

Taiwan Semiconductor Co., Ltd.
Minutes of the 2023 Annual General Meeting

Time : Monday, 19 June 2023 at 09 : 00 am

Place : Taiwan Semiconductor Co., Ltd. I-Lan factory (No.96,Meijou 2nd Rd. ,I-Lan City, I-Lan County 260, Taiwan R.O.C.)

Shareholders Present : The number of shares presented in person or by proxy is 161,926,799 shares (including 155,819,921 shares from electronic voting rights), representing 61.45% of total outstanding shares.

Directors Present: Director Mr. Wang shiu Ting, TSC Auto ID Technology Co., Ltd.
Legal Representative Director Mr. Wang Hsing Lei, UMC Capital
Legal Representative Director Mr. Liu Chang Yu, Independent
Director Mr. Jhan Cian Long, Independent Director Mr. Fan Hong Shu, Independent Director Mr. Lin Bo Sheng, Independent Director Mr. Ma Shu Zhuang.

Lawyer : Tien Jen Jieh (Lee and Li, Attorneys-at-Law)

Accountants : Mei Yuan Chen (KPMG Certified Public Accountants)

Chairman : Mr. Wang shiu Ting (Chairman of the Board of Directors)

Record : Ms. Luo Yue Guei

The agenda for the meeting is as follows:

1. The Chairman called the meeting to order.
2. Chairman's Address : (omitted)
3. Report Items :
 - (1) 2022 Business Report and 2023 Annual Business Plan Report
 - (2) Audit Committee's 2022 Review Report
 - (3) Status report on the Endorsement and Guarantee, Loaning of Company Funds, Regulations Governing the Acquisition and Disposal of Assets, the Trading of Financial Derivatives of the Company and its subsidiaries in 2022
 - (4) Report on 2022 employees' profit sharing bonus and directors' compensation
 - (5) Report on The performance evaluation and compensation report of directors and managers
4. Approval Items :
 - (1) Proposal 1 : The Company's 2022 Business Report and Financial Statements
(Proposed by the Board)

Explanation: 1. The Company's business report, standalone financial statement, and consolidated financial statements have been approved by the Board and examined by the audit committee.

2. The business report, standalone financial statement, and consolidated financial statements are attached in the Meeting Agenda.

Voting Results: Shares represented at the time of voting: 161,926,799 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 152,733,203 votes	94.32%
Disapproval votes: 112,300 votes	0.06%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 9,081,296 votes	5.60%

RESOLVED, that The Company's 2022 Business Report and Financial Statements be and hereby were accepted as submitted.

(2) Proposal 2 : The Company's 2022 earnings Distribution.
(Proposed by the Board)

Explanation: 1. In order to improve the capital structure and avoid dilution of earnings, the Company proposes full cash dividend distribution.

2. The net profit after tax in 2022 was NT\$1,562,886,413, the Company appropriates NT\$156,718,710 to legal reserve, and adds beginning retained earnings NT\$ 1,084,254,443 and adds remeasurements of defined benefit plans NT\$ 4,300,684. The distributable earnings amounted to NT\$ 2,494,722,830. The Company plans to distribute the dividends to shareholders with NT\$ 1,053,941,944 all in cash. After the approval of the general meeting of shareholders, an ex-dividend date and payment date for cash dividends will be set. Dividends are allocated based on the shareholding ratio of shareholders listed on Shareholders' Rosters on the ex-dividend record date; NT\$ 4.0 per share. The cash dividends shall be distributed to the NTD (decimals are rounded down). The total number of fractional amounts below NT\$1 shall be listed as the Company's other income.

If there is an increase or decrease in the total number of outstanding shares of the Company, which results in a change in the shareholders' payout ratio, it is proposed to request the shareholders' meeting to authorize the Board of Directors to deal with the matter in its sole discretion.

3. Please refer to Earnings Distribution Table on page 36 of this Meeting Agenda.

Voting Results: Shares represented at the time of voting: 161,926,799 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 152,826,003votes	94.37%
Disapproval votes: 115,497 votes	0.07%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 8,985,299 votes	5.54%

RESOLVED, that the above proposal be and hereby was approved as proposed.

5. Discussion items :

(1) Proposal 1 : To Amend the rules for the corporation by-laws (Proposed by the Board)

Explanation: 1. To meet the need of the Company's future development. We plan to amend the corporation by-laws of the company, and the comparison table of amendment is below. We propose for the approval of 2023 shareholders meeting.

2. Please proceed to discuss.

Voting Results: Shares represented at the time of voting: 161,926,799 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 130,305,786 votes	80.47%
Disapproval votes: 22,637,412 votes	13.98%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 8,983,601 votes	5.54%

RESOLVED, that the above proposal be and hereby was approved as proposed.

(2) Proposal 2 : To amend the articles of Company's "Regulations Governing the Acquisition and Disposal of Assets". (Proposed by the Board)

Explanation: 1. Proposed amendments to the Company's "Regulations Governing the Acquisition and Disposal of Assets" to meet the operating requirement for the Company. The comparison table of amendments is as follows which is submitted to the 2023 shareholders' meeting for the approval.

2. Please proceed to discuss.

Voting Results: Shares represented at the time of voting: 161,926,799 votes

Voting Results(Including electronic votes)	% of the total represented share present
Approval votes: 129,391,973 votes	79.90%
Disapproval votes: 14,917,121 votes	9.21%
Invalid votes: 0 votes	0.00%
Abstention votes/no votes: 17,617,705 votes	10.88%

RESOLVED, that the above proposal be and hereby was approved as proposed.

6. Extraordinary Motions : none

7. Adjournment: 9:13 am (No question was raised by Shareholder.)

Mr. Wang shiu Ting
Chairman

Ms. Luo Yue Guei
Recorder

Appendix

1. 2022 Business Report

(1) Implementation of Business Plan

The Company's and its subsidiaries major businesses included the production and sale of rectifiers and barcode printers. In 2022, the earnings per share after tax was NT\$6.28. The 2022 consolidated operating revenue, gross profit, operating income, net income before tax, net income, comprehensive income, and after-tax earnings per share compared to 2021 is presented below:

Unit: NT\$ thousand

Item	Implementation of Business Plan		
	2022	2021	Increase (decrease)
Operating revenue	15,687,134	13,177,417	19.05%
Gross Profit	5,349,166	4,127,721	29.59%
Operating Income	2,790,521	1,908,907	46.18%
Net income before tax	3,013,930	1,947,632	54.75%
Net income	2,176,915	1,381,895	57.53%
Comprehensive income	2,478,073	1,269,814	95.15%
Net income attributable to the Parent Company	1,562,877	882,805	77.04%
Comprehensive income attributable to the Parent Company	1,738,755	809,542	114.78%
After-tax earnings per share (NT\$)	6.28	3.55	76.90%

(2) Budget Implementation: The Company did not disclose its financial forecasts of the year of 2022, so it is not necessary to publicly disclose the implementation of the budget.

(3) Financial Status and Profitability

Unit: NT\$ thousand

Item	Annual revenue and expenditure		
	2022	2021	Increase(decrease)
Interest Revenue	19,892	14,541	36.80%
Interest Expense	38,330	30,911	24.00%

Item		2022	2021
Financial Structure	Total debt to assets (%)	41.12	42.28
	Long-term asset to real estate, plant and equipment ratio (%)	286.97	259.53
Liquidity Analysis	Current ratio (%)	206.86	206.04
	Quick ratio (%)	136.76	145.12
Profitability	Return on assets (%)	12.89	9.19
	Return on equity (%)	21.82	16.19
	Profit ratio (%)	13.88	10.49

	After-tax earnings per share (NT\$)	6.28	3.55
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(4) Research and Development

(A) Rectifier

To increase our overall competitiveness and gross margin, the Company invests a great deal of manpower and budget every year in collecting market information, analyzing market demand, and setting the direction and strategy for new product development. As most of the mainstream products in the market today are becoming thin and light, our products are also actively developing toward small, energy-saving, and comprehensive in order to develop new markets. We have developed and increased market penetration in personal handheld products, automotive electronics, industrial control industry and white goods market.

In recent years, with self-developed chip technology and the advantage of automated packaging, we have continued to develop Schottky rectifier, MOSFET, ESD protection, automotive LED driver, automotive low dropout voltage regulator and other products.

The development of the new generation of trench Schottky rectifier, Super Junction MOSFET, and Split Gate Technology MOSFET that can effectively reduce conduction loss and switching loss to meet market trends and needs for environmental protection, energy-saving, and low power consumption. These new technologies will be developed in a full range to facilitate the promotion of active and passive safety applications for automotive electronics, industrial, communications, and energy industries.

Fully automated die bonding technology and fully automated high-speed packaging, testing and printing technology have been fully introduced, which is conducive to enhancing product reliability and significantly increasing output and reducing costs to expand market share and enhance profitability. Packaging technology has developed higher current density surface mount power device components, which surpasses the European, American and Japanese top tier manufacturers.

The development of ESD protection has been focused on multi-channel, ultra-low junction capacitance and miniature packaging. Corresponding to the application of various high-frequency transmission ports in the market, such as ESD protections on USB3.1, USB3.0, USB2.0, HDMI2.0 ports.

The Company has put a full range of LED lighting product lines into mass production, which can be applied to various solutions including isolation, non-isolation and dimming features. The dimming series covers existing dimming methods such as linear dimming, PWM dimming, etc., as well as various integrated high-voltage MOSFET solutions, which have reached maturity and have been adopted by international manufacturers, and which has continued to grow steadily. Facing a low-price, competitive market in China, the company actively seeks products with higher quality and gross profit. The Company also cooperates with customers to develop customized products, particularly focusing on automotive products as it has been the main R&D project in recent years, including the automotive LED Driver ICs, which can cover all kinds of voltage and applications of automotive lighting, such as headlamps, tail lamps, fog lamps, daytime running lamps and so on. Various low power consumption and high output current automotive low-dropout and low power consumption regulator ICs are also being developed, which can be used to supply 3.3V and 5V voltage regulators to automotive MCUs, and some of them have been developed independently. The Company has invested more manpower and equipment costs in the verification of vehicle regulations and is now gradually passing the qualification of AEC-Q100 standard. We hope to gain the recognition of automotive customers with high quality and service.

(B) Barcode printer

With the increase in applications for automatic identification in the global market, the Company spent NT\$229,823 thousand on research and development in 2022, accounting for 3% of the revenue and will continue invest in network applications, network security,

and cloud software and hardware application and development to expand the Company's market coverage. In addition to developing new generation products and applications in new fields, the Company will focus on automated data collection, product mobility, RFID applications, online barcode detection and linerless environmental label applications. The Group will also spend the funds on the capital expenditures on labeling paper equipment to strengthen competitiveness and ensure sustainable growth.

2. 2023 Business Plan

(1) Business Policy

(A) Rectifier

- (1) Continue to create global marketing channels to increase global market share
- (2) Strengthen the professional marketing team both domestically and internationally. Providing technical and comprehensive services to customers and improve our brand image
- (3) Continue to expand our R&D team to create and maintain leading technology and rapidly develop next-generation products
- (4) Continue to develop and implement the most advanced production equipment to increase profitability by increasing productivity and reducing costs
- (5) Actively develop new packaging technologies and higher current density surface mount power device packages to meet market demand
- (6) Seek cooperation with world known companies
- (7) Continue to develop small signal products for automotive applications and offer a comprehensive product line for automotive electronics
- (8) Actively promote automotive analog ICs, SOI MOSFET, LED driver ICs, and high power density products to enhance product value and profitability with integrated solution sales and win customers' trust and reliance.
- (9) Continue the development and production of upstream wafer products to integrate upstream and downstream supply, and ensure stable supply of key raw materials and absolute cost advantage
- (10) Develop new products with big international companies to create high profitability with oligopoly supply chain

(B) Barcode printer

The Company continues to develop the manufacturing and service of automatic identification system, actively expand the marketing channels of the low, middle and high-end product lines, and continue to plan upstream and downstream strategic investments, deepen the operation of the Company's own brand in all regions of the world, and expand the manufacturing and service of hardware and software. The Company also intends to increase customer usage of intelligent services for automatic identification system, so as to provide customers with a more complete service network and develop new growth momentum.

(2) Important Production and Marketing Policies

(A) Rectifier

The Company's industry is a semi-conductor industry. The Company's current production and sales policy is a combination of build to stock and make-to-order production. In this regard, the annual production and sales policy is formulated based on overall industrial market development, market supply and demand, the Company's established capacity and inventory level. Depending on the actual order status, it can be adjusted at any time to maintain the optimal inventory level.

(B) Bar Code printer

Future production and marketing policies will focus on the following:

1. Ensure stability and quality of supplies from important suppliers and maintain appropriate inventory levels and turnover rates
2. Strengthen the education and training of regional distributors to enhance sales
3. Continue to develop emerging markets and mature markets.

(3) Operation Goals

(A) Rectifier

The Company's main products are rectifier diodes and analog ICs. Taking into account the competition and market conditions, the sales projection for 2023 is as follows:

Products	2023 sales projection	2022 actual sales
Rectifier Diode	5,596,986(kpcs)	4,443,018(kpcs)
Small signal products	1,797,234(kpcs)	1,867,206(kpcs)
MOSFET	305,924 (kpcs)	287,774(kpcs)
Analog IC	136,912(kpcs)	130,243(kpcs)

Technical Marketing comprehensive promotion with a total solution for different industries. Because of the increasing popularity of hybrid electric vehicles and electric vehicles in the automotive electronics market, the market demand for power devices has increased dramatically. The high power AC-DC converter, low loss MOSFET (FET), low loss voltage regulator, surge absorber (TVS), electrostatic protection, fast recovery diode, and transistor continue selling to European, American, and Japanese companies, in the meantime, the Company developed the rapidly growing Chinese and Indian automotive electronics companies. Due to the regulation amendment in vehicle lighting, it is necessary to install daytime lighting. Also, due to energy-saving and new lighting product trends, LED lighting is rapidly emerging in automotive applications, and the capacity is growing to multiply many times. The company also provides overall solutions actively in the vehicle lighting market, and introduces them to European, American, and Japanese automotive electronics manufacturers.

In addition to the existing products of high power Bridge Rectifier and high power rectifier for automobile and locomotive charging systems, the new product high power MOS is adopted as an automotive electronics certificated manufacturer, which shortens the certification time.

In the LED lighting industry, the new products LED module and LED driver, which contains simplified constant current rectifying function design, with a full range of solutions including surface mount Bridge rectifier, Schottky, MOSFET, Small-signal products, promote the high demanded Ball steep light and striplight to the American and European lighting companies. In addition to small lighting products, the new products also develop the AC-DC LED applications and are imported into American and Japanese manufacturers.

The industrial application market is dominated by foreign competitors, especially the renewable energy industry (solar systems and power converters) has the characteristics of low substitution and high gross margin, which is difficult for the local and Chinese manufacturers to introduce. The Company has a long-term experience of high quality control and performance in the automobile electronics industry and the fast globalized local design service. In addition to the existing products, new products like fast recovery rectifier, low loss high junction temperature Trench Schottky, and low loss high power MOSFET are being promoted all-inclusively.

In recent years, the considerable business opportunities in automobile electronics, detecting instruments, industrial control, and major appliances markets attract more and more foreign manufacturers to enter. The Company will develop the different

specifications of Hall effect IC and flux collector, which are used in automobiles, industry, major appliances, and the consumer market. In these markets, these ICs are used in different kinds of measurement of position and angle. Take automobile electronics electrol power steering system as an example, linearity and angle Hall effect IC collector can measure the angle, running torque, and an engine speed of the steering wheel.

To consolidate the existing product lines and promote the consumer electronics industry, like TV, PC/Tablet, STB, Home appliance, Gaming, GPS, the Company continues to increase the amount of shipment like Bridge rectifier, MOS, Schottky, Zener diode, switching diode, different types of the voltage regulator, high recovery rectifier etc.

The TVs combine with internet and video function, high frequency, and multiple connecting ports. To protect ICs, the electrostatic protection component and wave filtering component are more needed. The development of new series of electrostatic protection products includes multiple output Array and combine with EMI Filter. Under the need of Eco-Friendly, all end products are pursuing high efficiency and low loss. The new products develop low-impedance MOS, low loss voltage regulator, low loss bridge rectifier, Ultra-low capacitance electrostatic protection component, etc.

Machine to Machine, because of the need for revolutionary applications due to the rise of the Internet of Things and the 5G communication smart city, the Ultra-low loss SOI MOSFET and low power trench Schottky, high power low voltage small patch TVS are being promoted.

(B) Bar Code Printer

The Company's major income source is the sales, service, and sales of label paper of the automatic recognition printer. The estimated sale in 2023 as follow.

Unit: Thousand

Products	2023 sales projection	2022 actual sales
Automatic identification printer	800	700

On the basis of the estimation, the key points for future production and marketing policies are as follows:

1. Ensure
stability and quality of supplies from important suppliers and maintain appropriate inventory levels and turnover rates
2. Continue to
expand the scale of global operations and strengthen the core competitiveness of the Company's operating fundamentals.
3. Provide a
comprehensive high-quality service and establish business capacity.

3. Future Development Strategies and Influence from External Competition, Regulations and Macro-operating Environment

(1) Future Development Strategies

(A) Rectifier: Continuing to innovate technology, accelerate research and development, increase product value, complete upstream and downstream deployment and investment opportunities in China to strengthen integration benefits.

(B) Bar Code printer: The Company continues to expand market share and enhance competitive advantage by marketing our own brand, optimizing after-sales services and improving the quality of customer services, and continuing to provide a comprehensive one-stop services to create opportunities for multi-win growth.

(2) Influence from External Competition

(A) Rectifier

The subsidy policy of local governments gives China's semiconductor manufacturers the advantage of competing at a low price, which has a certain impact on the low-end application market. The company is still focusing on the development of higher specification products, from wider penetration of consumer electronics, automotive electronics, industrial control to medical and communication equipment. We expect to achieve a balanced development of low, medium and high application markets and to occupy more areas with higher entry barriers to maintain a larger gap with competitors and improve profitability. Currently, the Company's new technology development and existing high-end products are comparable to or even surpassing the world's first-class manufacturers, and we expect to develop more innovative and revolutionary products to surpass our world-class competitors and make outstanding contributions to environmental protection, energy savings and carbon reduction.

(B) Bar Code printer

As the demand for automatic identification becomes more life-oriented and common, the demand for auto-recognition printing is becoming more and more active. In the face of the external competitive environment, the Company continues to develop innovative technologies, strengthen core capabilities for resource integration and interdisciplinary development, expand market cooperation and links, and actively face external challenges with the goal of profitability and stable growth.

(3) Influence from Regulations

(A) Rectifier

For adapting EU RoHS regulation, the Company provides all series of non-halogen products, which are popular among the consumer companies from Europe, America, Japan, and Korea. EISA2007 (Energy VI Efficiency) that demands higher standby power consumption and power conversion efficiency of the electric products, has been executed since 2016. For power devices, the wastage of electric property of rectifier and MOSFET should be lower and a smaller packaging should be used. Major appliances are affected the most. To cope with the legal requirement, they must be switched to variable frequency voltage source due to the large consumption of motor and compressor. The starter motor requires a higher voltage and soft switching ability for the power components. The power components in major appliances with DC frequency conversion have to concur with EMI factors, therefore it is difficult for other low-cost appeal companies to compare the excellent research and development ability of TAIWAN SEMICONDUCTOR Co., LTD. Additionally, due to the promoted policy of renewable energy, the need for solar energy and renewable energy source is highly requested by not only developed countries like North America, Japan, and Europe but also other emerging markets. Our new products with low consumption of high junction temperature Schottky can combine with solar module and power converter when used.

With the improvement of the battery technic in electric vehicles, the charging specification has changed from AC to DC 600V direct charging. The power system of vehicles will also change from a 12V 24V system to a 48V system. For this changing power system, the design pool of the original suppliers needs to be replaced with a new specification. It is a good design point for our new products high-voltage fast recovery diode, ultra-low power consumption rectifier, and trench Schottky.

(B) Bar Code Printer

There haven't been significant influences for the Company that attributes to the important policy and law changes domestic and foreign in recent years.

(4) Influence from Macro-operating Environment

(A) Rectifier

Global Service-Customer management system and regional industrial development expand the global division of labor without borders. The Company uses customer

management to respond to the rapidly changing electronics industry. Products from big companies around the world are locally original designed, then be delivered and produced in various places. Through “Account management”, OEM and IPO can achieve a perfect order service.

Regional industrial development helps to balance and to strengthen the product structure. North American market focuses on automobiles, industry, telecommunication, and illumination. Japanese market focus on automobiles and industry. The European market focuses on automotive electronics, industry, renewable energy sources, and illumination. Chinese market focuses on consumer electronics, automobiles, and industry. The domestic demand market of emerging markets like India, South Asia, Russia, and South America expands due to the rapid growth of the middle class. Basic telecommunication, cable lighting construction, Home appliance, and Telecom, etc. are the industries that have been introduced into.

In the rapidly changing economy, the global configuration strategy of the Company has shown its efficiency and vision regarding OEM without frontiers and spreading the risk of the differences between strong and weak regional economics.

(B) Bar Code Printer

The Company follows all changes of regulation.

In the future, with the growing stability and the expansion of the applied field of rectifier and bar code printer markets, the Company and each subsidiary company will uphold our innovative, professional, and dedicated corporate philosophy. Also, keep strengthening the research and development and salability, improve our performance, and company profits, in order share the profits with the stockholders, clients, and employees.

Chairman: Wang shiu Ting

President: Wang shiu Ting

CFO: Cheng I-Cheng

Independent Auditors' Report

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

Opinion

We have audited the financial statements of TAIWAN SEMICONDUCTOR CO., LTD. ("the Company"), which comprise the statement of balance sheet as of December 31, 2022 and 2021, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Other Matter

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of which represented investment accounted for using the equity method of the Company. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The investment in TSC Auto ID amounted for using the equity method constituting 8.68% and 8.26% of the total assets at December 31, 2022 and 2021, respectively, and the related share of profit of subsidiaries accounted for using the equity method constituting 17.16% and 26.34% of the total income before tax for the years then ended respectively.

Key Audit Matters

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

1. Valuation of accounts receivable

Please refer to Note 4(f) “Financial instruments” of the financial statements for details on the accounting policy about valuation on accounts receivable; Note 5 “Assessment of impairment of trade receivable” for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on accounts receivable; and Note 6(c) “Notes and accounts receivable” for details on the related explanation.

Description of key audit matter:

The Company has transactions with a large number of customers and the accounts receivable collection days differ in length. As a result, the expected credit loss determined for accounts receivable lies in the management’s subjective judgment based on experience. Therefore, the accounts receivable of the Company is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included (i) analyzing the reasonableness of the accounts receivable at the year-end and considering the collection subsequent to the year-end. (ii) verifying the adequacy of the Company’s expected credit loss provisions against trade receivables by assessing the relevant assumptions. (iii) taking account of our own knowledge on recent collections experience in this industry and also historical data from the Company’s previous collections experience in order to assess the reasonableness of the expected credit loss for accounts receivable. Besides, we assessed that the valuation of accounts receivable was disclosed the notes to the parent Company only financial statements properly.

2. Impairment on investment accounted for using the equity method

Please refer to Note 4(h) “Investment in subsidiaries” of the financial statements for the details on the accounting policy about investments accounted for using equity method; Note 6(e) “Investments accounted for using equity method” for details on the related explanation.

Description of key audit matter:

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

How the matter was addressed in our audit:

Our key audit procedures included: (i) obtaining the assessment on impairment loss of goodwill report provided by the evaluator appointed by the management of TSC, as well as inquiring and assessing the professional ability and independence. (ii) appointing the internal expert to execute the related procedures to assess the reasonableness of the assumption used in the evaluation model and weighted average cost of capital. (iii) evaluating the previous operating conditions, the conditions of industrial environment and future outlook, etc. in order to comprehensively determine the reasonableness of the assessment on impairment loss of goodwill.

The adoption of the independent auditor’s reports of TSC Auto ID issued by other Certified Public Accountants included (i) communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor’s report of TSC Auto ID issued by other Certified Public Accountants.

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

Our audit procedure also compare the difference of the investment amounted and the net assets of TSC Auto ID (according to our ownership share) and observe TSC Auto ID 's stock price. In addition, (ii) we assessed the related information was disclosed in the notes to the parent Company only financial statements properly.

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

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

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

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

Auditor' s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei, Yuan-Chen and Hsu, Yu-Feng.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN SEMICONDUCTOR CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,139,543	10	567,039	6	2100	Short-term borrowings (note 6(i))	\$ 590,000	5	370,720	4
1110	Current financial assets at fair value through profit or loss - current (note 6(b))	-	-	152,006	1	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	408	-	120	-
1150	Notes receivable, net (note 6(c))	52	-	531	-	2150	Notes payable	-	-	1,607	-
1170	Accounts receivable, net (note 6(c))	618,016	5	718,390	7	2170	Accounts payable	482,502	4	314,254	3
1180	Accounts receivable due from related parties, net (note 7)	670,796	6	558,975	6	2181	Accounts payable to related parties (note 7)	338,627	3	664,236	7
1200	Other receivables (note 7)	38,005	-	24,318	-	2220	Other payables to related parties (note 7)	38,555	-	55,327	1
130X	Inventories (note 6(d))	1,193,998	10	760,114	8	2230	Current tax liabilities	221,499	2	123,065	1
1479	Other current assets	109,435	1	69,339	1	2320	Long-term borrowings, current portion (note 6(j))	259,349	2	-	-
		<u>3,769,845</u>	<u>32</u>	<u>2,850,712</u>	<u>29</u>	2399	Other current liabilities	418,550	4	294,810	2
								<u>2,349,490</u>	<u>20</u>	<u>1,824,139</u>	<u>18</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	4,157	-	-	-	2541	Long-term borrowings (note 6(j))	527,391	5	649,310	7
1551	Investments accounted for using equity method (note 6(e))	5,113,463	45	4,414,662	44	2570	Deferred tax liabilities (note 6(l))	441,616	4	382,147	4
1600	Property, plant and equipment (note 6(f))	2,168,878	19	2,379,502	24	2640	Net defined benefit liability, non-current (note 6(k))	20,046	-	23,057	-
1822	Intangible assets (note 6(g))	64,459	1	91,453	1			<u>989,053</u>	<u>9</u>	<u>1,054,514</u>	<u>11</u>
1840	Deferred tax assets (note 6(l))	70,596	1	39,221	-		Total liabilities	<u>3,338,543</u>	<u>29</u>	<u>2,878,653</u>	<u>29</u>
1980	Other non-current financial assets (note 6(b))	67,718	1	55,415	1		Stockholder' equity attributable to parent:(note 6(m))				
1990	Other non-current assets (note 6(h))	141,359	1	74,343	1	3110	Common stock	2,634,854	23	2,650,854	27
		<u>7,630,630</u>	<u>68</u>	<u>7,054,596</u>	<u>71</u>	3200	Capital surplus	2,137,088	19	2,166,799	22
						3300	Retained earnings	4,155,591	36	3,247,117	32
						3400	Other stockholders' equity	(359,558)	(3)	(531,125)	(5)
						3500	Treasury shares	(506,043)	(4)	(506,990)	(5)
							Total equity	<u>8,061,932</u>	<u>71</u>	<u>7,026,655</u>	<u>71</u>
Total assets		<u>\$ 11,400,475</u>	<u>100</u>	<u>9,905,308</u>	<u>100</u>		Total liabilities and equity	<u>\$ 11,400,475</u>	<u>100</u>	<u>9,905,308</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4110	Total sales revenue (notes 6(n) and 7)	\$ 5,755,056	101	4,851,282	101
4190	Less: Sales discounts and allowances	55,901	1	47,805	1
	Net operating revenues	<u>5,699,155</u>	<u>100</u>	<u>4,803,477</u>	<u>100</u>
5000	Cost of goods sold (notes 6(d) and 7)	4,058,148	71	3,896,023	81
	Gross profit	<u>1,641,007</u>	<u>29</u>	<u>907,454</u>	<u>19</u>
5910	Less: Unrealized profit (loss) from sales	53,444	1	3,081	-
		<u>1,587,563</u>	<u>28</u>	<u>904,373</u>	<u>19</u>
6000	Operating expenses (note 7):				
6100	Selling expenses	438,244	8	388,376	8
6200	Administrative expenses	297,659	5	202,130	4
6300	Research and development expenses	81,604	1	56,976	1
		<u>817,507</u>	<u>14</u>	<u>647,482</u>	<u>13</u>
	Operating income	<u>770,056</u>	<u>14</u>	<u>256,891</u>	<u>6</u>
	Non-operating income and expenses (notes 6(o) and 7):				
7100	Interest income	3,635	-	1,421	-
7010	Other income	28,629	1	7,485	-
7020	Other gains and losses	164,096	3	12,203	-
7050	Finance costs	(11,349)	-	(6,775)	-
7070	Share of profit of subsidiaries accounted for using equity method (note 6(e))	874,492	15	734,675	15
		<u>1,059,503</u>	<u>19</u>	<u>749,009</u>	<u>15</u>
	Profit before tax	<u>1,829,559</u>	<u>33</u>	<u>1,005,900</u>	<u>21</u>
7950	Less: Income tax expenses (note 6(l))	266,672	5	123,095	3
	Profit	<u>1,562,887</u>	<u>28</u>	<u>882,805</u>	<u>18</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(k))	2,549	-	(1,247)	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	1,752	-	(191)	-
		<u>4,301</u>	<u>-</u>	<u>(1,438)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	171,567	3	(71,825)	(1)
8300	Other comprehensive income (after tax)	<u>175,868</u>	<u>3</u>	<u>(73,263)</u>	<u>(1)</u>
	Comprehensive income	<u>\$ 1,738,755</u>	<u>31</u>	<u>809,542</u>	<u>17</u>
	Basic earnings per common share (NT dollars) (note 6(q))	<u>\$ 6.28</u>		<u>3.55</u>	
	Diluted earnings per common share (NT dollars) (note 6(q))	<u>\$ 6.23</u>		<u>3.52</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings				Total other equity interest	Treasury shares	Total equity
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements		
Balance at January 1, 2021	\$ 2,494,539	22,196	1,516,265	830,920	445,618	1,484,440	2,760,978	(459,300)	(506,990)	5,827,688
Net income	-	-	-	-	-	882,805	882,805	-	-	882,805
Other comprehensive income	-	-	-	-	-	(1,438)	(1,438)	(71,825)	-	(73,263)
Total comprehensive income	-	-	-	-	-	881,367	881,367	(71,825)	-	809,542
Conversion of convertible bands	156,315	(22,196)	604,864	-	-	-	-	-	-	738,983
Appropriation and distribution of retained earnings:										
Provision of legal reserve	-	-	-	53,967	-	(53,967)	-	-	-	-
Provision of special reserve	-	-	-	-	13,682	(13,682)	-	-	-	-
Cash dividends	-	-	-	-	-	(395,228)	(395,228)	-	-	(395,228)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	20,400	-	-	-	-	-	-	20,400
Changes in equity of affiliate accounted for using equity method	-	-	25,270	-	-	-	-	-	-	25,270
Balance at December 31, 2021	2,650,854	-	2,166,799	884,887	459,300	1,902,930	3,247,117	(531,125)	(506,990)	7,026,655
Net income	-	-	-	-	-	1,562,887	1,562,887	-	-	1,562,887
Other comprehensive income	-	-	-	-	-	4,301	4,301	171,567	-	175,868
Total comprehensive income	-	-	-	-	-	1,567,188	1,567,188	171,567	-	1,738,755
Retirement of treasury shares	(16,000)	-	(69,482)	-	-	-	-	-	85,482	-
Subsidiaries purchase of treasury shares	-	-	-	-	-	-	-	-	(84,535)	(84,535)
Appropriation and distribution of retained earnings:										
Provision of legal reserve	-	-	-	88,137	-	(88,137)	-	-	-	-
Provision of special reserve	-	-	-	-	71,825	(71,825)	-	-	-	-
Cash dividends	-	-	-	-	-	(658,714)	(658,714)	-	-	(658,714)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	37,000	-	-	-	-	-	-	37,000
Changes in equity of affiliate accounted using equity method	-	-	2,771	-	-	-	-	-	-	2,771
Balance at December 31, 2022	\$ 2,634,854	-	2,137,088	973,024	531,125	2,651,442	4,155,591	(359,558)	(506,043)	8,061,932

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,829,559	1,005,900
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	319,548	319,368
Amortization expense	48,443	37,443
Net loss on financial assets or liabilities at fair value through profit or loss	1,701	1,966
Interest expense	9,810	5,341
Interest income	(3,635)	(1,421)
Share of profit of subsidiaries accounted for using equity method	(874,492)	(734,675)
Gain on disposal of property, plan and equipment	(2,792)	(819)
Others	53,444	3,081
Total adjustments to reconcile profit (loss)	(447,973)	(369,716)
Changes in operating assets and liabilities:		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	150,593	(149,691)
(Increase) decrease in notes receivable	479	(498)
(Increase) decrease in accounts receivable	100,374	(251,660)
Increase in accounts receivable due from related parties	(111,821)	(169,242)
Increase in other receivable	(13,231)	(13,695)
Increase in inventories	(433,884)	(151,930)
(Increase) decrease in other current assets	(40,096)	7,708
Decrease in notes payable	(1,607)	(45)
Increase in accounts payable	168,248	109,498
Increase (decrease) in accounts payable to related parties	(325,609)	131,409
Increase in other payable	637	296
Increase (decrease) in other payable to related parties	(16,772)	27,224
Increase in other current liabilities	123,740	99,561
Decrease in net defined benefit liability	(462)	(577)
Total adjustments	(847,384)	(731,358)
Cash inflow generated from operations	982,175	274,542
Interest received	3,179	1,439
Dividends received	250,906	356,977
Interest paid	(10,913)	(5,761)
Income taxes paid	(140,144)	(74,360)
Net cash flows from operating activities	1,085,203	552,837
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(4,157)	-
Acquisition of property, plant and equipment	(52,494)	(46,996)
Proceeds from disposal of property, plant and equipment	3,475	713
Acquisition of intangible assets	(21,449)	(27,475)
(Increase) decrease in other non-current assets	(2,617)	13,199
Increase in prepayments for equipment	(133,453)	(53,363)
Net cash flows used in investing activities	(210,695)	(113,922)

Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	219,280	(236,240)
Repayments of convertible bonds	-	(41,900)
Proceeds from long-term borrowings	139,320	379,760
Repayments of long-term borrowings	(1,890)	-
Cash dividends paid	<u>(658,714)</u>	<u>(395,228)</u>
Net cash flows used in financing activities	<u>(302,004)</u>	<u>(293,608)</u>
Net increase in cash and cash equivalents	572,504	145,307
Cash and cash equivalents at the beginning of period	<u>567,039</u>	<u>421,732</u>
Cash and cash equivalents at the end of period	<u>\$ 1,139,543</u>	<u>567,039</u>

Representation Letter

The entities that are required to be included in the combined financial statements of TAIWAN SEMICONDUCTOR CO., LTD. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements," endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN SEMICONDUCTOR CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TAIWAN SEMICONDUCTOR CO., LTD.
Chairman: Wang Shiu-Ting
Date: March 15, 2023

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of TAIWAN SEMICONDUCTOR CO., LTD. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, consolidated changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations, developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect. By the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of TAIWAN SEMICONDUCTOR CO., LTD. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. Base on our audits and the report of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of the Group. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The financial statements of TSC Auto ID reflect the total assets constituting 39.48% and 41.27% of the consolidated total assets at December 31, 2022 and 2021, respectively, and the total operating revenues constituting 50.79% and 51.97% of the consolidated total operating revenues for the years then ended respectively.

The company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion with other matters paragraph.

Key Audit Matters

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

1. Valuation of accounts receivable

Please refer to Note 4(g) “Financial instruments” of the consolidated financial statements for details on the accounting policy about valuation on accounts receivable; Note 5 “Assessment of impairment of trade receivable” for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on accounts receivable; and Note 6(c) “Notes and accounts receivable” for details on the related explanation .

Description of key audit matter

The Group has transactions with a large number of customers and the accounts receivable collection days differ in length. As a result, the expected credit loss determined for accounts receivable lies in the management’ s subjective judgment based on experience. Therefore, the accounts receivable of the Group is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included (i) analyzing the reasonableness of the accounts receivable at the year-end and considering the collection subsequent to the year-end. (ii) verifying the adequacy of the Group’ s expected credit loss provisions against trade receivables by assessing the relevant assumptions. (iii) taking account of our own knowledge on recent collections experience in this industry and also historical data from the Group’ s previous collections experience in order to assess the reasonableness of the expected credit loss for accounts receivable. Besides, we assessed that the valuation of accounts receivable was disclosed the notes to the consolidated financial statements properly.

2. The assessment of impairment loss of goodwill

Please refer to Note 4(l) “Impairment of nonfinancial assets” of the consolidated financial statements for details on the accounting policy related to impairment loss of goodwill; and Note 6(i) “Goodwill” for details on the related explanation.

Description of key audit matter

When the Group obtained the business combinations and its control, and recognized a goodwill in the consolidated financial report, the amount is regarded as material. Besides, evaluating whether goodwill is impaired depends on the estimation of the future cash flow of the cashgenerating unit to determine the recoverable amount. The estimation of the future cash flow involves industrial environment and the forecast of the future operating results. Once the indicators of the forecast change, the recoverable amount will change as well and may cause an impairment loss.

How the matter was addressed in our audit:

Our key audit procedures included: (i) obtaining the assessment on impairment loss of goodwill report provided by the evaluator appointed by the management of TSC, as well as inquiring and assessing the professional ability and independence. (ii) appointing the internal expert to execute the related procedures to assess the reasonableness of the assumption used in the evaluation model and weighted average cost of capital. (iii) evaluating the previous operating conditions, the conditions of industrial environment and future outlook, etc. in order to comprehensively determine the reasonableness of the assessment on impairment loss of goodwill.

The adoption of the independent auditor' s reports of TSC Auto ID issued by other Certified Public Accountants included (i) communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor' s report of TSC Auto ID issued by other Certified Public Accountants. The audit procedure executed by other Certified Public Accountants included (1) obtaining the report of the assessment of impairment loss of goodwill provided by the evaluation expert appointed by the management of TSC Auto ID. (2) understanding and assessing the reasonableness of the recoverable amount based on the evaluation model. (3) comprehensively assessing the reasonableness of the assessment of impairment loss of goodwill based on the assumption used in the evaluation model, including sales growth rate, profit margin, weighted average cost of capital (WACC, which includes risk-free return rate, volatility and risk premium), etc. and assessing the previous operating conditions, the conditions of industrial environment and future outlook. In addition, (ii) we assessed the audit procedure designed by other Certified Public Accountants according to related auditing standards and that the related information was disclosed in the notes to the consolidated financial statements properly.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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 IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance including the Audit committee are responsible for overseeing the Group' s financial reporting process.

Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei, Yuan-Chen and Hsu, Yu-Feng.

KPMG

Taipei, Taiwan (R.O.C)
March 15, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit 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

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021				December 31, 2022		December 31, 2021	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 3,595,681	20	2,701,648	17	2100	Short-term borrowings (note 6(k))	\$ 1,466,515	8	921,426	6
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,798	-	155,067	1	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	2,392	-	563	-
1150	Notes receivable, net (note 6(c))	588	-	751	-	2150	Notes payable	-	-	1,607	-
1170	Accounts receivable, net (note 6(c))	3,015,880	17	2,950,815	19	2170	Accounts payable	1,648,557	9	1,673,549	10
1200	Other receivables	105,789	1	63,284	-	2200	Other payables (note 6(m))	1,065,266	6	883,040	6
1220	Current tax assets	409	-	929	-	2230	Current tax liabilities	415,066	2	412,838	3
130X	Inventories (note 6(d))	3,500,033	19	2,444,825	15	2322	Long-term borrowings, current portion (note 6(l))	322,349	2	65,000	-
1410	Prepayments	251,545	1	177,271	1	2280	Lease liabilities, current (note 6(n))	106,012	-	113,331	1
1476	Other current financial assets (note 6(b))	599,488	3	373,584	2	2399	Other current liabilities	325,900	2	232,681	1
		<u>11,071,211</u>	<u>61</u>	<u>8,868,174</u>	<u>55</u>			<u>5,352,057</u>	<u>29</u>	<u>4,304,035</u>	<u>27</u>
Non-current assets:						Non-Current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	4,157	-	-	-	2540	Long-term borrowings (note 6(l))	1,084,391	6	1,484,310	10
1600	Property, plant and equipment (note 6(f))	4,483,033	25	4,501,135	28	2580	Lease liabilities non-current (note 6(n))	123,214	1	190,820	1
1755	Right-of-use assets (note 6(g))	229,239	1	280,665	2	2640	Net defined benefit liabilities, non-current (note 6(o))	35,000	-	42,788	-
1822	Intangible assets (note 6(h))	308,413	2	388,016	3	2570	Deferred tax liabilities (note 6(p))	825,106	5	684,722	4
1805	Goodwill (note 6(i))	1,136,565	6	1,024,426	6	2670	Other non-current liabilities	71,568	-	51,787	-
1840	Deferred tax assets (note 6(p))	458,165	3	456,197	3			<u>2,139,279</u>	<u>12</u>	<u>2,454,427</u>	<u>15</u>
1980	Other non-current financial assets (note 6(b))	83,020	-	71,583	-			<u>7,491,336</u>	<u>41</u>	<u>6,758,462</u>	<u>42</u>
1990	Other non-current assets (note 6(j))	443,016	2	395,775	3						
		<u>7,145,608</u>	<u>39</u>	<u>7,117,797</u>	<u>45</u>	Total liabilities					
						Stockholder' equity attributable to parent:					
						(note 6(q))					
						3110	Common stock	2,634,854	14	2,650,854	17
						3200	Capital surplus	2,137,088	12	2,166,799	14
						3300	Retained earnings	4,155,591	23	3,247,117	20
						3400	Other stockholders' equity	(359,558)	(2)	(531,125)	(4)
						3500	Treasury shares	(506,043)	(3)	(506,990)	(3)
								<u>8,061,932</u>	<u>44</u>	<u>7,026,655</u>	<u>44</u>
						Total equity attributable to owners of parent					
						36XX	Non-controlling interests (note 6(e))	2,663,551	15	2,200,854	14
								<u>10,725,483</u>	<u>59</u>	<u>9,227,509</u>	<u>58</u>
						Total equity					
						Total liabilities and equity		<u>\$ 18,216,819</u>	<u>100</u>	<u>15,985,971</u>	<u>100</u>
	Total assets	<u>\$ 18,216,819</u>	<u>100</u>	<u>15,985,971</u>	<u>100</u>						

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4110	Total sales revenue (note 6(s))	\$ 16,442,867	105	13,612,887	103
4190	Less: Sales discounts and allowances	755,733	5	435,470	3
	Net operating revenues	15,687,134	100	13,177,417	100
5000	Cost of goods sold (note 6(d))	10,337,968	66	9,049,696	69
	Gross profit	5,349,166	34	4,127,721	31
6000	Operating expenses (notes 6(o) and (u)):				
6100	Selling expenses	1,296,411	8	1,175,935	9
6200	Administrative expenses	906,846	6	726,018	5
6300	Research and development expenses	355,388	2	316,861	2
		2,558,645	16	2,218,814	16
	Operating income	2,790,521	18	1,908,907	15
	Non-operating income and expenses (note 6(t)):				
7100	Interest income	19,892	-	14,541	-
7010	Other income	46,025	-	46,312	-
7020	Other gains and losses	197,944	1	10,864	-
7050	Finance costs	(40,452)	-	(32,992)	-
		223,409	1	38,725	-
	Profit before tax	3,013,930	19	1,947,632	15
7950	Less: Income tax expenses (note 6(p))	837,015	5	565,737	4
	Profit	2,176,915	14	1,381,895	11
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	7,368	-	(1,771)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		7,368	-	(1,771)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	341,796	2	(125,433)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(48,006)	-	15,123	-
		293,790	2	(110,310)	(1)
8300	Other comprehensive income (after tax)	301,158	2	(112,081)	(1)
	Comprehensive income	\$ 2,478,073	16	1,269,814	10
	Net income attributable to:				
	Owners of the parent	\$ 1,562,887	10	882,805	7
	Non-controlling interests (note 6(e))	614,028	4	499,090	4
		\$ 2,176,915	14	1,381,895	11
	Comprehensive income attributable to:				
	Owners of the parent	\$ 1,738,755	11	809,542	6
	Non-controlling interests (note 6(e))	739,318	5	460,272	4
		\$ 2,478,073	16	1,269,814	10
	Basic earnings per common share (NT dollars) (note 6(v))	\$ 6.28		3.55	
	Diluted earnings per common share (NT dollars) (note 6(v))	\$ 6.23		3.52	

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 years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Share capital		Retained earnings					Total other equity interest	Treasury shares	Total equity attributable to owners of parent		
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements				
Balance at January 1, 2021	\$ 2,494,539	22,196	1,516,265	830,920	445,618	1,484,440	2,760,978	(459,300)	(506,990)	5,827,688	2,020,901	7,848,589
Net income	-	-	-	-	-	882,805	882,805	-	-	882,805	499,090	1,381,895
Other comprehensive income	-	-	-	-	-	(1,438)	(1,438)	(71,825)	-	(73,263)	(38,818)	(112,081)
Total comprehensive income	-	-	-	-	-	881,367	881,367	(71,825)	-	809,542	460,272	1,269,814
Conversion of convertible bonds	156,315	(22,196)	604,864	-	-	-	-	-	-	738,983	-	738,983
Appropriation and distribution of retained earnings:												
Provision of legal reserve	-	-	-	53,967	-	(53,967)	-	-	-	-	-	-
Provision of special reserve	-	-	-	-	13,682	(13,682)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(395,228)	(395,228)	-	-	(395,228)	-	(395,228)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	20,400	-	-	-	-	-	-	20,400	-	20,400
Changes in equity of affiliate accounted for using equity method	-	-	25,270	-	-	-	-	-	-	25,270	-	25,270
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(280,319)	(280,319)
Balance at December 31, 2021	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	-	-	-	-	-	1,562,887	1,562,887	-	-	1,562,887	614,028	2,176,915
Other comprehensive income	-	-	-	-	-	4,301	4,301	171,567	-	175,868	125,290	301,158
Total comprehensive income	-	-	-	-	-	1,567,188	1,567,188	171,567	-	1,738,755	739,318	2,478,073
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	-	-	2,771	-	-	-	-	-	-	2,771	-	2,771
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(276,621)	(276,621)
Balance at December 31, 2022	\$ 2,634,854	-	2,137,088	973,024	531,125	2,651,442	4,155,591	(359,558)	(506,043)	8,061,932	2,663,551	10,725,483

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 years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,013,930	1,947,632
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	790,180	732,723
Amortization expense	140,791	123,565
Expected credit loss	1,380	9,563
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	51,151	(8,726)
Interest expense	38,330	30,911
Interest income	(19,892)	(14,541)
Loss on disposal of property, plant and equipment	4,840	3,601
Reversal of impairment (gain) or loss on non-financial assets	(595)	2,701
Others	<u>2,771</u>	<u>25,270</u>
Total adjustments to reconcile profit (loss)	<u>1,008,956</u>	<u>905,067</u>
Changes in operating assets and liabilities:		
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	103,947	(143,918)
(Increase) decrease in notes receivable	163	(565)
Increase in accounts receivable	(66,445)	(591,627)
Increase in other receivables	(42,049)	(15,396)
Increase in inventories	(1,055,208)	(644,378)
Increase in prepayments	(92,899)	(7,114)
(Increase) decrease in other financial assets	(225,904)	108,236
Decrease in notes payable	(1,607)	(45)
Increase (decrease) in accounts payable	(24,992)	502,115
Increase in other payable	181,589	248,737
Increase in other current liabilities	92,684	93,849

Decrease in net defined benefit liabilities	(7,788)	(2,459)
Increase in other non-current liabilities	<u>17,577</u>	<u>5,253</u>
Total adjustments	<u>(111,976)</u>	<u>457,755</u>
Cash inflow generated from operations	2,901,954	2,405,387
Interest received	19,436	14,559
Interest paid	(28,454)	(18,424)
Income taxes paid	<u>(695,851)</u>	<u>(409,095)</u>
Net cash flows from operating activities	<u>2,197,085</u>	<u>1,992,427</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(4,157)	-
Acquisition of property, plant and equipment	(526,957)	(525,777)
Proceeds from disposal of property, plant and equipment	5,531	2,421
Increase in other financial assets	(11,437)	(3,979)
Acquisition of intangible assets	(35,317)	(26,639)
Increase in other non-current assets	(27,074)	(45,846)
Increase in prepayments for equipment	<u>(92,105)</u>	<u>(156,963)</u>
Net cash flows used in investing activities	<u>(691,516)</u>	<u>(756,783)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	545,089	(480,528)
Repayments of convertible bonds	-	(41,900)
Proceeds from long-term borrowings	419,320	679,760
Repayments of long-term borrowings	(561,890)	(430,000)
Decrease in guarantee deposits received	(130)	(35)
Payment of lease liabilities	(127,258)	(86,168)
Cash dividends paid	(621,714)	(374,828)
Repurchase of treasury shares	(84,535)	-
Change in non-controlling interests	<u>(276,621)</u>	<u>(280,319)</u>
Net cash flows used in financing activities	<u>(707,739)</u>	<u>(1,014,018)</u>
Effect of exchange rate changes on cash and cash equivalents	96,203	(83,648)
Net increase in cash and cash equivalents	894,033	137,978
Cash and cash equivalents at the beginning of period	<u>2,701,648</u>	<u>2,563,670</u>
Cash and cash equivalents at the end of period	<u><u>\$ 3,595,681</u></u>	<u><u>2,701,648</u></u>

TAIWAN SEMICONDUCTOR CO., LTD.

Fiscal Year 2022

Earnings Distribution Table

Unit: NTD

Items	Subtotal	Total
Beginning retained earnings (Beginning Balance)	1,084,254,443	
Add: 2022 Net profit after tax	1,562,886,413	
Add : Remeasurements of defined benefit plan	4,300,684	
Less: 10% legal reserve	156,718,710	
Distributable earnings		<u>2,494,722,830</u>
Less : Distributable items		
(1) Dividend to shareholders (NTD 4.0 per share)		
(NTD 4.0 per share of cash dividend) ----(Note)	<u>1,053,941,944</u>	<u>1,053,941,944</u>
Unappropriated retained earnings (Ending Balance)		<u>1,440,780,886</u>

Note:

- 1) If there is an increase or decrease in the total number of outstanding shares of the Company, which results in a change in the shareholders' payout ratio, it is proposed to request the shareholders' meeting to authorize the Board of Directors to deal with the matter in its sole discretion.
- 2) Total Stock dividend of the director for the current period NTD 1,053,941,944
- 3) 2022 net profit after tax after distribution NTD 356,526,443 Hasn't been distributed.