

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
November 16, 2017

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November 2017

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes

No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82: .)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company Ltd.

Date: November 14, 2017

By /s/ Lora Ho

Lora Ho

Senior Vice President & Chief Financial Officer

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2017 and 2016 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the Company) as of September 30, 2017 and 2016 and the related consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016 and for the nine months ended September 30, 2017 and 2016, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements, issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, Interim Financial Reporting, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Taipei, Taiwan

Republic of China

November 14, 2017

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants' review 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 accountants' review report

and consolidated financial statements shall prevail.

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 408,077,695	22	\$ 541,253,833	29	\$ 463,971,657	27
Financial assets at fair value through profit or loss (Note 7)	1,125,668		6,451,112		1,848,317	
Available-for-sale financial assets (Notes 8 and 14)	84,953,011	5	67,788,767	4	45,815,003	3
Held-to-maturity financial assets (Note 9)	7,521,216		16,610,116	1	5,320,041	
Hedging derivative financial assets (Notes 4 and 10)	98,879		5,550			
Notes and accounts receivable, net (Note 11)	117,649,258	7	128,335,271	7	129,118,058	8
Receivables from related parties (Note 29)	1,076,438		969,559		170,704	
Other receivables from related parties (Note 29)	165,929		146,788		149,684	
Inventories (Notes 12 and 33)	73,893,879	4	48,682,233	3	53,882,144	3
Other financial assets (Notes 30 and 33)	5,209,635		4,100,475		5,866,961	
Other current assets (Note 17)	5,090,170		3,385,422		3,448,916	
Total current assets	704,861,778	38	817,729,126	44	709,591,485	41
NONCURRENT ASSETS						
Held-to-maturity financial assets (Note 9)	18,899,177	1	22,307,561	1	27,430,893	2
Financial assets carried at cost (Note 13)	4,986,046		4,102,467		3,788,041	
Investments accounted for using equity method (Note 14)	17,018,500	1	19,743,888	1	18,691,554	1
Property, plant and equipment (Note 15)	1,065,756,867	58	997,777,687	53	934,928,493	54
Intangible assets (Note 16)	14,841,399	1	14,614,846	1	14,630,613	1
Deferred income tax assets (Note 4)	11,237,149	1	8,271,421		7,506,051	1
Refundable deposits	1,241,028		407,874		509,564	
Other noncurrent assets (Note 17)	2,582,438		1,500,432		1,610,069	
Total noncurrent assets	1,136,562,604	62	1,068,726,176	56	1,009,095,278	59
TOTAL	\$ 1,841,424,382	100	\$ 1,886,455,302	100	\$ 1,718,686,763	100

LIABILITIES AND EQUITY**CURRENT LIABILITIES**

Short-term loans (Note 18)	\$ 54,430,200	3	\$ 57,958,200	3	\$ 37,648,800	2
Financial liabilities at fair value through profit or loss (Note 7)	251,212		191,135		224,525	
Hedging derivative financial liabilities (Notes 4 and 10)	7,545				1,039	
Accounts payable	27,545,477	1	26,062,351	2	24,936,790	1
Payables to related parties (Note 29)	1,442,029		1,262,174		1,039,778	
Salary and bonus payable	12,304,052	1	13,681,817	1	12,183,218	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 22 and 27)	17,067,133	1	22,894,006	1	16,252,681	1
Payables to contractors and equipment suppliers	47,975,461	3	63,154,514	3	58,789,579	3
Income tax payable (Note 4)	20,663,395	1	40,306,054	2	27,970,532	2
Provisions (Note 19)	14,123,509	1	18,037,789	1	11,512,994	1
Long-term liabilities - current portion (Note 20)	59,071,057	3	38,109,680	2	38,109,680	2
Accrued expenses and other current liabilities (Notes 21 and 29)	43,641,234	2	36,581,553	2	28,885,496	2
Total current liabilities	298,522,304	16	318,239,273	17	257,555,112	15

NONCURRENT LIABILITIES

Bonds payable (Note 20)	91,800,000	5	153,093,557	8	152,138,965	9
Long-term bank loans	14,520		21,780		24,200	
Deferred income tax liabilities (Note 4)	120,360		141,183		37,510	
Net defined benefit liability (Note 4)	8,574,626		8,551,408		7,475,381	
Guarantee deposits (Note 21)	9,243,250	1	14,670,433	1	15,872,972	1
Others	1,736,633		1,686,542		1,689,974	
Total noncurrent liabilities	111,489,389	6	178,164,903	9	177,239,002	10

Total liabilities	410,011,693	22	496,404,176	26	434,794,114	25
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EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Capital stock (Note 22)	259,303,805	14	259,303,805	14	259,303,805	15
Capital surplus (Note 22)	56,281,271	3	56,272,304	3	56,269,958	3
Retained earnings (Note 22)						
Appropriated as legal capital reserve	241,722,663	13	208,297,945	11	208,297,945	12
Unappropriated earnings	892,598,197	49	863,710,224	46	764,460,228	45
	1,134,320,860	62	1,072,008,169	57	972,758,173	57

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Others (Note 22)	(19,189,089)	(1)	1,663,983		(5,218,902)	
Equity attributable to shareholders of the parent	1,430,716,847	78	1,389,248,261	74	1,283,113,034	75
NONCONTROLLING INTERESTS	695,842		802,865		779,615	
Total equity	1,431,412,689	78	1,390,051,126	74	1,283,892,649	75
TOTAL	\$ 1,841,424,382	100	\$ 1,886,455,302	100	\$ 1,718,686,763	100

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)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE								
(Notes 23, 29 and 35)	\$ 252,107,345	100	\$ 260,405,885	100	\$ 699,876,957	100	\$ 685,711,092	100
COST OF REVENUE (Notes 12, 27, 29 and 33)	126,230,664	50	128,366,813	49	343,761,367	49	347,960,308	51
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	125,876,681	50	132,039,072	51	356,115,590	51	337,750,784	49
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	3,467		11,717		(37,152)		(28,181)	
GROSS PROFIT	125,880,148	50	132,050,789	51	356,078,438	51	337,722,603	49
OPERATING EXPENSES (Notes 27 and 29)								
Research and development	21,045,439	8	18,724,320	7	59,515,288	8	51,246,823	7
General and administrative	5,003,679	2	5,584,814	2	15,178,441	2	14,096,947	2
Marketing	1,487,598	1	1,531,454	1	4,366,284	1	4,383,455	1
	27,536,716	11	25,840,588	10	79,060,013	11	69,727,225	10

Total operating expenses

OTHER OPERATING INCOME AND EXPENSES, NET (Notes 16 and 27)								
	(286,999)		51,921		(354,201)		55,059	
INCOME FROM OPERATIONS (Note 35)								
	98,056,433	39	106,262,122	41	276,664,224	40	268,050,437	39
NON-OPERATING INCOME AND EXPENSES								
Share of profits of associates								
	751,618		881,376		2,036,879		2,614,537	
Other income								
	2,128,556	1	1,521,234	1	6,859,745	1	4,646,589	1
Foreign exchange loss, net (Note 34)								
	(462,310)		(409,625)		(914,048)		(2,310,461)	
Finance costs								
	(843,214)		(822,667)		(2,499,791)		(2,494,672)	
Other gains and losses, net (Note 24)								
	887,081		817,175		2,311,121		3,405,475	
Total non-operating income and expenses								
	2,461,731	1	1,987,493	1	7,793,906	1	5,861,468	1
INCOME BEFORE INCOME TAX								
	100,518,164	40	108,249,615	42	284,458,130	41	273,911,905	40
INCOME TAX EXPENSE (Notes 4 and 25)								
	10,568,936	4	11,460,502	5	40,617,342	6	39,801,916	6
NET INCOME								
	89,949,228	36	96,789,113	37	243,840,788	35	234,109,989	34
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations								
	(882,654)	(1)	(10,123,965)	(4)	(20,772,474)	(3)	(17,070,485)	(2)

	Income Attributable to		Income Attributable to		Income Attributable to		Income Attributable to	
	Shareholders of		Shareholders of		Shareholders of		Shareholders of	
	the Parent		the Parent		the Parent		the Parent	
EARNINGS PER SHARE (NT\$, Note 26)								
Basic earnings per share	\$	3.47	\$	3.73	\$	9.40	\$	9.03
Diluted earnings per share	\$	3.47	\$	3.73	\$	9.40	\$	9.03

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

(Reviewed, Not Audited)

Equity Attributable to Shareholders of the Parent				Others				
Capital Surplus	Legal Capital Reserve	Retained Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Unearned Stock-Based Compensation	Total
		Unappropriated Earnings					Employee Compensation	
\$ 56,272,304	\$ 208,297,945	\$ 863,710,224	\$ 1,072,008,169	\$ 1,661,237	\$ 2,641	\$ 105	\$	\$ 1,663,983
	33,424,718	(33,424,718)						
		(181,512,663)	(181,512,663)					
	33,424,718	(214,937,381)	(181,512,663)					
		243,825,354	243,825,354					
				(20,831,019)	(43,804)	33,896		(20,840,927)

		243,825,354	243,825,354	(20,831,019)	(43,804)	33,896		(20,840,927)
6,206							(12,145)	(12,145)
2,761								
\$ 56,281,271	\$ 241,722,663	\$ 892,598,197	\$ 1,134,320,860	\$ (19,169,782)	\$ (41,163)	\$ 34,001	\$ (12,145)	\$ (19,189,089)
\$ 56,300,215	\$ 177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$	\$ 11,774,113
	30,657,384	(30,657,384)						
		(155,582,283)	(155,582,283)					
	30,657,384	(186,239,667)	(155,582,283)					
	234,046,870	234,046,870						
				(17,091,106)	97,601	490		(16,993,015)

234,046,870	234,046,870	(17,091,106)	97,601	490	(16,993,015)
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(56,169)

18,875

7,037

\$ 56,269,958	\$ 208,297,945	\$ 764,460,228	\$ 972,758,173	\$ (6,051,157)	\$ 832,372	\$ (117)	\$ (5,218,902)
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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)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 284,458,130	\$ 273,911,905
Adjustments for:		
Depreciation expense	186,131,944	164,665,319
Amortization expense	3,197,293	2,725,524
Finance costs	2,499,791	2,494,672
Share of profits of associates	(2,036,879)	(2,614,537)
Interest income	(6,714,157)	(4,509,169)
Loss (gain) on disposal or retirement of property, plant and equipment, net	251,319	(61,491)
Impairment loss on intangible assets	13,520	
Impairment loss on financial assets	15,941	55,055
Gain on disposal of available-for-sale financial assets, net	(266,986)	(83,138)
Gain on disposal of financial assets carried at cost, net	(12,809)	(37,831)
Loss on disposal of investments accounted for using equity method, net		259,960
Loss from liquidation of subsidiaries		36,105
Unrealized gross profit on sales to associates	37,152	28,181
Gain on foreign exchange, net	(6,624,087)	(2,542,581)
Dividend income	(145,588)	(137,420)
Loss arising from fair value hedges, net	32,058	129
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	5,260,911	(1,690,376)
Notes and accounts receivable, net	5,990,086	(48,540,162)
Receivables from related parties	(106,879)	335,018
Other receivables from related parties	(19,141)	(24,666)
Inventories	(25,211,646)	13,170,126
Other financial assets	604,831	(1,285,255)
Other current assets	(1,639,813)	84,453
Other noncurrent assets	(890,881)	
Accounts payable	1,452,987	5,807,444
Payables to related parties	179,855	(82,578)
Salary and bonus payable	(1,377,765)	481,176
Accrued profit sharing bonus to employees and compensation to directors and supervisors	(5,826,873)	(4,706,212)
Accrued expenses and other current liabilities	9,167,145	1,337,333
Provisions	(3,899,652)	1,398,158

Net defined benefit liability	23,218	27,355
Cash generated from operations	444,543,025	400,502,497
Income taxes paid	(63,351,167)	(45,887,694)
Net cash generated by operating activities	381,191,858	354,614,803

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	\$ (66,661,656)	\$ (51,587,356)
Held-to-maturity financial assets	(1,695,771)	(25,112,300)
Financial assets carried at cost	(1,190,157)	(240,743)
Property, plant and equipment	(269,408,108)	(215,502,503)
Intangible assets	(3,677,303)	(2,989,442)
Land use right		(805,318)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	45,952,054	20,654,629
Held-to-maturity financial assets	12,510,000	7,400,000
Financial assets carried at cost	58,237	160,498
Property, plant and equipment	253,267	93,720
Proceeds from return of capital of financial assets carried at cost	14,828	65,383
Derecognition of hedging derivative financial instruments	(35,790)	(11,974)
Interest received	6,776,756	4,679,716
Proceeds from government grants - property, plant and equipment	436,587	
Other dividends received	145,588	137,420
Dividends received from investments accounted for using equity method	4,245,772	5,478,790
Refundable deposits paid	(1,084,028)	(140,056)
Refundable deposits refunded	247,027	74,455
Decrease in receivables for temporary payments		706,718
Net cash used in investing activities	(273,112,697)	(256,938,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(290,110)	(157,064)
Repayment of bonds	(38,100,000)	(23,471,600)
Repayment of long-term bank loans	(7,260)	(6,120)
Interest paid	(2,907,017)	(3,148,821)
Guarantee deposits received	4,400,240	996,803
Guarantee deposits refunded	(6,810,329)	(500,835)
Cash dividends	(181,512,663)	(155,582,283)
Decrease in noncontrolling interests	(114,624)	(231,666)

Net cash used in financing activities	(225,341,763)	(182,101,586)
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(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands of New Taiwan Dollars)****(Reviewed, Not Audited)**

	Nine Months Ended September 30	
	2017	2016
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (15,913,536)	\$ (14,292,127)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(133,176,138)	(98,717,273)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	541,253,833	562,688,930
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 408,077,695	\$ 463,971,657

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 and 2016

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

(Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

On September 5, 1994, TSMC's shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities of TSMC's subsidiaries are described in Note 4.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on November 14, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. Initial application of the amendments to 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) (collectively, IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have a significant effect on TSMC and its subsidiaries (collectively as the Company) accounting policies:

- 1) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced, please refer to Note 29.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2018

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2014-2016 Cycle	Note
Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018

Note: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Except for the following items, the Company believes that the adoption of aforementioned standards or interpretations will not have a significant effect on the Company's accounting policies.

1) IFRS 9 Financial Instruments

All recognized financial assets currently in the scope of IAS 39, Financial Instruments: Recognition and Measurement, will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

- a) If the objective of the Company's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

- b) If the objective of the Company's business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Company should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

When IFRS 9 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application. However, the requirements for general hedge accounting shall be applied prospectively.

2) IFRS 15 Revenue from Contracts with Customers and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

Identify the contract with the customer;

Identify the performance obligations in the contract;

Determine the transaction price;

Allocate the transaction price to the performance obligations in the contract; and

Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

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Except for the aforementioned impact, as of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9 Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 16 Leases	January 1, 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

Except for the following items, the Company believes that the adoption of aforementioned standards or interpretations will not have a significant effect on the Company's accounting policies.

1) IFRS 16 Leases

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the aforementioned impact, as of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 consolidated financial statements shall prevail.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, Interim Financial Reporting, endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC (collectively, Taiwan-IFRSs).

Basis of Consolidation

The basis of preparation and the basis for the consolidated financial statements

The basis of preparation and the basis for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016.

The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
			September 30, 2017	December 31, 2016	September 30, 2016	
h	Selling and marketing of integrated circuits and other semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
n MC	Customer service and supporting activities	Yokohama, Japan	100%	100%	100%	a)
ners, C	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry and other investment activities	Tortola, British Virgin Islands	100%	100%	100%	a)
ea MC	Customer service and supporting activities	Seoul, Korea	100%	100%	100%	a)
pe C	Customer service and supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)
al, C	Investment activities	Tortola, British Virgin Islands	100%	100%	100%	
a limited	Manufacturing, selling, testing and computer-aided design of	Shanghai, China	100%	100%	100%	

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na)	integrated circuits and other semiconductor devices					
ing imited jing)	Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices	Nanjing, China	100%	100%	100%	b)
h nd III, III)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
h nd II, II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
r bH)	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%	100%	a), c)
Co., erng)	Investment activities	Taipei, Taiwan			100%	d)
es td. h)	Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter	Hsin-Chu, Taiwan	87%	87%	87%	e)
gn	Engineering support activities	Ontario, Canada	100%	100%	100%	a)
ada) , Inc.	Engineering support activities	Delaware, U.S.A.	100%	100%	100%	a)
) nt, Inc.	Investing in companies involved in the manufacturing related business in the semiconductor industry	Delaware, U.S.A.	100%	100%	100%	
nt) ctor nt (SDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a), f)
ctor nt SDF	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a), f)

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				September 30, 2017	December 31, 2016	September 30, 2016	
TSMC Partners	VisEra Holding Company (VisEra Holding)	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands			100%	a), e)
TSMC Development	WaferTech, LLC (WaferTech)	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	100%	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	New Taipei, Taiwan	58%	58%	58%	a)
	Growth Fund Limited (Growth Fund)	Investing in new start-up technology companies	Cayman Islands	100%	100%	100%	a)
VTAF III, VTAF II and TSMC	VentureTech Alliance Holdings, LLC (VTA Holdings)	Investing in new start-up technology companies	Delaware, U.S.A.		100%	100%	a), g)

(Concluded)

Note a: This is an immaterial subsidiary for which the consolidated financial statements are not reviewed by the Company's independent accountants.

Note b: Under the investment agreement entered into with the municipal government of Nanjing, China on March 28, 2016, the Company will make an investment in Nanjing in the amount of approximately US\$3 billion to establish a subsidiary operating a 300mm wafer fab with the capacity of 20,000 12-inch wafers per month, and a design service center. TSMC Nanjing was established in May 2016.

Note c: TSMC Solar Europe GmbH is in the process of liquidation.

Note d: Chi Cherng was incorporated into TSMC in December 2016.

Note e: To simplify investment structure, VisEra Tech owned by VisEra Holding was transferred to TSMC in the third quarter of 2016. In October 2016, VisEra Holding was incorporated into TSMC Partners, the subsidiary of TSMC.

Note f: ISDF and ISDF II are in the process of liquidation.

Note g: VTA Holdings completed the liquidation procedures in April 2017.

Hedge Accounting

Cash Flow Hedge

The Company designates certain hedging instruments, such as forward exchange contracts, to partially hedge its foreign exchange rate risks associated with certain highly probable forecast transactions, such as capital expenditures. The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income. When the forecast transactions actually take place, the associated gains or losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the hedged items. The gains or losses from hedging instruments relating to the ineffective portion are recognized immediately in profit or loss.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instruments expire or are sold, terminated, or exercised, or no longer meet the criteria for hedge accounting.

Retirement Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash and deposits in banks	\$ 406,922,229	\$ 536,895,344	\$ 463,671,592
Agency bonds	1,034,635		
Commercial paper	120,831	1,997,239	
Repurchase agreements collateralized by corporate bonds		2,361,250	300,065
	\$ 408,077,695	\$ 541,253,833	\$ 463,971,657

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets</u>			
Held for trading			
Forward exchange contracts	\$ 57,395	\$ 142,406	\$ 84,591
Cross currency swap contracts		10,976	186,592
	57,395	153,382	271,183
Designated as at FVTPL			
Time deposit	1,068,273	6,297,708	1,577,134
Forward exchange contracts		22	
	1,068,273	6,297,730	1,577,134
	\$ 1,125,668	\$ 6,451,112	\$ 1,848,317
<u>Financial liabilities</u>			

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Held for trading

Forward exchange contracts	\$	212,135	\$	91,585	\$	194,557
Cross currency swap contracts		39,077				20,642
		251,212		91,585		215,199

Designated as at FVTPL

Forward exchange contracts				99,550		9,326
	\$	251,212	\$	191,135	\$	224,525

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2017</u>		
Sell NT\$/Buy EUR	October 2017 to November 2017	NT\$13,233,331/EUR369,500
Sell NT\$/Buy JPY	October 2017 to November 2017	NT\$9,762,488/JPY36,000,000
Sell US\$/Buy EUR	October 2017	US\$10,519/EUR8,750
Sell US\$/Buy JPY	October 2017	US\$10,197/JPY1,142,080
Sell US\$/Buy RMB	October 2017	US\$473,000/RMB3,127,514
Sell US\$/Buy NT\$	October 2017 to November 2017	US\$295,500/NT\$8,886,061
Sell RMB/Buy EUR	October 2017	RMB9,947/EUR1,270
Sell RMB/Buy JPY	October 2017	RMB73,088/JPY1,218,200
Sell RMB/Buy GBP	October 2017	RMB3,542/GBP413
Sell RMB/Buy US\$	October 2017	RMB30,207/US\$4,540
<u>December 31, 2016</u>		
Sell NT\$/Buy EUR	January 2017	NT\$5,393,329/EUR159,400
Sell NT\$/Buy JPY	January 2017	NT\$7,314,841/JPY26,501,800
Sell US\$/Buy EUR	January 2017	US\$4,180/EUR4,000
Sell US\$/Buy JPY	January 2017	US\$428/JPY50,000
Sell US\$/Buy NT\$	January 2017 to February 2017	US\$439,000/NT\$14,138,202
Sell US\$/Buy RMB	January 2017 to June 2017	US\$421,750/RMB2,908,380
<u>September 30, 2016</u>		
Sell NT\$/Buy EUR	October 2016	NT\$5,875,971/EUR166,500
Sell NT\$/Buy JPY	October 2016 to November 2016	NT\$18,401,384/JPY58,842,475
Sell US\$/Buy EUR	October 2016	US\$5,597/EUR5,000
Sell US\$/Buy NT\$	October 2016 to November 2016	US\$54,000/NT\$1,695,076
Sell US\$/Buy RMB	October 2016 to June 2017	US\$282,020/RMB1,883,798

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>September 30, 2017</u>			
October 2017	US\$530,000/NT\$16,003,500	1.56%-1.63%	

December 31, 2016

January 2017 US\$170,000/NT\$5,487,600 3.98%

September 30, 2016

October 2016 US\$1,646,000/NT\$51,816,590 0.69%-0.90%

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds	\$ 38,023,860	\$ 29,999,508	\$ 20,459,534
Agency bonds/Agency mortgage-backed securities	25,383,136	14,880,482	10,679,092
Asset-backed securities	12,195,102	11,254,757	7,326,334
Government bonds	7,044,080	8,457,362	4,304,642
Publicly traded stocks	2,068,370	3,196,658	3,045,401
Commercial paper	238,463		
	\$ 84,953,011	\$ 67,788,767	\$ 45,815,003

9. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Corporate bonds/Bank debentures	\$ 20,372,593	\$ 23,849,701	\$ 25,476,134
Negotiable certificate of deposit	4,535,850	4,829,850	4,706,100
Structured product	1,511,950	1,609,950	2,568,700
Commercial paper		8,628,176	
	\$ 26,420,393	\$ 38,917,677	\$ 32,750,934
Current portion	\$ 7,521,216	\$ 16,610,116	\$ 5,320,041
Noncurrent portion	18,899,177	22,307,561	27,430,893
	\$ 26,420,393	\$ 38,917,677	\$ 32,750,934

10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2017	December 31, 2016	September 30, 2016
<u>Financial assets- current</u>			
Fair value hedges			
Interest rate futures contracts	\$ 51,057	\$ 5,550	\$

Cash flow hedges				
Forward exchange contracts		47,822		
	\$	98,879	\$	5,550 \$
<u>Financial liabilities- current</u>				
Fair value hedges				
Interest rate futures contracts	\$		\$	\$ 1,039
Cash flow hedges				
Forward exchange contracts		7,545		
	\$	7,545	\$	\$ 1,039

The Company entered into interest rate futures contracts, which are used to hedge against price risk caused by changes in interest rates in the Company's investments in fixed income securities.

The outstanding interest rate futures contracts consisted of the following:

Maturity Period	Contract Amount	
	(US\$ in Thousands)	
<u>September 30, 2017</u>		
December 2017	US\$	158,900
<u>December 31, 2016</u>		
March 2017	US\$	53,600
<u>September 30, 2016</u>		
December 2016	US\$	5,500

The Company entered into forward exchange contracts to partially hedge foreign exchange rate risks associated with certain highly probable forecast transactions, such as capital expenditures. These contracts have maturities of 12 months or less.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount
		(In Thousands)
<u>September 30, 2017</u>		
Sell NT\$/Buy EUR	October 2017 to January 2018	NT\$4,619,213/EUR130,000

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30,	December 31,	September 30,
	2017	2016	2016
Notes and accounts receivable	\$ 118,121,051	\$ 128,815,389	\$ 129,598,103
Allowance for doubtful receivables	(471,793)	(480,118)	(480,045)
Notes and accounts receivable, net	\$ 117,649,258	\$ 128,335,271	\$ 129,118,058

In principle, the payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

Except for those impaired, for the rest of the notes and accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Notes and accounts receivable include amounts that are past due but for which the Company has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers. In addition, the Company has obtained guarantee to certain receivables.

Aging analysis of notes and accounts receivable, net

	September 30, 2017	December 31, 2016	September 30, 2016
Neither past due nor impaired	\$ 108,623,574	\$ 108,411,408	\$ 116,427,755
Past due but not impaired			
Past due within 30 days	6,791,143	15,017,824	10,259,847
Past due 31-60 days	615,147	1,844,726	1,945,254
Past due 61-120 days	1,619,394	3,061,313	485,202
	\$ 117,649,258	\$ 128,335,271	\$ 129,118,058

Movements of the allowance for doubtful receivables

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 1,848	\$ 478,270	\$ 480,118
Reversal/Write-off	(1,848)	(6,305)	(8,153)
Effect of exchange rate changes		(172)	(172)
Balance at September 30, 2017	\$	\$ 471,793	\$ 471,793
Balance at January 1, 2016	\$ 10,241	\$ 478,010	\$ 488,251
Provision		321	321
Reversal/Write-off	(8,393)		(8,393)
Effect of exchange rate changes		(134)	(134)
Balance at September 30, 2016	\$ 1,848	\$ 478,197	\$ 480,045

Aging analysis of accounts receivable that is individually determined as impaired

	September 30, 2017	December 31, 2016	September 30, 2016
Past due over 121 days	\$	\$ 1,848	\$ 1,848

12. INVENTORIES

	September 30,	December 31,	September 30,
	2017	2016	2016
Finished goods	\$ 13,196,752	\$ 8,521,873	\$ 4,878,237
Work in process	51,122,144	33,330,870	43,386,241
Raw materials	6,256,306	4,012,190	2,876,452
Supplies and spare parts	3,318,677	2,817,300	2,741,214
	\$ 73,893,879	\$ 48,682,233	\$ 53,882,144

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Write-down of inventories to net realizable value (excluding earthquake losses) and reversal of write-down of inventories resulting from the increase in net realizable value (excluding earthquake losses) were included in the cost of revenue, which were as follows. Please refer to related earthquake losses in Note 33.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
Inventory losses (reversal of write-down of inventories)	\$ 613,132	\$ 400,040	\$ (850,209)	\$ 1,051,173

13. FINANCIAL ASSETS CARRIED AT COST

	September 30,	December 31,	September 30,
	2017	2016	2016
Non-publicly traded stocks	\$ 2,721,955	\$ 2,944,859	\$ 2,921,975
Mutual funds	2,264,091	1,157,608	866,066
	\$ 4,986,046	\$ 4,102,467	\$ 3,788,041

Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded stocks, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment.

The stock of Impinj, Inc. was listed in July 2016. Accordingly, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company			
		September 30, 2017	December 31, 2016	September 30, 2016	September 30, 2017	December 31, 2016	September 30, 2016
Manufacturing, Inc.	Hsin-Chu, Taiwan	\$ 8,285,386	\$ 8,806,384	\$ 8,422,487	28%	28%	28%

aging, ng and puter-aided gn of grated uits and r conductor ces and the ufacturing design ce of ks	Singapore	5,329,236	7,163,516	6,436,314	39%	39%	39%
ufacturing selling of grated uits and r conductor ces er level size aging and er level post ivation connection ce	Taoyuan, Taiwan	2,264,539	2,599,807	2,711,649	41%	41%	41%
earching, loping, ufacturing, ng and keting of grated uits	Hsin-Chu, Taiwan	1,139,339	1,174,181	1,121,104	35%	35%	35%
		\$ 17,018,500	\$ 19,743,888	\$ 18,691,554			

Starting June 2016, the Company has no longer served as Motech's board of director. As a result, the Company exercises no significant influence over Motech. Therefore, Motech is no longer accounted for using the equity method. Further, such investment was reclassified to available-for-sale financial assets and the Company recognized a disposal loss of NT\$259,960 thousand.

The market prices of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period are summarized as follows. The closing price represents the quoted price in active markets, the level 1 fair value measurement.

Name of Associate	September 30,	December 31,	September 30,
	2017	2016	2016
VIS	\$ 24,325,311	\$ 26,089,360	\$ 27,203,497
GUC	\$ 9,711,075	\$ 3,664,997	\$ 3,534,271
Xintec	\$ 5,630,865	\$ 3,622,227	\$ 3,800,278

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Assets under Finance Leases	Equipment under Installation and Construction in Progress	Total
Cost							
Balance at January 1, 2017	\$ 4,049,292	\$ 304,404,474	\$ 2,042,867,744	\$ 34,729,640	\$	\$ 387,199,675	\$ 2,773,250,825
Additions (Deductions)		71,252,771	432,538,004	6,486,826		(255,462,474)	254,815,127
Disposals or retirements		(36,957)	(7,472,448)	(339,470)			(7,848,875)
Reclassification			8,791	1,507			10,298
Effect of exchange rate changes	(50,967)	(640,806)	(3,035,872)	(103,271)		109,897	(3,721,019)
Balance at September 30, 2017	\$ 3,998,325	\$ 374,979,482	\$ 2,464,906,219	\$ 40,775,232	\$	\$ 131,847,098	\$ 3,016,506,356
Accumulated depreciation and impairment							
Balance at January 1, 2017	\$ 524,845	\$ 174,349,077	\$ 1,577,377,509	\$ 23,221,707	\$	\$	\$ 1,775,473,138

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Additions	20,919	15,070,323	167,433,217	3,607,485			186,131,944
Disposals or retirements		(28,816)	(6,968,621)	(339,377)			(7,336,814)
Reclassification			8,195	1,466			9,661
Effect of exchange rate changes	(32,179)	(549,075)	(2,873,746)	(73,440)			(3,528,440)

Balance at September 30, 2017	\$ 513,585	\$ 188,841,509	\$ 1,734,976,554	\$ 26,417,841	\$	\$	\$ 1,950,749,489
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Carrying amounts at January 1, 2017	\$ 3,524,447	\$ 130,055,397	\$ 465,490,235	\$ 11,507,933	\$	\$ 387,199,675	\$ 997,777,687
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Carrying amounts at September 30, 2017	\$ 3,484,740	\$ 186,137,973	\$ 729,929,665	\$ 14,357,391	\$	\$ 131,847,098	\$ 1,065,756,867
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Cost

Balance at January 1, 2016	\$ 4,067,391	\$ 296,801,864	\$ 1,893,489,604	\$ 30,700,049	\$ 7,113	\$ 192,111,548	\$ 2,417,177,569
Additions		6,915,391	129,035,170	3,832,079		107,584,121	247,366,761
Disposals or retirements		(13,373)	(2,659,973)	(386,859)			(3,060,205)
Reclassification				7,113	(7,113)		
Effect of exchange rate changes	(39,552)	(1,469,279)	(4,899,538)	(113,918)		(103,092)	(6,625,379)

Balance at September 30, 2016	\$ 4,027,839	\$ 302,234,603	\$ 2,014,965,263	\$ 34,038,464	\$	\$ 299,592,577	\$ 2,654,858,746
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Accumulated depreciation and impairment

Balance at January 1, 2016	\$ 506,185	\$ 157,910,155	\$ 1,385,857,655	\$ 19,426,069	\$ 7,113	\$	\$ 1,563,707,177
Additions	22,193	13,210,805	148,223,485	3,208,836			164,665,319
Disposals or retirements		(7,327)	(2,631,853)	(386,796)			(3,025,976)
Reclassification				7,113	(7,113)		
Effect of exchange rate	(24,135)	(1,109,652)	(4,199,447)	(83,033)			(5,416,267)

changes

Balance at September 30, 2016	\$ 504,243	\$ 170,003,981	\$ 1,527,249,840	\$ 22,172,189	\$	\$	\$ 1,719,930,253
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Carrying amounts at September 30, 2016	\$ 3,523,596	\$ 132,230,622	\$ 487,715,423	\$ 11,866,275	\$	\$ 299,592,577	\$ 934,928,493
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The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 20 years, 10 years and 10 years, respectively.

16. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
<u>Cost</u>					
Balance at January 1, 2017	\$ 6,007,975	\$ 9,546,007	\$ 22,243,595	\$ 5,386,435	\$ 43,184,012
Additions		805,917	2,591,791	307,928	3,705,636
Retirements			(75,237)		(75,237)
Reclassification			7,662	(17,960)	(10,298)
Effect of exchange rate changes	(267,018)	1,302	(2,728)	(1,026)	(269,470)
Balance at September 30, 2017	\$ 5,740,957	\$ 10,353,226	\$ 24,765,083	\$ 5,675,377	\$ 46,534,643
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2017	\$	\$ 6,147,200	\$ 18,144,428	\$ 4,277,538	\$ 28,569,166
Additions		1,168,030	1,664,395	364,868	3,197,293
Retirements			(75,237)		(75,237)
Reclassification			7,409	(17,070)	(9,661)
Impairment	13,520				13,520
Effect of exchange rate changes	(22)	1,304	(2,710)	(409)	(1,837)
Balance at September 30, 2017	\$ 13,498	\$ 7,316,534	\$ 19,738,285	\$ 4,624,927	\$ 31,693,244
Carrying amounts at January 1, 2017	\$ 6,007,975	\$ 3,398,807	\$ 4,099,167	\$ 1,108,897	\$ 14,614,846
Carrying amounts at September 30, 2017	\$ 5,727,459	\$ 3,036,692	\$ 5,026,798	\$ 1,050,450	\$ 14,841,399
<u>Cost</u>					
Balance at January 1, 2016	\$ 6,104,784	\$ 8,454,304	\$ 19,474,428	\$ 4,879,026	\$ 38,912,542
Additions		907,268	2,184,076	416,310	3,507,654
Retirements			(4,787)		(4,787)
Effect of exchange rate changes	(209,202)	349	(11,068)	(9,947)	(229,868)
Balance at September 30, 2016	\$ 5,895,582	\$ 9,361,921	\$ 21,642,649	\$ 5,285,389	\$ 42,185,541
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2016	\$	\$ 4,779,388	\$ 16,431,666	\$ 3,635,608	\$ 24,846,662

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Additions		1,005,254	1,227,616	492,654	2,725,524
Retirements			(4,787)		(4,787)
Effect of exchange rate changes		349	(10,100)	(2,720)	(12,471)

Balance at September 30, 2016	\$	\$ 5,784,991	\$ 17,644,395	\$ 4,125,542	\$ 27,554,928
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Carrying amounts at September 30, 2016	\$ 5,895,582	\$ 3,576,930	\$ 3,998,254	\$ 1,159,847	\$ 14,630,613
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The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rate of 8.40% in its test of impairment for December 31, 2016 to reflect the relevant specific risk in the cash-generating unit.

The Company assessed goodwill impairment since the operating result of a subsidiary was not as expected and the recoverable amount of goodwill was nil. In the third quarter of 2017, the Company recognized the impairment loss of NT\$13,520 thousand related to this cash generating unit. Such impairment loss was recognized in other operating income and expenses.

17. OTHER ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Tax receivable	\$ 4,203,892	\$ 2,325,825	\$ 2,344,133
Prepaid expenses	1,313,927	1,007,026	1,061,724
Others	2,154,789	1,553,003	1,653,128
	\$ 7,672,608	\$ 4,885,854	\$ 5,058,985
Current portion	\$ 5,090,170	\$ 3,385,422	\$ 3,448,916
Noncurrent portion	2,582,438	1,500,432	1,610,069
	\$ 7,672,608	\$ 4,885,854	\$ 5,058,985

18. SHORT-TERM LOANS

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured loans			
Amount	\$ 54,430,200	\$ 57,958,200	\$ 37,648,800
Original loan content			
US\$ (in thousands)	\$ 1,800,000	\$ 1,800,000	\$ 1,200,000
Annual interest rate	1.45%-1.54%	0.87%-1.07%	0.80%-0.84%
Maturity date	Due by October 2017	Due by January 2017	Due by October 2016

19. PROVISIONS

The Company's current provisions were provisions for sales returns and allowances.

	Sales Returns and Allowances
<u>Nine months ended September 30, 2017</u>	
Balance, beginning of period	\$ 18,037,789
Provision	31,130,506

Payment	(35,025,604)
Effect of exchange rate changes	(19,182)

Balance, end of period \$ 14,123,509

Nine months ended September 30, 2016

Balance, beginning of period	\$ 10,163,536
Provision	22,811,145
Payment	(21,399,058)
Effect of exchange rate changes	(62,629)

Balance, end of period \$ 11,512,994

Provisions for sales returns and allowances are estimated based on historical experience and the consideration of varying contractual terms, and are recognized as a reduction of revenue in the same period of the related product sales.

20. BONDS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Domestic unsecured bonds	\$ 116,100,000	\$ 154,200,000	\$ 154,200,000
Overseas unsecured bonds	34,774,850	37,028,850	36,080,100
	150,874,850	191,228,850	190,280,100
Less: Discounts on bonds payable	(13,473)	(35,293)	(41,135)
Less: Current portion	(59,061,377)	(38,100,000)	(38,100,000)
	\$ 91,800,000	\$ 153,093,557	\$ 152,138,965

The major terms of overseas unsecured bonds are as follows:

Issuance Period	Total Amount (US\$ in Thousands)	Coupon Rate	Repayment and Interest
			Payment
April 2013 to April 2016	\$ 350,000	0.95%	Bullet repayment; interest payable semi-annually
April 2013 to April 2018	1,150,000	1.625%	The same as above

21. GUARANTEE DEPOSITS

	September 30, 2017	December 31, 2016	September 30, 2016
Capacity guarantee	\$ 15,119,500	\$ 20,929,350	\$ 21,961,800
Receivables guarantee	2,742,840	5,559,960	
Others	371,627	181,312	657,812
	\$ 18,233,967	\$ 26,670,622	\$ 22,619,612
Current portion (classified under accrued expenses and other current liabilities)	\$ 8,990,717	\$ 12,000,189	\$ 6,746,640
Noncurrent portion	9,243,250	14,670,433	15,872,972
	\$ 18,233,967	\$ 26,670,622	\$ 22,619,612

Some of guarantee deposits were refunded to customers by offsetting related accounts receivable.

22. EQUITY

a. Capital stock

	September 30,	December 31,	September 30,
	2017	2016	2016
Authorized shares (in thousands)	28,050,000	28,050,000	28,050,000
Authorized capital	\$ 280,500,000	\$ 280,500,000	\$ 280,500,000
Issued and paid shares (in thousands)	25,930,380	25,930,380	25,930,380
Issued capital	\$ 259,303,805	\$ 259,303,805	\$ 259,303,805

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The authorized shares include 500,000 thousand shares allocated for the exercise of employee stock options.

As of September 30, 2017, 1,068,165 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,340,823 thousand shares (one ADS represents five common shares).

b. Capital surplus

	September 30, 2017	December 31, 2016	September 30, 2016
Additional paid-in capital	\$ 24,184,939	\$ 24,184,939	\$ 24,184,939
From merger	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847
From share of changes in equities of subsidiaries	110,559	107,798	107,798
From share of changes in equities of associates	288,361	282,155	279,809
Donations	55	55	55
	\$ 56,281,271	\$ 56,272,304	\$ 56,269,958

Under the relevant laws, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of TSMC's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the R.O.C. Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The amendments to TSMC's Articles of Incorporation on earnings distribution policy had been approved by TSMC's shareholders in its meeting held on June 7, 2016. For policy about the profit sharing bonus to employees, please refer to Note 27.

TSMC's amended Articles of Incorporation provide that, when allocating the net profits for each fiscal year, TSMC shall first offset its losses in previous years and then set aside the following items accordingly:

- 1) Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- 2)

Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

- 3) Any balance left over shall be allocated according to the resolution of the shareholders meeting.

TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of earnings shall be made preferably by way of cash dividend. Distribution of earnings may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are subject to shareholders' approval in the following year.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain/loss from available-for-sale financial assets, gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2016 and 2015 earnings have been approved by TSMC's shareholders in its meetings held on June 8, 2017 and June 7, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Fiscal Year 2016	For Fiscal Year 2015	For Fiscal Year 2016	For Fiscal Year 2015
Legal capital reserve	\$ 33,424,718	\$ 30,657,384		
Cash dividends to shareholders	181,512,663	155,582,283	\$ 7.0	\$ 6.0
	\$ 214,937,381	\$ 186,239,667		

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

d. Others

Changes in others were as follows:

Nine Months Ended September 30, 2017				
Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial	Cash Flow Hedges	Unearned Reserves	Total
			Employee Compensation	

Assets

Balance, beginning of period	\$ 1,661,237	\$ 2,641	\$ 105	\$ 1,663,983
Exchange differences arising on translation of foreign operations	(20,770,834)			(20,770,834)
Changes in fair value of available-for-sale financial assets		145,862		145,862
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets		(251,187)		(251,187)
Gain/(loss) arising on changes in the fair value of hedging instruments			102,026	102,026
Transferred to initial carrying amount of hedged items			(63,507)	(63,507)

(Continued)

	Nine Months Ended September 30, 2017					Total
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Unearned Stock-Based Employee Compensation		
Share of other comprehensive income (loss) of associates	\$ (60,185)	\$ 3,265	\$	\$	\$	(56,920)
Share of unearned stock-based employee compensation of associates				(12,145)		(12,145)
Income tax effect		58,256	(4,623)			53,633
Balance, end of period	\$ (19,169,782)	\$ (41,163)	\$ 34,001	\$ (12,145)	\$	(19,189,089)

(Concluded)

	Nine Months Ended September 30, 2016					Total
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve			
Balance, beginning of period	\$ 11,039,949	\$ 734,771	\$ (607)	\$	\$	11,774,113
Exchange differences arising on translation of foreign operations	(17,101,349)					(17,101,349)
Other comprehensive income reclassified to profit or loss upon disposal of subsidiaries	36,105					36,105
Changes in fair value of available-for-sale financial assets		164,311				164,311
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets		(83,098)				(83,098)
Share of other comprehensive income (loss) of associates	(21,150)	26,096	490			5,436
Other comprehensive loss reclassified to profit or loss upon disposal of associates	(4,712)	(3,469)				(8,181)
Income tax effect		(6,239)				(6,239)
Balance, end of period	\$ (6,051,157)	\$ 832,372	\$ (117)	\$	\$	(5,218,902)

The aforementioned other equity includes the changes in other equities of TSMC and TSMC's share of its subsidiaries and associates.

23. NET REVENUE

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Net revenue from sale of goods	\$ 251,984,109	\$ 260,273,538	\$ 699,470,997	\$ 685,324,159
Net revenue from royalties	123,236	132,347	405,960	386,933
	\$ 252,107,345	\$ 260,405,885	\$ 699,876,957	\$ 685,711,092

24. OTHER GAINS AND LOSSES

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Gain (loss) on disposal of financial assets, net				
Available-for-sale financial assets	\$ 326,297	\$ (6,531)	\$ 266,986	\$ 83,138
Financial assets carried at cost	8,056	17,822	12,809	37,831
Loss on disposal of investments accounted for using equity method, net				(259,960)
Other gains	77,327	45,865	206,103	108,503
Net gain (loss) on financial instruments at FVTPL				
Held for trading	463,651	792,837	1,759,927	3,622,788
Designated as at FVTPL	33,045	13,185	130,709	(57,762)
Gain (loss) arising from fair value hedges, net	(8,564)	712	(32,058)	(129)
Impairment loss on financial assets				
Financial assets carried at cost	(3,909)	(24,183)	(15,941)	(55,055)
Loss from liquidation of subsidiaries				(36,105)
Other losses	(8,822)	(22,532)	(17,414)	(37,774)
	\$887,081	\$817,175	\$2,311,121	\$3,405,475

25. INCOME TAX

a. Income tax expense recognized in profit or loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Current income tax expense				
Current tax expense recognized in the current period	\$ 11,785,404	\$ 12,489,756	\$ 44,460,678	\$ 41,959,508
Income tax adjustments on prior years	(9,614)	(500)	(947,906)	(1,035,905)
Other income tax adjustments	60,267	(115,358)	130,801	89,638
	11,836,057	12,373,898	43,643,573	41,013,241
Deferred income tax benefit				
The origination and reversal of temporary differences	(1,267,121)	(913,396)	(3,026,231)	(1,211,325)
	\$10,568,936	\$11,460,502	\$40,617,342	\$39,801,916

b. Income tax expense recognized in other comprehensive income

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Deferred income tax benefit (expense)				
Related to unrealized gain/loss on available-for-sale financial assets	\$ 3,535	\$ (33,879)	\$ 58,256	\$ (6,239)
Related to gain/loss on cash flow hedges	(2,343)		(4,623)	
	\$ 1,192	\$ (33,879)	\$ 53,633	\$ (6,239)

c. Integrated income tax information

	September 30,	December 31,	September 30,
	2017	2016	2016
Balance of the Imputation			
Credit Account TSMC	\$ 90,519,690	\$ 82,072,562	\$ 66,840,242

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2016 and 2015 were 13.90% and 12.57%, respectively; however, the creditable ratio for individual shareholders residing in the R.O.C. is half of the original creditable ratio according to the R.O.C. Income Tax Law.

The imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution. The estimated creditable ratio may change when the actual distribution of the imputation credit is made.

All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.

d. Income tax examination

The tax authorities have examined income tax returns of TSMC through 2014. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

26. EARNINGS PER SHARE

Three Months Ended		Nine Months Ended	
September 30		September 30	
2017	2016	2017	2016

Basic EPS	\$ 3.47	\$ 3.73	\$ 9.40	\$ 9.03
Diluted EPS	\$ 3.47	\$ 3.73	\$ 9.40	\$ 9.03

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Three months ended September 30, 2017</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 89,925,437	25,930,380	\$ 3.47
<u>Three months ended September 30, 2016</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 96,759,056	25,930,380	\$ 3.73
<u>Nine months ended September 30, 2017</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 243,825,354	25,930,380	\$ 9.40
<u>Nine months ended September 30, 2016</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 234,046,870	25,930,380	\$ 9.03

27. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
a. Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 65,040,285	\$ 51,260,197	\$ 171,702,451	\$ 152,345,035
Recognized in operating expenses	4,974,403	4,046,009	14,398,910	12,301,423
Recognized in other operating income and expenses	18,140	6,221	30,583	18,861
	\$70,032,828	\$55,312,427	\$186,131,944	\$164,665,319

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2017	2016	2017	2016
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ 542,083	\$ 518,837	\$ 1,584,845	\$ 1,499,765
Recognized in operating expenses	589,751	437,530	1,612,448	1,225,759
	\$ 1,131,834	\$ 956,367	\$ 3,197,293	\$ 2,725,524
c. Research and development expenses				
	\$ 21,045,439	\$ 18,724,320	\$ 59,515,288	\$ 51,246,823
d. Employee benefits expenses				
Post-employment benefits				
Defined contribution plans	\$ 611,107	\$ 565,374	\$ 1,767,533	\$ 1,619,823
Defined benefit plans	67,875	68,024	203,637	204,083
	678,982	633,398	1,971,170	1,823,906
Other employee benefits	26,164,537	26,290,477	74,262,832	70,636,784
	\$26,843,519	\$26,923,875	\$76,234,002	\$72,460,690
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 15,696,897	\$ 15,698,148	\$ 44,831,683	\$ 42,614,728
Recognized in operating expenses	11,146,622	11,225,727	31,402,319	29,845,962
	\$26,843,519	\$26,923,875	\$76,234,002	\$72,460,690

In accordance with the amendments to the R.O.C. Company Act in May 2015 and the amended TSMC's Articles of Incorporation approved by TSMC's shareholders in its meeting held on June 7, 2016, TSMC shall allocate compensation to directors and profit sharing bonus to employees of TSMC not more than 0.3% and not less than 1% of annual profits during the period, respectively.

TSMC accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT\$6,034,054 thousand and NT\$6,489,734 thousand for the three months ended September 30, 2017 and 2016, respectively; and NT\$16,356,611 thousand and NT\$15,697,270 thousand for the nine months ended September 30, 2017 and 2016, respectively. Compensation to directors was expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The Board of Directors of TSMC held on February 14, 2017 approved the profit sharing bonus to employees and compensation to directors in the amounts of NT\$22,418,339 thousand and NT\$376,432 thousand in cash for 2016, respectively. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2016.

TSMC's profit sharing bonus to employees and compensation to directors in the amounts of NT\$20,556,888 thousand and NT\$356,186 thousand in cash for 2015, respectively, had been approved by the Board of Directors on February 2, 2016. The profit sharing bonus to employees and compensation to directors in cash for 2015 had been reported to TSMC's shareholders in its meeting held on June 7, 2016, after the amended TSMC's Articles of Incorporation had been approved. The aforementioned approved amount has no difference with the one recognized in the consolidated financial statements for the year ended December 31, 2015.

The information about the appropriations of TSMC's profit sharing bonus to employees and compensation to directors is available at the Market Observation Post System website.

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets			
FVTPL (Note 1)	\$ 1,125,668	\$ 6,451,112	\$ 1,848,317
Available-for-sale financial assets (Note 2)	89,939,057	71,891,234	49,603,044
Held-to-maturity financial assets	26,420,393	38,917,677	32,750,934
Hedging derivative financial assets	98,879	5,550	
Loans and receivables (Note 3)	533,419,983	673,592,938	597,817,350
	\$ 651,003,980	\$ 790,858,511	\$ 682,019,645
Financial liabilities			
FVTPL (Note 1)	\$ 251,212	\$ 191,135	\$ 224,525
Hedging derivative financial liabilities	7,545		1,039
Amortized cost (Note 4)	323,056,014	387,046,137	354,746,112
	\$ 323,314,771	\$ 387,237,272	\$ 354,971,676

Note 1: Including held for trading and designated as at FVTPL.

Note 2: Including financial assets carried at cost.

Note 3: Including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 4: Including short-term loans, accounts payable (including related parties), payables to contractors and equipment suppliers, accrued expenses and other current liabilities, bonds payable, long-term bank loans, and guarantee deposits.

b. Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates, interest rates and equity investment prices.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, such as forward exchange contracts and cross currency swaps, and non-derivative financial instruments, such as foreign currency-denominated debt, to partially hedge its currency exposure.

The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items and the derivatives financial instruments at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges relative to the New Taiwan dollar, the net income for the nine months ended September 30, 2017 and 2016 would have decreased by NT\$185,262 thousand and NT\$673,869 thousand, respectively, and the other comprehensive income for the nine months ended September 30, 2017 would have decreased by NT\$465,790 thousand.

Interest rate risk

The Company is exposed to interest rate risk primarily related to its outstanding debt and investments in fixed income securities. All of the Company's bonds payable have fixed interest rates and are measured at amortized cost. As such, changes in interest rates would not affect the future cash flows. On the other hand, because interest rates of the Company's long-term bank loans are floating, changes in interest rates would affect the future cash flows but not the fair value.

Assuming the amount of the long-term bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical 100 basis point (1.00%) increase in interest rates would have resulted in an increase in the interest expense, net of tax, by approximately NT\$151 thousand and NT\$211 thousand for the nine months ended September 30, 2017 and 2016, respectively.

The Company classified its investments in fixed income securities as held-to-maturity and available-for-sale financial assets. Because held-to-maturity fixed income securities are measured at amortized cost, changes in interest rates would not affect the fair value. On the other hand, available-for-sale fixed income securities are exposed to fair value fluctuations caused by changes in interest rates. The Company utilized interest rate futures to partially hedge the interest rate risk on its available-for-sale fixed income investments. These hedges may offset only a portion of, but do not eliminate, the financial impact from movements in interest rates.

Based on a sensitivity analysis performed at the end of the reporting period, a hypothetical 100 basis points (1.00%) increase in interest rates across all maturities would have resulted in a decrease in other comprehensive income by NT\$1,919,137 thousand and NT\$1,018,890 thousand for the nine months ended September 30, 2017 and 2016, respectively.

Other price risk

The Company is exposed to equity price risk arising from available-for-sale equity investments.

Assuming a hypothetical decrease of 5% in prices of the equity investments at the end of the reporting period for the nine months ended September 30, 2017 and 2016, the other comprehensive income would have decreased by NT\$335,977 thousand and NT\$320,828 thousand, respectively.

d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from investing activities, primarily deposits, fixed-income investments and other financial instruments with banks. Credit risk is managed separately for business related and financial related exposures. As of the end of the reporting period, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets.

Business related credit risk

The Company has considerable trade receivables outstanding with its customers worldwide. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Company's ten largest customers accounted for 73%, 74% and 76% of accounts receivable, respectively. The Company believes the concentration of credit risk is not material for the remaining accounts receivable.

Financial credit risk

The Company regularly monitors and reviews the concentration limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties. The Company mitigates its exposure by limiting the exposure to any individual counterparty and by selecting counterparties with investment-grade credit ratings.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Company manages its liquidity risk by maintaining adequate cash and cash equivalent, short-term available-for-sale financial assets and short-term held-to-maturity financial assets.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>September 30, 2017</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 54,454,435	\$	\$	\$	\$ 54,454,435
Accounts payable (including related parties)	28,987,506				28,987,506
Payables to contractors and equipment suppliers	47,975,461				47,975,461
Accrued expenses and other current liabilities	22,543,303				22,543,303
Bonds payable	61,213,960	68,616,980	3,404,812	22,686,332	155,922,084
Long-term bank loans	10,301	14,844			25,145
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	8,990,717	9,157,976	85,274		18,233,967
	224,175,683	77,789,800	3,490,086	22,686,332	328,141,901
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	51,905,530				51,905,530
Inflows	(51,837,951)				(51,837,951)
	67,579				67,579
Cross currency swap contracts					
Outflows					
Inflows	16,050,825				16,050,825
	(16,003,500)				(16,003,500)
	47,325				47,325
	\$ 224,290,587	\$ 77,789,800	\$ 3,490,086	\$ 22,686,332	\$ 328,256,805

December 31, 2016**Non-derivative financial liabilities**

Short-term loans	\$ 57,974,562	\$	\$	\$	\$ 57,974,562
Accounts payable (including related parties)	27,324,525				27,324,525

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Payables to contractors and equipment suppliers	63,154,514				63,154,514
Accrued expenses and other current liabilities	20,713,259				20,713,259
Bonds payable	40,669,468	99,161,486	35,340,742	22,979,426	198,151,122
Long-term bank loans	10,543	20,116	2,423		33,082
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	12,000,189	13,060,483	1,609,950		26,670,622
	221,847,060	112,242,085	36,953,115	22,979,426	394,021,686

Derivative financial instruments

Forward exchange contracts					
Outflows	40,571,841				40,571,841
Inflows	(40,586,344)				(40,586,344)
	(14,503)				(14,503)
Cross currency swap contracts					
Outflows	5,478,066				5,478,066
Inflows	(5,487,600)				(5,487,600)
	(9,534)				(9,534)
	\$ 221,823,023	\$ 112,242,085	\$ 36,953,115	\$ 22,979,426	\$ 393,997,649

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
September 30, 2016					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 37,654,235	\$	\$	\$	\$ 37,654,235
Accounts payable (including related parties)	25,976,568				25,976,568
Payables to contractors and equipment suppliers	58,789,579				58,789,579
Accrued expenses and other current liabilities	19,438,708				19,438,708
Bonds payable	40,484,308	98,706,626	35,464,787	23,077,131	197,732,852
Long-term bank loans	10,624	20,277	4,867		35,768
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	6,746,640	12,735,572	3,137,400		22,619,612
	189,100,662	111,462,475	38,607,054	23,077,131	362,247,322
Derivative financial instruments					
Forward exchange contracts					
Outflows	34,995,231				34,995,231
Inflows	(34,933,393)				(34,933,393)
	61,838				61,838
Cross currency swap contracts					
Outflows	51,658,145				51,658,145
Inflows	(51,816,590)				(51,816,590)
	(158,445)				(158,445)
	\$189,004,055	\$111,462,475	\$38,607,054	\$23,077,131	\$362,150,715
					(Concluded)

f. Fair value of financial instruments

1) Fair value measurements recognized in the consolidated balance sheets

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 57,395	\$	\$ 57,395
Designated as at FVTPL				
Time deposit		1,068,273		1,068,273
	\$	\$ 1,125,668	\$	\$ 1,125,668
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$ 38,023,860	\$	\$	\$ 38,023,860
Agency bonds/Agency mortgage-backed securities	25,383,136			25,383,136
Asset-backed securities		12,195,102		12,195,102
Government bonds	7,044,080			7,044,080
Publicly traded stocks	2,068,370			2,068,370
Commercial paper		238,463		238,463
	\$ 72,519,446	\$ 12,433,565	\$	\$ 84,953,011
<u>Hedging derivative financial assets</u>				
Fair value hedges				
Interest rate futures contracts	\$ 51,057	\$	\$	\$ 51,057
Cash flow hedges				
Forward exchange contracts		47,822		47,822
	\$ 51,057	\$ 47,822	\$	\$ 98,879
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 212,135	\$	\$ 212,135
Cross currency swap contracts		39,077		39,077
	\$	\$ 251,212	\$	\$ 251,212
<u>Hedging derivative financial liabilities</u>				

Cash flow hedges

Forward exchange contracts	\$	\$	7,545	\$	\$	7,545
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	December 31, 2016			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 142,406	\$	\$ 142,406
Cross currency swap contracts		10,976		10,976
Designated as at FVTPL				
Time deposit		6,297,708		6,297,708
Forward exchange contracts		22		22
	\$	\$ 6,451,112	\$	\$ 6,451,112
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$ 29,999,508	\$	\$	\$ 29,999,508
Agency bonds/Agency mortgage-backed securities	14,880,482			14,880,482
Asset-backed securities		11,254,757		11,254,757
Government bonds	8,457,362			8,457,362
Publicly traded stocks	3,196,658			3,196,658
	\$ 56,534,010	\$ 11,254,757	\$	\$ 67,788,767
<u>Hedging derivative financial assets</u>				
Fair value hedges				
Interest rate futures contracts	\$ 5,550	\$	\$	\$ 5,550
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 91,585	\$	\$ 91,585
Designated as at FVTPL				
Forward exchange contracts		99,550		99,550
	\$	\$ 191,135	\$	\$ 191,135

	September 30, 2016			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Held for trading				
Cross currency swap contracts	\$	\$ 186,592	\$	\$ 186,592
Forward exchange contracts		84,591		84,591
Designated as at FVTPL				
Time deposit		1,577,134		1,577,134

	\$	\$	1,848,317	\$	\$	1,848,317
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Available-for-sale financial assets

Corporate bonds	\$	20,459,534	\$	\$	\$	20,459,534
Agency bonds/Agency mortgage-backed securities		10,679,092				10,679,092
Asset-backed securities				7,326,334		7,326,334
Government bonds		4,304,642				4,304,642
Publicly traded stocks		3,045,401				3,045,401
	\$	38,488,669	\$	7,326,334	\$	45,815,003

(Continued)

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 194,557	\$	\$ 194,557
Cross currency swap contracts		20,642		20,642
<u>Designated as at FVTPL</u>				
Forward exchange contracts		9,326		9,326
	\$	\$ 224,525	\$	\$ 224,525
<u>Hedging derivative financial liabilities</u>				
Fair value hedges				
Interest rate futures contracts	\$ 1,039	\$	\$	\$ 1,039

(Concluded)

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2017 and 2016, respectively.

There were no purchases and disposals for assets classified as Level 3 for the nine months ended September 30, 2017 and 2016, respectively.

Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

The fair values of interest rate futures contracts, publicly traded stocks, government bonds, agency bonds, agency mortgage-backed securities and corporate bonds are determined by quoted market prices in active markets.

Forward exchange contracts and cross currency swap contracts are measured using forward exchange rates and the discounted curves that are derived from quoted market prices. For investments in asset-backed securities, the fair values are determined by quoted market prices. For investments in commercial paper and time deposit designated as FVTPL, the fair values are determined by the present value of future cash flows based on the discounted curves that are derived from the quoted market prices.

3) Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company considers that the carrying amounts of financial instruments that are not measured at fair value recognized in the consolidated financial statements approximate their fair values.

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity financial assets						
Corporate bonds/Bank debentures	\$ 20,372,593	\$ 20,593,872	\$ 23,849,701	\$ 23,996,429	\$ 25,476,134	\$ 25,619,049
Negotiable certificate of deposit	4,535,850	4,538,254	4,829,850	4,847,785	4,706,100	4,733,944
Structured product	1,511,950	1,503,684	1,609,950	1,609,738	2,568,700	2,559,235
Commercial paper			8,628,176	8,630,769		
Financial liabilities						
Measured at amortized cost						
Bonds payable	150,861,377	152,840,029	191,193,557	192,845,296	190,238,965	192,763,012

Fair value hierarchy

The table below sets out the fair value hierarchy for the Company's assets and liabilities which are not required to measure at fair value:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds	\$ 20,593,872	\$	\$	\$ 20,593,872
Negotiable certificate of deposit		4,538,254		4,538,254
Structured product		1,503,684		1,503,684
	\$ 20,593,872	\$ 6,041,938	\$	\$ 26,635,810

<u>Financial liabilities</u>				
Measured at amortized cost				
Bonds payable	\$ 152,840,029	\$	\$	\$ 152,840,029

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds	\$ 23,996,429	\$	\$	\$ 23,996,429
Commercial paper		8,630,769		8,630,769
Negotiable certificate of deposit		4,847,785		4,847,785
Structured product		1,609,738		1,609,738
	\$ 23,996,429	\$ 15,088,292	\$	\$ 39,084,721

<u>Financial liabilities</u>				
Measured at amortized cost				
Bonds payable	\$ 192,845,296	\$	\$	\$ 192,845,296

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds/Bank debentures	\$ 25,619,049	\$	\$	\$ 25,619,049

Negotiable certificate of deposit	4,733,944	4,733,944
Structured product	2,559,235	2,559,235

\$ 25,619,049 \$ 7,293,179 \$ \$ 32,912,228

Financial liabilities

Measured at amortized cost

Bonds payable	\$ 192,763,012	\$ \$ \$ 192,763,012
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Fair value measurement

For investments in bonds, the fair value is determined using active market prices.

For investments in negotiable certificate of deposit and structured product, the fair values are determined by quoted market prices. For investment in commercial paper, the fair value is determined by the present value of future cash flows based on the discounted curves that are derived from the quoted market prices.

The fair value of the Company's bonds payable is determined using active market prices.

29. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between TSMC and its subsidiaries, which are related parties of TSMC, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Company and other related parties:

a. Related party name and categories

Related Party Name	Related Party Categories
GUC	Associates
VIS	Associates
SSMC	Associates
Xintec	Associates

b. Net revenue

Item	Related Party Categories	Three Months Ended September 30		Nine Months Ended September 30	
		2017	2016	2017	2016
Net revenue from sale of goods	Associates	\$ 2,648,918	\$ 1,494,890	\$ 6,152,067	\$ 4,057,402
Net revenue from royalties	Associates	\$ 123,236	\$ 132,347	\$ 364,512	\$ 381,667

c. Purchases

Related Party Categories	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Associates	\$ 2,671,511	\$ 2,488,706	\$ 7,557,431	\$ 7,275,745

d. Receivables from related parties

		September 30, December 31, September 30,		
		2017	2016	2016
<u>Item</u>	<u>Related Party Name</u>			
Receivables from related parties	GUC	\$ 933,031	\$ 969,136	\$ 170,639
	Xintec	143,407	423	65
		\$ 1,076,438	\$ 969,559	\$ 170,704

(Continued)

		September 30,	December 31,	September 30,
		2017	2016	2016
Other receivables from	SSMC	\$ 85,274	\$ 60,641	\$ 54,876
related parties	VIS	79,504	86,038	94,698
	Others	1,151	109	110
		\$ 165,929	\$ 146,788	\$ 149,684

(Concluded)

e. Payables to related parties

		September 30,	December 31,	September 30,
		2017	2016	2016
<u>Item</u>	<u>Related Party Name</u>			
Payables to related	VIS	\$ 600,612	\$ 587,407	\$ 440,243
parties	SSMC	429,739	506,121	335,320
	Xintec	382,279	124,541	242,898
	Others	29,399	44,105	21,317
		\$ 1,442,029	\$ 1,262,174	\$ 1,039,778

f. Accrued expenses and other current liabilities

		September 30,	December 31,	September 30,
		2017	2016	2016
<u>Item</u>	<u>Related Party Categories</u>			
Advance receipts	Associates	\$ 239,914	\$ 210,791	\$ 130,840

g. Others

Three Months Ended		Nine Months Ended	
September 30		September 30	
2017	2016	2017	2016

<u>Item</u>	<u>Related Party Categories</u>				
Manufacturing expenses	Associates	\$ 492,892	\$ 378,454	\$ 1,055,887	\$ 1,152,264
Research and development expenses	Associates	\$ 16,678	\$ 38,295	\$ 47,801	\$ 107,373

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company leased factory and office from associates. The lease terms and prices were both determined in accordance with mutual agreements. The rental expenses were paid to associates monthly; the related expenses were both classified under manufacturing expenses.

The Company deferred the disposal gain/loss derived from sales of property, plant and equipment to related parties (transactions with associates), and then recognized such gain/loss over the depreciable lives of the disposed assets.

h. Compensation of key management personnel

The compensation to directors and other key management personnel for the three months and nine months ended September 30, 2017 and 2016 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 532,461	\$ 530,833	\$ 1,523,629	\$ 1,382,610
Post-employment benefits	836	930	2,929	3,041
	\$ 533,297	\$ 531,763	\$ 1,526,558	\$ 1,385,651

The compensation to directors and other key management personnel were determined by the Compensation Committee of TSMC in accordance with the individual performance and the market trends.

30. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of September 30, 2017, December 31, 2016 and September 30, 2016, the aforementioned other financial assets amounted to NT\$168,293 thousand, NT\$185,698 thousand and NT\$152,826 thousand, respectively.

31. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

The Company's major significant operating leases are arrangements on several parcels of land and office premises.

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	September 30,	December 31,	September 30,
	2017	2016	2016
Not later than 1 year	\$ 1,512,193	\$ 1,321,546	\$ 1,252,626
Later than 1 year and not later than 5 years	4,425,524	3,677,432	3,651,712
Later than 5 years	9,179,467	6,623,957	6,876,654
	\$ 15,117,184	\$ 11,622,935	\$ 11,780,992

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity provided TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of September 30, 2017, the R.O.C. Government did not invoke such right.

- b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and NXP B.V. are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of September 30, 2017.
- c. TSMC joined the Customer Co-Investment Program of ASML and entered into the investment agreement in August 2012. The agreement includes an investment of EUR837,816 thousand by TSMC Global to acquire 5% of ASML's equity with a lock-up period of 2.5 years. TSMC Global has acquired the aforementioned equity on October 31, 2012. The lock-up period expired on May 1, 2015 and as of October 8, 2015, all ASML shares had been disposed.

Both parties also signed the research and development funding agreement whereby TSMC shall provide EUR276,000 thousand to ASML's research and development programs from 2013 to 2017. As of September 30, 2017, the amount has been fully paid.

- d. In May 2017, Mr. Uri Cohen filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America and other companies infringe four U.S. patents. On August 28, 2017, Mr. Uri Cohen amended the complaint to dismiss without prejudice TSMC North America and another company. On the same day, TSMC and TSMC North America filed a declaratory judgment complaint in the U.S. District Court for the Northern District of California seeking a ruling of non-infringement of the same U.S. patents asserted by Mr. Uri Cohen. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
- e. On September 28, 2017 TSMC was contacted by the European Commission (Commission) for information and documents concerning alleged anti-competitive practices of TSMC in relation to semiconductor sales. TSMC will cooperate fully with the Commission and provide the requested information and documents. In light of the fact that this proceeding is still in its preliminary stage, it is premature to predict how the case will proceed, the outcome of the proceeding or its impact.
- f. TSMC entered into long-term purchase agreements of silicon wafer with multiple suppliers. The relative minimum purchase quantity and price are specified in the agreements.
- g. Amounts available under unused letters of credit as of September 30, 2017, December 31, 2016 and September 30, 2016 were NT\$96,765 thousand, NT\$122,356 thousand and NT\$119,221 thousand, respectively.

33. SIGNIFICANT LOSS FROM DISASTER

On February 6, 2016, an earthquake struck Taiwan. The resulting damage was mostly to inventories and equipment. The Company recognized earthquake losses of NT\$2,492,138 thousand, net of insurance claim, for the year ended December 31, 2016. Such losses were primarily included in cost of revenue. The related insurance claim was finalized in the first quarter of 2017, and the accumulated earthquake losses were NT\$2,386,824 thousand, net of insurance claim. The Company recognized a reduction of such losses of NT\$105,314 thousand for the three months ended March 31, 2017.

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34. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>September 30, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,782,324	30.239	\$ 144,612,701
USD	496,388	6.615(Note 2)	15,010,269
EUR	2,960	35.83	106,061
JPY	254,682	0.2699	68,739
Non-monetary items			
HKD	186,144	3.89	724,099
<u>Financial liabilities</u>			
Monetary items			
USD	3,982,684	30.239	120,432,378
EUR	344,900	35.83	12,357,775
JPY	37,415,541	0.2699	10,098,454
<u>December 31, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	5,042,715	32.199	162,370,381
EUR	19,556	34.30	670,767
JPY	37,024,347	0.2775	10,274,256
Non-monetary items			
HKD	257,056	4.15	1,066,780
<u>Financial liabilities</u>			
Monetary items			
USD	4,000,930	32.199	128,825,952
EUR	183,922	34.30	6,308,513
JPY	61,062,114	0.2775	16,944,737

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>September 30, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,116,408	31.374	\$ 160,522,191
EUR	21,497	35.30	758,831
JPY	456,583	0.3114	142,180
Non-monetary items			
HKD	183,611	4.05	743,625
<u>Financial liabilities</u>			
Monetary items			
USD	3,355,093	31.374	105,262,695
EUR	197,199	35.30	6,961,125
JPY	57,168,924	0.3114	17,802,403
			(Concluded)

Note 1: Except as otherwise noted, exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

Note 2: The exchange rate represents the number of RMB for which one USD dollars could be exchanged. Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the three months and nine months ended September 30, 2017 and 2016, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

35. OPERATING SEGMENTS INFORMATION

From 2016, the Company has only one operating segment, the foundry segment. The foundry segment engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Company uses the income from operations as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

36. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for TSMC:

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Information about the derivative financial instruments transaction: Please see Notes 7 and 10;
- j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 8 attached;
- k. Names, locations, and related information of investees over which TSMC exercises significant influence (excluding information on investment in mainland China): Please see Table 9 attached;
- l. Information on investment in mainland China

1)

The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 10 attached.

- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.

TABLE 1**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****FINANCINGS PROVIDED****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Related Party	Maximum Balance for the Period (foreign currencies in Thousands) (Note 3)	Ending Balance (foreign currencies in Thousands) (Note 3)	Amount Actually Drawn (foreign currencies in Thousands)	Interest Rate	Nature for Financing Transaction (Note 4)	Reason for Financing (Note 4)	Collateral Allowance for Bad Debt (Note 4)
Other receivables from related parties	Yes	\$ 21,028,440 (RMB 4,600,000)	\$ 21,028,440 (RMB 4,600,000)	\$ 13,257,060 (RMB 2,900,000)	1.3%-1.5%	The need for short-term/long-term financing	Operating capital	
Other receivables from related parties	Yes	45,358,500 (US\$ 1,500,000)	45,358,500 (US\$ 1,500,000)	7,197,079 (US\$ 238,007)	1.45%	The need for short-term financing	Operating capital	

Note 1: The total amount available for lending purpose shall not exceed the net worth of TSMC China. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC China. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. The above restriction does not apply to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC. However, the total amount lendable to any such subsidiary of TSMC shall not exceed forty percent (40%) of the net worth of TSMC China. When there is a lending for funding needs by TSMC China to TSMC, or to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC, which are not located in Taiwan, the lending will not be subject to the restriction set forth in the above paragraph of this Article. Notwithstanding the foregoing, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers still shall not exceed the net worth of TSMC China.

Note 2: The total amount available for lending purpose shall not exceed the net worth of TSMC Global. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Global. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. While TSMC, or foreign subsidiaries whose voting shares are

100% owned, directly or indirectly, by TSMC will not be subject to this restriction, their total borrowing amount still shall not exceed the net worth of TSMC Global. Notwithstanding the foregoing, the aggregate amount for lending to Taiwan companies other than TSMC shall not exceed forty percent (40%) of the net worth of TSMC Global.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 4: The restriction of the term of each loan for funding not exceeding one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

TABLE 2**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2)	Maximum Balance for the Period (US\$ in Thousands) (Note 3)	Ending Balance (US\$ in Thousands) (Note 3)	Amount Actually Drawn (US\$ in Thousands)	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company
Subsidiary	\$ 357,679,212	\$ 34,774,850	\$ 34,774,850	\$ 34,774,850	2.43%	\$ 357,679,212	Yes
		(US\$ 1,150,000)	(US\$ 1,150,000)	(US\$ 1,150,000)			
Subsidiary	357,679,212	2,516,287	2,516,287	2,516,287	0.18%	357,679,212	Yes
		(US\$ 83,213)	(US\$ 83,213)	(US\$ 83,213)			

Note 1: The total amount of the guarantee provided by TSMC to any individual entity shall not exceed ten percent (10%) of TSMC's net worth, or the net worth of such entity. However, subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC are not subject to the above restrictions after the approval of the Board of Directors.

Note 2: The total amount of guarantee shall not exceed twenty-five percent (25%) of TSMC's net worth.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Relationship Marketable Securities Type and Name with the Company	Financial Statement Account	Shares/Units (In Thousands)	September 30, 2017		Fair Value (Foreign Currencies) (In Thousands)	Note
				Carrying Value (Foreign Currencies) in Thousands	Percentage of Ownership (%)		
TSMC	<u>Corporate bond</u>						
	CPC Corporation, Taiwan	Held-to-maturity financial assets		\$ 650,371	N/A	\$ 650,437	
	<u>Common stock</u>						
	Motech	Available-for-sale financial assets	58,320	1,344,271	12	1,344,271	
	Semiconductor Manufacturing International Corporation		21,105	724,099		724,099	
	United Industrial Gases Co., Ltd.	Financial assets carried at cost	21,230	193,584	10	193,584	
	Shin-Etsu Handotai Taiwan Co., Ltd.		10,500	105,000	7	105,000	
	Global Investment Holding Inc.		11,124	99,041	6	99,041	
	W.K. Technology Fund IV		1,152	4,041	2	4,041	
	<u>Fund</u>						
	Horizon Ventures Fund	Financial assets carried at cost		6,975	12	6,975	
	Crimson Asia Capital			6,410	1	6,410	
TSMC Partners	<u>Common stock</u>						
	Tela Innovations	Financial assets carried at cost	10,440	US\$ 65,000	25	US\$ 65,000	
	Mcube Inc.		6,333		12		
	<u>Fund</u>						

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	China Walden Venture Investments II, L.P.	Financial assets carried at cost	US\$	8,607	9	US\$	8,607
	Shanghai Walden Venture Capital Enterprise		US\$	4,270	6	US\$	4,270
TSMC Global	<u>Corporate bond</u>						
	Morgan Stanley	Available-for-sale financial assets	US\$	38,254	N/A	US\$	38,254
	Bank of America Corp		US\$	37,690	N/A	US\$	37,690
	Goldman Sachs Group Inc/The		US\$	34,023	N/A	US\$	34,023
	JPMorgan Chase & Co		US\$	33,685	N/A	US\$	33,685
	AT&T Inc		US\$	24,883	N/A	US\$	24,883
	Citigroup Inc		US\$	23,820	N/A	US\$	23,820
	Verizon Communications Inc		US\$	19,507	N/A	US\$	19,507
	Ford Motor Credit Co LLC		US\$	17,626	N/A	US\$	17,626
	BAT Capital Corp		US\$	17,045	N/A	US\$	17,045
	Wells Fargo & Co		US\$	15,841	N/A	US\$	15,841
	Apple Inc		US\$	15,651	N/A	US\$	15,651
	Credit Suisse AG/New York NY		US\$	13,735	N/A	US\$	13,735
	PNC Bank NA		US\$	13,243	N/A	US\$	13,243
	Tyson Foods Inc		US\$	12,271	N/A	US\$	12,271
	Anheuser-Busch InBev Finance Inc		US\$	11,897	N/A	US\$	11,897
	Southern Co/The		US\$	11,406	N/A	US\$	11,406
	AbbVie Inc		US\$	11,185	N/A	US\$	11,185
	Westpac Banking Corp		US\$	10,485	N/A	US\$	10,485
	BP Capital Markets PLC		US\$	10,341	N/A	US\$	10,341
	Svenska Handelsbanken AB		US\$	9,923	N/A	US\$	9,923
	CVS Health Corp		US\$	9,882	N/A	US\$	9,882
	Oracle Corp		US\$	9,721	N/A	US\$	9,721
	Capital One NA/Mclean VA		US\$	9,632	N/A	US\$	9,632
	Microsoft Corp		US\$	9,386	N/A	US\$	9,386
	Aviation Capital Group Corp		US\$	9,181	N/A	US\$	9,181
	ERAC USA Finance LLC		US\$	8,852	N/A	US\$	8,852

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2017			
				Shares/Units (in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)
TSMC Global	Mitsubishi UFJ Financial Group Inc		Available-for-sale financial assets		US\$ 8,837	N/A	US\$ 8,837
	International Bank for Reconstruction & Development				US\$ 8,760	N/A	US\$ 8,760
	Hewlett Packard Enterprise Co				US\$ 8,732	N/A	US\$ 8,732
	Ventas Realty LP / Ventas Capital Corp				US\$ 8,546	N/A	US\$ 8,546
	Cardinal Health Inc				US\$ 8,443	N/A	US\$ 8,443
	Rockwell Collins Inc				US\$ 8,130	N/A	US\$ 8,130
	Daimler Finance North America LLC				US\$ 8,105	N/A	US\$ 8,105
	Dominion Energy Inc				US\$ 8,040	N/A	US\$ 8,040
	American Express Credit Corp				US\$ 7,824	N/A	US\$ 7,824
	Huntington National Bank/The				US\$ 7,800	N/A	US\$ 7,800
	Duke Energy Corp				US\$ 7,771	N/A	US\$ 7,771
	UBS Group Funding Switzerland AG				US\$ 7,559	N/A	US\$ 7,559
	American International Group Inc				US\$ 7,458	N/A	US\$ 7,458
	Sumitomo Mitsui Financial Group Inc				US\$ 7,446	N/A	US\$ 7,446
	Reckitt Benckiser Treasury Services PLC				US\$ 7,149	N/A	US\$ 7,149
	Siemens Financieringsmaatschappij NV				US\$ 7,140	N/A	US\$ 7,140
	ABN AMRO Bank NV				US\$ 7,130	N/A	US\$ 7,130
	21st Century Fox America Inc				US\$ 6,957	N/A	US\$ 6,957
	HSBC Holdings PLC				US\$ 6,946	N/A	US\$ 6,946
	Deutsche Telekom International Finance BV				US\$ 6,675	N/A	US\$ 6,675
	QUALCOMM Inc				US\$ 6,532	N/A	US\$ 6,532
	Marriott International Inc/MD				US\$ 6,521	N/A	US\$ 6,521
	Mizuho Financial Group Inc				US\$ 6,509	N/A	US\$ 6,509
	Reliance Standard Life Global Funding II				US\$ 6,506	N/A	US\$ 6,506

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Dow Chemical Co/The Welltower Inc	US\$ 6,446	N/A	US\$ 6,446
Banque Federative du Credit Mutuel SA	US\$ 6,379	N/A	US\$ 6,379
Citizens Bank NA/Providence RI	US\$ 6,301	N/A	US\$ 6,301
Santander UK Group Holdings PLC	US\$ 6,284	N/A	US\$ 6,284
SunTrust Banks Inc	US\$ 6,252	N/A	US\$ 6,252
Asian Development Bank	US\$ 6,225	N/A	US\$ 6,225
Skandinaviska Enskilda Banken AB	US\$ 6,077	N/A	US\$ 6,077
BB&T Corp	US\$ 6,048	N/A	US\$ 6,048
SMBC Aviation Capital Finance DAC	US\$ 6,010	N/A	US\$ 6,010
Hyundai Capital America	US\$ 5,996	N/A	US\$ 5,996
Royal Bank of Canada	US\$ 5,994	N/A	US\$ 5,994
NextEra Energy Capital Holdings Inc	US\$ 5,989	N/A	US\$ 5,989
Danone SA	US\$ 5,877	N/A	US\$ 5,877
Aspen Insurance Holdings Ltd	US\$ 5,806	N/A	US\$ 5,806
Shell International Finance BV	US\$ 5,805	N/A	US\$ 5,805
Toyota Motor Credit Corp	US\$ 5,780	N/A	US\$ 5,780
Penske Truck Leasing Co Lp / PTL Finance Corp	US\$ 5,669	N/A	US\$ 5,669
Nordea Bank AB	US\$ 5,656	N/A	US\$ 5,656
Bank of New York Mellon Corp/The	US\$ 5,597	N/A	US\$ 5,597
Air Lease Corp	US\$ 5,552	N/A	US\$ 5,552
New York Life Global Funding	US\$ 5,541	N/A	US\$ 5,541
ANZ New Zealand Int 1 Ltd/London	US\$ 5,473	N/A	US\$ 5,473
Banco Santander SA	US\$ 5,418	N/A	US\$ 5,418
Montpelier Re Holdings Ltd	US\$ 5,350	N/A	US\$ 5,350
McCormick & Co Inc/MD	US\$ 5,337	N/A	US\$ 5,337
Manufacturers & Traders Trust Co	US\$ 5,331	N/A	US\$ 5,331
Toronto-Dominion Bank/The	US\$ 5,323	N/A	US\$ 5,323
Amgen Inc	US\$ 5,300	N/A	US\$ 5,300
Jackson National Life Global Funding	US\$ 5,261	N/A	US\$ 5,261
Berkshire Hathaway Finance Corp	US\$ 5,181	N/A	US\$ 5,181
KeyBank NA/Cleveland OH	US\$ 5,151	N/A	US\$ 5,151
UBS AG/Stamford CT	US\$ 5,077	N/A	US\$ 5,077
	US\$ 5,044	N/A	US\$ 5,044

Analog Devices Inc	US\$ 5,016	N/A	US\$ 5,016
International Finance Corp	US\$ 5,000	N/A	US\$ 5,000

(Continued)

September 30, 2017						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (In Thousands)	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)
				Shares/Units (In Thousands)	Percentage of Ownership (%)	(In Thousands)
TSMC Global	Macquarie Group Ltd		Available-for-sale financial assets			US\$ 4,986
	Cox Communications Inc					US\$ 4,962
	Five Corners Funding Trust					US\$ 4,883
	Barclays PLC					US\$ 4,869
	Schlumberger Holdings Corp					US\$ 4,828
	Air Liquide Finance SA					US\$ 4,772
	Fifth Third Bank/Cincinnati OH					US\$ 4,720
	Ontario Teachers Cadillac Fairview Properties Trust					US\$ 4,696
	US Bank NA/Cincinnati OH					US\$ 4,388
	US Bancorp					US\$ 4,322
	Lloyds Bank PLC					US\$ 4,228
	Oaktree Capital Management LP					US\$ 4,228
	Celgene Corp					US\$ 4,221
	BNP Paribas SA					US\$ 4,208
	Exelon Generation Co LLC					US\$ 4,168
	KeyCorp					US\$ 4,089
	Mondelez International Holdings Netherlands BV					US\$ 4,013
	Intel Corp					US\$ 4,003
	Intercontinental Exchange Inc					US\$ 3,992
	Fortive Corp					US\$ 3,988
	AEP Texas Inc					US\$ 3,983
	Edison International					US\$ 3,979
						US\$ 3,919

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Wells Fargo Bank NA			
Ryder System Inc	US\$ 3,837	N/A	US\$ 3,837
Fifth Third Bancorp	US\$ 3,804	N/A	US\$ 3,804
Suncorp-Metway Ltd	US\$ 3,800	N/A	US\$ 3,800
Husky Energy Inc	US\$ 3,784	N/A	US\$ 3,784
Sprint Spectrum Co LLC / Sprint Spectrum Co II LLC / Sprint Spectrum Co III LLC	US\$ 3,741	N/A	US\$ 3,741
Pacific Gas & Electric Co	US\$ 3,639	N/A	US\$ 3,639
Canadian Imperial Bank of Commerce	US\$ 3,615	N/A	US\$ 3,615
Lam Research Corp	US\$ 3,606	N/A	US\$ 3,606
Protective Life Global Funding	US\$ 3,601	N/A	US\$ 3,601
SES GLOBAL Americas Holdings GP	US\$ 3,528	N/A	US\$ 3,528
BAT International Finance PLC	US\$ 3,497	N/A	US\$ 3,497
Aetna Inc	US\$ 3,422	N/A	US\$ 3,422
Credit Agricole SA/London	US\$ 3,393	N/A	US\$ 3,393
Kroger Co/The	US\$ 3,388	N/A	US\$ 3,388
Cigna Corp	US\$ 3,122	N/A	US\$ 3,122
Realty Income Corp	US\$ 3,120	N/A	US\$ 3,120
Anheuser-Busch InBev Worldwide Inc	US\$ 3,067	N/A	US\$ 3,067
Time Warner Inc	US\$ 3,032	N/A	US\$ 3,032
Citibank NA	US\$ 3,002	N/A	US\$ 3,002
Delta Air Lines Class A Pass Through Trust	US\$ 2,900	N/A	US\$ 2,900
Principal Life Global Funding II	US\$ 2,793	N/A	US\$ 2,793
BMW US Capital LLC	US\$ 2,737	N/A	US\$ 2,737
PartnerRe Finance B LLC	US\$ 2,695	N/A	US\$ 2,695
Chevron Corp	US\$ 2,646	N/A	US\$ 2,646
	US\$ 2,569	N/A	US\$ 2,569

Nuveen Finance LLC			
LyondellBasell Industries NV	US\$ 2,547	N/A	US\$ 2,547
Metropolitan Life Global Funding I	US\$ 2,533	N/A	US\$ 2,533
Credit Suisse Group Funding Guernsey Ltd	US\$ 2,509	N/A	US\$ 2,509
Wm Wrigley Jr Co	US\$ 2,501	N/A	US\$ 2,501
Eastman Chemical Co	US\$ 2,460	N/A	US\$ 2,460
Xylem Inc/NY	US\$ 2,453	N/A	US\$ 2,453
Commonwealth Bank of Australia/New York NY	US\$ 2,411	N/A	US\$ 2,411
HSBC USA Inc	US\$ 2,378	N/A	US\$ 2,378
NBCUniversal Media LLC	US\$ 2,364	N/A	US\$ 2,364
EI du Pont de Nemours & Co	US\$ 2,348	N/A	US\$ 2,348

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2017		Fair Value (Foreign Currencies in Thousands) (b)
				Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	
TSMC Global	National Australia Bank Ltd/New York		Available-for-sale financial assets	US\$ 2,331	N/A	US\$ 2,331
	Biogen Inc			US\$ 2,321	N/A	US\$ 2,321
	Simon Property Group LP			US\$ 2,313	N/A	US\$ 2,313
	Bank of Tokyo-Mitsubishi UFJ Ltd/The			US\$ 2,312	N/A	US\$ 2,312
	Kimco Realty Corp			US\$ 2,312	N/A	US\$ 2,312
	Voya Financial Inc			US\$ 2,297	N/A	US\$ 2,297
	Gilead Sciences Inc			US\$ 2,281	N/A	US\$ 2,281
	Digital Realty Trust LP			US\$ 2,262	N/A	US\$ 2,262
	Cintas Corp No 2			US\$ 2,244	N/A	US\$ 2,244
	Inter-American Development Bank			US\$ 2,240	N/A	US\$ 2,240
	ING Groep NV			US\$ 2,237	N/A	US\$ 2,237
	Pricoa Global Funding I			US\$ 2,214	N/A	US\$ 2,214
	ProAssurance Corp			US\$ 2,182	N/A	US\$ 2,182
	Express Scripts Holding Co			US\$ 2,162	N/A	US\$ 2,162
	WR Berkley Corp			US\$ 2,160	N/A	US\$ 2,160
	HCP Inc			US\$ 2,127	N/A	US\$ 2,127
	Sysco Corp			US\$ 2,024	N/A	US\$ 2,024
	Lloyds Banking Group PLC			US\$ 2,019	N/A	US\$ 2,019
	Enel Finance International NV			US\$ 2,016	N/A	US\$ 2,016
	British Telecommunications PLC			US\$ 2,014	N/A	US\$ 2,014
	State Street Corp			US\$ 2,014	N/A	US\$ 2,014
	Johnson Controls International plc			US\$ 2,009	N/A	US\$ 2,009
	Enterprise Products Operating LLC			US\$ 2,006	N/A	US\$ 2,006
	Danske Bank A/S			US\$ 1,974	N/A	US\$ 1,974
	AutoZone Inc			US\$ 1,955	N/A	US\$ 1,955
	Stryker Corp			US\$ 1,955	N/A	US\$ 1,955
	UnitedHealth Group Inc			US\$ 1,951	N/A	US\$ 1,951
				US\$ 1,945	N/A	US\$ 1,945

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Magellan Midstream Partners LP			
Bear Stearns Cos LLC/The	US\$ 1,936	N/A	US\$ 1,936
BPCE SA	US\$ 1,935	N/A	US\$ 1,935
Capital One Financial Corp	US\$ 1,920	N/A	US\$ 1,920
Branch Banking & Trust Co	US\$ 1,894	N/A	US\$ 1,894
Sumitomo Mitsui Banking Corp	US\$ 1,887	N/A	US\$ 1,887
Cooperatieve Rabobank UA/NY	US\$ 1,864	N/A	US\$ 1,864
WestRock RKT Co	US\$ 1,852	N/A	US\$ 1,852
SunTrust Bank/Atlanta GA	US\$ 1,850	N/A	US\$ 1,850
Orange SA	US\$ 1,844	N/A	US\$ 1,844
StanCorp Financial Group Inc	US\$ 1,836	N/A	US\$ 1,836
Australia & New Zealand Banking Group Ltd/New York NY	US\$ 1,804	N/A	US\$ 1,804
Regency Centers LP	US\$ 1,783	N/A	US\$ 1,783
Dominion Energy Gas Holdings LLC	US\$ 1,781	N/A	US\$ 1,781
Alterra Finance LLC	US\$ 1,772	N/A	US\$ 1,772
Alimentation Couche-Tard Inc	US\$ 1,763	N/A	US\$ 1,763
Sumitomo Mitsui Trust Bank Ltd	US\$ 1,700	N/A	US\$ 1,700
Amazon.com Inc	US\$ 1,646	N/A	US\$ 1,646
African Development Bank	US\$ 1,567	N/A	US\$ 1,567
UBS AG/London	US\$ 1,557	N/A	US\$ 1,557
Caterpillar Financial Services Corp	US\$ 1,549	N/A	US\$ 1,549
PSEG Power LLC	US\$ 1,518	N/A	US\$ 1,518
McKesson Corp	US\$ 1,509	N/A	US\$ 1,509
Standard Chartered PLC	US\$ 1,507	N/A	US\$ 1,507
Harley-Davidson Financial Services Inc	US\$ 1,504	N/A	US\$ 1,504
Continental Airlines Class A Pass Through Trust	US\$ 1,501	N/A	US\$ 1,501
Guardian Life Global Funding	US\$ 1,483	N/A	US\$ 1,483
HSBC Bank PLC	US\$ 1,476	N/A	US\$ 1,476
Cisco Systems Inc	US\$ 1,474	N/A	US\$ 1,474

Oesterreichische Kontrollbank AG	US\$ 1,456	N/A	US\$ 1,456
Monongahela Power Co	US\$ 1,440	N/A	US\$ 1,440
Texas Eastern Transmission LP	US\$ 1,406	N/A	US\$ 1,406

(Continued)

September 30, 2017						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)
				Shares/Units (In Thousands)	Percentage of Ownership (%)	(In Thousands)
TSMC Global	Walt Disney Co/The		Available-for-sale financial assets	US\$ 1,397	N/A	US\$ 1,397
	CBOE Holdings Inc			US\$ 1,374	N/A	US\$ 1,374
	Entergy Arkansas Inc			US\$ 1,310	N/A	US\$ 1,310
	International Business Machines Corp			US\$ 1,307	N/A	US\$ 1,307
	Entergy Corp			US\$ 1,293	N/A	US\$ 1,293
	Philip Morris International Inc			US\$ 1,293	N/A	US\$ 1,293
	GATX Corp			US\$ 1,291	N/A	US\$ 1,291
	Visa Inc			US\$ 1,288	N/A	US\$ 1,288
	Eaton Corp			US\$ 1,272	N/A	US\$ 1,272
	Comcast Corp			US\$ 1,270	N/A	US\$ 1,270
	Western Union Co/The			US\$ 1,269	N/A	US\$ 1,269
	Nissan Motor Acceptance Corp Consolidated			US\$ 1,268	N/A	US\$ 1,268
	Edison Inc			US\$ 1,221	N/A	US\$ 1,221
	Sempra Energy			US\$ 1,190	N/A	US\$ 1,190
	American Airlines Class A Pass Through Trust			US\$ 1,172	N/A	US\$ 1,172
	Public Service Enterprise Group Inc			US\$ 1,143	N/A	US\$ 1,143
	Kreditanstalt fuer Wiederaufbau			US\$ 1,141	N/A	US\$ 1,141
	DXC Technology Co			US\$ 1,131	N/A	US\$ 1,131
	ERP Operating LP			US\$ 1,125	N/A	US\$ 1,125
	Wesfarmers Ltd			US\$ 1,096	N/A	US\$ 1,096
	International Paper Co			US\$ 1,091	N/A	US\$ 1,091
	Marsh & McLennan Cos Inc			US\$ 1,089	N/A	US\$ 1,089
	CA Inc			US\$ 1,077	N/A	US\$ 1,077

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Glencore Finance Canada Ltd	US\$ 1,075	N/A	US\$ 1,075
Merck & Co Inc	US\$ 1,057	N/A	US\$ 1,057
EOG Resources Inc	US\$ 1,054	N/A	US\$ 1,054
Commonwealth Edison Co	US\$ 1,050	N/A	US\$ 1,050
Lincoln National Corp	US\$ 1,044	N/A	US\$ 1,044
Athene Global Funding	US\$ 1,041	N/A	US\$ 1,041
Statoil ASA	US\$ 1,025	N/A	US\$ 1,025
Berkshire Hathaway Energy Co	US\$ 1,021	N/A	US\$ 1,021
Macquarie Bank Ltd	US\$ 1,012	N/A	US\$ 1,012
Altera Corp	US\$ 1,011	N/A	US\$ 1,011
Ares Capital Corp	US\$ 1,010	N/A	US\$ 1,010
Home Depot Inc/The	US\$ 1,006	N/A	US\$ 1,006
John Deere Capital Corp	US\$ 1,003	N/A	US\$ 1,003
United Technologies Corp	US\$ 998	N/A	US\$ 998
Georgia-Pacific LLC	US\$ 987	N/A	US\$ 987
Capital One Bank USA NA	US\$ 979	N/A	US\$ 979
Duke Realty LP	US\$ 976	N/A	US\$ 976
National Retail Properties Inc	US\$ 975	N/A	US\$ 975
Bunge Ltd Finance Corp	US\$ 971	N/A	US\$ 971
Exxon Mobil Corp	US\$ 956	N/A	US\$ 956
CenterPoint Energy Resources Corp	US\$ 943	N/A	US\$ 943
Duke Energy Progress LLC	US\$ 943	N/A	US\$ 943
PPL Capital Funding Inc	US\$ 933	N/A	US\$ 933
Coca-Cola Femsa SAB de CV	US\$ 926	N/A	US\$ 926
GlaxoSmithKline Capital Inc	US\$ 923	N/A	US\$ 923
Southern Electric Generating Co	US\$ 903	N/A	US\$ 903
	US\$ 901	N/A	US\$ 901

Lockheed Martin Corp				
CNOOC Finance Ltd	US\$	893	N/A	US\$ 893
Federal Realty Investment Trust	US\$	872	N/A	US\$ 872
Mastercard Inc	US\$	854	N/A	US\$ 854
Consolidated Edison Co of New York Inc	US\$	848	N/A	US\$ 848
Bank of Nova Scotia	US\$	843	N/A	US\$ 843
Huntington Bancshares Inc/OH	US\$	841	N/A	US\$ 841
MetLife Inc	US\$	831	N/A	US\$ 831
Nucor Corp	US\$	821	N/A	US\$ 821
Bank of Montreal	US\$	818	N/A	US\$ 818

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2017		Fair Value (Foreign Currencies) (Thousands)	Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies) (Thousands)		
TSMC Global			Available-for-sale financial assets				
	Pacific Life Corp				US\$ 816	N/A	US\$ 816
	Aon PLC				US\$ 814	N/A	US\$ 814
	AXIS Specialty Finance LLC				US\$ 814	N/A	US\$ 814
	ONEOK Partners LP				US\$ 809	N/A	US\$ 809
	Societe Generale SA				US\$ 808	N/A	US\$ 808
	Manulife Financial Corp				US\$ 805	N/A	US\$ 805
	Activision Blizzard Inc				US\$ 801	N/A	US\$ 801
	State Grid Overseas Investment Ltd				US\$ 798	N/A	US\$ 798
	Spectra Energy Partners LP				US\$ 788	N/A	US\$ 788
	Sinopec Capital Ltd				US\$ 779	N/A	US\$ 779
	AIG Global Funding				US\$ 765	N/A	US\$ 765
	Baidu Inc				US\$ 760	N/A	US\$ 760
	Crown Castle Towers LLC				US\$ 748	N/A	US\$ 748
	CMS Energy Corp				US\$ 743	N/A	US\$ 743
	APT Pipelines Ltd				US\$ 726	N/A	US\$ 726
	Baker Hughes a GE Co LLC				US\$ 722	N/A	US\$ 722
	Duke Energy Progress LLC				US\$ 720	N/A	US\$ 720
	DTE Energy Co				US\$ 719	N/A	US\$ 719
	Norfolk Southern Railway Co				US\$ 717	N/A	US\$ 717
	Regions Financial Corp				US\$ 716	N/A	US\$ 716
	American Honda Finance Corp				US\$ 714	N/A	US\$ 714
	Total Capital International SA				US\$ 706	N/A	US\$ 706
					US\$ 704	N/A	US\$ 704

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Scentre Group Trust 1 / Scentre Group Trust 2			
TTX Co	US\$ 702	N/A	US\$ 702
Rochester Gas & Electric Corp	US\$ 689	N/A	US\$ 689
ING Bank NV	US\$ 679	N/A	US\$ 679
Ohio Power Co	US\$ 668	N/A	US\$ 668
Entergy Gulf States Louisiana LLC	US\$ 656	N/A	US\$ 656
RBC USA Holdco Corp	US\$ 651	N/A	US\$ 651
Georgia Power Co	US\$ 649	N/A	US\$ 649
Grupo Bimbo SAB de CV	US\$ 643	N/A	US\$ 643
Alexandria Real Estate Equities Inc	US\$ 641	N/A	US\$ 641
Texas Instruments Inc	US\$ 639	N/A	US\$ 639
Liberty Property LP	US\$ 636	N/A	US\$ 636
Potash Corp of Saskatchewan Inc	US\$ 633	N/A	US\$ 633
Life Technologies Corp	US\$ 620	N/A	US\$ 620
BOC Aviation Ltd	US\$ 619	N/A	US\$ 619
Daiwa Securities Group Inc	US\$ 618	N/A	US\$ 618
Dr Pepper Snapple Group Inc	US\$ 616	N/A	US\$ 616
Altria Group Inc	US\$ 609	N/A	US\$ 609
ABC Inc	US\$ 604	N/A	US\$ 604
Kimberly-Clark Corp	US\$ 602	N/A	US\$ 602
American Express Co	US\$ 600	N/A	US\$ 600
Host Hotels & Resorts LP	US\$ 595	N/A	US\$ 595
McDonald's Corp	US\$ 588	N/A	US\$ 588
MUFG Union Bank NA	US\$ 585	N/A	US\$ 585
AvalonBay Communities Inc	US\$ 583	N/A	US\$ 583
Mizuho Bank Ltd	US\$ 581	N/A	US\$ 581
	US\$ 577	N/A	US\$ 577

AXIS Specialty Finance PLC			
Boston Properties LP	US\$ 558	N/A	US\$ 558
Bunge Ltd Finance Corp	US\$ 553	N/A	US\$ 553
Weyerhaeuser Co	US\$ 552	N/A	US\$ 552
Caisse Centrale Desjardins	US\$ 550	N/A	US\$ 550
Prudential Financial Inc	US\$ 541	N/A	US\$ 541
O Reilly Automotive Inc	US\$ 538	N/A	US\$ 538
Brambles USA Inc	US\$ 537	N/A	US\$ 537
Southwestern Electric Power Co	US\$ 527	N/A	US\$ 527
TD Ameritrade Holding Corp	US\$ 524	N/A	US\$ 524
Fulton Financial Corp	US\$ 521	N/A	US\$ 521

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2017			Fair Value (Foreign Currencies) in Thousands	Note
				Carrying Value (Foreign Currencies) in Thousands	Percentage of Ownership (%)	Shares/Units in Thousands		
TSMC Global	Regency Centers Corp Burlington Northern Santa Fe LLC		Available-for-sale financial assets	US\$ 516	N/A	US\$ 516		
	Walgreens Boots Alliance Inc			US\$ 508	N/A	US\$ 508		
	ORIX Corp			US\$ 505	N/A	US\$ 505		
	Swedbank AB			US\$ 505	N/A	US\$ 505		
	CBS Corp			US\$ 503	N/A	US\$ 503		
	Halliburton Co			US\$ 500	N/A	US\$ 500		
	MassMutual Global Funding II			US\$ 491	N/A	US\$ 491		
	Comerica Inc			US\$ 475	N/A	US\$ 475		
	Narragansett Electric Co/The CenterPoint Energy Inc			US\$ 472	N/A	US\$ 472		
	Spire Inc			US\$ 470	N/A	US\$ 470		
	Equifax Inc			US\$ 463	N/A	US\$ 463		
	Canadian Pacific Railway Co			US\$ 455	N/A	US\$ 455		
	Texas-New Mexico Power Co			US\$ 445	N/A	US\$ 445		
	Nationwide Building Society			US\$ 442	N/A	US\$ 442		
	Valero Energy Corp			US\$ 438	N/A	US\$ 438		
	TransCanada PipeLines Ltd			US\$ 435	N/A	US\$ 435		
	Woolworths Ltd			US\$ 419	N/A	US\$ 419		
	Blackstone Holdings Finance Co LLC			US\$ 419	N/A	US\$ 419		
	Volkswagen Group of			US\$ 418	N/A	US\$ 418		
				US\$ 400	N/A	US\$ 400		

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America Finance LLC					
Southern Power Co	US\$	399	N/A	US\$	399
IBM Credit LLC	US\$	397	N/A	US\$	397
Aon Corp	US\$	394	N/A	US\$	394
First Niagara Financial Group Inc	US\$	389	N/A	US\$	389
Nationwide Financial Services Inc	US\$	381	N/A	US\$	381
Enbridge Inc	US\$	365	N/A	US\$	365
NetApp Inc	US\$	365	N/A	US\$	365
Deutsche Bank AG	US\$	354	N/A	US\$	354
Phillips 66	US\$	325	N/A	US\$	325
PacifiCorp	US\$	318	N/A	US\$	318
eBay Inc	US\$	306	N/A	US\$	306
Eli Lilly & Co	US\$	296	N/A	US\$	296
BAE Systems Holdings Inc	US\$	293	N/A	US\$	293
Barclays Bank PLC	US\$	293	N/A	US\$	293
Amphenol Corp	US\$	291	N/A	US\$	291
EMD Finance LLC	US\$	282	N/A	US\$	282
Nomura Holdings Inc	US\$	252	N/A	US\$	252
NBCUniversal Enterprise Inc	US\$	251	N/A	US\$	251
Hartford Financial Services Group Inc/The	US\$	239	N/A	US\$	239
Kansas City Power & Light Co	US\$	239	N/A	US\$	239
Protective Life Corp	US\$	231	N/A	US\$	231
WestRock MWV LLC	US\$	228	N/A	US\$	228
Rolls-Royce PLC	US\$	225	N/A	US\$	225
Assurant Inc	US\$	211	N/A	US\$	211
Fidelity National Information Services Inc	US\$	209	N/A	US\$	209

NiSource Finance Corp		US\$ 84	N/A	US\$ 84
JPMorgan Chase & Co.	Held-to-maturity financial assets	US\$ 152,218	N/A	US\$ 154,004
Wells Fargo & Co		US\$ 150,006	N/A	US\$ 152,178
Goldman Sachs Group, Inc.		US\$ 100,000	N/A	US\$ 101,168
Westpac Banking Corp.		US\$ 100,000	N/A	US\$ 100,965
Commonwealth Bank of Australia		US\$ 50,000	N/A	US\$ 50,454
National Australia Bank		US\$ 50,000	N/A	US\$ 50,394
Bank of Nova Scotia		US\$ 49,988	N/A	US\$ 50,365
<u>Government bond</u>				
United States Treasury Note/Bond	Available-for-sale financial assets	US\$ 131,752	N/A	US\$ 131,752
United States Treasury Floating Rate Note		US\$ 87,556	N/A	US\$ 87,556
United States Treasury Bill		US\$ 5,497	N/A	US\$ 5,497
United States Treasury Inflation Indexed Bonds		US\$ 4,645	N/A	US\$ 4,645
Abu Dhabi Government International Bond		US\$ 3,496	N/A	US\$ 3,496

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statements Account	September 30, 2017		Fair Value (Foreign Currencies) in Thousands	Note
				Carrying Value (Foreign Currencies) in Thousands	Percentage of Ownership (%)		
TSMC Global	<u>Agency bonds/Agency mortgage-backed securities</u>						
	Fannie Mae		Available-for-sale financial assets	US\$ 479,755	N/A	US\$ 479,755	
	Freddie Mac			US\$ 223,463	N/A	US\$ 223,463	
	Ginnie Mae			US\$ 107,899	N/A	US\$ 107,899	
	Fannie Mae-Aces			US\$ 6,796	N/A	US\$ 6,796	
	Federal Home Loan Banks			US\$ 6,182	N/A	US\$ 6,182	
	Freddie Mac Multifamily Structured Pass Through Certificates			US\$ 4,080	N/A	US\$ 4,080	
	Export-Import Bank of Korea			US\$ 3,006	N/A	US\$ 3,006	
	Province of Quebec Canada			US\$ 2,585	N/A	US\$ 2,585	
	Export Development Canada			US\$ 2,006	N/A	US\$ 2,006	
	CPPIB Capital Inc			US\$ 1,186	N/A	US\$ 1,186	
	Federal Farm Credit Banks			US\$ 903	N/A	US\$ 903	
	Freddie Mac Strips			US\$ 811	N/A	US\$ 811	
	Fannie Mae Interest Strip			US\$ 250	N/A	US\$ 250	
	Fannie Mae Grantor Trust			US\$ 215	N/A	US\$ 215	
	Fannie Mae Benchmark REMIC			US\$ 173	N/A	US\$ 173	
	Fannie Mae REMIC Trust			US\$ 107	N/A	US\$ 107	
	<u>Negotiable certificate of deposit</u>						
	Bank of China		Held-to-maturity financial assets	US\$ 50,000	N/A	US\$ 50,032	

China Development Bank		US\$ 50,000	N/A	US\$ 50,031
China Construction Bank		US\$ 50,000	N/A	US\$ 50,018
<u>Asset-backed securities</u>				
Citibank Credit Card Issuance Trust	Available-for-sale financial assets	US\$ 39,343	N/A	US\$ 39,343
Chase Issuance Trust		US\$ 29,765	N/A	US\$ 29,765
American Express Credit Account Master Trust		US\$ 29,085	N/A	US\$ 29,085
Discover Card Execution Note Trust		US\$ 23,882	N/A	US\$ 23,882
Capital One Multi-Asset Execution Trust		US\$ 21,568	N/A	US\$ 21,568
Ford Credit Floorplan Master Owner Trust A		US\$ 20,725	N/A	US\$ 20,725
BA Credit Card Trust		US\$ 17,240	N/A	US\$ 17,240
UBS-Barclays Commercial Mortgage Trust		US\$ 13,321	N/A	US\$ 13,321
Toyota Auto Receivables Owner Trust		US\$ 13,145	N/A	US\$ 13,145
COMM Mortgage Trust		US\$ 12,255	N/A	US\$ 12,255
Ford Credit Auto Owner Trust/Ford Credit		US\$ 11,782	N/A	US\$ 11,782
Morgan Stanley Bank of America Merrill Lynch Trust		US\$ 11,069	N/A	US\$ 11,069
Chesapeake Funding II LLC		US\$ 10,676	N/A	US\$ 10,676
JPMCC Commercial Mortgage Securities Trust		US\$ 10,221	N/A	US\$ 10,221

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Mercedes-Benz Master Owner Trust	US\$ 10,054	N/A	US\$ 10,054
Hyundai Auto Lease Securitization Trust	US\$ 8,916	N/A	US\$ 8,916
GM Financial Automobile Leasing Trust	US\$ 8,117	N/A	US\$ 8,117
BANK	US\$ 8,067	N/A	US\$ 8,067
Honda Auto Receivables Owner Trust	US\$ 7,544	N/A	US\$ 7,544
CGDBB Commercial Mortgage Trust	US\$ 7,500	N/A	US\$ 7,500
Nissan Auto Lease Trust	US\$ 7,476	N/A	US\$ 7,476
GS Mortgage Securities Trust	US\$ 7,292	N/A	US\$ 7,292
Citigroup Commercial Mortgage Trust	US\$ 6,862	N/A	US\$ 6,862
JPMBB Commercial Mortgage Securities Trust	US\$ 5,945	N/A	US\$ 5,945
Hyundai Auto Receivables Trust	US\$ 5,612	N/A	US\$ 5,612
Nissan Auto Receivables Owner Trust	US\$ 5,592	N/A	US\$ 5,592
Ford Credit Auto Owner Trust	US\$ 5,542	N/A	US\$ 5,542
Nissan Master Owner Trust Receivables	US\$ 4,005	N/A	US\$ 4,005
Cold Storage Trust	US\$ 3,812	N/A	US\$ 3,812
BMW Vehicle Lease Trust	US\$ 3,723	N/A	US\$ 3,723
Wheels SPV 2 LLC	US\$ 3,664	N/A	US\$ 3,664
Hertz Fleet Lease Funding LP	US\$ 3,496	N/A	US\$ 3,496
Wells Fargo Commercial Mortgage Trust	US\$ 3,261	N/A	US\$ 3,261

GM Financial
Consumer
Automobile
Receivables
Trust

US\$ 3,003	N/A	US\$ 3,003
US\$ 2,880	N/A	US\$ 2,880

CSMC OA LLC

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (In Thousands)	September 30, 2017		Fair Value (Foreign Currencies) (In Thousands)	Note
				Carrying Value (Foreign Currencies) (In Thousands)	Percentage of Ownership (%)		
TSMC Global	Mercedes-Benz Auto Lease Trust		Available-for-sale financial assets	US\$ 2,482	N/A	US\$ 2,482	
	BMW Floorplan Master Owner Trust			US\$ 2,444	N/A	US\$ 2,444	
	WFRBS Commercial Mortgage Trust			US\$ 1,948	N/A	US\$ 1,948	
	CarMax Auto Owner Trust			US\$ 1,942	N/A	US\$ 1,942	
	Ford Credit Auto Lease Trust			US\$ 1,792	N/A	US\$ 1,792	
	Morgan Stanley Capital I Trust			US\$ 1,728	N/A	US\$ 1,728	
	Mercedes-Benz Auto Receivables Trust			US\$ 1,680	N/A	US\$ 1,680	
	CFCRE Commercial Mortgage Trust			US\$ 1,066	N/A	US\$ 1,066	
	Enterprise Fleet Financing LLC			US\$ 940	N/A	US\$ 940	
	280 Park Avenue Mortgage Trust			US\$ 830	N/A	US\$ 830	
	<u>Structure product</u>						
	Bank of Tokyo-Mitsubishi UFJ		Held-to-maturity financial assets	US\$ 50,000	N/A	US\$ 49,727	
	<u>Commercial paper</u>						
	Societe Generale Instl		Available-for-sale financial assets	US\$ 2,000	N/A	US\$ 2,000	
	UBS AG Stamford Branch			US\$ 2,000	N/A	US\$ 2,000	
	Norinchukin Bank			US\$ 2,000	N/A	US\$ 2,000	
	Bank of Tokyo-Mitsubishi UFJ			US\$ 1,000	N/A	US\$ 1,000	
	AXA Financial Inc			US\$ 886	N/A	US\$ 886	
	<u>Fund</u>						
	Primavera Capital Fund II L.P.		Financial assets carried at cost	US\$ 61,554	4	US\$ 61,554	
VTAF III	<u>Common stock</u>						
	LiquidLeds Lighting Corp.		Financial assets carried at cost	1,600 US\$ 800	11	US\$ 800	
	Xenio Corporation			435 US\$ 453	3	US\$ 453	
VTAF III	<u>Preferred stock</u>						
	Neoconix, Inc.		Financial assets carried at cost	4,147 US\$ 170		US\$ 170	

VTAF II	<u>Common stock</u>						
		Financial assets					
	Sentelic	carried at cost	1,806	US\$ 2,607	8	US\$ 2,607	
	5V Technologies, Inc.		963	US\$ 2,168	2	US\$ 2,168	
	Aether Systems, Inc.		1,085	US\$ 339	20	US\$ 339	
	<u>Preferred stock</u>						
		Financial assets					
	Aquantia	carried at cost	4,643	US\$ 4,441	2	US\$ 4,441	
ISDF	<u>Preferred stock</u>						
		Financial assets					
	Sonics, Inc.	carried at cost	230		3		
ISDF II	<u>Common stock</u>						
		Financial assets					
	Sonics, Inc.	carried at cost	278		4		
	<u>Preferred stock</u>						
		Financial assets					
	Sonics, Inc.	carried at cost	264		4		
Growth Fund	<u>Common stock</u>						
		Financial assets					
	Innovium, Inc.	carried at cost	221	US\$ 370		US\$ 370	
	<u>Preferred stock</u>						
		Financial assets					
	Innovium, Inc.	carried at cost	230	US\$ 384		US\$ 384	

(Concluded)

TABLE 4**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Carrying Value	Gross Value
		Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount		
Held-to-maturity financial assets			\$ 1,967,303		\$		\$ 1,310,000	\$	1,310,000
			400,250			400,000			400,000
Held-to-maturity financial assets		865	8,628,176	170	1,695,771	1,035	10,350,000		10,350,000
Investments accounted for using equity method	Subsidiary		6,331,094		754,310				
Prepayments for Investments (Note 2)	Subsidiary				47,623,265				
Available-for-sale financial assets			US\$ 27,973		US\$ 20,157		US\$ 12,500	US\$	12,629
			US\$ 13,332		US\$ 15,734		US\$ 4,417	US\$	4,427
			US\$ 16,819		US\$ 10,167		US\$ 3,302	US\$	3,306
			US\$ 7,390		US\$ 16,555		US\$ 1,900	US\$	1,976
			US\$ 17,059		US\$ 11,167		US\$ 8,943	US\$	9,082
					US\$ 16,945				
			US\$ 7,877		US\$ 10,827		US\$ 1,964	US\$	2,016

	US\$	2,607	US\$	13,738	US\$	854	US\$	862
ey	US\$	11,237	US\$	12,049	US\$	9,018	US\$	8,973
Inc	US\$	1,704	US\$	10,762	US\$	201	US\$	200
ey			US\$	11,681				
			US\$	10,596				
sp	US\$	2,905	US\$	11,279	US\$	5,076	US\$	4,992
M			US\$	10,048	US\$	3,561	US\$	3,548
capital	US\$	7,180	US\$	5,995	US\$	10,552	US\$	10,495
	US\$	11,618			US\$	10,157	US\$	10,069
<u>bond</u>								
Available-for-sale financial assets	US\$	195,285	US\$	233,540	US\$	308,395	US\$	308,911
	US\$	30,756	US\$	171,891	US\$	115,149	US\$	115,059
ting			US\$	13,691	US\$	8,198	US\$	8,197
	US\$	19,349	US\$	8,051	US\$	22,694	US\$	22,840
tion ls			US\$	97,678	US\$	97,712	US\$	97,678

(Continued)

Marketable Securities Type and Name	Financial Statement Account	Nature Relationship	Beginning Balance	Acquisition	Disposal		Gain/Loss Disposal	Share Total
			Shares/Units Thousands	Shares/Units Thousands	Shares/Units Thousands	Carrying Value		
<u>Agency bonds/Agency mortgage-backed securities</u>								
Government National Mortgage Association	Available-for-sale financial assets			US\$ 15,138		US\$ 5	US\$	(5)
FED HM LN PC Pool G07375			US\$ 10	US\$ 12,123	US\$ 378	US\$ 412	US\$	(34)
FNMA Pool AL9718				US\$ 9,841	US\$ 1,178	US\$ 1,334	US\$	(156)
FNMA TBA 30 Yr 4.5				US\$ 34,832	US\$ 27,090	US\$ 27,098	US\$	(8)
FNMA TBA 30 Yr 3.5				US\$ 48,104	US\$ 45,212	US\$ 45,206	US\$	6
GNMA II TBA 30 Yr 4				US\$ 24,662	US\$ 22,466	US\$ 22,453	US\$	13
FNMA TBA 15 Yr 3				US\$ 27,219	US\$ 25,212	US\$ 25,177	US\$	35
GNMA II TBA 30 Yr 3.5				US\$ 26,422	US\$ 26,267	US\$ 26,277	US\$	(10)
FNMA TBA 30 Yr 3				US\$ 57,626	US\$ 57,629	US\$ 57,626	US\$	3
FNMA TBA 30 Yr 4				US\$ 21,721	US\$ 21,726	US\$ 21,721	US\$	5
FNMA TBA 30 Yr 5				US\$ 11,128	US\$ 11,134	US\$ 11,128	US\$	6
GNMA II TBA 30 Yr 3				US\$ 12,544	US\$ 12,541	US\$ 12,544	US\$	(3)
<u>Asset-backed securities</u>								
Citibank Credit Card Issuance Trust	Available-for-sale financial assets		US\$ 22,585	US\$ 20,312	US\$ 3,542	US\$ 3,712	US\$	(170)
Chase Issuance Trust			US\$ 31,276	US\$ 9,059	US\$ 10,607	US\$ 10,606	US\$	1
Discover Card Execution Note Trust			US\$ 23,076	US\$ 14,786	US\$ 13,991	US\$ 14,003	US\$	(12)
Capital One Multi-Asset Execution Trust			US\$ 39,626	US\$ 200	US\$ 18,303	US\$ 18,384	US\$	(81)

Ford Credit Floorplan Master Owner Trust A		US\$ 11,944	US\$ 10,779	US\$ 2,000	US\$ 2,001	US\$	(1)
<u>Fund</u>							
Primavera Capital Fund II L.P.	Financial assets carried at cost	US\$ 23,784	US\$ 37,770				
<u>Stock</u>							
Alchip Technologies Limited	Available-for-sale financial assets	6,581	US\$ 6,387	6,581	US\$ 17,954	US\$ 3,206	US\$ 14,747

Note 1: The ending balance includes the amortization of premium/discount on bonds investments, share of profits/losses of investees and other related adjustment.

Note 2: To lower the hedging cost, in February 2017, the Board of Directors of TSMC approved to inject US\$2,000,000 thousand of capital into TSMC Global. This project was approved by the Investment Commission, Ministry of Economic Affairs, R.O.C. (MOEA). The prepayment for investment was US\$1,570,000 thousand as of September 30, 2017. The total injection was finished in October 2017.

(Concluded)

TABLE 5**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Owner	Relationships of Related Counter-party	Transfer Date	Amount
2, 2016 to 2017	\$ 309,070	Monthly settlement by the construction progress and acceptance	UNITED INTEGRATED SERVICES CO., LTD.		N/A	N/A	N/A	N/A
10, 2016 to 2017	837,466	Monthly settlement by the construction progress and acceptance	Fu Tsu Construction Co., Ltd.		N/A	N/A	N/A	N/A
er 22, 2017	302,620	Monthly settlement by the construction progress and acceptance	Uangyih-Tech Industrial Co., Ltd.		N/A	N/A	N/A	N/A
18, 2017	352,766	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation		N/A	N/A	N/A	N/A
7, 2017 to er 22,	456,622	Monthly settlement by the construction progress and acceptance	Cica-Huntek Chemical Technology Taiwan Co., Ltd		N/A	N/A	N/A	N/A
, 2017 to er 29,	485,131	Monthly settlement by	KEDGE Construction Co., Ltd.		N/A	N/A	N/A	N/A

		the construction progress and acceptance						
2017 to er 6, 2017	1,958,912	Monthly settlement by the construction progress and acceptance	DA CIN Construction Co., Ltd.	N/A	N/A	N/A	N/A	N/A
1, 2017 to 2017	RMB 183,300	Monthly settlement by the construction progress and acceptance	China Construction First Division Group Construction & Development Co., Ltd.	N/A	N/A	N/A	N/A	N/A
2017	RMB 119,027	Monthly settlement by the construction progress and acceptance	Renchong Interior Decoration(Shanghai) Co., Ltd.	N/A	N/A	N/A	N/A	N/A
2017 to 2017	RMB 98,000	Monthly settlement by the construction progress and acceptance	Shanghai Baoye Group Co., Ltd.	N/A	N/A	N/A	N/A	N/A

TABLE 6**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details		Abnormal Transaction	Note	
			Amount	Payment Terms			
			(Foreign Currencies to	% to			
			in Thousands)	Total	Unit Price	Ending	
				Payment Terms	Payment Terms	(For	
						Curren	
						Thous	
MC th erica	Subsidiary	Sales	\$ 453,808,649	63	Net 30 days from invoice date (Note)	Note	\$ 79
C	Associate	Sales	5,230,409	1	Net 30 days from the end of the month of when invoice is issued		
MC jing	Subsidiary	Sales	108,411		Net 30 days from the end of the month of when invoice is issued		
MC na	Subsidiary	Purchases	16,875,817	28	Net 30 days from the end of the month of when invoice is issued		(1
ferTech	Indirect subsidiary	Purchases	6,633,069	11	Net 30 days from the end of the month of when invoice is issued		(1
S	Associate	Purchases	4,417,318	7	Net 30 days from the end of		

MC	Associate	Purchases	3,140,113	5	the month of when invoice is issued Net 30 days from the end of the month of when invoice is issued
C	Associate of TSMC	Sales	653,205		Net 30 days from invoice date
			(US\$ 21,359)		(US\$
tec	Associate of TSMC	Sales	170,423	10	Net 30 days from the end of the month of when invoice is issued

Note: The tenor is 30 days from TSMC's invoice date or determined by the payment terms granted to its clients by TSMC North America.

TABLE 7**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue Amount	Action Taken	Amounts Rec in A Subsequer Period
	TSMC North America	Subsidiary	\$ 80,508,204	50	\$ 4,784,376		\$ 16,344,332
	TSMC Nanjing	Subsidiary	2,761,430	Note 2			
	GUC	Associate	869,302	47			
North America	TSMC	Parent company	158,868	Note 2			
			(US\$ 5,254)				
Japan	TSMC	Parent company	100,418	Note 2			
			(JPY 372,055)				
Global	TSMC	Parent company	7,197,658	Note 2			
			(US\$ 238,026)				
China	TSMC	Parent company	1,694,161	28			
			(RMB 372,403)				
	TSMC Nanjing	The same parent company	13,330,128 (RMB 2,915,984)	Note 2			
	TSMC	The ultimate parent of the Company	233,763	Note 2			
			(US\$ 7,731)				
Tech	TSMC	The ultimate parent of the Company	1,516,376	57			
			(US\$ 50,146)				
Tech	Xintec	Associate of TSMC	144,557	51			

Note 1: The calculation of turnover days excludes other receivables from related parties.

Note 2: The ending balance is primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

TABLE 8**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
				Amount	Percentage of Consolidated Net Revenue or Total Assets
TSMC	TSMC North America	1	Net revenue from sale of goods	\$ 453,808,649	65%
			Receivables from related parties	79,337,055	4%
			Other receivables from related parties	1,171,149	
			Payables to related parties	158,868	
	TSMC Japan	1	Marketing expenses - commission	155,209	
	TSMC Europe	1	Marketing expenses - commission	100,418	
	TSMC Global	1	Short-term loans	328,207	
	TSMC China	1	Purchases	7,197,079	
	TSMC Nanjing	1	Purchases	16,875,817	2%
			Payables to related parties	1,694,161	
Net revenue from sale of goods			108,411		
Proceeds from disposal of property, plant and equipment			2,606,062		
TSMC Canada	1	Other receivables from related parties	2,761,430		
		Research and development expenses	187,833		
		Research and development expenses	1,378,228		

			Payables to related parties	233,763	
WaferTech		1	Purchases	6,633,069	1%
			Payables to related parties	1,516,376	
TSMC China	TSMC Nanjing	3	Other receivables from related parties	13,330,128	1%

Note 1: No. 1 represents the transactions from parent company to subsidiary.

No. 3 represents the transactions between subsidiaries.

Note 2: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

TABLE 9**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2017		Carrying Value (Foreign Currencies in Thousands)	Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
		September 30, 2017 (Foreign Currencies in Thousands)	December 31, 2016 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership		
Portola, British Virgin Islands	Investment activities	\$ 279,830,484	\$ 232,207,219	7	100	\$ 301,083,863	\$ 3,399,812
		Note 3					
Portola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry and other investment activities	31,456,130	31,456,130	988,268	100	50,520,922	1,995,204
Sin-Chu, Taiwan	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the	10,180,677	10,180,677	464,223	28	8,285,386	3,288,081

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	manufacturing and design service of masks						
Singapore	Manufacturing and selling of integrated circuits and other semiconductor devices	5,120,028	5,120,028	314	39	5,329,236	3,278,934
Sin-Chu, Taiwan	Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter	5,005,171	5,005,171	253,120	87	4,531,678	64,620
San Jose, California, U.S.A	Selling and marketing of integrated circuits and other semiconductor devices	333,718	333,718	11,000	100	4,254,408	180,385
Taoyuan, Taiwan	Wafer level chip size packaging and wafer level post passivation interconnection service	1,988,317	1,988,317	111,282	41	2,264,539	(809,657)
Sin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,139,339	482,931
Amsterdam, the Netherlands	Customer service and supporting activities	15,749	15,749		100	401,207	30,152
Arnhem, the Netherlands	Investing in new start-up technology companies	470,505	608,562		98	362,166	135,452
Arnhem, the Netherlands	Investing in new start-up technology companies	1,329,951	1,355,417		98	157,446	(26,099)

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Yokohama, Japan	Customer service and supporting activities	83,760	83,760	6	100	133,446	4,149
Seoul, Korea	Customer service and supporting activities	13,656	13,656	80	100	37,246	1,829
Hamburg, Germany	Selling of solar related products and providing customer service	25,266	25,266	1	100	(22,222)	(14,480)
Delaware, U.S.A	Investing in companies involved in the manufacturing related business in the semiconductor industry	17,748,443	17,748,443		100	26,794,095	1,348,031
		(US\$ 586,939)	(US\$ 586,939)			(US\$ 886,077)	(US\$ 44,131)
Delaware, U.S.A	Engineering support activities	431,874	431,874		100	510,008	309
		(US\$ 14,282)	(US\$ 14,282)			(US\$ 16,866)	(US\$ (3))
Rayman lands	Investing in new start-up technology companies	157,056	157,056	9,299	97	470,726	377,868
		(US\$ 5,194)	(US\$ 5,194)			(US\$ 15,567)	(US\$ 12,476)
Ontario, Canada	Engineering support activities	69,550	69,550	2,300	100	181,028	8,185
		(US\$ 2,300)	(US\$ 2,300)			(US\$ 5,987)	(US\$ 266)
Rayman lands	Investing in new start-up technology companies	14,369	14,369	583	97	502	44
		(US\$ 475)	(US\$ 475)			(US\$ 17)	(US\$ 1)
Rayman lands	Investing in new start-up technology companies	68,394	44,202		100	50,898	(995)
		(US\$ 2,262)	(US\$ 1,462)			(US\$ 1,683)	(US\$ (33))
New Taipei, Taiwan	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	48,181	157,626	4,693	58	(1,348)	(14,914)
		(US\$ 1,593)	(US\$ 5,213)			(US\$ (45))	(US\$ (486))

Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of September 30, 2017	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)
			September 30, 2016	December 31, 2016					
WaferTech	Washington, U.S.A	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	\$	\$	293,637	100	\$ 5,719,532 (US\$ 189,144)	\$ 1,205,705 (US\$ 39,470)	Note 2

Note 1: The share of profits/losses of investee includes the effect of unrealized gross profit on intercompany transactions.

Note 2: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

Note 3: To lower the hedging cost, in February 2017, the Board of Directors of TSMC approved to inject US\$2,000,000 thousand of capital into TSMC Global. This project was approved by the Investment Commission, Ministry of Economic Affairs, R.O.C. (MOEA). The prepayment for investment was US\$1,570,000 thousand as of September 30, 2017. The total injection was finished in October 2017.

TABLE 10**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR NINE MONTHS ENDED SEPTEMBER 30, 2017****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017 (US\$ in Thousands)	Investment Flows Outflow (US\$ in Thousands)	Investment Inflow	Accumulated Outflow of Investment from Taiwan as of September 30, 2017 (US\$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership Pro	S
Manufacturing, investing and government-aided of integrated and other semiconductor	\$ 18,939,667 (RMB 4,502,080)	Note 1	\$ 18,939,667 (US\$ 596,000)	\$	\$	\$ 18,939,667 (US\$ 596,000)	\$ 6,892,771	100%	\$ 7
Manufacturing, investing and government-aided of integrated and other semiconductor	\$ 7,189,510 (RMB 1,530,565)	Note 1	6,435,200 (US\$ 200,000)	754,310 (US\$ 25,000)		7,189,510 (US\$ 225,000)	56,746	100%	
	Accumulated Investment in Mainland China as of September 30, 2017 (US\$ in Thousands)		Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment					
	\$ 26,129,177	\$	119,412,667	Note 3					

(US\$ 821,000) (US\$ 3,596,000)

Note 1: TSMC directly invested US\$596,000 thousand in TSMC China and US\$225,000 thousands in TSMC Nanjing.

Note 2: Amount was recognized based on the reviewed financial statements.

Note 3: As the Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA on August 2016, the upper limit on investment in mainland China pursuant to Principle of investment or Technical Cooperation in Mainland China is not applicable.