

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2017 and 2016 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

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

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

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

*Deloitte & Touche*

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 14, 2017

### Notice to Readers

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

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

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

| ASSETS  | September 30, 2017<br>(Reviewed) |            | December 31, 2016<br>(Audited) |            | September 30, 2016<br>(Reviewed) |            |
|---|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
|   | Amount                           | %          | Amount                         | %          | Amount                           | %          |
| <b>CURRENT ASSETS</b>   |                                  |            |                                |            |                                  |            |
| Cash and cash equivalents (Note 6)  | \$ 408,077,695                   | 22         | \$ 541,253,833                 | 29         | \$ 463,971,657                   | 27         |
| Financial assets at fair value through profit or loss (Note 7)  | 1,125,668                        | -          | 6,451,112                      | -          | 1,848,317                        | -          |
| Available-for-sale financial assets (Notes 8 and 14)  | 84,953,011                       | 5          | 67,788,767                     | 4          | 45,815,003                       | 3          |
| Held-to-maturity financial assets (Note 9)  | 7,521,216                        | -          | 16,610,116                     | 1          | 5,320,041                        | -          |
| Hedging derivative financial assets (Notes 4 and 10)  | 98,879                           | -          | 5,550                          | -          | -                                | -          |
| Notes and accounts receivable, net (Note 11)  | 117,649,258                      | 7          | 128,335,271                    | 7          | 129,118,058                      | 8          |
| Receivables from related parties (Note 29)  | 1,076,438                        | -          | 969,559                        | -          | 170,704                          | -          |
| Other receivables from related parties (Note 29)  | 165,929                          | -          | 146,788                        | -          | 149,684                          | -          |
| Inventories (Notes 12 and 33)   | 73,893,879                       | 4          | 48,682,233                     | 3          | 53,882,144                       | 3          |
| Other financial assets (Notes 30 and 33)  | 5,209,635                        | -          | 4,100,475                      | -          | 5,866,961                        | -          |
| Other current assets (Note 17)  | 5,090,170                        | -          | 3,385,422                      | -          | 3,448,916                        | -          |
| Total current assets  | <u>704,861,778</u>               | <u>38</u>  | <u>817,729,126</u>             | <u>44</u>  | <u>709,591,485</u>               | <u>41</u>  |
| <b>NONCURRENT ASSETS</b>  |                                  |            |                                |            |                                  |            |
| Held-to-maturity financial assets (Note 9)  | 18,899,177                       | 1          | 22,307,561                     | 1          | 27,430,893                       | 2          |
| Financial assets carried at cost (Note 13)  | 4,986,046                        | -          | 4,102,467                      | -          | 3,788,041                        | -          |
| Investments accounted for using equity method (Note 14)   | 17,018,500                       | 1          | 19,743,888                     | 1          | 18,691,554                       | 1          |
| Property, plant and equipment (Note 15)   | 1,065,756,867                    | 58         | 997,777,687                    | 53         | 934,928,493                      | 54         |
| Intangible assets (Note 16)   | 14,841,399                       | 1          | 14,614,846                     | 1          | 14,630,613                       | 1          |
| Deferred income tax assets (Note 4)   | 11,237,149                       | 1          | 8,271,421                      | -          | 7,506,051                        | 1          |
| Refundable deposits   | 1,241,028                        | -          | 407,874                        | -          | 509,564                          | -          |
| Other noncurrent assets (Note 17)   | 2,582,438                        | -          | 1,500,432                      | -          | 1,610,069                        | -          |
| Total noncurrent assets   | <u>1,136,562,604</u>             | <u>62</u>  | <u>1,068,726,176</u>           | <u>56</u>  | <u>1,009,095,278</u>             | <u>59</u>  |
| <b>TOTAL</b>  | <u>\$ 1,841,424,382</u>          | <u>100</u> | <u>\$ 1,886,455,302</u>        | <u>100</u> | <u>\$ 1,718,686,763</u>          | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                                  |            |                                |            |                                  |            |
| <b>CURRENT LIABILITIES</b>  |                                  |            |                                |            |                                  |            |
| Short-term loans (Note 18)  | \$ 54,430,200                    | 3          | \$ 57,958,200                  | 3          | \$ 37,648,800                    | 2          |
| Financial liabilities at fair value through profit or loss (Note 7)                                       | 251,212                          | -          | 191,135                        | -          | 224,525                          | -          |
| Hedging derivative financial liabilities (Notes 4 and 10)   | 7,545                            | -          | -                              | -          | 1,039                            | -          |
| Accounts payable  | 27,545,477                       | 1          | 26,062,351                     | 2          | 24,936,790                       | 1          |
| Payables to related parties (Note 29)   | 1,442,029                        | -          | 1,262,174                      | -          | 1,039,778                        | -          |
| Salary and bonus payable  | 12,304,052                       | 1          | 13,681,817                     | 1          | 12,183,218                       | 1          |
| Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 22 and 27) | 17,067,133                       | 1          | 22,894,006                     | 1          | 16,252,681                       | 1          |
| Payables to contractors and equipment suppliers   | 47,975,461                       | 3          | 63,154,514                     | 3          | 58,789,579                       | 3          |
| Income tax payable (Note 4)   | 20,663,395                       | 1          | 40,306,054                     | 2          | 27,970,532                       | 2          |
| Provisions (Note 19)  | 14,123,509                       | 1          | 18,037,789                     | 1          | 11,512,994                       | 1          |
| Long-term liabilities - current portion (Note 20)   | 59,071,057                       | 3          | 38,109,680                     | 2          | 38,109,680                       | 2          |
| Accrued expenses and other current liabilities (Notes 21 and 29)  | 43,641,234                       | 2          | 36,581,553                     | 2          | 28,885,496                       | 2          |
| Total current liabilities   | <u>298,522,304</u>               | <u>16</u>  | <u>318,239,273</u>             | <u>17</u>  | <u>257,555,112</u>               | <u>15</u>  |
| <b>NONCURRENT LIABILITIES</b>   |                                  |            |                                |            |                                  |            |
| Bonds payable (Note 20)   | 91,800,000                       | 5          | 153,093,557                    | 8          | 152,138,965                      | 9          |
| Long-term bank loans  | 14,520                           | -          | 21,780                         | -          | 24,200                           | -          |
| Deferred income tax liabilities (Note 4)  | 120,360                          | -          | 141,183                        | -          | 37,510                           | -          |
| Net defined benefit liability (Note 4)  | 8,574,626                        | -          | 8,551,408                      | -          | 7,475,381                        | -          |
| Guarantee deposits (Note 21)  | 9,243,250                        | 1          | 14,670,433                     | 1          | 15,872,972                       | 1          |
| Others  | 1,736,633                        | -          | 1,686,542                      | -          | 1,689,974                        | -          |
| Total noncurrent liabilities  | <u>111,489,389</u>               | <u>6</u>   | <u>178,164,903</u>             | <u>9</u>   | <u>177,239,002</u>               | <u>10</u>  |
| Total liabilities   | <u>410,011,693</u>               | <u>22</u>  | <u>496,404,176</u>             | <u>26</u>  | <u>434,794,114</u>               | <u>25</u>  |
| <b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>  |                                  |            |                                |            |                                  |            |
| Capital stock (Note 22)   | 259,303,805                      | 14         | 259,303,805                    | 14         | 259,303,805                      | 15         |
| Capital surplus (Note 22)   | 56,281,271                       | 3          | 56,272,304                     | 3          | 56,269,958                       | 3          |
| Retained earnings (Note 22)   |                                  |            |                                |            |                                  |            |
| Appropriated as legal capital reserve   | 241,722,663                      | 13         | 208,297,945                    | 11         | 208,297,945                      | 12         |
| Unappropriated earnings   | 892,598,197                      | 49         | 863,710,224                    | 46         | 764,460,228                      | 45         |
|   | <u>1,134,320,860</u>             | <u>62</u>  | <u>1,072,008,169</u>           | <u>57</u>  | <u>972,758,173</u>               | <u>57</u>  |
| Others (Note 22)  | (19,189,089)                     | (1)        | 1,663,983                      | -          | (5,218,902)                      | -          |
| Equity attributable to shareholders of the parent   | 1,430,716,847                    | 78         | 1,389,248,261                  | 74         | 1,283,113,034                    | 75         |
| <b>NONCONTROLLING INTERESTS</b>   | <u>695,842</u>                   | <u>-</u>   | <u>802,865</u>                 | <u>-</u>   | <u>779,615</u>                   | <u>-</u>   |
| Total equity  | <u>1,431,412,689</u>             | <u>78</u>  | <u>1,390,051,126</u>           | <u>74</u>  | <u>1,283,892,649</u>             | <u>75</u>  |
| <b>TOTAL</b>  | <u>\$ 1,841,424,382</u>          | <u>100</u> | <u>\$ 1,886,455,302</u>        | <u>100</u> | <u>\$ 1,718,686,763</u>          | <u>100</u> |

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



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)  
(Reviewed, Not Audited)

|   | Equity Attributable to Shareholders of the Parent |                |                 |                       |                         |                  |                                      |   |                          |  |                 |                  |            |                          |              |
|---|---|----------------|-----------------|-----------------------|-------------------------|------------------|--------------------------------------|---|--------------------------|--|-----------------|------------------|------------|--------------------------|--------------|
|   | Capital Stock - Common Stock                      |                |                 | Retained Earnings     |                         |                  | Others                               |   |                          |  |                 |                  |            | Noncontrolling Interests | Total Equity |
|   | Shares<br>(In Thousands)                          | Amount         | Capital Surplus | Legal Capital Reserve | Unappropriated Earnings | Total            | Foreign Currency Translation Reserve | Unrealized Gain/Loss from Available-for-sale Financial Assets | Cash Flow Hedges Reserve | Unearned Stock-Based Employee Compensation | Total           | Total            |            |                          |              |
| BALANCE, JANUARY 1, 2017  | 25,930,380  | \$ 259,303,805 | \$ 56,272,304   | \$ 208,297,945        | \$ 863,710,224          | \$ 1,072,008,169 | \$ 1,661,237                         | \$ 2,641  | \$ 105                   | \$ -                                       | \$ 1,663,983    | \$ 1,389,248,261 | \$ 802,865 | \$ 1,390,051,126         |              |
| Appropriations of prior year's earnings   |   |                |                 |                       |                         |                  |                                      |   |                          |  |                 |                  |            |                          |              |
| Legal capital reserve   | -   | -              | -               | 33,424,718            | (33,424,718)            | -                | -                                    | -   | -                        | -  | -               | -                | -          | -                        |              |
| Cash dividends to shareholders - NT\$7.0 per share  | -   | -              | -               | -                     | (181,512,663)           | (181,512,663)    | -                                    | -   | -                        | -  | -               | (181,512,663)    | -          | (181,512,663)            |              |
| Total   | -   | -              | -               | 33,424,718            | (214,937,381)           | (181,512,663)    | -                                    | -   | -                        | -  | -               | (181,512,663)    | -          | (181,512,663)            |              |
| Net income for the nine months ended September 30, 2017   | -   | -              | -               | -                     | 243,825,354             | 243,825,354      | -                                    | -   | -                        | -  | -               | 243,825,354      | 15,434     | 243,840,788              |              |
| Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax | -   | -              | -               | -                     | -                       | -                | (20,831,019)                         | (43,804)  | 33,896                   | -  | (20,840,927)    | (20,840,927)     | (5,072)    | (20,845,999)             |              |
| Total comprehensive income (loss) for the nine months ended September 30, 2017                    | -   | -              | -               | -                     | 243,825,354             | 243,825,354      | (20,831,019)                         | (43,804)  | 33,896                   | -  | (20,840,927)    | 222,984,427      | 10,362     | 222,994,789              |              |
| Adjustments to share of changes in equities of associates   | -   | -              | 6,206           | -                     | -                       | -                | -                                    | -   | -                        | (12,145)                                   | (12,145)        | (5,939)          | -          | (5,939)                  |              |
| From share of changes in equities of subsidiaries   | -   | -              | 2,761           | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | 2,761            | (2,761)    | -                        |              |
| Decrease in noncontrolling interests  | -   | -              | -               | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | -                | (114,624)  | (114,624)                |              |
| BALANCE, SEPTEMBER 30, 2017   | 25,930,380  | \$ 259,303,805 | \$ 56,281,271   | \$ 241,722,663        | \$ 892,598,197          | \$ 1,134,320,860 | \$ (19,169,782)                      | \$ (41,163)   | \$ 34,001                | \$ (12,145)                                | \$ (19,189,089) | \$ 1,430,716,847 | \$ 695,842 | \$ 1,431,412,689         |              |
| BALANCE, JANUARY 1, 2016  | 25,930,380  | \$ 259,303,805 | \$ 56,300,215   | \$ 177,640,561        | \$ 716,653,025          | \$ 894,293,586   | \$ 11,039,949                        | \$ 734,771  | \$ (607)                 | \$ -                                       | \$ 11,774,113   | \$ 1,221,671,719 | \$ 962,760 | \$ 1,222,634,479         |              |
| Appropriations of prior year's earnings   |   |                |                 |                       |                         |                  |                                      |   |                          |  |                 |                  |            |                          |              |
| Legal capital reserve   | -   | -              | -               | 30,657,384            | (30,657,384)            | -                | -                                    | -   | -                        | -  | -               | -                | -          | -                        |              |
| Cash dividends to shareholders - NT\$6.0 per share  | -   | -              | -               | -                     | (155,582,283)           | (155,582,283)    | -                                    | -   | -                        | -  | -               | (155,582,283)    | -          | (155,582,283)            |              |
| Total   | -   | -              | -               | 30,657,384            | (186,239,667)           | (155,582,283)    | -                                    | -   | -                        | -  | -               | (155,582,283)    | -          | (155,582,283)            |              |
| Net income for the nine months ended September 30, 2016   | -   | -              | -               | -                     | 234,046,870             | 234,046,870      | -                                    | -   | -                        | -  | -               | 234,046,870      | 63,119     | 234,109,989              |              |
| Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax | -   | -              | -               | -                     | -                       | -                | (17,091,106)                         | 97,601  | 490                      | -  | (16,993,015)    | (16,993,015)     | (6,125)    | (16,999,140)             |              |
| Total comprehensive income (loss) for the nine months ended September 30, 2016                    | -   | -              | -               | -                     | 234,046,870             | 234,046,870      | (17,091,106)                         | 97,601  | 490                      | -  | (16,993,015)    | 217,053,855      | 56,994     | 217,110,849              |              |
| Disposal of investments accounted for using equity method   | -   | -              | (56,169)        | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | (56,169)         | -          | (56,169)                 |              |
| Adjustments to share of changes in equities of associates   | -   | -              | 18,875          | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | 18,875           | 9          | 18,884                   |              |
| From share of changes in equities of subsidiaries   | -   | -              | 7,037           | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | 7,037            | (7,037)    | -                        |              |
| Decrease in noncontrolling interests  | -   | -              | -               | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | -                | (231,157)  | (231,157)                |              |
| Effect of disposal of subsidiary  | -   | -              | -               | -                     | -                       | -                | -                                    | -   | -                        | -  | -               | -                | (1,954)    | (1,954)                  |              |
| BALANCE, SEPTEMBER 30, 2016   | 25,930,380  | \$ 259,303,805 | \$ 56,269,958   | \$ 208,297,945        | \$ 764,460,228          | \$ 972,758,173   | \$ (6,051,157)                       | \$ 832,372  | \$ (117)                 | \$ -                                       | \$ (5,218,902)  | \$ 1,283,113,034 | \$ 779,615 | \$ 1,283,892,649         |              |

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

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

|   | <b>Nine Months Ended September 30</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2017</b>                           | <b>2016</b>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                       |                    |
| Income before income tax  | \$ 284,458,130                        | \$ 273,911,905     |
| Adjustments for:  |                                       |                    |
| Depreciation expense  | 186,131,944                           | 164,665,319        |
| Amortization expense  | 3,197,293                             | 2,725,524          |
| Finance costs   | 2,499,791                             | 2,494,672          |
| Share of profits of associates  | (2,036,879)                           | (2,614,537)        |
| Interest income   | (6,714,157)                           | (4,509,169)        |
| Loss (gain) on disposal or retirement of property, plant and equipment, net             | 251,319                               | (61,491)           |
| Impairment loss on intangible assets  | 13,520                                | -                  |
| Impairment loss on financial assets   | 15,941                                | 55,055             |
| Gain on disposal of available-for-sale financial assets, net                            | (266,986)                             | (83,138)           |
| Gain on disposal of financial assets carried at cost, net                               | (12,809)                              | (37,831)           |
| Loss on disposal of investments accounted for using equity method, net                  | -                                     | 259,960            |
| Loss from liquidation of subsidiaries   | -                                     | 36,105             |
| Unrealized gross profit on sales to associates  | 37,152                                | 28,181             |
| Gain on foreign exchange, net   | (6,624,087)                           | (2,542,581)        |
| Dividend income   | (145,588)                             | (137,420)          |
| Loss arising from fair value hedges, net  | 32,058                                | 129                |
| Changes in operating assets and liabilities:  |                                       |                    |
| Financial instruments at fair value through profit or loss                              | 5,260,911                             | (1,690,376)        |
| Notes and accounts receivable, net  | 5,990,086                             | (48,540,162)       |
| Receivables from related parties  | (106,879)                             | 335,018            |
| Other receivables from related parties  | (19,141)                              | (24,666)           |
| Inventories   | (25,211,646)                          | 13,170,126         |
| Other financial assets  | 604,831                               | (1,285,255)        |
| Other current assets  | (1,639,813)                           | 84,453             |
| Other noncurrent assets   | (890,881)                             | -                  |
| Accounts payable  | 1,452,987                             | 5,807,444          |
| Payables to related parties   | 179,855                               | (82,578)           |
| Salary and bonus payable  | (1,377,765)                           | 481,176            |
| Accrued profit sharing bonus to employees and compensation to directors and supervisors | (5,826,873)                           | (4,706,212)        |
| Accrued expenses and other current liabilities  | 9,167,145                             | 1,337,333          |
| Provisions  | (3,899,652)                           | 1,398,158          |
| Net defined benefit liability   | 23,218                                | 27,355             |
| Cash generated from operations  | 444,543,025                           | 400,502,497        |
| Income taxes paid   | (63,351,167)                          | (45,887,694)       |
| Net cash generated by operating activities  | <u>381,191,858</u>                    | <u>354,614,803</u> |

(Continued)

# 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>2017</b>                           | <b>2016</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                                       |                      |
| Acquisitions of:  |                                       |                      |
| Available-for-sale financial assets                                   | \$ (66,661,656)                       | \$ (51,587,356)      |
| Held-to-maturity financial assets                                     | (1,695,771)                           | (25,112,300)         |
| Financial assets carried at cost                                      | (1,190,157)                           | (240,743)            |
| Property, plant and equipment   | (269,408,108)                         | (215,502,503)        |
| Intangible assets   | (3,677,303)                           | (2,989,442)          |
| Land use right  | -                                     | (805,318)            |
| Proceeds from disposal or redemption of:                              |                                       |                      |
| Available-for-sale financial assets                                   | 45,952,054                            | 20,654,629           |
| Held-to-maturity financial assets                                     | 12,510,000                            | 7,400,000            |
| Financial assets carried at cost                                      | 58,237                                | 160,498              |
| Property, plant and equipment   | 253,267                               | 93,720               |
| Proceeds from return of capital of financial assets carried at cost   | 14,828                                | 65,383               |
| Derecognition of hedging derivative financial instruments             | (35,790)                              | (11,974)             |
| Interest received   | 6,776,756                             | 4,679,716            |
| Proceeds from government grants - property, plant and equipment       | 436,587                               | -                    |
| Other dividends received  | 145,588                               | 137,420              |
| Dividends received from investments accounted for using equity method | 4,245,772                             | 5,478,790            |
| Refundable deposits paid  | (1,084,028)                           | (140,056)            |
| Refundable deposits refunded  | 247,027                               | 74,455               |
| Decrease in receivables for temporary payments                        | -                                     | 706,718              |
|   | <u>(273,112,697)</u>                  | <u>(256,938,363)</u> |
| Net cash used in investing activities                                 |                                       |                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |                                       |                      |
| Decrease in short-term loans  | (290,110)                             | (157,064)            |
| Repayment of bonds  | (38,100,000)                          | (23,471,600)         |
| Repayment of long-term bank loans                                     | (7,260)                               | (6,120)              |
| Interest paid   | (2,907,017)                           | (3,148,821)          |
| Guarantee deposits received   | 4,400,240                             | 996,803              |
| Guarantee deposits refunded   | (6,810,329)                           | (500,835)            |
| Cash dividends  | (181,512,663)                         | (155,582,283)        |
| Decrease in noncontrolling interests                                  | (114,624)                             | (231,666)            |
|   | <u>(225,341,763)</u>                  | <u>(182,101,586)</u> |
| Net cash used in financing activities                                 |                                       |                      |

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

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

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

(Concluded)



# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 and 2016

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

(Reviewed, Not Audited)

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### 1. GENERAL

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

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

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

### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

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

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

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

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

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

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

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

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

1) IFRS 9 “Financial Instruments”

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

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

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

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

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

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

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

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

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

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

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

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

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

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

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

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

- 1) IFRS 16 “Leases”

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict

between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

## Statement of Compliance

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

## Basis of Consolidation

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

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

### The subsidiaries in the consolidated financial statements

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

| Name of Investor  | Name of Investee                               | Main Businesses and Products   | Establishment and Operating Location | Percentage of Ownership |                   |                    | Note   |
|---|--|--|--------------------------------------|-------------------------|-------------------|--------------------|--------|
|   |  |  |                                      | September 30, 2017      | December 31, 2016 | September 30, 2016 |        |
| TSMC  | TSMC North America                             | Selling and marketing of integrated circuits and other semiconductor devices   | San Jose, California, U.S.A.         | 100%                    | 100%              | 100%               | -      |
|   | TSMC Japan Limited (TSMC Japan)                | Customer service and supporting activities   | Yokohama, Japan                      | 100%                    | 100%              | 100%               | a)     |
|   | TSMC Partners, Ltd. (TSMC Partners)            | 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)     |
|   | TSMC Korea Limited (TSMC Korea)                | Customer service and supporting activities   | Seoul, Korea                         | 100%                    | 100%              | 100%               | a)     |
|   | TSMC Europe B.V. (TSMC Europe)                 | Customer service and supporting activities   | Amsterdam, the Netherlands           | 100%                    | 100%              | 100%               | a)     |
|   | TSMC Global, Ltd. (TSMC Global)                | Investment activities  | Tortola, British Virgin Islands      | 100%                    | 100%              | 100%               | -      |
|   | TSMC China Company Limited (TSMC China)        | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices   | Shanghai, China                      | 100%                    | 100%              | 100%               | -      |
|   | TSMC Nanjing Company Limited (TSMC Nanjing)    | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices   | Nanjing, China                       | 100%                    | 100%              | 100%               | b)     |
|   | VentureTech Alliance Fund III, L.P. (VTAF III) | Investing in new start-up technology companies   | Cayman Islands                       | 98%                     | 98%               | 98%                | a)     |
|   | VentureTech Alliance Fund II, L.P. (VTAF II)   | Investing in new start-up technology companies   | Cayman Islands                       | 98%                     | 98%               | 98%                | a)     |
|   | TSMC Solar Europe GmbH                         | Selling of solar related products and providing customer service   | Hamburg, Germany                     | 100%                    | 100%              | 100%               | a), c) |
|   | Chi Cherng Investment Co., Ltd. (Chi Cherng)   | Investment activities  | Taipei, Taiwan                       | -                       | -                 | 100%               | d)     |
|   | VisEra Technologies Company Ltd. (VisEra Tech) | Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter | Hsin-Chu, Taiwan                     | 87%                     | 87%               | 87%                | e)     |
|   | TSMC Partners                                  | TSMC Design Technology Canada Inc. (TSMC Canada)   | Engineering support activities       | Ontario, Canada         | 100%              | 100%               | 100%   |
| TSMC Technology, Inc. (TSMC Technology)                           |  | Engineering support activities   | Delaware, U.S.A.                     | 100%                    | 100%              | 100%               | a)     |
| TSMC Development, Inc. (TSMC Development)                         |  | Investing in companies involved in the manufacturing related business in the semiconductor industry  | Delaware, U.S.A.                     | 100%                    | 100%              | 100%               | -      |
| InveStar Semiconductor Development Fund, Inc. (ISDF)              |  | Investing in new start-up technology companies   | Cayman Islands                       | 97%                     | 97%               | 97%                | a), f) |
| InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) |  | Investing in new start-up technology companies   | Cayman Islands                       | 97%                     | 97%               | 97%                | a), f) |

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

## Hedge Accounting

### Cash Flow Hedge

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

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

### Retirement Benefits

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

### Taxation

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

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

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

## 6. CASH AND CASH EQUIVALENTS

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

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,<br>2017 | December 31,<br>2016 | September 30,<br>2016 |
|-------------------------------|-----------------------|----------------------|-----------------------|
| <u>Financial assets</u>       |                       |                      |                       |
| Held for trading              |                       |                      |                       |
| Forward exchange contracts    | \$ 57,395             | \$ 142,406           | \$ 84,591             |
| Cross currency swap contracts | <u>-</u>              | <u>10,976</u>        | <u>186,592</u>        |
|                               | <u>57,395</u>         | <u>153,382</u>       | <u>271,183</u>        |
| Designated as at FVTPL        |                       |                      |                       |
| Time deposit                  | 1,068,273             | 6,297,708            | 1,577,134             |
| Forward exchange contracts    | <u>-</u>              | <u>22</u>            | <u>-</u>              |
|                               | <u>1,068,273</u>      | <u>6,297,730</u>     | <u>1,577,134</u>      |
|                               | <u>\$ 1,125,668</u>   | <u>\$ 6,451,112</u>  | <u>\$ 1,848,317</u>   |
| <u>Financial liabilities</u>  |                       |                      |                       |
| Held for trading              |                       |                      |                       |
| Forward exchange contracts    | \$ 212,135            | \$ 91,585            | \$ 194,557            |
| Cross currency swap contracts | <u>39,077</u>         | <u>-</u>             | <u>20,642</u>         |
|                               | <u>251,212</u>        | <u>91,585</u>        | <u>215,199</u>        |
| Designated as at FVTPL        |                       |                      |                       |
| Forward exchange contracts    | <u>-</u>              | <u>99,550</u>        | <u>9,326</u>          |
|                               | <u>\$ 251,212</u>     | <u>\$ 191,135</u>    | <u>\$ 224,525</u>     |

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

Outstanding cross currency swap contracts consisted of the following:

| <b>Maturity Date</b>      | <b>Contract Amount<br/>(In Thousands)</b> | <b>Range of<br/>Interest Rates<br/>Paid</b> | <b>Range of<br/>Interest Rates<br/>Received</b> |
|---------------------------|---|---|---|
| <u>September 30, 2017</u> |   |   |   |
| October 2017              | US\$530,000/NT\$16,003,500                | 1.56%-1.63%                                 | -   |
| <u>December 31, 2016</u>  |   |   |   |
| January 2017              | US\$170,000/NT\$5,487,600                 | 3.98%                                       | -   |
| <u>September 30, 2016</u> |   |   |   |
| October 2016              | US\$1,646,000/NT\$51,816,590              | 0.69%-0.90%                                 | -   |



## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

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

## 10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

|                                       | September 30,<br>2017 | December 31,<br>2016 | September 30,<br>2016 |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| <u>Financial assets- current</u>      |                       |                      |                       |
| Fair value hedges                     |                       |                      |                       |
| Interest rate futures contracts       | \$ 51,057             | \$ 5,550             | \$ -                  |
| Cash flow hedges                      |                       |                      |                       |
| Forward exchange contracts            | <u>47,822</u>         | <u>-</u>             | <u>-</u>              |
|                                       | <u>\$ 98,879</u>      | <u>\$ 5,550</u>      | <u>\$ -</u>           |
| <u>Financial liabilities- current</u> |                       |                      |                       |
| Fair value hedges                     |                       |                      |                       |
| Interest rate futures contracts       | \$ -                  | \$ -                 | \$ 1,039              |
| Cash flow hedges                      |                       |                      |                       |
| Forward exchange contracts            | <u>7,545</u>          | <u>-</u>             | <u>-</u>              |
|                                       | <u>\$ 7,545</u>       | <u>\$ -</u>          | <u>\$ 1,039</u>       |

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

The outstanding interest rate futures contracts consisted of the following:

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

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

Outstanding forward exchange contracts consisted of the following:

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

## 11. NOTES AND ACCOUNTS RECEIVABLE, NET

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

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

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

Aging analysis of notes and accounts receivable, net

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

Movements of the allowance for doubtful receivables

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

Aging analysis of accounts receivable that is individually determined as impaired

|                        | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> | <b>September 30,<br/>2016</b> |
|------------------------|-------------------------------|------------------------------|-------------------------------|
| Past due over 121 days | <u>\$ -</u>                   | <u>\$ 1,848</u>              | <u>\$ 1,848</u>               |

**12. INVENTORIES**

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

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

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

### 13. FINANCIAL ASSETS CARRIED AT COST

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

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

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

### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

| Name of Associate  | Principal Activities  | Place of Incorporation and Operation | Carrying Amount      |                      |                      | % of Ownership and Voting Rights Held by the Company |                   |                    |
|--|---|--------------------------------------|----------------------|----------------------|----------------------|--|-------------------|--------------------|
|  |   |                                      | September 30, 2017   | December 31, 2016    | September 30, 2016   | September 30, 2017                                   | December 31, 2016 | September 30, 2016 |
| 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 | Hsin-Chu, Taiwan                     | \$ 8,285,386         | \$ 8,806,384         | \$ 8,422,487         | 28%  | 28%               | 28%                |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | Manufacturing and selling of integrated circuits and other semiconductor devices  | Singapore                            | 5,329,236            | 7,163,516            | 6,436,314            | 39%  | 39%               | 39%                |
| Xintec Inc. (Xintec)                                     | Wafer level chip size packaging and wafer level post passivation interconnection service  | Taoyuan, Taiwan                      | 2,264,539            | 2,599,807            | 2,711,649            | 41%  | 41%               | 41%                |
| Global Unichip Corporation (GUC)                         | Researching, developing, manufacturing, testing and marketing of integrated circuits  | Hsin-Chu, Taiwan                     | 1,139,339            | 1,174,181            | 1,121,104            | 35%  | 35%               | 35%                |
|  |   |                                      | <u>\$ 17,018,500</u> | <u>\$ 19,743,888</u> | <u>\$ 18,691,554</u> |  |                   |                    |

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

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

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

## 15. PROPERTY, PLANT AND EQUIPMENT

|  | Land and Land<br>Improvements | Buildings      | Machinery and<br>Equipment | Office Equipment | Assets under<br>Finance Leases | Equipment under<br>Installation and<br>Construction in<br>Progress | Total            |
|--|-------------------------------|----------------|----------------------------|------------------|--------------------------------|--|------------------|
| <b>Cost</b>                                    |                               |                |                            |                  |                                |  |                  |
| 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 |
| <b>Accumulated depreciation and impairment</b> |                               |                |                            |                  |                                |  |                  |
| 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 |
| Carrying amounts at January 1, 2017            | \$ 3,524,447                  | \$ 130,055,397 | \$ 465,490,235             | \$ 11,507,933    | \$ -                           | \$ 387,199,675   | \$ 997,777,687   |
| 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 |
| <b>Cost</b>                                    |                               |                |                            |                  |                                |  |                  |
| Balance at January 1, 2016                     | \$ 4,067,391                  | \$ 296,801,864 | \$ 1,893,489,604           | \$ 30,700,049    | \$ 7,113                       | \$ 192,111,548   | \$ 2,417,177,569 |
| Additions                                      | -                             | 6,915,391      | 129,035,170                | 3,832,079        | -                              | 107,584,121  | 247,366,761      |
| Disposals or retirements                       | -                             | (13,373)       | (2,659,973)                | (386,859)        | -                              | -  | (3,060,205)      |
| Reclassification                               | -                             | -              | -                          | 7,113            | (7,113)                        | -  | -                |
| Effect of exchange rate changes                | (39,552)                      | (1,469,279)    | (4,899,538)                | (113,918)        | -                              | (103,092)  | (6,625,379)      |
| Balance at September 30, 2016                  | \$ 4,027,839                  | \$ 302,234,603 | \$ 2,014,965,263           | \$ 34,038,464    | \$ -                           | \$ 299,592,577   | \$ 2,654,858,746 |
| <b>Accumulated depreciation and impairment</b> |                               |                |                            |                  |                                |  |                  |
| Balance at January 1, 2016                     | \$ 506,185                    | \$ 157,910,155 | \$ 1,385,857,655           | \$ 19,426,069    | \$ 7,113                       | \$ -   | \$ 1,563,707,177 |
| Additions                                      | 22,193                        | 13,210,805     | 148,223,485                | 3,208,836        | -                              | -  | 164,665,319      |
| Disposals or retirements                       | -                             | (7,327)        | (2,631,853)                | (386,796)        | -                              | -  | (3,025,976)      |
| Reclassification                               | -                             | -              | -                          | 7,113            | (7,113)                        | -  | -                |
| Effect of exchange rate changes                | (24,135)                      | (1,109,652)    | (4,199,447)                | (83,033)         | -                              | -  | (5,416,267)      |
| Balance at September 30, 2016                  | \$ 504,243                    | \$ 170,003,981 | \$ 1,527,249,840           | \$ 22,172,189    | \$ -                           | \$ -   | \$ 1,719,930,253 |
| Carrying amounts at September 30, 2016         | \$ 3,523,596                  | \$ 132,230,622 | \$ 487,715,423             | \$ 11,866,275    | \$ -                           | \$ 299,592,577   | \$ 934,928,493   |

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 20 years, 10 years and 10 years, respectively.

## 16. INTANGIBLE ASSETS

|                                 | Goodwill     | Technology<br>License Fees | Software and<br>System Design<br>Costs | Patent and<br>Others | Total         |
|---------------------------------|--------------|----------------------------|--|----------------------|---------------|
| <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 |

(Continued)

|  | Goodwill            | Technology License Fees | Software and System Design Costs | Patent and Others   | Total                |
|--|---------------------|-------------------------|----------------------------------|---------------------|----------------------|
| <u>Accumulated amortization and impairment</u> |                     |                         |                                  |                     |                      |
| Balance at January 1, 2017                     | \$ -                | \$ 6,147,200            | \$ 18,144,428                    | \$ 4,277,538        | \$ 28,569,166        |
| Additions                                      | -                   | 1,168,030               | 1,664,395                        | 364,868             | 3,197,293            |
| Retirements                                    | -                   | -                       | (75,237)                         | -                   | (75,237)             |
| Reclassification                               | -                   | -                       | 7,409                            | (17,070)            | (9,661)              |
| Impairment                                     | 13,520              | -                       | -                                | -                   | 13,520               |
| Effect of exchange rate changes                | (22)                | 1,304                   | (2,710)                          | (409)               | (1,837)              |
| Balance at September 30, 2017                  | <u>\$ 13,498</u>    | <u>\$ 7,316,534</u>     | <u>\$ 19,738,285</u>             | <u>\$ 4,624,927</u> | <u>\$ 31,693,244</u> |
| Carrying amounts at January 1, 2017            | <u>\$ 6,007,975</u> | <u>\$ 3,398,807</u>     | <u>\$ 4,099,167</u>              | <u>\$ 1,108,897</u> | <u>\$ 14,614,846</u> |
| Carrying amounts at September 30, 2017         | <u>\$ 5,727,459</u> | <u>\$ 3,036,692</u>     | <u>\$ 5,026,798</u>              | <u>\$ 1,050,450</u> | <u>\$ 14,841,399</u> |
| <u>Cost</u>                                    |                     |                         |                                  |                     |                      |
| Balance at January 1, 2016                     | \$ 6,104,784        | \$ 8,454,304            | \$ 19,474,428                    | \$ 4,879,026        | \$ 38,912,542        |
| Additions                                      | -                   | 907,268                 | 2,184,076                        | 416,310             | 3,507,654            |
| Retirements                                    | -                   | -                       | (4,787)                          | -                   | (4,787)              |
| Effect of exchange rate changes                | (209,202)           | 349                     | (11,068)                         | (9,947)             | (229,868)            |
| Balance at September 30, 2016                  | <u>\$ 5,895,582</u> | <u>\$ 9,361,921</u>     | <u>\$ 21,642,649</u>             | <u>\$ 5,285,389</u> | <u>\$ 42,185,541</u> |
| <u>Accumulated amortization and impairment</u> |                     |                         |                                  |                     |                      |
| Balance at January 1, 2016                     | \$ -                | \$ 4,779,388            | \$ 16,431,666                    | \$ 3,635,608        | \$ 24,846,662        |
| Additions                                      | -                   | 1,005,254               | 1,227,616                        | 492,654             | 2,725,524            |
| Retirements                                    | -                   | -                       | (4,787)                          | -                   | (4,787)              |
| Effect of exchange rate changes                | -                   | 349                     | (10,100)                         | (2,720)             | (12,471)             |
| Balance at September 30, 2016                  | <u>\$ -</u>         | <u>\$ 5,784,991</u>     | <u>\$ 17,644,395</u>             | <u>\$ 4,125,542</u> | <u>\$ 27,554,928</u> |
| Carrying amounts at September 30, 2016         | <u>\$ 5,895,582</u> | <u>\$ 3,576,930</u>     | <u>\$ 3,998,254</u>              | <u>\$ 1,159,847</u> | <u>\$ 14,630,613</u> |

(Concluded)

The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rate of 8.40% in its test of impairment for December 31, 2016 to reflect the relevant specific risk in the cash-generating unit.

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

## 17. OTHER ASSETS

|                  | September 30, 2017  | December 31, 2016   | September 30, 2016  |
|------------------|---------------------|---------------------|---------------------|
| Tax receivable   | \$ 4,203,892        | \$ 2,325,825        | \$ 2,344,133        |
| Prepaid expenses | 1,313,927           | 1,007,026           | 1,061,724           |
| Others           | <u>2,154,789</u>    | <u>1,553,003</u>    | <u>1,653,128</u>    |
|                  | <u>\$ 7,672,608</u> | <u>\$ 4,885,854</u> | <u>\$ 5,058,985</u> |

(Continued)

|                    | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> | <b>September 30,<br/>2016</b>      |
|--------------------|-------------------------------|------------------------------|------------------------------------|
| Current portion    | \$ 5,090,170                  | \$ 3,385,422                 | \$ 3,448,916                       |
| Noncurrent portion | <u>2,582,438</u>              | <u>1,500,432</u>             | <u>1,610,069</u>                   |
|                    | <u>\$ 7,672,608</u>           | <u>\$ 4,885,854</u>          | <u>\$ 5,058,985</u><br>(Concluded) |

## 18. SHORT-TERM LOANS

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

## 19. PROVISIONS

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

|   | <b>Sales Returns<br/>and Allowances</b> |
|---|---|
| <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             | <u>(19,182)</u>                         |
| Balance, end of period                      | <u>\$ 14,123,509</u>                    |
| <u>Nine months ended September 30, 2016</u> |   |
| Balance, beginning of period                | \$ 10,163,536                           |
| Provision                                   | 22,811,145                              |
| Payment                                     | (21,399,058)                            |
| Effect of exchange rate changes             | <u>(62,629)</u>                         |
| Balance, end of period                      | <u>\$ 11,512,994</u>                    |

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

## 20. BONDS PAYABLE

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

The major terms of overseas unsecured bonds are as follows:

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

## 21. GUARANTEE DEPOSITS

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

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

## 22. EQUITY

### a. Capital stock

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



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

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

- 1) Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- 2) Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 3) Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

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

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

|                                | <b>Appropriation of Earnings</b> |                                 | <b>Dividends Per Share<br/>(NT\$)</b> |                                 |
|--------------------------------|----------------------------------|---------------------------------|---------------------------------------|---------------------------------|
|                                | <b>For Fiscal<br/>Year 2016</b>  | <b>For Fiscal<br/>Year 2015</b> | <b>For Fiscal<br/>Year 2016</b>       | <b>For Fiscal<br/>Year 2015</b> |
| Legal capital reserve          | \$ 33,424,718                    | \$ 30,657,384                   |                                       |                                 |
| Cash dividends to shareholders | <u>181,512,663</u>               | <u>155,582,283</u>              | \$7.0                                 | \$6.0                           |
|                                | <u>\$ 214,937,381</u>            | <u>\$ 186,239,667</u>           |                                       |                                 |

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

d. Others

Changes in others were as follows:

|  | <b>Nine Months Ended September 30, 2017</b>             |   |   |   |              |
|--|---|---|---|---|--------------|
|  | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve</b> | <b>Unrealized<br/>Gain/Loss from<br/>Available-for-<br/>sale Financial<br/>Assets</b> | <b>Cash Flow<br/>Hedges<br/>Reserve</b> | <b>Unearned<br/>Stock-Based<br/>Employee<br/>Compensation</b> | <b>Total</b> |
| Balance, beginning of period   | \$ 1,661,237  | \$ 2,641  | \$ 105                                  | \$ -  | \$ 1,663,983 |
| Exchange differences arising on translation of foreign operations  | (20,770,834)  | -   | -                                       | -   | (20,770,834) |
| Changes in fair value of available-for-sale financial assets   | -   | 145,862   | -                                       | -   | 145,862      |
| Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets | -   | (251,187)   | -                                       | -   | (251,187)    |
| Gain/(loss) arising on changes in the fair value of hedging instruments                                    | -   | -   | 102,026                                 | -   | 102,026      |
| Transferred to initial carrying amount of hedged items   | -   | -   | (63,507)                                | -   | (63,507)     |

(Continued)

|   | <b>Nine Months Ended September 30, 2017</b>             |   |   |   |                        |
|---|---|---|---|---|------------------------|
|   | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve</b> | <b>Unrealized<br/>Gain/Loss from<br/>Available-for-<br/>sale Financial<br/>Assets</b> | <b>Cash Flow<br/>Hedges<br/>Reserve</b> | <b>Unearned<br/>Stock-Based<br/>Employee<br/>Compensation</b> | <b>Total</b>           |
| 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  | <u>\$ (19,169,782)</u>                                  | <u>\$ (41,163)</u>  | <u>\$ 34,001</u>                        | <u>\$ (12,145)</u>  | <u>\$ (19,189,089)</u> |

(Concluded)

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

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

### 23. NET REVENUE

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

## 24. OTHER GAINS AND LOSSES

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

## 25. INCOME TAX

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

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

b. Income tax expense recognized in other comprehensive income

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

c. Integrated income tax information

|  | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> | <b>September 30,<br/>2016</b> |
|--|-------------------------------|------------------------------|-------------------------------|
| Balance of the Imputation<br>Credit Account - TSMC | <u>\$ 90,519,690</u>          | <u>\$ 82,072,562</u>         | <u>\$ 66,840,242</u>          |

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

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

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

d. Income tax examination

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

**26. EARNINGS PER SHARE**

|             | <b>Three Months Ended<br/>September 30</b> |               | <b>Nine Months Ended<br/>September 30</b> |               |
|-------------|--|---------------|---|---------------|
|             | <b>2017</b>                                | <b>2016</b>   | <b>2017</b>                               | <b>2016</b>   |
| Basic EPS   | <u>\$3.47</u>                              | <u>\$3.73</u> | <u>\$9.40</u>                             | <u>\$9.03</u> |
| Diluted EPS | <u>\$3.47</u>                              | <u>\$3.73</u> | <u>\$9.40</u>                             | <u>\$9.03</u> |

EPS is computed as follows:

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

## 27. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

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

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

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

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

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

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

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

## 28. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

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

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

Note 2: Including financial assets carried at cost.

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

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

### b. Financial risk management objectives

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



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

c. Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

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

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

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

### Other price risk

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

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

#### d. Credit risk management

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

### Business related credit risk

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

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

### Financial credit risk

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

#### e. Liquidity risk management

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

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

|  | <b>Less Than<br/>1 Year</b> | <b>2-3 Years</b>      | <b>4-5 Years</b>     | <b>5+ Years</b>      | <b>Total</b>          |
|--|-----------------------------|-----------------------|----------------------|----------------------|-----------------------|
| <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            |
|  | <u>224,175,683</u>          | <u>77,789,800</u>     | <u>3,490,086</u>     | <u>22,686,332</u>    | <u>328,141,901</u>    |
| <u>Derivative financial instruments</u>  |                             |                       |                      |                      |                       |
| Forward exchange contracts   |                             |                       |                      |                      |                       |
| Outflows   | 51,905,530                  | -                     | -                    | -                    | 51,905,530            |
| Inflows  | <u>(51,837,951)</u>         | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>(51,837,951)</u>   |
|  | <u>67,579</u>               | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>67,579</u>         |
| Cross currency swap contracts  |                             |                       |                      |                      |                       |
| Outflows   |                             |                       |                      |                      |                       |
| Inflows  | 16,050,825                  | -                     | -                    | -                    | 16,050,825            |
|  | <u>(16,003,500)</u>         | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>(16,003,500)</u>   |
|  | <u>47,325</u>               | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>47,325</u>         |
|  | <u>\$ 224,290,587</u>       | <u>\$ 77,789,800</u>  | <u>\$ 3,490,086</u>  | <u>\$ 22,686,332</u> | <u>\$ 328,256,805</u> |
| <u>December 31, 2016</u>   |                             |                       |                      |                      |                       |
| <u>Non-derivative financial liabilities</u>  |                             |                       |                      |                      |                       |
| Short-term loans   | \$ 57,974,562               | \$ -                  | \$ -                 | \$ -                 | \$ 57,974,562         |
| Accounts payable (including related parties)   | 27,324,525                  | -                     | -                    | -                    | 27,324,525            |
| Payables to contractors and equipment suppliers  | 63,154,514                  | -                     | -                    | -                    | 63,154,514            |
| Accrued expenses and other current liabilities   | 20,713,259                  | -                     | -                    | -                    | 20,713,259            |
| Bonds payable  | 40,669,468                  | 99,161,486            | 35,340,742           | 22,979,426           | 198,151,122           |
| Long-term bank loans   | 10,543                      | 20,116                | 2,423                | -                    | 33,082                |
| Guarantee deposits (including those classified under accrued expenses and other current liabilities) | 12,000,189                  | 13,060,483            | 1,609,950            | -                    | 26,670,622            |
|  | <u>221,847,060</u>          | <u>112,242,085</u>    | <u>36,953,115</u>    | <u>22,979,426</u>    | <u>394,021,686</u>    |
| <u>Derivative financial instruments</u>  |                             |                       |                      |                      |                       |
| Forward exchange contracts   |                             |                       |                      |                      |                       |
| Outflows   | 40,571,841                  | -                     | -                    | -                    | 40,571,841            |
| Inflows  | <u>(40,586,344)</u>         | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>(40,586,344)</u>   |
|  | <u>(14,503)</u>             | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>(14,503)</u>       |
| Cross currency swap contracts  |                             |                       |                      |                      |                       |
| Outflows   | 5,478,066                   | -                     | -                    | -                    | 5,478,066             |
| Inflows  | <u>(5,487,600)</u>          | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>(5,487,600)</u>    |
|  | <u>(9,534)</u>              | <u>-</u>              | <u>-</u>             | <u>-</u>             | <u>(9,534)</u>        |
|  | <u>\$ 221,823,023</u>       | <u>\$ 112,242,085</u> | <u>\$ 36,953,115</u> | <u>\$ 22,979,426</u> | <u>\$ 393,997,649</u> |

(Continued)

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

|   | <b>September 30, 2017</b> |                      |                |                      |
|---|---------------------------|----------------------|----------------|----------------------|
|   | <b>Level 1</b>            | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>         |
| <u>Financial assets at FVTPL</u>                |                           |                      |                |                      |
| Held for trading                                |                           |                      |                |                      |
| Forward exchange contracts                      | \$ -                      | \$ 57,395            | \$ -           | \$ 57,395            |
| Designated as at FVTPL                          |                           |                      |                |                      |
| Time deposit                                    | <u>-</u>                  | <u>1,068,273</u>     | <u>-</u>       | <u>1,068,273</u>     |
|   | <u>\$ -</u>               | <u>\$ 1,125,668</u>  | <u>\$ -</u>    | <u>\$ 1,125,668</u>  |
| <u>Available-for-sale financial assets</u>      |                           |                      |                |                      |
| Corporate bonds                                 | \$ 38,023,860             | \$ -                 | \$ -           | \$ 38,023,860        |
| Agency bonds/Agency mortgage-backed securities  | 25,383,136                | -                    | -              | 25,383,136           |
| Asset-backed securities                         | -                         | 12,195,102           | -              | 12,195,102           |
| Government bonds                                | 7,044,080                 | -                    | -              | 7,044,080            |
| Publicly traded stocks                          | 2,068,370                 | -                    | -              | 2,068,370            |
| Commercial paper                                | <u>-</u>                  | <u>238,463</u>       | <u>-</u>       | <u>238,463</u>       |
|   | <u>\$ 72,519,446</u>      | <u>\$ 12,433,565</u> | <u>\$ -</u>    | <u>\$ 84,953,011</u> |
| <u>Hedging derivative financial assets</u>      |                           |                      |                |                      |
| Fair value hedges                               |                           |                      |                |                      |
| Interest rate futures contracts                 | \$ 51,057                 | \$ -                 | \$ -           | \$ 51,057            |
| Cash flow hedges                                |                           |                      |                |                      |
| Forward exchange contracts                      | <u>-</u>                  | <u>47,822</u>        | <u>-</u>       | <u>47,822</u>        |
|   | <u>\$ 51,057</u>          | <u>\$ 47,822</u>     | <u>\$ -</u>    | <u>\$ 98,879</u>     |
| <u>Financial liabilities at FVTPL</u>           |                           |                      |                |                      |
| Held for trading                                |                           |                      |                |                      |
| Forward exchange contracts                      | \$ -                      | \$ 212,135           | \$ -           | \$ 212,135           |
| Cross currency swap contracts                   | <u>-</u>                  | <u>39,077</u>        | <u>-</u>       | <u>39,077</u>        |
|   | <u>\$ -</u>               | <u>\$ 251,212</u>    | <u>\$ -</u>    | <u>\$ 251,212</u>    |
| <u>Hedging derivative financial liabilities</u> |                           |                      |                |                      |
| Cash flow hedges                                |                           |                      |                |                      |
| Forward exchange contracts                      | <u>\$ -</u>               | <u>\$ 7,545</u>      | <u>\$ -</u>    | <u>\$ 7,545</u>      |

|  | <b>December 31, 2016</b> |                      |                |                      |
|--|--------------------------|----------------------|----------------|----------------------|
|  | <b>Level 1</b>           | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>         |
| <u>Financial assets at FVTPL</u>               |                          |                      |                |                      |
| Held for trading                               |                          |                      |                |                      |
| Forward exchange contracts                     | \$ -                     | \$ 142,406           | \$ -           | \$ 142,406           |
| Cross currency swap contracts                  | -                        | 10,976               | -              | 10,976               |
| Designated as at FVTPL                         |                          |                      |                |                      |
| Time deposit                                   | -                        | 6,297,708            | -              | 6,297,708            |
| Forward exchange contracts                     | -                        | <u>22</u>            | -              | <u>22</u>            |
|  | <u>\$ -</u>              | <u>\$ 6,451,112</u>  | <u>\$ -</u>    | <u>\$ 6,451,112</u>  |
| <u>Available-for-sale financial assets</u>     |                          |                      |                |                      |
| Corporate bonds                                | \$ 29,999,508            | \$ -                 | \$ -           | \$ 29,999,508        |
| Agency bonds/Agency mortgage-backed securities | 14,880,482               | -                    | -              | 14,880,482           |
| Asset-backed securities                        | -                        | 11,254,757           | -              | 11,254,757           |
| Government bonds                               | 8,457,362                | -                    | -              | 8,457,362            |
| Publicly traded stocks                         | <u>3,196,658</u>         | -                    | -              | <u>3,196,658</u>     |
|  | <u>\$ 56,534,010</u>     | <u>\$ 11,254,757</u> | <u>\$ -</u>    | <u>\$ 67,788,767</u> |
| <u>Hedging derivative financial assets</u>     |                          |                      |                |                      |
| Fair value hedges                              |                          |                      |                |                      |
| Interest rate futures contracts                | <u>\$ 5,550</u>          | <u>\$ -</u>          | <u>\$ -</u>    | <u>\$ 5,550</u>      |
| <u>Financial liabilities at FVTPL</u>          |                          |                      |                |                      |
| Held for trading                               |                          |                      |                |                      |
| Forward exchange contracts                     | \$ -                     | \$ 91,585            | \$ -           | \$ 91,585            |
| Designated as at FVTPL                         |                          |                      |                |                      |
| Forward exchange contracts                     | -                        | <u>99,550</u>        | -              | <u>99,550</u>        |
|  | <u>\$ -</u>              | <u>\$ 191,135</u>    | <u>\$ -</u>    | <u>\$ 191,135</u>    |
| <b>September 30, 2016</b>                      |                          |                      |                |                      |
|  | <b>Level 1</b>           | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>         |
| <u>Financial assets at FVTPL</u>               |                          |                      |                |                      |
| Held for trading                               |                          |                      |                |                      |
| Cross currency swap contracts                  | \$ -                     | \$ 186,592           | \$ -           | \$ 186,592           |
| Forward exchange contracts                     | -                        | 84,591               | -              | 84,591               |
| Designated as at FVTPL                         |                          |                      |                |                      |
| Time deposit                                   | -                        | <u>1,577,134</u>     | -              | <u>1,577,134</u>     |
|  | <u>\$ -</u>              | <u>\$ 1,848,317</u>  | <u>\$ -</u>    | <u>\$ 1,848,317</u>  |
| <u>Available-for-sale financial assets</u>     |                          |                      |                |                      |
| Corporate bonds                                | \$ 20,459,534            | \$ -                 | \$ -           | \$ 20,459,534        |
| Agency bonds/Agency mortgage-backed securities | 10,679,092               | -                    | -              | 10,679,092           |
| Asset-backed securities                        | -                        | 7,326,334            | -              | 7,326,334            |
| Government bonds                               | 4,304,642                | -                    | -              | 4,304,642            |
| Publicly traded stocks                         | <u>3,045,401</u>         | -                    | -              | <u>3,045,401</u>     |
|  | <u>\$ 38,488,669</u>     | <u>\$ 7,326,334</u>  | <u>\$ -</u>    | <u>\$ 45,815,003</u> |

(Continued)

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

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

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

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

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

- The fair values of interest rate futures contracts, publicly traded stocks, government bonds, agency bonds, agency mortgage-backed securities and corporate bonds are determined by quoted market prices in active markets.
- Forward exchange contracts and cross currency swap contracts are measured using forward exchange rates and the discounted curves that are derived from quoted market prices. For investments in asset-backed securities, the fair values are determined by quoted market prices. For investments in commercial paper and time deposit designated as FVTPL, the fair values are determined by the present value of future cash flows based on the discounted curves that are derived from the quoted market prices.

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

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

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

## Fair value hierarchy

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

|                                   | <b>September 30, 2017</b> |                      |                |                       |
|-----------------------------------|---------------------------|----------------------|----------------|-----------------------|
|                                   | <b>Level 1</b>            | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>          |
| <u>Financial assets</u>           |                           |                      |                |                       |
| Held-to-maturity securities       |                           |                      |                |                       |
| Corporate bonds                   | \$ 20,593,872             | \$ -                 | \$ -           | \$ 20,593,872         |
| Negotiable certificate of deposit | -                         | 4,538,254            | -              | 4,538,254             |
| Structured product                | -                         | 1,503,684            | -              | 1,503,684             |
|                                   | <u>\$ 20,593,872</u>      | <u>\$ 6,041,938</u>  | <u>\$ -</u>    | <u>\$ 26,635,810</u>  |
| <u>Financial liabilities</u>      |                           |                      |                |                       |
| Measured at amortized cost        |                           |                      |                |                       |
| Bonds payable                     | <u>\$ 152,840,029</u>     | <u>\$ -</u>          | <u>\$ -</u>    | <u>\$ 152,840,029</u> |
|                                   | <b>December 31, 2016</b>  |                      |                |                       |
|                                   | <b>Level 1</b>            | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>          |
| <u>Financial assets</u>           |                           |                      |                |                       |
| Held-to-maturity securities       |                           |                      |                |                       |
| Corporate bonds                   | \$ 23,996,429             | \$ -                 | \$ -           | \$ 23,996,429         |
| Commercial paper                  | -                         | 8,630,769            | -              | 8,630,769             |
| Negotiable certificate of deposit | -                         | 4,847,785            | -              | 4,847,785             |
| Structured product                | -                         | 1,609,738            | -              | 1,609,738             |
|                                   | <u>\$ 23,996,429</u>      | <u>\$ 15,088,292</u> | <u>\$ -</u>    | <u>\$ 39,084,721</u>  |
| <u>Financial liabilities</u>      |                           |                      |                |                       |
| Measured at amortized cost        |                           |                      |                |                       |
| Bonds payable                     | <u>\$ 192,845,296</u>     | <u>\$ -</u>          | <u>\$ -</u>    | <u>\$ 192,845,296</u> |
|                                   | <b>September 30, 2016</b> |                      |                |                       |
|                                   | <b>Level 1</b>            | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>          |
| <u>Financial assets</u>           |                           |                      |                |                       |
| Held-to-maturity securities       |                           |                      |                |                       |
| Corporate bonds/Bank debentures   | \$ 25,619,049             | \$ -                 | \$ -           | \$ 25,619,049         |
| Negotiable certificate of deposit | -                         | 4,733,944            | -              | 4,733,944             |
| Structured product                | -                         | 2,559,235            | -              | 2,559,235             |
|                                   | <u>\$ 25,619,049</u>      | <u>\$ 7,293,179</u>  | <u>\$ -</u>    | <u>\$ 32,912,228</u>  |
| <u>Financial liabilities</u>      |                           |                      |                |                       |
| Measured at amortized cost        |                           |                      |                |                       |
| Bonds payable                     | <u>\$ 192,763,012</u>     | <u>\$ -</u>          | <u>\$ -</u>    | <u>\$ 192,763,012</u> |

## Fair value measurement

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

For investments in negotiable certificate of deposit and structured product, the fair values are determined by quoted market prices. For investment in commercial paper, the fair value is



determined by the present value of future cash flows based on the discounted curves that are derived from the quoted market prices.

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

## 29. RELATED PARTY TRANSACTIONS

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

### a. Related party name and categories

| <u>Related Party Name</u> | <u>Related Party Categories</u> |
|---------------------------|---------------------------------|
| GUC                       | Associates                      |
| VIS                       | Associates                      |
| SSMC                      | Associates                      |
| Xintec                    | Associates                      |

### b. Net revenue

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

### c. Purchases

|            |                                 | <u>Three Months Ended</u><br><u>September 30</u> |              | <u>Nine Months Ended</u><br><u>September 30</u> |              |
|------------|---------------------------------|--|--------------|---|--------------|
|            |                                 | <u>2017</u>                                      | <u>2016</u>  | <u>2017</u>                                     | <u>2016</u>  |
|            | <u>Related Party Categories</u> |  |              |   |              |
| Associates |                                 | \$ 2,671,511                                     | \$ 2,488,706 | \$ 7,557,431                                    | \$ 7,275,745 |

### d. Receivables from related parties

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

(Continued)

|  |        | September 30,<br>2017 | December 31,<br>2016 | September 30,<br>2016            |
|--|--------|-----------------------|----------------------|----------------------------------|
| Other receivables from related parties | SSMC   | \$ 85,274             | \$ 60,641            | \$ 54,876                        |
|  | VIS    | 79,504                | 86,038               | 94,698                           |
|  | Others | <u>1,151</u>          | <u>109</u>           | <u>110</u>                       |
|  |        | <u>\$ 165,929</u>     | <u>\$ 146,788</u>    | <u>\$ 149,684</u><br>(Concluded) |

e. Payables to related parties

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

f. Accrued expenses and other current liabilities

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

g. Others

|                                   |                                 | <u>Three Months Ended September 30</u> |                   | <u>Nine Months Ended September 30</u> |                     |
|-----------------------------------|---------------------------------|--|-------------------|---------------------------------------|---------------------|
|                                   |                                 | 2017                                   | 2016              | 2017                                  | 2016                |
| <u>Item</u>                       | <u>Related Party Categories</u> |  |                   |                                       |                     |
| Manufacturing expenses            | Associates                      | <u>\$ 492,892</u>                      | <u>\$ 378,454</u> | <u>\$ 1,055,887</u>                   | <u>\$ 1,152,264</u> |
| Research and development expenses | Associates                      | <u>\$ 16,678</u>                       | <u>\$ 38,295</u>  | <u>\$ 47,801</u>                      | <u>\$ 107,373</u>   |

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

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

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

h. Compensation of key management personnel

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

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

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

### 30. PLEDGED ASSETS

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

### 31. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

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

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

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

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

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

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

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

### **33. SIGNIFICANT LOSS FROM DISASTER**

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

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

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

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

(Continued)

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

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

Note 2: The exchange rate represents the number of RMB for which one USD dollars could be exchanged.

Please refer to the consolidated statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the three months and nine months ended September 30, 2017 and 2016, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

### 35. OPERATING SEGMENTS INFORMATION

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

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

### 36. ADDITIONAL DISCLOSURES

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

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Information about the derivative financial instruments transaction: Please see Notes 7 and 10;
- j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 8 attached;
- k. Names, locations, and related information of investees over which TSMC exercises significant influence (excluding information on investment in mainland China): Please see Table 9 attached;
- l. Information on investment in mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 10 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

FINANCINGS PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| No. | Financing Company | Counter-party | 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 (Note 4)                   | Transaction Amounts | Reason for Financing (Note 4) | Allowance for Bad Debt | Collateral |       | Financing Limits for Each Borrowing Company (Notes 1 and 2) | Financing Company's Total Financing Amount Limits (Notes 1 and 2) |
|-----|-------------------|---------------|--|---------------|---|---|---|---------------|---|---------------------|-------------------------------|------------------------|------------|-------|---|---|
|     |                   |               |  |               |   |   |   |               |   |                     |                               |                        | Item       | Value |   |   |
| 1   | TSMC China        | TSMC Nanjing  | Other receivables from related parties | Yes           | \$ 21,028,440<br>(RMB 4,600,000)  | \$ 21,028,440<br>(RMB 4,600,000)                          | \$ 13,257,060<br>(RMB 2,900,000)                        | 1.3%-1.5%     | The need for short-term/<br>long-term financing | \$ -                | Operating capital             | \$ -                   | -          | \$ -  | \$ 49,297,136   | \$ 49,297,136   |
| 2   | TSMC Global       | TSMC          | Other receivables from related parties | Yes           | 45,358,500<br>(US\$ 1,500,000)  | 45,358,500<br>(US\$ 1,500,000)                            | 7,197,079<br>(US\$ 238,007)                             | 1.45%         | The need for short-term<br>financing            | -                   | Operating capital             | -                      | -          | -     | 301,083,863   | 301,083,863   |

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.



## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

| No. | Endorsement/<br>Guarantee Provider | Guaranteed Party      |                           | Limits on<br>Endorsement/<br>Guarantee<br>Amount<br>Provided to Each<br>Guaranteed<br>Party<br>(Notes 1 and 2) | Maximum<br>Balance<br>for the Period<br>(US\$ in<br>Thousands)<br>(Note 3) | Ending Balance<br>(US\$ in<br>Thousands)<br>(Note 3) | Amount Actually<br>Drawn<br>(US\$ in<br>Thousands) | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity per<br>Latest Financial<br>Statements | Maximum<br>Endorsement/<br>Guarantee<br>Amount<br>Allowable<br>(Note 2) | Guarantee<br>Provided by<br>Parent<br>Company | Guarantee<br>Provided by<br>A Subsidiary | Guarantee<br>Provided to<br>Subsidiaries<br>in Mainland<br>China |
|-----|------------------------------------|-----------------------|---------------------------|--|--|--|--|---|---|---|---|--|--|
|     |                                    | Name                  | Nature of<br>Relationship |  |  |  |  |   |   |   |   |  |  |
| 0   | TSMC                               | TSMC Global           | Subsidiary                | \$ 357,679,212   | \$ 34,774,850<br>(US\$ 1,150,000)  | \$ 34,774,850<br>(US\$ 1,150,000)                    | \$ 34,774,850<br>(US\$ 1,150,000)                  | \$ -  | 2.43%   | \$ 357,679,212  | Yes   | No                                       | No   |
|     |                                    | TSMC North<br>America | Subsidiary                | 357,679,212  | 2,516,287<br>(US\$ 83,213)   | 2,516,287<br>(US\$ 83,213)                           | 2,516,287<br>(US\$ 83,213)                         | -   | 0.18%   | 357,679,212   | Yes   | No                                       | No   |

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.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2017

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

| Held Company Name  | Marketable Securities Type and Name                   | Relationship with the Company           | Financial Statement Account         | September 30, 2017               |  |                                |  | Note        |
|--|---|---|-------------------------------------|----------------------------------|--|--------------------------------|--|-------------|
|  |   |   |                                     | Shares/Units<br>(In Thousands)   | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |             |
| TSMC   | <u>Corporate bond</u><br>CPC Corporation, Taiwan      | -                                       | Held-to-maturity financial assets   | -                                | \$ 650,371   | N/A                            | \$ 650,437   |             |
|  | <u>Common stock</u><br>Motech                         | -                                       | Available-for-sale financial assets | 58,320                           | 1,344,271  | 12                             | 1,344,271  |             |
|  | Semiconductor Manufacturing International Corporation | -                                       | "                                   | 21,105                           | 724,099  | -                              | 724,099  |             |
|  | United Industrial Gases Co., Ltd.                     | -                                       | Financial assets carried at cost    | 21,230                           | 193,584  | 10                             | 193,584  |             |
|  | Shin-Etsu Handotai Taiwan Co., Ltd.                   | -                                       | "                                   | 10,500                           | 105,000  | 7                              | 105,000  |             |
|  | Global Investment Holding Inc.                        | -                                       | "                                   | 11,124                           | 99,041   | 6                              | 99,041   |             |
|  | W.K. Technology Fund IV                               | -                                       | "                                   | 1,152                            | 4,041  | 2                              | 4,041  |             |
|  | <u>Fund</u><br>Horizon Ventures Fund                  | -                                       | Financial assets carried at cost    | -                                | 6,975  | 12                             | 6,975  |             |
|  | Crimson Asia Capital                                  | -                                       | "                                   | -                                | 6,410  | 1                              | 6,410  |             |
|  | TSMC Partners   | <u>Common stock</u><br>Tela Innovations | -                                   | Financial assets carried at cost | 10,440   | US\$ 65,000                    | 25   | US\$ 65,000 |
| Mcube Inc.   |   | -                                       | "                                   | 6,333                            | -  | 12                             | -  |             |
| <u>Fund</u><br>China Walden Venture Investments II, L.P. |   | -                                       | Financial assets carried at cost    | -                                | US\$ 8,607   | 9                              | US\$ 8,607   |             |
| Shanghai Walden Venture Capital Enterprise               |   | -                                       | "                                   | -                                | US\$ 4,270   | 6                              | US\$ 4,270   |             |
| TSMC Global  | <u>Corporate bond</u><br>Morgan Stanley               | -                                       | Available-for-sale financial assets | -                                | US\$ 38,254  | N/A                            | US\$ 38,254  |             |
|  | Bank of America Corp                                  | -                                       | "                                   | -                                | US\$ 37,690  | N/A                            | US\$ 37,690  |             |
|  | Goldman Sachs Group Inc/The                           | -                                       | "                                   | -                                | US\$ 34,023  | N/A                            | US\$ 34,023  |             |
|  | JPMorgan Chase & Co                                   | -                                       | "                                   | -                                | US\$ 33,685  | N/A                            | US\$ 33,685  |             |
|  | AT&T Inc  | -                                       | "                                   | -                                | US\$ 24,883  | N/A                            | US\$ 24,883  |             |
|  | Citigroup Inc   | -                                       | "                                   | -                                | US\$ 23,820  | N/A                            | US\$ 23,820  |             |
|  | Verizon Communications Inc                            | -                                       | "                                   | -                                | US\$ 19,507  | N/A                            | US\$ 19,507  |             |
|  | Ford Motor Credit Co LLC                              | -                                       | "                                   | -                                | US\$ 17,626  | N/A                            | US\$ 17,626  |             |
|  | BAT Capital Corp                                      | -                                       | "                                   | -                                | US\$ 17,045  | N/A                            | US\$ 17,045  |             |
|  | Wells Fargo & Co                                      | -                                       | "                                   | -                                | US\$ 15,841  | N/A                            | US\$ 15,841  |             |
|  | Apple Inc   | -                                       | "                                   | -                                | US\$ 15,651  | N/A                            | US\$ 15,651  |             |
|  | Credit Suisse AG/New York NY                          | -                                       | "                                   | -                                | US\$ 13,735  | N/A                            | US\$ 13,735  |             |
|  | PNC Bank NA   | -                                       | "                                   | -                                | US\$ 13,243  | N/A                            | US\$ 13,243  |             |
|  | Tyson Foods Inc                                       | -                                       | "                                   | -                                | US\$ 12,271  | N/A                            | US\$ 12,271  |             |
|  | Anheuser-Busch InBev Finance Inc                      | -                                       | "                                   | -                                | US\$ 11,897  | N/A                            | US\$ 11,897  |             |
|  | Southern Co/The                                       | -                                       | "                                   | -                                | US\$ 11,406  | N/A                            | US\$ 11,406  |             |
|  | AbbVie Inc  | -                                       | "                                   | -                                | US\$ 11,185  | N/A                            | US\$ 11,185  |             |
|  | Westpac Banking Corp                                  | -                                       | "                                   | -                                | US\$ 10,485  | N/A                            | US\$ 10,485  |             |
|  | BP Capital Markets PLC                                | -                                       | "                                   | -                                | US\$ 10,341  | N/A                            | US\$ 10,341  |             |
|  | Svenska Handelsbanken AB                              | -                                       | "                                   | -                                | US\$ 9,923   | N/A                            | US\$ 9,923   |             |
| CVS Health Corp  | -   | "                                       | -                                   | US\$ 9,882                       | N/A  | US\$ 9,882                     |  |             |
| Oracle Corp  | -   | "                                       | -                                   | US\$ 9,721                       | N/A  | US\$ 9,721                     |  |             |
| Capital One NA/Mclean VA                                 | -   | "                                       | -                                   | US\$ 9,632                       | N/A  | US\$ 9,632                     |  |             |
| Microsoft Corp   | -   | "                                       | -                                   | US\$ 9,386                       | N/A  | US\$ 9,386                     |  |             |
| Aviation Capital Group Corp                              | -   | "                                       | -                                   | US\$ 9,181                       | N/A  | US\$ 9,181                     |  |             |
| ERAC USA Finance LLC                                     | -   | "                                       | -                                   | US\$ 8,852                       | N/A  | US\$ 8,852                     |  |             |

(Continued)

| Held Company Name | Marketable Securities Type and Name                 | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|---|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |   |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | Mitsubishi UFJ Financial Group Inc                  | -                             | Available-for-sale financial assets | -                              | US\$ 8,837   | N/A                            | US\$ 8,837   |      |
|                   | International Bank for Reconstruction & Development | -                             | "                                   | -                              | US\$ 8,760   | N/A                            | US\$ 8,760   |      |
|                   | Hewlett Packard Enterprise Co                       | -                             | "                                   | -                              | US\$ 8,732   | N/A                            | US\$ 8,732   |      |
|                   | Ventas Realty LP / Ventas Capital Corp              | -                             | "                                   | -                              | US\$ 8,546   | N/A                            | US\$ 8,546   |      |
|                   | Cardinal Health Inc                                 | -                             | "                                   | -                              | US\$ 8,443   | N/A                            | US\$ 8,443   |      |
|                   | Rockwell Collins Inc                                | -                             | "                                   | -                              | US\$ 8,130   | N/A                            | US\$ 8,130   |      |
|                   | Daimler Finance North America LLC                   | -                             | "                                   | -                              | US\$ 8,105   | N/A                            | US\$ 8,105   |      |
|                   | Dominion Energy Inc                                 | -                             | "                                   | -                              | US\$ 8,040   | N/A                            | US\$ 8,040   |      |
|                   | American Express Credit Corp                        | -                             | "                                   | -                              | US\$ 7,824   | N/A                            | US\$ 7,824   |      |
|                   | Huntington National Bank/The                        | -                             | "                                   | -                              | US\$ 7,800   | N/A                            | US\$ 7,800   |      |
|                   | Duke Energy Corp                                    | -                             | "                                   | -                              | US\$ 7,771   | N/A                            | US\$ 7,771   |      |
|                   | UBS Group Funding Switzerland AG                    | -                             | "                                   | -                              | US\$ 7,559   | N/A                            | US\$ 7,559   |      |
|                   | American International Group Inc                    | -                             | "                                   | -                              | US\$ 7,458   | N/A                            | US\$ 7,458   |      |
|                   | Sumitomo Mitsui Financial Group Inc                 | -                             | "                                   | -                              | US\$ 7,446   | N/A                            | US\$ 7,446   |      |
|                   | Reckitt Benckiser Treasury Services PLC             | -                             | "                                   | -                              | US\$ 7,149   | N/A                            | US\$ 7,149   |      |
|                   | Siemens Financieringsmaatschappij NV                | -                             | "                                   | -                              | US\$ 7,140   | N/A                            | US\$ 7,140   |      |
|                   | ABN AMRO Bank NV                                    | -                             | "                                   | -                              | US\$ 7,130   | N/A                            | US\$ 7,130   |      |
|                   | 21st Century Fox America Inc                        | -                             | "                                   | -                              | US\$ 6,957   | N/A                            | US\$ 6,957   |      |
|                   | HSBC Holdings PLC                                   | -                             | "                                   | -                              | US\$ 6,946   | N/A                            | US\$ 6,946   |      |
|                   | Deutsche Telekom International Finance BV           | -                             | "                                   | -                              | US\$ 6,675   | N/A                            | US\$ 6,675   |      |
|                   | QUALCOMM Inc  | -                             | "                                   | -                              | US\$ 6,532   | N/A                            | US\$ 6,532   |      |
|                   | Marriott International Inc/MD                       | -                             | "                                   | -                              | US\$ 6,521   | N/A                            | US\$ 6,521   |      |
|                   | Mizuho Financial Group Inc                          | -                             | "                                   | -                              | US\$ 6,509   | N/A                            | US\$ 6,509   |      |
|                   | Reliance Standard Life Global Funding II            | -                             | "                                   | -                              | US\$ 6,506   | N/A                            | US\$ 6,506   |      |
|                   | Dow Chemical Co/The                                 | -                             | "                                   | -                              | US\$ 6,446   | N/A                            | US\$ 6,446   |      |
|                   | Welltower Inc                                       | -                             | "                                   | -                              | US\$ 6,379   | N/A                            | US\$ 6,379   |      |
|                   | Banque Federative du Credit Mutuel SA               | -                             | "                                   | -                              | US\$ 6,301   | N/A                            | US\$ 6,301   |      |
|                   | Citizens Bank NA/Providence RI                      | -                             | "                                   | -                              | US\$ 6,284   | N/A                            | US\$ 6,284   |      |
|                   | Santander UK Group Holdings PLC                     | -                             | "                                   | -                              | US\$ 6,252   | N/A                            | US\$ 6,252   |      |
|                   | SunTrust Banks Inc                                  | -                             | "                                   | -                              | US\$ 6,225   | N/A                            | US\$ 6,225   |      |
|                   | Asian Development Bank                              | -                             | "                                   | -                              | US\$ 6,077   | N/A                            | US\$ 6,077   |      |
|                   | Skandinaviska Enskilda Banken AB                    | -                             | "                                   | -                              | US\$ 6,048   | N/A                            | US\$ 6,048   |      |
|                   | BB&T Corp   | -                             | "                                   | -                              | US\$ 6,010   | N/A                            | US\$ 6,010   |      |
|                   | SMBC Aviation Capital Finance DAC                   | -                             | "                                   | -                              | US\$ 5,996   | N/A                            | US\$ 5,996   |      |
|                   | Hyundai Capital America                             | -                             | "                                   | -                              | US\$ 5,994   | N/A                            | US\$ 5,994   |      |
|                   | Royal Bank of Canada                                | -                             | "                                   | -                              | US\$ 5,989   | N/A                            | US\$ 5,989   |      |
|                   | NextEra Energy Capital Holdings Inc                 | -                             | "                                   | -                              | US\$ 5,877   | N/A                            | US\$ 5,877   |      |
|                   | Danone SA   | -                             | "                                   | -                              | US\$ 5,806   | N/A                            | US\$ 5,806   |      |
|                   | Aspen Insurance Holdings Ltd                        | -                             | "                                   | -                              | US\$ 5,805   | N/A                            | US\$ 5,805   |      |
|                   | Shell International Finance BV                      | -                             | "                                   | -                              | US\$ 5,780   | N/A                            | US\$ 5,780   |      |
|                   | Toyota Motor Credit Corp                            | -                             | "                                   | -                              | US\$ 5,669   | N/A                            | US\$ 5,669   |      |
|                   | Penske Truck Leasing Co Lp / PTL Finance Corp       | -                             | "                                   | -                              | US\$ 5,656   | N/A                            | US\$ 5,656   |      |
|                   | Nordea Bank AB                                      | -                             | "                                   | -                              | US\$ 5,597   | N/A                            | US\$ 5,597   |      |
|                   | Bank of New York Mellon Corp/The                    | -                             | "                                   | -                              | US\$ 5,552   | N/A                            | US\$ 5,552   |      |
|                   | Air Lease Corp                                      | -                             | "                                   | -                              | US\$ 5,541   | N/A                            | US\$ 5,541   |      |
|                   | New York Life Global Funding                        | -                             | "                                   | -                              | US\$ 5,473   | N/A                            | US\$ 5,473   |      |
|                   | ANZ New Zealand Int'l Ltd/London                    | -                             | "                                   | -                              | US\$ 5,418   | N/A                            | US\$ 5,418   |      |
|                   | Banco Santander SA                                  | -                             | "                                   | -                              | US\$ 5,350   | N/A                            | US\$ 5,350   |      |
|                   | Montpelier Re Holdings Ltd                          | -                             | "                                   | -                              | US\$ 5,337   | N/A                            | US\$ 5,337   |      |
|                   | McCormick & Co Inc/MD                               | -                             | "                                   | -                              | US\$ 5,331   | N/A                            | US\$ 5,331   |      |
|                   | Manufacturers & Traders Trust Co                    | -                             | "                                   | -                              | US\$ 5,323   | N/A                            | US\$ 5,323   |      |
|                   | Toronto-Dominion Bank/The                           | -                             | "                                   | -                              | US\$ 5,300   | N/A                            | US\$ 5,300   |      |
|                   | Amgen Inc   | -                             | "                                   | -                              | US\$ 5,261   | N/A                            | US\$ 5,261   |      |
|                   | Jackson National Life Global Funding                | -                             | "                                   | -                              | US\$ 5,181   | N/A                            | US\$ 5,181   |      |
|                   | Berkshire Hathaway Finance Corp                     | -                             | "                                   | -                              | US\$ 5,151   | N/A                            | US\$ 5,151   |      |
|                   | KeyBank NA/Cleveland OH                             | -                             | "                                   | -                              | US\$ 5,077   | N/A                            | US\$ 5,077   |      |
|                   | UBS AG/Stamford CT                                  | -                             | "                                   | -                              | US\$ 5,044   | N/A                            | US\$ 5,044   |      |
|                   | Analog Devices Inc                                  | -                             | "                                   | -                              | US\$ 5,016   | N/A                            | US\$ 5,016   |      |
|                   | International Finance Corp                          | -                             | "                                   | -                              | US\$ 5,000   | N/A                            | US\$ 5,000   |      |

(Continued)

| Held Company Name | Marketable Securities Type and Name  | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|--|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |  |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | Macquarie Group Ltd  | -                             | Available-for-sale financial assets | -                              | US\$ 4,986   | N/A                            | US\$ 4,986   |      |
|                   | Cox Communications Inc   | -                             | "                                   | -                              | US\$ 4,962   | N/A                            | US\$ 4,962   |      |
|                   | Five Corners Funding Trust   | -                             | "                                   | -                              | US\$ 4,883   | N/A                            | US\$ 4,883   |      |
|                   | Barclays PLC   | -                             | "                                   | -                              | US\$ 4,869   | N/A                            | US\$ 4,869   |      |
|                   | Schlumberger Holdings Corp   | -                             | "                                   | -                              | US\$ 4,828   | N/A                            | US\$ 4,828   |      |
|                   | Air Liquide Finance SA   | -                             | "                                   | -                              | US\$ 4,772   | N/A                            | US\$ 4,772   |      |
|                   | Fifth Third Bank/Cincinnati OH   | -                             | "                                   | -                              | US\$ 4,720   | N/A                            | US\$ 4,720   |      |
|                   | Ontario Teachers' Cadillac Fairview Properties Trust                               | -                             | "                                   | -                              | US\$ 4,696   | N/A                            | US\$ 4,696   |      |
|                   | US Bank NA/Cincinnati OH   | -                             | "                                   | -                              | US\$ 4,388   | N/A                            | US\$ 4,388   |      |
|                   | US Bancorp   | -                             | "                                   | -                              | US\$ 4,322   | N/A                            | US\$ 4,322   |      |
|                   | Lloyds Bank PLC  | -                             | "                                   | -                              | US\$ 4,228   | N/A                            | US\$ 4,228   |      |
|                   | Oaktree Capital Management LP  | -                             | "                                   | -                              | US\$ 4,228   | N/A                            | US\$ 4,228   |      |
|                   | Celgene Corp   | -                             | "                                   | -                              | US\$ 4,221   | N/A                            | US\$ 4,221   |      |
|                   | BNP Paribas SA   | -                             | "                                   | -                              | US\$ 4,208   | N/A                            | US\$ 4,208   |      |
|                   | Exelon Generation Co LLC   | -                             | "                                   | -                              | US\$ 4,168   | N/A                            | US\$ 4,168   |      |
|                   | KeyCorp  | -                             | "                                   | -                              | US\$ 4,089   | N/A                            | US\$ 4,089   |      |
|                   | Mondelez International Holdings Netherlands BV                                     | -                             | "                                   | -                              | US\$ 4,013   | N/A                            | US\$ 4,013   |      |
|                   | Intel Corp   | -                             | "                                   | -                              | US\$ 4,003   | N/A                            | US\$ 4,003   |      |
|                   | Intercontinental Exchange Inc  | -                             | "                                   | -                              | US\$ 3,992   | N/A                            | US\$ 3,992   |      |
|                   | Fortive Corp   | -                             | "                                   | -                              | US\$ 3,988   | N/A                            | US\$ 3,988   |      |
|                   | AEP Texas Inc  | -                             | "                                   | -                              | US\$ 3,983   | N/A                            | US\$ 3,983   |      |
|                   | Edison International   | -                             | "                                   | -                              | US\$ 3,979   | N/A                            | US\$ 3,979   |      |
|                   | Wells Fargo Bank NA  | -                             | "                                   | -                              | US\$ 3,919   | N/A                            | US\$ 3,919   |      |
|                   | Ryder System Inc   | -                             | "                                   | -                              | US\$ 3,837   | N/A                            | US\$ 3,837   |      |
|                   | Fifth Third Bancorp  | -                             | "                                   | -                              | US\$ 3,804   | N/A                            | US\$ 3,804   |      |
|                   | Suncorp-Metway Ltd   | -                             | "                                   | -                              | US\$ 3,800   | N/A                            | US\$ 3,800   |      |
|                   | Husky Energy Inc   | -                             | "                                   | -                              | US\$ 3,784   | N/A                            | US\$ 3,784   |      |
|                   | Sprint Spectrum Co LLC / Sprint Spectrum Co II LLC / Sprint<br>Spectrum Co III LLC | -                             | "                                   | -                              | US\$ 3,741   | N/A                            | US\$ 3,741   |      |
|                   | Pacific Gas & Electric Co  | -                             | "                                   | -                              | US\$ 3,639   | N/A                            | US\$ 3,639   |      |
|                   | Canadian Imperial Bank of Commerce   | -                             | "                                   | -                              | US\$ 3,615   | N/A                            | US\$ 3,615   |      |
|                   | Lam Research Corp  | -                             | "                                   | -                              | US\$ 3,606   | N/A                            | US\$ 3,606   |      |
|                   | Protective Life Global Funding   | -                             | "                                   | -                              | US\$ 3,601   | N/A                            | US\$ 3,601   |      |
|                   | SES GLOBAL Americas Holdings GP  | -                             | "                                   | -                              | US\$ 3,528   | N/A                            | US\$ 3,528   |      |
|                   | BAT International Finance PLC  | -                             | "                                   | -                              | US\$ 3,497   | N/A                            | US\$ 3,497   |      |
|                   | Aetna Inc  | -                             | "                                   | -                              | US\$ 3,422   | N/A                            | US\$ 3,422   |      |
|                   | Credit Agricole SA/London  | -                             | "                                   | -                              | US\$ 3,393   | N/A                            | US\$ 3,393   |      |
|                   | Kroger Co/The  | -                             | "                                   | -                              | US\$ 3,388   | N/A                            | US\$ 3,388   |      |
|                   | Cigna Corp   | -                             | "                                   | -                              | US\$ 3,122   | N/A                            | US\$ 3,122   |      |
|                   | Realty Income Corp   | -                             | "                                   | -                              | US\$ 3,120   | N/A                            | US\$ 3,120   |      |
|                   | Anheuser-Busch InBev Worldwide Inc   | -                             | "                                   | -                              | US\$ 3,067   | N/A                            | US\$ 3,067   |      |
|                   | Time Warner Inc  | -                             | "                                   | -                              | US\$ 3,032   | N/A                            | US\$ 3,032   |      |
|                   | Citibank NA  | -                             | "                                   | -                              | US\$ 3,002   | N/A                            | US\$ 3,002   |      |
|                   | Delta Air Lines Class A Pass Through Trust   | -                             | "                                   | -                              | US\$ 2,900   | N/A                            | US\$ 2,900   |      |
|                   | Principal Life Global Funding II   | -                             | "                                   | -                              | US\$ 2,793   | N/A                            | US\$ 2,793   |      |
|                   | BMW US Capital LLC   | -                             | "                                   | -                              | US\$ 2,737   | N/A                            | US\$ 2,737   |      |
|                   | PartnerRe Finance B LLC  | -                             | "                                   | -                              | US\$ 2,695   | N/A                            | US\$ 2,695   |      |
|                   | Chevron Corp   | -                             | "                                   | -                              | US\$ 2,646   | N/A                            | US\$ 2,646   |      |
|                   | Nuveen Finance LLC   | -                             | "                                   | -                              | US\$ 2,569   | N/A                            | US\$ 2,569   |      |
|                   | LyondellBasell Industries NV   | -                             | "                                   | -                              | US\$ 2,547   | N/A                            | US\$ 2,547   |      |
|                   | Metropolitan Life Global Funding I   | -                             | "                                   | -                              | US\$ 2,533   | N/A                            | US\$ 2,533   |      |
|                   | Credit Suisse Group Funding Guernsey Ltd   | -                             | "                                   | -                              | US\$ 2,509   | N/A                            | US\$ 2,509   |      |
|                   | Wm Wrigley Jr Co   | -                             | "                                   | -                              | US\$ 2,501   | N/A                            | US\$ 2,501   |      |
|                   | Eastman Chemical Co  | -                             | "                                   | -                              | US\$ 2,460   | N/A                            | US\$ 2,460   |      |
|                   | Xylem Inc/NY   | -                             | "                                   | -                              | US\$ 2,453   | N/A                            | US\$ 2,453   |      |
|                   | Commonwealth Bank of Australia/New York NY   | -                             | "                                   | -                              | US\$ 2,411   | N/A                            | US\$ 2,411   |      |
|                   | HSBC USA Inc   | -                             | "                                   | -                              | US\$ 2,378   | N/A                            | US\$ 2,378   |      |
|                   | NBCUniversal Media LLC   | -                             | "                                   | -                              | US\$ 2,364   | N/A                            | US\$ 2,364   |      |
|                   | EI du Pont de Nemours & Co   | -                             | "                                   | -                              | US\$ 2,348   | N/A                            | US\$ 2,348   |      |

(Continued)

| Held Company Name | Marketable Securities Type and Name                   | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|---|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |   |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | National Australia Bank Ltd/New York                  | -                             | Available-for-sale financial assets | -                              | US\$ 2,331   | N/A                            | US\$ 2,331   |      |
|                   | Biogen Inc  | -                             | "                                   | -                              | US\$ 2,321   | N/A                            | US\$ 2,321   |      |
|                   | Simon Property Group LP                               | -                             | "                                   | -                              | US\$ 2,313   | N/A                            | US\$ 2,313   |      |
|                   | Bank of Tokyo-Mitsubishi UFJ Ltd/The                  | -                             | "                                   | -                              | US\$ 2,312   | N/A                            | US\$ 2,312   |      |
|                   | Kimco Realty Corp                                     | -                             | "                                   | -                              | US\$ 2,312   | N/A                            | US\$ 2,312   |      |
|                   | Voya Financial Inc                                    | -                             | "                                   | -                              | US\$ 2,297   | N/A                            | US\$ 2,297   |      |
|                   | Gilead Sciences Inc                                   | -                             | "                                   | -                              | US\$ 2,281   | N/A                            | US\$ 2,281   |      |
|                   | Digital Realty Trust LP                               | -                             | "                                   | -                              | US\$ 2,262   | N/A                            | US\$ 2,262   |      |
|                   | Cintas Corp No 2                                      | -                             | "                                   | -                              | US\$ 2,244   | N/A                            | US\$ 2,244   |      |
|                   | Inter-American Development Bank                       | -                             | "                                   | -                              | US\$ 2,240   | N/A                            | US\$ 2,240   |      |
|                   | ING Groep NV  | -                             | "                                   | -                              | US\$ 2,237   | N/A                            | US\$ 2,237   |      |
|                   | Pricoa Global Funding I                               | -                             | "                                   | -                              | US\$ 2,214   | N/A                            | US\$ 2,214   |      |
|                   | ProAssurance Corp                                     | -                             | "                                   | -                              | US\$ 2,182   | N/A                            | US\$ 2,182   |      |
|                   | Express Scripts Holding Co                            | -                             | "                                   | -                              | US\$ 2,162   | N/A                            | US\$ 2,162   |      |
|                   | WR Berkley Corp                                       | -                             | "                                   | -                              | US\$ 2,160   | N/A                            | US\$ 2,160   |      |
|                   | HCP Inc   | -                             | "                                   | -                              | US\$ 2,127   | N/A                            | US\$ 2,127   |      |
|                   | Sysco Corp  | -                             | "                                   | -                              | US\$ 2,024   | N/A                            | US\$ 2,024   |      |
|                   | Lloyds Banking Group PLC                              | -                             | "                                   | -                              | US\$ 2,019   | N/A                            | US\$ 2,019   |      |
|                   | Enel Finance International NV                         | -                             | "                                   | -                              | US\$ 2,016   | N/A                            | US\$ 2,016   |      |
|                   | British Telecommunications PLC                        | -                             | "                                   | -                              | US\$ 2,014   | N/A                            | US\$ 2,014   |      |
|                   | State Street Corp                                     | -                             | "                                   | -                              | US\$ 2,014   | N/A                            | US\$ 2,014   |      |
|                   | Johnson Controls International plc                    | -                             | "                                   | -                              | US\$ 2,009   | N/A                            | US\$ 2,009   |      |
|                   | Enterprise Products Operating LLC                     | -                             | "                                   | -                              | US\$ 2,006   | N/A                            | US\$ 2,006   |      |
|                   | Danske Bank A/S                                       | -                             | "                                   | -                              | US\$ 1,974   | N/A                            | US\$ 1,974   |      |
|                   | AutoZone Inc  | -                             | "                                   | -                              | US\$ 1,955   | N/A                            | US\$ 1,955   |      |
|                   | Stryker Corp  | -                             | "                                   | -                              | US\$ 1,955   | N/A                            | US\$ 1,955   |      |
|                   | UnitedHealth Group Inc                                | -                             | "                                   | -                              | US\$ 1,951   | N/A                            | US\$ 1,951   |      |
|                   | Magellan Midstream Partners LP                        | -                             | "                                   | -                              | US\$ 1,945   | N/A                            | US\$ 1,945   |      |
|                   | Bear Stearns Cos LLC/The                              | -                             | "                                   | -                              | US\$ 1,936   | N/A                            | US\$ 1,936   |      |
|                   | BPCE SA   | -                             | "                                   | -                              | US\$ 1,935   | N/A                            | US\$ 1,935   |      |
|                   | Capital One Financial Corp                            | -                             | "                                   | -                              | US\$ 1,920   | N/A                            | US\$ 1,920   |      |
|                   | Branch Banking & Trust Co                             | -                             | "                                   | -                              | US\$ 1,894   | N/A                            | US\$ 1,894   |      |
|                   | Sumitomo Mitsui Banking Corp                          | -                             | "                                   | -                              | US\$ 1,887   | N/A                            | US\$ 1,887   |      |
|                   | Cooperatieve Rabobank UA/NY                           | -                             | "                                   | -                              | US\$ 1,864   | N/A                            | US\$ 1,864   |      |
|                   | WestRock RKT Co                                       | -                             | "                                   | -                              | US\$ 1,852   | N/A                            | US\$ 1,852   |      |
|                   | SunTrust Bank/Atlanta GA                              | -                             | "                                   | -                              | US\$ 1,850   | N/A                            | US\$ 1,850   |      |
|                   | Orange SA   | -                             | "                                   | -                              | US\$ 1,844   | N/A                            | US\$ 1,844   |      |
|                   | StanCorp Financial Group Inc                          | -                             | "                                   | -                              | US\$ 1,836   | N/A                            | US\$ 1,836   |      |
|                   | Australia & New Zealand Banking Group Ltd/New York NY | -                             | "                                   | -                              | US\$ 1,804   | N/A                            | US\$ 1,804   |      |
|                   | Regency Centers LP                                    | -                             | "                                   | -                              | US\$ 1,783   | N/A                            | US\$ 1,783   |      |
|                   | Dominion Energy Gas Holdings LLC                      | -                             | "                                   | -                              | US\$ 1,781   | N/A                            | US\$ 1,781   |      |
|                   | Alterra Finance LLC                                   | -                             | "                                   | -                              | US\$ 1,772   | N/A                            | US\$ 1,772   |      |
|                   | Alimentation Couche-Tard Inc                          | -                             | "                                   | -                              | US\$ 1,763   | N/A                            | US\$ 1,763   |      |
|                   | Sumitomo Mitsui Trust Bank Ltd                        | -                             | "                                   | -                              | US\$ 1,700   | N/A                            | US\$ 1,700   |      |
|                   | Amazon.com Inc  | -                             | "                                   | -                              | US\$ 1,646   | N/A                            | US\$ 1,646   |      |
|                   | African Development Bank                              | -                             | "                                   | -                              | US\$ 1,567   | N/A                            | US\$ 1,567   |      |
|                   | UBS AG/London   | -                             | "                                   | -                              | US\$ 1,557   | N/A                            | US\$ 1,557   |      |
|                   | Caterpillar Financial Services Corp                   | -                             | "                                   | -                              | US\$ 1,549   | N/A                            | US\$ 1,549   |      |
|                   | PSEG Power LLC  | -                             | "                                   | -                              | US\$ 1,518   | N/A                            | US\$ 1,518   |      |
|                   | McKesson Corp   | -                             | "                                   | -                              | US\$ 1,509   | N/A                            | US\$ 1,509   |      |
|                   | Standard Chartered PLC                                | -                             | "                                   | -                              | US\$ 1,507   | N/A                            | US\$ 1,507   |      |
|                   | Harley-Davidson Financial Services Inc                | -                             | "                                   | -                              | US\$ 1,504   | N/A                            | US\$ 1,504   |      |
|                   | Continental Airlines Class A Pass Through Trust       | -                             | "                                   | -                              | US\$ 1,501   | N/A                            | US\$ 1,501   |      |
|                   | Guardian Life Global Funding                          | -                             | "                                   | -                              | US\$ 1,483   | N/A                            | US\$ 1,483   |      |
|                   | HSBC Bank PLC   | -                             | "                                   | -                              | US\$ 1,476   | N/A                            | US\$ 1,476   |      |
|                   | Cisco Systems Inc                                     | -                             | "                                   | -                              | US\$ 1,474   | N/A                            | US\$ 1,474   |      |
|                   | Oesterreichische Kontrollbank AG                      | -                             | "                                   | -                              | US\$ 1,456   | N/A                            | US\$ 1,456   |      |
|                   | Monongahela Power Co                                  | -                             | "                                   | -                              | US\$ 1,440   | N/A                            | US\$ 1,440   |      |
|                   | Texas Eastern Transmission LP                         | -                             | "                                   | -                              | US\$ 1,406   | N/A                            | US\$ 1,406   |      |

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| Held Company Name | Marketable Securities Type and Name          | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|--|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |  |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | Walt Disney Co/The                           | -                             | Available-for-sale financial assets | -                              | US\$ 1,397   | N/A                            | US\$ 1,397   |      |
|                   | CBOE Holdings Inc                            | -                             | "                                   | -                              | US\$ 1,374   | N/A                            | US\$ 1,374   |      |
|                   | Entergy Arkansas Inc                         | -                             | "                                   | -                              | US\$ 1,310   | N/A                            | US\$ 1,310   |      |
|                   | International Business Machines Corp         | -                             | "                                   | -                              | US\$ 1,307   | N/A                            | US\$ 1,307   |      |
|                   | Entergy Corp                                 | -                             | "                                   | -                              | US\$ 1,293   | N/A                            | US\$ 1,293   |      |
|                   | Philip Morris International Inc              | -                             | "                                   | -                              | US\$ 1,293   | N/A                            | US\$ 1,293   |      |
|                   | GATX Corp                                    | -                             | "                                   | -                              | US\$ 1,291   | N/A                            | US\$ 1,291   |      |
|                   | Visa Inc                                     | -                             | "                                   | -                              | US\$ 1,288   | N/A                            | US\$ 1,288   |      |
|                   | Eaton Corp                                   | -                             | "                                   | -                              | US\$ 1,272   | N/A                            | US\$ 1,272   |      |
|                   | Comcast Corp                                 | -                             | "                                   | -                              | US\$ 1,270   | N/A                            | US\$ 1,270   |      |
|                   | Western Union Co/The                         | -                             | "                                   | -                              | US\$ 1,269   | N/A                            | US\$ 1,269   |      |
|                   | Nissan Motor Acceptance Corp                 | -                             | "                                   | -                              | US\$ 1,268   | N/A                            | US\$ 1,268   |      |
|                   | Consolidated Edison Inc                      | -                             | "                                   | -                              | US\$ 1,221   | N/A                            | US\$ 1,221   |      |
|                   | Sempra Energy                                | -                             | "                                   | -                              | US\$ 1,190   | N/A                            | US\$ 1,190   |      |
|                   | American Airlines Class A Pass Through Trust | -                             | "                                   | -                              | US\$ 1,172   | N/A                            | US\$ 1,172   |      |
|                   | Public Service Enterprise Group Inc          | -                             | "                                   | -                              | US\$ 1,143   | N/A                            | US\$ 1,143   |      |
|                   | Kreditanstalt fuer Wiederaufbau              | -                             | "                                   | -                              | US\$ 1,141   | N/A                            | US\$ 1,141   |      |
|                   | DXC Technology Co                            | -                             | "                                   | -                              | US\$ 1,131   | N/A                            | US\$ 1,131   |      |
|                   | ERP Operating LP                             | -                             | "                                   | -                              | US\$ 1,125   | N/A                            | US\$ 1,125   |      |
|                   | Wesfarmers Ltd                               | -                             | "                                   | -                              | US\$ 1,096   | N/A                            | US\$ 1,096   |      |
|                   | International Paper Co                       | -                             | "                                   | -                              | US\$ 1,091   | N/A                            | US\$ 1,091   |      |
|                   | Marsh & McLennan Cos Inc                     | -                             | "                                   | -                              | US\$ 1,089   | N/A                            | US\$ 1,089   |      |
|                   | CA Inc                                       | -                             | "                                   | -                              | US\$ 1,077   | N/A                            | US\$ 1,077   |      |
|                   | Glencore Finance Canada Ltd                  | -                             | "                                   | -                              | US\$ 1,075   | N/A                            | US\$ 1,075   |      |
|                   | Merck & Co Inc                               | -                             | "                                   | -                              | US\$ 1,057   | N/A                            | US\$ 1,057   |      |
|                   | EOG Resources Inc                            | -                             | "                                   | -                              | US\$ 1,054   | N/A                            | US\$ 1,054   |      |
|                   | Commonwealth Edison Co                       | -                             | "                                   | -                              | US\$ 1,050   | N/A                            | US\$ 1,050   |      |
|                   | Lincoln National Corp                        | -                             | "                                   | -                              | US\$ 1,044   | N/A                            | US\$ 1,044   |      |
|                   | Athene Global Funding                        | -                             | "                                   | -                              | US\$ 1,041   | N/A                            | US\$ 1,041   |      |
|                   | Statoil ASA                                  | -                             | "                                   | -                              | US\$ 1,025   | N/A                            | US\$ 1,025   |      |
|                   | Berkshire Hathaway Energy Co                 | -                             | "                                   | -                              | US\$ 1,021   | N/A                            | US\$ 1,021   |      |
|                   | Macquarie Bank Ltd                           | -                             | "                                   | -                              | US\$ 1,012   | N/A                            | US\$ 1,012   |      |
|                   | Altera Corp                                  | -                             | "                                   | -                              | US\$ 1,011   | N/A                            | US\$ 1,011   |      |
|                   | Ares Capital Corp                            | -                             | "                                   | -                              | US\$ 1,010   | N/A                            | US\$ 1,010   |      |
|                   | Home Depot Inc/The                           | -                             | "                                   | -                              | US\$ 1,006   | N/A                            | US\$ 1,006   |      |
|                   | John Deere Capital Corp                      | -                             | "                                   | -                              | US\$ 1,003   | N/A                            | US\$ 1,003   |      |
|                   | United Technologies Corp                     | -                             | "                                   | -                              | US\$ 998   | N/A                            | US\$ 998   |      |
|                   | Georgia-Pacific LLC                          | -                             | "                                   | -                              | US\$ 987   | N/A                            | US\$ 987   |      |
|                   | Capital One Bank USA NA                      | -                             | "                                   | -                              | US\$ 979   | N/A                            | US\$ 979   |      |
|                   | Duke Realty LP                               | -                             | "                                   | -                              | US\$ 976   | N/A                            | US\$ 976   |      |
|                   | National Retail Properties Inc               | -                             | "                                   | -                              | US\$ 975   | N/A                            | US\$ 975   |      |
|                   | Bunge Ltd Finance Corp                       | -                             | "                                   | -                              | US\$ 971   | N/A                            | US\$ 971   |      |
|                   | Exxon Mobil Corp                             | -                             | "                                   | -                              | US\$ 956   | N/A                            | US\$ 956   |      |
|                   | CenterPoint Energy Resources Corp            | -                             | "                                   | -                              | US\$ 943   | N/A                            | US\$ 943   |      |
|                   | Duke Energy Progress LLC                     | -                             | "                                   | -                              | US\$ 943   | N/A                            | US\$ 943   |      |
|                   | PPL Capital Funding Inc                      | -                             | "                                   | -                              | US\$ 933   | N/A                            | US\$ 933   |      |
|                   | Coca-Cola Femsa SAB de CV                    | -                             | "                                   | -                              | US\$ 926   | N/A                            | US\$ 926   |      |
|                   | GlaxoSmithKline Capital Inc                  | -                             | "                                   | -                              | US\$ 923   | N/A                            | US\$ 923   |      |
|                   | Southern Electric Generating Co              | -                             | "                                   | -                              | US\$ 903   | N/A                            | US\$ 903   |      |
|                   | Lockheed Martin Corp                         | -                             | "                                   | -                              | US\$ 901   | N/A                            | US\$ 901   |      |
|                   | CNOOC Finance Ltd                            | -                             | "                                   | -                              | US\$ 893   | N/A                            | US\$ 893   |      |
|                   | Federal Realty Investment Trust              | -                             | "                                   | -                              | US\$ 872   | N/A                            | US\$ 872   |      |
|                   | Mastercard Inc                               | -                             | "                                   | -                              | US\$ 854   | N/A                            | US\$ 854   |      |
|                   | Consolidated Edison Co of New York Inc       | -                             | "                                   | -                              | US\$ 848   | N/A                            | US\$ 848   |      |
|                   | Bank of Nova Scotia                          | -                             | "                                   | -                              | US\$ 843   | N/A                            | US\$ 843   |      |
|                   | Huntington Bancshares Inc/OH                 | -                             | "                                   | -                              | US\$ 841   | N/A                            | US\$ 841   |      |
|                   | MetLife Inc                                  | -                             | "                                   | -                              | US\$ 831   | N/A                            | US\$ 831   |      |
|                   | Nucor Corp                                   | -                             | "                                   | -                              | US\$ 821   | N/A                            | US\$ 821   |      |
|                   | Bank of Montreal                             | -                             | "                                   | -                              | US\$ 818   | N/A                            | US\$ 818   |      |

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| Held Company Name | Marketable Securities Type and Name           | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|---|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |   |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | Pacific LifeCorp                              | -                             | Available-for-sale financial assets | -                              | US\$ 816   | N/A                            | US\$ 816   |      |
|                   | Aon PLC                                       | -                             | "                                   | -                              | US\$ 814   | N/A                            | US\$ 814   |      |
|                   | AXIS Specialty Finance LLC                    | -                             | "                                   | -                              | US\$ 814   | N/A                            | US\$ 814   |      |
|                   | ONEOK Partners LP                             | -                             | "                                   | -                              | US\$ 809   | N/A                            | US\$ 809   |      |
|                   | Societe Generale SA                           | -                             | "                                   | -                              | US\$ 808   | N/A                            | US\$ 808   |      |
|                   | Manulife Financial Corp                       | -                             | "                                   | -                              | US\$ 805   | N/A                            | US\$ 805   |      |
|                   | Activision Blizzard Inc                       | -                             | "                                   | -                              | US\$ 801   | N/A                            | US\$ 801   |      |
|                   | State Grid Overseas Investment Ltd            | -                             | "                                   | -                              | US\$ 798   | N/A                            | US\$ 798   |      |
|                   | Spectra Energy Partners LP                    | -                             | "                                   | -                              | US\$ 788   | N/A                            | US\$ 788   |      |
|                   | Sinopec Capital Ltd                           | -                             | "                                   | -                              | US\$ 779   | N/A                            | US\$ 779   |      |
|                   | AIG Global Funding                            | -                             | "                                   | -                              | US\$ 765   | N/A                            | US\$ 765   |      |
|                   | Baidu Inc                                     | -                             | "                                   | -                              | US\$ 760   | N/A                            | US\$ 760   |      |
|                   | Crown Castle Towers LLC                       | -                             | "                                   | -                              | US\$ 748   | N/A                            | US\$ 748   |      |
|                   | CMS Energy Corp                               | -                             | "                                   | -                              | US\$ 743   | N/A                            | US\$ 743   |      |
|                   | APT Pipelines Ltd                             | -                             | "                                   | -                              | US\$ 726   | N/A                            | US\$ 726   |      |
|                   | Baker Hughes a GE Co LLC                      | -                             | "                                   | -                              | US\$ 722   | N/A                            | US\$ 722   |      |
|                   | Duke Energy Progress LLC                      | -                             | "                                   | -                              | US\$ 720   | N/A                            | US\$ 720   |      |
|                   | DTE Energy Co                                 | -                             | "                                   | -                              | US\$ 719   | N/A                            | US\$ 719   |      |
|                   | Norfolk Southern Railway Co                   | -                             | "                                   | -                              | US\$ 717   | N/A                            | US\$ 717   |      |
|                   | Regions Financial Corp                        | -                             | "                                   | -                              | US\$ 716   | N/A                            | US\$ 716   |      |
|                   | American Honda Finance Corp                   | -                             | "                                   | -                              | US\$ 714   | N/A                            | US\$ 714   |      |
|                   | Total Capital International SA                | -                             | "                                   | -                              | US\$ 706   | N/A                            | US\$ 706   |      |
|                   | Scentre Group Trust 1 / Scentre Group Trust 2 | -                             | "                                   | -                              | US\$ 704   | N/A                            | US\$ 704   |      |
|                   | TTX Co  | -                             | "                                   | -                              | US\$ 702   | N/A                            | US\$ 702   |      |
|                   | Rochester Gas & Electric Corp                 | -                             | "                                   | -                              | US\$ 689   | N/A                            | US\$ 689   |      |
|                   | ING Bank NV                                   | -                             | "                                   | -                              | US\$ 679   | N/A                            | US\$ 679   |      |
|                   | Ohio Power Co                                 | -                             | "                                   | -                              | US\$ 668   | N/A                            | US\$ 668   |      |
|                   | Entergy Gulf States Louisiana LLC             | -                             | "                                   | -                              | US\$ 656   | N/A                            | US\$ 656   |      |
|                   | RBC USA Holdco Corp                           | -                             | "                                   | -                              | US\$ 651   | N/A                            | US\$ 651   |      |
|                   | Georgia Power Co                              | -                             | "                                   | -                              | US\$ 649   | N/A                            | US\$ 649   |      |
|                   | Grupo Bimbo SAB de CV                         | -                             | "                                   | -                              | US\$ 643   | N/A                            | US\$ 643   |      |
|                   | Alexandria Real Estate Equities Inc           | -                             | "                                   | -                              | US\$ 641   | N/A                            | US\$ 641   |      |
|                   | Texas Instruments Inc                         | -                             | "                                   | -                              | US\$ 639   | N/A                            | US\$ 639   |      |
|                   | Liberty Property LP                           | -                             | "                                   | -                              | US\$ 636   | N/A                            | US\$ 636   |      |
|                   | Potash Corp of Saskatchewan Inc               | -                             | "                                   | -                              | US\$ 633   | N/A                            | US\$ 633   |      |
|                   | Life Technologies Corp                        | -                             | "                                   | -                              | US\$ 620   | N/A                            | US\$ 620   |      |
|                   | BOC Aviation Ltd                              | -                             | "                                   | -                              | US\$ 619   | N/A                            | US\$ 619   |      |
|                   | Daiwa Securities Group Inc                    | -                             | "                                   | -                              | US\$ 618   | N/A                            | US\$ 618   |      |
|                   | Dr Pepper Snapple Group Inc                   | -                             | "                                   | -                              | US\$ 616   | N/A                            | US\$ 616   |      |
|                   | Altria Group Inc                              | -                             | "                                   | -                              | US\$ 609   | N/A                            | US\$ 609   |      |
|                   | ABC Inc                                       | -                             | "                                   | -                              | US\$ 604   | N/A                            | US\$ 604   |      |
|                   | Kimberly-Clark Corp                           | -                             | "                                   | -                              | US\$ 602   | N/A                            | US\$ 602   |      |
|                   | American Express Co                           | -                             | "                                   | -                              | US\$ 600   | N/A                            | US\$ 600   |      |
|                   | Host Hotels & Resorts LP                      | -                             | "                                   | -                              | US\$ 595   | N/A                            | US\$ 595   |      |
|                   | McDonald's Corp                               | -                             | "                                   | -                              | US\$ 588   | N/A                            | US\$ 588   |      |
|                   | MUFG Union Bank NA                            | -                             | "                                   | -                              | US\$ 585   | N/A                            | US\$ 585   |      |
|                   | AvalonBay Communities Inc                     | -                             | "                                   | -                              | US\$ 583   | N/A                            | US\$ 583   |      |
|                   | Mizuho Bank Ltd                               | -                             | "                                   | -                              | US\$ 581   | N/A                            | US\$ 581   |      |
|                   | AXIS Specialty Finance PLC                    | -                             | "                                   | -                              | US\$ 577   | N/A                            | US\$ 577   |      |
|                   | Boston Properties LP                          | -                             | "                                   | -                              | US\$ 558   | N/A                            | US\$ 558   |      |
|                   | Bunge Ltd Finance Corp                        | -                             | "                                   | -                              | US\$ 553   | N/A                            | US\$ 553   |      |
|                   | Weyerhaeuser Co                               | -                             | "                                   | -                              | US\$ 552   | N/A                            | US\$ 552   |      |
|                   | Caisse Centrale Desjardins                    | -                             | "                                   | -                              | US\$ 550   | N/A                            | US\$ 550   |      |
|                   | Prudential Financial Inc                      | -                             | "                                   | -                              | US\$ 541   | N/A                            | US\$ 541   |      |
|                   | O'Reilly Automotive Inc                       | -                             | "                                   | -                              | US\$ 538   | N/A                            | US\$ 538   |      |
|                   | Brambles USA Inc                              | -                             | "                                   | -                              | US\$ 537   | N/A                            | US\$ 537   |      |
|                   | Southwestern Electric Power Co                | -                             | "                                   | -                              | US\$ 527   | N/A                            | US\$ 527   |      |
|                   | TD Ameritrade Holding Corp                    | -                             | "                                   | -                              | US\$ 524   | N/A                            | US\$ 524   |      |
|                   | Fulton Financial Corp                         | -                             | "                                   | -                              | US\$ 521   | N/A                            | US\$ 521   |      |

(Continued)

| Held Company Name                              | Marketable Securities Type and Name        | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|--|--|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|  |  |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global                                    | Regency Centers Corp                       | -                             | Available-for-sale financial assets | -                              | US\$ 516   | N/A                            | US\$ 516   |      |
|  | Burlington Northern Santa Fe LLC           | -                             | "                                   | -                              | US\$ 510   | N/A                            | US\$ 510   |      |
|  | Walgreens Boots Alliance Inc               | -                             | "                                   | -                              | US\$ 508   | N/A                            | US\$ 508   |      |
|  | ORIX Corp                                  | -                             | "                                   | -                              | US\$ 505   | N/A                            | US\$ 505   |      |
|  | Swedbank AB                                | -                             | "                                   | -                              | US\$ 505   | N/A                            | US\$ 505   |      |
|  | CBS Corp                                   | -                             | "                                   | -                              | US\$ 503   | N/A                            | US\$ 503   |      |
|  | Halliburton Co                             | -                             | "                                   | -                              | US\$ 500   | N/A                            | US\$ 500   |      |
|  | MassMutual Global Funding II               | -                             | "                                   | -                              | US\$ 491   | N/A                            | US\$ 491   |      |
|  | Comerica Inc                               | -                             | "                                   | -                              | US\$ 475   | N/A                            | US\$ 475   |      |
|  | Narragansett Electric Co/The               | -                             | "                                   | -                              | US\$ 472   | N/A                            | US\$ 472   |      |
|  | CenterPoint Energy Inc                     | -                             | "                                   | -                              | US\$ 470   | N/A                            | US\$ 470   |      |
|  | Spire Inc                                  | -                             | "                                   | -                              | US\$ 463   | N/A                            | US\$ 463   |      |
|  | Equifax Inc                                | -                             | "                                   | -                              | US\$ 455   | N/A                            | US\$ 455   |      |
|  | Canadian Pacific Railway Co                | -                             | "                                   | -                              | US\$ 445   | N/A                            | US\$ 445   |      |
|  | Texas-New Mexico Power Co                  | -                             | "                                   | -                              | US\$ 442   | N/A                            | US\$ 442   |      |
|  | Nationwide Building Society                | -                             | "                                   | -                              | US\$ 438   | N/A                            | US\$ 438   |      |
|  | Valero Energy Corp                         | -                             | "                                   | -                              | US\$ 435   | N/A                            | US\$ 435   |      |
|  | TransCanada PipeLines Ltd                  | -                             | "                                   | -                              | US\$ 419   | N/A                            | US\$ 419   |      |
|  | Woolworths Ltd                             | -                             | "                                   | -                              | US\$ 419   | N/A                            | US\$ 419   |      |
|  | Blackstone Holdings Finance Co LLC         | -                             | "                                   | -                              | US\$ 418   | N/A                            | US\$ 418   |      |
|  | Volkswagen Group of America Finance LLC    | -                             | "                                   | -                              | US\$ 400   | N/A                            | US\$ 400   |      |
|  | Southern Power Co                          | -                             | "                                   | -                              | US\$ 399   | N/A                            | US\$ 399   |      |
|  | IBM Credit LLC                             | -                             | "                                   | -                              | US\$ 397   | N/A                            | US\$ 397   |      |
|  | Aon Corp                                   | -                             | "                                   | -                              | US\$ 394   | N/A                            | US\$ 394   |      |
|  | First Niagara Financial Group Inc          | -                             | "                                   | -                              | US\$ 389   | N/A                            | US\$ 389   |      |
|  | Nationwide Financial Services Inc          | -                             | "                                   | -                              | US\$ 381   | N/A                            | US\$ 381   |      |
|  | Enbridge Inc                               | -                             | "                                   | -                              | US\$ 365   | N/A                            | US\$ 365   |      |
|  | NetApp Inc                                 | -                             | "                                   | -                              | US\$ 365   | N/A                            | US\$ 365   |      |
|  | Deutsche Bank AG                           | -                             | "                                   | -                              | US\$ 354   | N/A                            | US\$ 354   |      |
|  | Phillips 66                                | -                             | "                                   | -                              | US\$ 325   | N/A                            | US\$ 325   |      |
|  | PacifiCorp                                 | -                             | "                                   | -                              | US\$ 318   | N/A                            | US\$ 318   |      |
|  | eBay Inc                                   | -                             | "                                   | -                              | US\$ 306   | N/A                            | US\$ 306   |      |
|  | Eli Lilly & Co                             | -                             | "                                   | -                              | US\$ 296   | N/A                            | US\$ 296   |      |
|  | BAE Systems Holdings Inc                   | -                             | "                                   | -                              | US\$ 293   | N/A                            | US\$ 293   |      |
|  | Barclays Bank PLC                          | -                             | "                                   | -                              | US\$ 293   | N/A                            | US\$ 293   |      |
|  | Amphenol Corp                              | -                             | "                                   | -                              | US\$ 291   | N/A                            | US\$ 291   |      |
|  | EMD Finance LLC                            | -                             | "                                   | -                              | US\$ 282   | N/A                            | US\$ 282   |      |
|  | Nomura Holdings Inc                        | -                             | "                                   | -                              | US\$ 252   | N/A                            | US\$ 252   |      |
|  | NBCUniversal Enterprise Inc                | -                             | "                                   | -                              | US\$ 251   | N/A                            | US\$ 251   |      |
|  | Hartford Financial Services Group Inc/The  | -                             | "                                   | -                              | US\$ 239   | N/A                            | US\$ 239   |      |
|  | Kansas City Power & Light Co               | -                             | "                                   | -                              | US\$ 239   | N/A                            | US\$ 239   |      |
|  | Protective Life Corp                       | -                             | "                                   | -                              | US\$ 231   | N/A                            | US\$ 231   |      |
|  | WestRock MWV LLC                           | -                             | "                                   | -                              | US\$ 228   | N/A                            | US\$ 228   |      |
|  | Rolls-Royce PLC                            | -                             | "                                   | -                              | US\$ 225   | N/A                            | US\$ 225   |      |
|  | Assurant Inc                               | -                             | "                                   | -                              | US\$ 211   | N/A                            | US\$ 211   |      |
|  | Fidelity National Information Services Inc | -                             | "                                   | -                              | US\$ 209   | N/A                            | US\$ 209   |      |
|  | NiSource Finance Corp                      | -                             | "                                   | -                              | US\$ 84  | N/A                            | US\$ 84  |      |
| JPMorgan Chase & Co.                           | -  |                               | Held-to-maturity financial assets   | -                              | US\$ 152,218   | N/A                            | US\$ 154,004                                       |      |
| Wells Fargo & Co                               | -  |                               | "                                   | -                              | US\$ 150,006   | N/A                            | US\$ 152,178                                       |      |
| Goldman Sachs Group, Inc.                      | -  |                               | "                                   | -                              | US\$ 100,000   | N/A                            | US\$ 101,168                                       |      |
| Westpac Banking Corp.                          | -  |                               | "                                   | -                              | US\$ 100,000   | N/A                            | US\$ 100,965                                       |      |
| Commonwealth Bank of Australia                 | -  |                               | "                                   | -                              | US\$ 50,000  | N/A                            | US\$ 50,454  |      |
| National Australia Bank                        | -  |                               | "                                   | -                              | US\$ 50,000  | N/A                            | US\$ 50,394  |      |
| Bank of Nova Scotia                            | -  |                               | "                                   | -                              | US\$ 49,988  | N/A                            | US\$ 50,365  |      |
| <u>Government bond</u>                         |  |                               |                                     |                                |  |                                |  |      |
| United States Treasury Note/Bond               | -  |                               | Available-for-sale financial assets | -                              | US\$ 131,752   | N/A                            | US\$ 131,752                                       |      |
| United States Treasury Floating Rate Note      | -  |                               | "                                   | -                              | US\$ 87,556  | N/A                            | US\$ 87,556  |      |
| United States Treasury Bill                    | -  |                               | "                                   | -                              | US\$ 5,497   | N/A                            | US\$ 5,497   |      |
| United States Treasury Inflation Indexed Bonds | -  |                               | "                                   | -                              | US\$ 4,645   | N/A                            | US\$ 4,645   |      |
| Abu Dhabi Government International Bond        | -  |                               | "                                   | -                              | US\$ 3,496   | N/A                            | US\$ 3,496   |      |

(Continued)



| Held Company Name | Marketable Securities Type and Name                          | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|--|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |  |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | <u>Agency bonds/Agency mortgage-backed securities</u>        |                               |                                     |                                |  |                                |  |      |
|                   | Fannie Mae   | -                             | Available-for-sale financial assets | -                              | US\$ 479,755   | N/A                            | US\$ 479,755                                       |      |
|                   | Freddie Mac  | -                             | "                                   | -                              | US\$ 223,463   | N/A                            | US\$ 223,463                                       |      |
|                   | Ginnie Mae   | -                             | "                                   | -                              | US\$ 107,899   | N/A                            | US\$ 107,899                                       |      |
|                   | Fannie Mae-Aces  | -                             | "                                   | -                              | US\$ 6,796   | N/A                            | US\$ 6,796   |      |
|                   | Federal Home Loan Banks                                      | -                             | "                                   | -                              | US\$ 6,182   | N/A                            | US\$ 6,182   |      |
|                   | Freddie Mac Multifamily Structured Pass Through Certificates | -                             | "                                   | -                              | US\$ 4,080   | N/A                            | US\$ 4,080   |      |
|                   | Export-Import Bank of Korea                                  | -                             | "                                   | -                              | US\$ 3,006   | N/A                            | US\$ 3,006   |      |
|                   | Province of Quebec Canada                                    | -                             | "                                   | -                              | US\$ 2,585   | N/A                            | US\$ 2,585   |      |
|                   | Export Development Canada                                    | -                             | "                                   | -                              | US\$ 2,006   | N/A                            | US\$ 2,006   |      |
|                   | CPPIB Capital Inc  | -                             | "                                   | -                              | US\$ 1,186   | N/A                            | US\$ 1,186   |      |
|                   | Federal Farm Credit Banks                                    | -                             | "                                   | -                              | US\$ 903   | N/A                            | US\$ 903   |      |
|                   | Freddie Mac Strips   | -                             | "                                   | -                              | US\$ 811   | N/A                            | US\$ 811   |      |
|                   | Fannie Mae Interest Strip                                    | -                             | "                                   | -                              | US\$ 250   | N/A                            | US\$ 250   |      |
|                   | Fannie Mae Grantor Trust                                     | -                             | "                                   | -                              | US\$ 215   | N/A                            | US\$ 215   |      |
|                   | Fannie Mae Benchmark REMIC                                   | -                             | "                                   | -                              | US\$ 173   | N/A                            | US\$ 173   |      |
|                   | Fannie Mae REMIC Trust                                       | -                             | "                                   | -                              | US\$ 107   | N/A                            | US\$ 107   |      |
|                   | <u>Negotiable certificate of deposit</u>                     |                               |                                     |                                |  |                                |  |      |
|                   | Bank of China  | -                             | Held-to-maturity financial assets   | -                              | US\$ 50,000  | N/A                            | US\$ 50,032  |      |
|                   | China Development Bank                                       | -                             | "                                   | -                              | US\$ 50,000  | N/A                            | US\$ 50,031  |      |
|                   | China Construction Bank                                      | -                             | "                                   | -                              | US\$ 50,000  | N/A                            | US\$ 50,018  |      |
|                   | <u>Asset-backed securities</u>                               |                               |                                     |                                |  |                                |  |      |
|                   | Citibank Credit Card Issuance Trust                          | -                             | Available-for-sale financial assets | -                              | US\$ 39,343  | N/A                            | US\$ 39,343  |      |
|                   | Chase Issuance Trust   | -                             | "                                   | -                              | US\$ 29,765  | N/A                            | US\$ 29,765  |      |
|                   | American Express Credit Account Master Trust                 | -                             | "                                   | -                              | US\$ 29,085  | N/A                            | US\$ 29,085  |      |
|                   | Discover Card Execution Note Trust                           | -                             | "                                   | -                              | US\$ 23,882  | N/A                            | US\$ 23,882  |      |
|                   | Capital One Multi-Asset Execution Trust                      | -                             | "                                   | -                              | US\$ 21,568  | N/A                            | US\$ 21,568  |      |
|                   | Ford Credit Floorplan Master Owner Trust A                   | -                             | "                                   | -                              | US\$ 20,725  | N/A                            | US\$ 20,725  |      |
|                   | BA Credit Card Trust   | -                             | "                                   | -                              | US\$ 17,240  | N/A                            | US\$ 17,240  |      |
|                   | UBS-Barclays Commercial Mortgage Trust                       | -                             | "                                   | -                              | US\$ 13,321  | N/A                            | US\$ 13,321  |      |
|                   | Toyota Auto Receivables Owner Trust                          | -                             | "                                   | -                              | US\$ 13,145  | N/A                            | US\$ 13,145  |      |
|                   | COMM Mortgage Trust  | -                             | "                                   | -                              | US\$ 12,255  | N/A                            | US\$ 12,255  |      |
|                   | Ford Credit Auto Owner Trust/Ford Credit                     | -                             | "                                   | -                              | US\$ 11,782  | N/A                            | US\$ 11,782  |      |
|                   | Morgan Stanley Bank of America Merrill Lynch Trust           | -                             | "                                   | -                              | US\$ 11,069  | N/A                            | US\$ 11,069  |      |
|                   | Chesapeake Funding II LLC                                    | -                             | "                                   | -                              | US\$ 10,676  | N/A                            | US\$ 10,676  |      |
|                   | JPMCC Commercial Mortgage Securities Trust                   | -                             | "                                   | -                              | US\$ 10,221  | N/A                            | US\$ 10,221  |      |
|                   | Mercedes-Benz Master Owner Trust                             | -                             | "                                   | -                              | US\$ 10,054  | N/A                            | US\$ 10,054  |      |
|                   | Hyundai Auto Lease Securitization Trust                      | -                             | "                                   | -                              | US\$ 8,916   | N/A                            | US\$ 8,916   |      |
|                   | GM Financial Automobile Leasing Trust                        | -                             | "                                   | -                              | US\$ 8,117   | N/A                            | US\$ 8,117   |      |
|                   | BANK   | -                             | "                                   | -                              | US\$ 8,067   | N/A                            | US\$ 8,067   |      |
|                   | Honda Auto Receivables Owner Trust                           | -                             | "                                   | -                              | US\$ 7,544   | N/A                            | US\$ 7,544   |      |
|                   | CGDBB Commercial Mortgage Trust                              | -                             | "                                   | -                              | US\$ 7,500   | N/A                            | US\$ 7,500   |      |
|                   | Nissan Auto Lease Trust                                      | -                             | "                                   | -                              | US\$ 7,476   | N/A                            | US\$ 7,476   |      |
|                   | GS Mortgage Securities Trust                                 | -                             | "                                   | -                              | US\$ 7,292   | N/A                            | US\$ 7,292   |      |
|                   | Citigroup Commercial Mortgage Trust                          | -                             | "                                   | -                              | US\$ 6,862   | N/A                            | US\$ 6,862   |      |
|                   | JPMBB Commercial Mortgage Securities Trust                   | -                             | "                                   | -                              | US\$ 5,945   | N/A                            | US\$ 5,945   |      |
|                   | Hyundai Auto Receivables Trust                               | -                             | "                                   | -                              | US\$ 5,612   | N/A                            | US\$ 5,612   |      |
|                   | Nissan Auto Receivables Owner Trust                          | -                             | "                                   | -                              | US\$ 5,592   | N/A                            | US\$ 5,592   |      |
|                   | Ford Credit Auto Owner Trust                                 | -                             | "                                   | -                              | US\$ 5,542   | N/A                            | US\$ 5,542   |      |
|                   | Nissan Master Owner Trust Receivables                        | -                             | "                                   | -                              | US\$ 4,005   | N/A                            | US\$ 4,005   |      |
|                   | Cold Storage Trust   | -                             | "                                   | -                              | US\$ 3,812   | N/A                            | US\$ 3,812   |      |
|                   | BMW Vehicle Lease Trust                                      | -                             | "                                   | -                              | US\$ 3,723   | N/A                            | US\$ 3,723   |      |
|                   | Wheels SPV 2 LLC   | -                             | "                                   | -                              | US\$ 3,664   | N/A                            | US\$ 3,664   |      |
|                   | Hertz Fleet Lease Funding LP                                 | -                             | "                                   | -                              | US\$ 3,496   | N/A                            | US\$ 3,496   |      |
|                   | Wells Fargo Commercial Mortgage Trust                        | -                             | "                                   | -                              | US\$ 3,261   | N/A                            | US\$ 3,261   |      |
|                   | GM Financial Consumer Automobile Receivables Trust           | -                             | "                                   | -                              | US\$ 3,003   | N/A                            | US\$ 3,003   |      |
|                   | CSMC OA LLC  | -                             | "                                   | -                              | US\$ 2,880   | N/A                            | US\$ 2,880   |      |

(Continued)

| Held Company Name | Marketable Securities Type and Name  | Relationship with the Company | Financial Statement Account         | September 30, 2017             |  |                                |  | Note |
|-------------------|--------------------------------------|-------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|--|------|
|                   |                                      |                               |                                     | Shares/Units<br>(In Thousands) | Carrying Value<br>(Foreign Currencies<br>in Thousands) | Percentage of<br>Ownership (%) | Fair Value<br>(Foreign Currencies<br>in Thousands) |      |
| TSMC Global       | Mercedes-Benz Auto Lease Trust       | -                             | Available-for-sale financial assets | -                              | US\$ 2,482   | N/A                            | US\$ 2,482   |      |
|                   | BMW Floorplan Master Owner Trust     | -                             | "                                   | -                              | US\$ 2,444   | N/A                            | US\$ 2,444   |      |
|                   | WFRBS Commercial Mortgage Trust      | -                             | "                                   | -                              | US\$ 1,948   | N/A                            | US\$ 1,948   |      |
|                   | CarMax Auto Owner Trust              | -                             | "                                   | -                              | US\$ 1,942   | N/A                            | US\$ 1,942   |      |
|                   | Ford Credit Auto Lease Trust         | -                             | "                                   | -                              | US\$ 1,792   | N/A                            | US\$ 1,792   |      |
|                   | Morgan Stanley Capital I Trust       | -                             | "                                   | -                              | US\$ 1,728   | N/A                            | US\$ 1,728   |      |
|                   | Mercedes-Benz Auto Receivables Trust | -                             | "                                   | -                              | US\$ 1,680   | N/A                            | US\$ 1,680   |      |
|                   | CFCRE Commercial Mortgage Trust      | -                             | "                                   | -                              | US\$ 1,066   | N/A                            | US\$ 1,066   |      |
|                   | Enterprise Fleet Financing LLC       | -                             | "                                   | -                              | US\$ 940   | N/A                            | US\$ 940   |      |
|                   | 280 Park Avenue Mortgage Trust       | -                             | "                                   | -                              | US\$ 830   | N/A                            | US\$ 830   |      |
|                   | <u>Structure product</u>             |                               |                                     |                                |  |                                |  |      |
|                   | Bank of Tokyo-Mitsubishi UFJ         | -                             | Held-to-maturity financial assets   | -                              | US\$ 50,000  | N/A                            | US\$ 49,727  |      |
|                   | <u>Commercial paper</u>              |                               |                                     |                                |  |                                |  |      |
|                   | Societe Generale Instl               | -                             | Available-for-sale financial assets | -                              | US\$ 2,000   | N/A                            | US\$ 2,000   |      |
|                   | UBS AG Stamford Branch               | -                             | "                                   | -                              | US\$ 2,000   | N/A                            | US\$ 2,000   |      |
|                   | Norinchukin Bank                     | -                             | "                                   | -                              | US\$ 2,000   | N/A                            | US\$ 2,000   |      |
|                   | Bank of Tokyo-Mitsubishi UFJ         | -                             | "                                   | -                              | US\$ 1,000   | N/A                            | US\$ 1,000   |      |
|                   | AXA Financial Inc                    | -                             | "                                   | -                              | US\$ 886   | N/A                            | US\$ 886   |      |
|                   | <u>Fund</u>                          |                               |                                     |                                |  |                                |  |      |
|                   | Primavera Capital Fund II L.P.       | -                             | Financial assets carried at cost    | -                              | US\$ 61,554  | 4                              | US\$ 61,554  |      |
| VTAF III          | <u>Common stock</u>                  |                               |                                     |                                |  |                                |  |      |
|                   | LiquidLeds Lighting Corp.            | -                             | Financial assets carried at cost    | 1,600                          | US\$ 800   | 11                             | US\$ 800   |      |
|                   | Xenio Corporation                    | -                             | "                                   | 435                            | US\$ 453   | 3                              | US\$ 453   |      |
| VTAF III          | <u>Preferred stock</u>               |                               |                                     |                                |  |                                |  |      |
|                   | Neoconix, Inc.                       | -                             | Financial assets carried at cost    | 4,147                          | US\$ 170   | -                              | US\$ 170   |      |
| VTAF II           | <u>Common stock</u>                  |                               |                                     |                                |  |                                |  |      |
|                   | Sentelic                             | -                             | Financial assets carried at cost    | 1,806                          | US\$ 2,607   | 8                              | US\$ 2,607   |      |
|                   | 5V Technologies, Inc.                | -                             | "                                   | 963                            | US\$ 2,168   | 2                              | US\$ 2,168   |      |
|                   | Aether Systems, Inc.                 | -                             | "                                   | 1,085                          | US\$ 339   | 20                             | US\$ 339   |      |
|                   | <u>Preferred stock</u>               |                               |                                     |                                |  |                                |  |      |
|                   | Aquantia                             | -                             | Financial assets carried at cost    | 4,643                          | US\$ 4,441   | 2                              | US\$ 4,441   |      |
| ISDF              | <u>Preferred stock</u>               |                               |                                     |                                |  |                                |  |      |
|                   | Sonics, Inc.                         | -                             | Financial assets carried at cost    | 230                            | -  | 3                              | -  |      |
| ISDF II           | <u>Common stock</u>                  |                               |                                     |                                |  |                                |  |      |
|                   | Sonics, Inc.                         | -                             | Financial assets carried at cost    | 278                            | -  | 4                              | -  |      |
|                   | <u>Preferred stock</u>               |                               |                                     |                                |  |                                |  |      |
|                   | Sonics, Inc.                         | -                             | Financial assets carried at cost    | 264                            | -  | 4                              | -  |      |
| Growth Fund       | <u>Common stock</u>                  |                               |                                     |                                |  |                                |  |      |
|                   | Innovium, Inc.                       | -                             | Financial assets carried at cost    | 221                            | US\$ 370   | -                              | US\$ 370   |      |
|                   | <u>Preferred stock</u>               |                               |                                     |                                |  |                                |  |      |
|                   | Innovium, Inc.                       | -                             | Financial assets carried at cost    | 230                            | US\$ 384   | -                              | US\$ 384   |      |

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

| Company Name                                   | Marketable Securities Type and Name | Financial Statement Account                   | Counter-party                       | Nature of Relationship | Beginning Balance           |              | Acquisition                 |              | Disposal                    |              |                | Ending Balance (Note 1) |                             |             |              |
|--|-------------------------------------|---|-------------------------------------|------------------------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|----------------|-------------------------|-----------------------------|-------------|--------------|
|  |                                     |   |                                     |                        | Shares/Units (In Thousands) | Amount       | Shares/Units (In Thousands) | Amount       | Shares/Units (In Thousands) | Amount       | Carrying Value | Gain/Loss on Disposal   | Shares/Units (In Thousands) | Amount      |              |
| TSMC   | <u>Corporate bond</u>               |   |                                     |                        |                             |              |                             |              |                             |              |                |                         |                             |             |              |
|  | CPC Corporation, Taiwan             | Held-to-maturity financial assets             | -                                   | -                      | -                           | \$ 1,967,303 | -                           | \$ -         | -                           | \$ 1,310,000 | \$ 1,310,000   | \$ -                    | -                           | \$ 650,371  |              |
|  | Hon Hai Precision Ind. Co., Ltd.    | "   | -                                   | -                      | -                           | 400,250      | -                           | -            | -                           | 400,000      | 400,000        | -                       | -                           | -           |              |
|  | Commercial paper                    |   |                                     |                        |                             |              |                             |              |                             |              |                |                         |                             |             |              |
|  | Taiwan Power Company                | Held-to-maturity financial assets             | -                                   | -                      | 865                         | 8,628,176    | 170                         | 1,695,771    | 1,035                       | 10,350,000   | 10,350,000     | -                       | -                           | -           |              |
| TSMC   | Stock                               |   |                                     |                        |                             |              |                             |              |                             |              |                |                         |                             |             |              |
|  | TSMC Nanjing                        | Investments accounted for using equity method | -                                   | Subsidiary             | -                           | 6,331,094    | -                           | 754,310      | -                           | -            | -              | -                       | -                           | 6,936,003   |              |
| TSMC   | TSMC Global                         | Prepayments for Investments (Note 2)          | -                                   | Subsidiary             | -                           | -            | -                           | 47,623,265   | -                           | -            | -              | -                       | -                           | 47,623,265  |              |
| TSMC Global                                    | <u>Corporate bond</u>               |   |                                     |                        |                             |              |                             |              |                             |              |                |                         |                             |             |              |
|  | Bank of America Corp                | Available-for-sale financial assets           | -                                   | -                      | -                           | US\$ 27,973  | -                           | US\$ 20,157  | -                           | US\$ 12,500  | US\$ 12,629    | US\$ (129)              | -                           | US\$ 35,837 |              |
|  | AT&T Inc                            | "   | -                                   | -                      | -                           | US\$ 13,332  | -                           | US\$ 15,734  | -                           | US\$ 4,417   | US\$ 4,427     | US\$ (10)               | -                           | US\$ 24,883 |              |
|  | Citigroup Inc                       | "   | -                                   | -                      | -                           | US\$ 16,819  | -                           | US\$ 10,167  | -                           | US\$ 3,302   | US\$ 3,306     | US\$ (4)                | -                           | US\$ 23,820 |              |
|  | Goldman Sachs Group Inc/The         | "   | -                                   | -                      | -                           | US\$ 7,390   | -                           | US\$ 16,555  | -                           | US\$ 1,900   | US\$ 1,976     | US\$ (76)               | -                           | US\$ 22,216 |              |
|  | Verizon Communications Inc          | "   | -                                   | -                      | -                           | US\$ 17,059  | -                           | US\$ 11,167  | -                           | US\$ 8,943   | US\$ 9,082     | US\$ (139)              | -                           | US\$ 19,507 |              |
|  | BAT Capital Corp                    | "   | -                                   | -                      | -                           | -            | -                           | US\$ 16,945  | -                           | -            | -              | -                       | -                           | US\$ 17,045 |              |
|  | Ford Motor Credit Co LLC            | "   | -                                   | -                      | -                           | US\$ 7,877   | -                           | US\$ 10,827  | -                           | US\$ 1,964   | US\$ 2,016     | US\$ (52)               | -                           | US\$ 16,824 |              |
|  | Apple Inc                           | "   | -                                   | -                      | -                           | US\$ 2,607   | -                           | US\$ 13,738  | -                           | US\$ 854     | US\$ 862       | US\$ (8)                | -                           | US\$ 15,651 |              |
|  | Morgan Stanley                      | "   | -                                   | -                      | -                           | US\$ 11,237  | -                           | US\$ 12,049  | -                           | US\$ 9,018   | US\$ 8,973     | US\$ 45                 | -                           | US\$ 14,490 |              |
|  | Tyson Foods Inc                     | "   | -                                   | -                      | -                           | US\$ 1,704   | -                           | US\$ 10,762  | -                           | US\$ 201     | US\$ 200       | US\$ 1                  | -                           | US\$ 12,271 |              |
|  | Morgan Stanley                      | "   | -                                   | -                      | -                           | -            | -                           | US\$ 11,681  | -                           | -            | -              | -                       | -                           | US\$ 11,740 |              |
|  | JPMorgan Chase & Co                 | "   | -                                   | -                      | -                           | -            | -                           | US\$ 10,596  | -                           | -            | -              | -                       | -                           | US\$ 10,641 |              |
|  | Microsoft Corp                      | "   | -                                   | -                      | -                           | US\$ 2,905   | -                           | US\$ 11,279  | -                           | US\$ 5,076   | US\$ 4,992     | US\$ 84                 | -                           | US\$ 9,386  |              |
|  | QUALCOMM Inc                        | "   | -                                   | -                      | -                           | -            | -                           | US\$ 10,048  | -                           | US\$ 3,561   | US\$ 3,548     | US\$ 13                 | -                           | US\$ 6,532  |              |
|  | BMW US Capital LLC                  | "   | -                                   | -                      | -                           | US\$ 7,180   | -                           | US\$ 5,995   | -                           | US\$ 10,552  | US\$ 10,495    | US\$ 57                 | -                           | US\$ 2,737  |              |
|  | Aetna Inc                           | "   | -                                   | -                      | -                           | US\$ 11,618  | -                           | -            | -                           | US\$ 10,157  | US\$ 10,069    | US\$ 88                 | -                           | US\$ 1,605  |              |
|  | TSMC Global                         | <u>Government bond</u>                        |                                     |                        |                             |              |                             |              |                             |              |                |                         |                             |             |              |
|  |                                     | United States Treasury Note/Bond              | Available-for-sale financial assets | -                      | -                           | -            | US\$ 195,285                | -            | US\$ 233,540                | -            | US\$ 308,395   | US\$ 308,911            | US\$ (516)                  | -           | US\$ 127,072 |
| United States Treasury Floating Rate Note      |                                     | "   | -                                   | -                      | -                           | US\$ 30,756  | -                           | US\$ 171,891 | -                           | US\$ 115,149 | US\$ 115,059   | US\$ 90                 | -                           | US\$ 87,556 |              |
| United States Treasury Bill                    |                                     | "   | -                                   | -                      | -                           | -            | -                           | US\$ 13,691  | -                           | US\$ 8,198   | US\$ 8,197     | US\$ 1                  | -                           | US\$ 5,497  |              |
| United States Treasury Inflation Indexed Bonds |                                     | "   | -                                   | -                      | -                           | US\$ 19,349  | -                           | US\$ 8,051   | -                           | US\$ 22,694  | US\$ 22,840    | US\$ (146)              | -                           | US\$ 4,645  |              |
| TSMC Global                                    | United States Treasury Bill         | "   | -                                   | -                      | -                           | -            | US\$ 97,678                 | -            | US\$ 97,712                 | US\$ 97,678  | US\$ 34        | -                       | -                           |             |              |

(Continued)

| Company Name                               | Marketable Securities Type and Name            | Financial Statement Account         | Counter-party | Nature of Relationship | Beginning Balance           |             | Acquisition                 |             | Disposal                    |             |                | Ending Balance (Note 1) |                             |             |  |
|--|--|-------------------------------------|---------------|------------------------|-----------------------------|-------------|-----------------------------|-------------|-----------------------------|-------------|----------------|-------------------------|-----------------------------|-------------|--|
|  |  |                                     |               |                        | Shares/Units (In Thousands) | Amount      | Shares/Units (In Thousands) | Amount      | Shares/Units (In Thousands) | Amount      | Carrying Value | Gain/Loss on Disposal   | Shares/Units (In Thousands) | Amount      |  |
| TSMC Global                                | Agency bonds/Agency mortgage-backed securities |                                     |               |                        |                             |             |                             |             |                             |             |                |                         |                             |             |  |
|  | Government National Mortgage Association       | Available-for-sale financial assets | -             | -                      | -                           | -           | -                           | US\$ 15,138 | -                           | -           | US\$ 5         | US\$ (5)                | -                           | US\$ 15,402 |  |
|  | FED HM LN PC Pool G07375                       | "                                   | -             | -                      | -                           | US\$ 10     | -                           | US\$ 12,123 | -                           | US\$ 378    | US\$ 412       | US\$ (34)               | -                           | US\$ 11,756 |  |
|  | FNMA Pool AL9718                               | "                                   | -             | -                      | -                           | -           | -                           | US\$ 9,841  | -                           | US\$ 1,178  | US\$ 1,334     | US\$ (156)              | -                           | US\$ 8,535  |  |
|  | FNMA TBA 30 Yr 4.5                             | "                                   | -             | -                      | -                           | -           | -                           | US\$ 34,832 | -                           | US\$ 27,090 | US\$ 27,098    | US\$ (8)                | -                           | US\$ 7,730  |  |
|  | FNMA TBA 30 Yr 3.5                             | "                                   | -             | -                      | -                           | -           | -                           | US\$ 48,104 | -                           | US\$ 45,212 | US\$ 45,206    | US\$ 6                  | -                           | US\$ 2,889  |  |
|  | GNMA II TBA 30 Yr 4                            | "                                   | -             | -                      | -                           | -           | -                           | US\$ 24,662 | -                           | US\$ 22,466 | US\$ 22,453    | US\$ 13                 | -                           | US\$ 2,210  |  |
|  | FNMA TBA 15 Yr 3                               | "                                   | -             | -                      | -                           | -           | -                           | US\$ 27,219 | -                           | US\$ 25,212 | US\$ 25,177    | US\$ 35                 | -                           | US\$ 2,036  |  |
|  | GNMA II TBA 30 Yr 3.5                          | "                                   | -             | -                      | -                           | -           | -                           | US\$ 26,422 | -                           | US\$ 26,267 | US\$ 26,277    | US\$ (10)               | -                           | US\$ 146    |  |
|  | FNMA TBA 30 Yr 3                               | "                                   | -             | -                      | -                           | -           | -                           | US\$ 57,626 | -                           | US\$ 57,629 | US\$ 57,626    | US\$ 3                  | -                           | -           |  |
|  | FNMA TBA 30 Yr 4                               | "                                   | -             | -                      | -                           | -           | -                           | US\$ 21,721 | -                           | US\$ 21,726 | US\$ 21,721    | US\$ 5                  | -                           | -           |  |
|  | FNMA TBA 30 Yr 5                               | "                                   | -             | -                      | -                           | -           | -                           | US\$ 11,128 | -                           | US\$ 11,134 | US\$ 11,128    | US\$ 6                  | -                           | -           |  |
|  | GNMA II TBA 30 Yr 3                            | "                                   | -             | -                      | -                           | -           | -                           | US\$ 12,544 | -                           | US\$ 12,541 | US\$ 12,544    | US\$ (3)                | -                           | -           |  |
|  | <u>Asset-backed securities</u>                 |                                     |               |                        |                             |             |                             |             |                             |             |                |                         |                             |             |  |
|  | Citibank Credit Card Issuance Trust            | Available-for-sale financial assets | -             | -                      | -                           | US\$ 22,585 | -                           | US\$ 20,312 | -                           | US\$ 3,542  | US\$ 3,712     | US\$ (170)              | -                           | US\$ 39,343 |  |
|  | Chase Issuance Trust                           | "                                   | -             | -                      | -                           | US\$ 31,276 | -                           | US\$ 9,059  | -                           | US\$ 10,607 | US\$ 10,606    | US\$ 1                  | -                           | US\$ 29,765 |  |
|  | Discover Card Execution Note Trust             | "                                   | -             | -                      | -                           | US\$ 23,076 | -                           | US\$ 14,786 | -                           | US\$ 13,991 | US\$ 14,003    | US\$ (12)               | -                           | US\$ 23,882 |  |
| Capital One Multi-Asset Execution Trust    | "  | -                                   | -             | -                      | US\$ 39,626                 | -           | US\$ 200                    | -           | US\$ 18,303                 | US\$ 18,384 | US\$ (81)      | -                       | US\$ 21,568                 |             |  |
| Ford Credit Floorplan Master Owner Trust A | "  | -                                   | -             | -                      | US\$ 11,944                 | -           | US\$ 10,779                 | -           | US\$ 2,000                  | US\$ 2,001  | US\$ (1)       | -                       | US\$ 20,725                 |             |  |
| <u>Fund</u>                                |  |                                     |               |                        |                             |             |                             |             |                             |             |                |                         |                             |             |  |
| Primavera Capital Fund II L.P.             | Financial assets carried at cost               | -                                   | -             | -                      | US\$ 23,784                 | -           | US\$ 37,770                 | -           | -                           | -           | -              | -                       | -                           | US\$ 61,554 |  |
| ISDF II                                    | <u>Stock</u>                                   |                                     |               |                        |                             |             |                             |             |                             |             |                |                         |                             |             |  |
|  | Alchip Technologies Limited                    | Available-for-sale financial assets | -             | -                      | 6,581                       | US\$ 6,387  | -                           | -           | 6,581                       | US\$ 17,954 | US\$ 3,206     | US\$ 14,747             | -                           | -           |  |

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

| Company Name | Types of Property | Transaction Date                        | Transaction Amount (Foreign Currencies in Thousands) | Payment Term   | Counter-party  | Nature of Relationships | Prior Transaction of Related Counter-party |               |               |        | Price Reference                                 | Purpose of Acquisition | Other Terms |
|--------------|-------------------|---|--|--|--|-------------------------|--|---------------|---------------|--------|---|------------------------|-------------|
|              |                   |   |  |  |  |                         | Owner                                      | Relationships | Transfer Date | Amount |   |                        |             |
| TSMC         | Fab               | August 2, 2016 to July 20, 2017         | \$ 309,070   | Monthly settlement by the construction progress and acceptance | UNITED INTEGRATED SERVICES CO., LTD.   | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | August 10, 2016 to April 6, 2017        | 837,466  | Monthly settlement by the construction progress and acceptance | Fu Tsu Construction Co., Ltd.  | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | September 22, 2016 to September 5, 2017 | 302,620  | Monthly settlement by the construction progress and acceptance | Uangyih-Tech Industrial Co., Ltd.  | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | January 18, 2017                        | 352,766  | Monthly settlement by the construction progress and acceptance | TASA Construction Corporation  | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | March 27, 2017 to September 22, 2017    | 456,622  | Monthly settlement by the construction progress and acceptance | Cica-Huntek Chemical Technology Taiwan Co., Ltd                              | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | April 14, 2017 to September 29, 2017    | 485,131  | Monthly settlement by the construction progress and acceptance | KEDGE Construction Co., Ltd.   | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | May 25, 2017 to September 6, 2017       | 1,958,912  | Monthly settlement by the construction progress and acceptance | DA CIN Construction Co., Ltd.  | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
| TSMC Nanjing | Fab               | March 21, 2017 to June 23, 2017         | RMB 183,300  | Monthly settlement by the construction progress and acceptance | China Construction First Division Group Construction & Development Co., Ltd. | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | May 25, 2017                            | RMB 119,027  | Monthly settlement by the construction progress and acceptance | Renchong Interior Decoration(Shanghai) Co., Ltd.                             | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |
|              | Fab               | June 22, 2017 to June 27, 2017          | RMB 98,000   | Monthly settlement by the construction progress and acceptance | Shanghai Baoye Group Co., Ltd.   | -                       | N/A  | N/A           | N/A           | N/A    | Bidding, price comparison and price negotiation | Manufacturing purpose  | None        |

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

| Company Name       | Related Party      | Nature of Relationships | Transaction Details |  |               |  | Abnormal Transaction |               | Notes/Accounts Payable or Receivable                   |               | Note |
|--------------------|--------------------|-------------------------|---------------------|--|---------------|--|----------------------|---------------|--|---------------|------|
|                    |                    |                         | Purchases/<br>Sales | Amount<br>(Foreign Currencies<br>in Thousands) | % to<br>Total | Payment Terms  | Unit Price           | Payment Terms | Ending Balance<br>(Foreign Currencies<br>in Thousands) | % to<br>Total |      |
| TSMC               | TSMC North America | Subsidiary              | Sales               | \$ 453,808,649                                 | 63            | Net 30 days from invoice date<br>(Note)                            | -                    | Note          | \$ 79,337,055  | 69            |      |
|                    | GUC                | Associate               | Sales               | 5,230,409                                      | 1             | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | 869,302  | 1             |      |
|                    | TSMC Nanjing       | Subsidiary              | Sales               | 108,411  | -             | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | -  | -             |      |
|                    | TSMC China         | Subsidiary              | Purchases           | 16,875,817                                     | 28            | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | (1,694,161)  | 6             |      |
|                    | WaferTech          | Indirect subsidiary     | Purchases           | 6,633,069                                      | 11            | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | (1,516,376)  | 5             |      |
|                    | VIS                | Associate               | Purchases           | 4,417,318                                      | 7             | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | (600,612)  | 2             |      |
|                    | SSMC               | Associate               | Purchases           | 3,140,113                                      | 5             | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | (429,648)  | 1             |      |
| TSMC North America | GUC                | Associate of TSMC       | Sales               | 653,205<br>(US\$ 21,359)                       | -             | Net 30 days from invoice date                                      | -                    | -             | 63,729<br>(US\$ 2,108)                                 | -             |      |
| VisEra Tech        | Xintec             | Associate of TSMC       | Sales               | 170,423  | 10            | Net 30 days from the end of the<br>month of when invoice is issued | -                    | -             | 143,407  | 30            |      |

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.

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

SEPTEMBER 30, 2017

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

| Company Name       | Related Party      | Nature of Relationships            | Ending Balance<br>(Foreign Currencies<br>in Thousands) | Turnover Days<br>(Note 1) | Overdue      |              | Amounts Received<br>in Subsequent<br>Period | Allowance for<br>Bad Debts |
|--------------------|--------------------|------------------------------------|--|---------------------------|--------------|--------------|---|----------------------------|
|                    |                    |                                    |  |                           | Amount       | Action Taken |   |                            |
| TSMC               | TSMC North America | Subsidiary                         | \$ 80,508,204  | 50                        | \$ 4,784,376 | -            | \$ 16,344,320                               | \$ -                       |
|                    | TSMC Nanjing       | Subsidiary                         | 2,761,430  | Note 2                    | -            | -            | -   | -                          |
|                    | GUC                | Associate                          | 869,302  | 47                        | -            | -            | -   | -                          |
| TSMC North America | TSMC               | Parent company                     | 158,868<br>(US\$ 5,254)                                | Note 2                    | -            | -            | -   | -                          |
| TSMC Japan         | TSMC               | Parent company                     | 100,418<br>(JPY 372,055)                               | Note 2                    | -            | -            | -   | -                          |
| TSMC Global Ltd.   | TSMC               | Parent company                     | 7,197,658<br>(US\$ 238,026)                            | Note 2                    | -            | -            | -   | -                          |
| TSMC China         | TSMC               | Parent company                     | 1,694,161<br>(RMB 372,403)                             | 28                        | -            | -            | -   | -                          |
|                    | TSMC Nanjing       | The same parent company            | 13,330,128<br>(RMB 2,915,984)                          | Note 2                    | -            | -            | -   | -                          |
| TSMC Technology    | TSMC               | The ultimate parent of the Company | 233,763<br>(US\$ 7,731)                                | Note 2                    | -            | -            | -   | -                          |
| WaferTech          | TSMC               | The ultimate parent of the Company | 1,516,376<br>(US\$ 50,146)                             | 57                        | -            | -            | -   | -                          |
| VisEra Tech        | Xintec             | Associate of TSMC                  | 144,557  | 51                        | -            | -            | -   | -                          |

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Amounts in Thousands of New Taiwan Dollars)

| No.   | Company Name | Counter Party                     | Nature of Relationship (Note 1) | Intercompany Transactions              |                |                |  |
|---|--------------|-----------------------------------|---------------------------------|--|----------------|----------------|--|
|   |              |                                   |                                 | Financial Statements Item              | Amount         | Terms (Note 2) | Percentage of Consolidated Net Revenue or Total Assets |
| 0   | TSMC         | TSMC North America                | 1                               | Net revenue from sale of goods         | \$ 453,808,649 | -              | 65%  |
|   |              |                                   |                                 | Receivables from related parties       | 79,337,055     | -              | 4%   |
|   |              |                                   |                                 | Other receivables from related parties | 1,171,149      | -              | -  |
|   |              |                                   |                                 | Payables to related parties            | 158,868        | -              | -  |
|   |              | TSMC Japan                        | 1                               | Marketing expenses - commission        | 155,209        | -              | -  |
|   |              |                                   |                                 | Payables to related parties            | 100,418        | -              | -  |
|   |              | TSMC Europe                       | 1                               | Marketing expenses - commission        | 328,207        | -              | -  |
|   |              | TSMC Global                       | 1                               | Short-term loans                       | 7,197,079      | -              | -  |
|   |              | TSMC China                        | 1                               | Purchases                              | 16,875,817     | -              | 2%   |
|   |              |                                   |                                 | Payables to related parties            | 1,694,161      | -              | -  |
|   |              | TSMC Nanjing                      | 1                               | Net revenue from sale of goods         | 108,411        | -              | -  |
| Proceeds from disposal of property, plant and equipment | 2,606,062    |                                   |                                 | -                                      | -              |                |  |
| Other receivables from related parties                  | 2,761,430    |                                   |                                 | -                                      | -              |                |  |
| TSMC Canada   | 1            | Research and development expenses | 187,833                         | -                                      | -              |                |  |
| TSMC Technology   | 1            | Research and development expenses | 1,378,228                       | -                                      | -              |                |  |
|   |              | Payables to related parties       | 233,763                         | -                                      | -              |                |  |
| WaferTech   | 1            | Purchases                         | 6,633,069                       | -                                      | 1%             |                |  |
|   |              | Payables to related parties       | 1,516,376                       | -                                      | -              |                |  |
| 1   | TSMC China   | TSMC Nanjing                      | 3                               | Other receivables from related parties | 13,330,128     | -              | 1%   |

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
No. 3 represents the transactions between subsidiaries.

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



## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

| Investor Company | Investee Company       | Location                        | Main Businesses and Products  | Original Investment Amount                           |   | Balance as of September 30, 2017 |                         |  | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands) | Note       |
|------------------|------------------------|---------------------------------|---|--|---|----------------------------------|-------------------------|--|---|--|------------|
|                  |                        |                                 |   | September 30, 2017 (Foreign Currencies in Thousands) | December 31, 2016 (Foreign Currencies in Thousands) | Shares (In Thousands)            | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) |   |  |            |
| TSMC             | TSMC Global            | Tortola, British Virgin Islands | Investment activities   | \$ 279,830,484<br>Note 3                             | \$ 232,207,219                                      | 7                                | 100                     | \$ 301,083,863                                   | \$ 3,399,812  | \$ 3,399,812   | Subsidiary |
|                  | TSMC Partners          | Tortola, British Virgin Islands | Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry and other investment activities                          | 31,456,130   | 31,456,130  | 988,268                          | 100                     | 50,520,922                                       | 1,995,204   | 1,995,204  | Subsidiary |
|                  | VIS                    | Hsin-Chu, Taiwan                | Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks | 10,180,677   | 10,180,677  | 464,223                          | 28                      | 8,285,386  | 3,288,081   | 927,514  | Associate  |
|                  | SSMC                   | Singapore                       | Manufacturing and selling of integrated circuits and other semiconductor devices  | 5,120,028  | 5,120,028   | 314                              | 39                      | 5,329,236  | 3,278,934   | 1,271,898  | Associate  |
|                  | VisEra Tech            | Hsin-Chu, Taiwan                | Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter                      | 5,005,171  | 5,005,171   | 253,120                          | 87                      | 4,531,678  | 64,620  | 56,155   | Subsidiary |
|                  | TSMC North America     | San Jose, California, U.S.A     | Selling and marketing of integrated circuits and other semiconductor devices  | 333,718  | 333,718   | 11,000                           | 100                     | 4,254,408  | 180,385   | 180,385  | Subsidiary |
|                  | Xintec                 | Taoyuan, Taiwan                 | Wafer level chip size packaging and wafer level post passivation interconnection service  | 1,988,317  | 1,988,317   | 111,282                          | 41                      | 2,264,539  | (809,657)   | (330,786)  | Associate  |
|                  | GUC                    | Hsin-Chu, Taiwan                | Researching, developing, manufacturing, testing and marketing of integrated circuits  | 386,568  | 386,568   | 46,688                           | 35                      | 1,139,339  | 482,931   | 168,253  | Associate  |
|                  | TSMC Europe            | Amsterdam, the Netherlands      | Customer service and supporting activities  | 15,749   | 15,749  | -                                | 100                     | 401,207  | 30,152  | 30,152   | Subsidiary |
|                  | VTAF II                | Cayman Islands                  | Investing in new start-up technology companies  | 470,505  | 608,562   | -                                | 98                      | 362,166  | 135,452   | 132,743  | Subsidiary |
|                  | VTAF III               | Cayman Islands                  | Investing in new start-up technology companies  | 1,329,951  | 1,355,417   | -                                | 98                      | 157,446  | (26,099)  | (25,577)   | Subsidiary |
|                  | TSMC Japan             | Yokohama, Japan                 | Customer service and supporting activities  | 83,760   | 83,760  | 6                                | 100                     | 133,446  | 4,149   | 4,149  | Subsidiary |
|                  | TSMC Korea             | Seoul, Korea                    | Customer service and supporting activities  | 13,656   | 13,656  | 80                               | 100                     | 37,246   | 1,829   | 1,829  | Subsidiary |
|                  | TSMC Solar Europe GmbH | Hamburg, Germany                | Selling of solar related products and providing customer service  | 25,266   | 25,266  | 1                                | 100                     | (22,222)   | (14,480)  | (14,480)   | Subsidiary |
| TSMC Partners    | TSMC Development       | Delaware, U.S.A                 | Investing in companies involved in the manufacturing related business in the semiconductor industry   | 17,748,443<br>(US\$ 586,939)                         | 17,748,443<br>(US\$ 586,939)                        | -                                | 100                     | 26,794,095<br>(US\$ 886,077)                     | 1,348,031<br>(US\$ 44,131)  | Note 2   | Subsidiary |
|                  | TSMC Technology        | Delaware, U.S.A                 | Engineering support activities  | 431,874<br>(US\$ 14,282)                             | 431,874<br>(US\$ 14,282)                            | -                                | 100                     | 510,008<br>(US\$ 16,866)                         | 309<br>(US\$ (3))   | Note 2   | Subsidiary |
|                  | ISDF II                | Cayman Islands                  | Investing in new start-up technology companies  | 157,056<br>(US\$ 5,194)                              | 157,056<br>(US\$ 5,194)                             | 9,299                            | 97                      | 470,726<br>(US\$ 15,567)                         | 377,868<br>(US\$ 12,476)  | Note 2   | Subsidiary |
|                  | TSMC Canada            | Ontario, Canada                 | Engineering support activities  | 69,550<br>(US\$ 2,300)                               | 69,550<br>(US\$ 2,300)                              | 2,300                            | 100                     | 181,028<br>(US\$ 5,987)                          | 8,185<br>(US\$ 266)   | Note 2   | Subsidiary |
|                  | ISDF                   | Cayman Islands                  | Investing in new start-up technology companies  | 14,369<br>(US\$ 475)                                 | 14,369<br>(US\$ 475)                                | 583                              | 97                      | 502<br>(US\$ 17)                                 | 44<br>(US\$ 1)  | Note 2   | Subsidiary |
| VTAF III         | Growth Fund            | Cayman Islands                  | Investing in new start-up technology companies  | 68,394<br>(US\$ 2,262)                               | 44,202<br>(US\$ 1,462)                              | -                                | 100                     | 50,898<br>(US\$ 1,683)                           | (995)<br>(US\$ (33))  | Note 2   | Subsidiary |
|                  | Mutual-Pak             | New Taipei, Taiwan              | Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID   | 48,181<br>(US\$ 1,593)                               | 157,626<br>(US\$ 5,213)                             | 4,693                            | 58                      | (1,348)<br>(US\$ (45))                           | (14,914)<br>(US\$ (486))  | Note 2   | Subsidiary |

(Continued)

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

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

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

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

(Concluded)

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

| Investee Company | Main Businesses and Products   | Total Amount of Paid-in Capital (RMB in Thousands) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2017 (US\$ in Thousands) | Investment Flows            |        | Accumulated Outflow of Investment from Taiwan as of September 30, 2017 (US\$ in Thousands) | Net Income (Losses) of the Investee Company | Percentage of Ownership | Share of Profits/Losses  | Carrying Amount as of September 30, 2017 | Accumulated Inward Remittance of Earnings as of September 30, 2017 |
|------------------|--|--|----------------------|---|-----------------------------|--------|--|---|-------------------------|--------------------------|--|--|
|                  |  |  |                      |   | Outflow (US\$ in Thousands) | Inflow |  |   |                         |                          |  |  |
| TSMC China       | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices | \$ 18,939,667<br>(RMB 4,502,080)                   | Note 1               | \$ 18,939,667<br>(US\$ 596,000)   | \$ -                        | \$ -   | \$ 18,939,667<br>(US\$ 596,000)  | \$ 6,892,771                                | 100%                    | \$ 7,011,807<br>(Note 2) | \$ 49,184,988                            | \$ -   |
| TSMC Nanjing     | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices | \$ 7,189,510<br>(RMB 1,530,565)                    | Note 1               | 6,435,200<br>(US\$ 200,000)   | 754,310<br>(US\$ 25,000)    | -      | 7,189,510<br>(US\$ 225,000)  | 56,746                                      | 100%                    | 56,746<br>(Note 2)       | 6,936,003                                | -  |

| Accumulated Investment in Mainland China as of September 30, 2017 (US\$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands) | Upper Limit on Investment |
|---|--|---------------------------|
| \$ 26,129,177<br>(US\$ 821,000)   | \$ 119,412,667<br>(US\$ 3,596,000)   | Note 3                    |

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

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

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