

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2024 and 2023**

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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 March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows, for the three months ended March 31, 2024 and 2023, 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 \$2,581,952 thousand and \$2,885,126 thousand, constituting 14.69% and 15.88% of the consolidated total assets; and the total liabilities amounting to \$353,333 thousand and \$517,503 thousand, constituting 5.38% and 7.31% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively; as well as total comprehensive income (loss) amounting to \$(20,010) thousand and \$46,842 thousand, constituting (5.10)% and 13.11% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 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 \$7,868,306 thousand and \$7,101,684 thousand, constituting 44.77% and 39.10% of the consolidated total assets as of March 31, 2024 and 2023, respectively; and the total revenues amounting to \$1,875,469 thousand and \$1,908,045 thousand, constituting 59.15% and 52.63% of the consolidated total revenues for the three months ended March 31, 2024 and 2023, 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)

May 10, 2024

### **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

March 31, 2024, December 31, 2023, and March 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2024		December 31, 2023		March 31, 2023		Liabilities and Equity		March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 3,085,313	18	3,383,447	19	3,386,616	19	2100	Short-term borrowings (note 6(j))	\$ 1,209,309	7	1,621,395	9	1,379,471	7
1110	Current financial assets at fair value through profit or loss (note 6(b))	240,442	1	25,603	-	516,413	3	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	3,355	-	-	-	5,607	-
1150	Notes receivable, net (notes 6(c) and (r))	53	-	307	-	319	-	2170	Accounts payable	1,347,115	8	1,356,786	8	1,560,662	8
1170	Accounts receivable, net (notes 6(c) and (r))	2,470,658	14	2,575,666	15	2,866,262	16	2200	Other payables (note 6(l))	813,709	4	1,011,117	6	863,714	5
1200	Other receivables	58,277	-	72,080	-	91,752	1	2230	Current tax liabilities	298,505	2	220,156	1	512,468	3
1220	Current tax assets	20,918	-	22,532	-	492	-	2322	Long-term borrowings, current portion (note 6(k))	265,838	1	307,457	2	312,249	2
130X	Inventories (note 6(d))	3,503,597	20	3,351,290	19	3,609,217	20	2280	Lease liabilities, current (note 6(m))	109,818	1	105,383	1	109,545	1
1410	Prepayments	177,737	1	148,159	1	270,959	1	2399	Other current liabilities	294,368	2	261,483	1	313,484	2
1476	Other current financial assets (note 6(b))	-	-	86,540	1	389,928	2			4,342,017	25	4,883,777	28	5,057,200	28
		9,556,995	54	9,665,624	55	11,131,958	62	<b>Non-Current liabilities:</b>							
<b>Non-current assets:</b>								2540	Long-term borrowings (note 6(k))	928,994	5	839,963	5	965,820	5
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	21,754	-	22,383	-	4,122	-	2580	Lease liabilities, non-current (note 6(m))	242,233	1	64,880	-	102,200	1
1600	Property, plant and equipment (note 6(f))	4,424,533	25	4,423,524	25	4,417,745	24	2640	Net defined benefit liabilities, non-current	39,259	-	39,335	-	34,924	-
1755	Right-of-use assets (note 6(g))	365,803	2	189,295	1	208,528	1	2570	Deferred tax liabilities	956,468	6	972,065	6	827,239	4
1822	Intangible assets (note 6(h))	520,921	3	578,045	3	289,446	2	2670	Other non-current liabilities	63,610	-	45,994	-	92,577	1
1805	Goodwill (note 6(i))	1,389,166	8	1,269,559	7	1,126,943	6			2,230,564	12	1,962,237	11	2,022,760	11
1840	Deferred tax assets (note (o))	521,972	3	544,142	3	487,165	3		<b>Total liabilities</b>	6,572,581	37	6,846,014	39	7,079,960	39
1980	Other non-current financial assets (note 6(b))	407,283	3	416,549	3	83,194	-	<b>Stockholder' equity attributable to parent:</b>							
1990	Other non-current assets	366,939	2	436,361	3	415,276	2	(note 6(p))							
		8,018,371	46	7,879,858	45	7,032,419	38	3110	Common stock	2,634,854	15	2,634,854	15	2,634,854	15
								3200	Capital surplus	2,213,872	13	2,209,251	12	2,136,998	12
								3300	Retained earnings	3,921,405	22	3,816,863	22	4,385,908	24
								3400	Other stockholders' equity	(299,247)	(2)	(419,530)	(2)	(355,057)	(2)
								3500	Treasury shares	(599,878)	(3)	(506,043)	(3)	(506,043)	(3)
										7,871,006	45	7,735,395	44	8,296,660	46
								36XX	<b>Non-controlling interests (note 6(e))</b>	3,131,779	18	2,964,073	17	2,787,757	15
										11,002,785	63	10,699,468	61	11,084,417	61
<b>Total assets</b>		<b>\$ 17,575,366</b>	<b>100</b>	<b>17,545,482</b>	<b>100</b>	<b>18,164,377</b>	<b>100</b>	<b>Total equity</b>		<b>\$ 17,575,366</b>	<b>100</b>	<b>17,545,482</b>	<b>100</b>	<b>18,164,377</b>	<b>100</b>
								<b>Total liabilities and equity</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 three months ended March 31, 2024 and 2023

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

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4110	Total sales revenue (note 6(r))	\$ 3,308,502	104	3,788,547	105
4190	Less: Sales discounts and allowances	<u>137,642</u>	<u>4</u>	<u>163,184</u>	<u>5</u>
	<b>Net operating revenues</b>	<b>3,170,860</b>	<b>100</b>	<b>3,625,363</b>	<b>100</b>
5000	Cost of goods sold (note 6(d))	<u>2,269,392</u>	<u>72</u>	<u>2,500,051</u>	<u>69</u>
	<b>Gross profit</b>	<b>901,468</b>	<b>28</b>	<b>1,125,312</b>	<b>31</b>
6000	<b>Operating expenses</b> (notes 6(b), (n) and (t)):				
6100	Selling expenses	366,001	12	338,722	9
6200	Administrative expenses	201,255	6	197,828	5
6300	Research and development expenses	97,714	3	91,192	2
6450	Expected credit losses	<u>450</u>	<u>-</u>	<u>8,093</u>	<u>-</u>
		<u>665,420</u>	<u>21</u>	<u>635,835</u>	<u>16</u>
	<b>Operating income</b>	<b>236,048</b>	<b>7</b>	<b>489,477</b>	<b>15</b>
	<b>Non-operating income and expenses</b> (note 6(s)):				
7100	Interest income	6,606	-	8,046	-
7010	Other income	11,701	-	19,800	1
7020	Other gains and losses	61,393	2	(5,773)	-
7050	Finance costs	<u>(20,665)</u>	<u>-</u>	<u>(17,316)</u>	<u>(1)</u>
		<u>59,035</u>	<u>2</u>	<u>4,757</u>	<u>-</u>
	<b>Profit before income tax</b>	<b>295,083</b>	<b>9</b>	<b>494,234</b>	<b>15</b>
7950	<b>Less: Income tax expenses</b> (note 6(o))	<u>88,362</u>	<u>2</u>	<u>133,841</u>	<u>4</u>
	<b>Profit</b>	<b>206,721</b>	<b>7</b>	<b>360,393</b>	<b>11</b>
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	211,208	6	(6,127)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	<u>(25,555)</u>	<u>(1)</u>	<u>2,996</u>	<u>-</u>
		<u>185,653</u>	<u>5</u>	<u>(3,131)</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<b>185,653</b>	<b>5</b>	<b>(3,131)</b>	<b>-</b>
	<b>Comprehensive income</b>	<b>\$ 392,374</b>	<b>12</b>	<b>357,262</b>	<b>11</b>
	<b>Net income attributable to:</b>				
	Owners of the parent	\$ 104,542	4	230,317	7
	Non-controlling interests (note 6(e))	<u>102,179</u>	<u>3</u>	<u>130,076</u>	<u>4</u>
		<u>\$ 206,721</u>	<u>7</u>	<u>360,393</u>	<u>11</u>
	<b>Comprehensive income attributable to:</b>				
	Owners of the parent	\$ 224,825	7	234,818	7
	Non-controlling interests (note 6(e))	<u>167,549</u>	<u>5</u>	<u>122,444</u>	<u>4</u>
		<u>\$ 392,374</u>	<u>12</u>	<u>357,262</u>	<u>11</u>
	<b>Basic earnings per common share (NT dollars)</b> (note 6(u))	<b>\$ 0.42</b>		<b>0.93</b>	
	<b>Diluted earnings per common share (NT dollars)</b> (note 6(u))	<b>\$ 0.42</b>		<b>0.92</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 Changes in Equity**  
**For the three months ended March 31, 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings					
<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	-	-	-	-	230,317	230,317	-	-	230,317	130,076	360,393
Other comprehensive income	-	-	-	-	-	-	4,501	-	4,501	(7,632)	(3,131)
Total comprehensive income	-	-	-	-	230,317	230,317	4,501	-	234,818	122,444	357,262
Changes in equity of affiliate accounted for using equity method	-	(90)	-	-	-	-	-	-	(90)	-	(90)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1,762	1,762
<b>Balance at March 31, 2023</b>	<u>\$ 2,634,854</u>	<u>2,136,998</u>	<u>973,024</u>	<u>531,125</u>	<u>2,881,759</u>	<u>4,385,908</u>	<u>(355,057)</u>	<u>(506,043)</u>	<u>8,296,660</u>	<u>2,787,757</u>	<u>11,084,417</u>
<b>Balance at January 1, 2024</b>	\$ 2,634,854	2,209,251	1,129,743	531,125	2,155,995	3,816,863	(419,530)	(506,043)	7,735,395	2,964,073	10,699,468
Net income	-	-	-	-	104,542	104,542	-	-	104,542	102,179	206,721
Other comprehensive income	-	-	-	-	-	-	120,283	-	120,283	65,370	185,653
Total comprehensive income	-	-	-	-	104,542	104,542	120,283	-	224,825	167,549	392,374
Subsidiaries purchase of treasury shares	-	-	-	-	-	-	-	(93,835)	(93,835)	-	(93,835)
Changes in equity of affiliate accounted for using equity method	-	4,621	-	-	-	-	-	-	4,621	-	4,621
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	157	157
<b>Balance at March 31, 2024</b>	<u>\$ 2,634,854</u>	<u>2,213,872</u>	<u>1,129,743</u>	<u>531,125</u>	<u>2,260,537</u>	<u>3,921,405</u>	<u>(299,247)</u>	<u>(599,878)</u>	<u>7,871,006</u>	<u>3,131,779</u>	<u>11,002,785</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 Cash Flows****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 295,083	494,234
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	217,743	207,486
Amortization expense	25,506	34,078
Expected credit loss	450	8,093
Net loss on financial assets or liabilities at fair value through profit or loss	6,229	4,398
Interest expense	20,270	16,829
Interest income	(6,606)	(8,046)
Loss on disposal of property, plant and equipment	879	130
Reversal of impairment gain on non-financial assets	(989)	-
Others	4,621	(90)
<b>Total adjustments to reconcile profit (loss)</b>	<u>268,103</u>	<u>262,878</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(217,084)	(515,763)
Decrease in notes receivable	254	269
Decrease in accounts receivable	104,558	141,525
Decrease in other receivables	13,824	15,779
Increase in inventories	(152,307)	(109,184)
Increase in prepayments	(33,981)	(41,892)
Decrease in other financial assets	86,540	209,560
Decrease in accounts payable	(9,671)	(87,895)
Decrease in other payable	(197,515)	(201,922)
Increase (decrease) in other current liabilities	32,602	(12,418)
Decrease in net defined benefit liabilities	(76)	(76)
Increase in other non-current liabilities	16,097	21,381
<b>Total adjustments</b>	<u>(88,656)</u>	<u>(317,758)</u>
Cash inflow generated from operations	206,427	176,476
Interest received	6,585	6,304
Interest paid	(17,026)	(14,499)
Income taxes paid	(1,769)	(63,389)
<b>Net cash flows from operating activities</b>	<u>194,217</u>	<u>104,892</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(50,259)	(45,093)
Proceeds from disposal of property, plant and equipment	1,053	302
(Increase) decrease in other financial assets	9,266	(174)
Acquisition of intangible assets	(5,199)	(16,694)
Decrease in other non-current assets	43,132	25,088
Increase in prepayments for equipment	(84,210)	(40,783)
<b>Net cash flows used in investing activities</b>	<u>(86,217)</u>	<u>(77,354)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term borrowings	(412,086)	(87,044)
Proceeds from long-term borrowings	173,190	50,000
Repayments of long-term borrowings	(125,789)	(178,671)
Payment of lease liabilities	(34,330)	(24,345)
Increase in guarantee deposits received	51	4
Repurchase of treasury shares	(93,835)	-
Change in non-controlling interests	157	1,762
<b>Net cash flows used in financing activities</b>	<u>(492,642)</u>	<u>(238,294)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	86,508	1,691
<b>Net decrease in cash and cash equivalents</b>	(298,134)	(209,065)
<b>Cash and cash equivalents at the beginning of period</b>	<u>3,383,447</u>	<u>3,595,681</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 3,085,313</u>	<u>3,386,616</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**

**March 31, 2024 and 2023**

**(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 May 10, 2024.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(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>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027

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

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

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

**(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 Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

**(b) Basis of consolidation**

**(i) List of subsidiaries in the consolidated financial statements**

Name of Investor	Name of subsidiary	Principal activity	Shareholding			Instruction
			March 31, 2024	December 31, 2023	March 31, 2023	
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 (TSCE)	General import and export business	100.00 %	100.00 %	100.00 %	-
The Company	Taiwan Semiconductor Japan Ltd. (TSCJ)	Trading of rectifiers	100.00 %	100.00 %	100.00 %	-
The Company	Taiwan Semiconductor (H.K.) Co., Ltd. (TSCH)	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	36.05 %	36.05 %	36.34 %	-
Ever Energetic	TSCH	Holding company and trading of rectifiers	36.96 %	36.96 %	36.96 %	-
Ever Energetic	TSC America, Inc.(TSCA)	Trading of rectifiers	75.00 %	75.00 %	75.00 %	-

(Continued)

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

Name of Investor	Name of subsidiary	Principal activity	Shareholding			Instruction
			March 31, 2024	December 31, 2023	March 31, 2023	
Ever Winner	TSCH	Holding company and trading of rectifiers	37.82 %	37.82 %	37.82 %	-
Ever Winner	TSCA	Trading of rectifiers	25.00 %	25.00 %	25.00 %	-
Ever Winner	Shanghai Great Technology Trading Co., Ltd. (TSCC)	Trading of rectifiers	100.00 %	100.00 %	100.00 %	-
TSCH	Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell)	Manufacture and sale of rectifiers	100.00 %	100.00 %	100.00 %	-
TSCH	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 (TSCAE)	Trading of bar code printers and other parts	100.00 %	100.00 %	100.00 %	-
TSC Auto ID	TSC Auto ID (H.K.) Ltd. (TSC HK)	Holding company and general import and export business	100.00 %	100.00 %	100.00 %	-
TSC Auto ID	TSC Auto Technology America Inc. (TSCAA)	Trading of bar code printers and other parts	100.00 %	100.00 %	100.00 %	-
TSC Auto ID	Printronix Auto ID Technology Co., Ltd. (Printronix AD)	Trading of bar code printers and other parts	100.00 %	100.00 %	100.00 %	-
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 (TSCIN)	Trading of bar code printers and other parts	100.00 %	100.00 %	100.00 %	-
TSC Auto ID	Mosfortico Investments sp. z o.o. (TSCPL)	General investment	100.00 %	100.00 %	100.00 %	Note 1
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 %	Note 2
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 %	100.00 %	-	Note 3

Note 1: TSC Auto ID established Mosfortico Investments sp. z o.o. (TSCPL), at the amount of PLN 4 thousand (approximately NTD 31 thousand), in February 2023. Moreover, in 2023, TSC Auto ID subsequently increased its capital by PLN 67,080 thousand (approximately NTD 498,796 thousand) in 2023 to acquire 100% of the shares of MGN sp. z o.o. (MGN), a Polish company, through TSCPL and for the capital demand.

Note 2: It was liquidated and dissolved on August 31, 2023.

Note 3: TSC Auto ID was acquired through the equity acquisition on June 12, 2023, and the total consideration for the acquisition was tentatively set at PLN 63,528 thousand (NTD 478,044 thousand at the exchange rate on the date of acquisition).

(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 measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

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

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.

(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 IFRS Accounting Standards (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, 2023. For the related information, please refer to the consolidated financial statements for the year ended December 31, 2023.

**(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, 2023. Please refer to the 2023 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Cash and pretty cash	\$ 780	790	776
Checking and demand deposits	2,499,499	2,763,120	2,315,969
Repurchase agreement	-	-	200,000
Time deposits	585,034	1,008,967	869,871
Less: Time deposits with an original maturity date of more than three months (note 6(b))	-	(389,430)	-
	<u>\$ 3,085,313</u>	<u>3,383,447</u>	<u>3,386,616</u>

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

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**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>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Current (financial assets):			
Mandatorily measured at fair value through profit or loss:			
Beneficiary certificates	\$ 240,165	20,032	250,198
Forward exchange contracts	277	5,571	355
Financial investment	-	-	265,860
	<u>\$ 240,442</u>	<u>25,603</u>	<u>516,413</u>
Other financial assets:			
Time deposits with an original maturity date of more than three months to one year	\$ -	86,540	-
Structure deposits	-	-	389,928
	<u>\$ -</u>	<u>86,540</u>	<u>389,928</u>
Non-current (financial assets):			
Mandatorily measured at fair value through profit or loss:			
Fund in foreign markets	<u>\$ 21,754</u>	<u>22,383</u>	<u>4,122</u>
Other financial assets:			
Time deposits with an original maturity date of more than one year	\$ 308,560	302,890	-
Refundable deposits	52,753	68,999	83,194
Other (note)	45,970	44,660	-
	<u>\$ 407,283</u>	<u>416,549</u>	<u>83,194</u>
Current (financial liabilities):			
Mandatorily measured at fair value through profit or loss:			
Forward exchange contracts	\$ 3,355	-	3,066
Currency swaps	-	-	2,541
	<u>\$ 3,355</u>	<u>-</u>	<u>5,607</u>

(Continued)

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

Note: On the merger date of TSC Auto ID and MGN, TSC Auto ID deposited the amount of EUR 1,292 thousand (NTD 43,645 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(v) 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>March 31, 2024</b>					
		<b>Contract amount</b>	<b>Currency</b>		<b>Contract period</b>
Selling/buying forward	USD	6,000 / NTD	188,585	USD to NTD	2024.04~2024.05
Selling/buying forward	EUR	3,000 / NTD	103,282	EUR to NTD	2024.04~2024.05
Selling/buying forward	USD	1,000 / CNY	7,210	USD to CNY	2024.04.08
<b>December 31, 2023</b>					
		<b>Contract amount</b>	<b>Currency</b>		<b>Contract period</b>
Selling/buying forward	USD	6,000 / NTD	187,271	USD to NTD	2024.01~2024.02
Selling/buying forward	EUR	3,000 / NTD	104,167	EUR to NTD	2024.01.18
<b>March 31, 2023</b>					
		<b>Contract amount</b>	<b>Currency</b>		<b>Contract period</b>
Selling/buying forward	USD	6,000 / NTD	179,480	USD to NTD	2023.04~2023.05
Selling/buying forward	EUR	2,000 / NTD	65,181	EUR to NTD	2023.04.20
Selling/buying forward	USD	4,000 / NTD	120,414	USD to NTD	2023.04~2023.05

- (c) Notes and accounts receivable

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Notes receivable	\$ 53	307	319
Accounts receivable	2,518,654	2,622,115	2,911,318
Less: Allowance for impairment	(47,996)	(46,449)	(45,056)
	<b>\$ 2,470,711</b>	<b>2,575,973</b>	<b>2,866,581</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.

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

The loss allowance in Rectifiers was determined as follows:

	<b>March 31, 2024</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,128,287	0.47%	5,346
1 to 90 days past due	102,396	0.76%	778
More than 365 days past due	13,748	100.00%	13,748
	<b>\$ 1,244,431</b>		<b>19,872</b>
	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,191,029	0.38%	4,565
1 to 90 days past due	83,880	0.94%	792
91 to 180 days past due	96	50.00%	48
181 to 270 days past due	62	50.00%	31
271 to 365 days past due	2,908	100.00%	2,908
More than 365 days past due	10,283	100.00%	10,283
	<b>\$ 1,288,258</b>		<b>18,627</b>
	<b>March 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,484,489	1.34%	19,962
1 to 90 days past due	139,593	1.32%	1,847
91 to 180 days past due	10,288	3.00%	308
181 to 270 days past due	24	5.00%	1
More than 365 days past due	461	100.00%	461
	<b>\$ 1,634,855</b>		<b>22,579</b>

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

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

	<b>March 31, 2024</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 999,143	0.81%	8,113
1 to 90 days past due	232,547	1.06%	2,469
91 to 180 days past due	16,646	17.62%	2,933
181 to 270 days past due	8,225	5.00%	411
271 to 365 days past due	3,908	10.00%	391
More than 365 days past due	<u>13,807</u>	100.00%	<u>13,807</u>
	<u><b>\$ 1,274,276</b></u>		<u><b>28,124</b></u>
	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 1,033,663	1.13%	11,663
1 to 90 days past due	261,279	1.00%	2,613
91 to 180 days past due	11,985	7.08%	848
181 to 270 days past due	9,218	5.00%	461
271 to 365 days past due	6,424	10.00%	642
More than 365 days past due	<u>11,595</u>	100.00%	<u>11,595</u>
	<u><b>\$ 1,334,164</b></u>		<u><b>27,822</b></u>
	<b>March 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 984,215	0.56%	5,510
1 to 90 days past due	248,992	1.00%	2,490
91 to 180 days past due	26,541	3.00%	1,792
181 to 270 days past due	2,812	5.00%	141
271 to 365 days past due	1,865	10.00%	187
More than 365 days past due	<u>12,357</u>	100.00%	<u>12,357</u>
	<u><b>\$ 1,276,782</b></u>		<u><b>22,477</b></u>

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

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

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Balance on January 1, 2024 and 2023	\$ 46,449	37,506
Impairment losses recognized	444	7,551
Foreign exchange gains (losses)	1,103	(1)
Balance on March 31, 2024 and 2023	<u>\$ 47,996</u>	<u>45,056</u>

As of March 31, 2024, December 31 and March 31, 2023, the Group does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2024</b>	<b>2023</b>	<b>2023</b>
Finished goods	\$ 1,730,903	1,728,891	1,703,000
Work in process	540,915	504,950	688,360
Raw material and supplies	1,063,347	994,316	1,124,241
Inventories in transit	168,432	123,133	93,616
	<u>\$ 3,503,597</u>	<u>3,351,290</u>	<u>3,609,217</u>

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$2,204,506 thousand and \$2,427,847 thousand for the three months ended March 31, 2024 and 2023, respectively.

During the three months ended March 31, 2024 and 2023, the write-down of inventories to net realizable value amounting to \$64,886 thousand and \$72,204 thousand, respectively.

As of March 31, 2024, December 31 and March 31, 2023, 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:

<b>Name of subsidiary</b>	<b>Country</b>	<b>Percentage of non-controlling interests on ownership interests and voting rights</b>		
		<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
		<b>2024</b>	<b>2023</b>	<b>2023</b>
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	Taiwan	63.95 %	63.95 %	63.66 %

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.

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

The summary of financial information:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Current assets	\$ 4,003,931	3,965,437	4,186,178
Non-current assets	5,050,688	4,991,906	4,459,360
Current liabilities	(2,180,591)	(2,249,868)	(2,153,954)
Non-current liabilities	(1,411,377)	(1,246,204)	(1,105,807)
Net assets	<u>\$ 5,462,651</u>	<u>5,461,271</u>	<u>5,385,777</u>
Non-controlling interests	<u>\$ 3,131,779</u>	<u>2,964,073</u>	<u>2,787,757</u>

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Sales revenue	\$ <u>1,875,486</u>	<u>1,908,049</u>
Net income	\$ 159,780	204,329
Other comprehensive income	(163,178)	429,051
Comprehensive income	<u>\$ (3,398)</u>	<u>633,380</u>
Net income attributable to non-controlling interests	<u>\$ 102,179</u>	<u>130,076</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 167,549</u>	<u>122,444</u>

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Cash flows from operating activities	\$ 283,299	304,768
Cash flows used in investing activities	(134,808)	(35,259)
Cash flows used in financing activities	(151,409)	(307,509)
Effect of exchange rate changes on cash and cash equivalents	18,918	348
Net increase (decrease) in cash and cash equivalents	<u>\$ 16,000</u>	<u>(37,652)</u>

(f) Property, plant and equipment

	<b>Land</b>	<b>Building and construction</b>	<b>Machinery and equipment</b>	<b>Total</b>
Carrying amount:				
Balance at January 1, 2024	\$ <u>866,547</u>	<u>917,184</u>	<u>2,639,793</u>	<u>4,423,524</u>
Balance at March 31, 2024	\$ <u>866,590</u>	<u>912,416</u>	<u>2,645,527</u>	<u>4,424,533</u>
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 March 31, 2023	\$ <u>861,426</u>	<u>896,254</u>	<u>2,660,065</u>	<u>4,417,745</u>

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

- (i) As of March 31, 2024 and December 31, 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 March 31, 2023, 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 months ended March 31, 2024 and March 31, 2023 were \$462 thousand and \$53 thousand, respectively, both at a rate of 1.50%.

(g) Right-of-use assets

	Land	Building and construction	Machinery and equipment	Transportation equipment	Total
Carrying amount:					
Balance at January 1, 2024	\$ 8,071	150,755	17,493	12,976	189,295
Balance at March 31, 2024	\$ 8,132	327,219	16,918	13,534	365,803
Balance at January 1, 2023	\$ 8,583	216,465	-	4,191	229,239
Balance at March 31, 2023	\$ 8,538	196,420	-	3,570	208,528

(h) Intangible assets

	Acquired special technology	Customer relationship	Patent	Software	Total
Carrying amount:					
Balance at January 1, 2024	\$ 29,425	412,348	-	136,272	578,045
Balance at March 31, 2024	\$ 26,987	360,242	-	133,693	520,921
Balance at January 1, 2023	\$ 43,557	160,327	6,326	98,203	308,413
Balance at March 31, 2023	\$ 39,687	150,988	4,744	94,027	289,446

(i) Goodwill

	March 31, 2024	December 31, 2023	March 31, 2023
Cost			
Beginning balance	\$ 1,269,559	1,136,565	1,136,565
Acquisition through business combinations	-	126,031	-
Others	69,966	-	-
Effect of movement in exchange rates	49,641	6,963	(9,622)
Ending balance	\$ 1,389,166	1,269,559	1,126,943

TSC Auto ID merged with, and acquired the entire shares of, MGN on June 12, 2023, through TSCPL, and generated goodwill amounting to PLN 16,748 thousand (approximately NTD 126,028 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.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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TSC Auto ID adjusted the provisional amount of goodwill to PLN 25,547 thousand (NTD 192,240 thousand at the exchange rate on the acquisition date) for the three months ended March 31, 2024, and as of the date of issuance of the consolidated financial report, the amount of goodwill may be adjusted after the formal valuation report is obtained, as the purchase price allocation assessment report has not yet been completed.

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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
CGU Rectifiers	\$ 81,792	78,482	77,830
CGU Bar Code Printers	1,307,374	1,191,077	1,049,113
	<u>\$ 1,389,166</u>	<u>1,269,559</u>	<u>1,126,943</u>

(j) Short-term borrowings

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Credit loans	\$ 1,113,309	1,621,395	1,288,121
Import and export loans	96,000	-	91,350
	<u>\$ 1,209,309</u>	<u>1,621,395</u>	<u>1,379,471</u>
Unused short-term credit lines	<u>\$ 4,700,337</u>	<u>3,973,950</u>	<u>3,736,579</u>
Range of interest rate (%)	<u>1.59%~7.53%</u>	<u>1.57%~8.80%</u>	<u>1.45%~5.65%</u>

Please refer to note 6(v) 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

	<u>March 31, 2024</u>		
	<u>Rate range</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	1.675%	2030.02.01	\$ 5,200
	1.400%	2029.03.15	153,600
	1.525%	2029.02.01	10,800
	1.320%	2028.12.31	3,590
	1.805%	2027.07.16	213,333
	1.805%	2026.12.04	60,487
	1.325%	2025.03.28	80,000
	1.325%	2024.12.25	90,000
Secured bank loans	1.65%~2.00%	2026.03.13	560,000
	4.40%~8.88%	2027.12.15	17,822
			<u>1,194,832</u>
Less: Current portion			<u>(265,838)</u>
Total			<u>\$ 928,994</u>
Unused long-term credit lines			<u>\$ 3,463,930</u>

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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<b>December 31, 2023</b>			
	<b>Rate range</b>	<b>Maturity year</b>	<b>Amount</b>
Unsecured bank loans	1.20%	2027.07.16	\$ 229,334
	1.20%	2026.12.04	66,157
	1.20%	2025.03.28	100,000
	1.20%	2024.12.25	120,000
	1.75%	2024.03.08	11,900
	1.65%~2.00%	2026.03.13	600,000
Secured bank loans	5.43%~8.80%	2027.12.15	20,029
			1,147,420
Less: Current portion			(307,457)
Total			<b>\$ 839,963</b>
Unused long-term credit lines			<b>\$ 1,588,370</b>
<b>March 31, 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	83,169
	1.20%	2025.03.28	160,000
	1.20%	2024.12.25	210,000
	1.75%	2024.03.08	41,900
	1.52%~2.00%	2026.03.13	527,000
			\$ 1,278,069
Less: Current portion			(312,249)
Total			<b>\$ 965,820</b>
Unused long-term credit lines			<b>\$ 1,475,931</b>

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

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

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## (l) Other payable

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Salaries and bonus payable	\$ 362,772	472,887	466,269
Payables on equipment	32,690	71,298	78,735
Others	418,247	466,932	318,710
	<b><u>\$ 813,709</u></b>	<b><u>1,011,117</u></b>	<b><u>863,714</u></b>

## (m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Current	\$ 109,818	105,383	109,545
Non-current	242,233	64,880	102,200
	<b><u>\$ 352,051</u></b>	<b><u>170,263</u></b>	<b><u>211,745</u></b>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Interest on lease liabilities	\$ <u>3,606</u>	<u>2,013</u>
Expenses relating to short-term leases	\$ <u>2,784</u>	<u>2,011</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,087</u>	<u>2,998</u>

The Group leased buildings, vehicles and machinery equipment for its offices, plants, official cars and daily operations, with lease periods ranging from 1 to 6 years. The lease of offices and warehouses located in the United States is subject to an annual lease payment increase at rates ranging from 2.5% to 3%, and the lease payment of offices located in India is subject to an annual lease payment adjustment at a rate of 5%.

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

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Total cash outflow for leases	\$ <u>41,807</u>	<u>31,367</u>

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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(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, 2023 and 2022.

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

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Operating cost	\$ 67	73
Selling expenses	18	18
Administrative expenses	108	106
Research and development expenses	24	26
	<b>\$ 217</b>	<b>223</b>

(ii) Defined contribution plans

For the three months ended March 31, 2024 and 2023, the Group's pension costs under the defined contribution method were \$17,587 thousand and \$16,424 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 \$12,805 thousand and \$15,575 thousand for the three months ended March 31, 2024 and 2023, respectively.

(o) Income tax

(i) The components of income tax in the years 2024 and 2023 were as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Current tax expenses		
Current period	\$ 102,101	158,484
Adjustment for prior periods	(1,517)	713
	100,584	159,197
Deferred tax gains		
Origination of temporary differences	(12,222)	(25,356)
Total income tax expenses	<b>\$ 88,362</b>	<b>133,841</b>

(Continued)



**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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- (ii) The amount of income tax recognized in other comprehensive income for the years 2024 and 2023 were as follows:

	For the three months ended	
	March 31	
	2024	2023
Items that maybe reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations \$	25,555	(2,996)

- (iii) There was no income tax recognized directly in equity for the three months ended March 31, 2024 and 2023, respectively.
- (iv) As of March 31, 2024, the income tax returns of the Company and TSC Auto ID through the year 2022, 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 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 March 31, 2024, December 31 and March 31, 2023, the authorized capital amounted to \$9,000,000 thousand, \$9,000,000 thousand and \$3,600,000 thousand (including the amount of \$100,000 authorized for the issuance of the employee stock options); the Company's outstanding capital amounted to \$2,634,854 thousand, respectively, with a par value of \$10 (dollars) per share.

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

(ii) Capital surplus

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
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	200,145	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	99,831	95,210	82,157
	<b><u>\$ 2,213,872</u></b>	<b><u>2,209,251</u></b>	<b><u>2,136,998</u></b>

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.

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 IFRS 1 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 March 31, 2024 and 2023.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of 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 Board of Directors approved the proposal to distribute earnings for 2023 on March 15, 2024, and the annual shareholders' meeting resolved to distribute earnings for 2022 on June 19, 2023, respectively, and the distributions to stockholders were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Dividends distributed to common shareholders:				
Cash	\$ 2.00	<u><u>526,971</u></u>	4.00	<u><u>1,053,942</u></u>

(vi) Treasury stocks

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.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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As of March 31, 2024 and 2023, a subsidiary of the Company, TSC Auto ID, held 15,960 thousand and 14,800 thousand shares of the Company, respectively, with a buyback cost of \$599,878 thousand and \$506,043 thousand, respectively, which was 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 differences arising from foreign operation</b>
Balance at January 1, 2024	\$ (419,530)
Foreign exchange differences	120,283
Balance at March 31, 2024	<b>\$ (299,247)</b>
	<b>Foreign exchange differences arising from foreign operation</b>
Balance at January 1, 2023	\$ (359,558)
Foreign exchange differences	4,501
Balance at March 31, 2023	<b>\$ (355,057)</b>

(q) Share-based payment

There were no significant changes with share-based payment for the three months ended March 31, 2024 and 2023. Please refer to the 2023 annual consolidated financial statements.

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<b>For the three months ended March 31, 2024</b>		
	<b>Rectifiers</b>	<b>Bar code Printers</b>	<b>Total</b>
	Primary geographical markets		
Asia	\$ 809,253	489,769	1,299,022
America	115,219	897,611	1,012,830
Europe	356,491	488,089	844,580
Others	14,428	-	14,428
	<b>\$ 1,295,391</b>	<b>1,875,469</b>	<b>3,170,860</b>

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<b>For the three months ended March 31, 2024</b>			
	<b>Rectifiers</b>	<b>Bar code Printers</b>	<b>Total</b>
Major products lines			
Rectifiers	\$ 1,295,391	-	1,295,391
Bar code Printers	-	1,875,469	1,875,469
	<b>\$ 1,295,391</b>	<b>1,875,469</b>	<b>3,170,860</b>
<b>For the three months ended March 31, 2023</b>			
	<b>Rectifiers</b>	<b>Bar code Printers</b>	<b>Total</b>
Primary geographical markets			
Asia	\$ 975,405	508,187	1,483,592
America	236,806	1,028,550	1,265,356
Europe	482,469	371,308	853,777
Others	22,638	-	22,638
	<b>\$ 1,717,318</b>	<b>1,908,045</b>	<b>3,625,363</b>
Major products lines			
Rectifiers	\$ 1,717,318	-	1,717,318
Bar code Printers	-	1,908,045	1,908,045
	<b>\$ 1,717,318</b>	<b>1,908,045</b>	<b>3,625,363</b>
(ii) Contract balances			
	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Notes and trade receivable	\$ 2,518,707	2,622,422	2,911,637
Less: Allowance for impairment	(47,996)	(46,449)	(45,056)
Total	<b>\$ 2,470,711</b>	<b>2,575,973</b>	<b>2,866,581</b>

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

(s) Non-operating income and expenses

(i) Interest income

The Group's interest income detail was as follows:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Interest income from bank deposits	<b>\$ 6,606</b>	<b>8,046</b>

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## (ii) Other income

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Rent income	\$ 2,023	1,926
Others	9,678	17,874
	<b>\$ 11,701</b>	<b>19,800</b>

## (iii) Other gains and losses

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Losses on disposal of property, plant and equipment	\$ (879)	(130)
Foreign exchange gains (losses)	69,131	(3,426)
Losses on financial asset at fair value through profit or loss	(6,229)	(4,398)
Reversal of impairment gains on property, plant and equipment	989	-
Others	(1,619)	2,181
	<b>\$ 61,393</b>	<b>(5,773)</b>

## (iv) Finance costs

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Interest expense	\$ (20,933)	(16,882)
Less: interest capitalization	663	53
Other financial costs	(395)	(487)
	<b>\$ (20,665)</b>	<b>(17,316)</b>

## (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.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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The Company estimated its remuneration to employees amounting to \$8,391 thousand and \$20,340 thousand for the three months ended March 31, 2024 and 2023, respectively, and estimated its remuneration to directors amounting \$1,398 thousand and \$2,840 thousand for the three months ended March 31, 2024 and 2023, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentages 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.

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

(u) Earnings per share

(i) Basic earnings per share

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Net income	<u>\$ 104,542</u>	<u>230,317</u>
Weighted-average number of outstanding shares (thousands)	<u>247,525</u>	<u>248,685</u>
Basic earnings per share (\$)	<u>0.42</u>	<u>0.93</u>

(ii) Diluted earnings per share

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Diluted net income per share	<u>104,542</u>	<u>230,317</u>
Weighted-average number of outstanding shares (thousands)	247,525	248,685
Employees' remuneration	715	1,291
Diluted weighted-average number of common shares outstanding (thousands)	<u>248,240</u>	<u>249,976</u>
Diluted earnings per share (\$)	<u>0.42</u>	<u>0.92</u>

(Continued)

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

(v) 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).

(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 amount</u>	<u>Contractual cash flow</u>	<u>1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>March 31, 2024</b>						
<b>Non-derivative financial liabilities</b>						
Short-term borrowings	\$ 1,209,309	1,212,899	1,212,899	-	-	-
Accounts payable	1,347,115	1,347,115	1,347,115	-	-	-
Other payables	813,709	813,709	813,709	-	-	-
Lease liabilities	352,051	405,407	130,109	87,422	161,640	26,236
Long-term borrowings (including expires within one year)	1,194,832	1,229,628	282,658	663,843	281,672	1,455
<b>Derivative financial liabilities</b>						
Exchange forward contract	3,355	3,355	3,355	-	-	-
	<u>\$ 4,920,371</u>	<u>5,012,113</u>	<u>3,789,845</u>	<u>751,265</u>	<u>443,312</u>	<u>27,691</u>
<b>December 31, 2023</b>						
<b>Non-derivative financial liabilities</b>						
Short-term borrowings	\$ 1,621,395	1,628,176	1,628,176	-	-	-
Accounts payable	1,356,786	1,356,786	1,356,786	-	-	-
Other payables	1,011,117	1,011,117	1,011,117	-	-	-
Lease liabilities	170,263	178,188	113,515	61,964	2,709	-
Long-term borrowings(including expires within one year)	1,147,420	1,175,359	322,957	425,050	427,352	-
	<u>\$ 5,306,981</u>	<u>5,349,626</u>	<u>4,432,551</u>	<u>487,014</u>	<u>430,061</u>	<u>-</u>

(Continued)



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

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>March 31, 2023</b>						
<b>Non-derivative financial liabilities</b>						
Short-term borrowings	\$ 1,379,471	1,382,704	1,382,704	-	-	-
Accounts payable	1,560,662	1,560,662	1,560,662	-	-	-
Other payables	863,714	863,714	863,714	-	-	-
Lease liabilities	211,745	242,688	122,268	106,502	13,918	-
Long-term borrowings (including expires within one year)	1,278,069	1,293,442	320,396	333,514	639,532	-
<b>Derivative financial liabilities</b>						
Exchange forward contract	<u>5,607</u>	<u>5,607</u>	<u>5,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,299,268</u>	<u>5,348,817</u>	<u>4,255,351</u>	<u>440,016</u>	<u>653,450</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	<u>Exchange rate</u>	<u>Amount (TWD)</u>	<u>Exchange rate</u>	<u>Amount (TWD)</u>	<u>Exchange rate</u>	<u>Amount (TWD)</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 32.00	1,534,494	30.705	1,864,116	30.45	2,299,605
EUR	34.46	915,126	33.98	899,804	33.15	1,006,175
JPY	0.2115	181,776	0.2172	171,334	0.2288	190,200
HKD	4.0890	335,861	3.9290	466,665	3.8790	442,827
CNY	4.4080	1,984,507	4.3270	2,018,397	4.4310	1,808,359
KRW	0.0238	<u>774</u>	0.0238	<u>702</u>	0.0234	<u>1,263</u>
		<u>\$ 4,952,538</u>		<u>5,421,018</u>		<u>5,748,429</u>
<u>Derivative financial instruments</u>						
USD	\$ 32.00	-	30.705	3,316	30.45	355
EUR	34.46	<u>277</u>	33.98	<u>2,255</u>	33.15	<u>-</u>
		<u>\$ 277</u>		<u>5,571</u>		<u>355</u>

(Continued)

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

	March 31, 2024		December 31, 2023		March 31, 2023	
	Exchange rate	Amount (TWD)	Exchange rate	Amount (TWD)	Exchange rate	Amount (TWD)
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 32.00	635,064	30.705	597,638	30.45	851,188
EUR	34.46	322,549	33.98	365,939	33.15	245,010
JPY	0.2115	89,742	0.2172	47,000	0.2288	97,693
HKD	4.0890	1,322	3.9290	1,337	3.8790	1,331
CNY	4.4080	515,489	4.3270	565,398	4.4310	573,303
KRW	0.0238	<u>555</u>	0.0238	<u>875</u>	0.0234	<u>1,295</u>
		<u>\$ 1,564,721</u>		<u>1,578,187</u>		<u>1,769,820</u>
<u>Derivative financial instruments</u>						
USD	\$ 32.00	3,242	30.705	-	30.45	4,521
EUR	34.46	<u>113</u>	33.98	<u>-</u>	33.15	<u>1,086</u>
		<u>\$ 3,355</u>		<u>-</u>		<u>5,607</u>

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.

A strengthening (weakening) of 3% of the NTD against the foreign currency as of March 31, 2024 and 2023, would have increased or decreased the net profit before tax by \$101,542 thousand and \$119,201 thousand for the three months ended March 31, 2024 and 2023, 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 2023 (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 March 31, 2024 and 2023, foreign exchange gain (including realized and unrealized portions) amounted to \$69,131 thousand and \$(3,426) 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.

(Continued)

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

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 \$24,041 thousand and \$26,575 thousand for the three months ended March 31, 2024 and 2023, 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 three months ended March 31</b>			
	<b>2024</b>		<b>2023</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><u>Security price on the reporting date</u></b>				
Increasing 1%	\$ -	<u>2,575</u>	-	<u>2,535</u>
Decreasing 1%	\$ -	<u>(2,575)</u>	-	<u>(2,535)</u>

(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:

(Continued)

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

	March 31, 2024				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Beneficiary certificates	\$ 240,165	240,165	-	-	240,165
Forward exchange contract	277	-	277	-	277
Fund in foreign markets	21,754	-	-	21,574	21,574
Subtotal	<u>262,196</u>	<u>240,165</u>	<u>277</u>	<u>21,574</u>	<u>262,016</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,085,313	-	-	-	-
Notes and accounts receivable	2,470,711	-	-	-	-
Other receivables	58,277	-	-	-	-
Other financial assets (including current and non-current)	407,283	-	-	-	-
Subtotal	<u>6,021,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,283,780</u>	<u>240,165</u>	<u>277</u>	<u>21,574</u>	<u>262,016</u>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	3,355	-	3,355	-	3,355
<b>Financial liabilities measured at amortized cost</b>					
Accounts payable	\$ 1,347,115	-	-	-	-
Other payables	813,709	-	-	-	-
Lease liabilities	352,051	-	-	-	-
Borrowings	2,404,141	-	-	-	-
Subtotal	<u>4,917,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,920,371</u>	<u>-</u>	<u>3,355</u>	<u>-</u>	<u>3,355</u>
	December 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Beneficiary certificates	\$ 20,032	20,032	-	-	20,032
Forward exchange contract	5,571	-	5,571	-	5,571
Fund in foreign markets	22,383	-	-	22,383	22,383
Subtotal	<u>47,986</u>	<u>20,032</u>	<u>5,571</u>	<u>22,383</u>	<u>47,986</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,383,447	-	-	-	-
Notes and accounts receivable	2,575,973	-	-	-	-
Other receivables	72,080	-	-	-	-
Other financial assets (including current and non-current)	503,089	-	-	-	-
Subtotal	<u>6,534,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,582,575</u>	<u>20,032</u>	<u>5,571</u>	<u>22,383</u>	<u>47,986</u>

(Continued)

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

	December 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities measured at amortized cost</b>					
Accounts payable	\$ 1,356,786	-	-	-	-
Other payables	1,011,117	-	-	-	-
Lease liabilities	170,263	-	-	-	-
Borrowings	2,768,815	-	-	-	-
Subtotal	<u>5,306,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,306,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	March 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Beneficiary Certificates	\$ 250,198	250,198	-	-	250,198
Financial investment	265,860	-	-	265,860	265,860
Derivative financial assets	355	-	355	-	355
Fund in foreign markets	4,122	-	-	4,122	4,122
Subtotal	<u>520,535</u>	<u>250,198</u>	<u>355</u>	<u>269,982</u>	<u>520,535</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	3,386,616	-	-	-	-
Notes and accounts receivable	2,866,581	-	-	-	-
Other receivables	91,752	-	-	-	-
Other financial assets (including current and non-current)	473,122	-	-	-	-
Subtotal	<u>6,818,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,338,606</u>	<u>250,198</u>	<u>355</u>	<u>269,982</u>	<u>520,535</u>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	\$ 5,607	-	5,607	-	5,607
<b>Financial liabilities measured at amortized cost</b>					
Accounts payable	1,560,662	-	-	-	-
Other payables	863,714	-	-	-	-
Lease liabilities	211,745	-	-	-	-
Borrowings	2,657,540	-	-	-	-
Subtotal	<u>5,293,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,299,268</u>	<u>-</u>	<u>5,607</u>	<u>-</u>	<u>5,607</u>

(Continued)

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

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

3) Fair value hierarchy transfer

There was no transfer from one level to another for the three months ended March 31, 2024 and 2023.

4) Reconciliation of Level 3 fair values

	<b>Financial assets at fair value through profit or loss</b>
Opening balance, January 1, 2024	\$ 22,383
Total gains or losses	
Recognized in profit or loss	(629)
Ending balance, March 31, 2024	<u>\$ 21,754</u>
Opening balance, January 1, 2023	\$ -
Total gains or losses	
Recognized in profit or loss	(35)
Reclassified	4,157
Ending balance, March 31, 2023	<u>\$ 4,122</u>

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

For the three months ended March 31, 2024 and 2023, the total gains and losses that were included in "other gains and losses" were as follows:

	<b>For the three months ended</b>	
	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Total gains or losses		
Recognized in profit or loss (presented in "other gains and losses")	\$ (629)	(35)

- 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 technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value 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.

- (w) Financial risk management

There were no significant changes with purpose and policy of financial risk management for the year ended December 31, 2023.

- (x) 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, 2023. Also, they believe that for the three months ended March 31, 2024, 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, 2023 for other related information.

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

(y) 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 three months ended March 31, 2024 and 2023.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Non-cash changes			March 31, 2024
			Foreign exchange movement	Other	Changes in lease payments	
Short-term borrowings	\$ 1,621,395	(412,086)	-	-	-	1,209,309
Long-term borrowings (including expires within one year)	1,147,420	47,401	11	-	-	1,194,832
Lease liabilities	170,263	(34,330)	9,984	3,606	202,528	352,051
Deposit received	1,971	51	-	-	-	2,022
Total liabilities from financing activities	<u>\$ 2,941,049</u>	<u>(398,964)</u>	<u>9,995</u>	<u>3,606</u>	<u>202,528</u>	<u>2,758,214</u>

	January 1, 2023	Cash flows	Non-cash changes			March 31, 2023
			Foreign exchange movement	Other	Changes in lease payments	
Short-term borrowings	\$ 1,466,515	(87,044)	-	-	-	1,379,471
Long-term borrowings (including expires within one year)	1,406,740	(128,671)	-	-	-	1,278,069
Lease liabilities	229,226	(24,345)	(3,278)	2,013	8,129	211,745
Deposit received	2,217	4	-	-	-	2,221
Total liabilities from financing activities	<u>\$ 3,104,698</u>	<u>(240,056)</u>	<u>(3,278)</u>	<u>2,013</u>	<u>8,129</u>	<u>2,871,506</u>

(7) Related-party transactions:

(a) Related-party transactions

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

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Short-term employment benefits	\$ 50,423	54,626
Post-employment benefits	628	427
Share-based payment	3,276	428
	<b>\$ 54,327</b>	<b>55,481</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 pledge</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
Property, plant and equipment	Borrowing	\$ 95,283	51,785	-

**(9) Commitments and contingencies:**

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>March 31, 2023</b>
NTD	\$ 2,070,000	2,081,900	2,411,900
USD	22,300	14,000	21,000

As of March 31, 2024 and 2023, the Company has unused letters of credit issued by the Group.

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

**(11) Subsequent Events: None**

(Continued)

**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 March 31, 2024			For the three months ended March 31, 2023		
		Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits							
Salary		268,644	351,690	620,334	319,814	205,905	525,719
Labor and health insurance		31,281	33,588	64,869	28,809	29,623	58,432
Pension		17,876	12,733	30,609	21,467	10,755	32,222
Remuneration of directors		-	7,090	7,090	-	10,076	10,076
Others		24,403	11,698	36,101	17,666	14,149	31,815
Depreciation		187,231	30,512	217,743	178,408	29,078	207,486
Amortization		3,736	21,770	25,506	3,697	30,381	34,078

- (b) Seasonality of operation

The Group's operations are not affected by seasonal or cyclical 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 three months ended March 31, 2024:

##### (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	TSCPL (Note 5)	Other receivables-related party	Yes	172,300	-	-	- %	2	-	Repayment of bank loans	-	None	-	1,092,530	2,185,060
2	TSC Auto ID	TSCAE	Other receivables-related party	Yes	34,460	34,460	8,615	- %	2	-	Repayment of bank loans	-	None	-	1,092,530	2,185,060
3	TSC Auto ID	MGN	Other receivables-related party	Yes	172,300	172,300	34,460	- %	2	-	Repayment of bank loans	-	None	-	1,092,530	2,185,060

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

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

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

Note 4: Conversion at the exchange rate of NTD 34.46 for EUR on March 31, 2024.

Note 5: The capital loan amounts of TSC Auto ID to its subsidiary TSCPL expired on March 15, 2024.

##### (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	2,185,060	192,000	192,000	-	-	3.51 %	3,277,591	N	N	N
2	TSC Auto ID	TSCAE	2	2,185,060	16,000	16,000	-	-	0.29 %	3,277,591	N	N	N

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

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

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

Note 4: Conversion at exchange rate NTD 32.00 to USD on March 31, 2024.

##### (iii) Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Capital Money Market Fund	-	Financial assets at fair value through profit or loss-current	6,010	100,000	-	100,000	
The Company	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss-current	7,608	120,134	-	120,134	
The Company	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,432	20,031	-	20,031	
The Company	Applied Wireless Identifications Group, Inc.	-	Financial assets at fair value through profit or loss-current	243	-	-	-	

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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	Third Dimension (3D)Semiconductor, Inc.		Financial assets at fair value through profit or loss-current	921	-	-	-	
The Company	Achi Capital Partners Fund LP		Financial assets at fair value through profit or loss-non-current	-	21,754	-	21,754	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (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	TSCH	Subsidiary	Sale	(100,397)	(3) %		-		153,761	6%	
The Company	Yangxin Everwell	Sub-subsidiary	Purchase	376,726	17 %		-		(274,550)	(20)%	(Note 2)
TSC Auto ID	TSCAE	Subsidiary	Sale	(159,210)	(5) %		-		584,819	24%	
TSC Auto ID	TSCAA	Subsidiary	Sale	(128,096)	(4) %		-		447,075	18%	
TSC Auto ID	TTSC	Subsidiary	Sale	(157,127)	(5) %		-		107,175	4%	
TSC Auto ID	TTSC	Subsidiary	Purchase	175,938	8 %		-		(146,394)	(11)%	

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

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

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

- (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	153,761	2.41 %	-		33,954	-
The Company	TSCA	Sub-subsidiary	122,905	2.48 %	-		35,715	-
TSC Auto ID	TSCAE	Subsidiary	584,819	1.08 %	-		75,193	-
TSC Auto ID	TSCAA	Subsidiary	447,075	1.17 %	-		51,001	-
TSC Auto ID	TTSC	Subsidiary	107,175	5.91 %	-		48,309	-
TTSC	TSC Auto ID	Subsidiary	146,394	4.47 %	-		49,876	-

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).

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

(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	TSCF	1	Selling expenses-commission	23,368	Monthly payment	0.71%
0	The Company	TSCF	1	Accrued expenses	28,249		0.16%
0	The Company	TSCJ	1	Sales revenue	73,803	Note 3	2.23%
0	The Company	TSCJ	1	Accounts receivable	53,837		0.31%
0	The Company	TSCH	1	Sales revenue	100,397	Monthly payment	3.03%
0	The Company	TSCH	1	Accounts receivable	153,761		0.87%
0	The Company	TSCH	1	Other receivables	501		-%
0	The Company	TSCH	1	Accrued expenses	98		-%
0	The Company	TSCA	1	Sales revenue	80,027	Note 3	2.42%
0	The Company	TSCA	1	Selling expenses-commission	1,562		0.05%
0	The Company	TSCA	1	Accounts receivable	122,905		0.70%
0	The Company	TSCA	1	Other receivables	5,165		0.03%
0	The Company	TSCA	1	Accrued expenses	1,734		0.01%
0	The Company	TSCC	1	Sales revenue	50,704	Monthly payment	1.53%
0	The Company	TSCC	1	Accounts receivable	97,063		0.55%
0	The Company	TSCC	1	Other receivables	131		-%
0	The Company	TSCC	1	Purchase	38,818		1.17%
0	The Company	TSCC	1	Accounts payable	38,559		0.22%
0	The Company	Yangxin Everwell	1	Purchase	376,726	Note 4	11.39%
0	The Company	Yangxin Everwell	1	Accounts payable	274,550	Note 5	1.56%
0	The Company	Tianjin Everwell	1	Purchase	66,156		2.00%
0	The Company	Tianjin Everwell	1	Accounts payable	12,049		0.07%
0	The Company	Tianjin Everwell	1	Other payable	54,414		0.31%
1	Yangxin Everwell	TSCC	3	Sales revenue	297,210	Note 3	8.98%
1	Yangxin Everwell	TSCC	3	Accounts receivable	358,190		2.04%

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.

(Continued)

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

## (b) Information on investees:

The following is the information on investees for the three months ended March 31, 2024:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2024	December 31, 2023	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 %	1,468,719	(27,561)	(27,561) (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 %	1,759,101	22,043	22,043 (Note 2)	Subsidiary
The Company	Skyrise	British Virgin Islands	Holding company and general import and export business	2,845	2,845	50	100.00 %	1,909	-	- (Note 2)	Subsidiary
The Company	TSCE	Germany	General import and export business	10,972	10,972	-	100.00 %	69,072	(3,426)	(3,426) (Note 2)	Subsidiary
The Company	TSCJ	Japan	Trading of rectifiers	28,689	28,689	2	100.00 %	123,172	5,159	5,159 (Note 1)	Subsidiary
The Company	TSCH	Hong Kong	Holding company and trading of rectifiers	282,312	282,312	672	25.22 %	594,038	9,322	(18,534) (Note 2)	Subsidiary
The Company	TSC Auto ID	Taiwan	Manufacture and sale of bar code printers	163,728	163,728	16,995	36.05 %	1,148,236	159,780	57,601 (Note 1)	Subsidiary
Ever Energetic	TSCA	United States	Trading of rectifiers	258,520	258,520	6,750	75.00 %	213,491	(41,343)	(31,007) (Note 2)	Subsidiary
Ever Energetic	TSCH	Hong Kong	Holding company and trading of rectifiers	571,628	571,628	985	36.96 %	1,181,557	9,322	3,445 (Note 2)	Subsidiary
Ever Winner	TSCA	United States	Trading of rectifiers	83,813	83,813	2,250	25.00 %	71,164	(41,343)	(10,336) (Note 2)	Subsidiary
Ever Winner	TSCC	China	Trading of rectifiers	4,461	4,461	-	100.00 %	404,192	28,853	28,853 (Note 2)	Subsidiary
Ever Winner	TSCH	Hong Kong	Holding company and trading of rectifiers	792,254	792,254	1,008	37.82 %	1,209,050	9,322	3,526 (Note 2)	Subsidiary
TSCH	Yangxin Everwell	China	Manufacture and sale of rectifiers	966,119	966,119	-	100.00 %	2,319,339	13,417	13,417 (Note 1)	Subsidiary
TSCH	Tianjin Everwell	China	Manufacture and sale of wafers	787,044	787,044	-	100.00 %	644,441	(5,873)	(5,873) (Note 2)	Subsidiary
TSC Auto ID	TSCAE	Germany	Trading of bar code printers and other parts	2,943	2,943	-	100.00 %	(59,839)	(14,247)	(14,247) (Note 1)	Subsidiary
TSC Auto ID	TSCAA	United States	Trading of bar code printers and other parts	1,096,621	1,096,621	16,000	100.00 %	1,063,113	(6,423)	(6,423) (Note 1)	Subsidiary
TSC Auto ID	TSC HK	Hong Kong	Holding company and general import and export business	47,468	47,468	12,711	100.00 %	806,172	23,471	23,471 (Note 1)	Subsidiary
TSC Auto ID	Printronix AD	Taiwan	Trading of bar code printers and other parts	5,000	5,000	500	100.00 %	4,747	(48)	(48) (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 %	1,426,720	16,318	16,318 (Note 1)	Subsidiary
TSC Auto ID	TSCIN	India	Trading of bar code printers and other parts	2,791	2,791	710	100.00 %	908	(323)	(323) (Note 1)	Subsidiary
TSC Auto ID	TSCPL	Poland	General investment	498,827	498,827	-	100.00 %	512,118	2,247	2,247 (Note 1)	Subsidiary
TSCAE	TSCAD	United Arab Emirates	Trading of bar code printers and other parts	8,234	8,234	-	100.00 %	(15,335)	(1,006)	(1,006) (Note 1)	Subsidiary
TSCAE	TSCAS	Spain	Trading of bar code printers and other parts	124	124	-	100.00 %	3,131	90	90 (Note 1)	Subsidiary
DLS	PPL	United States	Sale of bar code printer, label papers, other parts	115 (thousands USD)	115 (thousands USD)	850	100.00 %	42,393	2,025	2,025 (Note 1)	Subsidiary
TSCPL	MGN	Poland	Customization of design, integration and marketing of label papers and other parts	70,944 (thousands PLN)	71,834 (thousands PLN)	2	100.00 %	570,473	1,334	1,562 (Note 1)	Subsidiary
TSC HK	TTSC	China	Manufacture and sale of bar code printers and other parts	48,000	48,000	-	100.00 %	864,298	23,471	23,471 (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.

(Continued)

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

## (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, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2024	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	(2)	4,461	-	-	4,461	28,853	100.00%	28,853	404,192	397,444
Yangxin Everwell	Manufacture and sale of rectifiers	1,667,160	(2)	628,196	-	-	628,196	13,417	100.00%	13,417	2,319,339	250,864
Tianjin Everwell	Manufacture and sale of wafers	387,173	(2)	387,173	-	-	387,173	(5,873)	100.00%	(5,873)	644,441	452,102
TTSC	Manufacture and sale of bar code printers and other parts	46,284	(2)	48,000	-	-	48,000	23,471	36.05%	8,461	864,298	787,814

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

## (ii) Limitation on investment in China:

Accumulated Investment in China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,055,010	2,079,010	4,722,604

## (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in 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)		15,960,000	6.05 %

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

**(14) Segment information:**

	<b>For the three months ended March 31, 2024</b>			
	<b>Rectifiers</b>	<b>Bar Code Printers</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>Revenue:</b>				
Revenue from external customers	\$ 1,295,391	1,875,469	-	3,170,860
Intersegment revenues	<u>1,140,882</u>	<u>17</u>	<u>(1,140,899)</u>	<u>-</u>
Total revenue	<u>\$ 2,436,273</u>	<u>1,875,486</u>	<u>(1,140,899)</u>	<u>3,170,860</u>
<b>Reported segment profit and loss</b>	<u>\$ 77,929</u>	<u>217,154</u>	<u>-</u>	<u>295,083</u>
	<b>For the three months ended March 31, 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	\$ 1,717,318	1,908,045	-	3,625,363
Intersegment revenues	<u>1,260,107</u>	<u>4</u>	<u>(1,260,111)</u>	<u>-</u>
Total revenue	<u>\$ 2,977,425</u>	<u>1,908,049</u>	<u>(1,260,111)</u>	<u>3,625,363</u>
<b>Reported segment profit and loss</b>	<u>\$ 215,996</u>	<u>278,238</u>	<u>-</u>	<u>494,234</u>
	<b>Rectifiers</b>	<b>Bar Code Printers</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Reported segment assets				
March 31, 2024	<u>\$ 22,373,413</u>	<u>9,054,619</u>	<u>(13,852,666)</u>	<u>17,575,366</u>
December 31, 2023	<u>\$ 22,626,105</u>	<u>8,957,343</u>	<u>(14,037,966)</u>	<u>17,545,482</u>
March 31, 2023	<u>\$ 23,965,159</u>	<u>8,645,538</u>	<u>(14,446,320)</u>	<u>18,164,377</u>