

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

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,298,465 thousand and \$3,351,820 thousand, constituting 18.04% and 18.64% of the consolidated total assets; and the total liabilities amounting to \$624,459 thousand and \$730,421 thousand, constituting 8.20% and 9.59% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively; as well as total comprehensive income (loss) amounting to \$36,378 thousand, \$96,252 thousand, \$88,444 thousand and \$379,378 thousand, constituting 6.23%, 11.52%, 7.11% and 17.89% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2023 and 2022, respectively.

Qualified Conclusion

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

Other Matter

We did not review the financial statements of TSC Auto ID Technology Co., Ltd., (TSC Auto ID) a subsidiary of the Group. Those financial statements were reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the review report of the other auditors. The financial statements of TSC Auto ID reflect total assets amounting to \$7,828,181 thousand and \$7,083,462 thousand, constituting 42.80% and 39.38% of the consolidated total assets as of September 30, 2023 and 2022, respectively; and the total revenues amounting to \$1,978,880 thousand, \$1,980,108 thousand, \$6,036,087 thousand and \$5,784,475 thousand, constituting 52.78%, 49.89%, 54.21% and 49.50% of the consolidated total revenues for the three months and nine months ended September 30, 2023 and 2022, respectively.

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

KPMG

Taipei, Taiwan (Republic of China)
November 8, 2023

Notes to Readers

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

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

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

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 3,601,098	20	3,595,681	20	2,988,339	17	2100	Short-term borrowings (note 6(j))	\$ 2,123,823	12	1,466,515	8	1,458,378	8
1110	Current financial assets at fair value through profit or loss (note 6(b))	2,943	-	1,798	-	801	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	418	-	2,392	-	20,105	-
1150	Notes receivable, net (notes 6(c) and (r))	63	-	588	-	126	-	2170	Accounts payable	1,489,362	8	1,648,557	9	1,744,622	10
1170	Accounts receivable, net (notes 6(c) and (r))	2,952,071	16	3,015,880	17	3,309,966	18	2200	Other payables (note 6(l))	909,032	5	1,065,266	6	946,260	5
1200	Other receivables	86,632	-	105,789	1	103,457	1	2230	Current tax liabilities	220,699	1	415,066	2	347,888	2
1220	Current tax assets	5,099	-	409	-	22,846	-	2322	Long-term borrowings, current portion (note 6(k))	314,797	2	322,349	2	599,569	3
130X	Inventories (note 6(d))	3,536,208	19	3,500,033	19	3,459,538	19	2280	Lease liabilities, current (note 6(m))	111,593	1	106,012	-	110,004	1
1410	Prepayments	175,760	1	251,545	1	267,542	1	2399	Other current liabilities	302,740	2	325,900	2	411,206	2
1476	Other current financial assets (note 6(b))	88,300	1	599,488	3	518,868	3			5,472,464	31	5,352,057	29	5,638,032	31
		10,448,174	57	11,071,211	61	10,671,483	59								
Non-current assets:								Non-Current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	4,497	-	-	-	-	-	2540	Long-term borrowings (note 6(k))	1,033,540	6	1,084,391	6	889,061	5
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	-	-	4,157	-	-	-	2580	Lease liabilities, non-current (note 6(m))	92,628	1	123,214	1	149,189	1
1600	Property, plant and equipment (notes 6(f) and (w))	4,400,900	24	4,483,033	25	4,479,322	25	2640	Net defined benefit liabilities, non-current	35,045	-	35,000	-	42,478	-
1755	Right-of-use assets (note 6(g))	222,714	1	229,239	1	259,139	1	2570	Deferred tax liabilities	899,419	5	825,106	5	833,687	5
1822	Intangible assets (notes 6(h) and (w))	317,600	2	308,413	2	340,339	2	2670	Other non-current liabilities	79,148	-	71,568	-	68,002	-
1805	Goodwill (notes 6(i) and (w))	1,528,365	8	1,136,565	6	1,175,055	7			2,139,780	12	2,139,279	12	1,982,417	11
1840	Deferred tax assets	507,590	3	458,165	3	471,337	3		Total liabilities	7,612,244	43	7,491,336	41	7,620,449	42
1980	Other non-current financial assets (note 6(b))	421,219	2	83,020	-	79,930	-		Stockholder' equity attributable to parent:						
1990	Other non-current assets	438,153	3	443,016	2	509,616	3	3110	(note 6(p))						
		7,841,038	43	7,145,608	39	7,314,738	41	3200	Common stock	2,634,854	14	2,634,854	14	2,634,854	15
								3300	Capital surplus	2,208,242	12	2,137,088	12	2,136,735	12
								3400	Retained earnings	3,721,660	20	4,155,591	23	3,839,926	21
								3500	Other stockholders' equity	(289,233)	(2)	(359,558)	(2)	(270,594)	(1)
								36XX	Treasury shares	(506,043)	(3)	(506,043)	(3)	(506,043)	(3)
										7,769,480	41	8,061,932	44	7,834,878	44
									Total equity attributable to owners of parent	2,907,488	16	2,663,551	15	2,530,894	14
									Non-controlling interests (note 6(e))	10,676,968	57	10,725,483	59	10,365,772	58
									Total equity	\$ 18,289,212	100	18,216,819	100	17,986,221	100
									Total liabilities and equity	\$ 18,289,212	100	18,216,819	100	17,986,221	100

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 nine months ended September 30, 2023 and 2022

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

	For the three months ended September 30				For the nine months ended September 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4110	Total sales revenue (note 6(r))	\$ 3,874,222	103	4,214,484	106	11,549,838	104	12,270,952	105
4190	Less: Sales discounts and allowances	125,163	3	245,177	6	414,314	4	585,014	5
	Net operating revenues	3,749,059	100	3,969,307	100	11,135,524	100	11,685,938	100
5000	Cost of goods sold (note 6(d))	2,555,699	68	2,599,238	65	7,644,598	69	7,688,812	66
	Gross profit	1,193,360	32	1,370,069	35	3,490,926	31	3,997,126	34
6000	Operating expenses (notes 6(n) and (t)):								
6100	Selling expenses	370,221	10	330,364	8	1,053,441	9	979,192	8
6200	Administrative expenses	248,697	7	224,987	6	685,737	6	652,209	5
6300	Research and development expenses	117,537	3	84,067	2	317,064	3	261,205	2
		736,455	20	639,418	16	2,056,242	18	1,892,606	15
	Operating income	456,905	12	730,651	19	1,434,684	13	2,104,520	19
	Non-operating income and expenses (note 6(s)):								
7100	Interest income	7,784	-	4,418	-	28,078	-	11,268	-
7010	Other income	14,311	1	7,660	-	41,591	1	34,575	-
7020	Other gains and losses	71,214	2	131,523	3	115,822	1	237,956	2
7050	Finance costs	(23,580)	(1)	(10,451)	-	(60,566)	(1)	(26,160)	-
		69,729	2	133,150	3	124,925	1	257,639	2
	Profit before tax	526,634	14	863,801	22	1,559,609	14	2,362,159	21
7950	Less: Income tax expenses (note 6(o))	145,518	4	227,020	6	453,872	4	665,669	6
	Profit	381,116	10	636,781	16	1,105,737	10	1,696,490	15
8300	Other comprehensive income:								
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	222,406	6	230,836	6	165,235	1	488,978	4
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(19,552)	(1)	(31,992)	(1)	(26,684)	-	(64,424)	(1)
8300	Other comprehensive income (after tax)	202,854	5	198,844	5	138,551	1	424,554	3
	Comprehensive income	\$ 583,970	15	835,625	21	1,244,288	11	2,121,044	18
	Net income attributable to:								
	Owners of the parent	\$ 234,398	6	480,599	12	620,011	6	1,251,523	11
	Non-controlling interests (note 6(e))	146,718	4	156,182	4	485,726	4	444,967	4
		\$ 381,116	10	636,781	16	1,105,737	10	1,696,490	15
	Comprehensive income attributable to:								
	Owners of the parent	\$ 387,206	10	597,952	15	690,336	6	1,512,054	13
	Non-controlling interests (note 6(e))	196,764	5	237,673	6	553,952	5	608,990	5
		\$ 583,970	15	835,625	21	1,244,288	11	2,121,044	18
	Basic earnings per common share (NT dollars) (note 6(u))	\$ 0.94		1.93		2.49		5.03	
	Diluted earnings per common share (NT dollars) (note 6(u))	\$ 0.94		1.93		2.48		5.00	

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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Retained earnings											
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings						
Balance at January 1, 2022	\$ 2,650,854	2,166,799	884,887	459,300	1,902,930	3,247,117	(531,125)	(506,990)	7,026,655	2,200,854	9,227,509	
Net income	-	-	-	-	1,251,523	1,251,523	-	-	1,251,523	444,967	1,696,490	
Other comprehensive income	-	-	-	-	-	-	260,531	-	260,531	164,023	424,554	
Total comprehensive income	-	-	-	-	1,251,523	1,251,523	260,531	-	1,512,054	608,990	2,121,044	
Retirement of treasury shares	(16,000)	(69,482)	-	-	-	-	-	85,482	-	-	-	
Subsidiaries purchase of treasury shares	-	-	-	-	-	-	-	(84,535)	(84,535)	-	(84,535)	
Appropriation and distribution of retained earnings:												
Provision of legal reserve	-	-	88,137	-	(88,137)	-	-	-	-	-	-	
Provision of special reserve	-	-	-	71,825	(71,825)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(658,714)	(658,714)	-	-	(658,714)	-	(658,714)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	37,000	-	-	-	-	-	-	37,000	-	37,000	
Changes in equity of affiliate accounted for using equity method	-	2,418	-	-	-	-	-	-	2,418	-	2,418	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(278,950)	(278,950)	
Balance at September 30, 2022	\$ 2,634,854	2,136,735	973,024	531,125	2,335,777	3,839,926	(270,594)	(506,043)	7,834,878	2,530,894	10,365,772	
Balance at January 1, 2023	\$ 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	-	-	-	-	620,011	620,011	-	-	620,011	485,726	1,105,737	
Other comprehensive income	-	-	-	-	-	-	70,325	-	70,325	68,226	138,551	
Total comprehensive income	-	-	-	-	620,011	620,011	70,325	-	690,336	553,952	1,244,288	
Appropriation and distribution of retained earnings:												
Provision of legal reserve	-	-	156,719	-	(156,719)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,053,942)	(1,053,942)	-	-	(1,053,942)	-	(1,053,942)	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	59,200	-	-	-	-	-	-	59,200	-	59,200	
Changes in equity of affiliate accounted for using equity method	-	11,954	-	-	-	-	-	-	11,954	-	11,954	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(310,015)	(310,015)	
Balance at September 30, 2023	\$ 2,634,854	2,208,242	1,129,743	531,125	2,060,792	3,721,660	(289,233)	(506,043)	7,769,480	2,907,488	10,676,968	

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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,559,609	2,362,159
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	630,163	586,892
Amortization expense	99,869	103,401
Expected credit loss	15,527	1,128
Net loss on financial assets or liabilities at fair value through profit or loss	10,123	53,132
Interest expense	59,148	24,540
Interest income	(28,078)	(11,268)
Gain (loss) on disposal of property, plant and equipment	(556)	1,663
Reversal of impairment gain on non-financial assets	(66)	(574)
Others	11,954	2,418
Total adjustments to reconcile profit (loss)	<u>798,084</u>	<u>761,332</u>
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(13,582)	120,676
Decrease in notes receivable	525	625
(Increase) decrease in accounts receivable	129,044	(360,279)
(Increase) decrease in other receivables	18,689	(40,143)
(Increase) decrease in inventories	22,507	(1,014,713)
(Increase) decrease in prepayments	28,190	(102,445)
(Increase) decrease in other financial assets	511,188	(145,284)
Decrease in notes payable	-	(1,607)
Increase (decrease) in accounts payable	(285,862)	71,073
Increase (decrease) in other payable	(189,067)	62,911
Increase (decrease) in other current liabilities	(34,729)	177,956
Increase (decrease) in net defined benefit liabilities	45	(310)
Increase (decrease) in other non-current liabilities	(2,424)	10,982
Total adjustments	<u>982,608</u>	<u>(459,226)</u>
Cash inflow generated from operations	2,542,217	1,902,933
Interest received	28,546	11,238
Interest paid	(54,320)	(17,161)
Income taxes paid	(630,215)	(618,711)
Net cash flows from operating activities	<u>1,886,228</u>	<u>1,278,299</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (net of cash acquired)	(358,490)	-
Acquisition of property, plant and equipment	(194,514)	(340,392)
Proceeds from disposal of property, plant and equipment	1,490	4,390
Increase in other financial assets	(329,232)	(8,347)
Acquisition of intangible assets	(26,036)	(23,997)
(Increase) decrease in other non-current assets	58,031	(11,715)
Increase in prepayments for equipment	(173,975)	(151,431)
Net cash flows used in investing activities	<u>(1,022,726)</u>	<u>(531,492)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	648,519	536,952
Proceeds from long-term borrowings	300,000	219,320
Repayments of long-term borrowings	(384,460)	(280,000)
Payment of lease liabilities	(98,269)	(102,341)
Decrease in guarantee deposits received	(187)	(85)
Cash dividends paid	(994,742)	(621,714)
Repurchase of treasury shares	-	(84,535)
Change in non-controlling interests	(310,015)	(278,950)
Net cash flows used in financing activities	<u>(839,154)</u>	<u>(611,353)</u>
Effect of exchange rate changes on cash and cash equivalents	(18,931)	151,237
Net increase in cash and cash equivalents	5,417	286,691
Cash and cash equivalents at the beginning of period	<u>3,595,681</u>	<u>2,701,648</u>
Cash and cash equivalents at the end of period	<u>\$ 3,601,098</u>	<u>2,988,339</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

September 30, 2023 and 2022

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

(1) Company history

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

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 8, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

(Continued)

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

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

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

- 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”

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

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

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

(a) Statement of compliance

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

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, 2022. For the related information, please refer to the consolidated financial statements for the year ended December 31, 2022.

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of subsidiary	Principal activity	Shareholding			Instruction
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Ever Energetic Int'l Ltd. (Ever Energetic)	Holding company and general import and export business	100.00 %	100.00 %	100.00 %	-
The Company	Ever Winner Int'l Co., Ltd. (Ever Winner)	Holding company and general import and export business	100.00 %	100.00 %	100.00 %	-
The Company	Skyrise Int'l Ltd. (Skyrise)	Holding company and general import and export business	100.00 %	100.00 %	100.00 %	-
The Company	Taiwan Semiconductor Europe GmbH (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. (TSCHE)	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	36.08 %	36.35 %	36.35 %	-
Ever Energetic	TSCHE	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 %	-
Ever Winner	TSCHE	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 %	-	-	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 %	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 %	-

(Continued)

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

Name of Investor	Name of subsidiary	Principal activity	Shareholding			Instruction
			September 30, 2023	December 31, 2022	September 30, 2022	
TSCPL	MGN sp. z o.o. (MGN)	Customization of design, integration and marketing of label papers and other parts	100.00 %	-	-	Note 1

Note 1: TSC Auto ID established Mosfortico Investments sp. z o.o. (TSCPL), at the amount of PLN 4,520 (approximately NT\$31 thousand), in February 2023. Moreover, in June 2023, TSC Auto ID was able to merge with, and acquire the entire shares of, MGN sp. z o.o. (MGN), a Polish company, through TSCPL, who conducted a cash capital increase of PLN 58,106 thousand (approximately NT\$429,260 thousand). Please refer to note 6 (w) for details.

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

(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).

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

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

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

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash and pretty cash	\$ 861	476	752
Checking and demand deposits	2,960,382	2,507,863	2,540,185
Repurchase agreement	200,000	500,000	-
Time deposits	837,205	587,342	447,402
Less: Time deposits with an original maturity date of more than three months (note 6(b))	<u>(397,350)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,601,098</u>	<u>3,595,681</u>	<u>2,988,339</u>

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

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current (financial assets):			
Mandatorily measured at fair value through profit or loss:			
Forward exchange contracts	\$ 2,943	-	801
Currency swaps	<u>-</u>	<u>1,798</u>	<u>-</u>
	<u>\$ 2,943</u>	<u>1,798</u>	<u>801</u>
Other financial assets:			
Structure deposits	\$ -	599,488	518,868
Time deposits with an original maturity date of more than three months to one year	<u>88,300</u>	<u>-</u>	<u>-</u>
	<u>\$ 88,300</u>	<u>599,488</u>	<u>518,868</u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Non-current (financial assets):			
Mandatorily measured at fair value through profit or loss:			
Fund in foreign markets	\$ <u>4,497</u>	<u>-</u>	<u>-</u>
Measured at fair value through other comprehensive income:			
Fund in foreign markets	\$ <u>-</u>	<u>4,157</u>	<u>-</u>
Other financial assets:			
Time deposits with an original maturity date of more than one year	\$ 309,050	-	-
Refundable deposits	69,296	83,020	79,930
Other (note)	<u>42,873</u>	<u>-</u>	<u>-</u>
	<u>\$ 421,219</u>	<u>83,020</u>	<u>79,930</u>
Current (financial liabilities):			
Mandatorily measured at fair value through profit or loss:			
Forward exchange contracts	\$ 418	844	2,902
Currency swaps	<u>-</u>	<u>1,548</u>	<u>17,203</u>
	<u>\$ 418</u>	<u>2,392</u>	<u>20,105</u>

Note: On the merger date of TSC Auto ID and MGN, TSC Auto ID deposited the amount of \$43,465 thousand (EUR 1,292 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(w).

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

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

	<u>September 30, 2023</u>			
	<u>Contract amount</u>		<u>Currency</u>	<u>Contract period</u>
Selling/buying forward EUR	500 / USD	564	EUR to USD	2023.10.20
Selling/buying forward EUR	3,000 / NTD	103,293	EUR to NTD	2023.10.25
Selling/buying forward USD	1,000 / NTD	31,788	USD to NTD	2023.10.18

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

December 31, 2022					
		Contract amount		Currency	Contract period
Selling/buying forward	EUR	500 / USD	521	EUR to USD	2023.02.17
Selling/buying forward	USD	2,000 / NTD	60,718	USD to NTD	2023.02.17
Currency swaps	USD	7,200 / NTD	219,593	USD to NTD	2023.02~2023.05
September 30, 2022					
		Contract amount		Currency	Contract period
Selling/buying forward	EUR	500 / USD	519	EUR to USD	2022.11.21
Selling/buying forward	EUR	5,000 / NTD	153,415	EUR to NTD	2022.10~2022.11
Currency swaps	USD	9,500 / NTD	282,401	USD to NTD	2022.11~2023.02

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

(c) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ 63	588	126
Accounts receivable	3,007,993	3,053,386	3,352,415
Less: Loss allowance	(55,922)	(37,506)	(42,449)
	\$ 2,952,134	3,016,468	3,310,092

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

The loss allowance in Rectifiers was determined as follows:

September 30, 2023			
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 1,419,614	0.95%	13,533
1 to 90 days past due	92,179	1.30%	1,198
91 to 180 days past due	390	49.85%	194
181 to 270 days past due	4,231	86.12%	3,644
271 to 365 days past due	10,808	100.00%	10,808
	\$ 1,527,222		29,377

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 1,512,691	1.13%	17,125
1 to 90 days past due	165,665	1.66%	2,758
91 to 180 days past due	7,826	3.16%	247
271 to 365 days past due	331	63.44%	210
More than 365 days past due	52	100.00%	52
	\$ 1,686,565		20,392
	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 1,818,203	0.89%	16,124
1 to 90 days past due	189,882	0.97%	1,840
91 to 180 days past due	15	3.00%	1
181 to 270 days past due	1,009	5.00%	51
271~365 days past due	271	10.00%	27
	\$ 2,009,380		18,043

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

	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 1,129,607	0.47%	5,365
1 to 90 days past due	294,285	1.00%	2,943
91 to 180 days past due	24,977	6.04%	1,509
181 to 270 days past due	12,072	5.00%	604
271 to 365 days past due	4,188	10.00%	419
More than 365 days past due	15,705	100.00%	15,705
	\$ 1,480,834		26,545

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

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 999,671	0.55%	5,530
1 to 90 days past due	339,761	0.55%	1,880
91 to 180 days past due	7,684	19.82%	1,523
181 to 270 days past due	2,186	2.74%	60
271 to 365 days past due	6,537	5.54%	362
More than 365 days past due	<u>11,570</u>	67.06%	<u>7,759</u>
	<u>\$ 1,367,409</u>		<u>17,114</u>
	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 1,011,633	0.58%	5,865
1 to 90 days past due	263,245	1.06%	2,782
91 to 180 days past due	35,331	6.70%	2,367
181 to 270 days past due	12,547	5.00%	627
271 to 365 days past due	8,489	10.00%	849
More than 365 days past due	<u>11,916</u>	100.00%	<u>11,916</u>
	<u>\$ 1,343,161</u>		<u>24,406</u>

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

	For the nine months ended September 30	
	2023	2022
Balance on January 1, 2023 and 2022	\$ 37,506	39,430
Impairment losses recognized	15,527	1,128
Acquisition through business combinations	1,917	-
Foreign exchange gains (losses)	<u>972</u>	<u>1,891</u>
Balance on September 30, 2023 and 2022	<u>\$ 55,922</u>	<u>42,449</u>

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

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

(d) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 1,757,573	1,588,815	1,586,824
Work in process	578,436	636,075	604,689
Raw material and supplies	1,073,056	1,061,904	1,097,357
Inventories in transit	127,143	213,239	170,668
	<u>\$ 3,536,208</u>	<u>3,500,033</u>	<u>3,459,538</u>

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$2,537,053 thousand, \$2,562,034 thousand, \$7,476,637 thousand and \$7,647,330 thousand for the three months ended September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022, respectively.

During the three months ended September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022, the write-down of inventories to net realizable value amounting to \$18,646 thousand, \$37,204 thousand, \$167,961 thousand and \$41,482 thousand, respectively.

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any inventories as collateral for its loans.

(e) The significant non-controlling interests of subsidiaries

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

<u>Name of subsidiary</u>	<u>Country</u>	<u>Percentage of non-controlling interests on ownership interests and voting rights</u>		
		<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
TSC Auto ID Technology Co., Ltd. (TSC Auto ID)	Taiwan	63.92 %	63.65 %	63.62 %

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

The summary of financial information:

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 4,597,211	4,246,657	4,016,294
Non-current assets	4,804,229	4,048,112	4,298,712
Current liabilities	(2,758,525)	(2,421,498)	(2,776,135)
Non-current liabilities	(1,355,041)	(1,122,546)	(865,346)
Net assets	<u>\$ 5,287,874</u>	<u>4,750,725</u>	<u>4,673,525</u>
Non-controlling interests	<u>\$ 2,907,448</u>	<u>2,663,551</u>	<u>2,530,894</u>

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Sales revenue	\$ <u>2,107,692</u>	<u>1,980,110</u>	<u>6,210,382</u>	<u>5,784,485</u>
Net income	\$ 229,533	245,376	761,701	699,298
Other comprehensive income	(93,471)	304,089	273,976	332,600
Comprehensive income	\$ <u>136,062</u>	<u>549,465</u>	<u>1,035,677</u>	<u>1,031,898</u>
Net income attributable to non-controlling interests	\$ <u>146,718</u>	<u>156,182</u>	<u>485,726</u>	<u>444,967</u>
Comprehensive income attributable to non-controlling interests	\$ <u>196,764</u>	<u>237,673</u>	<u>553,952</u>	<u>608,990</u>
			For the nine months ended September 30	
			2023	2022
Cash flows from operating activities			\$ 889,867	181,009
Cash flows used in investing activities			(473,676)	(150,733)
Cash flows used in financing activities			(271,771)	(464,037)
Effect of exchange rate changes on cash and cash equivalents			21,501	42,984
Net increase (decrease) in cash and cash equivalents			\$ <u>165,921</u>	<u>(390,777)</u>

(f) Property, plant and equipment

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

	Land	Building and construction	Machinery and equipment	Total
Cost or deemed cost:				
Balance at 1 January, 2023	\$ 861,426	1,463,699	7,577,656	9,902,781
Additions	-	1,267	193,247	194,514
Sales of assets	-	-	(3,792)	(3,792)
Disposals	-	(344)	(13,473)	(13,817)
Others (including capitalized interest)	-	3,475	169,623	173,098
Acquisition through business combinations (note 6(w))	2,649	39,731	70,386	112,766
Effect of movement in exchange rates	(36)	171	37,993	38,128
Balance at September 30, 2023	\$ <u>864,039</u>	<u>1,507,999</u>	<u>8,031,640</u>	<u>10,403,678</u>

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Total</u>
Balance at 1 January, 2022	\$ 861,426	1,452,797	6,966,728	9,280,951
Additions	-	410	339,982	340,392
Sales of assets	-	-	(22,567)	(22,567)
Disposals	-	-	(70,699)	(70,699)
Others (including capitalized interest)	-	3,840	58,012	61,852
Effect of movement in exchange rates	-	13,153	170,617	183,770
Balance at September 30, 2022	<u>\$ 861,426</u>	<u>1,470,200</u>	<u>7,442,073</u>	<u>9,773,699</u>
Accumulated depreciation and impairment loss:				
Balance at 1 January, 2023	\$ -	558,496	4,861,252	5,419,748
Depreciation for the year	-	33,773	508,261	542,034
Impairment gain	-	-	(66)	(66)
Sales of assets	-	-	(3,576)	(3,576)
Disposals	-	(327)	(12,771)	(13,098)
Others (including capitalized interest)	-	-	(989)	(989)
Acquisition through business combinations (note 6(w))	-	11,338	31,092	42,430
Effect of movement in exchange rates	-	132	16,163	16,295
Balance at September 30, 2023	<u>\$ -</u>	<u>603,412</u>	<u>5,399,366</u>	<u>6,002,778</u>
Balance at 1 January, 2022	\$ -	512,266	4,267,550	4,779,816
Depreciation for the year	-	33,128	476,199	509,327
Impairment gain	-	-	(574)	(574)
Sales of assets	-	-	(20,202)	(20,202)
Disposals	-	-	(66,995)	(66,995)
Effect of movement in exchange rates	-	4,262	88,743	93,005
Balance at September 30, 2022	<u>\$ -</u>	<u>549,656</u>	<u>4,744,721</u>	<u>5,294,377</u>
Carrying amount:				
Balance at January 1, 2023	<u>\$ 861,426</u>	<u>905,203</u>	<u>2,716,404</u>	<u>4,483,033</u>
Balance at September 30, 2023	<u>\$ 864,039</u>	<u>904,587</u>	<u>2,632,274</u>	<u>4,400,900</u>
Balance at January 1, 2022	<u>\$ 861,426</u>	<u>940,531</u>	<u>2,699,178</u>	<u>4,501,135</u>
Balance at September 30, 2022	<u>\$ 861,426</u>	<u>920,544</u>	<u>2,697,352</u>	<u>4,479,322</u>

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

- (i) As of September 30, 2023, the property, plant and equipment of the Group had been pledged as collateral for its long-term borrowings; please refer to note 8.
- (ii) As of December 31 and September 30, 2022, the Group did not provide any the property, plant and equipment as collateral for its loans.
- (iii) The Company's interest capitalized for purchasing property, plant, and equipment for the three months and nine months ended September 30, 2023, December 31 and September 30, 2022 were \$451 thousand, \$82 thousand, \$810 thousand and \$372 thousand, respectively, both at a rate of 1.50%.

(g) Right-of-use assets

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

	<u>Land</u>	<u>Building and construction</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 18,006	578,140	-	19,885	616,031
Additions	-	46,563	1,039	3,028	50,630
Disposal / write-off	-	(2,402)	-	-	(2,402)
Effect of movement in exchange rates	29	8,183	(243)	23	7,992
Acquisition through business combinations (note 6(w))	-	-	17,862	8,181	26,043
Balance at September 30, 2023	<u>\$ 18,035</u>	<u>630,484</u>	<u>18,658</u>	<u>31,117</u>	<u>698,294</u>
Balance at January 1, 2022	\$ 17,745	557,808	-	16,844	592,397
Additions	-	29,031	-	1,751	30,782
Disposal / write-off	-	(2,897)	-	(271)	(3,168)
Effect of movement in exchange rates	527	31,568	-	77	32,172
Balance at September 30, 2022	<u>\$ 18,272</u>	<u>615,510</u>	<u>-</u>	<u>18,401</u>	<u>652,183</u>
Accumulated depreciation :					
Balance at January 1, 2023	\$ 9,423	361,675	-	15,694	386,792
Depreciation for the year	240	83,618	735	3,536	88,129
Disposal / write-off	-	(1,010)	-	-	(1,010)
Effect of movement in exchange rates	17	1,652	-	-	1,669
Balance at September 30, 2023	<u>\$ 9,680</u>	<u>445,935</u>	<u>735</u>	<u>19,230</u>	<u>475,580</u>
Balance at January 1, 2022	\$ 8,931	290,831	-	11,970	311,732
Depreciation for the year	271	74,681	-	2,613	77,565
Disposal / write-off	-	(1,828)	-	(158)	(1,986)
Effect of movement in exchange rates	268	5,465	-	-	5,733
Balance at September 30, 2022	<u>\$ 9,470</u>	<u>369,149</u>	<u>-</u>	<u>14,425</u>	<u>393,044</u>
Carrying amount:					
Balance at January 1, 2023	<u>\$ 8,583</u>	<u>216,465</u>	<u>-</u>	<u>4,191</u>	<u>229,239</u>
Balance at September 30, 2023	<u>\$ 8,355</u>	<u>184,549</u>	<u>17,923</u>	<u>11,887</u>	<u>222,714</u>
Balance at January 1, 2022	<u>\$ 8,814</u>	<u>266,977</u>	<u>-</u>	<u>4,874</u>	<u>280,665</u>
Balance at September 30, 2022	<u>\$ 8,802</u>	<u>246,361</u>	<u>-</u>	<u>3,976</u>	<u>259,139</u>

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

(h) Intangible assets

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

	<u>Acquired special technology</u>	<u>Customer relationship</u>	<u>Patent</u>	<u>Software</u>	<u>Trademarks rights</u>	<u>Total</u>
Cost:						
Balance at January 1, 2023	\$ 153,667	453,496	50,607	345,131	13,678	1,016,579
Additions	-	-	-	26,036	-	26,036
Acquisition through business combinations (note 6(w))	-	-	-	3,985	-	3,985
Others	-	-	-	71,802	-	71,802
Effect of movement in exchange rates	<u>7,176</u>	<u>23,037</u>	<u>-</u>	<u>2,221</u>	<u>688</u>	<u>33,122</u>
Balance at September 30, 2023	<u>\$ 160,843</u>	<u>476,533</u>	<u>50,607</u>	<u>449,175</u>	<u>14,366</u>	<u>1,151,524</u>
Balance at January 1, 2022	\$ 139,729	408,751	50,607	307,639	12,342	919,068
Additions	-	-	-	23,997	-	23,997
Effect of movement in exchange rates	<u>18,722</u>	<u>60,101</u>	<u>-</u>	<u>1,094</u>	<u>1,795</u>	<u>81,712</u>
Balance at September 30, 2022	<u>\$ 158,451</u>	<u>468,852</u>	<u>50,607</u>	<u>332,730</u>	<u>14,137</u>	<u>1,024,777</u>
Accumulated amortization:						
Balance at January 1, 2023	\$ 110,110	293,169	44,281	246,928	13,678	708,166
Amortization for the year	10,629	19,481	4,745	65,014	-	99,869
Acquisition through business combinations (note 6(w))	-	-	-	2,401	-	2,401
Others	-	-	-	989	-	989
Effect of movement in exchange rates	<u>5,467</u>	<u>15,777</u>	<u>-</u>	<u>567</u>	<u>688</u>	<u>22,499</u>
Balance at September 30, 2023	<u>\$ 126,206</u>	<u>328,427</u>	<u>49,026</u>	<u>315,899</u>	<u>14,366</u>	<u>833,924</u>
Balance at January 1, 2022	\$ 85,464	218,119	37,955	177,172	12,342	531,052
Amortization for the year	11,888	36,399	4,745	50,369	-	103,401
Effect of movement in exchange rates	<u>12,002</u>	<u>35,349</u>	<u>-</u>	<u>839</u>	<u>1,795</u>	<u>49,985</u>
Balance at September 30, 2022	<u>\$ 109,354</u>	<u>289,867</u>	<u>42,700</u>	<u>228,380</u>	<u>14,137</u>	<u>684,438</u>
Carrying amount:						
Balance at January 1, 2023	<u>\$ 43,557</u>	<u>160,327</u>	<u>6,326</u>	<u>98,203</u>	<u>-</u>	<u>308,413</u>
Balance at September 30, 2023	<u>\$ 34,637</u>	<u>148,106</u>	<u>1,581</u>	<u>133,276</u>	<u>-</u>	<u>317,600</u>
Balance at January 1, 2022	<u>\$ 54,265</u>	<u>190,632</u>	<u>12,652</u>	<u>130,467</u>	<u>-</u>	<u>388,016</u>
Balance at September 30, 2022	<u>\$ 49,097</u>	<u>178,985</u>	<u>7,907</u>	<u>104,350</u>	<u>-</u>	<u>340,339</u>

(Continued)

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

(i) Goodwill

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cost			
Beginning balance	\$ 1,136,565	1,024,426	1,024,426
Acquisition through business combinations (note 6(w))	338,676	-	-
Effect of movement in exchange rates	53,124	112,139	150,629
Ending balance	<u>\$ 1,528,365</u>	<u>1,136,565</u>	<u>1,175,055</u>

TSC Auto ID merged with, and acquired the entire shares of, MGN on June 12, 2023, through TSCPL, and generated goodwill amounting to PLN 45,007 thousand (approximately NT\$338,676 thousand), with the expectation of an increase in market demand and competitive advantage from the acquisition, which will promote the benefit of the revenue growth and expand the business scale of the Group.

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
CGU Rectifiers	\$ 82,482	78,494	81,153
CGU Bar Code Printers	1,445,883	1,058,071	1,093,902
	<u>\$ 1,528,365</u>	<u>1,136,565</u>	<u>1,175,055</u>

(j) Short-term borrowings

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Credit loans	\$ <u>2,123,823</u>	<u>1,466,515</u>	<u>1,458,378</u>
Unused short-term credit lines	\$ <u>3,246,043</u>	<u>4,102,980</u>	<u>3,859,468</u>
Range of interest rate (%)	<u>1.51%~6.35%</u>	<u>1.45%~5.49%</u>	<u>0.50%~3.72%</u>

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

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

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

(k) Long-term borrowings

September 30, 2023			
	Rate range	Maturity year	Amount
Unsecured bank loans	1.20%	2027.07.16	\$ 245,333
	1.20%	2026.12.04	71,828
	1.20%	2025.03.28	120,000
	1.20%	2024.12.25	150,000
	1.75%	2024.03.08	21,900
	1.65%~2.00%	2026.03.13	717,000
Secured bank loans	9.34%	2027.12.15	22,276
			1,348,337
Less: Current portion			(314,797)
Total			\$ 1,033,540
Unused long-term credit lines			\$ 1,450,939
December 31, 2022			
	Rate range	Maturity year	Amount
Unsecured bank loans	1.075%	2027.07.16	\$ 256,000
	1.075%	2026.12.04	88,840
	1.075%	2025.03.28	160,000
	1.075%	2024.12.25	240,000
	1.625%	2024.03.08	41,900
	1.40%~1.50%	2025.10.14	620,000
			1,406,740
Less: Current portion			(322,349)
Total			\$ 1,084,391
Unused long-term credit lines			\$ 1,213,260
September 30, 2022			
	Rate range	Maturity year	Amount
Unsecured bank loans	0.95%	2027.07.16	\$ 256,000
	0.95%	2026.12.04	90,730
	0.95%	2025.03.28	160,000
	0.95%	2024.12.25	240,000
	1.00%	2024.03.08	41,900
	1.38%~1.41%	2025.09.01	700,000
			\$ 1,488,630
Less: Current portion			(599,569)
Total			\$ 889,061
Unused long-term credit lines			\$ 1,611,370

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

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.

The covenant of the loans with KGI Bank requires TSC Auto ID to maintain the following financial ratio for annual and interim consolidated financial statements:

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

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

(l) Other payable

	September 30, 2023	December 31, 2022	September 30, 2022
Salaries and bonus payable	\$ 452,510	584,162	442,885
Payables on equipment	72,483	114,902	98,207
Others	384,039	366,202	405,168
	\$ 909,032	1,065,266	946,260

(m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ 111,593	106,012	110,004
Non-current	92,628	123,214	149,189
	\$ 204,221	229,226	259,193

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

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>1,904</u>	<u>2,283</u>	<u>5,808</u>	<u>7,442</u>
Expenses relating to short-term leases	\$ <u>2,228</u>	<u>1,904</u>	<u>6,364</u>	<u>5,931</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>(220)</u>	<u>2,738</u>	<u>9,583</u>	<u>8,300</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:

	For the nine months ended September 30	
	2023	2022
Total cash outflow for leases	\$ <u>120,024</u>	<u>124,014</u>

(n) Employee benefits

(i) Defined benefit plans

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating cost	\$ 71	86	216	253
Selling expenses	19	24	56	69
Administrative expenses	107	59	320	178
Research and development expenses	28	15	81	48
	\$ <u>225</u>	<u>184</u>	<u>673</u>	<u>548</u>

(Continued)

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

(ii) Defined contribution plans

For the three months and the nine months ended September 30, 2023 and 2022, the Group's pension costs under the defined contribution method were \$16,517 thousand, \$17,214 thousand, \$50,151 thousand and \$49,114 thousand, respectively. Payment was made to the Bureau of Labor Insurance.

(iii) The pension cost of foreign subsidiaries recognized in accordance with the local defined contribution method amounted to \$14,315 thousand, \$12,655 thousand, \$44,189 thousand, and \$38,374 thousand for the three months and the nine months ended September 30, 2023 and 2022, respectively.

(o) Income tax

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Current tax expenses				
Current period	\$ 132,559	190,975	422,150	549,003
Additional tax on undistributed earnings	-	-	40,278	15,051
Adjustment for prior periods	(9,684)	5,688	(14,990)	(1,575)
	<u>122,875</u>	<u>196,663</u>	<u>447,438</u>	<u>562,479</u>
Deferred tax expenses				
Origination of temporary differences	22,643	30,357	6,434	103,190
Total income tax expenses	<u>\$ 145,518</u>	<u>227,020</u>	<u>453,872</u>	<u>665,669</u>

(ii) The amount of income tax recognized directly in equity for 2023 and 2022 were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Disposal of partial equity of subsidiaries	\$ -	721	-	721

(Continued)

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
	Items that maybe reclassified subsequently to profit or loss: Foreign currency translation differences of foreign operations \$	<u>19,522</u>	<u>31,992</u>	<u>26,684</u>

- (iv) As of September 30, 2023, the income tax returns of the Company and TSC Auto ID through the year 2021, have been approved by the Tax Authority.
- (v) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be transferred back in the short run. In accordance with paragraph 39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.
- (p) Stockholders' equity
- (i) Common stock

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

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

The Company retired 1,600 thousand of treasury shares and eliminated \$69,482 thousand of capital surplus - treasury shares, which was approved by the Board of Directors on January 10, 2022, as the date of capital reduction. The related registration procedures have been completed.

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

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

(ii) Capital surplus

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Premium on shares issued above par value	\$ 639,859	639,859	639,859
Conversion premium of convertible corporate bonds	1,229,442	1,229,442	1,229,442
Treasury share transactions	200,145	140,945	140,945
Employee share options premium	24,378	24,378	24,378
Interest compensation payable on convertible corporate bonds	18,674	18,674	18,674
Employee share options	1,543	1,543	1,543
Change in affiliates recognized under equity method	94,201	82,247	81,894
	<u>\$ 2,208,242</u>	<u>2,137,088</u>	<u>2,136,735</u>

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

(iii) Legal reserve

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

(iv) Special reserve

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

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
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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 September 30, 2023 and 2022.

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

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

(vi) Treasury stocks

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

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

As of September 30, 2023 and 2022, a subsidiary of the Company, TSC Auto ID, held 14,800 thousand share of the Company with a total value of \$506,043 thousand respectively, recognized under treasury shares.

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

(vii) Other equity

	Foreign exchange differences arising from foreign operation
Balance at January 1, 2023	\$ (359,558)
Foreign exchange differences	70,325
Balance at September 30, 2023	\$ (289,233)
	Foreign exchange differences arising from foreign operation
Balance at January 1, 2022	\$ (531,125)
Foreign exchange differences	260,531
Balance at September 30, 2022	\$ (270,594)

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
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(q) Share-based payment

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

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2023			
	Rectifiers	Bar code Printers	Total
Primary geographical markets			
Asia	\$ 1,022,919	573,545	1,596,464
America	180,284	1,014,319	1,194,603
Europe	415,483	519,794	935,277
Others	22,715	-	22,715
	\$ 1,641,401	2,107,658	3,749,059
Major products lines			
Rectifiers	\$ 1,641,401	-	1,641,401
Bar code Printers	-	2,107,658	2,107,658
	\$ 1,641,401	2,107,658	3,749,059
For the three months ended September 30, 2022			
	Rectifiers	Bar code Printers	Total
Primary geographical markets			
Asia	\$ 1,123,662	525,944	1,649,606
America	311,846	1,055,416	1,367,262
Europe	537,417	398,748	936,165
Others	16,274	-	16,274
	\$ 1,989,199	1,980,108	3,969,307
Major products lines			
Rectifiers	\$ 1,989,199	-	1,989,199
Bar code Printers	-	1,980,108	1,980,108
	\$ 1,989,199	1,980,108	3,969,307

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
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	For the nine months ended September 30, 2023		
	Rectifiers	Bar code Printers	Total
Primary geographical markets			
Asia	\$ 2,930,556	1,802,612	4,733,168
America	552,058	3,089,266	3,641,324
Europe	1,383,651	1,318,447	2,702,098
Others	58,934	-	58,934
	\$ 4,925,199	6,210,325	11,135,524
Major products lines			
Rectifiers	\$ 4,925,199	-	4,925,199
Bar code Printers	-	6,210,325	6,210,325
	\$ 4,925,199	6,210,325	11,135,524
	For the nine months ended September 30, 2022		
	Rectifiers	Bar code Printers	Total
Primary geographical markets			
Asia	\$ 3,448,345	1,614,205	5,062,550
America	865,713	3,045,063	3,910,776
Europe	1,499,811	1,125,207	2,625,018
Others	87,594	-	87,594
	\$ 5,901,463	5,784,475	11,685,938
Major products lines			
Rectifiers	\$ 5,901,463	-	5,901,463
Bar code Printers	-	5,784,475	5,784,475
	\$ 5,901,463	5,784,475	11,685,938
(ii) Contract balances			
	September 30, 2023	December 31, 2022	September 30, 2022
Notes and trade receivable	\$ 3,008,056	3,053,974	3,352,541
Less: Loss allowance	(55,922)	(37,506)	(42,449)
Total	\$ 2,952,134	3,016,468	3,310,092

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

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

(s) Non-operating income and expenses

(i) Interest income

The Group's interest income detail was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest income from bank deposits	\$ <u>7,784</u>	<u>4,418</u>	<u>28,078</u>	<u>11,268</u>

(ii) Other income

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Rent income	\$ 2,018	2,096	5,879	6,723
Others	<u>12,293</u>	<u>5,564</u>	<u>35,712</u>	<u>27,852</u>
	\$ <u>14,311</u>	<u>7,660</u>	<u>41,591</u>	<u>34,575</u>

(iii) Other gains and losses

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ (149)	(2,520)	556	(1,663)
Foreign exchange gains	76,063	158,670	124,552	301,947
Losses on financial asset at fair value through profit or loss	(2,291)	(20,810)	(10,123)	(53,132)
Reversal of impairment gains on property, plant and equipment	22	28	66	574
Others	<u>(2,431)</u>	<u>(3,845)</u>	<u>771</u>	<u>(9,770)</u>
	\$ <u>71,214</u>	<u>131,523</u>	<u>115,822</u>	<u>237,956</u>

(Continued)

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

(iv) Finance costs

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest expense	\$ (23,571)	(9,971)	(59,958)	(24,926)
Less: interest capitalization	451	82	810	386
Other financial costs	(460)	(562)	(1,418)	(1,620)
	<u>\$ (23,580)</u>	<u>(10,451)</u>	<u>(60,566)</u>	<u>(26,160)</u>

(t) Remunerations to employees and directors

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

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

The Company estimated its remuneration to employees amounted to \$20,967 thousand, \$33,361 thousand, \$56,522 thousand and \$94,090 thousand for the three months ended and nine months ended September 30, 2023 and 2022, respectively, and estimated its remuneration to directors amounted to \$2,985 thousand, \$10,614 thousand, \$8,077 thousand and \$15,682 thousand for the three months and nine months ended September 30, 2023 and 2022, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

In 2022 and 2021, the Company estimated its remuneration to employees amounted to \$139,206 thousand and \$64,897 thousand, respectively, and estimated its remuneration to directors amounting \$19,866 thousand and \$10,816 thousand, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentages of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. There were no differences between the estimated amounts reflected in the 2022 and 2021 financial reports, and the actual amounts approved by the Board of Directors. The related information can be accessed from the market observation post system website.

(Continued)

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

(u) Earnings per share

(i) Basic earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Net income	\$ <u>234,398</u>	<u>480,599</u>	<u>620,011</u>	<u>1,251,523</u>
Weighted-average number of outstanding shares (thousands)	<u>248,685</u>	<u>248,685</u>	<u>248,685</u>	<u>248,941</u>
Basic earnings per share (\$)	\$ <u>0.94</u>	<u>1.93</u>	<u>2.49</u>	<u>5.03</u>

(ii) Diluted earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Diluted net income per share	\$ <u>234,398</u>	<u>480,599</u>	<u>620,011</u>	<u>1,251,523</u>
Weighted-average number of outstanding shares (thousands)	248,685	248,685	248,685	248,941
Employees' remuneration	<u>245</u>	<u>402</u>	<u>1,022</u>	<u>1,377</u>
Diluted weighted-average number of common shares outstanding (thousands)	<u>248,930</u>	<u>249,087</u>	<u>249,707</u>	<u>250,318</u>
Diluted earnings per share (\$)	\$ <u>0.94</u>	<u>1.93</u>	<u>2.48</u>	<u>5.00</u>

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

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

(Continued)

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

(i) Consideration received

	PTNX US
Total consideration received	\$ 48,219

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

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

(Continued)

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

(iii) Equity transaction difference

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

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

(w) Business combinations

To enhance brand competitiveness and expand its European labels market, TSC Auto ID merged with, and acquired the entire equity interest of, MGN on June 12, 2023 through TSCPL, with the initial consideration of PLN 53,976 thousand (approximately NT\$406,168 thousand). However, the total transaction price may increase or decrease in accordance with contingent consideration and other contractual conditions relating to MGN's profit conditions for the preceding three years after delivery.

(i) Subsidiary business acquired

	Principal activity	Acquisition date	Shareholding	Consideration transferred
MGN	Customization of design, integration and marketing of label papers and other parts	June 12, 2023	100%	\$ 406,168

(ii) Consideration transferred

	MGN
Cash	\$ 362,703
Final payment of merger price payable (note 6(b))	43,465
	\$ 406,168

(Continued)

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

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

	<u>MGN</u>
Current assets	
Cash and cash equivalents	\$ 4,213
Net accounts receivable	80,762
Inventories	58,682
Prepaid expenses	2,557
Other current assets	2,319
Non-current assets	
Property, plant and equipment (including construction in progress \$3,632 thousand)	73,968
Right-of-use assets	26,043
Intangible assets	1,584
Other non-current assets	48,801
Current liabilities	
Accounts payable	(126,667)
Short-term borrowings	(8,789)
Other payables	(33,003)
Current income tax liabilities	(422)
Lease liabilities	(6,215)
Long-term borrowings, current portion	(7,335)
Other current liabilities	(11,544)
Non-current liabilities	
Long-term borrowings	(19,094)
Deferred income tax liabilities	(1,752)
Lease liabilities	(12,705)
Other non-current liabilities	<u>(3,911)</u>
	<u>\$ 67,492</u>

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

(iv) Goodwill arising on acquisition

	<u>MGN</u>
Consideration transferred	\$ 406,168
Less: The assumed identifiable assets and liabilities	<u>(67,492)</u>
Goodwill arising on acquisition	<u>\$ 338,676</u>

(Continued)

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

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

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

(v) Net cash flows used in acquisition of subsidiary

	MGN
Valuable consideration	\$ 362,703
Less: Cash balance	(4,213)
	\$ 358,490

(vi) The impact on business performance due to business combination

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

	MGN
Operating revenue	\$ 174,238
Net income	\$ 3,503

If the merger with, and acquisition of, MGN in June 2023 occurred on January 1, 2023, TSC Auto ID's operating revenue and net profit would have been \$388,232 thousand and \$13,733 thousand, for the nine months ended September 30, 2023, respectively. However, the future estimation of operating revenue and net income cannot be applied since the merger and the acquisition had occurred on the same date.

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

3) Receivable and debt securities

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

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

(ii) Liquidity risk

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

	<u>Carrying 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>
September 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,123,823	2,127,065	2,127,065	-	-	-
Accounts payable	1,489,362	1,489,362	1,489,362	-	-	-
Other payables	909,032	909,032	909,032	-	-	-
Lease liabilities	204,221	207,216	120,163	73,702	13,351	-
Deposits received	2,030	2,030	2,030	-	-	-
Long-term borrowings(including expires within one year)	1,348,337	1,359,355	320,894	240,240	798,221	-
Derivative financial liabilities						
Exchange forward contract	418	418	418	-	-	-
	<u>\$ 6,077,223</u>	<u>6,094,478</u>	<u>4,968,964</u>	<u>313,942</u>	<u>811,572</u>	<u>-</u>
December 31, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,466,515	1,471,972	1,471,972	-	-	-
Accounts payable	1,648,557	1,648,557	1,648,557	-	-	-
Other payables	1,065,266	1,065,266	1,065,266	-	-	-
Lease liabilities	229,226	241,713	118,899	105,058	17,756	-
Deposits received	2,217	2,217	2,217	-	-	-
Long-term borrowings(including expires within one year)	1,406,740	1,422,754	330,430	859,760	232,564	-
Derivative financial liabilities						
Exchange forward contract	2,392	2,392	2,392	-	-	-
	<u>\$ 5,820,913</u>	<u>5,854,871</u>	<u>4,639,733</u>	<u>964,818</u>	<u>250,320</u>	<u>-</u>
September 30, 2022						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,458,378	1,460,079	1,460,079	-	-	-
Accounts payable	1,744,622	1,744,622	1,744,622	-	-	-
Other payables	946,260	946,260	946,260	-	-	-
Lease liabilities	259,193	285,155	118,754	105,378	61,023	-
Deposits received	2,262	2,262	2,262	-	-	-
Long-term borrowings(including expires within one year)	1,488,630	1,504,696	607,098	513,039	384,559	-
Derivative financial liabilities						
Exchange forward contract	20,105	20,105	20,105	-	-	-
	<u>\$ 5,919,450</u>	<u>5,963,179</u>	<u>4,899,180</u>	<u>618,417</u>	<u>445,582</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.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
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(iii) Currency risk

1) Exposure to foreign currency risk

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Exchange rate	Amount (TWD)	Exchange rate	Amount (TWD)	Exchange rate	Amount (TWD)
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 32.27	1,931,606	30.71	2,986,582	31.75	2,693,073
EUR	33.91	979,068	32.72	885,939	31.26	978,751
JPY	0.2162	168,337	0.2324	200,138	0.2201	196,204
HKD	4.1230	519,719	3.9380	468,598	4.0440	523,885
CNY	4.4150	2,170,970	4.4080	1,976,945	4.4730	2,127,531
KRW	0.0239	1,199	0.0244	2,390	0.0222	1,258
		\$ 5,770,899		6,520,592		6,520,702
<u>Derivative financial instruments</u>						
USD	\$ 32.27	1,232	30.71	1,798	31.75	801
EUR	33.91	1,711	32.72	-	31.26	-
		\$ 2,943		1,798		801
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 32.27	682,628	30.71	751,186	31.75	625,608
EUR	33.91	418,858	32.72	513,442	31.26	378,987
JPY	0.2162	49,997	0.2324	59,307	0.2201	72,078
HKD	4.1230	1,925	3.9380	1,534	4.0440	1,985
CNY	4.4150	597,525	4.4080	609,884	4.4730	698,506
KRW	0.0239	1,226	0.0244	2,509	0.0222	1,263
		\$ 1,752,159		1,937,862		1,778,427
<u>Derivative financial instruments</u>						
USD	\$ 32.27	418	30.71	2,392	31.75	17,203
EUR	33.91	-	32.72	-	31.26	2,902
		\$ 418		2,392		20,105

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.

(Continued)

TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
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A strengthening (weakening) of 3% of the NTD against the foreign currency as of September 30, 2023 and 2022, would have increased or decreased the net profit before tax by \$120,638 thousand and \$141,689 thousand for the nine months ended September 30, 2023 and 2022, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2022 (prior year).

3) Foreign exchange gains and losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022, foreign exchange gain (including realized and unrealized portions) amounted to \$76,063 thousand, \$158,670 thousand, \$124,552 thousand and \$301,947 thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 1 basis point, the Group's net profit before tax would have decreased by \$34,722 thousand and \$29,470 thousand for the nine months ended September 30, 2023 and 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Other price risk

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

	For the nine months ended September 30			
	2023		2022	
	Other consolidated profit or loss after tax	Net income	Other consolidated profit or loss after tax	Net income
Security price on the reporting date				
Increasing 1%	\$ -	36	-	-
Decreasing 1%	\$ -	(36)	-	-

(Continued)

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

	September 30, 2023				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 2,943	2,943	-	-	2,943
Fund in foreign markets	4,497	-	-	4,497	4,497
Subtotal	<u>7,440</u>	<u>2,943</u>	<u>-</u>	<u>4,497</u>	<u>7,440</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	3,601,098	-	-	-	-
Notes and accounts receivable	2,952,134	-	-	-	-
Other receivables	86,632	-	-	-	-
Other financial assets (including current and non-current)	509,519	-	-	-	-
Subtotal	<u>7,149,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,156,823</u>	<u>2,943</u>	<u>-</u>	<u>4,497</u>	<u>7,440</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	418	-	418	-	418
Financial liabilities measured at amortized cost					
Borrowings	\$ 3,472,160	-	-	-	-
Accounts payable	1,489,362	-	-	-	-
Other payables	909,032	-	-	-	-
Lease liabilities	204,221	-	-	-	-
Deposits received	2,030	-	-	-	-
Subtotal	<u>6,076,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,077,223</u>	<u>-</u>	<u>418</u>	<u>-</u>	<u>418</u>

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

	September 30, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 20,105	-	20,105	-	20,105
Financial liabilities measured at amortized cost					
Borrowings	2,947,008	-	-	-	-
Accounts payable	1,744,622	-	-	-	-
Other payables	946,260	-	-	-	-
Lease liabilities	259,193	-	-	-	-
Deposits received	2,262	-	-	-	-
Subtotal	<u>5,899,345</u>	-	-	-	-
Total	<u>\$ 5,919,450</u>	-	<u>20,105</u>	-	<u>20,105</u>

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

3) Fair value hierarchy transfer

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

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

4) Reconciliation of Level 3 fair values

	Financial assets at fair value through profit or loss
Opening balance, January 1, 2023	\$ -
Total gains or losses	
Recognized in profit or loss	(1,425)
Purchased	1,765
Reclassified	4,157
Ending balance, September 30, 2023	\$ 4,497

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Total gains or losses				
Recognized in profit or loss (presented in "other gains and losses")	\$ (767)	-	(1,425)	-

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

(Continued)

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

(y) Financial risk management

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

(z) Capital management

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

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

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes			September 30, 2023
			Foreign exchange movement	Other	Changes in lease payments	
Short-term borrowings	\$ 1,466,515	648,519	-	8,789	-	2,123,823
Long-term borrowings (including expires within one year)	1,406,740	(84,460)	(372)	26,429	-	1,348,337
Lease liabilities	229,226	(98,269)	(702)	24,728	49,238	204,221
Deposit received	2,217	(187)	-	-	-	2,030
Total liabilities from financing activities	<u>\$ 3,104,698</u>	<u>465,603</u>	<u>(1,074)</u>	<u>59,946</u>	<u>49,238</u>	<u>3,678,411</u>
	January 1, 2022	Cash flows	Non-cash changes			September 30, 2022
			Foreign exchange movement	Other	Changes in lease payments	
Short-term borrowings	\$ 921,426	536,952	-	-	-	1,458,378
Long-term borrowings (including expires within one year)	1,549,310	(60,680)	-	-	-	1,488,630
Lease liabilities	304,151	(102,341)	20,341	7,442	29,600	259,193
Deposit received	2,347	(85)	-	-	-	2,262
Total liabilities from financing activities	<u>\$ 2,777,234</u>	<u>373,846</u>	<u>20,341</u>	<u>7,442</u>	<u>29,600</u>	<u>3,208,463</u>

(Continued)

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

(7) Related-party transactions:

(a) Related-party transactions

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

(b) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Short-term employment benefits	\$ 57,245	52,159	173,921	148,141
Post-employment benefits	726	313	1,914	949
Share-based payment	1,070	638	1,931	4,441
	<u>\$ 59,041</u>	<u>53,110</u>	<u>177,766</u>	<u>153,531</u>

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:

Assets pledged as security	Liabilities secured by pledge	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	Borrowing	\$ 34,571	-	-

(9) Commitments and contingencies:

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

	September 30, 2023	December 31, 2022	September 30, 2022
TWD	\$ 2,091,900	2,411,900	2,469,210
USD	14,000	21,000	21,000

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(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 September 30, 2023			For the three months ended September 30, 2022		
		Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits							
Salary		264,503	358,388	622,891	265,052	327,996	
Labor and health insurance		33,505	33,110	66,615	28,784	25,055	
Pension		15,795	15,262	31,057	15,070	14,983	
Remuneration of directors		-	11,021	11,021	-	16,480	
Others		23,445	12,064	35,509	24,786	8,670	
Depreciation		179,698	34,422	214,120	170,793	27,075	
Amortization		3,499	29,651	33,150	3,697	32,077	

By item	By function	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
		Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits							
Salary		767,711	1,007,640	1,775,351	784,961	957,442	
Labor and health insurance		93,608	89,076	182,684	81,499	73,770	
Pension		48,338	46,675	95,013	44,627	43,409	
Remuneration of directors		-	34,475	34,475	-	45,031	
Others		68,578	29,190	97,768	70,035	23,917	
Depreciation		537,510	92,653	630,163	503,359	83,533	
Amortization		10,901	88,968	99,869	10,883	92,518	

- (b) Seasonality of operation

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

(Continued)

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 nine months ended September 30, 2023:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 4)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
1	TSC Auto ID	TSCAA	Other receivables-related party	Yes	-	-	-	- %	-	-	Canceled on March 15, 2023	-	None	-	-	-
2	TSC Auto ID	DLS	Other receivables-related party	Yes	322,700	322,700	-	- %	2	-	Repayment of bank loans	-	None	-	1,057,575	2,115,150
3	TSC Auto ID	TSCPL	Other receivables-related party	Yes	173,550	169,550	-	- %	2	-	Repayment of bank loans	-	None	-	1,057,575	2,115,150
4	TSC Auto ID	TSCAE	Other receivables-related party	Yes	34,710	33,910	-	- %	2	-	Repayment of bank loans	-	None	-	1,057,575	2,115,150

Note 1: Necessity of short-term financing.

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
1	TSC Auto ID	TSCAA	2	2,115,150	369,000	193,620	-	-	3.66 %	3,172,724	N	N	N
2	TSC Auto ID	TSCAE	2	2,115,150	-	16,135	-	-	0.31 %	3,172,724	N	N	N

Note 1: Subsidiary of the Company.

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

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

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

(iii) Securities held as of September 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Applied WirelessIdentifications Group, Inc.	-	Financial assets at fair value through profit or loss-current	243	-	-	-	
The Company	Third Dimension (3D)Semiconductor, Inc.	-	Financial assets at fair value through profit or loss-current	921	-	-	-	
The Company	Achi Capital Partners Fund LP	-	Financial assets at fair value through profit or loss non-current	-	4,497	-	4,497	

(Continued)

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

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

(In Thousands of New Taiwan Dollars/Shares)

Company holding securities	Security type and name	Account	Counter-party	Relationship	Beginning		Purchase		Sale				Other (Note 1) Amount	Ending	
					Shares (in thousands)	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal		Shares (in thousands)	Amount
TSC Auto ID	TSCPL	Investments accounted for using equity method	TSCPL	Subsidiary	-	-	-	498,827	-	-	-	-	(16,925)	-	481,902
TSCPL	MGN (Note 2)	Investments accounted for using equity method	SEBASTIAN LUKASZ NAWROT AND ROBERT ZENON MALAK AND MGN (Note 2)	-	-	-	2	62,258 (thousands PLN)	-	-	-	-	175 (thousands PLN)	2	62,433 (thousands PLN)

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

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms (Note 1)	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	TSCJ	Subsidiary	Sale	(207,966)	(2) %		-		47,145	2%	
The Company	TSCH	Subsidiary	Sale	(395,693)	(4) %		-		213,868	7%	
The Company	TSCA	Sub-sub-sidiary	Sale	(410,334)	(4) %		-		214,345	7%	
The Company	TSCC	Sub-sub-sidiary	Sale	(320,882)	(3) %		-		(135,153)	(5)%	(Note 2)
The Company	TSCC	Sub-sub-sidiary	Purchase	158,232	2 %		-		-	-%	
The Company	Yangxin Everwell	Sub-sub-sidiary	Purchase	1,131,910	15 %		-		(252,948)	(17)%	(Note 2)
The Company	Tianjin Everwell	Sub-sub-sidiary	Purchase	159,310	2 %		-		(7,902)	(1)%	
TSC Auto ID	TSCAE	Subsidiary	Sale	(755,489)	(7) %		-		624,767	21%	
TSC Auto ID	TTSC	Subsidiary	Sale	(500,659)	(4) %		-		119,986	4%	
TSC Auto ID	TTSC	Subsidiary	Purchase	447,260	4 %		-		(182,841)	(6)%	
TSC Auto ID	TSCAA	Subsidiary	Sale	(685,112)	(9) %		-		506,172	34%	

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

Note 2: Accounts payable presents at net.

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

(Continued)

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

(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	213,868	2.21 %	-		47,417	-
The Company	TSCA	Sub-subsidiary	214,345	2.30 %	-		63,022	-
TSC Auto ID	TSCAE	Subsidiary	624,767	1.59 %	-		77,179	-
TSC Auto ID	TSCAA	Subsidiary	506,172	2.11 %	-		71,705	-
TSC Auto ID	TTSC	Subsidiary	119,986	4.24 %	-		61,950	-
TTSC	TSC Auto ID	Subsidiary	182,841	4.65 %	-		91,124	-

Note 1: As of report date.

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

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	TSCE	1	Selling expenses-commission	89,497	Monthly payment	0.77%
0	The Company	TSCE	1	Accrued expenses	30,416		0.17%
0	The Company	TSCJ	1	Sales revenue	207,966	Note 3	1.80%
0	The Company	TSCJ	1	Accounts receivable	47,145		0.26%
0	The Company	TSCH	1	Sales revenue	395,693	Monthly payment	3.43%
0	The Company	TSCH	1	Accounts receivable	213,868		1.17%
0	The Company	TSCA	1	Sales revenue	410,334	Note 3	3.55%
0	The Company	TSCA	1	Selling expenses-commission	5,372		0.05%
0	The Company	TSCA	1	Accounts receivable	214,345		1.17%
0	The Company	TSCC	1	Sales revenue	320,882	Monthly payment	2.78%
0	The Company	TSCC	1	Accounts receivable	135,153		1.00%
0	The Company	TSCC	1	Purchase	158,232		1.37%
0	The Company	Yangxin Everwell	1	Purchase	1,131,910	Note 4	9.80%
0	The Company	Yangxin Everwell	1	Accounts payable	252,948	Note 5	1.38%
0	The Company	Tianjin Everwell	1	Purchase	159,310		1.38%
0	The Company	Tianjin Everwell	1	Other payable	62,141		0.34%
4	Yangxin Everwell	TSCC	3	Sales revenue	739,764	Note 3	6.40%
4	Yangxin Everwell	TSCC	3	Accounts receivable	343,163		1.88%

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 nine months ended September 30, 2023:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Ever Energetic	British Virgin Islands	Holding company and general import and export business	665,501	665,501	21,175	100.00 %	1,545,838	(33,023)	(33,023) (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 %	1,752,183	85,157	85,157 (Note 2)	Subsidiary
The Company	Skyrise	British Virgin Islands	Holding company and general import and export business	2,845	2,845	50	100.00 %	1,899	(49)	(49) (Note 2)	Subsidiary
The Company	TSCE	Germany	General import and export business	10,972	10,972	-	100.00 %	69,438	6,497	6,497 (Note 2)	Subsidiary
The Company	TSCJ	Japan	Trading of rectifiers	28,689	28,689	2	100.00 %	114,961	11,579	11,579 (Note 1)	Subsidiary
The Company	TSCH	Hong Kong	Holding company and trading of rectifiers	282,312	282,312	672	25.22 %	636,601	(12,536)	16,439 (Note 2)	Subsidiary
The Company	TSC Auto ID	Taiwan	Manufacture and sale of bar code printers	163,728	163,728	16,995	36.08 %	1,114,986	761,701	216,776 (Note 1)	Subsidiary
Ever Energetic	TSCA	United States	Trading of rectifiers	258,520	258,520	6,750	75.00 %	238,685	(37,691)	(28,268) (Note 2)	Subsidiary
Ever Energetic	TSCH	Hong Kong	Holding company and trading of rectifiers	571,628	571,628	985	36.96 %	1,233,487	(12,536)	(4,634) (Note 2)	Subsidiary
Ever Winner	TSCA	United States	Trading of rectifiers	83,813	83,813	2,250	25.00 %	79,562	(37,691)	(9,423) (Note 2)	Subsidiary
Ever Winner	TSCC	China	Trading of rectifiers	4,461	4,461	-	100.00 %	335,741	99,410	99,410 (Note 2)	Subsidiary
Ever Winner	TSCH	Hong Kong	Holding company and trading of rectifiers	792,254	792,254	1,008	37.82 %	1,262,188	(12,536)	(4,741) (Note 2)	Subsidiary
TSCH	Yangxin Everwell	China	Manufacture and sale of rectifiers	966,119	966,119	-	100.00 %	2,317,343	(31,728)	(31,728) (Note 1)	Subsidiary
TSCH	Tianjin Everwell	China	Manufacture and sale of wafers	787,044	787,044	-	100.00 %	662,333	(10,407)	(10,407) (Note 2)	Subsidiary
TSC Auto ID	TSCAE	Germany	Trading of bar code printers and other parts	2,943	2,943	-	100.00 %	(98,942)	(21,173)	(21,173) (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 %	1,091,517	18,097	18,097 (Note 1)	Subsidiary
TSC Auto ID	TSC HK	Hong Kong	Holding company and general import and export business	47,468	51,738	11,711	100.00 %	750,790	189,505	189,505 (Note 1)	Subsidiary
TSC Auto ID	Printronix AD	Taiwan	Trading of bar code printers and other parts	5,000	5,000	500	100.00 %	4,992	(267)	(267) (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 %	1,399,210	106,979	106,979 (Note 1)	Subsidiary
TSC Auto ID	TSCIN	India	Trading of bar code printers and other parts	2,791	2,791	710	100.00 %	374	(1,253)	(1,253) (Note 1)	Subsidiary
TSC Auto ID	TSCPL	Poland	General investment	498,827	-	-	100.00 %	481,902	(15,978)	(15,978) (Note 1)	Subsidiary
TSCAE	TSCAD	United Arab Emirates	Trading of bar code printers and other parts	8,234	8,234	-	100.00 %	(13,973)	(4,539)	(4,539) (Note 1)	Subsidiary
TSCAE	TSCAS	Spain	Trading of bar code printers and other parts	124	124	-	100.00 %	2,998	237	237 (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 %	39,267	7,507	7,507 (Note 1)	Subsidiary
TSCPL	MGN	Poland	Customization of design, integration and marketing of label papers and other parts	62,258 (thousands PLN)	-	2	100.00 %	463,410	1,295	1,295 (Note 2)	Subsidiary
TSC HK	TTSC	China	Manufacture and sale of bar code printers and other parts	48,405	48,405	-	100.00 %	803,358	191,690	191,690 (Note 1)	Subsidiary
TSC HK	SPTNX (Note 3)	China	Trading of bar code printers and other parts	-	4,970	-	-	-	(1,600)	(1,600) (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.

Note 3: Shenzhen Printronix Auto ID Technology Co., Ltd. had repatriated its share capital to TSC HK in July 2023, and was liquidated and dissolved on August 31, 2023.

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TAIWAN SEMICONDUCTOR CO., LTD.
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(c) Information on overseas branches and representative offices:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
TSCC	Trading of rectifiers	4,461	(3)	4,461	-	-	4,461	99,410	100.00%	99,410	335,741	397,444
Yangxin Everwell	Manufacture and sale of rectifiers	1,667,160	(3)	628,196	-	-	628,196	(31,728)	100.00%	(31,728)	2,317,343	250,864
Tianjin Everwell	Manufacture and sale of wafers	387,173	(3)	387,173	-	-	387,173	(10,407)	100.00%	(10,407)	662,333	452,102
TTSC	Manufacture and sale of bar code printers and other parts	46,358	(3)	48,405	-	-	48,405	191,690	36.08%	69,162	803,358	787,814
SPTNX (Note 2)	Sale of bar code printers and other parts	-	(3)	4,970	-	(4,970)	-	(1,600)	-	(577)	-	5,898

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

Note 2: Shenzhen Printronix Auto ID Technology Co., Ltd. had repatriated its share capital to TSC HK in July 2023, and was liquidated and dissolved on August 31, 2023; TSC HK had repatriated Shenzhen Printronix Auto ID Technology Co., Ltd.'s share capital to TSC Auto ID in July 2023, and the investment amount has not yet been applied for cancellation from to the Department of Investment Review.

(ii) Limitation on investment in China:

Accumulated Investment in China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,063,912	2,096,552	4,661,688

(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)		14,800,000	5.61 %

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

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

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

(14) Segment information:

	For the three months ended September 30			
	2023			
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 1,641,401	2,107,658	-	3,749,059
Intersegment revenues	<u>1,266,422</u>	<u>34</u>	<u>(1,266,456)</u>	<u>-</u>
Total revenue	<u>\$ 2,907,823</u>	<u>2,107,692</u>	<u>(1,266,456)</u>	<u>3,749,059</u>
Reported segment profit and loss	<u>\$ 205,486</u>	<u>321,148</u>	<u>-</u>	<u>526,634</u>
	For the three months ended September 30			
	2022			
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 1,989,199	1,980,108	-	3,969,307
Intersegment revenues	<u>1,696,327</u>	<u>2</u>	<u>(1,696,329)</u>	<u>-</u>
Total revenue	<u>\$ 3,685,526</u>	<u>1,980,110</u>	<u>(1,696,329)</u>	<u>3,969,307</u>
Reported segment profit and loss	<u>\$ 515,933</u>	<u>347,868</u>	<u>-</u>	<u>863,801</u>
	For the nine months ended September 30			
	2023			
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 4,925,199	6,210,325	-	11,135,524
Intersegment revenues	<u>3,717,335</u>	<u>57</u>	<u>(3,717,392)</u>	<u>-</u>
Total revenue	<u>\$ 8,642,534</u>	<u>6,210,382</u>	<u>(3,717,392)</u>	<u>11,135,524</u>
Reported segment profit and loss	<u>\$ 570,563</u>	<u>1,048,246</u>	<u>(59,200)</u>	<u>1,559,609</u>
	For the nine months ended September 30			
	2022			
	Rectifiers	Bar Code Printers	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 5,901,463	5,784,475	-	11,685,938
Intersegment revenues	<u>5,199,986</u>	<u>10</u>	<u>(5,199,996)</u>	<u>-</u>
Total revenue	<u>\$ 11,101,449</u>	<u>5,784,485</u>	<u>(5,199,996)</u>	<u>11,685,938</u>
Reported segment profit and loss	<u>\$ 1,418,180</u>	<u>980,979</u>	<u>(37,000)</u>	<u>2,362,159</u>

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TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
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	<u>Rectifiers</u>	<u>Bar Code Printers</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Reported segment assets				
September 30, 2023	\$ <u>23,170,479</u>	<u>9,401,440</u>	<u>(14,282,707)</u>	<u>18,289,212</u>
December 31, 2022	\$ <u>24,369,174</u>	<u>8,294,769</u>	<u>(14,447,124)</u>	<u>18,216,819</u>
September 30, 2022	\$ <u>24,387,135</u>	<u>8,315,006</u>	<u>(14,715,920)</u>	<u>17,986,221</u>