

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 16, 2018

**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 2018**

**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 16, 2018

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, 2018 and 2017 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and its subsidiaries (collectively, the Company) as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 Interim Financial Reporting endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 Review of Financial Information Performed by the Independent Auditor of the Entity. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 Interim Financial Reporting endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Mei Yen Chiang and Yu Feng Huang.

Deloitte & Touche

Taipei, Taiwan

Republic of China

November 13, 2018

*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 auditors' 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 auditors' review report and consolidated financial statements shall prevail.*

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 488,732,121	25	\$ 553,391,696	28	\$ 408,077,695	22
Financial assets at fair value through profit or loss (Note 7)	4,057,240		569,751		1,125,668	
Financial assets at fair value through other comprehensive income (Note 8)	99,214,066	5				
Available-for-sale financial assets (Note 9)			93,374,153	5	84,953,011	5
Held-to-maturity financial assets (Note 10)			1,988,385		7,521,216	
Financial assets at amortized cost (Note 11)	11,891,845	1				
Hedging derivative financial assets (Note 13)			34,394		98,879	
Hedging financial assets (Note 13)	124,242					
Notes and accounts receivable, net (Note 14)	127,782,905	7	121,133,248	6	117,649,258	7
Receivables from related parties (Note 34)	1,757,073		1,184,124		1,076,438	
Other receivables from related parties (Note 34)	64,385		171,058		165,929	
Inventories (Note 15 and 38)	105,336,576	5	73,880,747	4	73,893,879	4
Other financial assets (Note 35)	15,178,774	1	7,253,114		5,209,635	
Other current assets (Note 19)	5,084,478		4,222,440		5,090,170	
<b>Total current assets</b>	<b>859,223,705</b>	<b>44</b>	<b>857,203,110</b>	<b>43</b>	<b>704,861,778</b>	<b>38</b>
<b>NONCURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income (Note 8)	5,701,354					
Held-to-maturity financial assets (Note 10)			18,833,329	1	18,899,177	1
Financial assets at amortized cost (Note 11)	7,470,742					

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Financial assets carried at cost (Note 12)			4,874,257		4,986,046	
Investments accounted for using equity method (Note 16)	16,630,670	1	17,861,488	1	17,018,500	1
Property, plant and equipment (Note 17)	1,048,516,835	53	1,062,542,322	53	1,065,756,867	58
Intangible assets (Note 18)	13,989,184	1	14,175,140	1	14,841,399	1
Deferred income tax assets (Note 4)	14,697,325	1	12,105,463	1	11,237,149	1
Refundable deposits	1,968,751		1,283,414		1,241,028	
Other noncurrent assets (Note 19)	1,690,222		2,983,120		2,582,438	
<b>Total noncurrent assets</b>	<b>1,110,665,083</b>	<b>56</b>	<b>1,134,658,533</b>	<b>57</b>	<b>1,136,562,604</b>	<b>62</b>
<b>TOTAL</b>	<b>\$ 1,969,888,788</b>	<b>100</b>	<b>\$ 1,991,861,643</b>	<b>100</b>	<b>\$ 1,841,424,382</b>	<b>100</b>

## LIABILITIES AND EQUITY

### CURRENT LIABILITIES

Short-term loans (Notes 20 and 32)	\$ 73,974,625	4	\$ 63,766,850	3	\$ 54,430,200	3
Financial liabilities at fair value through profit or loss (Note 7)	240,620		26,709		251,212	
Hedging derivative financial liabilities (Note 13)			15,562		7,545	
Hedging financial liabilities (Note 13)	3,750					
Accounts payable	28,733,773	1	28,412,807	1	27,545,477	1
Payables to related parties (Note 34)	1,571,303		1,656,356		1,442,029	
Salary and bonus payable	11,937,583	1	14,254,871	1	12,304,052	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 24 and 31)	17,789,768	1	23,419,135	1	17,067,133	1
Payables to contractors and equipment suppliers	58,590,057	3	55,723,774	3	47,975,461	3
Income tax payable (Note 4)	39,157,673	2	33,479,311	2	20,663,395	1
Provisions (Note 21)			13,961,787	1	14,123,509	1
Long-term liabilities - current portion (Note 22)	34,900,000	2	58,401,122	3	59,071,057	3
Accrued expenses and other current liabilities (Notes 23, 25, 32 and 34)	54,731,050	3	65,588,396	3	43,641,234	2
<b>Total current liabilities</b>	<b>321,630,202</b>	<b>17</b>	<b>358,706,680</b>	<b>18</b>	<b>298,522,304</b>	<b>16</b>

### NONCURRENT LIABILITIES

Bonds payable (Notes 22 and 32)	56,900,000	3	91,800,000	5	91,800,000	5
Long-term bank loans					14,520	
Deferred income tax liabilities (Note 4)	254,887		302,205		120,360	
Net defined benefit liability (Note 4)	8,788,142		8,850,704	1	8,574,626	
Guarantee deposits (Notes 23 and 32)	4,445,580		7,586,790		9,243,250	1
Others	2,039,976		1,855,621		1,736,633	



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Total noncurrent liabilities	72,428,585	3	110,395,320	6	111,489,389	6
Total liabilities	394,058,787	20	469,102,000	24	410,011,693	22
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 24)	259,303,805	13	259,303,805	13	259,303,805	14
Capital surplus (Note 24)	56,311,659	3	56,309,536	3	56,281,271	3
Retained earnings (Note 24)						
Appropriated as legal capital reserve	276,033,811	14	241,722,663	12	241,722,663	13
Appropriated as special capital reserve	26,907,527	1				
Unappropriated earnings	974,796,321	50	991,639,347	49	892,598,197	49
	1,277,737,659	65	1,233,362,010	61	1,134,320,860	62
Others (Note 24)	(18,181,209)	(1)	(26,917,818)	(1)	(19,189,089)	(1)
Equity attributable to shareholders of the parent	1,575,171,914	80	1,522,057,533	76	1,430,716,847	78
NON - CONTROLLING INTERESTS	658,087		702,110		695,842	
Total equity	1,575,830,001	80	1,522,759,643	76	1,431,412,689	78
TOTAL	\$ 1,969,888,788	100	\$ 1,991,861,643	100	\$ 1,841,424,382	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			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE								
(Notes 25, 34 and 40)	\$ 260,347,882	100	\$ 252,107,345	100	\$ 741,703,364	100	\$ 699,876,957	100
COST OF REVENUE (Notes 15, 31, 34 and 38)	136,967,039	53	126,230,664	50	381,759,723	51	343,761,367	49
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	123,380,843	47	125,876,681	50	359,943,641	49	356,115,590	51
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	(14,203)		3,467		(188,528)		(37,152)	
GROSS PROFIT	123,366,640	47	125,880,148	50	359,755,113	49	356,078,438	51
OPERATING EXPENSES (Notes 31 and 34)								
Research and development	21,886,199	8	21,045,439	8	62,206,346	8	59,515,288	8
General and administrative	4,656,730	2	5,003,679	2	14,579,032	2	15,178,441	2
Marketing	1,585,523		1,487,598	1	4,511,592	1	4,366,284	1
	28,128,452	10	27,536,716	11	81,296,970	11	79,060,013	11

Total operating  
expenses

OTHER OPERATING INCOME AND EXPENSES, NET (Note 31)	6,993		(286,999)		(1,957,870)	(1)	(354,201)	
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INCOME FROM OPERATIONS (Note 40)	95,245,181	37	98,056,433	39	276,500,273	37	276,664,224	40
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#### NON-OPERATING INCOME AND EXPENSES

Share of profits of associates	997,827		751,618		1,946,111		2,036,879	
Other income (Note 26)	3,817,473	1	2,128,556	1	10,701,950	2	6,859,745	1
Foreign exchange gain (loss), net (Note 39)	444,202		(462,310)		2,097,838		(914,048)	
Finance costs (Note 27)	(739,068)		(843,214)		(2,175,318)		(2,499,791)	
Other gains and losses, net (Note 28)	(868,673)		887,081		(2,642,683)		2,311,121	

Total non-operating income and expenses	3,651,761	1	2,461,731	1	9,927,898	2	7,793,906	1
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INCOME BEFORE INCOME TAX	98,896,942	38	100,518,164	40	286,428,171	39	284,458,130	41
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INCOME TAX EXPENSE (Notes 4 and 29)	9,798,870	4	10,568,936	4	35,249,150	5	40,617,342	6
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NET INCOME	89,098,072	34	89,949,228	36	251,179,021	34	243,840,788	35
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#### OTHER COMPREHENSIVE INCOME (LOSS) (Notes 24 and 29)

Items that will not be  
reclassified  
subsequently to profit  
or loss:

Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(418,111)				(1,306,987)			
Gain on hedging instruments	8,544				23,887			
Share of other comprehensive loss of associates	(9,719)				(4,106)			
Income tax benefit related to items that will not be reclassified subsequently	30,458				66,843			
	(388,828)				(1,220,363)			
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	(3,457,786)	(1)	(882,654)	(1)	10,375,886	1	(20,772,474)	(3)
Changes in fair value of available-for-sale financial assets			(43,684)				(108,757)	
Cash flow hedges			19,522				38,519	
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(30,572)				(1,040,342)			
Share of other comprehensive income (loss) of associates	(3,820)		1,710		73,283		(56,920)	
Income tax benefit related to items that may be reclassified subsequently			1,192				53,633	
	(3,492,178)	(1)	(903,914)	(1)	9,408,827	1	(20,845,999)	(3)
Other comprehensive income (loss) for the	(3,881,006)	(1)	(903,914)	(1)	8,188,464	1	(20,845,999)	(3)

period, net of income  
tax

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 85,217,066	33	\$ 89,045,314	35	\$ 259,367,485	35	\$ 222,994,789	32
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NET INCOME  
ATTRIBUTABLE  
TO:

Shareholders of the parent	\$ 89,071,628	34	\$ 89,925,437	36	\$ 251,146,789	34	\$ 243,825,354	35
Non-controlling interests	26,444		23,791		32,232		15,434	

	\$ 89,098,072	34	\$ 89,949,228	36	\$ 251,179,021	34	\$ 243,840,788	35
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TOTAL  
COMPREHENSIVE  
INCOME  
ATTRIBUTABLE  
TO:

Shareholders of the parent	\$ 85,190,350	33	\$ 89,029,620	35	\$ 259,332,283	35	\$ 222,984,427	32
Non-controlling interests	26,716		15,694		35,202		10,362	

	\$ 85,217,066	33	\$ 89,045,314	35	\$ 259,367,485	35	\$ 222,994,789	32
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(Continued)

**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)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Income Attributable to Shareholders of the Parent</b>		<b>Income Attributable to Shareholders of the Parent</b>	
<b>EARNINGS PER SHARE (NT\$, Note 30)</b>				
Basic earnings per share	\$ 3.44	\$ 3.47	\$ 9.69	\$ 9.40
Diluted earnings per share	\$ 3.44	\$ 3.47	\$ 9.69	\$ 9.40

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

(Concluded)

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**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			
Legal Capital Reserve	Retained Earnings		Total	Foreign	Unrealized	Unrealized	Cash	Unrealized
	Special Capital Reserve	Unappropriated Earnings		Currency Translation Reserve	Gain (Loss) from Financial Assets	Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Flow Hedges Reserve	Gain (Loss) on Hedging Instruments
722,663	\$	\$ 991,639,347	\$ 1,233,362,010	\$ (26,697,680)	\$ (214,074)	\$	\$ 4,226	\$
		1,556,319	1,556,319		214,074	(524,915)	(4,226)	4,226
722,663		993,195,666	1,234,918,329	(26,697,680)		(524,915)		4,226
311,148		(34,311,148)						
	26,907,527	(26,907,527)						
		(207,443,044)	(207,443,044)					

311,148 26,907,527 (268,661,719) (207,443,044)

251,146,789 251,146,789

10,448,911 (2,287,670) 24,253

251,146,789 251,146,789 10,448,911 (2,287,670) 24,253

(884,415) (884,415) 884,415

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4,4



033,811 \$ 26,907,527 \$ 974,796,321 \$ 1,277,737,659 \$ (16,248,769) \$ (1,928,170) \$ 1,543 \$ (5,8

297,945 \$ 863,710,224 \$ 1,072,008,169 \$ 1,661,237 \$ 2,641 \$ 105 \$

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243,825,354 243,825,354 (20,831,019) (43,804) 33,896

(12,1

722,663 \$ \$ 892,598,197 \$ 1,134,320,860 \$ (19,169,782) \$ (41,163) \$ \$ 34,001 \$ \$ (12,1

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

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

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 286,428,171	\$ 284,458,130
Adjustments for:		
Depreciation expense	213,318,950	186,131,944
Amortization expense	3,197,428	3,197,293
Reversal of expected credit losses on investments in debt instruments	(2,279)	
Finance costs	2,175,318	2,499,791
Share of profits of associates	(1,946,111)	(2,036,879)
Interest income	(10,543,592)	(6,714,157)
Loss on disposal or retirement of property, plant and equipment, net	789,005	251,319
Gain on disposal of intangible assets, net	(436)	
Impairment loss on property, plant and equipment	488,336	
Impairment loss on intangible assets		13,520
Impairment loss on financial assets		15,941
Loss on financial instruments at fair value through profit or loss, net	244,799	
Loss on disposal of investments in debt instruments at fair value through other comprehensive income, net	774,784	
Gain on disposal of available-for-sale financial assets, net		(266,986)
Gain on disposal of financial assets carried at cost, net		(12,809)
Unrealized gross profit on sales to associates	188,528	37,152
Loss (gain) on foreign exchange, net	1,863,969	(6,624,087)
Dividend income	(158,358)	(145,588)
Loss arising from fair value hedges, net	2,494	32,058
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	639,804	5,260,911
Notes and accounts receivable, net	(10,902,779)	5,990,086
Receivables from related parties	(572,949)	(106,879)
Other receivables from related parties	106,673	(19,141)
Inventories	(31,475,575)	(25,211,646)
Other financial assets	(5,641,723)	604,831
Other current assets	(247,466)	(1,639,813)
Other noncurrent assets	139,107	(890,881)
Accounts payable	341,340	1,452,987
Payables to related parties	(85,053)	179,855
Salary and bonus payable	(2,317,288)	(1,377,765)

Accrued profit sharing bonus to employees and compensation to directors and supervisors	(5,629,367)	(5,826,873)
Accrued expenses and other current liabilities	(24,443,396)	9,167,145
Provisions		(3,899,652)
Net defined benefit liability	(62,562)	23,218
Cash generated from operations	416,669,772	444,543,025
Income taxes paid	(32,088,012)	(63,351,167)
Net cash generated by operating activities	384,581,760	381,191,858

(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	
	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Financial instruments at fair value through profit or loss - debt instruments	\$ (306,309)	\$
Financial assets at fair value through other comprehensive income	(72,383,276)	
Available-for-sale financial assets		(66,661,656)
Held-to-maturity financial assets		(1,695,771)
Financial assets carried at cost		(1,190,157)
Property, plant and equipment	(201,476,971)	(269,408,108)
Intangible assets	(2,940,549)	(3,677,303)
Proceeds from disposal or redemption of:		
Financial instruments at fair value through profit or loss - debt instruments	286,248	
Financial assets at fair value through other comprehensive income	63,929,332	
Available-for-sale financial assets		45,952,054
Held-to-maturity financial assets		12,510,000
Financial assets at amortized cost	2,032,442	
Financial assets carried at cost		58,237
Property, plant and equipment	135,507	253,267
Intangible assets	492	
Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income	127,878	
Proceeds from return of capital of financial assets carried at cost		14,828
Derecognition of hedging derivative financial instruments		(35,790)
Derecognition of hedging financial instruments	199,730	
Interest received	10,612,192	6,776,756
Proceeds from government grants - property, plant and equipment		436,587
Other dividends received	158,358	145,588
Dividends received from investments accounted for using equity method	3,262,910	4,245,772
Refundable deposits paid	(2,227,335)	(1,084,028)
Refundable deposits refunded	1,581,399	247,027
Net cash used in investing activities	(197,007,952)	(273,112,697)

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

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	\$ 9,626,705	\$ (290,110)
Repayment of bonds	(58,024,900)	(38,100,000)
Repayment of long-term bank loans		(7,260)
Interest paid	(2,796,082)	(2,907,017)
Guarantee deposits received	1,253,537	4,400,240
Guarantee deposits refunded	(1,947,272)	(6,810,329)
Cash dividends	(207,443,044)	(181,512,663)
Donation from shareholders	46	
Decrease in non-controlling interests	(77,202)	(114,624)
<b>Net cash used in financing activities</b>	<b>(259,408,212)</b>	<b>(225,341,763)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>7,174,829</b>	<b>(15,913,536)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(64,659,575)</b>	<b>(133,176,138)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>553,391,696</b>	<b>541,253,833</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 488,732,121</b>	<b>\$ 408,077,695</b>

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, 2018 and 2017**

**(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 13, 2018.

**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 did not have a significant effect on TSMC and its subsidiaries (collectively as the Company) accounting policies:

- 1) IFRS 9 Financial Instruments and related amendment



IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement , with consequential amendments to IFRS 7 Financial Instruments: Disclosures and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets and financial liabilities

The Company elects not to restate prior reporting period when applying the requirements for the classification, measurement and impairment of financial assets and financial liabilities under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application.

The impact on measurement categories, carrying amount and related reconciliation for each class of the Company's financial assets and financial liabilities when retrospectively applying IFRS 9 on January 1, 2018 is detailed below:

	Measurement Category		Carrying Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Financial Assets					
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 553,391,696	\$ 553,391,696	(1)
Derivatives	Held for trading	Mandatorily at fair value through profit or loss (FVTPL)	569,751	569,751	
	Hedging instruments	Hedging instruments	34,394	34,394	
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI)	7,422,311	8,389,438	(2)
Debt securities	Available-for-sale	Mandatorily at FVTPL		779,489	(3)
		FVTOCI	90,826,099	90,046,610	(3)
	Held-to-maturity	Amortized cost	20,821,714	20,813,462	(4)
Notes and accounts receivable (including related parties), other receivables and refundable deposits	Loans and receivables	Amortized cost	131,024,958	131,269,731	(1)
Financial Liabilities					
Derivatives	Held for trading	Held for trading	26,709	26,709	
	Hedging instruments	Hedging instruments	15,562	15,562	
Short-term loans, accounts payable (including related parties), payables to contractors and equipment suppliers, accrued expenses and other current liabilities, bonds payable and guarantee deposits	Amortized cost	Amortized cost	340,501,266	340,501,266	

Carrying Amount as of December 31, 2017 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS)	Retained Earnings Effect on January 1, 2018	Other Equity Note Effect on January 1, 2018
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	9)			2018		
Financial Assets						
FVTPL	\$ 569,751	\$	\$	\$ 569,751	\$	\$
- Debt instruments						
Add: From available for sale		779,489		779,489	(10,085)	10,085 (3)
	569,751	779,489		1,349,240	(10,085)	10,085
FVTOCI						
- Equity instruments						
Add: From available for sale		7,422,311	967,127	8,389,438	1,294,528	(325,858) (2)
- Debt instruments						
Add: From available for sale		90,046,610		90,046,610	(30,658)	30,658 (3)
		97,468,921	967,127	98,436,048	1,263,870	(295,200)
Amortized cost						
Add: From held to maturity		20,821,714	(8,252)	20,813,462	(8,252)	(4)
Add: From loans and receivables		684,416,654	244,773	684,661,427	244,773	(1)
		705,238,368	236,521	705,474,889	236,521	
Hedging instruments						
	34,394			34,394		
Total	\$ 604,145	\$ 803,486,778	\$ 1,203,648	\$ 805,294,571	\$ 1,490,306	\$ (285,115)

	Carrying		Carrying		Retained	Other	
	Amount as		Amount as		Earnings	Equity	
	of		of		Effect		
	December 31,		January 1,		on	Effect on	
	2017		2018		January 1,	January 1,	
					2018	2018	Note
	(IAS 39)	Adjustments Arising from Initial Application	(IFRS 9)				
Investments accounted for using equity method	\$ 17,861,488	\$ 8,258	\$ 17,869,746	\$ 33,984	\$ (25,726)	(5)	



- (1) Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of future 12-month or lifetime expected credit loss under IFRS 9. As a result of retrospective application, the adjustments would result in a decrease in loss allowance for accounts receivable of NT\$244,773 thousand and an increase in retained earnings of NT\$244,773 thousand on January 1, 2018.
- (2) As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company elected to designate all of these investments as at FVTOCI under IFRS 9. As a result, the related other equity-unrealized gain or loss on available-for-sale financial assets of NT\$228,304 thousand is reclassified to increase other equity-unrealized gain or loss on financial assets at FVTOCI.

As equity investments previously measured at cost under IAS 39 are remeasured at fair value under IFRS 9, the adjustments would result in an increase in financial assets at FVTOCI of NT\$967,127 thousand, an increase in other equity-unrealized gain or loss on financial assets at FVTOCI of NT\$968,670 thousand and a decrease in non-controlling interests of NT\$1,543 thousand on January 1, 2018.

For those equity investments previously classified as available-for-sale financial assets (including measured at cost financial assets) under IAS 39, the impairment losses that the Company had recognized have been accumulated in retained earnings. Since these investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, the adjustments would result in a decrease in other equity-unrealized gain or loss on financial assets at FVTOCI of NT\$1,294,528 thousand and an increase in retained earnings of NT\$1,294,528 thousand on January 1, 2018.

- (3) Debt investments were previously classified as available-for-sale financial assets under IAS 39. Under IFRS 9, except for debt instruments of NT\$779,489 thousand whose contractual cash flows are not solely payments of principal and interest on the principal outstanding and therefore are classified as at FVTPL with the related other equity-unrealized gain or loss on available-for-sale financial assets of NT\$10,085 thousand being consequently reclassified to decrease retained earnings, the remaining debt investments are classified as at FVTOCI with assessment of future 12-month expected credit loss because these investments are held within a business model whose objective is both to collect the contractual cash flows and sell the financial assets. The related other equity-unrealized gain or loss on available-for-sale financial assets of NT\$434,403 thousand is reclassified to decrease other equity-unrealized gain or loss on financial assets at FVTOCI. As a result of retrospective application of future 12-month expected credit loss, the adjustments would result in an increase in other equity-unrealized gain or loss on financial assets at FVTOCI of NT\$30,658 thousand and a decrease in retained earnings of NT\$30,658 thousand on January 1, 2018.
- (4) Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 are classified as measured at amortized cost with assessment of future 12-month expected credit loss under IFRS 9 because the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows. As a result of retrospective application of future 12-month expected credit loss, the adjustments would result in an increase in loss allowance of NT\$8,252 thousand and a decrease in retained earnings of

NT\$8,252 thousand on January 1, 2018.

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- (5) With the retrospective adoption of IFRS 9 by associates accounted for using equity method, the corresponding adjustments made by the Company would result in an increase in investments accounted for using equity method of NT\$8,258 thousand, a decrease in other equity- unrealized gain or loss on financial assets at FVTOCI of NT\$23,616 thousand, a decrease in other equity- unrealized gain or loss on available-for-sale financial assets of NT\$2,110 thousand and an increase in retained earnings of NT\$33,984 thousand on January 1, 2018.

#### Hedge accounting

The Company prospectively applies the requirements for hedge accounting upon initial application of IFRS 9. In addition, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging starting 2018.

#### 2) IFRS 15 Revenue from Contracts with Customers and related amendments

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. Please refer to Note 4 for information relating to the relevant accounting policies.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not completed on January 1, 2018 and elected not to restate prior reporting period with the cumulative effect of the initial application recognized at the date of initial application.

The impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 is detailed below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Carrying Amount as of January 1, 2018 (IFRS 15)</b>	<b>Note</b>
	<b>(IAS 18 and Revenue-related Interpretations)</b>			
Inventories	\$ 73,880,747	\$ (19,746)	\$ 73,861,001	(1)
Contract assets		34,177	34,177	(1)
Investments accounted for using equity method	17,861,488	19,483	17,880,971	(1)
Total effect on assets		\$ 33,914		
Provisions - current	13,961,787	\$ (13,961,787)		(2)
Accrued expenses and other current liabilities	65,588,396	13,961,787	79,550,183	(2)
Total effect on liabilities		\$		
Retained earnings	1,233,362,010	\$ 32,029	1,233,394,039	(1)
Non-controlling interests	702,110	1,885	703,995	(1)

Total effect on equity	\$	33,914
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- (1) Prior to the application of IFRS 15, the Company recognizes revenue based on the accounting treatment of the sales of goods. Under IFRS 15, certain subsidiaries and associates accounted for using equity method will change to recognize revenue over time because customers are deemed to have control over the products when the products are manufactured. As a result, the Company will recognize contract assets (classified under other current assets) and adjust related assets and equity accordingly.
- (2) Prior to the application of IFRS 15, the Company recognized the estimation of sales returns and allowance as provisions. Under IFRS 15, the Company recognizes such estimation as refund liability (classified under accrued expenses and other current liabilities).

The following table shows the amount affected in the current period by the application of IFRS 15 as compared to IAS 18:

Impact on Assets, Liabilities and Equity

	<b>September 30,</b>
	<b>2018</b>
Decrease in inventories	\$ (22,885)
Increase in contract assets	45,142
Increase in investments accounted for using equity method	50,474
Total effect on assets	\$ 72,731
Decrease in provisions - current	\$ (18,783,350)
Increase in accrued expenses and other current liabilities	18,783,047
Increase in income tax payable	4,512
Total effect on liabilities	\$ 4,209
Increase in retained earnings	\$ 66,165
Increase in non-controlling interests	2,357
Total effect on equity	\$ 68,522

Impact on Total Comprehensive Income

	<b>Three Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2018</b>
Increase in net revenue	\$ 13,081	\$ 45,445
Increase in cost of revenue	(5,520)	(22,885)
Increase in share of the profit or loss of associates	14,497	50,474

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Increase in income tax expense	(1,512)	(4,512)
Increase in net income for the period	\$ 20,546	\$ 68,522
Increase in net income/total comprehensive income attributable to:		
Shareholders of the parent	\$ 19,756	\$ 66,165
Non-controlling interests	790	2,357
	\$ 20,546	\$ 68,522

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3) Please refer to Note 32 for the disclosure of amendment to IAS 7 Disclosure Initiative

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2019 and the IFRSs issued by IASB and endorsed by FSC with effective date starting 2019

**New, Amended or Revised Standards and Interpretations**

(the New IFRSs )

**Effective Date  
Announced by IASB (Note 1)**

Annual Improvements to IFRSs 2015-2017 Cycle

January 1, 2019

Amendments to IFRS 9 Prepayment Features with Negative Compensation

January 1, 2019 (Note 2)

IFRS 16 Leases

January 1, 2019

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

January 1, 2019 (Note 3)

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after 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.

Upon initial application of IFRS 16, if the Company is a lessee, it will 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. In the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on the right-of-use asset and interest expense accrued on the lease liability under cost of revenue/operating expenses and finance costs, respectively; 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 will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

Under initial application of IFRS 16, the Company anticipates applying retrospectively with the cumulative effect of this standard at the date of initial application, comparative information will not be restated. As of the date the accompanying consolidated financial statements were issued, the related effect will be disclosed when the Company completes the evaluation.

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- 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 3 Definition of a Business	January 1, 2020 (Note 1)
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
Amendments to IAS 1 and IAS 8 Definition of Material	January 1, 2020 (Note 2)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 aforementioned 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, 2017.

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, 2017.

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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, 2018	December 31, 2017	September 30, 2017	
a	Selling and marketing of integrated circuits and other semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
pe	Customer service and supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)
a MC	Customer service and supporting activities	Yokohama, Japan	100%	100%	100%	a)
a MC	Customer service and supporting activities	Seoul, Korea	100%	100%	100%	a)
ers,	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)
al,	Investment activities	Tortola, British Virgin Islands	100%	100%	100%	
a imited (a)	Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices	Shanghai, China	100%	100%	100%	
ng imited (ing)	Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices	Nanjing, China	100%	100%	100%	b)
s d. (a)	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%	
a d II, (II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
a d III,	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)

III)						
H	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%	100%	a) , c)
t, Inc.	Investing in companies involved in the manufacturing related business in the semiconductor industry	Delaware, U.S.A.	100%	100%	100%	
t)	Engineering support activities	Delaware, U.S.A.	100%	100%	100%	a)
Inc.						
gn	Engineering support activities	Ontario, Canada	100%	100%	100%	a)
ada)						
or	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a) , d)
t						
SDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a) , d)
or						
t						
SDF						
LLC	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	100%	
Co.,	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	New Taipei, Taiwan	39%	39%	58%	a), e)
-Pak)						
l	Investing in new start-up technology companies	Cayman Islands	100%	100%	100%	a)
owth						

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

Note b: Under the investment agreement entered into with the municipal government of Nanjing, China, 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.

Note c: TSMC Solar Europe GmbH is under liquidation procedures.

Note d: ISDF and ISDF II are under liquidation procedures.

Note e: Starting December 2017, the Company no longer had the majority of voting power and control over Mutual-Pak. As a result, Mutual-Pak is no longer consolidated and is accounted for using the equity method.

## Financial Assets



The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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a. Category of financial assets and measurement  
2018

Financial assets are classified into the following categories: financial assets at FVTPL, investments in debt instruments and equity instruments at FVTOCI, and financial assets at amortized cost.

1) Financial asset at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset.

2) Investments in debt instruments at FVTOCI

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of collecting contractual cash flows and selling the financial assets, are measured at FVTOCI.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the Company's right clearly represent a recovery of part of the cost of the investment.

4) Measured at amortized cost

Cash and cash equivalents, debt instrument investments, notes and accounts receivable (including related parties), other receivables and refundable deposits are measured at amortized cost.

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of holding financial assets in order to collect contractual cash flows, are measured at amortized cost.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss.

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2017

Financial assets are classified into the following specified categories: Financial assets at FVTPL, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables.

1) Financial asset at FVTPL

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Interest income from available-for-sale monetary financial assets and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

3) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those

loans and receivables with immaterial discounted effect.

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b. Impairment of financial assets

2018

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and for investments in debt instruments that are measured at FVTOCI.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the year.

In respect of available-for-sale equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to the recognition of an impairment loss is recognized in other comprehensive income and accumulated under the heading of unrealized gains or losses from available-for-sale financial assets.



For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

c. Derecognition of financial assets

2018

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2017

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

**Hedge Accounting**

a. Fair value hedges

The Company designates certain hedging instruments, such as interest rate futures contracts, to partially hedge against the price risk caused by changes in interest rates in the Company's investments in fixed income securities as fair value hedge. Changes in the fair value of hedging instrument that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset that are attributable to the hedged risk.



b. Cash flow hedges

The Company designates certain hedging instruments, such as forward exchange contracts and foreign currency deposits, to partially hedge its foreign exchange rate risks associated with certain highly probable forecast transactions (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.

2018

The Company prospectively discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance when the hedging instrument expires or is sold, terminated or exercised.

2017

Hedge accounting was discontinued prospectively when the Company revoked the designated hedging relationship, when the hedging instrument expired or was sold, terminated, or exercised; or no longer met the criteria for hedge accounting.

**Revenue Recognition**

2018

The Company identifies the contract with the customers, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer's specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities, which is classified under accrued expenses and other current liabilities.

In principle, 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. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits associated with the transaction will flow to the Company; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In principle, 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. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

### Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **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. When tax rate changes during the interim period, the effect of the change in tax rate relating to transactions recognized outside scope of profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is incorporated into estimation of the average annual income tax rate, with corresponding effect recognized throughout the interim periods.

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

Except for the following paragraphs, 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, 2017.

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For Level 3 fair value measurement on equity investments, the Company determines the estimated fair value by selecting appropriate valuation methods primarily based on investees' financial positions, operation results and recent financing activities, the market transaction prices of the similar investments, market conditions and the required discount factors. As such, the estimated fair value may be different from the actual disposal price in the future. The Company reassesses the fair value measurement quarterly based on the market conditions to ensure the appropriateness of the fair value measurement.

Please refer to Note 33 for information about the valuation techniques and inputs used in determining the fair value of various investments.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash and deposits in banks	\$ 486,951,934	\$ 551,919,770	\$ 406,922,229
Repurchase agreements collateralized by corporate bonds	1,536,900		
Commercial paper	243,287	695,901	120,831
Agency bonds		776,025	1,034,635
	\$ 488,732,121	\$ 553,391,696	\$ 408,077,695

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, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Mandatorily measured at FVTPL			
Agency mortgage-backed securities	\$ 3,927,700	\$	\$
Forward exchange contracts	129,540		
	4,057,240		
Held for trading			
Forward exchange contracts		569,751	57,395
Designated as at FVTPL			
Time deposit			1,068,273

\$ 4,057,240      \$ 569,751      \$ 1,125,668

## Financial liabilities

Held for trading

Forward exchange contracts	\$ 240,620	\$ 26,709	\$ 212,135
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Cross currency swap contracts	39,077
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\$	240,620	\$	26,709	\$	251,212
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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:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<b><u>September 30, 2018</u></b>		
Sell NT\$/Buy EUR	October 2018 to November 2018	NT\$11,839,127/EUR331,000
Sell NT\$/Buy JPY	October 2018 to November 2018	NT\$7,030,043/JPY25,504,229
Sell US\$/Buy NT\$	October 2018 to November 2018	US\$555,500/NT\$17,039,496
Sell US\$/Buy EUR	October 2018	US\$233,273/EUR198,632
Sell US\$/Buy JPY	October 2018	US\$114,008/JPY12,869,738
Sell US\$/Buy RMB	October 2018	US\$345,000/RMB2,369,777
Sell RMB/Buy US\$	October 2018	RMB714,250/ US\$104,000
<b><u>December 31, 2017</u></b>		
Sell NT\$/Buy EUR	January 2018 to February 2018	NT\$6,002,786/EUR169,000
Sell NT\$/Buy JPY	February 2018	NT\$996,294/JPY3,800,000
Sell US\$/Buy JPY	January 2018	US\$2,191/JPY246,724
Sell US\$/Buy RMB	January 2018	US\$558,000/RMB3,679,575
Sell US\$/Buy NT\$	January 2018 to February 2018	US\$1,661,500/NT\$49,673,320
Sell RMB /Buy EUR	January 2018	RMB38,967/EUR4,994
Sell RMB/Buy JPY	January 2018	RMB409,744/JPY7,062,536
Sell RMB/Buy GBP	January 2018	RMB3,637/GBP413
<b><u>September 30, 2017</u></b>		
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

Investments in debt instruments at FVTOCI were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 9 for information relating to their reclassification and comparative information for 2017.

Outstanding cross currency swap contracts consisted of the following:

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

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-2018

	<b>September 30, 2018</b>
Investments in debt instruments at FVTOCI	
Corporate bonds	\$ 40,587,299
Agency bonds/Agency mortgage-backed securities	31,663,708
Asset-backed securities	15,028,991
Government bonds	10,815,035
Commercial paper	258,345
	98,353,378
Investments in equity instruments at FVTOCI	
Non-publicly traded equity investments	5,701,354
Publicly traded stocks	860,688
	6,562,042
	\$ 104,915,420
Current	\$ 99,214,066
Non-current	5,701,354
	\$ 104,915,420

These investments in equity instruments are held for medium to long-term purposes and therefore are accounted for as FVTOCI.

For the nine months ended September 30, 2018, the Company sold shares of stocks for NT\$730,399 thousand mainly because the strategic purpose no longer exists and the non-publicly traded investee has been merged. The related other equity-unrealized gain or loss on financial assets at FVTOCI of NT\$884,415 thousand were transferred to decrease retained earnings.

For dividends from equity investments designated as at FVTOCI recognized during the three months and nine months ended September 30, 2018, please refer to Note 26. All the amounts are related to investments held at the end of the reporting period.

As of September 30, 2018, the cumulative loss allowance for expected credit loss of NT\$29,598 thousand is recognized under investments in debt instruments at FVTOCI. Refer to Note 33 for information relating to their credit risk management and expected credit loss.

Investments in equity and debt instruments at FVTOCI were classified as available-for-sale financial assets and cost methods (only for equity instruments) under IAS 39. Refer to Notes 3, 9 and 12 (only for equity instruments) for information relating to their reclassification and comparative information for 2017.



**9. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017**

	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Corporate bonds	\$ 40,165,148	\$ 38,023,860
Agency bonds/Agency mortgage-backed securities	29,235,388	25,383,136
Asset-backed securities	13,459,545	12,195,102
Government bonds	7,817,723	7,044,080
Publicly traded stocks	2,548,054	2,068,370
Commercial paper	148,295	238,463
	<b>\$ 93,374,153</b>	<b>\$ 84,953,011</b>

**10. HELD-TO-MATURITY FINANCIAL ASSETS-2017**

	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Corporate bonds	\$ 19,338,764	\$ 20,372,593
Structured product	1,482,950	1,511,950
Negotiable certificate of deposit		4,535,850
	<b>\$ 20,821,714</b>	<b>\$ 26,420,393</b>
Current portion	\$ 1,988,385	\$ 7,521,216
Noncurrent portion	18,833,329	18,899,177
	<b>\$ 20,821,714</b>	<b>\$ 26,420,393</b>

**11. FINANCIAL ASSETS AT AMORTIZED COST-2018**

	<b>September 30, 2018</b>
Corporate bonds	\$ 19,370,671
Less: Allowance for impairment loss	(8,084)
	<b>\$ 19,362,587</b>

Current portion	\$ 11,891,845
Noncurrent portion	7,470,742

\$ 19,362,587

Financial assets at amortized cost were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017. Refer to Note 33 for information relating to credit risk management and expected credit loss for financial assets at amortized cost.

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**12. FINANCIAL ASSETS CARRIED AT COST-2017**

The Company's investment classified as financial assets carried at cost primarily consists of non-publicly traded equity investments. Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded equity investments, 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 Aquantia was listed in November 2017. Accordingly, the Company reclassified the aforementioned investment from financial assets carried at cost to available-for-sale financial assets.

**13. HEDGING FINANCIAL INSTRUMENTS**2018**September 30,****2018**Financial assets - current

Fair value hedges

Interest rate futures contracts \$ 120,417

Cash flow hedges

Forward exchange contracts 3,825

\$ 124,242

Financial liabilities - current

Cash flow hedges

Forward exchange contracts \$ 3,750

Fair value hedge

The Company entered into interest rate futures contracts, which are used to partially hedge against the price risk caused by changes in interest rates in the Company's investments in fixed income securities. The hedge ratio is adjusted in response to the changes in the financial market and capped at 100%.

On the basis of economic relationships, the Company expects that the value of the interest rate futures contracts and the value of the hedged financial assets will change in opposite directions in response to movements in interest rates.

The main source of hedge ineffectiveness in these hedging relationships is the credit risk of the hedged financial assets, which is not reflected in the fair value of the interest rate future contracts. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables summarize the information relating to the hedges for interest rate risk as of September 30, 2018.

<b>Hedging Instruments</b>	<b>Contract Amount</b> <b>(US\$ in Thousands)</b>	<b>Maturity</b>
US treasury bonds interest rate futures contracts	US\$301,400	December 2018
<b>Hedged Items</b>	<b>Asset Carrying Amount as of September 30, 2018</b>	<b>Asset Accumulated Amount of Fair Value Hedge Adjustments</b>
Financial assets at FVTOCI	\$ 15,557,309	\$ (626,274)

The effect for the nine months ended September 30, 2018 is detailed below:

<b>Hedging Instruments/Hedged Items</b>	<b>Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness</b>
<b>Hedging Instruments</b>	
US treasury bonds interest rate futures contracts	\$ 242,632
<b>Hedged Items</b>	
Financial assets at FVTOCI	(245,126)
	\$ (2,494)

Amount of hedge ineffectiveness recognized in profit or loss is classified under other gains and losses.

#### Cash flow hedge

The Company entered into forward exchange contracts and foreign currency deposits to partially hedge foreign exchange rate risks associated with certain highly probable forecast transactions (capital expenditures). The hedge ratio is adjusted in response to the changes in the financial market and capped at 100%. The forward exchange contracts have maturities of 12 months or less.

On the basis of economic relationships, the Company expects that the value of forward exchange contracts and foreign currency deposits and the value of hedged transactions will change in opposite directions in response to movements in foreign exchange rates.

The main source of hedge ineffectiveness in these hedging relationships is driven by the effect of the counterparty's own credit risk on the fair value of forward exchange contracts and foreign currency deposits. No other sources of ineffectiveness emerged from these hedging relationships.

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The following tables summarize the information relating to the hedges for foreign currency risk as of September 30, 2018.

Hedging Instruments	Contract Amount (in Thousands)	Maturity	Balance in Other Equity (Continuing Hedges)
Forward exchange contracts	NT\$1,140,456/EUR 32,000	November 2018 to December 2018	\$1,543

The effect for the nine months ended September 30, 2018 is detailed below:

Hedged Items	Ineffectiveness
Hedging Instruments	
Forward exchange contracts	\$ 17,475
Foreign currency deposits	6,412
	\$ 23,887
Hedged Items	
Forecast transaction (capital expenditures)	\$ (23,887)

For the nine months ended September 30, 2018, refer to Note 24(d) for gain or loss arising from changes in the fair value of hedging instruments and the amount transferred to initial carrying amount of hedged items.

## 2017

The Company's hedging policies for 2017 are the same as those mentioned previously in 2018, the instruments employed are as follows:

	December 31, 2017	September 30, 2017
<u>Financial assets - current</u>		
Fair value hedges		
Interest rate futures contracts	\$ 27,016	\$ 51,057

Cash flow hedges

Forward exchange contracts	7,378	47,822
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\$	34,394	\$	98,879
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Financial liabilities - current

Cash flow hedges

Forward exchange contracts	\$	15,562	\$	7,545
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The Company entered into interest rate futures contracts, which are used to partially hedge against the 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:

<b>Maturity Period</b>	<b>Contract Amount (US\$ in Thousands)</b>
<u>December 31, 2017</u>	
March 2018	US\$169,400
<u>September 30, 2017</u>	
December 2017	US\$158,900

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

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2017</u>		
Sell NT\$/Buy EUR	February 2018 to May 2018	NT\$2,649,104/EUR75,000
<u>September 30, 2017</u>		
Sell NT\$/Buy EUR	October 2017 to January 2018	NT\$4,619,213/EUR130,000

#### 14. NOTES AND ACCOUNTS RECEIVABLE, NET

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
At amortized cost			
Notes and accounts receivable	\$ 124,750,986	\$ 121,604,989	\$ 118,121,051
Less: Loss allowance	(88,320)	(471,741)	(471,793)
	124,662,666	121,133,248	117,649,258
At FVTOCI	3,120,239		
Notes and accounts receivable, net	\$ 127,782,905	\$ 121,133,248	\$ 117,649,258



The Company signed a contract with the bank to sell certain accounts receivable without recourse and transaction cost required. These accounts receivable are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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2018

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 when the invoice is issued. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels. Such risk levels are determined with factors of historical loss ratios and customers' financial conditions, competitiveness and business outlook. For accounts receivable past due over 90 days without collaterals or guarantees, the Company recognizes loss allowance at full amount.

Aging analysis of notes and accounts receivable, net

	<b>September 30, 2018</b>
Not past due	\$ 118,124,577
Past due	
Past due within 30 days	9,281,088
Past due 31-60 days	190,769
Past due 61-120 days	165,805
Past due over 121 days	20,666
	\$ 127,782,905

Movements of the loss allowance for accounts receivable

Balance at January 1, 2018 (IAS 39)	\$ 471,741
Effect of retrospective application of IFRS 9	(244,773)
Balance at January 1, 2018 (IFRS 9)	226,968
Provision (Reversal)	(138,644)
Effect of exchange rate changes	(4)
Balance at September 30, 2018	\$ 88,320

For the nine months ended September 30, 2018, the decrease in loss allowance was mainly due to the variations from accounts receivable balance of different risk levels.

2017

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. There was no impairment concern for the accounts receivable that were past due without recognizing a specific allowance for doubtful receivables since there was no significant change in the credit quality of its customers after the assessment and the Company has obtained guarantee against certain receivables.

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Aging analysis of notes and accounts receivable, net

	December 31, 2017	September 30, 2017
Neither past due nor impaired	\$ 105,295,219	\$ 108,623,574
Past due but not impaired		
Past due within 30 days	13,984,125	6,791,143
Past due 31-60 days	929,672	615,147
Past due 61 - 120 days	582,821	1,619,394
Past due over 121 days	341,411	
	\$ 121,133,248	\$ 117,649,258

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

**15. INVENTORIES**

	September 30, 2018	December 31, 2017	September 30, 2017
Finished goods	\$ 11,043,539	\$ 9,923,338	\$ 13,196,752
Work in process	77,500,661	53,362,160	51,122,144
Raw materials	12,346,579	7,143,806	6,256,306
Supplies and spare parts	4,445,797	3,451,443	3,318,677
	\$ 105,336,576	\$ 73,880,747	\$ 73,893,879

Write-down of inventories to net realizable value (excluding computer virus outbreak losses) and reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue, which were as follows. Please refer to computer virus outbreak losses in Note 38.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Inventory losses (reversal of write-down of inventories)	\$ 405,743	\$ 613,132	\$ 1,471,757	\$ (850,209)

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**16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
			September 30,	December 31,	September 30,	September 30,	September 30,	
			2018	2017	2017	2018	2017	2017
Vanguard International Semiconductor Corporation (VIS)	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks	Hsinchu, Taiwan	\$ 8,450,652	\$ 8,568,344	\$ 8,285,386	28%	28%	28%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Manufacturing and selling of integrated circuits and other semiconductor devices	Singapore	5,317,308	5,677,640	5,329,236	39%	39%	39%
Xintec Inc. (Xintec)	Wafer level chip size packaging and wafer level post passivation interconnection service	Taoyuan, Taiwan	1,715,711	2,292,100	2,264,539	41%	41%	41%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,125,928	1,300,194	1,139,339	35%	35%	35%

Mutual-Pak	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	New Taipei, Taiwan	21,071	23,210	39%	39%
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\$ 16,630,670   \$ 17,861,488   \$ 17,018,500

Starting December 2017, the Company no longer had the majority of voting power and control over Mutual-Pak. As a result, Mutual-Pak is no longer consolidated and is accounted for using the equity method.

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,
	2018	2017	2017
VIS	\$ 31,567,198	\$ 30,638,751	\$ 24,325,311
GUC	\$ 12,652,410	\$ 11,905,404	\$ 9,711,075
Xintec	\$ 4,952,046	\$ 9,180,759	\$ 5,630,865

**17. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and Land Improvements</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Office Equipment</b>	<b>Equipment under Installation and Construction in Progress</b>	<b>Total</b>
<b><u>Cost</u></b>						
Balance at January 1, 2018	\$ 3,983,243	\$ 379,134,613	\$ 2,487,752,265	\$ 42,391,516	\$ 167,353,490	\$ 3,080,615,127
Additions						
(Deductions)		26,506,546	214,486,883	5,585,725	(44,641,617)	201,937,537
Disposals or retirements		(18,624)	(3,353,136)	(352,951)		(3,724,711)
Effect of exchange rate changes	21,999	(743,953)	(1,342,261)	(21,818)	(291,513)	(2,377,546)
Balance at September 30, 2018	\$ 4,005,242	\$ 404,878,582	\$ 2,697,543,751	\$ 47,602,472	\$ 122,420,360	\$ 3,276,450,407
<b><u>Accumulated depreciation and impairment</u></b>						
Balance at January 1, 2018	\$ 510,498	\$ 194,446,521	\$ 1,795,448,842	\$ 27,666,944	\$	\$ 2,018,072,805
Additions	20,458	18,149,233	190,993,719	4,155,540		213,318,950
Disposals or retirements		(6,764)	(2,421,656)	(352,324)		(2,780,744)
Impairment			488,336			488,336
Effect of exchange rate changes	14,973	(139,812)	(1,060,793)	19,857		(1,165,775)
Balance at September 30, 2018	\$ 545,929	\$ 212,449,178	\$ 1,983,448,448	\$ 31,490,017	\$	\$ 2,227,933,572
Carrying amounts at January 1, 2018	\$ 3,472,745	\$ 184,688,092	\$ 692,303,423	\$ 14,724,572	\$ 167,353,490	\$ 1,062,542,322
	\$ 3,459,313	\$ 192,429,404	\$ 714,095,303	\$ 16,112,455	\$ 122,420,360	\$ 1,048,516,835



Carrying  
amounts at  
September 30,  
2018

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
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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
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 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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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.

In the second quarter of 2018, the Company recognized an impairment loss of NT\$488,336 thousand for certain machinery and equipment that was assessed to have no future use, and the recoverable amount of certain machinery and equipment was nil. Such impairment loss was recognized in other operating income and expenses.

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**18. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Technology License Fees</b>	<b>Software and System Design Costs</b>	<b>Patent and Others</b>	<b>Total</b>
<b>Cost</b>					
Balance at January 1, 2018	\$ 5,648,702	\$ 10,443,257	\$ 25,186,218	\$ 5,716,146	\$ 46,994,323
Additions		483,117	2,037,709	382,211	2,903,037
Disposals or retirements			(125,430)	(31,183)	(156,613)
Effect of exchange rate changes	114,876	(466)	(11,117)	1,653	104,946
Balance at September 30, 2018	\$ 5,763,578	\$ 10,925,908	\$ 27,087,380	\$ 6,068,827	\$ 49,845,693
<b><u>Accumulated amortization and impairment</u></b>					
Balance at January 1, 2018	\$	\$ 7,694,857	\$ 20,376,693	\$ 4,747,633	\$ 32,819,183
Additions		796,974	2,011,154	389,300	3,197,428
Disposals or retirements			(125,374)	(31,183)	(156,557)
Effect of exchange rate changes		(466)	(3,208)	129	(3,545)
Balance at September 30, 2018	\$	\$ 8,491,365	\$ 22,259,265	\$ 5,105,879	\$ 35,856,509
Carrying amounts at January 1, 2018	\$ 5,648,702	\$ 2,748,400	\$ 4,809,525	\$ 968,513	\$ 14,175,140
Carrying amounts at September 30, 2018	\$ 5,763,578	\$ 2,434,543	\$ 4,828,115	\$ 962,948	\$ 13,989,184
<b>Cost</b>					
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
<b><u>Accumulated amortization and impairment</u></b>					
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
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Carrying amounts at September 30, 2017	\$ 5,727,459	\$ 3,036,692	\$ 5,026,798	\$ 1,050,450	\$ 14,841,399
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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 8.5% in its test of impairment as of December 31, 2017 to reflect the relevant specific risk in the cash-generating unit.

For the year ended December 31, 2017, the Company assessed goodwill impairment and recognized an impairment loss of NT\$13,520 thousand related to a subsidiary since the operating result of this cash generating unit was not as expected and the recoverable amount of goodwill was nil. Such impairment loss was recognized in other operating income and expenses.

**19. OTHER ASSETS**

	September 30, 2018	December 31, 2017	September 30, 2017
Tax receivable	\$ 4,144,951	\$ 4,021,602	\$ 4,203,892
Prepaid expenses	732,033	1,559,963	1,313,927
Others	1,897,716	1,623,995	2,154,789
	\$ 6,774,700	\$ 7,205,560	\$ 7,672,608
Current portion	\$ 5,084,478	\$ 4,222,440	\$ 5,090,170
Noncurrent portion	1,690,222	2,983,120	2,582,438
	\$ 6,774,700	\$ 7,205,560	\$ 7,672,608

**20. SHORT-TERM LOANS**

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured loans			
Amount	\$ 73,974,625	\$ 63,766,850	\$ 54,430,200
Original loan content			
US\$ (in thousands)	\$ 2,425,000	\$ 2,150,000	\$ 1,800,000
Annual interest rate	2.42%-2.67%	1.54%-1.82%	1.45%-1.54%
Maturity date	Due by October 2018	Due by February 2018	Due by October 2017

**21. 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)
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Balance, end of period	\$ 14,123,509
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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 year of the related product sales.

Starting from 2018, the Company recognizes the estimation of sales returns and allowance as refund liability (classified under accrued expenses and other current liabilities) upon initial application of IFRS 15.

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**22. BONDS PAYABLE**

	September 30, 2018	December 31, 2017	September 30, 2017
Domestic unsecured bonds	\$ 91,800,000	\$ 116,100,000	\$ 116,100,000
Overseas unsecured bonds		34,107,850	34,774,850
	91,800,000	150,207,850	150,874,850
Less: Discounts on bonds payable		(6,728)	(13,473)
Less: Current portion	(34,900,000)	(58,401,122)	(59,061,377)
	\$ 56,900,000	\$ 91,800,000	\$ 91,800,000

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 2018	US\$ 1,150,000	1.625%	Bullet repayment; interest payable semi-annually

**23. GUARANTEE DEPOSITS**

	September 30, 2018	December 31, 2017	September 30, 2017
Capacity guarantee	\$ 10,371,700	\$ 13,346,550	\$ 15,119,500
Receivables guarantee	647,218	2,427,548	2,742,840
Others	208,525	306,521	371,627
	\$ 11,227,443	\$ 16,080,619	\$ 18,233,967
Current portion (classified under accrued expenses and other current liabilities)	\$ 6,781,863	\$ 8,493,829	\$ 8,990,717
Noncurrent portion	4,445,580	7,586,790	9,243,250
	\$ 11,227,443	\$ 16,080,619	\$ 18,233,967

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

**24. EQUITY**

## a. Capital stock

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
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

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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, 2018, 1,068,157 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,340,787 thousand shares (one ADS represents five common shares).

b. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
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	121,163	118,792	110,559
From share of changes in equities of associates	288,952	289,240	288,361
Donations	19,248	19,208	55
	\$ 56,311,659	\$ 56,309,536	\$ 56,281,271

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 and dividend of a claim extinguished by a prescription 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

TSMC's 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 provide the policy about the profit sharing bonus to employees, please refer to Note 31.

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 or loss from available-for-sale financial assets, gain or 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 2017 and 2016 earnings have been approved by TSMC's shareholders in its meeting held on June 5, 2018 and June 8, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Fiscal Year 2017	For Fiscal Year 2016	For Fiscal Year 2017	For Fiscal Year 2016
Legal capital reserve	\$ 34,311,148	\$ 33,424,718		
Special capital reserve	26,907,527			
Cash dividends to shareholders	207,443,044	181,512,663	\$ 8	\$ 7
	\$ 268,661,719	\$ 214,937,381		

d. Others

Changes in others were as follows:

	Foreign Currency Translation Reserve	Nine Months Ended September 30, 2018			
		Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Compensation	Total
Balance, beginning of period (IFRS 9)	\$ (26,697,680)	\$ (524,915)	\$ 4,226	\$ (10,290)	\$ (27,228,659)
Exchange differences arising on translation of foreign operations	10,375,628				10,375,628
Unrealized gain (loss) on financial assets at FVTOCI					
Equity instruments		(1,309,697)			(1,309,697)

Debt instruments		(1,813,242)			(1,813,242)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal		884,415			884,415
Cumulative unrealized gain (loss) of debt instruments transferred to profit or loss due to disposal		774,784			774,784
Loss allowance adjustments from debt instruments		(1,886)			(1,886)
Gain (loss) arising on changes in the fair value of hedging instruments			23,887		23,887
Transferred to initial carrying amount of hedged items			(26,936)		(26,936)
Share of other comprehensive income (loss) of associates	73,283	(4,106)			69,177
Share of unearned stock-based employee compensation of associates				4,477	4,477
Income tax effect		66,477	366		66,843
Balance, end of period	\$ (16,248,769)	\$ (1,928,170)	\$ 1,543	\$ (5,813)	\$ (18,181,209)

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

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

## 25. NET REVENUE

- a. Disaggregation of revenue from contracts with customers

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Production		

Wafer	\$ 228,826,813	\$ 661,533,102
Others	31,521,069	80,170,262
	\$ 260,347,882	\$ 741,703,364

<b>Region</b>	<b>Three Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2018</b>
Taiwan	\$ 21,576,476	\$ 59,637,777
United States	157,394,160	424,736,531
China	41,386,552	141,737,386
Europe, the Middle East and Africa	17,285,430	52,154,282
Japan	17,165,225	49,156,817
Others	5,540,039	14,280,571
	\$ 260,347,882	\$ 741,703,364

The Company categorized the net revenue mainly based on the country in which the customer is headquartered.

<b>Application Type</b>	<b>Three Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2018</b>
Communication	\$ 146,199,392	\$ 395,065,368
Industrial/Standard	61,684,590	174,288,910
Computer	33,127,986	118,643,019
Consumer	19,335,914	53,706,067
	\$ 260,347,882	\$ 741,703,364

<b>Customer Type</b>	<b>Three Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2018</b>
Fabless semiconductor companies/systems companies	\$ 212,846,662	\$ 607,172,662
Integrated device manufacturers	47,184,213	133,866,265
Others	317,007	664,437
	\$ 260,347,882	\$ 741,703,364

<b>Resolution</b>	<b>Three Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2018</b>
7-nanometer	\$ 25,336,977	\$ 26,250,260
10-nanometer	13,476,325	81,203,203
16/20-nanometer	58,294,618	158,947,856
28-nanometer	43,739,621	135,806,688
40/45-nanometer	27,035,128	76,604,782
65-nanometer	17,833,438	56,562,781
90-nanometer	8,633,488	29,363,801
0.11/0.13 micron	5,854,756	15,093,688
0.15/0.18 micron	21,720,438	60,593,793
0.25 micron and above	6,902,024	21,106,250
Wafer revenue	\$ 228,826,813	\$ 661,533,102

b. Contract balances

	<b>September 30, 2018</b>	<b>January 1, 2018</b>
Contract liabilities (classified under accrued expenses and other current liabilities)	\$ 5,975,108	\$ 32,434,829

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

For the three months and nine months ended September 30, 2018, the Company recognized NT\$128,863 thousand and NT\$31,641,659 thousand in revenue from the beginning balance of contract liability.



**26. OTHER INCOME**

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Interest income				
Bank deposits	\$ 2,676,602	\$ 1,486,181	\$ 7,341,903	\$ 4,595,104
Financial assets at FVTPL	137,328		190,261	
Financial assets at FVTOCI	773,191		2,327,001	
Financial assets at amortized cost	230,352		684,427	
Available-for-sale financial assets		366,600		1,371,764
Held-to-maturity financial assets		142,176		427,634
Structured product		130,514		319,655
	3,817,473	2,125,471	10,543,592	6,714,157
Dividend income		3,085	158,358	145,588
	\$3,817,473	\$2,128,556	\$10,701,950	\$6,859,745

**27. FINANCE COSTS**

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Interest expense				
Corporate bonds	\$ 377,854	\$ 639,120	\$ 1,285,754	\$ 1,985,998
Bank loans	361,150	204,059	889,414	513,684
Others	64	35	150	109
	\$739,068	\$843,214	\$2,175,318	\$2,499,791

**28. OTHER GAINS AND LOSSES**

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Gain (loss) on disposal of financial assets, net				
Investments in debt instruments at FVTOCI	\$ (262,517)	\$	\$ (774,784)	\$
Available-for-sale financial assets		326,297		266,986
Financial assets carried at cost		8,056		12,809
Net gain (loss) on financial instruments at FVTPL				

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Held for trading		463,651		1,759,927
Mandatorily measured at FVTPL	(642,780)		(1,927,698)	
Designated as at FVTPL		33,045		130,709
Loss arising from fair value hedges, net	(10,219)	(8,564)	(2,494)	(32,058)
				(Continued)

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	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Impairment loss on financial assets				
Financial assets carried at cost	\$	\$ (3,909)	\$	\$ (15,941)
The reversal of expected credit loss of financial assets				
Investments in debt instruments at FVTOCI	185		1,886	
Financial assets at amortized cost	641		393	
Other gains, net	46,017	68,505	60,014	188,689
	\$ (868,673)	\$ 887,081	\$ (2,642,683)	\$ 2,311,121

(Concluded)

## 29. INCOME TAX

### a. Income tax expense recognized in profit or loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Current income tax expense				
Current tax expense recognized in the current period	\$ 10,826,220	\$ 11,785,404	\$ 38,684,790	\$ 44,460,678
Income tax adjustments on prior years	(26,628)	(9,614)	(989,984)	(947,906)
Other income tax adjustments	36,336	60,267	110,882	130,801
	10,835,928	11,836,057	37,805,688	43,643,573
Deferred income tax expense (benefit)				
Effect of tax rate changes	(346,383)		(1,062,480)	
The origination and reversal of temporary differences	(690,675)	(1,267,121)	(1,494,058)	(3,026,231)
	(1,037,058)	(1,267,121)	(2,556,538)	(3,026,231)
	\$9,798,870	\$10,568,936	\$35,249,150	\$40,617,342

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is NT\$1,474,808 thousand, of which NT\$412,328 thousand has not been recognized as of September 30, 2018, with corresponding effect recognized throughout the interim periods. In addition, the tax rate applicable to unappropriated earnings was reduced from 10% to 5%.



## b. Income tax expense recognized in other comprehensive income

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred income tax benefit (expense)				
Related to unrealized gain/loss on investments in equity instruments at FVTOCI	\$ 28,564	\$	\$ 66,477	\$
Related to gain/loss on cash flow hedges	1,894	(2,343)	366	(4,623)
Related to unrealized gain/loss on available-for-sale financial assets		3,535		58,256
	\$ 30,458	\$ 1,192	\$ 66,843	\$ 53,633

## c. Income tax examination

The tax authorities have examined income tax returns of TSMC through 2015. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

**30. EARNINGS PER SHARE**

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Basic EPS	\$ 3.44	\$ 3.47	\$ 9.69	\$ 9.40
Diluted EPS	\$ 3.44	\$ 3.47	\$ 9.69	\$ 9.40

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Three months ended September 30, 2018</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 89,071,628	25,930,380	\$ 3.44

Three months ended September 30, 2017

Basic/Diluted EPS

Net income available to common shareholders of the parent	\$ 89,925,437	25,930,380	\$	3.47
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(Continued)

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	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<b><u>Nine Months Ended September 30, 2018</u></b>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 251,146,789	25,930,380	\$ 9.69
<b><u>Nine Months Ended September 30, 2017</u></b>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 243,825,354	25,930,380	\$ 9.40
(Concluded)			

**31. ADDITIONAL INFORMATION OF EXPENSES BY NATURE**

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
a. Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 66,715,027	\$ 65,040,285	\$ 196,072,392	\$ 171,702,451
Recognized in operating expenses	5,784,173	4,974,403	17,223,489	14,398,910
Recognized in other operating income and expenses	5,994	18,140	23,069	30,583
	\$ 72,505,194	\$ 70,032,828	\$ 213,318,950	\$ 186,131,944
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ 492,247	\$ 542,083	\$ 1,470,473	\$ 1,584,845
Recognized in operating expenses	612,376	589,751	1,726,955	1,612,448
	\$ 1,104,623	\$ 1,131,834	\$ 3,197,428	\$ 3,197,293
c. Research and development costs expensed as incurred				
	\$ 21,886,199	\$ 21,045,439	\$ 62,206,346	\$ 59,515,288

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
<b>d. Employee benefits expenses</b>				
Post-employment benefits				
Defined contribution plans	\$ 626,912	\$ 611,107	\$ 1,937,915	\$ 1,767,533
Defined benefit plans	70,437	67,875	211,339	203,637
	697,349	678,982	2,149,254	1,971,170
Other employee benefits	26,731,464	26,164,537	77,438,960	74,262,832
	\$27,428,813	\$26,843,519	\$79,588,214	\$76,234,002
<b>Employee benefits expense summarized by function</b>				
Recognized in cost of revenue	\$ 16,052,801	\$ 15,696,897	\$ 46,749,063	\$ 44,831,683
Recognized in operating expenses	11,376,012	11,146,622	32,839,151	31,402,319
	\$27,428,813	\$26,843,519	\$79,588,214	\$76,234,002

According to TSMC's Articles of Incorporation, 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\$5,978,557 thousand and NT\$6,034,054 thousand for the three months ended September 30, 2018 and 2017, respectively; and NT\$16,850,949 thousand and NT\$16,356,611 thousand for the nine months ended September 30, 2018 and 2017, 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.

TSMC's profit sharing bonus to employees and compensation to directors in the amounts of NT\$23,019,082 thousand and NT\$368,919 thousand in cash for 2017, respectively, and 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, had been approved by the Board of Directors of TSMC held on February 13, 2018 and February 14, 2017, respectively. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2017 and 2016, respectively.

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.



**32. CASH FLOW INFORMATION**

Reconciliation of liabilities arising from financing activities

	<b>Balance as of January 1, 2018</b>	<b>Financing Cash Flow</b>	<b>Non-cash changes Foreign Exchange Movement</b>	<b>Other Changes (Note)</b>	<b>Balance as of September 30, 2018</b>
Short-term loans	\$ 63,766,850	\$ 9,626,705	\$ 581,070	\$	\$ 73,974,625
Guarantee deposits	16,080,619	(693,735)	338,458	(4,497,899)	11,227,443
Bonds payable	150,201,122	(58,024,900)	(382,878)	6,656	91,800,000
Total	\$ 230,048,591	\$ (49,091,930)	\$ 536,650	\$ (4,491,243)	\$ 177,002,068

Note: Other changes include amortization of bonds payable and guarantee deposits refunded to customers by offsetting related accounts receivable.

**33. FINANCIAL INSTRUMENTS**

## a. Categories of financial instruments

	<b>September 30, 2018</b>
<b>Financial assets</b>	
Financial assets at FVTPL (Note 1)	\$ 4,057,240
Financial assets at FVTOCI (Note 2)	108,035,659
Hedging financial assets	124,242
Amortized cost (Note 3)	651,726,357
	\$ 763,943,498
<b>Financial liabilities</b>	
FVTPL (Note 4)	\$ 240,620
Hedging financial liabilities	3,750
Amortized cost (Note 5)	307,871,280
	\$ 308,115,650

Note 1: Financial assets mandatorily measured at FVTPL.

Note 2: Including notes and accounts receivable, net, debt and equity investments.

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

Note 4: Held for trading.

Note 5: Including short-term loans, accounts payable (including related parties), payables to contractors and equipment suppliers, accrued expenses and other current liabilities, bonds payable, and guarantee deposits.

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	December 31, 2017	September 30, 2017
<b>Financial assets</b>		
FVTPL (Note 6)	\$ 569,751	\$ 1,125,668
Available-for-sale financial assets (Note 7)	98,248,410	89,939,057
Held-to-maturity financial assets	20,821,714	26,420,393
Hedging derivative financial assets	34,394	98,879
Loans and receivables (Note 8)	684,416,654	533,419,983
	<b>\$ 804,090,923</b>	<b>\$ 651,003,980</b>
<b>Financial liabilities</b>		
FVTPL (Note 6)	\$ 26,709	\$ 251,212
Hedging derivative financial liabilities	15,562	7,545
Amortized cost (Note 9)	340,501,266	323,056,014
	<b>\$ 340,543,537</b>	<b>\$ 323,314,771</b>

Note 6: Including held for trading and designated as at FVTPL.

Note 7: Including financial assets carried at cost.

Note 8: Including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits.

Note 9: 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. A portion of these risks is hedged.

Foreign currency risk

Most of the Company's revenues and expenditures 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 uses 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 the Company's existing and certain forecasted currency exposure. These hedges will offset only a portion of, but do not eliminate, the financial impact from movements in foreign currency exchange rates.

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, 2018 and 2017 would have decreased by NT\$585,920 thousand and NT\$185,262 thousand, respectively, and the other comprehensive income for the nine months ended September 30, 2018 and 2017 would have decreased by NT\$91,341 thousand and NT\$465,790 thousand, respectively.

#### 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. As of December 31, 2017, the Company had no outstanding long-term bank loans.

The Company classified its investments in fixed income securities as financial assets at FVTPL, financial assets at FVTOCI and financial assets at amortized costs starting from 2018; as available-for-sale and held-to-maturity financial assets in 2017. Because financial assets at amortized costs and 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, financial assets at FVTPL, financial assets at FVTOCI and 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 financial assets at FVTPL and FVTOCI and available-for-sale fixed income investments. These hedges may offset only a small portion of the financial impact from movements in interest rates.

Based on a sensitivity analysis performed at the end of the reporting period, an unfavorable movement of hypothetical 1.00% increase in interest rates across all maturities would have resulted in a decrease in net income by NT\$149,843 thousand for the nine months ended September 30, 2018, and in a decrease in other comprehensive income by NT\$2,680,417 thousand and NT\$1,919,137 thousand for the nine months ended September 30, 2018 and 2017, respectively.

#### Other price risk

The Company is exposed to equity price risk for 2018 and 2017 arising from financial assets at FVTOCI and available-for-sale equity investments, respectively.

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, 2018 and 2017, the other comprehensive income would have decreased by NT\$314,182 thousand and NT\$335,977 thousand, respectively.

#### d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks 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 equal to the carrying amount of financial assets.



Business related credit risk

The Company's trade receivables are from its customers worldwide. The majority of the Company's outstanding trade receivables are not covered by collaterals or guarantees. While the Company has procedures to monitor and manage credit risk exposure on trade receivables, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. This risk is heightened during periods when economic conditions worsen.

As of September 30, 2018, December 31, 2017 and September 30, 2017, the Company's ten largest customers accounted for 76%, 70% and 73% 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 mitigates its financial credit risk by selecting counterparties with investment-grade credit ratings and by limiting the exposure to any individual counterparty. The Company regularly monitors and reviews the limit applied to counterparties and adjusts the limit according to market conditions and the credit standing of the counterparties.

The risk management of expected credit loss for financial assets at amortized cost and investments in debt instruments at FVTOCI is as follows:

The Company only invests in debt instruments that are rated as investment grade or higher. The credit rating information is supplied by external rating agencies. The Company assesses whether there has been a significant increase in credit risk since initial recognition by reviewing changes in external credit ratings, financial market conditions and material information of the bond-issuers.

The Company assesses the 12-month expected credit loss and lifetime expected credit loss based on the probability of default and loss given default provided by external credit rating agencies. The current credit risk assessment policies are as follows:

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio
Performing	Credit rating on trade date and valuation date:	12 months expected credit loss	
	(1) Within investment grade		
	(2) Between BB+ and BB-		0-0.1%
Doubtful	Credit rating on trade date and valuation date:	Lifetime expected credit loss-not credit impaired	
	(1) From investment grade to non-investment grade		
	(2) From BB+~BB- to B+~CCC-		
In default	Credit rating CC or below	Lifetime expected credit loss-credit impaired	
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has	Amount is written off	

no realistic prospect of recovery

For the nine months ended September 30, 2018, the expected credit loss decreases NT\$1,228 thousand, mainly attributed to asset allocation adjustment to debt investments of higher credit rating.

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## e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business operations over the next 12 months. The Company manages its liquidity risk by maintaining adequate cash and cash equivalent, debt investment at FVTPL, financial assets at FVTOCI-Current, and financial assets amortized at cost-Current.

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, 2018</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 74,021,637	\$	\$	\$	\$ 74,021,637
Accounts payable (including related parties)	30,305,076				30,305,076
Payables to contractors and equipment suppliers	58,590,057				58,590,057
Accrued expenses and other current liabilities	41,974,079				41,974,079
Bonds payable	36,166,206	35,464,787	23,077,131		94,708,124
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	6,781,863	4,359,556	86,024		11,227,443
	247,838,918	39,824,343	23,163,155		310,826,416
<u>Derivative financial instruments</u>					
<u>Forward exchange contracts</u>					
Outflows	60,704,314				60,704,314
Inflows	(60,581,572)				(60,581,572)
	122,742				122,742
	\$ 247,961,660	\$ 39,824,343	\$ 23,163,155	\$	\$ 310,949,158
<u>December 31, 2017</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 63,801,977	\$	\$	\$	\$ 63,801,977

Accounts payable (including related parties)	30,069,163				30,069,163
Payables to contractors and equipment suppliers	55,723,774				55,723,774
Accrued expenses and other current liabilities	24,659,738				24,659,738
Bonds payable	60,176,818	68,378,787	7,777,715	18,203,601	154,536,921
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	8,493,829	7,503,151	83,639		16,080,619
	242,925,299	75,881,938	7,861,354	18,203,601	344,872,192
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	67,393,539				67,393,539
Inflows	(67,957,919)				(67,957,919)
	(564,380)				(564,380)
	\$ 242,360,919	\$ 75,881,938	\$ 7,861,354	\$ 18,203,601	\$ 344,307,812

(Continued)

	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	16,050,825				16,050,825
Inflows	(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
					(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, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mandatorily measured at FVTPL				
Agency mortgage-backed securities	\$	\$ 3,927,700	\$	\$ 3,927,700
Forward exchange contracts		129,540		129,540
	\$	\$ 4,057,240	\$	\$ 4,057,240

(Continued)

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTOCI</b>				
Investments in debt instruments				
Corporate bonds	\$	\$ 40,587,299	\$	\$ 40,587,299
Agency bonds/Agency mortgage-backed securities		31,663,708		31,663,708
Asset-backed securities		15,028,991		15,028,991
Government bonds	10,671,468	143,567		10,815,035
Commercial paper		258,345		258,345
Investments in equity instruments				
Non-publicly traded equity investments			5,701,354	5,701,354
Publicly traded stocks	860,688			860,688
Notes and accounts receivable, net		3,120,239		3,120,239
	\$ 11,532,156	\$ 90,802,149	\$ 5,701,354	\$ 108,035,659

<b>Hedging financial assets</b>				
Fair value hedges				
Interest rate futures contracts	\$ 120,417	\$	\$	\$ 120,417
Cash flow hedges				
Forward exchange contracts		3,825		3,825
	\$ 120,417	\$ 3,825	\$	\$ 124,242

<b>Financial liabilities at FVTPL</b>				
Held for trading				
Forward exchange contracts	\$	\$ 240,620	\$	\$ 240,620

<b>Hedging financial liabilities</b>				
Cash flow hedges				
Forward exchange contracts	\$	\$ 3,750	\$	\$ 3,750

(Concluded)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Held for trading				
Forward exchange contracts	\$	\$ 569,751	\$	\$ 569,751
<b>Available-for-sale financial assets</b>				
Corporate bonds	\$	\$ 40,165,148	\$	\$ 40,165,148

Agency bonds/Agency mortgage-backed securities		29,235,388		29,235,388
Asset-backed securities		13,459,545		13,459,545
Government bonds	7,715,980	101,743		7,817,723
Publicly traded stocks	2,548,054			2,548,054
Commercial paper		148,295		148,295
	\$ 10,264,034	\$ 83,110,119	\$	\$ 93,374,153

(Continued)

	Level 1	December 31, 2017		Total
		Level 2	Level 3	
<u>Hedging derivative financial assets</u>				
Fair value hedges				
Interest rate futures contracts	\$ 27,016	\$	\$	\$ 27,016
Cash flow hedges				
Forward exchange contracts		7,378		7,378
	\$ 27,016	\$ 7,378	\$	\$ 34,394
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 26,709	\$	\$ 26,709
<u>Hedging derivative financial liabilities</u>				
Cash flow hedges				
Forward exchange contracts	\$	\$ 15,562	\$	\$ 15,562

(Concluded)

	Level 1	September 30, 2017		Total
		Level 2	Level 3	
<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	6,938,362	105,718		7,044,080
Publicly traded stocks	2,068,370			2,068,370
Commercial paper		238,463		238,463
	\$ 9,006,732	\$ 75,946,279	\$	\$ 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
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	\$	51,057	\$	47,822	\$	98,879
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(Continued)



	September 30, 2017			
	Level 1	Level 2	Level 3	Total
<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>				
<u>Cash flow hedges</u>				
Forward exchange contracts	\$	\$ 7,545	\$	\$ 7,545

(Concluded)

In the fourth quarter of 2017, the Company reassessed the bid-ask spread and the transaction volume of the fixed income securities in determining whether there were quoted prices in active markets. Accordingly, the Company classified the fair value hierarchy levels of corporate bonds, agency bonds, agency mortgage-backed securities and some government bonds as level 2. To have consistent comparative basis, the Company had revised prior period classification from level 1 to level 2.

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2018.

#### Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the nine months ended September 30, 2018 were as follows:

Balance at January 1, 2018	\$ 5,841,384
Additions	200,463
Total gains or losses recognized in other comprehensive income	(299,938)
Disposals and proceeds from return of capital of investments	(173,088)
Effect of exchange rate changes	132,533
Balance at September 30, 2018	\$ 5,701,354

#### Valuation techniques and assumptions used in Level 2 fair value measurement

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

The fair values of corporate bonds, agency bonds, agency mortgage-backed securities, asset-backed securities, and government bonds are determined by quoted market prices provided by third party pricing services.

Forward exchange contracts and cross currency swap contracts are measured using forward exchange rates and the discounted yield curves that are derived from 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 yield curves that are derived from the quoted market prices.

The fair value of accounts receivables classified as at FVTOCI are determined by the present value of future cash flows based on the discount rate that reflects the credit risk of counterparties.

Valuation techniques and assumptions used in Level 3 fair value Measurement

The fair values of non-public traded equity investments are mainly determined by using the asset approach, the income approach, and the market approach.

To determine the fair value, the Company utilizes the asset approach and takes into account the net asset value measured at the fair value by independent parties. On September 30, 2018, the Company uses unobservable inputs derived from discount for lack of marketability by 10%. When other inputs remain equal, the fair value will decrease by NT\$31,736 thousand if discounts for lack of marketability increase by 1%.

The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. On September 30, 2018, the Company uses significant unobservable inputs, which include long term revenue growth rate of approximately 3%, discount rate of 10%, discount for lack of marketability of 10%, and discounts for lack of control of 10%. When other inputs remain equal, if long term revenue growth rate decreases by 1%, the fair value will decrease by NT\$40,080 thousand; if discount rate increases by 1%, the fair value will decrease by NT\$72,717 thousand; if discount for lack of marketability increases by 1%, the fair value will decrease by NT\$19,000 thousand; if discount for lack of control increases by 1%, the fair value will decrease by NT\$19,000 thousand.

For the remaining few investments, the market approach is used to arrive at their fair value, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered.

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 in the consolidated financial statements that are not measured at fair value approximate their fair values.

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, 2018			
	Carrying		Fair Value		
	Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized costs					
Corporate bonds	\$ 19,362,587	\$	\$ 19,516,024	\$	\$ 19,516,024
<u>Financial liabilities</u>					
Financial liabilities at amortized costs					
Bonds payable	\$ 91,800,000	\$	\$ 93,343,309	\$	\$ 93,343,309



December 31, 2017					
	Carrying Amount	Level 1	Level 2	Fair Value Level 3	Total
<b>Financial assets</b>					
Held-to-maturity securities					
Corporate bonds	\$ 19,338,764	\$	\$ 19,541,419	\$	\$ 19,541,419
Structured product	1,482,950		1,475,350		1,475,350
	\$ 20,821,714	\$	\$ 21,016,769	\$	\$ 21,016,769
<b>Financial liabilities</b>					
Measured at amortized cost					
Bonds payable	\$ 150,201,122	\$	\$ 152,077,728	\$	\$ 152,077,728
<b>September 30, 2017</b>					
	Carrying Amount	Level 1	Level 2	Fair Value Level 3	Total
<b>Financial assets</b>					
Held-to-maturity securities					
Corporate bonds	\$ 20,372,593	\$	\$ 20,593,872	\$	\$ 20,593,872
Negotiable certificate of deposit	4,535,850		4,538,254		4,538,254
Structured product	1,511,950		1,503,684		1,503,684
	\$ 26,420,393	\$	\$ 26,635,810	\$	\$ 26,635,810
<b>Financial liabilities</b>					
Measured at amortized cost					
Bonds payable	\$ 150,861,377	\$	\$ 152,840,029	\$	\$ 152,840,029

In the fourth quarter of 2017, the Company reassessed the bid-ask spread and the transaction volume of the fixed income securities in determining whether there were quoted prices in active markets. Accordingly, the Company classified the fair value hierarchy levels of corporate bonds and bonds payable as level 2. To have consistent comparative basis, the Company had revised prior period classification from level 1 to level 2.

**Valuation techniques and assumptions used in Level 2 fair value measurement**

The fair values of corporate bonds and negotiable certificate of deposit are determined by quoted market prices provided by third party pricing services. The fair value of structured product is determined by quoted market prices provided by the counterparty.

The fair value of the Company's bonds payable is determined by quoted market prices provided by third party pricing services.



**34. 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
Mutual-Pak	Associates
TSMC Education and Culture Foundation	Other related parties
TSMC Charity Foundation	Other related parties

## b. Net revenue

		Three Months Ended September 30		Nine Months Ended September 30	
		2018	2017	2018	2017
<u>Item</u>	<u>Related Party Categories</u>				
Net revenue from sale of goods	Associates	\$ 2,878,283	\$ 2,648,918	\$ 7,174,347	\$ 6,152,067
	Other related parties			330	
		\$ 2,878,283	\$ 2,648,918	\$ 7,174,677	\$ 6,152,067
Net revenue from royalties	Associates	\$ 51,691	\$ 123,236	\$ 312,005	\$ 364,512

## c. Purchases

		Three Months Ended September 30		Nine Months Ended September 30	
		2018	2017	2018	2017
<u>Related Party Categories</u>					
Associates		\$ 2,295,579	\$ 2,671,511	\$ 6,693,633	\$ 7,557,431

d. Receivables from related parties

		September 30, December 31, September 30,		
		2018	2017	2017
<u>Item</u>	<u>Related Party Name/Categories</u>			
Receivables from related parties	GUC	\$ 1,546,977	\$ 1,022,892	\$ 933,031
	Xintec	210,096	161,232	143,407
		\$ 1,757,073	\$ 1,184,124	\$ 1,076,438

(Continued)



		September 30,	December 31,	September 30,
		2018	2017	2017
Other receivables from related parties	SSMC	\$ 56,181	\$ 83,099	\$ 85,274
	VIS	7,241	78,141	79,504
	Other associates	963	9,818	1,151
		\$ 64,385	\$ 171,058	\$ 165,929
(Concluded)				

## e. Payables to related parties

		September 30,	December 31,	September 30,
		2018	2017	2017
<u>Item</u>	<u>Related Party Name</u>			
Payables to related parties	Xintec	\$ 728,756	\$ 817,930	\$ 382,279
	VIS	467,874	409,950	600,612
	SSMC	367,328	406,959	429,739
	Other associates	7,345	21,517	29,399
		\$ 1,571,303	\$ 1,656,356	\$ 1,442,029

## f. Accrued expenses and other current liabilities

		September 30,	December 31,	September 30,
		2018	2017	2017
<u>Item</u>	<u>Related Party Categories</u>			
Contract liabilities	Associates	\$ 1,456	\$	\$
Advance receipts	Associates	\$	\$ 96,502	\$ 239,914

## g. Others

		Three Months Ended		Nine Months Ended	
		September 30		September 30	
		2018	2017	2018	2017
<u>Item</u>	<u>Related Party Categories</u>				
Manufacturing expenses	Associates	\$ 890,630	\$ 492,892	\$ 1,889,816	\$ 1,055,887
General and administrative expenses	Other related parties	\$ 25,227	\$ 16,678	\$ 95,528	\$ 47,801

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 or loss derived from sales of property, plant and equipment to related parties (transactions with associates), and then recognized such gain or 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, 2018 and 2017 were as follows:

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Short-term employee benefits	\$ 471,505	\$ 532,461	\$ 1,492,033	\$ 1,523,629
Post-employment benefits	699	836	2,636	2,929
	<b>\$ 472,204</b>	<b>\$ 533,297</b>	<b>\$ 1,494,669</b>	<b>\$ 1,526,558</b>

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.

### 35. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of September 30, 2018, December 31, 2017 and September 30, 2017, the aforementioned other financial assets amounted to NT\$123,520 thousand, NT\$165,618 thousand and NT\$168,293 thousand, respectively.

### 36. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

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

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Not later than 1 year	\$ 5,962,586	\$ 3,116,209	\$ 1,512,193
Later than 1 year and not later than 5 years	5,926,589	5,174,729	4,425,524
Later than 5 years	9,307,594	8,905,848	9,179,467
	<b>\$ 21,196,769</b>	<b>\$ 17,196,786</b>	<b>\$ 15,117,184</b>

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### 37. 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, 2018, 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, 2018.
- c. In May 2017, 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. Cohen's case was transferred to and consolidated with the responsive declaratory judgment case for non-infringement of Cohen's asserted patents filed by TSMC and TSMC North America in the U.S. District Court for the Northern District of California. In July 2018, all pending litigations between the parties in the U.S. District Court for the Northern District of California were dismissed.
- d. On September 28, 2017, TSMC was contacted by the European Commission (the "Commission"), which has asked us for information and documents concerning alleged anti-competitive practices in relation to semiconductor sales. We are cooperating with the Commission to 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.
- e. 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.
- f. TSMC entered into a long-term purchase agreement of equipment. The relative purchase quantity and price are specified in the agreement.

- g. TSMC entered into long-term power purchase agreements with multiple suppliers. The relative purchase period, quantity and price are specified in the agreements.
- h. Amounts available under unused letters of credit as of September 30, 2018, December 31, 2017 and September 30, 2017 were NT\$70,162 thousand, NT\$94,909 thousand and NT\$96,765 thousand, respectively.

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**38. SIGNIFICANT LOSSES FROM DISASTERS**

The Company experienced a computer virus outbreak on August 3, 2018, which affected a number of computer systems and fab tools, and consequently impacted wafer production in Taiwan. All the impacted tools have been recovered by August 6, 2018. The Company recognized a loss of NT\$2,596,046 thousand related to this incident for the three months ended September 30, 2018, which was included in cost of revenue.

**39. 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, 2018</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,815,815	30.505	\$ 146,906,437
USD	365,757	6.881 (Note 2)	11,157,426
EUR	5,861	35.68	209,127
JPY	2,160,510	0.2699	583,122
Non-monetary items			
HKD	178,124	3.90	694,683
<u>Financial liabilities</u>			
Monetary items			
USD	4,251,255	30.505	129,684,537
EUR	516,393	35.68	18,424,920
JPY	38,344,359	0.2699	10,349,142
<u>December 31, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	5,668,611	29.659	168,125,342
USD	580,555	6.512 (Note 2)	17,218,674
EUR	236,474	35.45	8,383,015
JPY	34,335,661	0.2629	9,026,845
Non-monetary items			
HKD	285,336	3.80	1,084,276

(Continued)





	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<b>Financial liabilities</b>			
Monetary items			
USD	\$ 4,048,384	29.659	\$ 120,071,030
EUR	415,819	35.45	14,740,766
JPY	43,205,838	0.2629	11,358,815
<b>September 30, 2017</b>			
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
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
			(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, 2018 and 2017, 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.

#### 40. 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.

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#### 41. 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 13;
- 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, 2018****(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 Transactions (Note 4)	Reason for Financing (Note 4)	Allowance for Impairment (Note 4)
For variables	Yes	\$ 52,384,500 (RMB 7,000,000) & (US\$ 700,000)	\$ 46,680,065 (RMB 7,000,000) & (US\$ 513,000)	\$ 30,240,415 (RMB 5,700,000) & (US\$ 163,000)	1.30%-1.96%	The need for short-term and long-term financing	Operating capital	
For variables	Yes	45,757,500 (US\$ 1,500,000)	45,757,500 (US\$ 1,500,000)			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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Guaranteed Party	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	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
	Nature of Relationship (Notes 1 and 2)			Collateralized by Properties			
Subsidiary	\$ 393,792,979	\$ 35,080,750	\$	\$	\$	\$ 393,792,979	Yes
		(US\$ 1,150,000)					
Subsidiary	393,792,979	2,538,422	2,538,422	2,538,422	0.16%	393,792,979	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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

SEPTEMBER 30, 2018									
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)		Fair Value (Foreign Currencies in Thousands)		Note
						Percentage of Ownership (%)			
TSMC	<u>Non-publicly traded equity investments</u>								
	United Industrial Gases Co., Ltd.		Financial assets at fair value through other comprehensive income	21,230	\$	580,864	10	\$	580,864
	Shin-Etsu Handotai Taiwan Co., Ltd.			10,500		344,736	7		344,736
	Global Investment Holding Inc.			11,124		85,909	6		85,909
	W.K. Technology Fund IV			806		5,753	2		5,753
	Crimson Asia Capital					4,791	1		4,791
	Horizon Ventures Fund					2,458	12		2,458
	<u>Publicly traded stocks</u>								
	Semiconductor Manufacturing International Corporation		Financial assets at fair value through other comprehensive income	21,105		694,683			694,683
	Motech			13,097		132,932	2		132,932
TSMC Partners	<u>Non-publicly traded equity investments</u>								
	Tela Innovations		Financial assets at fair value through other	10,440	US\$	56,058	25	US\$	56,058



		comprehensive income				
	Shanghai Walden Venture Capital Enterprise		US\$	8,511	6	US\$ 8,511
	China Walden Venture Investments II, L.P.		US\$	8,169	9	US\$ 8,169
	China Walden Venture Investments III, L.P.		US\$	1,520	4	US\$ 1,520
	Mcube Inc.	6,333			12	
TSMC Global	<u>Corporate bond</u>					
	Bank of America Corp	Financial assets at fair value through other comprehensive income	US\$	44,855	N/A	US\$ 44,855
	JPMorgan Chase & Co		US\$	43,170	N/A	US\$ 43,170
	Morgan Stanley		US\$	40,848	N/A	US\$ 40,848
	Goldman Sachs Group Inc/The		US\$	32,474	N/A	US\$ 32,474
	Citigroup Inc		US\$	28,833	N/A	US\$ 28,833
	CVS Health Corp		US\$	26,700	N/A	US\$ 26,700
	Inter American Development Bank		US\$	24,254	N/A	US\$ 24,254
	AT&T Inc		US\$	24,031	N/A	US\$ 24,031
	Verizon Communications Inc		US\$	15,939	N/A	US\$ 15,939
	HSBC Holdings PLC		US\$	13,617	N/A	US\$ 13,617
	Apple Inc		US\$	12,525	N/A	US\$ 12,525
	Ford Motor Credit Co LLC		US\$	12,270	N/A	US\$ 12,270
	PNC Bank NA		US\$	12,177	N/A	US\$ 12,177
	BAT Capital Corp		US\$	12,171	N/A	US\$ 12,171
	Anheuser-Busch InBev Finance Inc		US\$	12,135	N/A	US\$ 12,135
	Daimler Finance North America LLC		US\$	11,854	N/A	US\$ 11,854
	Nordea Bank AB		US\$	11,729	N/A	US\$ 11,729
	AbbVie Inc		US\$	11,727	N/A	US\$ 11,727
	United Technologies Corp		US\$	10,585	N/A	US\$ 10,585
	BP Capital Markets PLC		US\$	10,142	N/A	US\$ 10,142

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Accounts	SEPTEMBER 30, 2018			Note
				Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	Credit Suisse AG/New York NY		Financial assets at fair value through other comprehensive income	US\$ 9,663	N/A	US\$ 9,663	
	Sumitomo Mitsui Financial Group Inc			US\$ 9,195	N/A	US\$ 9,195	
	Mitsubishi UFJ Financial Group Inc			US\$ 9,088	N/A	US\$ 9,088	
	Macquarie Group Ltd			US\$ 8,998	N/A	US\$ 8,998	
	Bank of New York Mellon Corp/The			US\$ 8,859	N/A	US\$ 8,859	
	Analog Devices Inc			US\$ 8,772	N/A	US\$ 8,772	
	Wells Fargo & Co			US\$ 8,681	N/A	US\$ 8,681	
	ABN AMRO Bank NV			US\$ 8,645	N/A	US\$ 8,645	
	ERAC USA Finance LLC			US\$ 8,573	N/A	US\$ 8,573	
	Southern Co/The			US\$ 8,516	N/A	US\$ 8,516	
	Celgene Corp			US\$ 8,370	N/A	US\$ 8,370	
	Duke Energy Corp			US\$ 8,178	N/A	US\$ 8,178	
	Tencent Holdings Ltd			US\$ 8,079	N/A	US\$ 8,079	
	Intercontinental Exchange Inc			US\$ 7,812	N/A	US\$ 7,812	
	Hewlett Packard Enterprise Co			US\$ 7,741	N/A	US\$ 7,741	
	Huntington National Bank/The			US\$ 7,676	N/A	US\$ 7,676	
	Siemens Financieringsmaatschappij NV			US\$ 7,508	N/A	US\$ 7,508	
	Cardinal Health Inc			US\$ 7,500	N/A	US\$ 7,500	
	UBS Group Funding Switzerland AG			US\$ 7,367	N/A	US\$ 7,367	
	ANZ New Zealand Int'l Ltd/London			US\$ 7,249	N/A	US\$ 7,249	
	QUALCOMM Inc			US\$ 7,107	N/A	US\$ 7,107	
	Deutsche Telekom International Finance BV			US\$ 7,095	N/A	US\$ 7,095	
	Microsoft Corp			US\$ 7,088	N/A	US\$ 7,088	
	Svenska Handelsbanken AB			US\$ 7,079	N/A	US\$ 7,079	
	Citizens Bank NA/Providence RI			US\$ 7,048	N/A	US\$ 7,048	
	Banco Santander SA			US\$ 7,035	N/A	US\$ 7,035	

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African Development Bank	US\$ 7,018	N/A	US\$ 7,018
Welltower Inc	US\$ 7,005	N/A	US\$ 7,005
General Dynamics Corp	US\$ 6,998	N/A	US\$ 6,998
Toyota Motor Credit Corp	US\$ 6,890	N/A	US\$ 6,890
Westpac Banking Corp	US\$ 6,833	N/A	US\$ 6,833
Dominion Energy Inc	US\$ 6,804	N/A	US\$ 6,804
BB&T Corp	US\$ 6,695	N/A	US\$ 6,695
Hyundai Capital America	US\$ 6,647	N/A	US\$ 6,647
Wells Fargo Bank NA	US\$ 6,629	N/A	US\$ 6,629
US Bank NA/Cincinnati OH	US\$ 6,620	N/A	US\$ 6,620
Mizuho Financial Group Inc	US\$ 6,376	N/A	US\$ 6,376
American International Group Inc	US\$ 6,319	N/A	US\$ 6,319
Cooperatieve Rabobank UA/NY	US\$ 6,252	N/A	US\$ 6,252
Tyson Foods Inc	US\$ 6,207	N/A	US\$ 6,207
Air Lease Corp	US\$ 6,204	N/A	US\$ 6,204
21st Century Fox America Inc	US\$ 6,167	N/A	US\$ 6,167
Dow Chemical Co/The	US\$ 6,093	N/A	US\$ 6,093
Barclays PLC	US\$ 6,066	N/A	US\$ 6,066
Northrop Grumman Corp	US\$ 6,026	N/A	US\$ 6,026
Lloyds Bank PLC	US\$ 6,024	N/A	US\$ 6,024
Fifth Third Bancorp	US\$ 6,004	N/A	US\$ 6,004
KeyCorp	US\$ 5,809	N/A	US\$ 5,809
UBS AG/London	US\$ 5,761	N/A	US\$ 5,761
SMBC Aviation Capital Finance DAC	US\$ 5,760	N/A	US\$ 5,760

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	SEPTEMBER 30, 2018			Note
				Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	BPCE SA		Financial assets at fair value through other comprehensive income	US\$ 5,718	N/A	US\$ 5,718	
	AXA Equitable Holdings Inc			US\$ 5,705	N/A	US\$ 5,705	
	Oracle Corp			US\$ 5,698	N/A	US\$ 5,698	
	Aviation Capital Group Corp			US\$ 5,689	N/A	US\$ 5,689	
	Reckitt Benckiser Treasury Services PLC			US\$ 5,615	N/A	US\$ 5,615	
	Santander UK PLC			US\$ 5,568	N/A	US\$ 5,568	
	Santander UK Group Holdings PLC			US\$ 5,547	N/A	US\$ 5,547	
	KeyBank NA/Cleveland OH			US\$ 5,538	N/A	US\$ 5,538	
	Penske Truck Leasing Co Lp/PTL Finance Corp			US\$ 5,392	N/A	US\$ 5,392	
	ITC Holdings Corp			US\$ 5,321	N/A	US\$ 5,321	
	Capital One NA/Mclean VA			US\$ 5,301	N/A	US\$ 5,301	
	Ryder System Inc			US\$ 5,290	N/A	US\$ 5,290	
	Amgen Inc			US\$ 5,229	N/A	US\$ 5,229	
	International Bank for Reconstruction & Development			US\$ 5,151	N/A	US\$ 5,151	
	Sompo International Holdings Ltd			US\$ 5,055	N/A	US\$ 5,055	
	BNP Paribas SA			US\$ 5,054	N/A	US\$ 5,054	
	Jackson National Life Global Funding			US\$ 5,054	N/A	US\$ 5,054	
	SunTrust Banks Inc			US\$ 5,038	N/A	US\$ 5,038	
	Manufacturers & Traders Trust Co			US\$ 5,028	N/A	US\$ 5,028	
				US\$ 4,997	N/A	US\$ 4,997	

Toronto-Dominion Bank/The				
UBS AG/Stamford CT	US\$ 4,972	N/A	US\$ 4,972	
Cigna Corp	US\$ 4,915	N/A	US\$ 4,915	
Marriott International Inc/MD	US\$ 4,797	N/A	US\$ 4,797	
Cox Communications Inc	US\$ 4,728	N/A	US\$ 4,728	
NextEra Energy Capital Holdings Inc	US\$ 4,715	N/A	US\$ 4,715	
Schlumberger Holdings Corp	US\$ 4,680	N/A	US\$ 4,680	
Air Liquide Finance SA	US\$ 4,680	N/A	US\$ 4,680	
Five Corners Funding Trust	US\$ 4,618	N/A	US\$ 4,618	
Credit Suisse Group Funding Guernsey Ltd	US\$ 4,569	N/A	US\$ 4,569	
Goldman Sachs Bank USA/New York NY	US\$ 4,564	N/A	US\$ 4,564	
AEP Texas Inc	US\$ 4,449	N/A	US\$ 4,449	
New York Life Global Funding	US\$ 4,435	N/A	US\$ 4,435	
Reliance Standard Life Global Funding II	US\$ 4,407	N/A	US\$ 4,407	
Enterprise Products Operating LLC	US\$ 4,261	N/A	US\$ 4,261	
Credit Agricole SA/London	US\$ 4,117	N/A	US\$ 4,117	
Vodafone Group PLC	US\$ 4,066	N/A	US\$ 4,066	
Fifth Third Bank/Cincinnati OH	US\$ 4,027	N/A	US\$ 4,027	
Banque Federative du Credit Mutuel SA	US\$ 4,023	N/A	US\$ 4,023	
SunTrust Bank/Atlanta GA	US\$ 4,009	N/A	US\$ 4,009	
Exelon Generation Co LLC	US\$ 3,999	N/A	US\$ 3,999	
Toyota Motor Corp	US\$ 3,994	N/A	US\$ 3,994	
Nuveen Finance LLC	US\$ 3,927	N/A	US\$ 3,927	

European Investment Bank	US\$ 3,867	N/A	US\$ 3,867
Bank of Nova Scotia	US\$ 3,847	N/A	US\$ 3,847
American Express Credit Corp	US\$ 3,814	N/A	US\$ 3,814
Edison International	US\$ 3,782	N/A	US\$ 3,782
Bayer US Finance II LLC	US\$ 3,699	N/A	US\$ 3,699
Alimentation Couche-Tard Inc	US\$ 3,651	N/A	US\$ 3,651
Husky Energy Inc	US\$ 3,637	N/A	US\$ 3,637
Barclays Bank PLC	US\$ 3,632	N/A	US\$ 3,632

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	SEPTEMBER 30, 2018			Note
				Carrying Value (Foreign Currencies) Shares/Units in Thousands	Percentage of Ownership (%)	Fair Value (Foreign Currencies) in Thousands	
TSMC Global	Canadian Imperial Bank of Commerce		Financial assets at fair value through other comprehensive income	US\$ 3,592	N/A	US\$ 3,592	
	SES GLOBAL Americas Holdings GP			US\$ 3,526	N/A	US\$ 3,526	
	Branch Banking & Trust Co			US\$ 3,482	N/A	US\$ 3,482	
	Capital One Financial Corp			US\$ 3,433	N/A	US\$ 3,433	
	Enel Finance International NV			US\$ 3,429	N/A	US\$ 3,429	
	BMW US Capital LLC			US\$ 3,426	N/A	US\$ 3,426	
	Shell International Finance BV			US\$ 3,390	N/A	US\$ 3,390	
	Mondelez International Holdings Netherlands BV			US\$ 3,381	N/A	US\$ 3,381	
	LyondellBasell Industries NV			US\$ 3,379	N/A	US\$ 3,379	
	Lloyds Banking Group PLC			US\$ 3,253	N/A	US\$ 3,253	
	Keurig Dr Pepper Inc			US\$ 3,187	N/A	US\$ 3,187	
	Bank of Montreal			US\$ 3,123	N/A	US\$ 3,123	
	Digital Realty Trust LP			US\$ 3,113	N/A	US\$ 3,113	
	Skandinaviska Enskilda Banken AB			US\$ 3,051	N/A	US\$ 3,051	
	Royal Bank of Canada			US\$ 2,999	N/A	US\$ 2,999	
	Macquarie Bank Ltd			US\$ 2,950	N/A	US\$ 2,950	
	Anthem Inc			US\$ 2,845	N/A	US\$ 2,845	
	Simon Property Group LP			US\$ 2,775	N/A	US\$ 2,775	



Sprint Spectrum Co LLC/Sprint Spectrum Co II LLC/Sprint Spectrum Co III LLC	US\$ 2,764	N/A	US\$ 2,764
Express Scripts Holding Co	US\$ 2,733	N/A	US\$ 2,733
ING Groep NV	US\$ 2,695	N/A	US\$ 2,695
Societe Generale SA	US\$ 2,623	N/A	US\$ 2,623
McCormick & Co Inc/MD	US\$ 2,596	N/A	US\$ 2,596
PartnerRe Finance B LLC	US\$ 2,577	N/A	US\$ 2,577
DXC Technology Co	US\$ 2,575	N/A	US\$ 2,575
Delta Air Lines 2007-1 Class A Pass Through Trust	US\$ 2,530	N/A	US\$ 2,530
Aetna Inc	US\$ 2,523	N/A	US\$ 2,523
WR Berkley Corp	US\$ 2,490	N/A	US\$ 2,490
Lam Research Corp	US\$ 2,485	N/A	US\$ 2,485
Ventas Realty LP/Ventas Capital Corp	US\$ 2,409	N/A	US\$ 2,409
Eastman Chemical Co	US\$ 2,392	N/A	US\$ 2,392
NiSource Inc	US\$ 2,371	N/A	US\$ 2,371
Xylem Inc/NY	US\$ 2,326	N/A	US\$ 2,326
EI du Pont de Nemours & Co	US\$ 2,316	N/A	US\$ 2,316
MUFG Bank Ltd	US\$ 2,296	N/A	US\$ 2,296
NBCUniversal Media LLC	US\$ 2,253	N/A	US\$ 2,253
PSEG Power LLC	US\$ 2,231	N/A	US\$ 2,231
Nestle Holdings Inc	US\$ 2,198	N/A	US\$ 2,198
Sumitomo Mitsui Banking Corp	US\$ 2,161	N/A	US\$ 2,161
Cintas Corp No 2	US\$ 2,145	N/A	US\$ 2,145
National Australia Bank Ltd/New York	US\$ 2,132	N/A	US\$ 2,132
Wm Wrigley Jr Co	US\$ 2,123	N/A	US\$ 2,123
	US\$ 2,118	N/A	US\$ 2,118

AIG Global Funding			
Gilead Sciences Inc	US\$ 2,103	N/A	US\$ 2,103
Commonwealth Bank of Australia/New York NY	US\$ 2,091	N/A	US\$ 2,091
Walgreens Boots Alliance Inc	US\$ 2,090	N/A	US\$ 2,090
ProAssurance Corp	US\$ 2,085	N/A	US\$ 2,085
HCP Inc	US\$ 2,046	N/A	US\$ 2,046
EOG Resources Inc	US\$ 2,006	N/A	US\$ 2,006

(Continued)

SEPTEMBER 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statements (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value
				(Foreign Currencies		(Foreign Currencies
				Shares/Units in		Note
				(In Thousands)		(In Thousands)
TSMC Global	Philip Morris International Inc		Financial assets at fair value through other comprehensive income	US\$ 2,002	N/A	US\$ 2,002
	British Telecommunications PLC			US\$ 1,997	N/A	US\$ 1,997
	Roche Holdings Inc			US\$ 1,980	N/A	US\$ 1,980
	Realty Income Corp			US\$ 1,961	N/A	US\$ 1,961
	American Airlines 2013-2 Class A Pass Through Trust			US\$ 1,943	N/A	US\$ 1,943
	Caterpillar Financial Services Corp			US\$ 1,937	N/A	US\$ 1,937
	American Express Co			US\$ 1,902	N/A	US\$ 1,902
	Duke Realty LP			US\$ 1,898	N/A	US\$ 1,898
	General Mills Inc			US\$ 1,840	N/A	US\$ 1,840
	Orange SA			US\$ 1,827	N/A	US\$ 1,827
	WestRock RKT Co			US\$ 1,754	N/A	US\$ 1,754
	Brambles USA Inc			US\$ 1,748	N/A	US\$ 1,748
	Visa Inc			US\$ 1,744	N/A	US\$ 1,744
	DTE Energy Co			US\$ 1,725	N/A	US\$ 1,725
	Dominion Energy Gas Holdings LLC			US\$ 1,724	N/A	US\$ 1,724
	Danske Bank A/S			US\$ 1,694	N/A	US\$ 1,694
	Regions Financial Corp			US\$ 1,659	N/A	US\$ 1,659
	Magellan Midstream Partners LP			US\$ 1,614	N/A	US\$ 1,614
	General Electric Co			US\$ 1,601	N/A	US\$ 1,601
	Amazon.com Inc			US\$ 1,574	N/A	US\$ 1,574
	Principal Life Global Funding II			US\$ 1,553	N/A	US\$ 1,553
	Weyerhaeuser Co			US\$ 1,545	N/A	US\$ 1,545
	Lincoln National Corp			US\$ 1,537	N/A	US\$ 1,537
	Metropolitan Life Global Funding I			US\$ 1,534	N/A	US\$ 1,534
	McKesson Corp			US\$ 1,497	N/A	US\$ 1,497
	Harley-Davidson Financial Services Inc			US\$ 1,488	N/A	US\$ 1,488

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Abbott Laboratories	US\$ 1,481	N/A	US\$ 1,481
Nissan Motor Acceptance Corp	US\$ 1,469	N/A	US\$ 1,469
O Reilly Automotive Inc	US\$ 1,469	N/A	US\$ 1,469
Guardian Life Global Funding	US\$ 1,451	N/A	US\$ 1,451
Public Service Electric & Gas Co	US\$ 1,443	N/A	US\$ 1,443
Oesterreichische Kontrollbank AG	US\$ 1,434	N/A	US\$ 1,434
CBS Corp	US\$ 1,423	N/A	US\$ 1,423
HSBC Bank PLC	US\$ 1,422	N/A	US\$ 1,422
Monongahela Power Co	US\$ 1,372	N/A	US\$ 1,372
Cboe Global Markets Inc	US\$ 1,367	N/A	US\$ 1,367
Texas Eastern Transmission LP	US\$ 1,364	N/A	US\$ 1,364
Georgia-Pacific LLC	US\$ 1,352	N/A	US\$ 1,352
Kreditanstalt fuer Wiederaufbau	US\$ 1,326	N/A	US\$ 1,326
GATX Corp	US\$ 1,262	N/A	US\$ 1,262
CNA Financial Corp	US\$ 1,254	N/A	US\$ 1,254
Entergy Arkansas Inc	US\$ 1,247	N/A	US\$ 1,247
Compass Bank	US\$ 1,243	N/A	US\$ 1,243
Western Union Co/The	US\$ 1,235	N/A	US\$ 1,235
Entergy Corp	US\$ 1,232	N/A	US\$ 1,232
Sempra Energy	US\$ 1,206	N/A	US\$ 1,206
Consolidated Edison Inc	US\$ 1,199	N/A	US\$ 1,199
Glencore Funding LLC	US\$ 1,193	N/A	US\$ 1,193
GlaxoSmithKline Capital PLC	US\$ 1,180	N/A	US\$ 1,180
Regions Bank/Birmingham AL	US\$ 1,174	N/A	US\$ 1,174

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	SEPTEMBER 30, 2018			Note
				Carrying Value (Foreign Currencies)	Percentage of Ownership (%)	Fair Value (Foreign Currencies)	
				Shares/Units in Thousands		in Thousands	
TSMC Global	Public Service Enterprise Group Inc		Financial assets at fair value through other comprehensive income	US\$ 1,135	N/A	US\$ 1,135	
	Interpublic Group of Cos Inc/The			US\$ 1,084	N/A	US\$ 1,084	
	Swedbank AB			US\$ 1,057	N/A	US\$ 1,057	
	Merck & Co Inc			US\$ 1,040	N/A	US\$ 1,040	
	CA Inc			US\$ 1,040	N/A	US\$ 1,040	
	Reinsurance Group of America Inc			US\$ 1,037	N/A	US\$ 1,037	
	International Paper Co			US\$ 1,036	N/A	US\$ 1,036	
	Glencore Finance Canada Ltd			US\$ 1,029	N/A	US\$ 1,029	
	Quest Diagnostics Inc			US\$ 1,028	N/A	US\$ 1,028	
	Prudential Financial Inc			US\$ 1,028	N/A	US\$ 1,028	
	Athene Global Funding			US\$ 1,016	N/A	US\$ 1,016	
	Commonwealth Edison Co			US\$ 1,012	N/A	US\$ 1,012	
	Scentre Group Trust 1/Scentre Group Trust 2			US\$ 1,011	N/A	US\$ 1,011	
	Mitsubishi UFJ Trust & Banking Corp			US\$ 1,008	N/A	US\$ 1,008	
	Marsh & McLennan Cos Inc			US\$ 1,006	N/A	US\$ 1,006	
	DNB Bank ASA			US\$ 1,006	N/A	US\$ 1,006	
	Union Pacific Corp			US\$ 1,004	N/A	US\$ 1,004	
	Halliburton Co			US\$ 996	N/A	US\$ 996	
	Biogen Inc			US\$ 995	N/A	US\$ 995	
	Laboratory Corp of America Holdings			US\$ 994	N/A	US\$ 994	
	Equinor ASA			US\$ 994	N/A	US\$ 994	

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Southern California Edison Co	US\$	993	N/A	US\$	993
Sysco Corp	US\$	987	N/A	US\$	987
BNG Bank NV	US\$	987	N/A	US\$	987
Pricoa Global Funding I	US\$	984	N/A	US\$	984
Unum Group	US\$	983	N/A	US\$	983
Holcim US Finance Sarl & Cie SCS	US\$	980	N/A	US\$	980
Moody's Corp	US\$	977	N/A	US\$	977
UnitedHealth Group Inc	US\$	977	N/A	US\$	977
Protective Life Global Funding	US\$	973	N/A	US\$	973
Entergy Texas Inc	US\$	973	N/A	US\$	973
Healthcare Trust of America Holdings LP	US\$	967	N/A	US\$	967
State Grid Overseas Investment Ltd	US\$	961	N/A	US\$	961
TransCanada PipeLines Ltd	US\$	959	N/A	US\$	959
Bunge Ltd Finance Corp	US\$	956	N/A	US\$	956
Citibank NA	US\$	953	N/A	US\$	953
XLIT Ltd	US\$	952	N/A	US\$	952
National Retail Properties Inc	US\$	938	N/A	US\$	938
Anheuser-Busch InBev Worldwide Inc	US\$	935	N/A	US\$	935
Duke Energy Progress LLC	US\$	906	N/A	US\$	906
Southern Electric Generating Co	US\$	899	N/A	US\$	899
Standard Chartered PLC	US\$	892	N/A	US\$	892
Coca-Cola Femsa SAB de CV	US\$	891	N/A	US\$	891
Lockheed Martin Corp	US\$	887	N/A	US\$	887
Chevron Corp	US\$	872	N/A	US\$	872
CNOOC Finance Ltd	US\$	860	N/A	US\$	860
Viterra Inc	US\$	854	N/A	US\$	854
Fiserv Inc	US\$	834	N/A	US\$	834
	US\$	833	N/A	US\$	833

Baker Hughes a  
GE Co  
LLC/Baker  
Hughes  
Co-Obligor Inc

Huntington  
Bancshares  
Inc/OH

US\$ 814

N/A

US\$ 814

(Continued)

SEPTEMBER 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currencies) (In Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies) (In Thousands) Note
TSMC Global	Intesa Sanpaolo SpA		Financial assets at fair value through other comprehensive income	US\$ 811	N/A	US\$ 811
	Consolidated Edison Co of New York Inc			US\$ 806	N/A	US\$ 806
	Danone SA			US\$ 803	N/A	US\$ 803
	Charles Schwab Corp/The			US\$ 801	N/A	US\$ 801
	Aon PLC			US\$ 795	N/A	US\$ 795
	Alterra Finance LLC			US\$ 792	N/A	US\$ 792
	ONEOK Partners LP			US\$ 787	N/A	US\$ 787
	AXIS Specialty Finance LLC			US\$ 777	N/A	US\$ 777
	Manulife Financial Corp			US\$ 774	N/A	US\$ 774
	Activision Blizzard Inc			US\$ 774	N/A	US\$ 774
	Nomura Holdings Inc			US\$ 772	N/A	US\$ 772
	Suncorp-Metway Ltd			US\$ 772	N/A	US\$ 772
	Sinopec Capital Ltd			US\$ 769	N/A	US\$ 769
	Incitec Pivot Finance LLC			US\$ 769	N/A	US\$ 769
	Warner Media LLC			US\$ 758	N/A	US\$ 758
	AutoZone Inc			US\$ 750	N/A	US\$ 750
	Baidu Inc			US\$ 743	N/A	US\$ 743
	Walmart Inc			US\$ 741	N/A	US\$ 741
	John Deere Capital Corp			US\$ 738	N/A	US\$ 738
	WEC Energy Group Inc			US\$ 735	N/A	US\$ 735
	Pinnacle West Capital Corp			US\$ 731	N/A	US\$ 731
	Phillips 66			US\$ 706	N/A	US\$ 706
	Comcast Corp			US\$ 706	N/A	US\$ 706



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Thermo Fisher Scientific Inc	US\$ 702	N/A	US\$ 702
Baker Hughes a GE Co LLC	US\$ 696	N/A	US\$ 696
APT Pipelines Ltd	US\$ 695	N/A	US\$ 695
American Honda Finance Corp	US\$ 695	N/A	US\$ 695
Australia & New Zealand Banking Group Ltd/New York NY	US\$ 694	N/A	US\$ 694
eBay Inc	US\$ 694	N/A	US\$ 694
Textron Inc	US\$ 685	N/A	US\$ 685
Three Gorges Finance I Cayman Islands Ltd	US\$ 673	N/A	US\$ 673
Vornado Realty LP	US\$ 672	N/A	US\$ 672
National Oilwell Varco Inc	US\$ 667	N/A	US\$ 667
Rochester Gas & Electric Corp	US\$ 663	N/A	US\$ 663
Norfolk Southern Railway Co	US\$ 663	N/A	US\$ 663
Ohio Power Co	US\$ 635	N/A	US\$ 635
Georgia Power Co	US\$ 634	N/A	US\$ 634
Toledo Edison Co/The	US\$ 633	N/A	US\$ 633
ERP Operating LP	US\$ 622	N/A	US\$ 622
RBC USA Holdco Corp	US\$ 621	N/A	US\$ 621
Continental Airlines 2007-1 Class A Pass Through Trust	US\$ 620	N/A	US\$ 620
Alexandria Real Estate Equities Inc	US\$ 616	N/A	US\$ 616
Liberty Property LP	US\$ 613	N/A	US\$ 613
Grupo Bimbo SAB de CV	US\$ 612	N/A	US\$ 612
Nutrien Ltd	US\$ 612	N/A	US\$ 612
Continental Airlines 2000-1 Class A-1 Pass Through Trust	US\$ 611	N/A	US\$ 611
Woolworths Group Ltd	US\$ 608	N/A	US\$ 608
MUFG Union Bank NA	US\$ 599	N/A	US\$ 599
Altria Group Inc	US\$ 597	N/A	US\$ 597
	US\$ 597	N/A	US\$ 597

Kimberly-Clark  
Corp

(Continued)

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	SEPTEMBER 30, 2018			Note
				Carrying Value (Foreign Currencies) Shares/Units in Thousands	Percentage of Ownership (%)	Fair Value (Foreign Currencies) in Thousands	
TSMC Global	OneBeacon US Holdings Inc		Financial assets at fair value through other comprehensive income	US\$ 595	N/A	US\$ 595	
	Daiwa Securities Group Inc			US\$ 595	N/A	US\$ 595	
	BOC Aviation Ltd			US\$ 594	N/A	US\$ 594	
	BAT International Finance PLC			US\$ 594	N/A	US\$ 594	
	Life Technologies Corp			US\$ 590	N/A	US\$ 590	
	Kimco Realty Corp			US\$ 590	N/A	US\$ 590	
	Ontario Teachers Cadillac Fairview Properties Trust			US\$ 588	N/A	US\$ 588	
	ABC Inc			US\$ 576	N/A	US\$ 576	
	AXIS Specialty Finance PLC			US\$ 574	N/A	US\$ 574	
	Mizuho Bank Ltd			US\$ 573	N/A	US\$ 573	
	Nationwide Financial Services Inc			US\$ 569	N/A	US\$ 569	
	Host Hotels & Resorts LP			US\$ 564	N/A	US\$ 564	
	AvalonBay Communities Inc			US\$ 562	N/A	US\$ 562	
	Berkshire Hathaway Energy Co			US\$ 551	N/A	US\$ 551	
	Duke Energy Progress LLC			US\$ 548	N/A	US\$ 548	
	Church & Dwight Co Inc			US\$ 520	N/A	US\$ 520	
	Bunge Ltd Finance Corp			US\$ 518	N/A	US\$ 518	
				US\$ 518	N/A	US\$ 518	

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MUFG Americas Holdings Corp			
American Electric Power Co Inc	US\$ 514	N/A	US\$ 514
Pacific Gas & Electric Co	US\$ 507	N/A	US\$ 507
Southwestern Electric Power Co	US\$ 505	N/A	US\$ 505
Fulton Financial Corp	US\$ 504	N/A	US\$ 504
TD Ameritrade Holding Corp	US\$ 501	N/A	US\$ 501
Rockwell Collins Inc	US\$ 497	N/A	US\$ 497
Regency Centers Corp	US\$ 496	N/A	US\$ 496
Sumitomo Mitsui Trust Bank Ltd	US\$ 495	N/A	US\$ 495
ASB Bank Ltd	US\$ 495	N/A	US\$ 495
Highwoods Realty LP	US\$ 492	N/A	US\$ 492
ORIX Corp	US\$ 486	N/A	US\$ 486
Eni SpA	US\$ 476	N/A	US\$ 476
MassMutual Global Funding II	US\$ 475	N/A	US\$ 475
Diageo Capital PLC	US\$ 474	N/A	US\$ 474
Comerica Inc	US\$ 473	N/A	US\$ 473
Spire Inc	US\$ 458	N/A	US\$ 458
Narragansett Electric Co/The	US\$ 457	N/A	US\$ 457
Eaton Corp	US\$ 456	N/A	US\$ 456
United Overseas Bank Ltd	US\$ 452	N/A	US\$ 452
CenterPoint Energy Inc	US\$ 449	N/A	US\$ 449
Total Capital International SA	US\$ 445	N/A	US\$ 445
Burlington Northern Santa Fe LLC	US\$ 427	N/A	US\$ 427
Columbia Pipeline Group Inc	US\$ 424	N/A	US\$ 424
Canadian Pacific Railway Co	US\$ 415	N/A	US\$ 415
	US\$ 415	N/A	US\$ 415

Valero Energy Corp			
Texas-New Mexico Power Co	US\$ 413	N/A	US\$ 413
Marathon Petroleum Corp	US\$ 412	N/A	US\$ 412
Continental Airlines 2012-1 Class A Pass Through Trust	US\$ 402	N/A	US\$ 402
Tanger Properties LP	US\$ 389	N/A	US\$ 389
IBM Credit LLC	US\$ 388	N/A	US\$ 388
Southern Power Co	US\$ 387	N/A	US\$ 387
StanCorp Financial Group Inc	US\$ 378	N/A	US\$ 378

(Continued)

SEPTEMBER 30, 2018								
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currencies)		Percentage of Ownership (%)	Fair Value (Foreign Currencies)	
				Shares/Units in (In Thousands)	(In Thousands)		(In Thousands)	Note
TSMC Global	Aon Corp		Financial assets at fair value through other comprehensive income	US\$	377	N/A	US\$	377
	Kroger Co/The			US\$	370	N/A	US\$	370
	First Niagara Financial Group Inc			US\$	367	N/A	US\$	367
	NetApp Inc			US\$	362	N/A	US\$	362
	CenterPoint Energy Resources Corp			US\$	354	N/A	US\$	354
	Deutsche Bank AG			US\$	349	N/A	US\$	349
	Cooperatieve Rabobank UA			US\$	339	N/A	US\$	339
	Cisco Systems Inc			US\$	318	N/A	US\$	318
	Schlumberger Finance Canada Ltd			US\$	292	N/A	US\$	292
	Eli Lilly & Co			US\$	286	N/A	US\$	286
	Amphenol Corp			US\$	285	N/A	US\$	285
	BAE Systems Holdings Inc			US\$	283	N/A	US\$	283
	EMD Finance LLC			US\$	276	N/A	US\$	276
	Hartford Financial Services Group Inc/The			US\$	229	N/A	US\$	229
	Rolls-Royce PLC			US\$	220	N/A	US\$	220
	Protective Life Corp			US\$	219	N/A	US\$	219
	WestRock MWV LLC			US\$	213	N/A	US\$	213
	ING Bank NV			US\$	207	N/A	US\$	207
	Fidelity National Information Services Inc			US\$	203	N/A	US\$	203
	Equifax Inc			US\$	174	N/A	US\$	174
				US\$	157	N/A	US\$	157

Schneider Electric SE					
Packaging Corp of America		US\$	157	N/A	US\$ 157
Reynolds American Inc		US\$	126	N/A	US\$ 126
Duke Energy Florida LLC		US\$	75	N/A	US\$ 75
Wells Fargo & Co	Financial assets at amortized cost	US\$	149,941	N/A	US\$ 152,147
JPMorgan Chase & Co.		US\$	124,948	N/A	US\$ 126,575
Westpac Banking Corp.		US\$	99,987	N/A	US\$ 100,276
Goldman Sachs Group, Inc.		US\$	99,900	N/A	US\$ 100,437
Commonwealth Bank of Australia		US\$	49,994	N/A	US\$ 50,100
National Australia Bank		US\$	49,994	N/A	US\$ 50,079
Bank of Nova Scotia		US\$	49,975	N/A	US\$ 50,140
Industrial and Commercial Bank of China		US\$	9,996	N/A	US\$ 10,012
<u>Government bond</u>					
United States Treasury Note/Bond	Financial assets at fair value through other comprehensive income	US\$	349,827	N/A	US\$ 349,827
Abu Dhabi Government International Bond		US\$	3,397	N/A	US\$ 3,397
Qatar Government International Bond		US\$	1,309	N/A	US\$ 1,309
<u>Agency bonds/Agency mortgage-backed securities</u>					
Freddie Mac	Financial assets at fair value through Profit or Loss	US\$	54,729	N/A	US\$ 54,729
Fannie Mae		US\$	44,804	N/A	US\$ 44,804
		US\$	27,182	N/A	US\$ 27,182

Government National Mortgage Association				
Freddie Mac Multifamily Structured Pass Through Certificates		US\$ 2,042	N/A	US\$ 2,042
Fannie Mae	Financial assets at fair value through other comprehensive income	US\$ 586,994	N/A	US\$ 586,994
Freddie Mac Government National Mortgage Association		US\$ 227,982	N/A	US\$ 227,982
Ginnie Mae		US\$ 143,925	N/A	US\$ 143,925
Province of Quebec Canada		US\$ 70,023	N/A	US\$ 70,023
		US\$ 2,496	N/A	US\$ 2,496

(Continued)



SEPTEMBER 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value	Percentage of Ownership (%)	Fair Value
				(Foreign Currencies Shares/Units in Thousands) (in Thousands)		(Foreign Currencies in Thousands) Note
TSMC Global	FHLMC-GNMA		Financial assets at fair value through other comprehensive income	US\$ 1,604	N/A	US\$ 1,604
	Freddie Mac Multifamily Structured Pass Through Certificates			US\$ 1,289	N/A	US\$ 1,289
	NCUA Guaranteed Notes Trust 2010-R2			US\$ 1,251	N/A	US\$ 1,251
	Export Development Canada			US\$ 979	N/A	US\$ 979
	Federal Farm Credit Banks			US\$ 884	N/A	US\$ 884
	Kowloon-Canton Railway Corp			US\$ 556	N/A	US\$ 556
	<u>Asset-backed securities</u>					
	Citibank Credit Card Issuance Trust		Financial assets at fair value through other comprehensive income	US\$ 55,773	N/A	US\$ 55,773
	Discover Card Execution Note Trust			US\$ 44,159	N/A	US\$ 44,159
	American Express Credit Account Master Trust			US\$ 42,356	N/A	US\$ 42,356
	Chase Issuance Trust			US\$ 39,969	N/A	US\$ 39,969
	Ford Credit Floorplan Master Owner Trust A			US\$ 26,763	N/A	US\$ 26,763
	COMM Mortgage Trust			US\$ 14,066	N/A	US\$ 14,066
	Ford Credit Auto Owner Trust/Ford Credit			US\$ 13,722	N/A	US\$ 13,722

2014-REV1			
GS Mortgage Securities Trust	US\$ 12,521	N/A	US\$ 12,521
Morgan Stanley Bank of America Merrill Lynch Trust	US\$ 12,287	N/A	US\$ 12,287
BA Credit Card Trust	US\$ 12,131	N/A	US\$ 12,131
Toyota Auto Receivables 2014-C Owner Trust	US\$ 11,877	N/A	US\$ 11,877
UBS-Barclays Commercial Mortgage Trust 2012-C2	US\$ 9,999	N/A	US\$ 9,999
JPMCC Commercial Mortgage Securities Trust 2017-JP7	US\$ 9,980	N/A	US\$ 9,980
BANK	US\$ 9,569	N/A	US\$ 9,569
Hyundai Auto Lease Securitization Trust 2017-A	US\$ 8,536	N/A	US\$ 8,536
Nissan Master Owner Trust Receivables	US\$ 8,014	N/A	US\$ 8,014
CGDBB Commercial Mortgage Trust 2017-BIOC	US\$ 7,511	N/A	US\$ 7,511
Mercedes-Benz Master Owner Trust	US\$ 7,423	N/A	US\$ 7,423
Ford Credit Auto Lease Trust	US\$ 7,419	N/A	US\$ 7,419
Capital One Multi-Asset Execution Trust	US\$ 7,302	N/A	US\$ 7,302
Nissan Auto Lease Trust	US\$ 7,258	N/A	US\$ 7,258
GM Financial Automobile Leasing Trust 2015-3	US\$ 7,116	N/A	US\$ 7,116
Morgan Stanley Capital I Trust	US\$ 6,084	N/A	US\$ 6,084
	US\$ 6,071	N/A	US\$ 6,071

Chesapeake Funding II LLC				
UBS Commercial Mortgage Trust 2018-C10	US\$ 6,055	N/A	US\$ 6,055	
SLM Student Loan Trust 2013-6	US\$ 5,750	N/A	US\$ 5,750	
Wells Fargo Commercial Mortgage Trust 2015-LC20	US\$ 5,711	N/A	US\$ 5,711	
JPMBB Commercial Mortgage Securities Trust 2013-C12	US\$ 5,651	N/A	US\$ 5,651	
Citigroup Commercial Mortgage Trust 2013-GC11	US\$ 5,631	N/A	US\$ 5,631	
Honda Auto Receivables 2017-2 Owner Trust	US\$ 5,585	N/A	US\$ 5,585	
BBCMS 2018-TALL Mortgage Trust	US\$ 5,497	N/A	US\$ 5,497	
Ford Credit Auto Owner Trust	US\$ 4,951	N/A	US\$ 4,951	
JPMDDB Commercial Mortgage Securities Trust 2017-C7	US\$ 4,748	N/A	US\$ 4,748	
BMW Vehicle Lease Trust	US\$ 4,703	N/A	US\$ 4,703	
Volvo Financial Equipment Master Owner Trust 2017-A	US\$ 4,512	N/A	US\$ 4,512	
GM Financial Consumer Automobile 2017-1	US\$ 3,903	N/A	US\$ 3,903	
Cold Storage Trust 2017-ICE3	US\$ 3,811	N/A	US\$ 3,811	
Navient Student Loan Trust 2017-1	US\$ 3,761	N/A	US\$ 3,761	
	US\$ 3,345	N/A	US\$ 3,345	

Nissan Auto  
 Receivables  
 2017-B Owner  
 Trust

Wheels SPV 2 LLC	US\$ 3,342	N/A	US\$ 3,342
Hertz Fleet Lease Funding LP	US\$ 2,988	N/A	US\$ 2,988 (Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	SEPTEMBER 30, 2018			Note
				Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	<u>BMW Floorplan Master Owner Trust</u>		Financial assets at fair value through other comprehensive income	US\$ 2,804	N/A	US\$ 2,804	
	CarMax Auto Owner Trust			US\$ 2,619	N/A	US\$ 2,619	
	BENCHMARK 2018-B4			US\$ 2,000	N/A	US\$ 2,000	
	Nelnet Student Loan Trust 2010-4			US\$ 1,878	N/A	US\$ 1,878	
	Nelnet Student Loan Trust 2006-2			US\$ 1,786	N/A	US\$ 1,786	
	BENCHMARK 2018-B6 Mortgage Trust			US\$ 1,778	N/A	US\$ 1,778	
	WFRBS Commercial Mortgage Trust 2013-C14			US\$ 1,568	N/A	US\$ 1,568	
	Nelnet Student Loan Trust 2018-3			US\$ 1,550	N/A	US\$ 1,550	
	Mercedes-Benz Auto Lease Trust 2016-A			US\$ 1,416	N/A	US\$ 1,416	
	Enterprise Fleet Financing LLC			US\$ 1,356	N/A	US\$ 1,356	
	Hyundai Auto Receivables Trust			US\$ 998	N/A	US\$ 998	
	Mercedes-Benz Auto Receivables Trust 2015-1			US\$ 912	N/A	US\$ 912	
	ARI Fleet Lease Trust 2018-A			US\$ 838	N/A	US\$ 838	
	280 Park Avenue Mortgage Trust			US\$ 831	N/A	US\$ 831	
	CFCRE Commercial Mortgage Trust 2011-C1			US\$ 783	N/A	US\$ 783	
	Ally Auto Receivables Trust 2018-3			US\$ 700	N/A	US\$ 700	

	DBUBS 2011-LC2 Mortgage Trust		US\$ 513	N/A	US\$ 513
	CD 2016-CD2 Mortgage Trust		US\$ 495	N/A	US\$ 495
	<u>Commercial paper</u>				
	Oversea-Chinese Banking Corp L	Financial assets at fair value through other comprehensive income	US\$ 2,969	N/A	US\$ 2,969
	Sumitomo Mitsui Trust Bank Limited/New York		US\$ 2,000	N/A	US\$ 2,000
	Royal Bank of Canada/New York NY		US\$ 2,000	N/A	US\$ 2,000
	Toronto-Dominion Bank/NY		US\$ 1,500	N/A	US\$ 1,500
	Non-publicly traded equity investments				
	Primavera Capital Fund II L.P.	Financial assets at fair value through other comprehensive income	US\$ 72,189	4	US\$ 72,189
VTAF II	<u>Non-publicly traded equity investments</u>				
	Sentelic	Financial assets at fair value through other comprehensive income	1,019 US\$ 2,054	4	US\$ 2,054
	Aether Systems, Inc.		1,085 US\$ 356	20	US\$ 356
	5V Technologies, Inc.		963 US\$ 316	2	US\$ 316
	<u>Publicly traded stocks</u>				
	Aquantia	Financial assets at fair value through other comprehensive income	85 US\$ 1,084		US\$ 1,084
VTAF III	<u>Non-publicly traded equity</u>				

<u>investments</u>								
	LiquidLeds Lighting Corp.	Financial assets at fair value through other comprehensive income	1,600	US\$	800	11	US\$	800
	Neoconix, Inc.		4,147	US\$	174		US\$	174
ISDF	<u>Non-publicly traded equity investments</u>							
	Sonics, Inc.	Financial assets at fair value through other comprehensive income	230			3		
ISDF II	<u>Non-publicly traded equity investments</u>							
	Sonics, Inc.	Financial assets at fair value through other comprehensive income	542			8		

(Continued)

SEPTEMBER 30, 2018						
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 (%)	
Growth Fund	<u>Non-publicly traded equity investments</u>					
	Innovium, Inc.		Financial assets at fair value through other comprehensive income	451	US\$ 2,393	US\$ 2,393
	CNEX Labs, Inc.			237	US\$ 775	US\$ 775
(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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Counter-Party Relationship	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Gain Loss
			Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value
Investments accounted for using equity method		Subsidiary	9	\$ 309,211,877	2	\$ 59,182,280	\$	\$	\$
		Subsidiary		26,493,740		2,361,320			
Financial assets at fair value through other comprehensive income			58,320	1,309,279		45,223	542,229	1,420,002	
Financial assets at fair value through other comprehensive income			US\$	40,876	US\$	10,270	US\$ 5,393	US\$ 5,426	US\$
			US\$	10,018	US\$	16,959	US\$ 199	US\$ 198	US\$
			US\$		US\$	21,168	US\$	US\$	US\$
			US\$	6,181	US\$	10,575	US\$ 8,076	US\$ 8,258	US\$
			US\$	1,450	US\$	11,593	US\$ 6,683	US\$ 6,798	US\$
			US\$	11,073	US\$		US\$ 11,075	US\$ 11,075	US\$
Financial assets at fair value through			US\$	202,689	US\$	373,192	US\$ 302,629	US\$ 304,216	US\$

other comprehensive  
income

	US\$	49,901	US\$	99,327	US\$	79,979	US\$	79,935	US\$
	US\$	2,997	US\$	153,233	US\$	147,939	US\$	147,908	US\$
Financial assets at fair value through other comprehensive income	US\$		US\$	139,880	US\$	109,786	US\$	109,735	US\$
	US\$		US\$	29,117	US\$	184	US\$	185	US\$
	US\$	41,275	US\$	5,537	US\$	17,499	US\$	18,617	US\$
	US\$		US\$	27,059	US\$		US\$		US\$
	US\$		US\$	25,863	US\$		US\$		US\$
	US\$		US\$	18,366	US\$	639	US\$	640	US\$
	US\$		US\$	17,751	US\$		US\$		US\$
	US\$		US\$	16,433	US\$		US\$		US\$

(Continued)

Marketable Securities									
Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance (Shares/Units) (In Thousands)	Acquisition (Shares/Units) (In Thousands)	Disposal (Shares/Units) (In Thousands)	Gain/Loss (In Thousands)	Carrying Value	Disposal Value
DO HM LN Pool 553	Financial assets at fair value through other comprehensive income			US\$	US\$ 15,372	US\$	US\$	US\$	US\$
MA Pool 2169				US\$	US\$ 15,368	US\$	US\$	US\$	US\$
MA II 1 5332				US\$	US\$ 26,202	US\$ 13,130	US\$ 13,116	US\$	US\$
MA II A 30 Yr 5				US\$	US\$ 12,328	US\$	US\$	US\$	US\$
Government Mortgage Association				US\$	US\$ 10,494	US\$	US\$	US\$	US\$
MA TBA Yr 3				US\$ 2,015	US\$ 55,925	US\$ 51,392	US\$ 51,432	US\$	US\$
MA TBA Yr 4.5				US\$ 15,758	US\$ 112,478	US\$ 125,642	US\$ 125,894	US\$	US\$
MA II A 30 Yr 4				US\$ 2,378	US\$ 38,275	US\$ 38,302	US\$ 38,349	US\$	US\$
MA TBA Yr 3.5				US\$	US\$ 30,355	US\$ 28,336	US\$ 28,341	US\$	US\$
MA II A 30 Yr				US\$ 145	US\$ 38,929	US\$ 37,352	US\$ 37,428	US\$	US\$
MA TBA Yr 3.5				US\$ 2,866	US\$ 57,051	US\$ 59,733	US\$ 59,627	US\$	US\$
MA TBA Yr 3				US\$	US\$ 123,851	US\$ 123,395	US\$ 123,851	US\$	US\$
DO HM LN Pool 594				US\$ 11,599	US\$	US\$ 11,191	US\$ 11,711	US\$	US\$
General Home Loan				US\$	US\$ 29,498	US\$ 29,500	US\$ 29,499	US\$	US\$
Bank Credit Card	Financial assets at fair value through other comprehensive income			US\$ 48,328	US\$ 27,950	US\$ 20,343	US\$ 20,346	US\$	US\$

cover d cution e Trust	US\$ 45,722	US\$ 16,266	US\$ 17,729	US\$ 17,754	US\$
se ance st	US\$ 39,211	US\$ 17,750	US\$ 16,973	US\$ 16,982	US\$
erican ress dit ount ster Trust	US\$ 12,805	US\$ 25,878	US\$ 11,239	US\$ 11,233	US\$
ital One ti-Asset cution st	US\$ 22,544	US\$	US\$ 15,223	US\$ 15,227	US\$

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

(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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Transaction Amount		Currencies in		Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party		Transfer Date	Amount	R
(Foreign		Transaction Date	Thousands)				Owner	Relationships			
March 10, 2017 to January 25, 2018		\$	303,592	Monthly settlement by the construction progress and acceptance	HSIEH KUN CO., LTD		N/A	N/A	N/A	N/A	Pr co an ne
March 17, 2017 to March 12, 2018			301,341	Monthly settlement by the construction progress and acceptance	Jer Yih Electrical Eng. Co.		N/A	N/A	N/A	N/A	Pr co an ne
March 21, 2017 to August 6, 2018			607,800	Monthly settlement by the construction progress and acceptance	TRUSVAL TECHNOLOGY CO., LTD.		N/A	N/A	N/A	N/A	Pr co an ne
March 10, 2017 to March 30, 2018			382,672	Monthly settlement by the construction progress and acceptance	M+W High Tech Project Taiwan Co., Ltd.		N/A	N/A	N/A	N/A	Pr co an ne
March 18, 2017 to April 4, 2018			1,334,403	Monthly settlement by the construction progress and acceptance	CHEN FULL INTERNATIONAL CO., LTD.		N/A	N/A	N/A	N/A	Pr co an ne
March 20, 2017 to April 19, 2018			300,874	Monthly settlement by	Unique Station International Corp.		N/A	N/A	N/A	N/A	Pr co

		the construction progress and acceptance							an ne
12/21, 2017 to 12/31, 2018	1,841,951	Monthly settlement by the construction progress and acceptance	Organo Technology Co., Ltd.		N/A	N/A	N/A	N/A	Pr co an ne
1/25, 2017 to 3/31, 2018	2,559,574	Monthly settlement by the construction progress and acceptance	YANKEY ENGINEERING CO., LTD.		N/A	N/A	N/A	N/A	Pr co an ne
12/12, 2017 to 10/10, 2018	413,901	Monthly settlement by the construction progress and acceptance	HUAN YU TECHNOLOGIES CO., LTD.		N/A	N/A	N/A	N/A	Pr co an ne
1/25, 2017 to 2/21, 2018	2,187,982	Monthly settlement by the construction progress and acceptance	MEGA UNION TECHNOLOGY INCORPORATED		N/A	N/A	N/A	N/A	Pr co an ne
1/11, 2017 to 3/31, 2018	1,422,454	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation		N/A	N/A	N/A	N/A	Pr co an ne
1/24, 2017 to 2/21, 2018	347,431	Monthly settlement by the construction progress and acceptance	MandarTech Interiors Inc.		N/A	N/A	N/A	N/A	Pr co an ne

(Continued)



August 13, 2018		the construction Ltd progress and acceptance						an ne
September 14, to April 16,	1,724,550	Monthly settlement by the construction progress and acceptance	PAN ASIA Corp.	N/A	N/A	N/A	N/A	Pr co an ne
September 5, 2017 to April 31, 2018	7,219,028	Monthly settlement by the construction progress and acceptance	UNITED INTEGRATED SERVICES CO., LTD.	N/A	N/A	N/A	N/A	Pr co an ne

(Continued)





		the construction progress and acceptance	Technology Taiwan Co., Ltd					an ne
1 13, 2018 to 1 16, 2018	410,000	Monthly settlement by the construction progress and acceptance	Lead Fu Industrials Corp.	N/A	N/A	N/A	N/A	Pr co an ne
1 16, 2018	2,691,210	Monthly settlement by the construction progress and acceptance	DA CIN Construction Co., Ltd.	N/A	N/A	N/A	N/A	Pr co an ne

(Continued)

Transaction Amount								
(Foreign)								
Transaction Date	Currencies in Thousands	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Owner	Transaction of Related Counter-party	Transfer Date	Amount
August 16, 2017 to July 31, 2018	\$ 617,447	Monthly settlement by the construction progress and acceptance	Kao Hsin Engineering Co., Ltd.		N/A	N/A	N/A	N/A
(Concluded)								

**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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Related Party	Nature of Relationships	Purchases/Sales	Transaction Details			Unit Price	Payment Terms	Abnormal Transaction	Notes Payable Re Ending
			Amount						(For Current
			(Foreign Currencies% to in Thousands)						Thousands
MC North America	Subsidiary	Sales	\$	449,319,589	58	Net 30 days from invoice date		Note	\$ 86
						(Note)			
C	Associate	Sales		5,356,073	1	Net 30 days from the end of the month of when invoice is issued			1
MC China	Subsidiary	Purchases		13,944,138	19	Net 30 days from the end of the month of when invoice is issued			(1
MC Nanjing	Subsidiary	Purchases		7,185,512	10	Net 30 days from the end of the month of when invoice is issued			(1
ferTech	Indirect subsidiary	Purchases		6,406,552	9	Net 30 days from the end of the month of when invoice is issued			(1

S	Associate	Purchases	3,985,293	6	Net 30 days from the end of the month of when invoice is issued	
MC	Associate	Purchases	2,708,201	4	Net 30 days from the end of the month of when invoice is issued	
C	Associate of TSMC	Sales	1,421,992		Net 30 days from invoice date	
		(US\$	47,625)			(US\$
ntec	Associate of TSMC	Sales	343,851	18	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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue Amount	Action Taken	Amounts in Subs Per
TSMC North America	Subsidiary	\$ 87,305,818	54	\$ 5,745,109		\$ 45
GUC	Associate	1,338,196	54			
TSMC Nanjing	Subsidiary	121,987	Note 2			
TSMC Nanjing	The same parent company	30,403,767	Note 2			
		(RMB 6,858,508)				
TSMC	Parent company	1,089,594	25			
		(RMB 245,793)				
TSMC	Parent company	1,434,737	28			
		(RMB 323,652)				
TSMC	The ultimate parent of the Company	1,329,743	56	710,084		
		(USD 43,591)		(USD 23,278)		(USD
TSMC	The ultimate parent of the Company	215,971	Note 2			
		(USD 7,080)				
TSMC	Parent company	108,717	Note 2	10,658		
		(USD 3,564)		(USD 349)		(USD
TSMC	Parent company	100,061	Note 2	64,235		
		(JPY 370,735)		(JPY 237,994)		(JPY

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.

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**TABLE 8****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018****(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions		Percentage of Consolidated Net Revenue or Total Assets
				Amount	Terms (Note 2)	
TSMC	TSMC North America	1	Net revenue from sale of goods	\$ 449,319,589		61%
			Receivables from related parties	86,509,418		4%
			Other receivables from related parties	796,400		
			Payables to related parties	108,717		
	TSMC Japan	1	Marketing expenses - commission	167,385		
			Payables to related parties	100,061		
	TSMC Europe	1	Marketing expenses - commission	355,276		
	TSMC China	1	Purchases	13,944,138		2%
			Marketing expenses - commission	115,561		
			Payables to related parties	1,089,594		
	TSMC Nanjing	1	Purchases	7,185,512		1%
			Proceeds from disposal of property, plant and equipment	2,539,445		
			Other receivables from related parties	121,987		
			Payables to related parties	1,434,737		
	TSMC Canada	1	Research and development expenses	221,935		
	TSMC Technology	1	Research and development expenses	1,546,508		
			Payables to related parties	215,971		



WaferTech		1	Purchases	6,406,552	1%
			Payables to related parties	1,329,743	
TSMC China	TSMC Nanjing	3	Other receivables from related parties	30,403,767	2%

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, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2018		Carrying Value		Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
		September 30, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	(Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)	
Portola, British Virgin Islands	Investment activities	\$ 352,072,509	\$ 292,890,229	11	100	\$ 384,742,480	\$ 6,581,643	
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	53,066,126	1,909,351	
Keelung, Taiwan	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other	10,180,677	10,180,677	464,223	28	8,450,652	4,238,101	

	semiconductor devices and the 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	5,317,308	2,845,054
Tsin-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	4,390,530	249,643
San Jose, California, U.S.A	Selling and marketing of integrated circuits and other semiconductor devices	333,718	333,718	11,000	100	4,324,412	206,551
Taoyuan, Taiwan	Wafer level chip size packaging and wafer level post passivation interconnection service	1,988,317	1,988,317	111,282	41	1,715,711	(1,479,071)
Tsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,125,928	711,727
Amsterdam, the Netherlands	Customer service and supporting activities	15,749	15,749		100	441,433	31,573
		1,318,885	1,318,885		98	199,014	(6,010)

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Mayman Islands	Investing in new start-up technology companies	294,300	412,831	98	154,129	(3,549)
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Yokohama, Japan	Customer service and supporting activities	83,760	83,760	6	100	137,377	4,543
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Seoul, Korea	Customer service and supporting activities	13,656	13,656	80	100	40,784	1,988
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Lübeck	Selling of solar related products and providing customer	25,266	25,266	1	100	(20,369)	(21)
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	service								
Delaware, U.S.A	Investing in companies involved in the manufacturing related business in the semiconductor industry	17,904,568		17,904,568		100		28,616,530	1,458,177
	(US\$ 586,939)	(US\$ 586,939)					(US\$ 938,093)	(US\$ 48,668)	

Delaware, U.S.A	Engineering support activities	435,673	435,673	100	577,021	42,308
		(US\$ 14,282)	(US\$ 14,282)		(US\$ 18,916)	(US\$ 1,430)

Ontario, Canada	Engineering support activities	(US\$ 70,162)	(US\$ 70,162)	2,300	100	(US\$ 202,790)	(US\$ 21,784)
		(US\$ 2,300)	(US\$ 2,300)			(US\$ 6,648)	(US\$ 731)

Payman Islands	Investing in new start-up technology companies	14,496	14,496	583	97	506
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Mayman Islands	Investing in new start-up technology	(US\$ 475)	(US\$ 475)	9,299	97	(US\$ 17)	(6,781)
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	companies				(US\$	(231
ayman	Investing in	65,701	65,701	100	97,419	(209

lands new start-up technology

companies		(US\$	2,154)	(US\$	2,154)		(US\$	3,194)	(US\$	(8	
New Taipei, Taiwan	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID		48,605		48,605	4,693	39	21,071		(5,492)	
		(US\$	1,593)	(US\$	1,593)			(US\$	691)	(US\$	(190)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Balance as of September 30, 2018		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)	N
				September 30, 2017 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)					
Development	WaferTech	Washington, U.S.A	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	\$	\$ 293,637	100	\$ 5,195,324 (US\$ 170,311)	\$ 1,190,576 (US\$ 39,741)	Note 2	Subs

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.

(Concluded)

**TABLE 10****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR NINE MONTHS ENDED SEPTEMBER 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Businesses and Ducts	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US\$ in Thousands)		Investment Flows Outflow (US\$ in Thousands)	Inflow	Accumulated Outflow of Investment from Taiwan as of September 30, 2018 (US\$ in Thousands)		Net Income (Losses) of the Investee Company	Percentage of Ownership P	
ing, ting and aided ntegrated d other ctor	\$ 18,939,667 (RMB 4,502,080)	Note 1	\$ 18,939,667 (US\$ 596,000)		\$		\$ 18,939,667 (US\$ 596,000)		\$ 4,202,563	100%	\$
ing, ting and aided ntegrated d other ctor	30,521,412 (RMB 6,650,119)	Note 1	28,160,092 (US\$ 920,000)	2,361,320 (US\$ 80,000)			30,521,412 (US\$ 1,000,000)		(4,751,679)	100%	
	<b>Accumulated Investment in Mainland China as of September 30, 2018 (US\$ in Thousands)</b>		<b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)</b>	<b>Upper Limit on Investment</b>							
	\$ 49,461,079	\$	119,412,667								
	(US\$ 1,596,000)	(US\$	3,596,000)	Note 3							

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

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