                      | 75,500                   |
| Ending balance  | \$ <u>1,450,633</u>      | <u>1,136,565</u>             | <u>1,099,926</u>         |

TSC Auto ID merged with, and acquired the entire shares of, MGN on June 12, 2023, through TSCPL, and generated goodwill amounting to PLN 38,784 thousand (approximately NT\$291,848 thousand), with the expectation of an increase in market demand and competitive advantage from the acquisition, which will promote the benefit of the revenue growth and expand the business scale of the Group.

As the measurement of identifiable assets and liabilities assumed acquired in the business combination has not yet been completed, the goodwill was recognized at the reporting date in provisional amounts and adjusted retroactively in the “Measurement Period”.

Goodwill had been allocated to two individual cash-generating units—one in Rectifiers department (CGU Rectifiers) and the other in Bar Code Printers department (CGU Bar Code Printers). The carrying amounts of goodwill which had been allocated to each CGU were as follows:

|                       | <u>June 30,<br/>2023</u> | <u>December 31,<br/>2022</u> | <u>June 30,<br/>2022</u> |
|-----------------------|--------------------------|------------------------------|--------------------------|
| CGU Rectifiers        | \$ 79,594                | 78,494                       | 75,965                   |
| CGU Bar Code Printers | 1,371,039                | 1,058,071                    | 1,023,961                |
|                       | \$ <u>1,450,633</u>      | <u>1,136,565</u>             | <u>1,099,926</u>         |

(Continued)

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

## (j) Short-term borrowings

|                                | <b>June 30,<br/>2023</b> | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|--------------------------------|--------------------------|------------------------------|--------------------------|
| Credit loans                   | \$ 1,195,235             | 1,466,515                    | 1,075,594                |
| Import and export loans        | 93,420                   | -                            | 59,440                   |
| Bank overdrafts                | 7,955                    | -                            | -                        |
|                                | <u>\$ 1,296,610</u>      | <u>1,466,515</u>             | <u>1,135,034</u>         |
| Unused short-term credit lines | <u>\$ 3,985,669</u>      | <u>4,102,980</u>             | <u>4,616,103</u>         |
| Range of interest rate (%)     | <u>1.56%~8.56%</u>       | <u>1.45%~5.49%</u>           | <u>0.44%~2.49%</u>       |

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

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

## (k) Long-term borrowings

|                               | <b>June 30, 2023</b>     |                      |                     |
|-------------------------------|--------------------------|----------------------|---------------------|
|                               | <b>Rate range</b>        | <b>Maturity year</b> | <b>Amount</b>       |
| Unsecured bank loans          | 1.20%                    | 2027.07.16           | \$ 256,000          |
|                               | 1.20%                    | 2026.12.04           | 77,498              |
|                               | 1.20%                    | 2025.03.28           | 140,000             |
|                               | 1.20%                    | 2024.12.25           | 180,000             |
|                               | 1.75%                    | 2024.03.08           | 31,900              |
|                               | 1.52%~2.00%              | 2026.03.13           | 777,000             |
| Secured bank loans            | 4.39%~9.86%              | 2027.12.15           | 26,037              |
|                               |                          |                      | 1,488,435           |
| Less: Current portion         |                          |                      | (350,469)           |
| Total                         |                          |                      | <u>\$ 1,137,966</u> |
| Unused long-term credit lines |                          |                      | <u>\$ 1,314,601</u> |
|                               | <b>December 31, 2022</b> |                      |                     |
|                               | <b>Rate range</b>        | <b>Maturity year</b> | <b>Amount</b>       |
| 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              |
|                               | 1.40%~1.50%              | 2025.10.14           | 620,000             |
|                               |                          |                      | 1,406,740           |
| Less: Current portion         |                          |                      | (322,349)           |
| Total                         |                          |                      | <u>\$ 1,084,391</u> |
| Unused long-term credit lines |                          |                      | <u>\$ 1,213,260</u> |

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

|                               | <b>June 30, 2022</b> |                      |                     |
|-------------------------------|----------------------|----------------------|---------------------|
|                               | <b>Rate range</b>    | <b>Maturity year</b> | <b>Amount</b>       |
| Unsecured bank loans          | 0.825%               | 2027.07.16           | \$ 256,000          |
|                               | 0.825%               | 2026.12.04           | 62,830              |
|                               | 0.825%               | 2025.03.28           | 158,500             |
|                               | 0.825%               | 2024.12.25           | 220,100             |
|                               | 1.00%                | 2024.03.08           | 41,900              |
|                               | 1.25%~1.27%          | 2024.07.22           | 700,000             |
|                               |                      |                      | \$ 1,439,330        |
| Less: Current portion         |                      |                      | (109,775)           |
| Total                         |                      |                      | <b>\$ 1,329,555</b> |
| Unused long-term credit lines |                      |                      | <b>\$ 1,660,670</b> |

To enhance mid-term working capital, TSC Auto ID 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. The covenant of the loans with KGI Bank requires TSC Auto ID to maintain the following financial ratio for annual and interim consolidated financial statements:

- 1) debt to tangible assets ratio must not be higher than 150%;
- 2)  $(\text{cash and cash equivalents} + \text{annualized EBITDA}) / (\text{short-term loans} + \text{long-term loans due within 1 year})$  cannot be lower than 1 times.

For the collateral for long-term borrowings, please refer to note 8.

(l) Other payable

|  | <b>June 30,<br/>2023</b> | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|--|--------------------------|------------------------------|--------------------------|
| Salaries and bonus payable                     | \$ 589,571               | 584,162                      | 466,759                  |
| Cash dividends payable (including TSC Auto ID) | 1,347,060                | -                            | 918,975                  |
| Payables on equipment                          | 76,393                   | 114,902                      | 106,932                  |
| Others   | 298,951                  | 366,202                      | 337,261                  |
|  | <b>\$ 2,311,975</b>      | <b>1,065,266</b>             | <b>1,829,927</b>         |

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

(m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

|             | <u>June 30,<br/>2023</u> | <u>December 31,<br/>2022</u> | <u>June 30,<br/>2022</u> |
|-------------|--------------------------|------------------------------|--------------------------|
| Current     | \$ 121,331               | 106,012                      | 96,366                   |
| Non-current | 102,397                  | 123,214                      | 145,588                  |
|             | <u>\$ 223,728</u>        | <u>229,226</u>               | <u>241,954</u>           |

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

The amounts recognized in profit or loss were as follows:

|  | <u>For the three months ended June 30</u> |              | <u>For the six months ended June 30</u> |              |
|--|---|--------------|---|--------------|
|  | <u>2023</u>                               | <u>2022</u>  | <u>2023</u>                             | <u>2022</u>  |
| Interest on lease liabilities  | <u>\$ 1,891</u>                           | <u>2,527</u> | <u>3,904</u>                            | <u>5,159</u> |
| Expenses relating to short-term leases   | <u>\$ 2,125</u>                           | <u>1,903</u> | <u>4,136</u>                            | <u>4,027</u> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 6,805</u>                           | <u>1,169</u> | <u>9,803</u>                            | <u>5,562</u> |

The Group leased buildings and vehicles for its offices, plants and official cars, with lease periods ranging from 1 to 6 years. The lease of offices and warehouses located in the United States would increase the lease payment at an annual rate of 3% based on the contract.

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

|                               | <u>For the six months ended June 30</u> |               |
|-------------------------------|---|---------------|
|                               | <u>2023</u>                             | <u>2022</u>   |
| Total cash outflow for leases | <u>\$ 67,156</u>                        | <u>93,641</u> |

(n) Employee benefits

(i) Defined benefit plans

Management believes that there were no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

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

The pension expenses recognized in profit or loss for the Group were as follows:

|                                   | For the three months ended June 30 |            | For the six months ended June 30 |            |
|-----------------------------------|------------------------------------|------------|----------------------------------|------------|
|                                   | 2023                               | 2022       | 2023                             | 2022       |
| Operating cost                    | \$ 72                              | 80         | 145                              | 167        |
| Selling expenses                  | 19                                 | 22         | 37                               | 45         |
| Administrative expenses           | 107                                | 60         | 213                              | 119        |
| Research and development expenses | 27                                 | 17         | 53                               | 33         |
|                                   | <b>\$ 225</b>                      | <b>179</b> | <b>448</b>                       | <b>364</b> |

(ii) Defined contribution plans

For the three months and the six months ended June 30, 2023 and 2022, the Group's pension costs under the defined contribution method were \$17,210 thousand, \$16,371 thousand, \$33,634 thousand and \$31,900 thousand, respectively. Payment was made to the Bureau of Labor Insurance.

(iii) The pension cost of foreign subsidiaries recognized in accordance with the local defined contribution method amounted to \$14,299 thousand, \$12,613 thousand, \$29,874 thousand, and \$25,719 thousand for the three months and the six months ended June 30, 2023 and 2022, respectively.

(o) Income tax

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

|  | For the three months ended June 30 |                | For the six months ended June 30 |                |
|--|------------------------------------|----------------|----------------------------------|----------------|
|  | 2023                               | 2022           | 2023                             | 2022           |
| Current tax expenses                     |                                    |                |                                  |                |
| Current period                           | \$ 131,107                         | 190,755        | 289,591                          | 358,028        |
| Additional tax on undistributed earnings | 40,278                             | 15,051         | 40,278                           | 15,051         |
| Adjustment for prior periods             | (6,019)                            | (7,280)        | (5,306)                          | (7,263)        |
|  | 165,366                            | 198,526        | 324,563                          | 365,816        |
| Deferred tax expenses (gains)            |                                    |                |                                  |                |
| Origination of temporary differences     | 9,147                              | 39,929         | (16,209)                         | 72,833         |
| Total income tax expenses                | <b>\$ 174,513</b>                  | <b>238,455</b> | <b>308,354</b>                   | <b>438,649</b> |

(Continued)

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

- (ii) The amount of income tax recognized in other comprehensive income for 2023 and 2022 was as follows:

|   | <b>For the three months ended June 30</b> |                      | <b>For the six months ended June 30</b> |                      |
|---|---|----------------------|---|----------------------|
|   | <b>2023</b>                               | <b>2022</b>          | <b>2023</b>                             | <b>2022</b>          |
| Items that maybe reclassified subsequently to profit or loss:<br>Foreign currency translation differences of foreign operations | \$ <u><b>10,128</b></u>                   | <u><b>14,243</b></u> | <u><b>7,132</b></u>                     | <u><b>32,432</b></u> |

- (iii) There was no income tax recognized directly in equity for the three months and six months ended June 30, 2023 and 2022, respectively.
- (iv) As of June 30, 2023, the income tax returns of the Company and TSC Auto ID through the year 2021, have been approved by the Tax Authority.
- (v) 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 39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.
- (p) Stockholders' equity
- (i) Common stock

A resolution was passed during the general meeting of shareholders held on June 14, 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 October 30, 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 November 18, 2019 as the date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities (December 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 eliminated \$69,482 thousand of capital surplus - treasury shares, which was approved by the Board of Directors on January 10, 2022, as the date of capital reduction. The related registration procedures have been completed.

(Continued)

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

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 June 30, 2023, December 31 and June 30, 2022, the authorized capital amounted to \$9,000,000 thousand, \$3,600,000 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

|  | <u>June 30,<br/>2023</u>   | <u>December 31,<br/>2022</u> | <u>June 30,<br/>2022</u> |
|--|----------------------------|------------------------------|--------------------------|
| Premium on shares issued above par value                     | \$ 639,859                 | 639,859                      | 639,859                  |
| Conversion premium of convertible corporate bonds            | 1,229,442                  | 1,229,442                    | 1,229,442                |
| Treasury share transactions                                  | 200,145                    | 140,945                      | 140,945                  |
| Employee share options premium                               | 24,378                     | 24,378                       | 24,378                   |
| Interest compensation payable on convertible corporate bonds | 18,674                     | 18,674                       | 18,674                   |
| Employee share options                                       | 1,543                      | 1,543                        | 1,543                    |
| Change in affiliates recognized under equity method          | <u>85,915</u>              | <u>82,247</u>                | <u>79,476</u>            |
|  | <u><u>\$ 2,199,956</u></u> | <u><u>2,137,088</u></u>      | <u><u>2,134,317</u></u>  |

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

(iii) Legal reserve

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

(iv) Special reserve

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

(Continued)

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

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to \$302,149. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$302,149 on June 30, 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 current-period total net reduction of other equity. 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. 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 equals the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

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

The annual shareholders' meeting on June 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:

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

(Continued)

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

(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 1,600 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 June 30, 2023 and 2022, a subsidiary of the Company, TSC Auto ID, held 14,800 thousand share 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

|                              | <b>Foreign exchange<br/>differences arising<br/>from foreign<br/>operation</b> |
|------------------------------|--|
| Balance at January 1, 2023   | \$ (359,558)   |
| Foreign exchange differences | (82,483)   |
| Balance at June 30, 2023     | <u>\$ (442,041)</u>  |
|                              |  |
|                              | <b>Foreign exchange<br/>differences arising<br/>from foreign<br/>operation</b> |
| Balance at January 1, 2022   | \$ (531,125)   |
| Foreign exchange differences | 143,178  |
| Balance at June 30, 2022     | <u>\$ (387,947)</u>  |

(q) Share-based payment

There were no significant changes with share-based payment for the six months ended June 30, 2023 and 2022. Please refer to the 2022 annual consolidated financial statements.

(Continued)

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

## (r) Revenue from contracts with customers

## (i) Disaggregation of revenue

| <b>For the three months ended June 30, 2023</b> |                     |                              |                  |
|---|---------------------|------------------------------|------------------|
|   | <b>Rectifiers</b>   | <b>Bar code<br/>Printers</b> | <b>Total</b>     |
| <b>Primary geographical markets</b>             |                     |                              |                  |
| Asia  | \$ 932,232          | 720,880                      | 1,653,112        |
| America   | 134,968             | 1,046,397                    | 1,181,365        |
| Europe  | 485,699             | 427,345                      | 913,044          |
| Others  | 13,581              | -                            | 13,581           |
|   | <b>\$ 1,566,480</b> | <b>2,194,622</b>             | <b>3,761,102</b> |
| <b>Major products lines</b>                     |                     |                              |                  |
| Rectifiers                                      | \$ 1,566,480        | -                            | 1,566,480        |
| Bar code Printers                               | -                   | 2,194,622                    | 2,194,622        |
|   | <b>\$ 1,566,480</b> | <b>2,194,622</b>             | <b>3,761,102</b> |
| <b>For the three months ended June 30, 2022</b> |                     |                              |                  |
|   | <b>Rectifiers</b>   | <b>Bar code<br/>Printers</b> | <b>Total</b>     |
| <b>Primary geographical markets</b>             |                     |                              |                  |
| Asia  | \$ 1,176,999        | 588,113                      | 1,765,112        |
| America   | 267,776             | 1,064,746                    | 1,332,522        |
| Europe  | 449,919             | 389,425                      | 839,344          |
| Others  | 27,725              | -                            | 27,725           |
|   | <b>\$ 1,922,419</b> | <b>2,042,284</b>             | <b>3,964,703</b> |
| <b>Major products lines</b>                     |                     |                              |                  |
| Rectifiers                                      | \$ 1,922,419        | -                            | 1,922,419        |
| Bar code Printers                               | -                   | 2,042,284                    | 2,042,284        |
|   | <b>\$ 1,922,419</b> | <b>2,042,284</b>             | <b>3,964,703</b> |

(Continued)

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

|                              | <b>For the six months ended June 30, 2023</b> |                              |                          |
|------------------------------|---|------------------------------|--------------------------|
|                              | <b>Rectifiers</b>                             | <b>Bar code<br/>Printers</b> | <b>Total</b>             |
| Primary geographical markets |   |                              |                          |
| Asia                         | \$ 1,907,637                                  | 1,229,067                    | 3,136,704                |
| America                      | 371,774                                       | 2,074,947                    | 2,446,721                |
| Europe                       | 968,168                                       | 798,653                      | 1,766,821                |
| Others                       | 36,219  | -                            | 36,219                   |
|                              | <b>\$ 3,283,798</b>                           | <b>4,102,667</b>             | <b>7,386,465</b>         |
| Major products lines         |   |                              |                          |
| Rectifiers                   | \$ 3,283,798                                  | -                            | 3,283,798                |
| Bar code Printers            | -   | 4,102,667                    | 4,102,667                |
|                              | <b>\$ 3,283,798</b>                           | <b>4,102,667</b>             | <b>7,386,465</b>         |
|                              |   |                              |                          |
|                              | <b>For the six months ended June 30, 2022</b> |                              |                          |
|                              | <b>Rectifiers</b>                             | <b>Bar code<br/>Printers</b> | <b>Total</b>             |
| Primary geographical markets |   |                              |                          |
| Asia                         | \$ 2,324,683                                  | 1,088,261                    | 3,412,944                |
| America                      | 553,867                                       | 1,989,647                    | 2,543,514                |
| Europe                       | 962,394                                       | 726,459                      | 1,688,853                |
| Others                       | 71,320  | -                            | 71,320                   |
|                              | <b>\$ 3,912,264</b>                           | <b>3,804,367</b>             | <b>7,716,631</b>         |
| Major products lines         |   |                              |                          |
| Rectifiers                   | \$ 3,912,264                                  | -                            | 3,912,264                |
| Bar code Printers            | -   | 3,804,367                    | 3,804,367                |
|                              | <b>\$ 3,912,264</b>                           | <b>3,804,367</b>             | <b>7,716,631</b>         |
| (ii) Contract balances       |   |                              |                          |
|                              | <b>June 30,<br/>2023</b>                      | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
| Notes and trade receivable   | \$ 2,972,225                                  | 3,053,974                    | 3,411,848                |
| Less: Loss allowance         | (54,962)                                      | (37,506)                     | (42,637)                 |
| Total                        | <b>\$ 2,917,263</b>                           | <b>3,016,468</b>             | <b>3,369,211</b>         |

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

(Continued)

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

(s) Non-operating income and expenses

(i) Interest income

The Group's interest income detail was as follows:

|                                    | <u>For the three months ended June 30</u> |              | <u>For the six months ended June 30</u> |              |
|------------------------------------|---|--------------|---|--------------|
|                                    | <u>2023</u>                               | <u>2022</u>  | <u>2023</u>                             | <u>2022</u>  |
| Interest income from bank deposits | \$ <u>12,248</u>                          | <u>3,522</u> | <u>20,294</u>                           | <u>6,850</u> |

(ii) Other income

|             | <u>For the three months ended June 30</u> |               | <u>For the six months ended June 30</u> |               |
|-------------|---|---------------|---|---------------|
|             | <u>2023</u>                               | <u>2022</u>   | <u>2023</u>                             | <u>2022</u>   |
| Rent income | \$ 1,935                                  | 2,376         | 3,861                                   | 4,627         |
| Others      | <u>5,545</u>                              | <u>12,557</u> | <u>23,419</u>                           | <u>22,288</u> |
|             | <u>\$ 7,480</u>                           | <u>14,933</u> | <u>27,280</u>                           | <u>26,915</u> |

(iii) Other gains and losses

|  | <u>For the three months ended June 30</u> |                | <u>For the six months ended June 30</u> |                |
|--|---|----------------|---|----------------|
|  | <u>2023</u>                               | <u>2022</u>    | <u>2023</u>                             | <u>2022</u>    |
| Gains on disposal of property, plant and equipment                     | \$ 835                                    | 1,425          | 705                                     | 857            |
| Foreign exchange gains   | 51,915                                    | 74,959         | 48,489                                  | 143,277        |
| Losses on financial asset at fair value through profit or loss         | (3,434)                                   | (17,339)       | (7,832)                                 | (32,322)       |
| Reversal of impairment gains (losses) on property, plant and equipment | 44  | (165)          | 44                                      | 546            |
| Others   | <u>1,021</u>                              | <u>(3,362)</u> | <u>(3,202)</u>                          | <u>(5,925)</u> |
|  | <u>\$ 50,381</u>                          | <u>55,518</u>  | <u>44,608</u>                           | <u>106,433</u> |

(Continued)

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

(iv) Finance costs

|                               | <u>For the three months ended June 30</u> |                | <u>For the six months ended June 30</u> |                 |
|-------------------------------|---|----------------|---|-----------------|
|                               | <u>2023</u>                               | <u>2022</u>    | <u>2023</u>                             | <u>2022</u>     |
| Interest expense              | \$ (19,504)                               | (8,170)        | (36,387)                                | (14,955)        |
| Less: interest capitalization | 306                                       | 86             | 359                                     | 304             |
| Other financial costs         | (472)                                     | (546)          | (958)                                   | (1,058)         |
|                               | <u>\$ (19,670)</u>                        | <u>(8,630)</u> | <u>(36,986)</u>                         | <u>(15,709)</u> |

(t) Remunerations to employees and directors

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

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

The Company estimated its remuneration to employees amounting to \$15,215 thousand, \$31,379 thousand, \$35,555 thousand and \$60,729 thousand for the three months ended and six months ended June 30, 2023 and 2022, respectively, and estimated its remuneration to directors amounting \$2,252 thousand, \$178 thousand, \$5,092 thousand and \$5,068 thousand for the three months and six months ended June 30, 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. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

In 2022 and 2021, the Company estimated its remuneration to employees amounting to \$139,206 thousand and \$64,897 thousand, respectively, and estimated its remuneration to directors amounting \$19,886 thousand and \$10,816 thousand, 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 2022 and 2021 financial reports, and the actual amounts approved by the Board of Directors. The related information can be accessed from the market observation post system website.

(Continued)

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

## (u) Earnings per share

## (i) Basic earnings per share

|   | <b>For the three months ended June 30</b> |                | <b>For the six months ended June 30</b> |                |
|---|---|----------------|---|----------------|
|   | <b>2023</b>                               | <b>2022</b>    | <b>2023</b>                             | <b>2022</b>    |
| Net income  | \$ <u>155,296</u>                         | <u>384,888</u> | <u>385,613</u>                          | <u>770,924</u> |
| Weighted-average number of outstanding shares (thousands) | <u>248,685</u>                            | <u>248,685</u> | <u>248,685</u>                          | <u>249,072</u> |
| Basic earnings per share (\$)                             | \$ <u>0.62</u>                            | <u>1.55</u>    | <u>1.55</u>                             | <u>3.10</u>    |

## (ii) Diluted earnings per share

|  | <b>For the three months ended June 30</b> |                | <b>For the six months ended June 30</b> |                |
|--|---|----------------|---|----------------|
|  | <b>2023</b>                               | <b>2022</b>    | <b>2023</b>                             | <b>2022</b>    |
| Diluted net income per share   | \$ <u>155,296</u>                         | <u>384,888</u> | <u>385,613</u>                          | <u>770,924</u> |
| Weighted-average number of outstanding shares (thousands)                | 248,685                                   | 248,685        | 248,685                                 | 249,072        |
| Employees' remuneration  | 157                                       | 441            | 911                                     | 1,221          |
| Diluted weighted-average number of common shares outstanding (thousands) | <u>248,842</u>                            | <u>249,126</u> | <u>249,596</u>                          | <u>250,293</u> |
| Diluted earnings per share (\$)  | \$ <u>0.62</u>                            | <u>1.54</u>    | <u>1.54</u>                             | <u>3.08</u>    |

## (v) Disposal of subsidiaries under the restructuring-loss of control

TSC Auto ID signed a share transaction agreement with its subsidiary TSCAA on July 1, 2022 to sell 5% of TSC Auto ID owned shares in PTNX US. Upon the completion of the share transfer, the Board of Directors of TSC Auto ID resolved that July 1, 2022 shall be the record date for the merger. TSCAA has consolidated and merged with PTNX US, which becomes a 100% owned subsidiary. This transaction is considered an organizational restructuring under common control and is treated as an equity transaction.

(Continued)

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

## (i) Consideration received

|                              | <b>PTNX US</b>   |
|------------------------------|------------------|
| Total consideration received | <b>\$ 48,219</b> |

## (ii) Analysis of assets and liabilities for loss of control

|   | <b>PTNX US</b>   |
|---|------------------|
| <b>Current assets</b>                       |                  |
| Cash and cash equivalents                   | \$ 2,010         |
| Accounts receivable net                     | 4,192            |
| Accounts receivable-affiliated parties, net | 1,012            |
| Other receivable-affiliated parties         | 2,354            |
| Inventory                                   | 2,516            |
| Prepayment                                  | 1,056            |
| Other current assets                        | 10               |
| <b>Non-current assets</b>                   |                  |
| Property, plant and equipment               | \$ 48            |
| Intangible assets                           | 18               |
| Goodwill                                    | 27,738           |
| Customer relations                          | 277              |
| Knowhow & technology                        | 842              |
| Deferred income tax assets                  | 13,676           |
| <b>Current liability</b>                    |                  |
| Account payable                             | (2,643)          |
| Other payables                              | (931)            |
| Income tax liability during the period      | (234)            |
| Liability reserve                           | (23)             |
| Other current liabilities                   | (90)             |
| <b>Non-current liabilities</b>              |                  |
| Deferred income tax liabilities             | (814)            |
| Other non-current liabilities               | (1,744)          |
| Disposal of net assets                      | <b>\$ 49,270</b> |

(Continued)

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

(iii) Equity transaction difference

|  | <b>PTNX US</b>    |
|--|-------------------|
| Consideration received   | \$ 48,219         |
| Disposal of net assets   | (49,270)          |
| Adjustments to exchange difference on translation of<br>financial statements of foreign operations | (8,871)           |
| Equity transaction difference (recognized as capital<br>surplus reduction)                         | <b>\$ (9,922)</b> |

TSCAA recognizes the book value of PTNX US held by the parent company under the equity method as of July 1, 2022, as the accounting basis for the acquisition. The excess of the acquisition price over the carrying value of PTNX US's net assets was adjusted to capital surplus of \$9,922 thousand. The Company adjusts according to the proportion of ownership. In summary, except for the income tax recognized in capital surplus rather than recognized directly in equity, the above transaction did not affect the preparation of the financial statements of the Group.

(w) Business combinations

- (i) To enhance brand competitiveness and expand its European labels market, TSC Auto ID merged with, and acquired the entire equity interest of, MGN on June 12, 2023 through TSCPL, with the initial consideration of PLN 48,200 thousand (approximately NT\$362,703 thousand). However, the total transaction price may increase or decrease in accordance with contingent consideration and other contractual conditions relating to MGN's profit conditions for the preceding three years after delivery.

1) Subsidiary business acquired

|     | <b>Principal activity</b>  | <b>Acquisition date</b> | <b>Shareholding</b> | <b>Consideration transferred</b> |
|-----|--|-------------------------|---------------------|----------------------------------|
| MGN | Customization of design, integration and marketing of label papers and other parts | June 12, 2023           | 100%                | <b>\$ 362,703</b>                |

2) Assets acquired on the acquisition date and liabilities undertaken through fair value

|                           | <b>MGN</b> |
|---------------------------|------------|
| Current assets            |            |
| Cash and cash equivalents | \$ 4,213   |
| Accounts receivable       | 82,679     |
| Inventories               | 58,986     |
| Prepaid expenses          | 3,413      |
| Other current assets      | 26         |

(Continued)

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

|   | <b>MGN</b>       |
|---|------------------|
| Non-current assets  |                  |
| Property, plant and equipment (including construction in progress \$3,632 thousand) | 73,968           |
| Intangible assets   | 1,584            |
| Other non-current assets  | 166              |
| Current liabilities   |                  |
| Accounts payable  | (79,215)         |
| Short-term borrowings   | (8,789)          |
| Other payables  | (11,911)         |
| Long-term borrowings, current portion   | (7,335)          |
| Other current liabilities   | (11,544)         |
| Non-current liabilities   |                  |
| Long-term borrowings  | (19,095)         |
| Long-term deferred income   | (14,525)         |
| Other non-current liabilities   | (1,766)          |
|   | <b>\$ 70,855</b> |

Because the measure of the recognized amount of assets acquired and liabilities undertaken does not complete, the fair value is recognized on the reporting date by a tentative amount.

3) Goodwill arising on acquisition

|   | <b>MGN</b>        |
|---|-------------------|
| Consideration transferred                             | \$ 362,703        |
| Less: The assumed identifiable assets and liabilities | (70,855)          |
| Goodwill arising on acquisition                       | <b>\$ 291,848</b> |

Goodwill due to purchase MGN results from control premium. The transferred consideration in business combination including the expected synergies from the combination, the growth of revenue, future market development and employee values of MGN.

Goodwill arising from the consolidation is not expected to be tax deductible.

(Continued)

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

4) Net cash flows used in acquisition of subsidiary

|                        | <b>MGN</b>        |
|------------------------|-------------------|
| Valuable consideration | \$ 362,703        |
| Less: Cash balance     | (4,213)           |
|                        | <b>\$ 358,490</b> |

5) The impact on business performance due to business combination

The business performance for the acquired company on the acquisition date (June 12, 2023) is stated as below:

|                   | <b>MGN</b>      |
|-------------------|-----------------|
| Operating revenue | \$ 45,460       |
| Net income        | <b>\$ 3,503</b> |

If the merger with, and acquisition of, MGN in June 2023 occurred on January 1, 2023, TSC Auto ID's operating revenue and net profit would have been \$130,662 thousand, \$7,595 thousand, \$258,464 thousand, and \$13,733 thousand, for the three months ended June 30, 2023 and the six months ended June 30, 2023, respectively. However, the future estimation of operating revenue and net income cannot be applied since the merger and the acquisition had occurred on the same date.

(x) 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

The Group has a wide range of customers and has no significant transactions that only focus on a single customer. There is no sales revenue to a specified customer accounted for 10% of operating revenue.

3) Receivable and debt securities

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

(Continued)

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

|  | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flow</u> | <u>1 year</u>    | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than<br/>5 years</u> |
|--|----------------------------|----------------------------------|------------------|------------------|------------------|------------------------------|
| <b>June 30, 2023</b>                                       |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>                |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                      | \$ 1,296,610               | 1,299,679                        | 1,299,679        | -                | -                | -                            |
| Accounts payable   | 1,355,621                  | 1,355,621                        | 1,355,621        | -                | -                | -                            |
| Other payables   | 2,311,975                  | 2,311,975                        | 2,311,975        | -                | -                | -                            |
| Lease liabilities  | 223,728                    | 228,692                          | 130,971          | 79,743           | 17,978           | -                            |
| Deposits received  | 1,966                      | 1,966                            | 1,966            | -                | -                | -                            |
| Long-term borrowings(including<br>expires within one year) | 1,488,435                  | 1,501,660                        | 357,729          | 282,988          | 860,943          | -                            |
| <b>Derivative financial liabilities</b>                    |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                  | 5,675                      | 5,675                            | 5,675            | -                | -                | -                            |
|  | <u>\$ 6,684,010</u>        | <u>6,705,268</u>                 | <u>5,463,616</u> | <u>362,731</u>   | <u>878,921</u>   | <u>-</u>                     |
| <b>December 31, 2022</b>                                   |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>                |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                      | \$ 1,466,515               | 1,471,972                        | 1,471,972        | -                | -                | -                            |
| Accounts payable   | 1,648,557                  | 1,648,557                        | 1,648,557        | -                | -                | -                            |
| Other payables   | 1,065,266                  | 1,065,266                        | 1,065,266        | -                | -                | -                            |
| Lease liabilities  | 229,226                    | 241,713                          | 118,899          | 105,058          | 17,756           | -                            |
| Deposits received  | 2,217                      | 2,217                            | 2,217            | -                | -                | -                            |
| Long-term borrowings(including<br>expires within one year) | 1,406,740                  | 1,422,754                        | 330,430          | 859,760          | 232,564          | -                            |
| <b>Derivative financial liabilities</b>                    |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                  | 2,392                      | 2,392                            | 2,392            | -                | -                | -                            |
|  | <u>\$ 5,820,913</u>        | <u>5,854,871</u>                 | <u>4,639,733</u> | <u>964,818</u>   | <u>250,320</u>   | <u>-</u>                     |
| <b>June 30, 2022</b>                                       |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>                |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                      | \$ 1,135,034               | 1,137,624                        | 1,137,624        | -                | -                | -                            |
| Accounts payable   | 1,764,263                  | 1,764,263                        | 1,764,263        | -                | -                | -                            |
| Other payables   | 1,829,927                  | 1,829,927                        | 1,829,927        | -                | -                | -                            |
| Lease liabilities  | 241,954                    | 256,568                          | 106,893          | 92,605           | 57,070           | -                            |
| Deposits received  | 2,527                      | 2,527                            | 2,527            | -                | -                | -                            |
| Long-term borrowings(including<br>expires within one year) | 1,439,330                  | 1,453,742                        | 115,894          | 799,790          | 532,719          | 5,339                        |
| <b>Derivative financial liabilities</b>                    |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                  | 14,361                     | 14,361                           | 14,361           | -                | -                | -                            |
|  | <u>\$ 6,427,396</u>        | <u>6,459,012</u>                 | <u>4,971,489</u> | <u>892,395</u>   | <u>589,789</u>   | <u>5,339</u>                 |

The Group 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. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iii) Currency risk

## 1) Exposure to foreign currency risk

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

|   | June 30, 2023 |                     | December 31, 2022 |                  | June 30, 2022 |                  |
|---|---------------|---------------------|-------------------|------------------|---------------|------------------|
|   | Exchange rate | Amount (TWD)        | Exchange rate     | Amount (TWD)     | Exchange rate | Amount (TWD)     |
| <u>Financial assets</u>                 |               |                     |                   |                  |               |                  |
| <u>Monetary Items</u>                   |               |                     |                   |                  |               |                  |
| USD                                     | \$ 31.14      | 2,018,217           | 30.71             | 2,986,582        | 29.72         | 2,493,907        |
| EUR                                     | 33.81         | 998,134             | 32.72             | 885,939          | 31.05         | 919,796          |
| JPY                                     | 0.2150        | 156,141             | 0.2324            | 200,138          | 0.2182        | 196,026          |
| HKD                                     | 3.9740        | 463,579             | 3.9380            | 468,598          | 3.7880        | 505,129          |
| CNY                                     | 4.2820        | 1,966,072           | 4.4080            | 1,976,945        | 4.4390        | 2,125,126        |
| KRW                                     | 0.0236        | 1,406               | 0.0244            | 2,390            | 0.0229        | 1,220            |
|   |               | <b>\$ 5,603,549</b> |                   | <b>6,520,592</b> |               | <b>6,241,204</b> |
| <u>Derivative financial instruments</u> |               |                     |                   |                  |               |                  |
| USD                                     | \$ 31.14      | -                   | 30.71             | 1,798            | 29.72         | 691              |
| EUR                                     | 33.81         | -                   | 32.72             | -                | 31.05         | 1,384            |
|   |               | <b>\$ -</b>         |                   | <b>1,798</b>     |               | <b>2,075</b>     |
| <u>Financial liabilities</u>            |               |                     |                   |                  |               |                  |
| <u>Monetary items</u>                   |               |                     |                   |                  |               |                  |
| USD                                     | \$ 31.14      | 671,876             | 30.71             | 751,186          | 29.72         | 861,526          |
| EUR                                     | 33.81         | 285,026             | 32.72             | 513,442          | 31.05         | 399,742          |
| JPY                                     | 0.2150        | 46,458              | 0.2324            | 59,307           | 0.2182        | 63,003           |
| HKD                                     | 3.9740        | 1,478               | 3.9380            | 1,534            | 3.7880        | 1,325            |
| CNY                                     | 4.2820        | 477,855             | 4.4080            | 609,884          | 4.4390        | 824,939          |
| KRW                                     | 0.0236        | 1,438               | 0.0244            | 2,509            | 0.0229        | 1,227            |
|   |               | <b>\$ 1,484,131</b> |                   | <b>1,937,862</b> |               | <b>2,151,762</b> |
| <u>Derivative financial instruments</u> |               |                     |                   |                  |               |                  |
| USD                                     | \$ 31.14      | 1,845               | 30.71             | 2,392            | 29.72         | 14,361           |
| EUR                                     | 33.81         | 3,830               | 32.72             | -                | 31.05         | -                |
|   |               | <b>\$ 5,675</b>     |                   | <b>2,392</b>     |               | <b>14,361</b>    |

## 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and financial liabilities that are denominated in foreign currency.

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

A strengthening (weakening) of 3% of the NTD against the foreign currency as of June 30, 2023 and 2022, would have increased or decreased the net profit before tax by \$123,412 thousand and \$122,315 thousand for the six months ended June 30, 2023 and 2022, 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 Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022, foreign exchange gain (including realized and unrealized portions) amounted to \$51,915 thousand, \$74,959 thousand, \$48,489 thousand and \$143,277 thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 1 basis point, the Group's net profit before tax would have decreased by \$27,850 thousand and \$25,744 thousand for the six months ended June 30, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Other price risk

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

|   | <b>For the six months ended June 30</b>            |                   |  |                   |
|---|--|-------------------|--|-------------------|
|   | <b>2023</b>  |                   | <b>2022</b>  |                   |
|   | <b>Other consolidated profit or loss after tax</b> | <b>Net income</b> | <b>Other consolidated profit or loss after tax</b> | <b>Net income</b> |
| <b>Security price on the reporting date</b> |  |                   |  |                   |
| Increasing 1%                               | \$ -   | 5,236             | -  | 2,303             |
| Decreasing 1%                               | \$ -   | (5,236)           | -  | (2,303)           |

(Continued)

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

|   | June 30, 2023       |                |              |              |                |
|---|---------------------|----------------|--------------|--------------|----------------|
|   | Carrying<br>amount  | Fair value     |              |              | Total          |
|   |                     | Level 1        | Level 2      | Level 3      |                |
| <b>Financial assets at fair value through profit or loss</b>      |                     |                |              |              |                |
| Beneficiary certificates  | \$ 520,849          | 520,849        | -            | -            | 520,849        |
| Fund in foreign markets   | 3,499               | -              | -            | 3,499        | 3,499          |
| Subtotal  | <u>524,348</u>      | <u>520,849</u> | <u>-</u>     | <u>3,499</u> | <u>524,348</u> |
| <b>Financial assets measured at amortized cost</b>                |                     |                |              |              |                |
| Cash and cash equivalents   | 3,404,331           | -              | -            | -            | -              |
| Notes and accounts receivable                                     | 2,917,263           | -              | -            | -            | -              |
| Other receivables   | 65,385              | -              | -            | -            | -              |
| Refundable deposits   | 85,416              | -              | -            | -            | -              |
| Other financial assets (including current and non-current)        | 429,784             | -              | -            | -            | -              |
| Subtotal  | <u>6,902,179</u>    | <u>-</u>       | <u>-</u>     | <u>-</u>     | <u>-</u>       |
| Total   | <u>\$ 7,426,527</u> | <u>520,849</u> | <u>-</u>     | <u>3,499</u> | <u>524,348</u> |
| <b>Financial liabilities at fair value through profit or loss</b> |                     |                |              |              |                |
| Derivative financial liabilities                                  | 5,675               | -              | 5,675        | -            | 5,675          |
| <b>Financial liabilities measured at amortized cost</b>           |                     |                |              |              |                |
| Borrowings  | \$ 2,785,045        | -              | -            | -            | -              |
| Accounts payable  | 1,355,621           | -              | -            | -            | -              |
| Other payables  | 2,311,975           | -              | -            | -            | -              |
| Lease liabilities   | 223,728             | -              | -            | -            | -              |
| Deposits received   | 1,966               | -              | -            | -            | -              |
| Subtotal  | <u>6,678,335</u>    | <u>-</u>       | <u>-</u>     | <u>-</u>     | <u>-</u>       |
| Total   | <u>\$ 6,684,010</u> | <u>-</u>       | <u>5,675</u> | <u>-</u>     | <u>5,675</u>   |

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

|   | June 30, 2022       |            |               |          |               |
|---|---------------------|------------|---------------|----------|---------------|
|   | Carrying<br>amount  | Fair value |               |          | Total         |
|   |                     | Level 1    | Level 2       | Level 3  |               |
| <b>Financial liabilities at fair value through profit or loss</b> |                     |            |               |          |               |
| Derivative financial liabilities                                  | \$ 14,361           | -          | 14,361        | -        | 14,361        |
| <b>Financial liabilities measured at amortized cost</b>           |                     |            |               |          |               |
| Borrowings  | 2,574,364           | -          | -             | -        | -             |
| Accounts payable  | 1,764,263           | -          | -             | -        | -             |
| Other payables  | 1,829,927           | -          | -             | -        | -             |
| Lease liabilities   | 241,954             | -          | -             | -        | -             |
| Deposits received   | 2,527               | -          | -             | -        | -             |
| Subtotal  | 6,413,035           | -          | -             | -        | -             |
| Total   | <u>\$ 6,427,396</u> | <u>-</u>   | <u>14,361</u> | <u>-</u> | <u>14,361</u> |

- 2) Valuation techniques of financial instruments measured at fair value
- a) Non-derivative financial instruments

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

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

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

- b) Derivative financial instruments

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

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

3) Fair value hierarchy transfer

There was no transfer from one level to another for the six months ended June 30, 2023 and 2022.

4) Reconciliation of Level 3 fair values

|                                  | <b>Financial assets at<br/>fair value through<br/>profit or loss</b> |
|----------------------------------|--|
| Opening balance, January 1, 2023 | \$ -   |
| Total gains or losses            |  |
| Recognized in profit or loss     | (658)  |
| Reclassified                     | 4,157  |
| Ending balance, June 30, 2023    | <b>\$ 3,499</b>  |

For the six months ended June 30, 2023 and 2022, the total gains and losses that were included in "other gains and losses" were as follows:

|  | <b>For the three months ended<br/>June 30</b> |             | <b>For the six months ended<br/>June 30</b> |             |
|--|---|-------------|---|-------------|
|  | <b>2023</b>                                   | <b>2022</b> | <b>2023</b>                                 | <b>2022</b> |
|  | Total gains or losses                         |             |   |             |
| Recognized in profit or loss<br>(presented in "other gains<br>and losses") | \$ (623)                                      | -           | (658)                                       | -           |

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:

| <b>Item</b>  | <b>Valuation<br/>technique</b> | <b>Significant<br/>unobservable inputs</b> | <b>Inter-relationship<br/>between significant<br/>unobservable inputs<br/>and fair value<br/>measurement</b> |
|--|--------------------------------|--|--|
| Financial assets at fair value through profit and 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.                             |

(Continued)

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

(y) Financial risk management

There were no significant changes with purpose and policy of financial risk management for the year ended December 31, 2022.

(z) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the year ended December 31, 2022. Also, they believe that for the six months ended June 30, 2023, there were also no changes in the Group's capital management information. Please refer to the consolidated financial statements for the year ended December 31, 2022 for other related information.

(aa) Investing and financing activities not affecting current cash flow

The Group did not have investing and financing activities which did not affect the current cash flow in the six months ended June 30, 2023 and 2022.

Reconciliation of liabilities arising from financing activities were as follows:

|  | January 1,<br>2023  | Cash flows       | Non-cash changes                |               |                                 | June 30,<br>2023 |
|--|---------------------|------------------|---------------------------------|---------------|---------------------------------|------------------|
|  |                     |                  | Foreign<br>exchange<br>movement | Other         | Changes<br>in lease<br>payments |                  |
| Short-term borrowings  | \$ 1,466,515        | (178,694)        | -                               | 8,789         | -                               | 1,296,610        |
| Long-term borrowings<br>(including expires<br>within one year) | 1,406,740           | 54,752           | 513                             | 26,430        | -                               | 1,488,435        |
| Lease liabilities  | 229,226             | (49,313)         | (1,968)                         | 3,904         | 41,879                          | 223,728          |
| Deposit received   | 2,217               | (251)            | -                               | -             | -                               | 1,966            |
| Total liabilities from<br>financing activities                 | <u>\$ 3,104,698</u> | <u>(173,506)</u> | <u>(1,455)</u>                  | <u>39,123</u> | <u>41,879</u>                   | <u>3,010,739</u> |

|  | January 1,<br>2022  | Cash flows    | Non-cash changes                |              |                                 | June 30,<br>2022 |
|--|---------------------|---------------|---------------------------------|--------------|---------------------------------|------------------|
|  |                     |               | Foreign<br>exchange<br>movement | Other        | Changes<br>in lease<br>payments |                  |
| Short-term borrowings  | \$ 921,426          | 213,608       | -                               | -            | -                               | 1,135,034        |
| Long-term borrowings<br>(including expires<br>within one year) | 1,549,310           | (109,980)     | -                               | -            | -                               | 1,439,330        |
| Lease liabilities  | 304,151             | (78,893)      | 8,172                           | 5,159        | 3,365                           | 241,954          |
| Deposit received   | 2,347               | 180           | -                               | -            | -                               | 2,527            |
| Total liabilities from<br>financing activities                 | <u>\$ 2,777,234</u> | <u>24,915</u> | <u>8,172</u>                    | <u>5,159</u> | <u>3,365</u>                    | <u>2,818,845</u> |

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

**(7) Related-party transactions:**

(a) Related-party transactions

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

|                                | <b>For the three months ended June 30</b> |               | <b>For the six months ended June 30</b> |                |
|--------------------------------|---|---------------|---|----------------|
|                                | <b>2023</b>                               | <b>2022</b>   | <b>2023</b>                             | <b>2022</b>    |
| Short-term employment benefits | \$ 62,050                                 | 50,945        | 116,676                                 | 95,982         |
| Post-employment benefits       | 761                                       | 318           | 1,188                                   | 636            |
| Share-based payment            | 433                                       | 2,871         | 861                                     | 3,803          |
|                                | <b>\$ 63,244</b>                          | <b>54,134</b> | <b>118,725</b>                          | <b>100,421</b> |

Please refer to note 6(q) for explanation related to share-based payment.

**(8) Pledged assets:**

The carrying amounts of assets provided by the Group pledged as security were as follows:

| <b>Assets pledged as security</b> | <b>Liabilities secured by<br/>pledge</b> | <b>June 30,<br/>2023</b> | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|-----------------------------------|--|--------------------------|------------------------------|--------------------------|
| Property, plant and equipment     | Borrowings                               | <b>\$ 31,652</b>         | -                            | -                        |

**(9) Commitments and contingencies:**

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

|     | <b>June 30,<br/>2023</b> | <b>December 31,<br/>2022</b> | <b>June 30,<br/>2022</b> |
|-----|--------------------------|------------------------------|--------------------------|
| TWD | \$ 2,551,900             | 2,411,900                    | 2,469,210                |
| USD | 21,000                   | 21,000                       | 21,000                   |

As of June 30, 2023 and 2022, the Company has unused letters of credit issued by the Group.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

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

**(12) Other:**

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

| By item                    | By function | For the three months ended June 30, 2023 |                    |         | For the three months ended June 30, 2022 |                    |       |
|----------------------------|-------------|--|--------------------|---------|--|--------------------|-------|
|                            |             | Cost of goods sold                       | Operating expenses | Total   | Cost of goods sold                       | Operating expenses | Total |
| Employee benefits          |             |  |                    |         |  |                    |       |
| Salary                     |             | 183,394                                  | 443,347            | 626,741 | 268,263                                  | 330,828            |       |
| Labor and health insurance |             | 31,294                                   | 26,343             | 57,637  | 27,891                                   | 22,938             |       |
| Pension                    |             | 11,076                                   | 20,658             | 31,734  | 14,899                                   | 14,264             |       |
| Remuneration of directors  |             | -  | 13,378             | 13,378  | -  | 17,002             |       |
| Others                     |             | 27,467                                   | 2,977              | 30,444  | 22,274                                   | 8,042              |       |
| Depreciation               |             | 179,404                                  | 29,153             | 208,557 | 167,798                                  | 28,291             |       |
| Amortization               |             | 3,705                                    | 28,936             | 32,641  | 3,593                                    | 31,186             |       |

| By item                    | By function | For the six months ended June 30, 2023 |                    |           | For the six months ended June 30, 2022 |                    |       |
|----------------------------|-------------|--|--------------------|-----------|--|--------------------|-------|
|                            |             | Cost of goods sold                     | Operating expenses | Total     | Cost of goods sold                     | Operating expenses | Total |
| Employee benefits          |             |  |                    |           |  |                    |       |
| Salary                     |             | 503,208                                | 649,252            | 1,152,460 | 519,909                                | 629,446            |       |
| Labor and health insurance |             | 60,103                                 | 55,966             | 116,069   | 52,715                                 | 48,715             |       |
| Pension                    |             | 32,543                                 | 31,413             | 63,956    | 29,557                                 | 28,426             |       |
| Remuneration of directors  |             | -                                      | 23,454             | 23,454    | -                                      | 28,551             |       |
| Others                     |             | 45,133                                 | 17,126             | 62,259    | 45,249                                 | 15,247             |       |
| Depreciation               |             | 357,812                                | 58,231             | 416,043   | 332,566                                | 56,458             |       |
| Amortization               |             | 7,402                                  | 59,317             | 66,719    | 7,186                                  | 60,441             |       |

- (b) Seasonality of operation

The Group's operations were not affected by seasonality or cyclicity factors.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Consolidated Financial Statements**

**(13) Other disclosures:****(a) Information on significant transactions:**

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2023:

**(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 party | Yes           | 213,360  | -              | -                                     | - %                                       | 2  | -   | Canceled on March 15, 2023       | -                      | None       | -     | -                                       | -  |
| 2      | TSC Auto ID    | DLS              | Other receivables-related party | Yes           | 304,800  | 311,400        | -                                     | - %                                       | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 1,022,965                               | 2,045,929                                |
| 3      | TSC Auto ID    | TSCPL            | Other receivables-related party | Yes           | -  | 169,050        | -                                     | - %                                       | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 1,022,965                               | 2,045,929                                |
| 4      | TSC Auto ID    | TSCAE            | Other receivables-related party | Yes           | -  | 33,810         | -                                     | - %                                       | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 1,022,965                               | 2,045,929                                |

Note 1: Necessity of short-term financing.

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

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

Note 4: Conversion at exchange rate 30.48 NTD to USD on Feb 28, 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 endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|-----|-------------------|--|--|--|--|---|---------------------------------------|---|---|---|--|--|--|
|     |                   | Name                                       | Relationship with the Company (Note 1) |  |  |   |                                       |   |   |   |  |  |  |
| 1   | TSC Auto ID       | TSCAA                                      | 2                                      | 2,045,929  | 369,000  | 186,840   | -                                     | -   | 7.21 %  | 3,068,894   | N  | N  | N  |

Note 1: Subsidiary of the Company.

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

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

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

**(iii) Securities held as of June 30, 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 (%) |         |
| 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                      | -              | -                           | -       |
| The Company    | JIH SUN Money Market Fund                    | -                         | Financial assets at fair value through profit or loss-current | 16,516                   | 250,363        | -                           | 250,363 |
| The Company    | Taishin 1699 Money Market Fund               | -                         | Financial assets at fair value through profit or loss-current | 12,305                   | 170,455        | -                           | 170,455 |

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Consolidated 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    | Franklin Templeton Sinoam Money Market Fund | -                         | Financial assets at fair value through profit or loss-current     | 9,474                    | 100,031        | -                           | 100,031    |      |
| The Company    | Achi Capital Partners Fund LP               | -                         | Financial assets at fair value through profit or loss non-current | -                        | 3,499          | -                           | 3,499      |      |

- (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)

| Company holding securities | Security type and name | Account                                       | Counter-party   | Relationship | Beginning             |        | Purchase |                        | Sale   |       |      |                         | Other (Note 1)      | Ending                |                        |
|----------------------------|------------------------|---|---|--------------|-----------------------|--------|----------|------------------------|--------|-------|------|-------------------------|---------------------|-----------------------|------------------------|
|                            |                        |   |   |              | Shares (in thousands) | Amount | Shares   | Amount                 | Shares | Price | Cost | Gain (loss) on disposal | Amount              | Shares (in thousands) | Amount                 |
| TSC Auto ID                | TSCPL                  | Investments accounted for using equity method | TSCPL   | Subsidiary   | -                     | -      | -        | 429,291                | -      | -     | -    | -                       | 4,412               | -                     | 433,703                |
| TSCPL                      | MGN (Note 2)           | Investments accounted for using equity method | SEBASTIAN LUKASZ NAWROT AND BERT ZENON MALAK (Note 2) | -            | -                     | -      | 2        | 48,200 (thousands PLN) | -      | -     | -    | -                       | 304 (thousands PLN) | 2                     | 48,504 (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 LUKASZ NAWROT and ROBERT ZENONMALAK through TSCPL.

- (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                | (140,690) | (2) %                               |                        | -   |               | 35,427                              | 1%  |          |
| The Company     | TSCH             | Subsidiary             | Sale                | (261,776) | (4) %                               |                        | -   |               | 208,770                             | 7%  |          |
| The Company     | TSCA             | Sub-subsiary           | Sale                | (293,379) | (4) %                               |                        | -   |               | 205,035                             | 7%  |          |
| The Company     | TSCC             | Sub-subsiary           | Sale                | (196,043) | (3) %                               |                        | -   |               | 96,320                              | 3%  | (Note 2) |
| The Company     | TSCC             | Sub-subsiary           | Purchase            | 113,221   | 2 %                                 |                        | -   |               | -                                   | -%  |          |
| The Company     | Yangxin Everwell | Sub-subsiary           | Purchase            | 770,229   | 16 %                                |                        | -   |               | (318,777)                           | (24)%   | (Note 2) |
| TSC Auto ID     | TSCAE            | Subsidiary             | Sale                | (543,757) | (7) %                               |                        | -   |               | 683,615                             | 23%   |          |
| TSC Auto ID     | TTSC             | Subsidiary             | Sale                | (332,505) | (5) %                               |                        | -   |               | 146,617                             | 5%  |          |
| TSC Auto ID     | TTSC             | Subsidiary             | Purchase            | 247,107   | 3 %                                 |                        | -   |               | (123,819)                           | (4)%  |          |
| TSC Auto ID     | TSCAA            | Subsidiary             | Sale                | (432,914) | (9) %                               |                        | -   |               | 449,497                             | 33%   |          |

Note 1: Open Account 30~135 days. Adjustments depend on demand for funds when necessary.

Note 2: Accounts payable presents at net.

Note 3: The related transaction has been written off. Please refer to Note 13(a)x.

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(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 (Note1) | Allowance for bad debts |
|-----------------|---------------|------------------------|----------------|---------------|---------|--------------|---|-------------------------|
|                 |               |                        |                |               | Amount  | Action taken |   |                         |
| The Company     | TSCH          | Subsidiary             | 208,770        | 0.03 %        | -       |              | 49,928  | -                       |
| The Company     | TSCA          | Sub-subsidiary         | 205,035        | 2.52 %        | -       |              | 28,319  | -                       |
| TSC Auto ID     | TSCAE         | Subsidiary             | 683,615        | 1.64 %        | -       |              | 125,474                                       | -                       |
| TSC Auto ID     | TSCAE         | Subsidiary             | 924            | -             | -       |              | -   | -                       |
| TSC Auto ID     | TSCAA         | Subsidiary             | 449,497        | 2.14 %        | -       |              | 72,351  | -                       |
| TSC Auto ID     | TSCAA         | Subsidiary             | 1,231          | -             | -       |              | -   | -                       |
| TSC Auto ID     | TTSC          | Subsidiary             | 146,617        | 3.89 %        | -       |              | 86,399  | -                       |
| TTSC            | TSC Auto ID   | Subsidiary             | 123,819        | 5.03 %        | -       |              | 50,211  | -                       |

Note 1: As of report date.

Note 2: The related transaction has been written off. Please refer to Note 13(a)x.

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

(x) Business relationships and significant intercompany transactions:

| No. (Note 1) | Name of company  | Name of counter-party | Nature of relationship | Intercompany transactions   |         |                 |  |
|--------------|------------------|-----------------------|------------------------|-----------------------------|---------|-----------------|--|
|              |                  |                       |                        | Account name                | Amount  | Trading terms   | Percentage of the consolidated net revenue or total assets |
| 0            | The Company      | TSCE                  | 1                      | Selling expenses-commission | 61,820  | Monthly payment | 0.81%  |
| 0            | The Company      | TSCE                  | 1                      | Accrued expenses            | 31,035  |                 | 0.17%  |
| 0            | The Company      | TSCJ                  | 1                      | Sales revenue               | 140,690 | Note 3          | 1.83%  |
| 0            | The Company      | TSCJ                  | 1                      | Accounts receivable         | 35,427  |                 | 0.19%  |
| 0            | The Company      | TSCH                  | 1                      | Sales revenue               | 261,776 | Monthly payment | 3.41%  |
| 0            | The Company      | TSCH                  | 1                      | Accounts receivable         | 208,770 |                 | 1.13%  |
| 0            | The Company      | TSCH                  | 1                      | Other receivables           | 652     |                 | -%   |
| 0            | The Company      | TSCH                  | 1                      | Accrued expenses            | 70      |                 | -%   |
| 0            | The Company      | TSCA                  | 1                      | Sales revenue               | 293,379 | Note 3          | 3.82%  |
| 0            | The Company      | TSCA                  | 1                      | Selling expenses-commission | 3,343   |                 | 0.04%  |
| 0            | The Company      | TSCA                  | 1                      | Accounts receivable         | 205,035 |                 | 1.11%  |
| 0            | The Company      | TSCA                  | 1                      | Other receivables           | 9,230   |                 | 0.05%  |
| 0            | The Company      | TSCA                  | 1                      | Accrued expenses            | 1,742   |                 | 0.01%  |
| 0            | The Company      | TSCC                  | 1                      | Sales revenue               | 196,043 | Monthly payment | 2.55%  |
| 0            | The Company      | TSCC                  | 1                      | Accounts receivable         | 153,171 |                 | 0.83%  |
| 0            | The Company      | TSCC                  | 1                      | Other receivables           | 118     |                 | -%   |
| 0            | The Company      | TSCC                  | 1                      | Purchase                    | 113,221 |                 | 1.48%  |
| 0            | The Company      | TSCC                  | 1                      | Accounts payable            | 56,851  |                 | 0.31%  |
| 0            | The Company      | Yangxin Everwell      | 1                      | Purchase                    | 770,229 | Note 4          | 10.03%   |
| 0            | The Company      | Yangxin Everwell      | 1                      | Accounts payable            | 318,777 | Note 5          | 1.73%  |
| 0            | The Company      | Tianjin Everwell      | 1                      | Purchase                    | 97,875  |                 | 1.28%  |
| 0            | The Company      | Tianjin Everwell      | 1                      | Accounts payable            | 7,262   |                 | 0.04%  |
| 0            | The Company      | Tianjin Everwell      | 1                      | Other payable               | 61,465  |                 | 0.33%  |
| 1            | Yangxin Everwell | TSCC                  | 3                      | Sales revenue               | 457,408 | Note 3          | 5.96%  |
| 1            | Yangxin Everwell | TSCC                  | 3                      | Accounts receivable         | 258,708 |                 | 1.41%  |

Note 1 : Representations of No. are as below:

- A. 0 is for the Company.
- B. Subsidiaries are numbered in order from 1.

Note 2: Categories of relationship with traders are as below:

- A. Parent company to subsidiary.
- B. Subsidiary to parent company.
- C. Subsidiary to subsidiary.

Note 3: Sales price is based on general market price. Collecting period is open account 90~180 days.

Note 4: Processing cost is based on cost-plus approach. Collecting period is open account 90~180 days.

Note 5: Payments due on open account 180 days after purchase.

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## (b) Information on investees:

The following is the information on investees for the six months ended June 30, 2023:

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location               | Main businesses and products   | Original investment amount |                        | Balance as of June 30, 2023 |                         |                | Net income (losses) of investee | Share of profits/losses of investee | Note       |
|------------------|------------------|------------------------|--|----------------------------|------------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------------|
|                  |                  |                        |  | June 30, 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 %                | 1,501,771      | (30,390)                        | (30,390)<br>(Note 2)                | Subsidiary |
| The Company      | Ever Winner      | British Virgin Islands | Holding company and general import and export business                             | 465,127                    | 465,127                | 16,010                      | 100.00 %                | 1,669,962      | 54,186                          | 54,186<br>(Note 2)                  | Subsidiary |
| The Company      | Skyrise          | British Virgin Islands | Holding company and general import and export business                             | 2,845                      | 2,845                  | 50                          | 100.00 %                | 1,833          | (49)                            | (49)<br>(Note 2)                    | Subsidiary |
| The Company      | TSC E            | Germany                | General import and export business   | 10,972                     | 10,972                 | -                           | 100.00 %                | 67,985         | 5,188                           | 5,188<br>(Note 2)                   | Subsidiary |
| The Company      | TSC J            | Japan                  | Trading of rectifiers  | 28,689                     | 28,689                 | 2                           | 100.00 %                | 110,560        | 7,756                           | 7,756<br>(Note 1)                   | Subsidiary |
| The Company      | TSC H            | Hong Kong              | Holding company and trading of rectifiers  | 282,312                    | 282,312                | 672                         | 25.22 %                 | 609,585        | (9,467)                         | 21,358<br>(Note 2)                  | Subsidiary |
| The Company      | TSC Auto ID      | Taiwan                 | Manufacture and sale of bar code printers  | 163,728                    | 163,728                | 15,453                      | 36.27 %                 | 995,722        | 532,168                         | 133,961<br>(Note 1)                 | Subsidiary |
| Ever Energetic   | TSC A            | United States          | Trading of rectifiers  | 258,520                    | 258,520                | 6,750                       | 75.00 %                 | 231,513        | (35,694)                        | (26,770)<br>(Note 2)                | Subsidiary |
| Ever Energetic   | TSC H            | Hong Kong              | Holding company and trading of rectifiers  | 571,628                    | 571,628                | 985                         | 36.96 %                 | 1,196,657      | (9,467)                         | (3,499)<br>(Note 2)                 | Subsidiary |
| Ever Winner      | TSC A            | United States          | Trading of rectifiers  | 83,813                     | 83,813                 | 2,250                       | 25.00 %                 | 77,171         | (35,694)                        | (8,924)<br>(Note 2)                 | Subsidiary |
| Ever Winner      | TSC C            | China                  | Trading of rectifiers  | 4,461                      | 4,461                  | -                           | 100.00 %                | 293,643        | 66,779                          | 66,779<br>(Note 2)                  | Subsidiary |
| Ever Winner      | TSC H            | Hong Kong              | Holding company and trading of rectifiers  | 792,254                    | 792,254                | 1,008                       | 37.82 %                 | 1,224,501      | (9,467)                         | (3,580)<br>(Note 2)                 | Subsidiary |
| TSC H            | Yangxin Everwell | China                  | Manufacture and sale of rectifiers   | 966,119                    | 966,119                | -                           | 100.00 %                | 2,253,645      | (25,518)                        | (25,518)<br>(Note 1)                | Subsidiary |
| TSC H            | Tianjin Everwell | China                  | Manufacture and sale of wafers   | 787,044                    | 787,044                | -                           | 100.00 %                | 648,219        | (4,437)                         | (4,437)<br>(Note 2)                 | Subsidiary |
| TSC Auto ID      | TSC A E          | Germany                | Trading of bar code printers and other parts                                       | 2,943                      | 2,943                  | -                           | 100.00 %                | (111,418)      | (32,460)                        | (32,460)<br>(Note 1)                | Subsidiary |
| TSC Auto ID      | TSC A A          | United States          | Trading of bar code printers and other parts                                       | 1,096,621                  | 1,096,621              | 16,000                      | 100.00 %                | 1,066,032      | 7,874                           | 7,874<br>(Note 1)                   | Subsidiary |
| TSC Auto ID      | TSC H K          | Hong Kong              | Holding company and general import and export business                             | 51,738                     | 51,738                 | 11,711                      | 100.00 %                | 661,188        | 107,869                         | 107,869<br>(Note 1)                 | Subsidiary |
| TSC Auto ID      | Printronix AD    | Taiwan                 | Trading of bar code printers and other parts                                       | 5,000                      | 5,000                  | 500                         | 100.00 %                | 5,042          | (216)                           | (216)<br>(Note 1)                   | 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 %                | 1,329,678      | 85,755                          | 85,755<br>(Note 1)                  | Subsidiary |
| TSC Auto ID      | TSC I N          | India                  | Trading of bar code printers and other parts                                       | 2,791                      | 2,791                  | 710                         | 100.00 %                | 680            | (935)                           | (935)<br>(Note 1)                   | Subsidiary |
| TSC Auto ID      | TSC P L          | Poland                 | General investment   | 429,291                    | -                      | -                           | 100.00 %                | 433,703        | (12,238)                        | (12,238)<br>(Note 1)                | Subsidiary |
| TSC A E          | TSC A D          | United Arab Emirates   | Trading of bar code printers and other parts                                       | 8,234                      | 8,234                  | -                           | 100.00 %                | (11,615)       | (2,663)                         | (2,663)<br>(Note 1)                 | Subsidiary |
| TSC A E          | TSC A S          | Spain                  | Trading of bar code printers and other parts                                       | 124                        | 124                    | -                           | 100.00 %                | 2,920          | 167                             | 167<br>(Note 1)                     | Subsidiary |
| DLS              | PPL              | United States          | Sale of bar code printer, label papers, other parts                                | 115<br>(thousands USD)     | 115<br>(thousands USD) | 850                         | 100.00 %                | 35,630         | 5,214                           | 5,214<br>(Note 1)                   | Subsidiary |
| TSC P L          | MGN              | Poland                 | Customization of design, integration and marketing of label papers and other parts | 48,200<br>(thousands PLN)  | -                      | 2                           | 100.00 %                | 372,878        | 2,196                           | 2,196<br>(Note 2)                   | Subsidiary |
| TSC H K          | TTSC             | China                  | Manufacture and sale of bar code printers and other parts                          | 46,710                     | 46,710                 | -                           | 100.00 %                | 697,063        | 108,712                         | 108,712<br>(Note 1)                 | Subsidiary |
| TSC H K          | SPTNX            | China                  | Trading of bar code printers and other parts                                       | 4,796                      | 4,796                  | -                           | 100.00 %                | 5,601          | (256)                           | (256)<br>(Note 1)                   | Subsidiary |

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

Note 2: Calculated by equity according to investee's non-reviewed financial report.

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## (c) Information on overseas branches and representative offices:

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

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products                              | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2023 | Investment flows |        | Accumulated outflow of investment from Taiwan as of June 30, 2023 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period |
|------------------|---|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|----------------------------|------------|--|
|                  |   |                                 |                      |   | Outflow          | Inflow |   |                                     |                         |                            |            |  |
| TSCC             | Trading of rectifiers                                     | 4,461                           | (3)                  | 4,461   | -                | -      | 4,461   | 66,779                              | 100.00%                 | 66,779                     | 293,643    | 397,444  |
| Yangxin Everwell | Manufacture and sale of rectifiers                        | 1,667,160                       | (3)                  | 628,196   | -                | -      | 628,196   | (25,518)                            | 100.00%                 | (25,518)                   | 2,253,645  | 250,864  |
| Tianjin Everwell | Manufacture and sale of wafers                            | 387,173                         | (3)                  | 387,173   | -                | -      | 387,173   | (4,437)                             | 100.00%                 | (4,437)                    | 648,219    | 452,102  |
| TTSC             | Manufacture and sale of bar code printers and other parts | 44,961                          | (3)                  | 46,710  | -                | -      | 46,710  | 108,712                             | 36.27%                  | 39,430                     | 697,063    | 787,814  |
| SPTNX            | Sale of bar code printers and other parts                 | 4,282                           | (3)                  | 4,796   | -                | -      | 4,796   | (256)                               | 36.27%                  | (93)                       | 5,601      | 5,898  |

Note 1: Invest company in China through the investment on company located at the third.

## (ii) Limitation on investment in China:

| Accumulated Investment in China as of June 30, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|--|---------------------------|
| 1,026,652   | 2,023,132  | 4,424,393                 |

## (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 non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

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

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**(14) Segment information:**

|   | <b>For the three months ended June 30</b> |                          |                                     |                  |
|---|---|--------------------------|-------------------------------------|------------------|
|   | <b>2023</b>                               |                          |                                     |                  |
|   | <b>Rectifiers</b>                         | <b>Bar Code Printers</b> | <b>Adjustments and eliminations</b> | <b>Total</b>     |
| <b>Revenue:</b>                         |   |                          |                                     |                  |
| Revenue from external customers         | \$ 1,566,480                              | 2,194,622                | -                                   | 3,761,102        |
| Intersegment revenues                   | 1,190,806                                 | 19                       | (1,190,825)                         | -                |
| Total revenue                           | <u>\$ 2,757,286</u>                       | <u>2,194,641</u>         | <u>(1,190,825)</u>                  | <u>3,761,102</u> |
| <b>Reported segment profit and loss</b> | <u>\$ 149,081</u>                         | <u>448,860</u>           | <u>(59,200)</u>                     | <u>538,741</u>   |
|   |   |                          |                                     |                  |
|   | <b>For the three months ended June 30</b> |                          |                                     |                  |
|   | <b>2022</b>                               |                          |                                     |                  |
|   | <b>Rectifiers</b>                         | <b>Bar Code Printers</b> | <b>Adjustments and eliminations</b> | <b>Total</b>     |
| <b>Revenue:</b>                         |   |                          |                                     |                  |
| Revenue from external customers         | \$ 1,922,419                              | 2,042,284                | -                                   | 3,964,703        |
| Intersegment revenues                   | 1,754,881                                 | -                        | (1,754,881)                         | -                |
| Total revenue                           | <u>\$ 3,677,300</u>                       | <u>2,042,284</u>         | <u>(1,754,881)</u>                  | <u>3,964,703</u> |
| <b>Reported segment profit and loss</b> | <u>\$ 438,405</u>                         | <u>411,760</u>           | <u>(37,000)</u>                     | <u>813,165</u>   |
|   |   |                          |                                     |                  |
|   | <b>For the six months ended June 30</b>   |                          |                                     |                  |
|   | <b>2023</b>                               |                          |                                     |                  |
|   | <b>Rectifiers</b>                         | <b>Bar Code Printers</b> | <b>Adjustments and eliminations</b> | <b>Total</b>     |
| <b>Revenue:</b>                         |   |                          |                                     |                  |
| Revenue from external customers         | \$ 3,283,798                              | 4,102,667                | -                                   | 7,386,465        |
| Intersegment revenues                   | 2,450,913                                 | 23                       | (2,450,936)                         | -                |
| Total revenue                           | <u>\$ 5,734,711</u>                       | <u>4,102,690</u>         | <u>(2,450,936)</u>                  | <u>7,386,465</u> |
| <b>Reported segment profit and loss</b> | <u>\$ 365,077</u>                         | <u>727,098</u>           | <u>(59,200)</u>                     | <u>1,032,975</u> |
|   |   |                          |                                     |                  |
|   | <b>For the six months ended June 30</b>   |                          |                                     |                  |
|   | <b>2022</b>                               |                          |                                     |                  |
|   | <b>Rectifiers</b>                         | <b>Bar Code Printers</b> | <b>Adjustments and eliminations</b> | <b>Total</b>     |
| <b>Revenue:</b>                         |   |                          |                                     |                  |
| Revenue from external customers         | \$ 3,912,264                              | 3,804,367                | -                                   | 7,716,631        |
| Intersegment revenues                   | 3,503,659                                 | 8                        | (3,503,667)                         | -                |
| Total revenue                           | <u>\$ 7,415,923</u>                       | <u>3,804,375</u>         | <u>(3,503,667)</u>                  | <u>7,716,631</u> |
| <b>Reported segment profit and loss</b> | <u>\$ 902,247</u>                         | <u>633,111</u>           | <u>(37,000)</u>                     | <u>1,498,358</u> |

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|                         | <u>Rectifiers</u>    | <u>Bar Code<br/>Printers</u> | <u>Adjustments<br/>and<br/>eliminations</u> | <u>Total</u>      |
|-------------------------|----------------------|------------------------------|---|-------------------|
| Reported segment assets |                      |                              |   |                   |
| June 30, 2023           | \$ <u>23,200,818</u> | <u>9,272,116</u>             | <u>(14,062,508)</u>                         | <u>18,410,426</u> |
| December 31, 2022       | \$ <u>24,369,174</u> | <u>8,294,769</u>             | <u>(14,447,124)</u>                         | <u>18,216,819</u> |
| June 30, 2022           | \$ <u>23,763,768</u> | <u>8,145,755</u>             | <u>(14,395,745)</u>                         | <u>17,513,778</u> |