

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**  
**2024 ANNUAL SHAREHOLDERS' MEETING**



Type of Meeting: Physical Meeting

Time and Date: 9:00 a.m., June 4, 2024

Place: Ambassador Hotel Hsinchu  
(10F, No. 188, Section 2, Zhonghua Road, Hsinchu, Taiwan)

Total outstanding TSMC shares (excluding shares with no voting right as provided by Article 179 of the Company Law): 25,933,629,242 shares

Total shares represented by shareholders present in person or by proxy: 23,431,017,627 shares

Percentage of shares held by shareholders present in person or by proxy: 90.34%

Directors present: Mark Liu, C.C. Wei, F.C. Tseng, Sir Peter L. Bonfield, Michael R. Splinter,  
Moshe N. Gavrielov, L. Rafael Reif

Chairman: Dr. Mark Liu, the Chairman of the Board of Directors

Secretary: Sylvia Fang

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

**A. Chairman's Address (omitted)**

**B. Report Items**

- I. Reported the business of 2023 (see Attachment I)
- II. Audit and Risk Committee's review report (see Attachment II)
- III. Reported 2023 earnings distribution

Explanatory Notes:

TSMC's Articles of Incorporation authorize the Board of Directors to approve quarterly cash dividends. The amounts and payment dates of 2023 quarterly cash dividends are demonstrated in the table below:

<b>2023</b>	<b>Approval Date (month/day/year)</b>	<b>Payment Date (month/day/year)</b>	<b>Cash Dividends Per Share (NT\$)</b>	<b>Total Amount (NT\$)</b>
<b>First Quarter</b>	05/09/2023	10/12/2023	3.00	77,796,212,976
<b>Second Quarter</b>	08/08/2023	01/11/2024	3.00	77,796,212,976
<b>Third Quarter</b>	11/14/2023	04/11/2024	3.49978969	90,762,248,472
<b>Fourth Quarter</b>	02/06/2024	07/11/2024	3.49978969	90,762,248,472

#### IV. Reported 2023 directors' compensation

##### Explanatory Notes:

- (1) The Board of Directors approved the 2023 directors' compensation of NT\$551,953,616 on February 6, 2024. The directors' compensation is to be distributed in cash.
- (2) For the directors' remuneration, including the remuneration policy, the details and amount of the remuneration received by individual directors, please refer to Attachment III.

#### V. Reported 2023 employees' profit sharing

##### Explanatory Notes:

- (1) The Board of Directors approved the 2023 employees' profit sharing on February 6, 2024. The employees' profit sharing is to be distributed in cash.
- (2) The total amount of the 2023 employees' business performance bonus and profit sharing is NT\$100,181,067,112, of which NT\$50,090,533,556 has been distributed following each quarter as business performance bonus, and NT\$50,090,533,556 will be distributed in July 2024 as profit sharing.

#### VI. Reported the issuance of unsecured corporate bonds

##### Explanatory Notes:

As approved by TSMC's Board of Directors, in 2023, the Company completed five issuances of NT dollar-denominated corporate bonds in Taiwan for a total amount of NT\$85.7 billion to finance capacity expansion and/or pollution prevention related expenditures. The amount and major terms for these issuances are demonstrated in the table below:

(Amount in NT\$ billion)

<b>Issuance</b>	<b>Issue Date (month/day/year)</b>	<b>Tranche</b>	<b>Amount</b>	<b>Tenor (year)</b>	<b>Coupon (%)</b>	<b>Maturity Date (month/day/year)</b>
<b>112-1 (Green Bond)</b>	03/28/2023	A	12.2	5	1.54	03/28/2028
		B	2.3	7	1.60	03/28/2030
		C	4.8	10	1.78	03/28/2033

(Amount in NT\$ billion)

<b>Issuance</b>	<b>Issue Date (month/day/year)</b>	<b>Tranche</b>	<b>Amount</b>	<b>Tenor (year)</b>	<b>Coupon (%)</b>	<b>Maturity Date (month/day/year)</b>
<b>112-2 (Green Bond)</b>	05/03/2023	A	13.1	5	1.60	05/03/2028
		B	2.3	7	1.65	05/03/2030
		C	5.3	10	1.82	05/03/2033
<b>112-3</b>	06/01/2023	A	11.4	5	1.60	06/01/2028
		B	2.6	7	1.65	06/01/2030
		C	6.0	10	1.80	06/01/2033
<b>112-4</b>	08/16/2023	A	7.3	5	1.60	08/16/2028
		B	0.7	7	1.65	08/16/2030
		C	7.9	10	1.76	08/16/2033
<b>112-5</b>	10/16/2023	A	4.3	5	1.62	10/16/2028
		B	5.5	10	1.76	10/16/2033
<b>Interest Payment</b>		Payable annually				
<b>Principal Repayment</b>		Bullet at maturity				

## C. Resolutions

- I. It was proposed to accept 2023 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes:

- (1) TSMC's 2023 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Mr. Shih Tsung Wu and Mr. Shang Chih Lin, of Deloitte & Touche.
- (2) 2023 Business Report, Independent Auditors' Report, the aforementioned Financial Statements, and Earnings Distribution Table are attached hereto as Attachments I, IV, V and VI.

Voting Results:

Shares represented at the time of voting: 23,430,997,321

Voting Results*		% of the total represented share present
Votes in favor:	20,793,795,163 votes (14,831,045,336 votes)	88.74%
Votes against:	1,795,514 votes (1,795,414 votes)	0.00%
Votes invalid:	700 votes	0.00%
Votes abstained:	2,635,405,944 votes (2,633,470,877 votes)	11.24%

\* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2023 Business Report and Financial Statements were hereby accepted as submitted.

- II. It was proposed to approve revisions to the Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Notes:

- (1) Taiwan Stock Exchange Corporation (“TWSE”) amended its “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board’s Exercise of Powers”. The relevant provisions of TSMC’s Articles of Incorporation shall be amended accordingly by adding the minimum ratio of independent directors on the Board and tenure limits of independent directors.

In addition, to ensure investors are timely informed of companies’ financial results, the Financial Supervisory Commission has moved forward the deadline for publishing year-end financial statements from ninety (90) days to seventy-five (75) days after the end of each year, and indicated the future possibility to further shorten such deadline. It was proposed to amend the relevant provision of the Articles of Incorporation, to provide maximum flexibility for conforming to future regulatory changes.

- (2) The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment VII.

Voting Results:

Shares represented at the time of voting: 23,430,997,321

Voting Results*		% of the total represented share present
Votes in favor:	20,841,859,863 votes (14,879,110,036 votes)	88.94%
Votes against:	844,104 votes (844,004 votes)	0.00%
Votes invalid:	700 votes	0.00%
Votes abstained:	2,588,292,654 votes (2,586,357,587 votes)	11.04%

\* including votes casted electronically (numbers in brackets)

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

III. It was proposed to approve the issuance of employee restricted stock awards for year 2024 (Proposed by the Board of Directors)

Explanatory Notes:

To attract and retain corporate executives and critical talents and to link their compensation with shareholders' interests and Environmental, Social and Governance ("ESG") achievements, it was proposed to approve the issuance of the Employee Restricted Stock Awards ("RSAs") for year 2024 (this "Issuance") in accordance with the relevant regulations. Major details of this proposed Issuance are as follows:

- (1) Expected total shares to be issued: The number of shares to be issued under this Issuance will not exceed 4,185,000 common shares, which is based on a budget capped at 0.3% of the prior year's Net Income. After this Issuance is approved both at the shareholders' meeting and by the competent government authority, the actual number of shares to be issued will be submitted to the Board of Directors for approval.
- (2) Eligibility and the number of shares employees may be granted:
  - i. Only executive officers of the Company or selected critical talents of the Company or the Company's subsidiaries who are employed full time as of the date of the granting of the RSAs and who meet certain performance requirements are eligible for this incentive plan. Eligible employees must also be those who (a) have a significant influence on the Company's or the Company's subsidiaries' operational decisions or (b) are the Company's or the Company's subsidiaries' selected critical talents for its future core technologies and strategy development.
  - ii. The number of shares granted to eligible employees will be determined by Chairman and CEO and approved by the Board of Directors by reference to the allocation principles determined based on the Company's business performance and the employee's job grade, performance, and other factors as deemed appropriate. Before submitting to the Board for approval, the grants to executive officers and to non-executive officers shall be subject to the approval by the Compensation and People Development Committee and by the Audit and Risk Committee respectively.
- (3) Major terms and conditions of the RSAs:
  - i. Expected issue price: Grants will be made free of charge.
  - ii. Vesting conditions:
    - The RSAs granted to an employee can only be vested if (i) the employee remains employed by the Company or the Company's subsidiaries on the last date of each vesting period; (ii) during the vesting period, the employee may not breach any agreement with the Company or the Company's subsidiaries or violate the Company's or the Company's subsidiaries' work rules; and (iii) certain employee performance metrics and the Company's business performance metrics are met, as detailed in the Employee Restricted Stock Awards Rules.
    - The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 50%; two-year anniversary of the grant: 25%; and three-year anniversary of the grant: 25%; provided that the actual percentage and number of the RSAs to be

vested in each year will be calculated based on the achievement of the Company's business performance metrics, as detailed in the following points.

- For eligible executive officers of the Company: The maximum number of RSAs that may be vested in each year will be set as 110%, among which 100% will be subject to a calculation based on the Company's relative TSR<sup>Note</sup> achievement (see table below) to determine the number of RSAs to be vested; this number will be further subject to a modifier to increase or decrease up to 10% based on the Compensation and People Development Committee's evaluation of the Company's ESG achievements. The number of shares so calculated should be rounded down to the nearest integral.

The Company's TSR relative to the TSR of S&P 500 IT Index	Ratio of shares to be vested
Above the Index by X percentage points	50% + X * 2.5%, with the maximum of 100%
Equal to the Index	50%
Below the Index by X percentage points	50% - X * 2.5%, with the minimum of 0%

Note: TSR: Total Shareholder Return (including capital gains and dividends)

- For eligible employees who are not executive officers of the Company and the Company's subsidiaries: The number of RSAs to be vested in each year will be calculated in accordance with the below table based on the Company's audited consolidated financial statements for the year prior to the vesting year. The number of shares so calculated should be rounded down to the nearest integral.

	Threshold	Target	Weighting	Ratio of shares to be vested
Revenue Growth	10%	15%	One-third	<ul style="list-style-type: none"> <li>• &lt; Threshold: 0%</li> <li>• = Threshold: 50%</li> <li>• ≥ Target: 100%</li> <li>• Between Threshold and Target: as calculated by interpolation method</li> </ul>
Gross Margin	50%	53%	One-third	
Return on Equity (ROE)	20%	25%	One-third	

iii. Measure to be taken where employees fail to meet the vesting conditions or in the event of inheritance: Where an employee fails to meet the vesting conditions, the Company will reclaim the granted RSAs and cancel the same at no extra cost to the Company; for exceptional events, including but not limited to inheritance, the Company will take measures as set forth in the Employee Restricted Stock Awards Rules.

- (4) Estimated expenses, dilution of the Company's EPS and other matters that may affect the shareholders' interests: Based on the measurement specified in Section (3) ii above, the total expenses are preliminarily estimated at approximately NT\$1,728 million. Assuming that the RSAs will be issued at the beginning of September 2024, the total expenses from 2024 to 2027 are projected to be approximately NT\$409 million, NT\$935 million, NT\$288 million and NT\$96 million respectively.

Based on the Company's outstanding shares, the potential impact from above mentioned expenses to the Company's EPS is preliminarily estimated at approximately NT\$0.0118, NT\$0.0270, NT\$0.0083, and NT\$0.0028 from 2024 to 2027 respectively. The potential dilution of the Company's EPS is minimal; therefore, there is no material impact on shareholders' interest.

- (5) Granted RSAs will be deposited in a stock trust custody account.
- (6) If any revision or adjustment has to be made due to any requirement of the competent authority or amendment to the laws and regulations, it was proposed that the shareholders, at the Annual Shareholders' Meeting, authorize the Board of Directors or the person authorized by the Board of Directors to handle all relevant matters regarding the granting of the RSAs.

The Employee Restricted Stock Awards Rules for Year 2024 is attached hereto as Attachment VIII.

Voting Results:

Shares represented at the time of voting: 23,430,997,321

Voting Results*		% of the total represented share present
Votes in favor:	20,386,609,829 votes (14,424,023,687 votes)	87.00%
Votes against:	426,161,698 votes (425,997,913 votes)	1.81%
Votes invalid:	700 votes	0.00%
Votes abstained:	2,618,225,094 votes (2,616,290,027 votes)	11.17%

\* including votes casted electronically (numbers in brackets)

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

#### D. Directors Election

Election of ten Directors (including seven Independent Directors)  
(Proposed by the Board of Directors)

Election Result:

Ten Directors (including seven Independent Directors) were elected by the shareholders present. The tenure of the newly elected Directors commences on June 4, 2024 and shall expire on June 3, 2027. The list of the newly elected Directors with votes received follows:

Title	Name	Votes Received
Director	C.C. Wei	21,742,760,089
Director	F.C. Tseng	20,379,717,675
Director	Ming-Hsin Kung (National Development Fund, Executive Yuan Representative)	20,637,567,290
Independent Director	Sir Peter L. Bonfield	20,633,689,801
Independent Director	Michael R. Splinter	20,630,281,322
Independent Director	Moshe N. Gavrielov	20,627,463,051
Independent Director	L. Rafael Reif	20,372,953,263
Independent Director	Ursula M. Burns	20,371,679,431
Independent Director	Lynn L. Elsenhans	20,369,905,219
Independent Director	Chuan Lin	20,368,432,811

Shareholders' Questions and Responses from the Company: (note: Given that numerous questions were raised, and that those questions were not related to the agenda items, the questions and answers from this session are hereby recorded in summary format, with brief descriptions on the responses provided by either the Chairman or the designated appropriate persons, and are organized in accordance with the following categories.)

Shareholders raised questions on demand for AI chips, AI applications, dividend payouts, share repurchase, stock split, construction of new fabs in the U.S. and subsidies for those new fabs, US-Taiwan Double-Tax Elimination Act, risks associated with water and power shortage, increase of operating costs for ESG, and other related issues.

Responses from the Chairman or the designated appropriate persons are summarized as follows: TSMC expands its production capacity based on long-term market forecasts to meet AI demand. Starting from 2019, the Company has made major efforts in promoting the application of AI in its fabs, and now even expands AI's application to its organizations of supporting functions. Regarding TSMC's cash dividend policy, it is, in principle, set to be distributed in a stable and sustainable manner with a steady increase over time. Following evaluation, the Company believes that such a stable cash dividend policy is the best return to shareholders compared to share repurchases. There is little need for a stock split considering fractional trading is available in Taiwan's stock exchange. As for TSMC's expansion in the U.S., the main considerations are the needs of its customers and the availability of necessary government support. The U.S. government's support for CHIPS and Science Act is based on a bipartisan consensus. For the US-Taiwan Double-Tax Elimination Act, the Company views positively the passage of the legislation. For power and water shortage issues, TSMC is transparent in its water and electricity consumption and will continue to work closely with the government to overcome the problem. TSMC's annual ESG-related expenses, including those arising from energy saving and carbon reduction, account for approximately 2% of its revenue.

#### **E. Special Motion**

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.



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Mark Liu  
Chairman of the Board of Directors



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Sylvia Fang  
Secretary



### Business Report

2023 was a challenging year for the global semiconductor industry, but we also witnessed the rising emergence of generative AI-related applications, with TSMC as a key enabler. As the world re-emerged from more than two years of pandemic-induced slowdown, weakening global macroeconomic conditions and higher inflation and interest rates prolonged the semiconductor inventory adjustment cycle. Despite the near-term challenges, our technology leadership enabled TSMC to outperform the foundry industry in 2023. We are well-positioned to capture the future AI and high-performance computing (HPC)-related growth opportunities.

In 2023, Generative AI took the world by storm, with ChatGPT gaining over 100m active users in just two months, becoming the world's fastest growing consumer application. Generative AI requires high computing power and interconnect bandwidth, which drives semiconductor content increase. TSMC is a key enabler of AI applications. Today, the AI application is only in its nascent stage, and no matter which AI approach is taken, AI chips require the use of leading edge technologies and advanced packaging solutions, a strong foundry design ecosystem, and high yield to support larger die sizes. All of these are to TSMC's strengths, and thus all roads lead to working with TSMC.

The surge in AI-related demand in 2023 supports our already-strong conviction on energy-efficient computing. Thus, the value of our technology position is increasing.

To address the insatiable demand for energy-efficient computing power in a highly competitive market, customers rely on TSMC to provide a dependable and predictable cadence of technology offering and high quality manufacturing service.

For TSMC, today around ~70% of our total revenue is 16nm and more advanced nodes. With rising contribution from 3nm and 2nm technologies in the next several years, this number will only increase. Thus, our mature node exposure is around ~20% of our total revenue.

Our focus on mature nodes is to build high yield capacity for specialized technologies, rather than just nominal capacity. In 2023, we worked closely with our customers to introduce specialty technologies such as N6RF+ for smartphones, CMOS Image Sensors for cameras, and 22nm MRAM for automotive and industrial applications. Our mature node strategies will continue to focus on working closely with strategic customers to develop specialty technology solutions to meet their requirement, and create differentiated and long-lasting value to customers.

In 2023, we inaugurated our new R&D center in Taiwan, and further enhanced our R&D intensity and technology development. Our industry-leading 3-nanometer technology entered high volume production with a strong ramp in the second half of 2023. We are also providing continuous enhancements of our N3 technology, including N3E, N3P and N3X, and expect an even greater contribution in 2024 and the years beyond, supported by robust demand from multiple customers.

Our 2-nanometer is on track for volume production in 2025. It will be the most advanced technology in the semiconductor industry in both density and energy efficiency, when it is introduced. N2 will adopt nanosheet transistor structure, and deliver full-node performance and power benefits, to address the increasing need for energy-efficient computing. As part of N2 technology platform, we also developed N2 with backside power rail solution, which is better-suited for specific HPC applications, to be available in the second half of 2025 to customers, with production in 2026.

We are observing a strong level of customer interest and engagement at our N2, higher than N3 at a similar stage, from both HPC and smartphone applications. With our strategy of continuous enhancements, N2 and its derivatives will further extend our technology leadership well into the future.

The insatiable demand for energy-efficient computing power not only requires leading edge process technologies, but also advanced packaging technologies to enable large-scale interconnectivity for lower power consumption, at affordable costs. TSMC's industry-leading 3DFabric<sup>®</sup> backend technologies include the CoWoS<sup>®</sup> and InFO family of advanced packaging technologies, with CoWoS<sup>®</sup> technology seeing robust demand from multiple customers' AI chips in 2023. Our frontend 3DIC technologies, TSMC-SoIC<sup>®</sup> (System on Integrated Chips), also entered mass production in 2023 to enable customers' next generation flagship AI products.

We are working closely with our customers in a disciplined manner to plan our capacity, based on the long-term market demand profile, and investing in leading edge and specialty technologies, to support their structural growth.

Part of this strategy is to expand our global manufacturing footprint to increase customer trust, expand our future growth potential, and reach for more global talents. Our overseas decisions are based on our customers' needs, and a necessary level of government support. This is to maximize the value for our shareholders.

In the U.S., we are making good progress on our first fab in Arizona in terms of the fab infrastructure, utilities and equipment installation. We are on track for volume production of N4 technology in the first half of 2025, with the same level of manufacturing quality and reliability in Arizona as from our fabs in Taiwan.

We are also building a 12-inch specialty technology fab in Kumamoto, Japan, which is on track for volume production in the fourth quarter of 2024. We also announced plans to build an automotive and industrial specialty fab in Dresden, Germany, with construction starting in the fourth quarter of 2024.

While the initial costs of overseas fabs are higher than TSMC's fabs in Taiwan, we are confident to manage and minimize the cost gap, so that we can continue to maximize the value for our shareholders.

We are also placing a strong focus on our digital excellence initiatives, which includes leveraging big data and AI to increase our fab productivity and operational efficiency and quality. By driving digital excellence at TSMC, our fabs are transforming to become engineer-centric rather than operator-centric. As we expand globally, we will continuously enhance the intelligence of our fabs, so that we can control and manage fab operations from anywhere in the world, and deepen our service to support our customers.

Highlights of TSMC's accomplishments in 2023:

- Total wafer shipments were 12.0 million 12-inch equivalent wafers as compared to 15.3 million 12-inch equivalent wafers in 2022.
- Advanced technologies (7-nanometer and beyond) accounted for 58 percent of total wafer revenue, up from 53 percent in 2022.
- We deployed 288 distinct process technologies, and manufactured 11,895 products for 528 customers.
- TSMC produced 28 percent of the world semiconductor excluding memory output value in 2023, as compared to 30 percent in the previous year, mainly due to the semiconductor industry inventory correction.

### **2023 Financial Performance**

Consolidated revenue reached NT\$2,161.74 billion, a decrease of 4.5 percent over NT\$2,263.89 billion in 2022. Net income was NT\$838.50 billion and diluted earnings per share were NT\$32.34. Both decreased 17.5 percent from the 2022 level of NT\$1,016.53 billion net income and NT\$39.20 diluted EPS.

TSMC generated net income of US\$26.88 billion on consolidated revenue of US\$69.30 billion, which decreased 21.1 percent and 8.7 percent respectively from the 2022 level of US\$34.07 billion net income and US\$75.88 billion consolidated revenue.

Gross profit margin was 54.4 percent as compared with 59.6 percent in 2022, while operating profit margin was 42.6 percent compared with 49.5 percent a year earlier. Net profit margin was 38.8 percent, a decrease of 6.1 percentage points from 2022's 44.9 percent.

In 2023, the Company further raised its total cash dividend payments to NT\$11.25 per share, up from NT\$11.0 a year ago.

### **Environmental, Social and Governance**

In addition to driving profitable growth in our core business, TSMC continues to cultivate green manufacturing, build a responsible supply chain, create an inclusive workplace, attract and develop talent, and care for the underprivileged, fulfilling the Company's responsibilities as a corporate citizen.

Maintaining the highest standard of corporate governance is an essential part of our core values. In February 2023, TSMC's Board of Directors approved the establishment of the "Nominating, Corporate Governance and Sustainability Committee." The Committee is actively involved in developing TSMC's sustainability strategies, to lay the foundation for our future sustainable development. In addition, the Committee focuses on reviewing and improving TSMC's corporate governance structure, including recommending independent director candidates to the Board.

In 2023, we also announced an acceleration of our RE100 sustainability timetable, pulling forward our target for 100% renewable energy consumption for all global operations from 2050 to 2040. We also raised our 2030 target for company-wide renewable energy consumption from 40% to 60%, demonstrating our determination to achieve our environmental sustainability goals at a faster pace.

### **Corporate Developments**

In August 2023, TSMC announced its plan to invest in European Semiconductor Manufacturing Company (ESMC) GmbH, in Dresden, Germany, along with Robert Bosch GmbH, Infineon Technologies AG, and NXP Semiconductors N.V., to build a specialty technology fab focusing on automotive and industrial applications. ESCMC is expected to have a monthly capacity of 40,000 wafers on TSMC's 28/22 nanometer planar CMOS and 16/12 nanometer FinFET process technology.

In December 2023, TSMC announced that Dr. Mark Liu plans to retire from TSMC in June 2024, and will not seek re-election to the board of directors. During his tenure, Dr. Liu has reaffirmed the Company's commitment to its mission and focused on enhancing corporate governance and competitiveness particularly in technology leadership, digital excellence, and global footprint. TSMC's Nominating, Corporate Governance and Sustainability Committee recommends Dr. C.C. Wei, while remaining as CEO, to succeed as TSMC's next Chairman, subject to the election of the incoming board in June 2024.

## **Honors and Awards**

TSMC received recognition for achievements in innovation, corporate governance, sustainability, investor relations and overall excellence in management from organizations including *Forbes*, *Fortune Magazine*, *CommonWealth Magazine*, Taiwan Stock Exchange, and Taiwan Institute for Sustainable Energy. For innovation, TSMC was recognized as 3<sup>rd</sup> in IFI Claims Patent Services' "2023 Top 50 U.S. Patent Assignees." TSMC was also recognized by *Fortune Magazine* as "2023 World's Most Admired Companies." In sustainability, we were chosen once again as a component of the Dow Jones Sustainability Indices, becoming the only semiconductor company to be selected for 23 consecutive years. We also received MSCI ESG Research's AAA Rating, CDP's "2022 CDP Supplier Engagement Leader," Morningstar's "The Best Sustainable Companies to Own in 2024," S&P Global's Corporate Sustainability Assessment – Top 10% S&P Global ESG Score, ISS-oekom Corporate Rating's "Prime" status, *Financial Times* and Statista's "Asia-Pacific Climate Leaders 2023," and *Forbes*' "World's Best Employers 2023." Meanwhile, we remained a major component in various MSCI ESG and FTSE4Good indices. In investor relations, TSMC continued to receive multiple awards from *Institutional Investor Magazine*.

## **Outlook**

Entering 2024, macroeconomic weakness and geopolitical uncertainties persist, potentially further weighing on consumer sentiment and end market demand. Against that backdrop, our business is expected to be supported by the continued strong ramp of our industry-leading 3nm technologies and robust AI-related demand, and we expect 2024 to be a healthy growth year for TSMC.

Recent developments, such as growing national security concerns, the reshaping of global supply chains, and the intensifying competition in the quest for AI supremacy, have deepened geopolitical uncertainties.

At the same time, as AI technology evolves to use more complex AI models, the amount of computation required for training and inference continues to increase. As a result, AI models need to be supported by more powerful semiconductor hardware, which use the most advanced semiconductor process technologies.

TSMC's success is predicated on providing the industry's most leading edge process technologies at scale, in the most efficient and cost-effective manner, to enable innovators to successfully offer the best products to the world.

As we become a technology leader in the semiconductor industry, we are shouldering a greater responsibility of R&D and investment in the industry. With our strong technology leadership in leading edge process technologies and advanced packaging solutions, we are able to capture a greater portion of the

industry's growth opportunities.

We focus on the fundamentals of our business, and will execute our global manufacturing footprint strategy purposefully, to support our customers' growth and increase their trust. We will continue to drive digital excellence across all our fabs globally and work towards fully intelligent and automated manufacturing. We are determined to be the most efficient and cost-effective manufacturer, no matter where we operate.

As the world grows more complex, semiconductor technology is the foundational technology for the modern digital economy. The semiconductor value in the global supply chain continues to increase, providing greater value for our customers, and greater value opportunities for TSMC.

We do not take our role and responsibility in the global semiconductor industry lightly. We will not deviate from our pure-play foundry business model, which has demonstrated time and again to be a win-win model for TSMC and our customers. We will continue to uphold our Trinity of Strengths of Technology Leadership, Manufacturing Excellence, and Customer Trust, to enable our customers to unleash their innovations in their end markets.

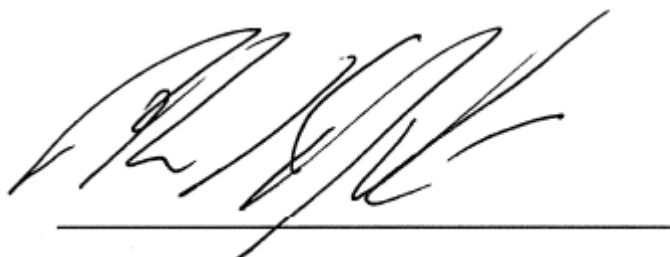
We will hold ourselves to the highest standards of corporate governance, and will adhere to our core values of Integrity, Commitment, Innovation and Customer Trust, no matter where we operate, while pursuing a sustainable future. We deeply value your trust in TSMC through the challenges of 2023. We are very excited about our future, and will work hard to run our business well, deliver good results and continue to maximize the value for our shareholders in the years to come.

**Audit and Risk Committee's Review Report**

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for allocation of quarterly earnings. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and quarterly earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit and Risk Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

**Taiwan Semiconductor Manufacturing Company Limited**

Chairman of the Audit and Risk Committee:

A handwritten signature in black ink, appearing to read 'P. L. Bonfield', is written over a solid horizontal line.

Sir Peter L. Bonfield

February 6, 2024

## 2023 Directors' Remuneration

## Remuneration of Directors and Independent Directors (Note 1)

Unit: NTS

Title/Name	Director's Remuneration										Compensation to a Director Who is an Employee of TSMC or of TSMC's Consolidated Entities				Amount and Ratio of Total A, B, C, D, E, F, and G to Net Income (Note 5)		Compensation to Directors from Non-consolidated Affiliates or Parent Company
	Base Compensation (A)		Severance Pay and Pensions (B) (Note 2)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)		Amount and Ratio of Total A, B, C, and D to Net Income		Base Compensation, Bonuses, and Allowances (E) (Note 4)		Severance Pay and Pensions (F) (Note 2)		Profit Sharing (G)		
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	From TSMC	From All Consolidated Entities	
Chairman Mark Liu	80,605,415	80,605,415	278,299	278,299	438,652,560	438,652,560	1,417,464	1,417,464	520,953,738	0.0621%	-	-	-	-	520,953,738	0.0621%	-
Vice Chairman C.C. Wei	-	-	-	-	-	-	-	-	-	-	328,137,656	328,137,656	278,299	278,299	547,742,235	0.0653%	-
Director F.C. Tseng	-	-	-	-	10,560,000	10,560,000	1,221,743	1,221,743	11,781,743	0.0014%	-	-	-	-	11,781,743	0.0014%	19,450,666
Director National Development Fund, Executive Yuan Representative: Ming-Hsin Kung	-	-	-	-	10,560,000	10,560,000	-	-	10,560,000	0.0013%	-	-	-	-	10,560,000	0.0013%	-
Independent Director Sir Peter L. Bonfield	-	-	-	-	16,445,264	16,445,264	-	-	16,445,264	0.0020%	-	-	-	-	16,445,264	0.0020%	-
Independent Director Kok-Choo Chen	-	-	-	-	13,200,000	13,200,000	-	-	13,200,000	0.0016%	-	-	-	-	13,200,000	0.0016%	-
Independent Director Michael R. Splinter	-	-	-	-	16,445,264	16,445,264	-	-	16,445,264	0.0020%	-	-	-	-	16,445,264	0.0020%	-
Independent Director Moshe N. Gavrielov	-	-	-	-	16,445,264	16,445,264	-	-	16,445,264	0.0020%	-	-	-	-	16,445,264	0.0020%	-
Independent Director Yancey Hui	-	-	-	-	13,200,000	13,200,000	-	-	13,200,000	0.0016%	-	-	-	-	13,200,000	0.0016%	-
Independent Director L. Rafael Reif	-	-	-	-	16,445,264	16,445,264	-	-	16,445,264	0.0020%	-	-	-	-	16,445,264	0.0020%	-
Total	80,605,415	80,605,415	278,299	278,299	551,953,616	551,953,616	2,639,207	2,639,207	635,476,537	0.0758%	328,137,656	328,137,656	278,299	278,299	1,183,218,772	0.1411%	19,450,666

\* Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee of parent company/ all consolidated entities/ non-consolidated affiliates) to TSMC and all consolidated entities in the 2023 financial statements: Dr. F.C. Tseng for NTS\$17,783,760.

Note 1: Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:

- According to TSMC's Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Chairman, Vice Chairman and directors who also serve as executive officers of TSMC are not entitled to receive compensation to directors. According to TSMC's Compensation and People Development Committee Charter, the distribution of compensation to directors shall be made in accordance with TSMC's "Rules for Distribution of Compensation to Directors" based on the following principles: (1) directors who also serve as executive officers of the Company are not entitled to receive compensation; (2) the compensation for independent directors may be higher than the other directors, as all independent directors also serve as members of the Audit and Risk Committee and the Compensation and People Development Committee and thus participate in the discussions as well as resolutions of related committee meetings in accordance with the charter of each committee; and (3) the compensation for overseas independent directors may be higher than domestic independent directors, as they require additional time to attend quarterly meetings in Taiwan.

Note 2: Pensions funded according to applicable law.

Note 3: The compensation of directors was expensed based on the estimated payment amounts. If the actual amounts subsequently paid differ from the above estimated amounts, the differences will be recorded in the year fully paid as a change in accounting estimate.

Note 4: The above-mentioned figures include expenses for Company cars and related reimbursements, but do not include compensation of Company drivers (total NT\$5,034,409).

Note 5: Total remuneration of the directors from TSMC and from all consolidated entities in 2022, including their employee compensation, both accounted for 0.1365% of 2022 net income.



**Independent Auditors' Report  
(Consolidated Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

**Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the 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 the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended

December 31, 2023. 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.

Key audit matter for the Company's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Property, plant and equipment (PP&E) – commencement of depreciation related to PP&E classified as equipment under installation and construction in progress (EUI/CIP)

Refer to Notes 4, 5 and 14 to the consolidated financial statements.

The Company's evaluation of when to commence depreciation of EUI/CIP involves determining when the assets are available for their intended use. The criteria the Company uses to determine whether EUI/CIP are available for their intended use involves subjective judgments and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner. Changes in these assumptions could have a significant impact on when depreciation is recognized.

Given the subjectivity in determining the date to commence depreciation of EUI/CIP, performing audit procedures to evaluate the reasonableness of the Company's judgments and assumptions required a high degree of auditor judgment. Consequently, the validity of commencement of depreciation related to PP&E classified as EUI/CIP is identified as a key audit matter.

Our audit procedures related to the evaluation of when to commence depreciation of EUI/CIP included the following, among others:

1. We read the Company's policy and understood the criteria used to determine when to commence depreciation.
2. We tested the effectiveness of the controls over the evaluation of when to commence depreciation of EUI/CIP.
3. We sampled the year-end balance of EUI/CIP and performed the following for each selection:
  - a. Evaluated whether the selection did not meet the criteria specified by the Company for commencement of depreciation.
  - b. Observed the assets and evaluated their status.
4. We sampled and evaluated whether the selection of EUI/CIP met the criteria

specified by the Company for commencement of depreciation during the year.

5. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation subsequent to year end.

### **Other Matter**

We have also audited the parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

### **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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect 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 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 members of the Audit and Risk Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' 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 auditors' 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain 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 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 auditors' 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 auditors' 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 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

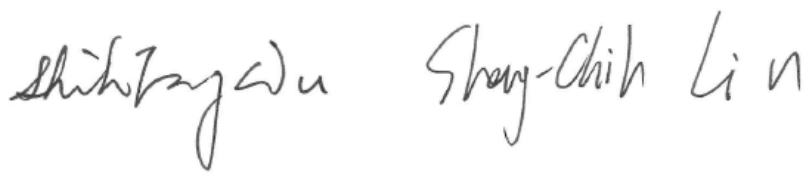
We communicate with those charged with governance regarding, among other

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.

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 for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' 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 audits resulting in this independent auditors' report are Shih Tsung Wu and Shang Chih Lin.

Handwritten signatures of Shih Tsung Wu and Shang Chih Lin in black ink.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 6, 2024

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,465,427,753	26	\$ 1,342,814,083	27
Financial assets at fair value through profit or loss (Note 7)	924,636	-	1,070,398	-
Financial assets at fair value through other comprehensive income (Note 8)	154,530,830	3	122,998,543	2
Financial assets at amortized cost (Note 9)	66,761,221	1	94,600,219	2
Hedging financial assets (Note 10)	-	-	2,329	-
Notes and accounts receivable, net (Note 11)	201,313,914	4	229,755,887	5
Receivables from related parties (Note 33)	624,451	-	1,583,958	-
Other receivables from related parties (Note 33)	71,871	-	68,975	-
Inventories (Notes 5 and 12)	250,997,088	5	221,149,148	4
Other financial assets (Note 34)	27,158,766	1	25,964,428	1
Other current assets	26,222,380	-	12,888,776	-
<b>Total current assets</b>	<b>2,194,032,910</b>	<b>40</b>	<b>2,052,896,744</b>	<b>41</b>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Note 7)	13,417,457	-	-	-
Financial assets at fair value through other comprehensive income (Note 8)	7,208,655	-	6,159,200	-
Financial assets at amortized cost (Note 9)	79,199,367	2	35,127,215	1
Investments accounted for using equity method (Note 13)	29,616,638	1	27,641,505	1
Property, plant and equipment (Notes 5 and 14)	3,064,474,984	55	2,693,836,970	54
Right-of-use assets (Notes 5 and 15)	40,424,830	1	41,914,136	1
Intangible assets (Notes 5 and 16)	22,766,744	-	25,999,155	1
Deferred income tax assets (Notes 5 and 25)	64,175,787	1	69,185,842	1
Refundable deposits	7,044,420	-	4,467,022	-
Other noncurrent assets	10,009,423	-	7,551,089	-
<b>Total noncurrent assets</b>	<b>3,338,338,305</b>	<b>60</b>	<b>2,911,882,134</b>	<b>59</b>
<b>TOTAL</b>	<b>\$ 5,532,371,215</b>	<b>100</b>	<b>\$ 4,964,778,878</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Note 7)	\$ 121,412	-	\$ 116,215	-
Hedging financial liabilities (Notes 10 and 30)	27,334,164	-	813	-
Accounts payable	55,726,757	1	54,879,708	1
Payables to related parties (Note 33)	1,566,300	-	1,642,637	-
Salary and bonus payable	33,200,563	1	36,435,509	1
Accrued profit sharing bonus to employees and compensation to directors (Note 28)	50,716,944	1	61,748,574	1
Payables to contractors and equipment suppliers	171,484,616	3	213,499,613	4
Cash dividends payable (Note 20)	168,558,461	3	142,617,093	3
Income tax payable (Notes 5 and 25)	98,912,902	2	120,801,814	3
Long-term liabilities - current portion (Notes 17, 18 and 30)	9,293,266	-	19,313,889	-
Accrued expenses and other current liabilities (Notes 5, 15, 21, 30 and 33)	296,667,931	5	293,170,952	6
<b>Total current liabilities</b>	<b>913,583,316</b>	<b>16</b>	<b>944,226,817</b>	<b>19</b>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Notes 17 and 30)	913,899,843	17	834,336,439	17
Long-term bank loans (Notes 18 and 30)	4,382,965	-	4,760,047	-
Deferred income tax liabilities (Notes 5 and 25)	53,856	-	1,031,383	-
Lease liabilities (Notes 5, 15 and 30)	28,681,835	1	29,764,097	-
Net defined benefit liability (Note 19)	9,257,224	-	9,321,091	-
Guarantee deposits	923,164	-	892,021	-
Others (Note 21)	178,326,165	3	179,958,116	4
<b>Total noncurrent liabilities</b>	<b>1,135,525,052</b>	<b>21</b>	<b>1,060,063,194</b>	<b>21</b>
<b>Total liabilities</b>	<b>2,049,108,368</b>	<b>37</b>	<b>2,004,290,011</b>	<b>40</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock (Note 20)	259,320,710	5	259,303,805	5
Capital surplus (Notes 20 and 27)	69,876,381	1	69,330,328	1
Retained earnings (Note 20)				
Appropriated as legal capital reserve	311,146,899	6	311,146,899	6
Appropriated as special capital reserve	-	-	3,154,310	-
Unappropriated earnings	2,846,883,893	51	2,323,223,479	47
	3,158,030,792	57	2,637,524,688	53
Others (Notes 20 and 27)	(28,314,256)	-	(20,505,626)	-
<b>Equity attributable to shareholders of the parent</b>	<b>3,458,913,627</b>	<b>63</b>	<b>2,945,653,195</b>	<b>59</b>
<b>NON - CONTROLLING INTERESTS</b>	<b>24,349,220</b>	<b>-</b>	<b>14,835,672</b>	<b>1</b>
<b>Total equity</b>	<b>3,483,262,847</b>	<b>63</b>	<b>2,960,488,867</b>	<b>60</b>
<b>TOTAL</b>	<b>\$ 5,532,371,215</b>	<b>100</b>	<b>\$ 4,964,778,878</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 21, 33 and 38)	\$ 2,161,735,841	100	\$ 2,263,891,292	100
COST OF REVENUE (Notes 5, 12, 28 and 33)	<u>986,625,213</u>	<u>46</u>	<u>915,536,486</u>	<u>40</u>
GROSS PROFIT	<u>1,175,110,628</u>	<u>54</u>	<u>1,348,354,806</u>	<u>60</u>
OPERATING EXPENSES (Notes 5, 28 and 33)				
Research and development	182,370,170	8	163,262,208	7
General and administrative	60,872,841	3	53,524,898	2
Marketing	<u>10,590,705</u>	<u>-</u>	<u>9,920,446</u>	<u>1</u>
Total operating expenses	<u>253,833,716</u>	<u>11</u>	<u>226,707,552</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14 and 28)	<u>188,694</u>	<u>-</u>	<u>(368,403)</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 38)	<u>921,465,606</u>	<u>43</u>	<u>1,121,278,851</u>	<u>50</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates	4,655,098	-	7,798,359	-
Interest income (Note 22)	60,293,901	3	22,422,209	1
Other income	479,984	-	947,697	-
Foreign exchange gain (loss), net (Note 36)	(2,685,484)	-	4,505,784	-
Finance costs (Note 23)	(11,999,360)	(1)	(11,749,984)	-
Other gains and losses, net (Note 24)	<u>6,961,579</u>	<u>-</u>	<u>(1,012,198)</u>	<u>-</u>
Total non-operating income and expenses	<u>57,705,718</u>	<u>2</u>	<u>22,911,867</u>	<u>1</u>
INCOME BEFORE INCOME TAX	979,171,324	45	1,144,190,718	51
INCOME TAX EXPENSE (Notes 5 and 25)	<u>141,403,807</u>	<u>6</u>	<u>127,290,203</u>	<u>6</u>
NET INCOME	<u>837,767,517</u>	<u>39</u>	<u>1,016,900,515</u>	<u>45</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 5, 19, 20 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(623,356)	-	(823,060)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	1,954,563	-	(263,749)	-
Gain on hedging instruments	39,898	-	-	-
Share of other comprehensive income of associates	42,554	-	154,457	-
Income tax benefit related to items that will not be reclassified subsequently	<u>124,646</u>	<u>-</u>	<u>733,956</u>	<u>-</u>
	<u>1,538,305</u>	<u>-</u>	<u>(198,396)</u>	<u>-</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	\$ (14,464,353)	(1)	\$ 50,845,614	2
Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income	4,123,201	-	(10,102,658)	-
Gain (loss) on hedging instruments	(74,735)	-	1,329,231	-
Share of other comprehensive income of associates	63,938	-	550,338	-
Income tax benefit related to items that may be reclassified subsequently	-	-	6,036	-
	<u>(10,351,949)</u>	<u>(1)</u>	<u>42,628,561</u>	<u>2</u>
Other comprehensive income (loss), net of income tax	<u>(8,813,644)</u>	<u>(1)</u>	<u>42,430,165</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 828,953,873</u>	<u>38</u>	<u>\$ 1,059,330,680</u>	<u>47</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 838,497,664	39	\$ 1,016,530,249	45
Non-controlling interests	<u>(730,147)</u>	<u>-</u>	<u>370,266</u>	<u>-</u>
	<u>\$ 837,767,517</u>	<u>39</u>	<u>\$ 1,016,900,515</u>	<u>45</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 830,509,542	38	\$ 1,059,124,890	47
Non-controlling interests	<u>(1,555,669)</u>	<u>-</u>	<u>205,790</u>	<u>-</u>
	<u>\$ 828,953,873</u>	<u>38</u>	<u>\$ 1,059,330,680</u>	<u>47</u>
EARNINGS PER SHARE (NT\$, Note 26)				
Basic earnings per share	<u>\$ 32.34</u>		<u>\$ 39.20</u>	
Diluted earnings per share	<u>\$ 32.34</u>		<u>\$ 39.20</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)



Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											Total Equity					
	Capital Stock - Common Stock				Retained Earnings			Others									
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments		Unearned Stock-based Employee Compensation	Treasury Stock	Total	Non-controlling Interests	
BALANCE, JANUARY 1, 2022	25,930,380	\$ 259,303,805	\$ 64,761,602	\$ 311,146,899	\$ 59,304,212	\$ 59,304,212	\$ 1,536,378,550	\$ 1,906,829,661	\$ (63,303,361)	\$ 574,310	\$ 120,536	\$ -	\$ -	\$ (62,608,515)	\$ 2,168,286,553	\$ 2,446,652	\$ 2,170,733,205
Appropriations of earnings	-	-	-	-	(56,149,902)	(56,149,902)	56,149,902	-	-	-	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	(285,234,185)	(285,234,185)	(285,234,185)	(285,234,185)	-	-	-	-	-	-	(285,234,185)	-	(285,234,185)
Cash dividends to shareholders	-	-	-	-	(29,084,283)	(29,084,283)	(29,084,283)	(29,084,283)	-	-	-	-	-	-	(29,084,283)	-	(29,084,283)
Total	-	-	-	-	(85,234,188)	(85,234,188)	85,234,188	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	1,016,530,249	1,016,530,249	-	-	-	-	-	-	1,016,530,249	370,266	1,016,900,515
Other comprehensive income (loss), net of income tax	-	-	-	-	(49,572)	(49,572)	(49,572)	(49,572)	51,560,060	(10,327,421)	1,411,574	-	-	42,644,213	42,594,641	(164,476)	42,430,165
Total comprehensive income (loss)	-	-	-	-	-	-	1,016,480,677	1,016,480,677	51,560,060	(10,327,421)	1,411,574	-	-	42,644,213	1,059,124,890	205,790	1,059,330,680
Share-based payment arrangements	1,387	13,870	438,029	-	-	-	-	-	-	-	-	(185,153)	-	266,746	266,746	-	266,746
Treasury stock acquired	-	-	-	-	-	-	-	-	-	-	-	-	(871,566)	(871,566)	-	(871,566)	
Treasury stock retired	(1,387)	(13,870)	(2,989)	-	-	-	(854,707)	(854,707)	-	-	-	-	871,566	871,566	-	-	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	303,242	303,242	-	(303,242)	-	-	-	(303,242)	-	-	-
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(65,929)	-	-	-	(65,929)	-	-	(65,929)
Adjustments to share of changes in equities of associates	-	-	4,541	-	-	-	-	-	-	-	-	-	-	4,541	-	4,541	
From share of changes in equities of subsidiaries	-	-	4,115,940	-	-	-	-	-	-	-	-	-	-	4,115,940	12,350,219	16,466,159	
Donation from shareholders	-	-	13,205	-	-	-	-	-	-	-	-	-	-	13,205	20	13,225	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(167,009)	(167,009)	
BALANCE, DECEMBER 31, 2022	25,930,380	\$ 259,303,805	\$ 69,530,328	\$ 311,146,899	\$ 3,154,310	\$ 3,154,310	\$ 2,323,223,479	\$ 2,637,524,638	\$ (11,743,301)	\$ (10,956,353)	\$ 1,479,181	\$ (185,153)	\$ -	\$ (20,505,626)	\$ 2,945,653,195	\$ 14,835,672	\$ 2,960,488,867
Appropriations of earnings	-	-	-	-	(3,154,310)	(3,154,310)	3,154,310	-	-	-	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	(317,663,220)	(317,663,220)	(317,663,220)	(317,663,220)	-	-	-	-	-	-	(317,663,220)	-	(317,663,220)
Cash dividends to shareholders	-	-	-	-	(314,608,910)	(314,608,910)	(314,608,910)	(314,608,910)	-	-	-	-	-	-	(314,608,910)	-	(314,608,910)
Total	-	-	-	-	(632,272,130)	(632,272,130)	(632,272,130)	(632,272,130)	-	-	-	-	-	-	(632,272,130)	-	(632,272,130)
Net income	-	-	-	-	-	-	838,497,664	838,497,664	-	-	-	-	-	-	838,497,664	(730,147)	837,767,517
Other comprehensive income (loss), net of income tax	-	-	-	-	(484,898)	(484,898)	(484,898)	(484,898)	(13,573,468)	6,108,369	(38,125)	-	-	(7,503,224)	(825,522)	(8,328,746)	
Total comprehensive income (loss)	-	-	-	-	-	-	838,012,766	838,012,766	(13,573,468)	6,108,369	(38,125)	-	-	(7,503,224)	830,509,542	(1,555,669)	828,953,873
Disposal of investments accounted for using equity method	-	-	(18,112)	-	-	-	-	-	-	-	-	-	-	-	(18,112)	(370)	(18,482)
Employee restricted shares retired	(419)	(4,195)	4,195	-	-	-	4,614	4,614	-	-	-	-	-	4,614	-	4,614	
Share-based payment arrangements	2,110	21,100	564,868	-	-	-	-	-	-	-	-	(108,281)	-	477,687	477,687	-	477,687
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	151,944	151,944	-	(151,944)	-	-	-	(151,944)	-	-	
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	-	(45,181)	-	-	-	(45,181)	-	-	
Adjustments to share of changes in equities of associates	-	-	(43)	-	-	-	-	-	-	-	-	-	-	(43)	-	(43)	
From share of changes in equities of subsidiaries	-	-	(21,268)	-	-	-	-	-	-	-	-	-	-	(21,268)	11,265,933	11,244,665	
Donation from shareholders	-	-	16,413	-	-	-	-	-	-	-	-	-	-	16,413	35	16,448	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(196,381)	(196,381)	
BALANCE, DECEMBER 31, 2023	25,932,071	\$ 259,320,710	\$ 69,976,381	\$ 311,146,899	\$ -	\$ -	\$ 2,846,883,892	\$ 3,158,030,792	\$ (25,316,769)	\$ (4,099,928)	\$ 1,395,875	\$ (293,434)	\$ -	\$ (28,314,256)	\$ 3,458,913,627	\$ 24,349,220	\$ 3,483,262,847

The accompanying notes are an integral part of the consolidated financial statements.

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 979,171,324	\$ 1,144,190,718
Adjustments for:		
Depreciation expense	522,932,671	428,498,179
Amortization expense	9,258,250	8,756,094
Expected credit losses recognized on investments in debt instruments	35,745	52,351
Finance costs	11,999,360	11,749,984
Share of profits of associates	(4,655,098)	(7,798,359)
Interest income	(60,293,901)	(22,422,209)
Share-based compensation	483,050	302,348
Loss (gain) on disposal or retirement of property, plant and equipment, net	369,140	(98,856)
Loss (gain) on disposal or retirement of intangible assets, net	(3,045)	6,004
Impairment loss on property, plant and equipment	-	790,740
Gain on financial instruments at fair value through profit or loss, net	(12,355)	-
Loss on disposal of investments in debt instruments at fair value through other comprehensive income, net	473,897	410,076
Gain on disposal of investments accounted for using equity method, net	(15,758)	-
Loss (gain) on foreign exchange, net	(246,695)	10,342,706
Dividend income	(464,094)	(266,767)
Others	(337,935)	138,827
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	289,570	(1,354,359)
Notes and accounts receivable, net	28,441,987	(32,169,853)
Receivables from related parties	959,507	(868,634)
Other receivables from related parties	(2,896)	(7,444)
Inventories	(29,847,940)	(28,046,827)
Other financial assets	1,878,712	(1,680,611)
Other current assets	(12,530,880)	(4,450,883)
Other noncurrent assets	(720,278)	-
Accounts payable	847,049	7,594,105
Payables to related parties	(76,337)	205,451
Salary and bonus payable	(3,234,946)	12,633,409
Accrued profit sharing bonus to employees and compensation to directors	(11,031,630)	25,223,833
Accrued expenses and other current liabilities	(44,466,734)	46,578,784
Other noncurrent liabilities	13,329,895	101,390,476
Net defined benefit liability	(687,223)	(2,538,848)
Cash generated from operations	1,401,842,412	1,697,160,435
Income taxes paid	(159,875,065)	(86,561,247)
Net cash generated by operating activities	<u>1,241,967,347</u>	<u>1,610,599,188</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial instruments at fair value through profit or loss	(14,142,072)	(125,540)
Financial assets at fair value through other comprehensive income	(62,752,002)	(54,566,725)
Financial assets at amortized cost	(149,387,898)	(183,125,920)
Property, plant and equipment	(949,816,825)	(1,082,672,130)
Intangible assets	(5,518,414)	(6,954,326)

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
Proceeds from disposal or redemption of:		
Financial assets at fair value through other comprehensive income	\$ 35,698,575	\$ 44,963,367
Financial assets at amortized cost	134,605,822	62,329,674
Property, plant and equipment	703,904	983,358
Intangible assets	3,078	12,636
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	127,963	2,938
Derecognition of hedging financial instruments	68,237	1,684,430
Interest received	55,887,164	18,083,755
Proceeds from government grants - property, plant and equipment	47,544,746	7,046,136
Proceeds from government grants - others	1,152	5,296
Other dividends received	445,129	266,767
Dividends received from investments accounted for using equity method	3,076,482	2,749,667
Increase in prepayments for leases	(63,153)	-
Refundable deposits paid	(4,056,496)	(2,117,041)
Refundable deposits refunded	<u>1,454,012</u>	<u>505,423</u>
Net cash used in investing activities	<u>(906,120,596)</u>	<u>(1,190,928,235)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	(111,959,992)
Increase in hedging financial liabilities - bank loans	27,908,580	-
Proceeds from issuance of bonds	85,700,000	198,293,561
Repayment of bonds	(18,100,000)	(4,400,000)
Proceeds from long-term bank loans	2,450,000	2,670,000
Repayment of long-term bank loans	(1,756,944)	(166,667)
Payments for transaction costs attributable to the issuance of bonds	(88,681)	(414,307)
Treasury stock acquired	-	(871,566)
Repayment of the principal portion of lease liabilities	(2,854,344)	(2,428,277)
Interest paid	(17,358,981)	(12,218,659)
Guarantee deposits received	230,116	271,387
Guarantee deposits refunded	(367,375)	(62,100)
Cash dividends	(291,721,852)	(285,234,185)
Donation from shareholders	16,448	13,225
Increase in non-controlling interests	<u>11,048,781</u>	<u>16,263,548</u>
Net cash used in financing activities	<u>(204,894,252)</u>	<u>(200,244,032)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(8,338,829)</u>	<u>58,396,970</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	122,613,670	277,823,891
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,342,814,083</u>	<u>1,064,990,192</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,465,427,753</u>	<u>\$ 1,342,814,083</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**Independent Auditors' Report  
(Parent Company Only Financial Statements)**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

**Opinion**

We have audited the accompanying parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2023 is stated as follows:

Property, plant and equipment (PP&E) – commencement of depreciation related to PP&E classified as equipment under installation and construction in progress (EUI/CIP)

Refer to Notes 4, 5 and 13 to the parent company only financial statements.

The Company's evaluation of when to commence depreciation of EUI/CIP involves determining when the assets are available for their intended use. The criteria the Company uses to determine whether EUI/CIP are available for their intended use involves subjective judgments and assumptions about the conditions necessary for the assets to be capable of operating in the intended manner. Changes in these assumptions could have a significant impact on when depreciation is recognized.

Given the subjectivity in determining the date to commence depreciation of EUI/CIP, performing audit procedures to evaluate the reasonableness of the Company's judgments and assumptions required a high degree of auditor judgment. Consequently, the validity of commencement of depreciation related to PP&E classified as EUI/CIP is identified as a key audit matter.

Our audit procedures related to the evaluation of when to commence depreciation of EUI/CIP included the following, among others:

1. We read the Company's policy and understood the criteria used to determine when to commence depreciation.
2. We tested the effectiveness of the controls over the evaluation of when to commence depreciation of EUI/CIP.
3. We sampled the year-end balance of EUI/CIP and performed the following for each selection:
  - a. Evaluated whether the selection did not meet the criteria specified by the Company for commencement of depreciation.
  - b. Observed the assets and evaluated their status.
4. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation during the year.
5. We sampled and evaluated whether the selection of EUI/CIP met the criteria specified by the Company for commencement of depreciation subsequent to year end.

## **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 parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 members of the Audit and Risk Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 auditors' report to the related disclosures in the parent company only 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 auditors' 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 entities or business activities within the Company to express an opinion on the parent company only 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' 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 audits resulting in this independent auditors' report are Shih Tsung Wu and Shang Chih Lin.

Handwritten signatures of Shih Tsung Wu and Shang Chih Lin in black ink.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 6, 2024

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*



# Taiwan Semiconductor Manufacturing Company Limited

## PARENT COMPANY ONLY BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 718,703,712	15	\$ 628,875,897	14
Financial assets at fair value through profit or loss (Note 7)	624,685	-	552,255	-
Financial assets at amortized cost (Note 8)	18,371,705	-	48,732,476	1
Notes and accounts receivable, net (Note 10)	33,557,279	1	41,311,836	1
Receivables from related parties (Note 30)	155,261,877	3	173,044,812	4
Other receivables from related parties (Note 30)	4,360,322	-	6,357,925	-
Inventories (Notes 5 and 11)	238,259,195	5	208,282,895	5
Other financial assets	4,321,083	-	2,801,253	-
Other current assets	12,328,706	-	8,591,040	-
Total current assets	<u>1,185,788,564</u>	<u>24</u>	<u>1,118,550,389</u>	<u>25</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income	960,950	-	1,014,741	-
Investments accounted for using equity method (Note 12)	1,094,695,092	23	727,947,169	16
Property, plant and equipment (Notes 5 and 13)	2,453,465,322	50	2,432,675,050	55
Right-of-use assets (Notes 5 and 14)	37,872,705	1	39,051,427	1
Intangible assets (Notes 5 and 15)	17,684,064	-	21,456,104	1
Deferred income tax assets (Notes 5 and 23)	62,356,061	1	67,708,061	2
Refundable deposits	3,433,404	-	2,095,656	-
Other noncurrent assets (Note 30)	17,823,122	1	11,920,467	-
Total noncurrent assets	<u>3,688,290,720</u>	<u>76</u>	<u>3,303,868,675</u>	<u>75</u>
<b>TOTAL</b>	<u>\$ 4,874,079,284</u>	<u>100</u>	<u>\$ 4,422,419,064</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Note 7)	\$ 25,673	-	\$ 17,468	-
Hedging financial liabilities (Notes 9 and 27)	27,290,400	1	-	-
Accounts payable	47,643,493	1	48,732,542	1
Payables to related parties (Note 30)	10,119,695	-	10,051,044	-
Salary and bonus payable	27,754,742	1	31,308,620	1
Accrued profit sharing bonus to employees and compensation to directors (Note 26)	50,642,488	1	61,392,175	1
Payables to contractors and equipment suppliers	84,146,173	2	200,046,018	5
Cash dividends payable (Note 18)	168,558,461	3	142,617,093	3
Income tax payable (Notes 5 and 23)	98,564,981	2	120,077,567	3
Long-term liabilities - current portion (Notes 16 and 27)	6,997,710	-	18,100,000	-
Accrued expenses and other current liabilities (Notes 5, 14, 19, 27 and 30)	241,858,508	5	266,903,073	6
Total current liabilities	<u>763,602,324</u>	<u>16</u>	<u>899,245,600</u>	<u>20</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Notes 16 and 27)	439,869,855	9	361,130,474	8
Deferred income tax liabilities (Notes 5 and 23)	-	-	908,273	-
Lease liabilities (Notes 5, 14 and 27)	26,959,435	-	27,593,900	1
Net defined benefit liability (Note 17)	9,257,224	-	9,321,091	-
Guarantee deposits	915,344	-	885,273	-
Others (Notes 19 and 30)	174,561,475	4	177,681,258	4
Total noncurrent liabilities	<u>651,563,333</u>	<u>13</u>	<u>577,520,269</u>	<u>13</u>
Total liabilities	<u>1,415,165,657</u>	<u>29</u>	<u>1,476,765,869</u>	<u>33</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock (Note 18)	259,320,710	5	259,303,805	6
Capital surplus (Note 18)	69,876,381	2	69,330,328	2
Retained earnings (Note 18)				
Appropriated as legal capital reserve	311,146,899	6	311,146,899	7
Appropriated as special capital reserve	-	-	3,154,310	-
Unappropriated earnings	2,846,883,893	59	2,323,223,479	53
	<u>3,158,030,792</u>	<u>65</u>	<u>2,637,524,688</u>	<u>60</u>
Others (Note 18)	(28,314,256)	(1)	(20,505,626)	(1)
Total equity	<u>3,458,913,627</u>	<u>71</u>	<u>2,945,653,195</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 4,874,079,284</u>	<u>100</u>	<u>\$ 4,422,419,064</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

# Taiwan Semiconductor Manufacturing Company Limited

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 19 and 30)	\$ 2,153,285,095	100	\$ 2,252,320,561	100
COST OF REVENUE (Notes 5, 11, 26 and 30)	<u>1,022,660,164</u>	<u>47</u>	<u>951,927,673</u>	<u>42</u>
GROSS PROFIT	<u>1,130,624,931</u>	<u>53</u>	<u>1,300,392,888</u>	<u>58</u>
OPERATING EXPENSES (Notes 5, 26 and 30)				
Research and development	178,725,098	9	160,813,633	7
General and administrative	39,890,037	2	42,764,642	2
Marketing	<u>5,118,396</u>	<u>-</u>	<u>6,059,649</u>	<u>-</u>
Total operating expenses	<u>223,733,531</u>	<u>11</u>	<u>209,637,924</u>	<u>9</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 13 and 26)	<u>481,455</u>	<u>-</u>	<u>(8,275)</u>	<u>(1)</u>
INCOME FROM OPERATIONS	<u>907,372,855</u>	<u>42</u>	<u>1,090,746,689</u>	<u>48</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 12)	52,587,403	2	42,415,408	2
Interest income (Note 20)	17,825,551	1	5,957,864	1
Other income	230,801	-	887,958	-
Foreign exchange gain (loss), net (Note 32)	(3,238,713)	-	853,022	-
Finance costs (Note 21)	(4,600,793)	-	(3,240,406)	-
Other gains and losses, net (Note 22)	<u>7,594,132</u>	<u>-</u>	<u>3,053,281</u>	<u>-</u>
Total non-operating income and expenses	<u>70,398,381</u>	<u>3</u>	<u>49,927,127</u>	<u>3</u>
INCOME BEFORE INCOME TAX	977,771,236	45	1,140,673,816	51
INCOME TAX EXPENSE (Notes 5 and 23)	<u>139,273,572</u>	<u>6</u>	<u>124,143,567</u>	<u>6</u>
NET INCOME	<u>838,497,664</u>	<u>39</u>	<u>1,016,530,249</u>	<u>45</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 5, 12, 17, 18 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(623,356)	-	(823,060)	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(53,665)	-	18,979	-
Gain on hedging instruments	39,898	-	-	-
Share of other comprehensive gain/(loss) of subsidiaries and associates	2,049,357	-	(127,903)	-
Income tax benefit related to items that will not be reclassified subsequently	<u>124,646</u>	<u>-</u>	<u>733,956</u>	<u>-</u>
	<u>1,536,880</u>	<u>-</u>	<u>(198,028)</u>	<u>-</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	\$ (13,645,829)	-	\$ 51,030,928	2
Share of other comprehensive gain/(loss) of subsidiaries and associates	4,120,827	-	(8,244,295)	-
Income tax benefit related to items that may be reclassified subsequently	<u>-</u>	<u>-</u>	<u>6,036</u>	<u>-</u>
	<u>(9,525,002)</u>	<u>-</u>	<u>42,792,669</u>	<u>2</u>
Other comprehensive income (loss), net of income tax	<u>(7,988,122)</u>	<u>-</u>	<u>42,594,641</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 830,509,542</u>	<u>39</u>	<u>\$ 1,059,124,890</u>	<u>47</u>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	<u>\$ 32.34</u>		<u>\$ 39.20</u>	
Diluted earnings per share	<u>\$ 32.34</u>		<u>\$ 39.20</u>	

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Retained Earnings			Others			Total Equity			
	Shares (In Thousands)	Amount	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Gain (Loss) on Hedging Instruments	Unearned Stock-based Employee Compensation	Treasury Stock
BALANCE, JANUARY 1, 2022	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 59,304,212	\$ 1,536,378,550	\$ 1,906,829,661	\$ (63,303,361)	\$ 574,310	\$ 120,536	\$ -	\$ -	\$ 2,168,286,553
Appropriations of earnings	-	-	-	(56,149,902)	56,149,902	-	-	-	-	-	-	-
Special capital reserve	-	-	-	(285,234,185)	(285,234,185)	(285,234,185)	-	-	-	-	-	(285,234,185)
Cash dividends to shareholders	-	-	-	(229,084,283)	(229,084,283)	(285,234,185)	-	-	-	-	-	(285,234,185)
Total	-	-	-	(56,149,902)	(229,084,283)	(285,234,185)	-	-	-	-	-	(285,234,185)
Net income	-	-	-	-	1,016,530,249	1,016,530,249	-	-	-	-	-	1,016,530,249
Other comprehensive income (loss), net of income tax	-	-	-	-	(49,572)	(49,572)	51,560,060	(10,327,421)	1,411,574	-	-	42,594,661
Total comprehensive income (loss)	-	-	-	-	(49,572)	(49,572)	51,560,060	(10,327,421)	1,411,574	-	-	42,594,661
Share-based payment arrangements	1,387	13,870	-	-	1,016,480,677	1,016,480,677	-	-	1,411,574	(185,153)	-	1,059,124,890
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(871,566)	(871,566)	266,746
Treasury stock retired	(1,387)	(13,870)	-	-	(854,707)	(854,707)	-	-	-	-	871,566	(871,566)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	303,242	303,242	-	(303,242)	-	-	-	-
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	(52,929)	-	-	(52,929)
Adjustments to share of changes in equities of associates	-	-	-	-	4,541	4,541	-	-	-	-	-	4,541
From share of changes in equities of subsidiaries	-	-	-	-	4,115,940	4,115,940	-	-	-	-	-	4,115,940
Donation from shareholders	-	-	-	-	13,205	13,205	-	-	-	-	-	13,205
BALANCE, DECEMBER 31, 2022	25,930,380	\$ 259,303,805	\$ 311,146,899	\$ 3,154,310	\$ 2,323,223,479	\$ 2,637,524,688	\$ (11,743,301)	\$ (10,056,353)	\$ 1,479,181	\$ (185,153)	\$ -	\$ 2,945,653,195
Appropriations of earnings	-	-	-	(3,154,310)	3,154,310	-	-	-	-	-	-	-
Special capital reserve	-	-	-	(3,154,310)	(3,154,310)	(3,154,310)	-	-	-	-	-	(3,154,310)
Cash dividends to shareholders	-	-	-	(3,154,310)	(3,154,310)	(3,154,310)	-	-	-	-	-	(3,154,310)
Total	-	-	-	(3,154,310)	(3,154,310)	(3,154,310)	-	-	-	-	-	(3,154,310)
Net income	-	-	-	-	838,497,664	838,497,664	-	-	-	-	-	838,497,664
Other comprehensive income (loss), net of income tax	-	-	-	-	(484,898)	(484,898)	(13,573,468)	6,108,369	(38,125)	-	-	(7,988,122)
Total comprehensive income (loss)	-	-	-	-	(484,898)	(484,898)	(13,573,468)	6,108,369	(38,125)	-	-	(7,988,122)
Employee restricted shares retired	(419)	(4,195)	-	-	4,614	4,614	-	-	-	(108,281)	-	4,614
Share-based payment arrangements	2,110	21,100	-	-	-	-	-	-	-	(108,281)	-	477,687
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	151,944	151,944	-	(151,944)	-	-	-	-
Basis adjustment for loss on hedging instruments	-	-	-	-	-	-	-	-	(45,181)	-	-	(45,181)
Adjustments to share of changes in equities of associates	-	-	-	-	-	-	-	-	-	-	-	(18,155)
From share of changes in equities of subsidiaries	-	-	-	-	(21,268)	(21,268)	-	-	-	-	-	(21,268)
Donation from shareholders	-	-	-	-	16,413	16,413	-	-	-	-	-	16,413
BALANCE, DECEMBER 31, 2023	25,932,071	\$ 259,320,710	\$ 311,146,899	\$ -	\$ 2,846,883,893	\$ 3,158,030,792	\$ (25,316,769)	\$ (4,099,928)	\$ 1,395,875	\$ (293,434)	\$ -	\$ 3,448,913,627

The accompanying notes are an integral part of the parent company only financial statements.

# Taiwan Semiconductor Manufacturing Company Limited

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 977,771,236	\$ 1,140,673,816
Adjustments for:		
Depreciation expense	500,300,771	413,595,082
Amortization expense	9,197,976	8,706,961
Expected credit losses recognized on investments in debt instruments	5,789	10,341
Finance costs	4,600,793	3,240,406
Share of profits of subsidiaries and associates	(52,587,403)	(42,415,408)
Interest income	(17,825,551)	(5,957,864)
Share-based compensation	482,302	266,746
Loss (gain) on disposal or retirement of property, plant and equipment, net	76,638	(436,567)
Loss (gain) on disposal or retirement of intangible assets, net	(3,045)	3,720
Impairment loss on property, plant and equipment	-	790,740
Loss (gain) on foreign exchange, net	183,093	9,965,603
Dividend income	(214,911)	(207,028)
Others	(317,394)	131,637
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(24,326)	(1,025,979)
Notes and accounts receivable, net	7,754,557	4,588,461
Receivables from related parties	17,782,935	(34,692,438)
Other receivables from related parties	2,115,413	(1,074,087)
Inventories	(29,976,300)	(23,123,047)
Other financial assets	(1,019,979)	1,894,328
Other current assets	(7,799,552)	(712,233)
Other noncurrent assets	(720,278)	(8,532,751)
Accounts payable	(1,089,049)	7,528,120
Payables to related parties	67,281	2,362,846
Salary and bonus payable	(3,553,878)	10,494,186
Accrued profit sharing bonus to employees and compensation to directors	(10,749,687)	25,303,189
Accrued expenses and other current liabilities	(42,119,570)	47,110,082
Other noncurrent liabilities	12,836,220	86,831,552
Net defined benefit liability	(687,223)	(2,538,848)
Cash generated from operations	1,364,486,858	1,642,781,566
Income taxes paid	(157,403,955)	(83,364,086)
Net cash generated by operating activities	<u>1,207,082,903</u>	<u>1,559,417,480</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial assets at amortized cost	(51,099,687)	(97,748,105)
Equity interest in subsidiary	(3,359)	-
Property, plant and equipment	(634,971,543)	(897,574,802)
Intangible assets	(4,898,499)	(6,679,871)
Proceeds from disposal or redemption of:		
Financial assets at amortized cost	81,900,000	49,190,000
Property, plant and equipment	1,369,856	1,665,212
Intangible assets	3,078	3,750
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	125	2,938

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2023	2022
Interest received	\$ 16,851,011	\$ 4,889,786
Other dividends received	214,911	207,028
Dividends received from investments accounted for using equity method	3,849,295	3,248,044
Refundable deposits paid	(1,703,523)	(1,611,716)
Refundable deposits refunded	<u>359,682</u>	<u>406,185</u>
Net cash used in investing activities	<u>(588,128,653)</u>	<u>(944,001,551)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	(111,959,992)
Increase in hedging financial liabilities - bank loans	27,908,580	-
Proceeds from issuance of bonds	85,700,000	65,400,000
Repayment of bonds	(18,100,000)	(4,400,000)
Payments for transaction costs attributable to the issuance of bonds	(88,681)	(69,528)
Treasury stock acquired	-	(871,566)
Repayment of the principal portion of lease liabilities	(2,094,258)	(1,848,257)
Interest paid	(4,724,074)	(3,757,985)
Guarantee deposits received	187,164	216,589
Guarantee deposits refunded	(286,036)	(45,643)
Cash dividends	(291,721,852)	(285,234,185)
Payment of partial acquisition of interests in subsidiaries	(326,167,994)	(40,421,374)
Proceeds from partial disposal of interests in subsidiaries	244,376	144,505
Donation from shareholders	<u>16,340</u>	<u>13,163</u>
Net cash used in financing activities	<u>(529,126,435)</u>	<u>(382,834,273)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,827,815	232,581,656
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>628,875,897</u>	<u>396,294,241</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 718,703,712</u>	<u>\$ 628,875,897</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

## 2023 Earnings Distribution Table

Unit: NT\$

<b>Net Income of 2023</b>	<b>838,497,663,934</b>
<b>Less:</b>	
- Special Reserve	-7,700,348,221
<b>Earnings in 2023 Available for Distribution</b>	<b>830,797,315,713</b>
<b>Plus:</b>	
- Unappropriated Retained Earnings of Previous Years	2,234,748,767,996
- Disposal of Investments in Equity Instruments at Fair Value through Other Comprehensive Income	151,944,152
- Adjustment for Restricted Stock Awards	4,614,126
<b>Less:</b>	
- Remeasurement of Defined Benefit Obligation	-484,897,597
<b>Retained Earnings Available for Distribution as of December 31, 2023</b>	<b>3,065,217,744,390</b>
<b>Distribution Item</b> <sup>Note 1:</sup>	
- 1Q23 Cash Dividends to Common Share Holders (NT\$3.00 per share)	-77,796,212,976
- 2Q23 Cash Dividends to Common Share Holders (NT\$3.00 per share)	-77,796,212,976
- 3Q23 Cash Dividends to Common Share Holders (NT\$3.49978969 per share <sup>Note 2</sup> )	-90,762,248,472
- 4Q23 Cash Dividends to Common Share Holders (NT\$3.50 per share <sup>Note 3</sup> )	-90,762,248,472
<b>Unappropriated Retained Earnings</b>	<b>2,728,100,821,494</b>

Note 1: Cash dividends were approved by the Board of Directors and to be reported at the Annual Shareholders' Meeting.

Note 2: The cash dividend per share was adjusted, as authorized by the Board of Directors, based on the actual number of common shares outstanding as of the record date for such dividend payment.

Note 3: The actual cash dividend per share shall be subject to adjustment based on the actual number of common shares outstanding as of the record date for such dividend payment.

**Comparison Table for the Articles of Incorporation  
Before and After Revision**

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 19</b></p> <p>The Corporation shall have seven to ten Directors. The Board of Directors is authorized to determine the number of Directors.</p> <p>The aforesaid Board of Directors must have at least three independent directors.</p>	<p><b>Article 19</b></p> <p>The Corporation shall have seven to ten Directors. The Board of Directors is authorized to determine the number of Directors.</p> <p>The aforesaid Board of Directors must have at least three independent directors, <u>and independent directors must make up at least one third of the Board.</u></p>
<p><b>Article 20</b></p> <p>The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.</p>	<p><b>Article 20</b></p> <p>The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election, <u>subject to the limitations imposed by relevant laws, rules and regulations regarding the tenure limits of independent directors.</u></p>
<p><b>Article 29</b></p> <p>The Corporation may, by resolution of the Board of Directors, appoint one or more Chief Executive Officer, President(s), Vice President(s) or such other officers to meet the Corporation's operational or managerial needs.</p>	<p><b>Article 29</b></p> <p>The Corporation may, by resolution of the Board of Directors, appoint one or more Chief Executive Officer, President(s), Vice President(s) or such other officers to meet the Corporation's operational or managerial needs.</p>



BEFORE THE REVISION	AFTER THE REVISION
<p><b>Article 29</b> <i>(continued)</i></p> <p>The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Quarterly statements shall be furnished no more than forty-five (45) days after the end of each quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, and shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.</p>	<p><b>Article 29</b> <i>(continued)</i></p> <p>The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Quarterly statements <del>shall be furnished no more than forty-five (45) days after the end of each quarter,</del> and year-end statements shall be furnished <del>no more than ninety (90) days after the end of each year</del> <u>within the deadline set forth in relevant laws, rules and regulations.</u> Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, and shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.</p>

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 36</b></p> <p>These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, the twenty-second Amendment on June 7, 2016, the twenty-third Amendment on June 8, 2017, the twenty-fourth Amendment on June 5, 2018, the twenty-fifth Amendment on June 5, 2019, and the twenty-sixth Amendment on June 8, 2022.</p>	<p><b>Article 36</b></p> <p>These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, the twenty-second Amendment on June 7, 2016, the twenty-third Amendment on June 8, 2017, the twenty-fourth Amendment on June 5, 2018, the twenty-fifth Amendment on June 5, 2019, <del>and the</del> <u>twenty-sixth Amendment on June 8, 2022, and the twenty-seventh Amendment on June 4, 2024.</u></p>

**Taiwan Semiconductor Manufacturing Company Limited**  
**Employee Restricted Stock Awards Rules for Year 2024**

**I Purpose**

To attract and retain corporate executives and critical talents and to link their compensation with shareholders' interests and Environmental, Social, Governance (ESG) achievements, the Company hereby establishes these Employee Restricted Stock Awards Rules (these "Rules") in accordance with Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers promulgated by the Financial Supervisory Commission.

**II. Issuance Period**

The Restricted Stock Awards (RSAs) will be granted one or more times over a period of two years from the date of receipt of the notice of effective registration of the competent authority. The Board of Directors may determine, or may authorize Chairman to determine, the actual issuance date and relevant matters.

**III. Eligibility and the number of shares employees may be granted**

1. Only executive officers of the Company or selected critical talents of the Company or the Company's subsidiaries who are employed full time as of the date of the granting of the RSAs and who meet certain performance requirements are eligible for this incentive plan. Eligible employees must also be those who (a) have a significant influence on the Company's or the Company's subsidiaries' operational decisions or (b) are the Company's or the Company's subsidiaries' selected critical talents for its future core technologies and strategy development.
2. The number of shares granted to eligible employees will be determined by Chairman and CEO and approved by the Board of Directors by reference to the allocation principles determined based on the Company's business performance and the employee's job grade, performance, and other factors as deemed appropriate. Before submitting to the Board for approval, the grants to executive officers and to non-executive officers shall be subject to the approval by the Compensation and People Development Committee and by the Audit and Risk Committee respectively.

**IV. Expected total shares to be issued**

Based on a budget capped at 0.3% of prior year's Net Income, the total number of shares to be issued under these Rules will not exceed 4,185,000 common shares,

with a par value of NT\$10 per share. The actual number of shares to be issued will be resolved by the Board of Directors after the issuance of RSAs is approved both at the shareholders' meeting and by the competent authority.

V. Terms and conditions of the RSAs and restrictions imposed on the rights vested in such RSAs

1. Expected issue price: Grants will be made free of charge.
2. Class of the shares to be issued: The Company's common shares.
3. Vesting conditions:
  - The RSAs granted to an employee can only be vested if (a) the employee remains employed by the Company or the Company's subsidiaries on the last date of each vesting period; (b) during the vesting period, the employee may not breach any agreement with the Company or the Company's subsidiaries or violate the Company's or the Company's subsidiaries' work rules; and (c) certain employee performance metrics (a year-end performance rating of at least "S"<sup>Note</sup> or above for the year immediately preceding the expiration of each vesting period) and the Company's business performance metrics are met. (Note: "S" stands for "Successful")
  - The maximum percentage of granted RSAs that may be vested each year shall be as follows: one-year anniversary of the grant: 50%; two-year anniversary of the grant: 25%; and three-year anniversary of the grant: 25%; provided that the actual percentage and number of the RSAs to be vested in each year will be calculated based on the achievement of the Company's business performance metrics, as detailed in the following points.
  - For eligible executive officers of the Company: The maximum number of RSAs that may be vested in each year will be set as 110%, among which 100% will be subject to a calculation based on the Company's relative TSR<sup>Note</sup> achievement (see table below) to determine the number of RSAs to be vested; this number will be further subject to a modifier to increase or decrease up to 10% based on the Compensation and People Development Committee's evaluation of the Company's ESG achievements. The number of shares so calculated should be rounded down to the nearest integral.

The Company's TSR relative to the TSR of S&P 500 IT Index	Ratio of shares to be vested
Above the Index by X percentage points	50% + X * 2.5%, with the maximum of 100%
Equal to the Index	50%
Below the Index by X percentage points	50% - X * 2.5%, with the minimum of 0%

Note: TSR: Total Shareholder Return (including capital gains and dividends)

- For eligible employees who are not executive officers of the Company and the Company's subsidiaries: The number of RSAs to be vested in each year will be calculated in accordance with the below table based on the Company's audited consolidated financial statements for the year prior to the vesting year. The number of shares so calculated should be rounded down to the nearest integral.

	Threshold	Target	Weighting	Ratio of shares to be vested
Revenue Growth	10%	15%	One-third	<ul style="list-style-type: none"> <li>• &lt; Threshold: 0%</li> <li>• = Threshold: 50%</li> <li>• ≥ Target: 100%</li> <li>• Between Threshold and Target: as calculated by interpolation method</li> </ul>
Gross Margin	50%	53%	One-third	
Return on Equity (ROE)	20%	25%	One-third	

4. Measures to be taken where employees fail to meet the vesting conditions or in the event of inheritance:
  - (1) The Company will reclaim the granted RSAs and cancel the same at no extra cost to the Company, where an employee fails to meet the vesting conditions set forth in Paragraph 3 of this Article V of these Rules.
  - (2) Voluntary Separation, separation with a severance, or involuntary discharge: Any unvested RSAs will be forfeited on the effective date of separation due to a voluntary separation, separation with a severance, or involuntary discharge of such employees. The Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
  - (3) Leave Without Pay: All the rights and obligations in connection with the unvested RSAs will not be affected as a result of employees taking extended leave without pay. However, the actual number of shares that may be vested will not only be calculated according to the vesting conditions set forth in Paragraph 3 of this Article V of these Rules but also be prorated based on the number of months of their service during the year prior to the applicable vesting day. If such employees are on leave without pay on any vesting day, it shall be deemed that they fail to meet the vesting conditions, and the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.

(4) Retirement:

All the rights and obligations in connection with the unvested RSAs will not be affected as a result of an employee's retirement, provided that the employee complies with both of the following conditions after his/her retirement. If the following conditions is not met, any unvested RSAs will be forfeited. Exemption could be made case by case by Chairman and CEO.

Not to engage in competition with the Company or the Company's subsidiaries, including without limitation: to join a competitor, to provide any competitive services, to establish any company or business that would involve a competitive foundry process or service, or to employ, induce, or attempt to induce any of the Company's or the Company's subsidiaries' employee to undertake competitive services.

For retired employees, the actual number of shares that may be vested shall be calculated according to the vesting condition specified in Paragraph 3 of this Article V of these Rules, and the performance rating granted to them shall be deemed "S".

(5) Employment Termination Due to Death or Physical Disability Caused by Occupational Accidents:

The unvested RSAs shall be deemed immediately vested in the case of death or physical disability due to an occupational accident. For eligible executive officers of the Company, the RSAs vested shall be based on the assumption that the Company's TSR equals to the TSR of S&P 500 IT Index and there is no further adjustment for the Company's ESG achievements. For eligible employees who are not executive officers of the Company and the Company's subsidiaries, the RSAs vested shall be based on the assumption that the Company's Revenue growth, Gross Margin, and ROE are all equal to Threshold. In the case of death, the respective heir(s) may apply for entitlement to those inheritable shares after completing all necessary legal procedures and providing relevant supporting documents. In the case of physical disability caused by occupational injury, the vested RSAs will be received by such employees.

(6) Position Transfer:

A. Where any employees apply for transferring to any of the Company's subsidiaries, affiliates, or other companies, the measures to be taken with respect to their unvested RSAs will be the same as those specified in Subparagraph (2) "Voluntary Separation" of this Paragraph 4 of Article V of these Rules.

B. Where any employees are assigned by the Company or the Company's subsidiaries to a position in any of the Company's subsidiaries, affiliates, or other companies, all the rights and obligations in connection with the unvested RSAs will not be affected as a result. However, subject to the vesting conditions specified in Paragraph 3 of

this Article V of these Rules, such employees shall continue working in the assigned subsidiaries, affiliates, or other companies on the vesting dates. Otherwise, they will be considered to fail to meet the vesting conditions, and the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company. With respect to the evaluation of the achievement of individual performance goals, Chairman and Chief Executive Officer will determine whether the vesting conditions are met by reviewing the evaluation of the employees' performance provided by the assigned subsidiaries, affiliates, or other companies.

- (7) Where any employees declare to voluntarily relinquish the granted RSAs with a written statement, the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
  - (8) Where any employees, after being granted the RSAs, breach any agreement with the Company or the Company's subsidiaries or violate the Company's or the Company's subsidiaries' work rules, the Company will reclaim the RSAs granted to them and cancel the same at no extra cost to the Company.
  - (9) Where any employees terminate or revoke their authorization given to the Company regarding the employees' RSA trust/custody account (see Subparagraph (1) of Paragraph 5 and Paragraph 8 of this Article V below for such trust/custody account), the Company will reclaim their unvested RSAs and cancel the same at no extra cost to the Company.
5. Restrictions imposed on the employees' rights in the RSAs before the vesting conditions are fulfilled:
- (1) Upon the grant of the RSAs, the RSAs shall be deposited in a trust/custody account. Before the vesting conditions are fulfilled, the employees cannot request the trustee/custodian to return to them the RSAs for any reasons or by any means.
  - (2) During each vesting period, no employees granted RSAs may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs.
  - (3) Subject to the restrictions mentioned above, the rights of the employees with regard to the unvested RSAs granted under these Rules before the fulfillment of the vesting conditions, including but not limited to the entitlement to any distribution regarding dividends, bonuses and capital reserve, and the subscription right of the new shares issued for any capital increase, are the same as those of holders of common shares of the Company. The relevant matters shall be handled in accordance with the RSA trust/custody agreement.
  - (4) Before the vesting conditions are fulfilled, the attendance, proposal rights, speech rights, voting rights and any other shareholder rights shall be

exercised by the engaged trustee/custodian on the employees' behalf.

- (5) During each vesting period, if the Company conducts a capital reduction for cash return, capital reduction for loss offset, or other non-statutory capital reduction, the unvested RSAs shall be cancelled proportionally by the ratio of such capital reduction. If the Company conducts a capital reduction for cash return, the returned cash shall be deposited in a trust/custody account and shall not be delivered to the employees until the vesting conditions are fulfilled; otherwise, the cash will be returned to the Company.
6. Mergers and Acquisitions: All the rights and obligations in connection with any unvested RSAs will not be affected as a result or may be modified based on the relevant agreements or plans for the mergers and acquisitions.
7. Clawback: Any granted RSAs, whether vested or unvested, may be subject to "clawback" by the Company under the TSMC Clawback Policy, which is available at [https://investor.tsmc.com/sites/ir/major-internal-policies/TSMC%20Clawback%20Policy\\_0.pdf](https://investor.tsmc.com/sites/ir/major-internal-policies/TSMC%20Clawback%20Policy_0.pdf).
8. Other terms and conditions: During the period when the granted RSAs are deposited in a trust/custody account, each employee must enter into an agreement authorizing the Company to, among others, negotiate, execute, modify, extend, rescind, and terminate the trust/custody agreement with the trustee/custodian, and give instructions to deliver, use, and dispose of any of the properties under the trust/custody, on their behalf, with full power and authority.

## VI. Signing of Contracts and Confidentiality

1. Those employees who have been granted the RSAs shall sign the "Agreement of Restricted Stock Awards" and complete all the trust/custody management process upon receipt of the notification from the Company. Any employees who do not complete such signing of relevant documents will be considered to forfeit the RSAs.
2. Those employees who receive the RSAs and the related rights through these Rules shall comply with these Rules and the "Agreement of Restricted Stock Awards". In the event of any breach thereof, they will be deemed to fail to fulfill the vesting conditions. They shall comply with the confidentiality clauses as well. Except as required by laws and regulations or by any competent authority, they are not allowed to inquire any other about or disclose to any other any information about the number of the RSAs granted to them and any relevant matters, nor may they inform any other of any relevant content of these Rules or any of their rights or interest under these Rules. In the event of any breach thereof, the Company is entitled to reclaim their unvested RSAs and cancel the same at no extra cost to the Company.



## VII. Tax

Any tax matters incurred in connection with the RSAs under these Rules shall be handled under the then-current laws and regulations of the R.O.C. and the countries where the employees reside.

## VIII. Miscellaneous

1. Before these Rules may be implemented, it shall be approved by the Compensation and People Development Committee and by the majority votes in a meeting of the Board of Directors in which two-thirds or more directors are present and shall become effective after effective registration with the competent authority. If any amendment hereto is necessary due to any change of any laws or regulations or any requirement of the competent authority, Chairman is authorized to make any necessary amendment hereto and submit the revised Rules to the Compensation and People Development Committee and the Board of Directors for acknowledgement, before the RSAs may be granted.
2. Any other matters not set forth in these Rules shall be dealt with in accordance with the applicable laws and regulations.