

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
May 07, 2018

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

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

For the month of May 2018

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

SIGNATURES

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

Taiwan Semiconductor Manufacturing Company Ltd.

Date: May 7, 2018

By /s/ Lora Ho
Lora Ho
Senior Vice President & Chief Financial Officer

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

Introduction

We have reviewed the accompanying consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and its subsidiaries (the Company) as of March 31, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, Interim Financial Reporting, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the financial position of the entity as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, Interim Financial Reporting, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

April 20, 2018

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 577,782,963	28	\$ 553,391,696	28	\$ 564,725,266	29
Financial assets at fair value through profit or loss (Note 7)	963,915		569,751		5,374,003	
Financial assets at fair value through other comprehensive income (Note 8)	95,713,446	4				
Available-for-sale financial assets (Note 9)			93,374,153	5	71,083,797	4
Held-to-maturity financial assets (Note 10)			1,988,385		18,140,374	1
Financial assets at amortized cost (Note 11)	9,888,741	1				
Hedging derivative financial assets (Note 13)			34,394			
Hedging financial assets (Note 13)	26,357					
Notes and accounts receivable, net (Note 14)	106,601,372	5	121,133,248	6	108,532,829	6
Receivables from related parties (Note 32)	1,179,312		1,184,124		494,839	
Other receivables from related parties (Note 32)	130,070		171,058		135,051	
Inventories (Note 15)	85,215,899	4	73,880,747	4	50,389,022	3
Other financial assets (Note 33)	11,667,264	1	7,253,114		3,761,484	
Other current assets (Note 19)	39,947,321	2	4,222,440		3,025,168	
Total current assets	929,116,660	45	857,203,110	43	825,661,833	43
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 8)	6,035,904		18,833,329	1	20,499,458	1

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Held-to-maturity financial assets (Note 10)						
Financial assets at amortized cost (Note 11)	10,033,241	1				
Financial assets carried at cost (Note 12)			4,874,257		4,079,292	
Investments accounted for using equity method (Note 16)	18,307,517	1	17,861,488	1	19,940,062	1
Property, plant and equipment (Note 17)	1,055,366,207	51	1,062,542,322	53	1,037,364,143	54
Intangible assets (Note 18)	13,674,295	1	14,175,140	1	14,278,436	1
Deferred income tax assets (Note 4)	12,987,042	1	12,105,463	1	10,644,401	
Refundable deposits	2,121,209		1,283,414		572,005	
Other noncurrent assets (Note 19)	1,513,731		2,983,120		1,624,131	
Total noncurrent assets	1,120,039,146	55	1,134,658,533	57	1,109,001,928	57
TOTAL	\$ 2,049,155,806	100	\$ 1,991,861,643	100	\$ 1,934,663,761	100

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Short-term loans (Notes 20 and 30)	\$ 56,731,350	3	\$ 63,766,850	3	\$ 54,666,000	3
Financial liabilities at fair value through profit or loss (Note 7)	170,673		26,709		124,935	
Hedging derivative financial liabilities (Note 13)			15,562		3,908	
Hedging financial liabilities (Note 13)	79,182					
Accounts payable	27,817,670	1	28,412,807	1	23,081,567	1
Payables to related parties (Note 32)	1,224,307		1,656,356		1,171,195	
Salary and bonus payable	10,201,325	1	14,254,871	1	10,703,656	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 24 and 29)	29,529,009	1	23,419,135	1	28,857,625	1
Payables to contractors and equipment suppliers	47,828,289	2	55,723,774	3	57,671,953	3
Income tax payable (Note 4)	44,096,800	2	33,479,311	2	52,874,433	3
Provisions (Note 21)			13,961,787	1	11,298,320	1
Long-term liabilities - current portion (Note 22)	49,356,740	2	58,401,122	3	44,909,680	2
Accrued expenses and other current liabilities (Notes 23, 30 and 32)	75,199,897	4	65,588,396	3	36,217,252	2
Total current liabilities	342,235,242	16	358,706,680	18	321,580,524	17

NONCURRENT LIABILITIES

Bonds payable (Notes 22 and 30)	83,400,000	4	91,800,000	5	134,198,769	7
---------------------------------	------------	---	------------	---	-------------	---

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Long-term bank loans					19,360	
Deferred income tax liabilities (Note 4)	285,644		302,205		90,944	
Net defined benefit liability (Note 4)	8,818,705	1	8,850,704	1	8,537,369	
Guarantee deposits (Notes 23 and 30)	5,991,361		7,586,790		12,321,468	1
Others	1,819,825		1,855,621		1,605,302	
Total noncurrent liabilities	100,315,535	5	110,395,320	6	156,773,212	8
Total liabilities	442,550,777	21	469,102,000	24	478,353,736	25
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 24)	259,303,805	13	259,303,805	13	259,303,805	13
Capital surplus (Note 24)	56,305,751	3	56,309,536	3	56,282,118	3
Retained earnings (Note 24)						
Appropriated as legal capital reserve	241,722,663	12	241,722,663	12	208,297,945	11
Unappropriated earnings	1,082,967,237	53	991,639,347	49	951,339,122	49
	1,324,689,900	65	1,233,362,010	61	1,159,637,067	60
Others (Note 24)	(34,401,067)	(2)	(26,917,818)	(1)	(19,709,627)	(1)
Equity attributable to shareholders of the parent	1,605,898,389	79	1,522,057,533	76	1,455,513,363	75
NON-CONTROLLING INTERESTS						
	706,640		702,110		796,662	
Total equity	1,606,605,029	79	1,522,759,643	76	1,456,310,025	75
TOTAL	\$ 2,049,155,806	100	\$ 1,991,861,643	100	\$ 1,934,663,761	100

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
NET REVENUE (Notes 25, 32 and 37)	\$ 248,078,671	100	\$ 233,914,400	100
COST OF REVENUE (Notes 15, 29 and 32)	123,103,977	50	112,428,734	48
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	124,974,694	50	121,485,666	52
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	(117,155)		3,970	
GROSS PROFIT	124,857,539	50	121,489,636	52
OPERATING EXPENSES (Notes 29 and 32)				
Research and development	20,428,594	8	19,412,393	8
General and administrative	4,851,708	2	5,247,603	2
Marketing	1,448,092	1	1,496,487	1
Total operating expenses	26,728,394	11	26,156,483	11
OTHER OPERATING INCOME AND EXPENSES, NET (Note 29)	(1,302,199)		19,237	
INCOME FROM OPERATIONS (Note 37)	96,826,946	39	95,352,390	41
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates	681,791		666,810	
Other income	3,154,642	1	2,104,979	1
Foreign exchange gain (loss), net (Note 36)	(676,980)		99,795	
Finance costs	(807,966)		(816,664)	
Other gains and losses, net (Note 26)	765,188		415,189	
Total non-operating income and expenses	3,116,675	1	2,470,109	1

INCOME BEFORE INCOME TAX	99,943,621	40	97,822,499	42
INCOME TAX EXPENSE (Notes 4 and 27)	10,156,047	4	10,201,591	5
NET INCOME	89,787,574	36	87,620,908	37

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (19,507)		\$	
Gain on hedging instruments	37,282			
Share of other comprehensive income of associates	62			
Income tax benefit related to items that will not be reclassified subsequently	39,206			
	57,043			
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(6,476,486)	(3)	(21,243,594)	(9)
Changes in fair value of available-for-sale financial assets			(93,470)	
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(727,410)			
Share of other comprehensive loss of associates	(39,352)		(61,657)	
Income tax benefit related to items that may be reclassified subsequently			46,400	
	(7,243,248)	(3)	(21,352,321)	(9)
Other comprehensive loss for the period, net of income tax	(7,186,205)	(3)	(21,352,321)	(9)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 82,601,369	33	\$ 66,268,587	28
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 89,784,622	36	\$ 87,628,898	37
Non-controlling interests	2,952		(7,990)	
	\$ 89,787,574	36	\$ 87,620,908	37

(Continued)

- 5 -

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	Three Months Ended March 31		2017	
	2018	%	2017	%
	Amount		Amount	
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 82,596,052	33	\$ 66,274,790	28
Non-controlling interests	5,317		(6,203)	
	\$ 82,601,369	33	\$ 66,268,587	28
	2018		2017	
	Income Attributable to Shareholders of		Income Attributable to Shareholders of	
	the Parent		the Parent	
EARNINGS PER SHARE (NT\$, Note 28)				
Basic earnings per share	\$	3.46	\$	3.38
Diluted earnings per share	\$	3.46	\$	3.38

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

(Concluded)

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

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

			Equity Attributable to Shareholders of the Parent				Others	
Legal Capital	Retained Earnings Unappropriated	Total	Foreign Currency Translation Reserve	Unrealized Gain(Loss) from Available- for-sale Financial Assets	Unrealized Gain(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Reserve	Gain(Loss) Hedging Instrument	Unearned Stock-Based Employee Compensation
241,722,663	\$ 991,639,347	\$ 1,233,362,010	\$ (26,697,680)	\$ (214,074)	\$	\$ 4,226	\$	\$ (10,290)
	1,556,319	1,556,319		214,074	(524,915)	(4,226)	4,226	
241,722,663	993,195,666	1,234,918,329	(26,697,680)		(524,915)		4,226	(10,290)
	89,784,622	89,784,622						

			(6,515,676)		(705,702)		32,808	
89,784,622	89,784,622		(6,515,676)		(705,702)		32,808	
(13,051)	(13,051)				13,051			
								3,111
241,722,663	\$ 1,082,967,237	\$ 1,324,689,900	\$ (33,213,356)	\$	\$ (1,217,566)	\$	\$ 37,034	\$ (7,179)
208,297,945	\$ 863,710,224	\$ 1,072,008,169	\$ 1,661,237	\$ 2,641	\$	\$ 105	\$	\$
87,628,898	87,628,898							

(21,304,092) (50,016)

87,628,898 87,628,898 (21,304,092) (50,016)

(19,502)

208,297,945 \$ 951,339,122 \$ 1,159,637,067 \$(19,642,855) \$ (47,375) \$ \$ 105 \$ \$(19,502) \$

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)

	Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 99,943,621	\$ 97,822,499
Adjustments for:		
Depreciation expense	70,462,286	59,133,361
Amortization expense	1,035,591	1,038,824
Reversal of expected credit losses on investments in debt instruments	(1,757)	
Finance costs	807,966	816,664
Share of profits of associates	(681,791)	(666,810)
Interest income	(3,154,189)	(2,104,979)
Loss (gain) on disposal or retirement of property, plant and equipment, net	582,384	(22,195)
Gain on disposal of intangible assets, net	(436)	
Impairment loss on financial assets		12,032
Loss on financial instruments at fair value through profit or loss	28,142	
Loss on disposal of investments in debt instruments at fair value through other comprehensive income	252,328	
Loss on disposal of available-for-sale financial assets, net		8,982
Unrealized (realized) gross profit on sales to associates	117,155	(3,970)
Gain on foreign exchange, net	(1,205,272)	(7,106,552)
Dividend income	(453)	
Loss (gain) arising from fair value hedges, net	(352)	19,487
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	602,734	1,010,909
Notes and accounts receivable, net	13,296,988	18,227,303
Receivables from related parties	4,812	474,720
Other receivables from related parties	40,988	11,737
Inventories	(11,335,152)	(1,706,789)
Other financial assets	(3,143,144)	1,599,844
Other current assets	(1,402,930)	369,473
Other noncurrent assets	25,301	(152,473)
Accounts payable	(984,571)	(3,020,849)
Payables to related parties	(432,049)	(90,979)
Salary and bonus payable	(4,053,546)	(2,978,161)
Accrued profit sharing bonus to employees and compensation to directors and supervisors	6,109,874	5,963,619
Accrued expenses and other current liabilities	(5,776,314)	(824,558)

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Provisions		(6,696,992)
Net defined benefit liability	(31,999)	(14,039)
Cash generated from operations	161,106,215	161,120,108
Income taxes paid	(380,297)	(112,064)
Net cash generated by operating activities	160,725,918	161,008,044

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial instruments at fair value through profit or loss - debt instruments	\$ (183,026)	\$
Financial assets at fair value through other comprehensive income	(24,382,829)	
Available-for-sale financial assets		(24,675,339)
Held-to-maturity financial assets		(1,695,771)
Financial assets carried at cost		(202,032)
Property, plant and equipment	(71,847,185)	(102,505,595)
Intangible assets	(222,548)	(917,636)
Proceeds from disposal or redemption of:		
Financial instruments at fair value through profit or loss - debt instruments	49,438	
Financial assets at fair value through other comprehensive income	20,123,921	
Available-for-sale financial assets		18,436,274
Held-to-maturity financial assets		400,000
Financial assets at amortized cost	498,542	
Property, plant and equipment	47,376	151,904
Intangible assets	492	
Derecognition of hedging derivative financial instruments		(6,399)
Derecognition of hedging financial instruments	177,209	
Interest received	3,139,610	1,950,176
Other dividends received	453	
Refundable deposits paid	(1,048,245)	(191,217)
Refundable deposits refunded	187,602	25,376
Net cash used in investing activities	(73,459,190)	(109,230,259)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(5,774,830)	(250,365)
Repayment of bonds and interest prepaid	(33,998,915)	
Repayment of bonds	(16,800,000)	(10,000,000)
Repayment of long-term bank loans		(2,420)
Interest paid	(998,257)	(1,257,295)
Guarantee deposits received	3,095	723,339
Guarantee deposits refunded	(57,230)	(1,123,178)

Donation from shareholders	46	
Decrease in non-controlling interests	(1,135)	
Net cash used in financing activities	(57,627,226)	(11,909,919)

(Continued)

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

	Three Months Ended March 31	
	2018	2017
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (5,248,235)	\$ (16,396,433)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,391,267	23,471,433
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	553,391,696	541,253,833
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 577,782,963	\$ 564,725,266

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 THREE MONTHS ENDED MARCH 31, 2018 and 2017

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

(Reviewed, Not Audited)

1. GENERAL

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

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on April 20, 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

- 1) IFRS 9 Financial Instruments and related amendment

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

Classification, measurement and impairment of financial assets and financial liabilities

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

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

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

Financial Assets	Carrying Amount as of	Reclassifications	Remeasurements	Carrying Amount as of	Retained Earnings	Other Equity Effect on	Note
------------------	-----------------------	-------------------	----------------	-----------------------	-------------------	------------------------	------

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

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

Carrying Adjustments Carrying Retained Other Equity Note
Arising from Arising from
Initial Amount as of Earnings Effect on

	Amount as of December 31, 2017 (IAS 39)	Application of December 31, 2017 (IAS 39)	January 1, 2018 (IFRS 9)	Effect on January 1, 2018	January 1, 2018	
Investments accounted for using equity method	\$ 17,861,488	\$ 8,258	\$ 17,869,746	\$ 33,984	\$ (25,726)	(5)

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

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

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

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

payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows. As a result of retrospective application of future 12-month expected credit loss, the adjustments would result in an increase in loss allowance of NT\$8,252 thousand and a decrease in retained earnings of NT\$8,252 thousand on January 1, 2018.

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

Hedge accounting

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

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Carrying Amount as of January 1, 2018 (IFRS 15)	Note
	(IAS 18 and Revenue-related Interpretations)			
Inventories	\$ 73,880,747	\$ (19,746)	\$ 73,861,001	(1)
Other financial assets-current	7,253,114	34,177	7,287,291	(1)
Investments accounted for using equity method	17,861,488	19,483	17,880,971	(1)
Total effect on assets		\$ 33,914		
Provisions - current	13,961,787	\$ (13,961,787)		(2)
Accrued expenses and other current liabilities	65,588,396	13,961,787	79,550,183	(2)
Total effect on liabilities		\$		
Retained earnings	1,233,362,010	\$ 32,029	1,233,394,039	(1)
Non-controlling interests	702,110	1,885	703,995	(1)

Total effect on equity	\$	33,914
------------------------	----	--------

- (1) Prior to the application of IFRS 15, the Company recognizes revenue based on the accounting treatment of the sales of goods. Under IFRS 15, certain subsidiaries and associates accounted for using equity method will change to recognize revenue over time because customers are deemed to have control over the products when the products are manufactured. As a result, the Company will recognize contract assets (classified under other financial assets) and adjust related assets and equity accordingly.

- 14 -

- (2) Prior to the application of IFRS 15, the Company recognized the estimation of sales returns and allowance as provisions. Under IFRS 15, the Company recognizes such estimation as refund liability (classified under accrued expenses and other current liabilities).

The impact of continuing the application of IAS18 instead of IFRS15 for the three months ended March 31, 2018 is detailed as follows:

Impact on Assets, Liabilities and Equity

	March 31, 2018
Decrease in inventories	\$ (16,438)
Increase in other financial assets-current	30,434
Increase in investments accounted for using equity method	25,901
Total effect on assets	\$ 39,897
Decrease in provisions - current	\$ (14,382,288)
Increase in accrued expenses and other current liabilities	14,382,265
Increase in income tax payable	2,804
Total effect on liabilities	\$ 2,781
Increase in retained earnings	\$ 35,651
Increase in non-controlling interests	1,465
Total effect on equity	\$ 37,116

Impact on Total Comprehensive Income

	Three Months Ended March 31, 2018
Increase in net revenue	\$ 30,457
Increase in cost of revenue	(16,438)
Increase in share of the profit or loss of associates	25,901
Increase in income tax expense	(2,804)
Increase in net income for the period	\$ 37,116

Increase in net income/total comprehensive income attributable to:

Shareholders of the parent	\$	35,651
Non-controlling interests		1,465
	\$	37,116

- 3) Please refer to Note 30 for the disclosure of amendment to IAS 7 Disclosure Initiative

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	January 1, 2019 (Note 1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 16 Leases	January 1, 2019 (Note 2)
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	January 1, 2019 (Note 3)
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

Note 1: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

1) IFRS 16 Leases

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

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, 2017.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Statement of Compliance

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

Basis of ConsolidationThe basis of preparation and the basis for the consolidated financial statements

The basis of preparation and the basis for the consolidated financial statements applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017.

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
				and Operating March 31, 2018	December 31, 2017	March 31, 2017	
TSMC	TSMC North America	Selling and marketing of integrated circuits and other semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
	TSMC Europe B.V. (TSMC Europe)	Customer service and supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)
	TSMC Japan Limited (TSMC Japan)	Customer service and supporting activities	Yokohama, Japan	100%	100%	100%	a)
			Seoul, Korea	100%	100%	100%	a)

TSMC Korea Limited (TSMC Korea)	Customer service and supporting activities						
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 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)	
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%		
VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)	
		Cayman Islands	98%	98%	98%	a)	

VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies						
TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%	100%	a) , c)	

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				March 31, 2018	December 31, 2017	March 31, 2017	
TSMC Partners	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%	
	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.	100%	100%	100%	a)
	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	100%	a)
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a), d)
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a), d)
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,	New Taipei, Taiwan	39%	39%	58%	a), e)

		developing and testing of RFID					
	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%	a), f)

(Concluded)

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

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

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

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

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

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

Financial Assets

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

a. Category of financial assets and measurement
2018

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

1) Financial asset at FVTPL

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

2) Investments in debt instruments at FVTOCI

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

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

3) Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments. Instead, they will be transferred to retained earnings.

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

4) Measured at amortized cost

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

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

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

2017

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

1) Financial asset at FVTPL

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

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

2) Available-for-sale financial assets

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

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

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

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

3) Held-to-maturity financial assets

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

4) Loans and receivables

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

b. Impairment of financial assets
2018

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

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

default events over the expected life of a financial instrument.

- 20 -

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

2017

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

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

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

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

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

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

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

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

Hedge Accounting

- a. Fair value hedges

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

b. Cash flow hedges

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

2018

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

2017

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

Revenue Recognition

2018

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

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

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

In principle, payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

2017

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

Sale of goods

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

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

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

The amount of revenue can be measured reliably;

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

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

In principle, payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Dividend and interest income

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

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

Retirement Benefits

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. When tax rate changes during the interim period, the effect of the change in tax rate relating to transactions recognized outside scope of profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is incorporated into estimation of the average annual income tax rate, with corresponding effect recognized throughout the interim periods.

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

Except for the following paragraphs, the same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2017.

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

Please refer to Note 31 for information about the valuation techniques and inputs used in determining the fair value of various investments.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash and deposits in banks	\$ 577,028,289	\$ 551,919,770	\$ 564,224,428
Commercial paper	754,674	695,901	
Agency bonds		776,025	
Repurchase agreements collateralized by corporate bonds			500,838
	\$ 577,782,963	\$ 553,391,696	\$ 564,725,266

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

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
Mandatorily measured at FVTPL			
Agency bonds/ Agency mortgage-backed securities	\$ 754,545	\$	\$
Forward exchange contracts	113,426		\$
Asset-backed securities	95,944		
	963,915		
Held for trading			
Forward exchange contracts		569,751	23,432
Designated as at FVTPL			
Time deposit			5,344,256
Forward exchange contracts			6,315
			5,350,571
	\$ 963,915	\$ 569,751	\$ 5,374,003

Financial liabilities

Held for trading			
Forward exchange contracts	\$ 170,673	\$ 26,709	\$ 80,795
Designated as at FVTPL			
Forward exchange contracts			44,140
	\$ 170,673	\$ 26,709	\$ 124,935

- 24 -

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>March 31, 2018</u>		
Sell NT\$/Buy EUR	April 2018 to May 2018	NT\$3,561,313/EUR99,000
Sell NT\$/Buy JPY	April 2018	NT\$9,009,251/JPY32,550,000
Sell US\$/Buy RMB	April 2018 to May 2018	US\$629,000/RMB3,965,590
Sell US\$/Buy NT\$	April 2018 to June 2018	US\$1,002,500/NT\$29,129,055
Sell US\$/Buy JPY	April 2018	US\$4,923/JPY523,000
Sell RMB /Buy EUR	April 2018	RMB11,165/EUR1,432
Sell RMB/Buy JPY	April 2018 to May 2018	RMB215,531/JPY3,614,848
Sell RMB/Buy GBP	April 2018	RMB1,669/GBP187
Sell RMB/Buy US\$	April 2018 to May 2018	RMB1,245,344/US\$197,000
<u>December 31, 2017</u>		
Sell NT\$/Buy EUR	January 2018 to February 2018	NT\$6,002,786/EUR169,000
Sell NT\$/Buy JPY	February 2018	NT\$996,294/JPY3,800,000
Sell US\$/Buy JPY	January 2018	US\$2,191/JPY246,724
Sell US\$/Buy RMB	January 2018	US\$558,000/RMB3,679,575
Sell US\$/Buy NT\$	January 2018 to February 2018	US\$1,661,500/NT\$49,673,320
Sell RMB /Buy EUR	January 2018	RMB38,967/EUR4,994
Sell RMB/Buy JPY	January 2018	RMB409,744/JPY7,062,536
Sell RMB/Buy GBP	January 2018	RMB3,637/GBP413
<u>March 31, 2017</u>		
Sell NT\$/Buy EUR	April 2017 to May 2017	NT\$3,147,552/EUR96,000
Sell NT\$/Buy JPY	April 2017 to May 2017	NT\$12,846,853/JPY47,100,000
Sell US\$/Buy EUR	April 2017	US\$109,848/EUR101,270
Sell US\$/Buy JPY	April 2017	US\$129,021/JPY14,339,800
Sell US\$/Buy NT\$	April 2017 to May 2017	US\$8,000/NT\$245,033
Sell US\$/Buy RMB	April 2017 to June 2017	US\$469,482/RMB3,233,987

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

March 31,

2018

Investments in debt instruments at FVTOCI

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Corporate bonds	\$ 37,980,277
Agency bonds/ Agency mortgage-backed securities	32,189,767
Asset-backed securities	13,671,612
Government bonds	9,494,204
Commercial paper	57,877
	93,393,737

(Continued)

**March 31,
2018**

Investments in equity instruments at FVTOCI	
Non-publicly traded stocks	\$ 3,032,070
Funds	3,003,834
Publicly traded stocks	2,319,709
	8,355,613
	\$ 101,749,350
Current	\$ 95,713,446
Non-current	6,035,904
	\$ 101,749,350

(Concluded)

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

For the three months ended March 31, 2018, the Company sold shares of stocks from merged non-publicly traded company for NT\$45,210 thousand and the related other equity-unrealized gain/loss on financial assets at FVTOCI of NT\$13,051 thousand were transferred to decrease retained earnings.

As of March 31, 2018, the cumulative loss allowance for expected credit loss of NT\$29,792 thousand is recognized under investments in debt instruments at FVTOCI. Refer to Note 31 for information relating to their credit risk management and expected credit loss.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017	March 31, 2017
Corporate bonds	\$ 40,165,148	\$ 31,423,219
Agency bonds/Agency mortgage-backed securities	29,235,388	17,234,724
Asset-backed securities	13,459,545	11,252,756
Government bonds	7,817,723	7,831,260

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Publicly traded stocks	2,548,054	2,849,231
Commercial paper	148,295	492,607
	\$ 93,374,153	\$ 71,083,797

- 26 -

10. HELD-TO-MATURITY FINANCIAL ASSETS-2017

	December 31, 2017	March 31, 2017
Corporate bonds	\$ 19,338,764	\$ 22,241,885
Structured product	1,482,950	1,518,500
Commercial paper		10,323,947
Negotiable certificate of deposit		4,555,500
	\$ 20,821,714	\$ 38,639,832
Current portion	\$ 1,988,385	\$ 18,140,374
Noncurrent portion	18,833,329	20,499,458
	\$ 20,821,714	\$ 38,639,832

11. FINANCIAL ASSETS AT AMORTIZED COST-2018

	March 31, 2018
Corporate bonds	\$ 18,473,964
Structured product	1,454,650
Less: Allowance for impairment loss	(6,632)
	\$ 19,921,982
Current portion	\$ 9,888,741
Noncurrent portion	10,033,241
	\$ 19,921,982

Financial assets at amortized cost were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017. Refer to Note 31 for information relating to credit risk management and expected credit loss for financial assets at amortized cost.

12. FINANCIAL ASSETS CARRIED AT COST-2017

	December 31, 2017	March 31, 2017
Non-publicly traded stocks	\$ 2,532,287	\$ 2,791,642
Funds	2,341,970	1,287,650
	\$ 4,874,257	\$ 4,079,292

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 Aquantia was listed in November 2017. Accordingly, the Company reclassified the aforementioned investment from financial assets carried at cost to available-for-sale financial assets.

13. HEDGING FINANCIAL INSTRUMENTS2018**March 31,
2018**Financial assets- current

Cash flow hedges

Forward exchange contracts \$ 26,357

Financial liabilities- current

Fair value hedges

Interest rate futures contracts \$ 74,811

Cash flow hedges

Forward exchange contracts 4,371

\$ 79,182

Fair value hedge

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

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

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

The following tables summarize the information relating to the hedges for interest rate risk as of March 31, 2018.

Hedging Instruments	Contract Amount		Maturity	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
	(US\$ in Thousands)			
US treasury bonds interest rate futures contracts	US\$	264,400	June 2018	\$ 53,811

Hedged Items	Asset Carrying Amount as of March 31, 2018	Asset Accumulated Amount of Fair Value Hedge Adjustments	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Financial assets at FVTOCI	\$ 13,990,841	\$ (86,646)	\$ (53,459)

The effect on comprehensive income for the three months ended March 31, 2018 is detailed below:

Comprehensive Income	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in which Hedge Ineffectiveness is Included
Fair value hedge	\$ 352	Other gains and losses
<u>Cash flow hedge</u>		

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

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

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

The following tables summarize the information relating to the hedges for foreign currency risk.

Hedging Instruments	Contract Amount (in Thousands)	Maturity	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Forward exchange contracts	NT\$ 3,239,853 /EUR91,000	April 2018 to August 2018	\$ 37,282

Hedged items

Balance in

	Increase (Decrease) in Value Used for Calculating Hedge	Other Equity (Continuing Hedges)
	Ineffectiveness	
Cash flow hedge		
Forecast transaction (capital expenditures)	\$ (37,282)	\$ 37,034
Refer to Note 24(d) for gain or loss arising from changes in the fair value of hedging instruments and the amount transferred to initial carrying amount of hedged items.		

2017

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

	December 31, 2017	March 31, 2017
<u>Financial assets- current</u>		
Fair value hedges		
Interest rate futures contracts	\$ 27,016	\$
Cash flow hedges		
Forward exchange contracts	7,378	
	\$ 34,394	\$
<u>Financial liabilities- current</u>		
Fair value hedges		
Interest rate futures contracts	\$	\$ 3,908
Cash flow hedges		
Forward exchange contracts	15,562	
	\$ 15,562	\$ 3,908

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

The outstanding interest rate futures contracts consisted of the following:

Maturity Period	Contract Amount	
	(US\$ in Thousands)	
<u>December 31, 2017</u>		
March 2018	US\$	169,400
<u>March 31, 2017</u>		
June 2017	US\$	52,400

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>		
Sell NT\$/Buy EUR	February 2018 to May 2018	NT\$2,649,104/EUR75,000

- 30 -

14. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Notes and accounts receivable	\$ 106,771,905	\$ 121,604,989	\$ 109,010,938
Less: Loss allowance	(170,533)	(471,741)	(478,109)
Notes and accounts receivable, net	\$ 106,601,372	\$ 121,133,248	\$ 108,532,829

2018

In principle, the payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month when the invoice is issued. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels. Such risk levels are determined with factors of historical loss ratios and customers' financial conditions, competitiveness and business outlook. For accounts receivable past due over 90 days without collaterals or guarantees, the Company recognizes loss allowance at full amount.

Aging analysis of notes and accounts receivable, net

	March 31, 2018
Not past due	\$ 95,872,716
Past due	
Past due within 30 days	8,723,608
Past due 31-60 days	295,558
Past due 61-120 days	891,464
Past due over 121 days	818,026
	\$ 106,601,372

Movements of the loss allowance for accounts receivable

Balance at January 1, 2018 (IAS 39)	\$ 471,741
Effect of retrospective application of IFRS 9	(244,773)
Balance at January 1, 2018 (IFRS 9)	226,968
Provision(Reversal)	(56,398)
Effect of exchange rate changes	(37)

Balance at March 31, 2018

\$ 170,533

For the three months ended March 31, 2018, the loss allowance decreased mainly due to the decrease in the balance of accounts receivable.

2017

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

Except for those impaired, for the rest of the notes and accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. There was no impairment concern for the accounts receivable that were past due without recognizing a specific allowance for doubtful receivables since there was no significant change in the credit quality of its customers after the assessment. In addition, the Company has obtained guarantee against certain receivables.

Aging analysis of notes and accounts receivable, net

	December 31, 2017	March 31, 2017
Neither past due nor impaired	\$ 105,295,219	\$ 94,790,800
Past due but not impaired		
Past due within 30 days	13,984,125	9,682,935
Past due 31-60 days	929,672	550,853
Past due 61-120 days	582,821	3,508,241
Past due over 121 days	341,411	
	\$ 121,133,248	\$ 108,532,829

Movements of the allowance for doubtful receivables

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 1,848	\$ 478,270	\$ 480,118
Reversal/Write-off	(1,848)		(1,848)
Effect of exchange rate changes		(161)	(161)
Balance at March 31, 2017	\$	\$ 478,109	\$ 478,109

15. INVENTORIES

	March 31, 2018	December 31, 2017	March 31, 2017
Finished goods	\$ 15,165,977	\$ 9,923,338	\$ 8,024,042
Work in process	57,012,785	53,362,160	34,535,606
Raw materials	8,940,795	7,143,806	5,239,223

Supplies and spare parts	4,096,342	3,451,443	2,590,151
	\$ 85,215,899	\$ 73,880,747	\$ 50,389,022

Write-down of inventories to net realizable value and reversal of the reserve for inventory write-downs resulting from the increase in net realizable value in the amount of NT\$700,440 thousand and NT\$942,343 thousand, respectively, were included in the cost of revenue for the three months ended March 31, 2018 and 2017.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
		March 31, 2018	December 31, 2017	March 31, 2017	March 31, 2018	December 31, 2017	March 31, 2017
ing, selling, packaging, computer-aided design and circuits and other etor devices and the ing and design service	Hsinchu, Taiwan	\$ 8,860,765	\$ 8,568,344	\$ 9,072,232	28%	28%	28%
ing and selling of circuits and other etor devices	Singapore	5,923,979	5,677,640	7,153,964	39%	39%	39%
l chip size packaging level post passivation tion service	Taoyuan, Taiwan	2,246,049	2,292,100	2,488,903	41%	41%	41%
g, developing, ing, testing and of integrated circuits	Hsinchu, Taiwan	1,255,013	1,300,194	1,224,963	35%	35%	35%
ing of electronic parts, g and retailing of materials, and , developing and FID	New Taipei, Taiwan	21,711	23,210		39%	39%	
		\$ 18,307,517	\$ 17,861,488	\$ 19,940,062			

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

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

Name of Associate	March 31, 2018	December 31, 2017	March 31, 2017
-------------------	----------------	-------------------	----------------

VIS	\$ 31,102,974	\$ 30,638,751	\$ 26,832,118
GUC	\$ 14,846,739	\$ 11,905,404	\$ 4,738,818
Xintec	\$ 7,366,863	\$ 9,180,759	\$ 5,007,687

17. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Equipment under Installation and Construction in Progress	Total
Cost						
Balance at January 1, 2018	\$ 3,983,243	\$ 379,134,613	\$ 2,487,752,265	\$ 42,391,516	\$ 167,353,490	\$ 3,080,615,127
Additions		18,168,937	36,110,432	1,904,943	6,903,141	63,087,453
Disposals or retirements		(12,295)	(1,727,577)	(50,750)		(1,790,622)
Effect of exchange rate changes	(14,718)	259,417	1,292,667	(15,246)	(88,994)	1,433,126
Balance at March 31, 2018	\$ 3,968,525	\$ 397,550,672	\$ 2,523,427,787	\$ 44,230,463	\$ 174,167,637	\$ 3,143,345,084

(Continued)

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Equipment under Installation and Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ 510,498	\$ 194,446,521	\$ 1,795,448,842	\$ 27,666,944	\$	\$ 2,018,072,805
Additions	6,688	5,841,659	63,281,950	1,331,989		70,462,286
Disposals or retirements		(2,922)	(1,107,367)	(50,573)		(1,160,862)
Effect of exchange rate changes	(9,795)	93,243	537,380	(16,180)		604,648
Balance at March 31, 2018	\$ 507,391	\$ 200,378,501	\$ 1,858,160,805	\$ 28,932,180	\$	\$ 2,087,978,877
Carrying amounts at						
January 1, 2018	\$ 3,472,745	\$ 184,688,092	\$ 692,303,423	\$ 14,724,572	\$ 167,353,490	\$ 1,062,542,322
Carrying amounts at March 31, 2018	\$ 3,461,134	\$ 197,172,171	\$ 665,266,982	\$ 15,298,283	\$ 174,167,637	\$ 1,055,366,207
<u>Cost</u>						
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)		22,844,918	107,830,782	2,280,174	(33,261,906)	99,693,968
Disposals or retirements		(18,994)	(1,466,833)	(4,993)		(1,490,820)
Reclassification			8,791	1,507		10,298
Effect of exchange rate changes	(47,560)	(1,124,646)	(4,261,654)	(129,570)	(176,397)	(5,739,827)
Balance at March 31, 2017	\$ 4,001,732	\$ 326,105,752	\$ 2,144,978,830	\$ 36,876,758	\$ 353,761,372	\$ 2,865,724,444
<u>Accumulated depreciation</u>						

and impairment

Balance at						
January 1, 2017	\$ 524,845	\$ 174,349,077	\$ 1,577,377,509	\$ 23,221,707	\$	\$ 1,775,473,138
Additions	7,106	4,600,837	53,350,352	1,175,066		59,133,361
Disposals or retirements		(18,994)	(1,336,213)	(4,974)		(1,360,181)
Reclassification			8,195	1,466		9,661
Effect of exchange rate changes	(29,992)	(910,592)	(3,861,614)	(93,480)		(4,895,678)
Balance at						
March 31, 2017	\$ 501,959	\$ 178,020,328	\$ 1,625,538,229	\$ 24,299,785	\$	\$ 1,828,360,301
Carrying amounts at						
March 31, 2017	\$ 3,499,773	\$ 148,085,424	\$ 519,440,601	\$ 12,576,973	\$ 353,761,372	\$ 1,037,364,143

(Concluded)

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.

18. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Balance at					
January 1, 2018	\$ 5,648,702	\$ 10,443,257	\$ 25,186,218	\$ 5,716,146	\$ 46,994,323
Additions		2,806	271,067	332,608	606,481
Disposals or retirements			(1,193)		(1,193)
Effect of exchange rate changes	(76,856)	(2,328)	4,795	3,020	(71,369)
Balance at					
March 31, 2018	\$ 5,571,846	\$ 10,443,735	\$ 25,460,887	\$ 6,051,774	\$ 47,528,242

<u>Accumulated</u>										
<u>Depreciation</u>										
<u>Impairment</u>										
Balance at										
January 1,										
2008	\$	\$	7,694,857	\$	20,376,693	\$	4,747,633	\$	32,819,183	
Adjustments			281,528		626,140		127,923		1,035,591	
Disposals or										
Impairments					(1,137)				(1,137)	
Effect of										
Change										
Accounting			(2,328)		1,729		909		310	
Balance at										
March 31,										
2008	\$	\$	7,974,057	\$	21,003,425	\$	4,876,465	\$	33,853,947	
<u>Accumulated</u>										
<u>Depreciation</u>										
<u>Impairment</u>										
Balance at										
January 1,										
2008	\$	5,648,702	\$	2,748,400	\$	4,809,525	\$	968,513	\$	14,175,140
Balance at										
March 31,										
2008	\$	5,571,846	\$	2,469,678	\$	4,457,462	\$	1,175,309	\$	13,674,295

(Continued)

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Cost					
Balance at January 1, 2017	\$ 6,007,975	\$ 9,546,007	\$ 22,243,595	\$ 5,386,435	\$ 43,184,012
Additions		233,977	528,188	195,537	957,702
Retirements			(75,237)		(75,237)
Reclassification			7,662	(17,960)	(10,298)
Effect of exchange rate changes	(249,171)	(2,607)	(6,197)	(6,275)	(264,250)
Balance at March 31, 2017	\$ 5,758,804	\$ 9,777,377	\$ 22,698,011	\$ 5,557,737	\$ 43,791,929
Accumulated amortization and impairment					
Balance at January 1, 2017	\$	\$ 6,147,200	\$ 18,144,428	\$ 4,277,538	\$ 28,569,166
Additions		385,022	525,031	128,771	1,038,824
Retirements			(75,237)		(75,237)
Reclassification			7,409	(17,070)	(9,661)
Effect of exchange rate changes		(2,607)	(5,125)	(1,867)	(9,599)
Balance at March 31, 2017	\$	\$ 6,529,615	\$ 18,596,506	\$ 4,387,372	\$ 29,513,493
Carrying amounts at March 31, 2017	\$ 5,758,804	\$ 3,247,762	\$ 4,101,505	\$ 1,170,365	\$ 14,278,436

(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 8.5% in its test of impairment as of December 31, 2017 to reflect the relevant specific risk in the cash-generating unit.

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

19. OTHER ASSETS

March 31, 2018	December 31, 2017	March 31, 2017
-------------------	----------------------	-------------------

Repayment of bonds and interest - prepaid	\$ 33,728,788	\$	\$
Tax receivable	4,471,031	4,021,602	1,921,963
Prepaid expenses	1,467,439	1,559,963	1,037,963
Others	1,793,794	1,623,995	1,689,373
	\$ 41,461,052	\$ 7,205,560	\$ 4,649,299
Current portion	\$ 39,947,321	\$ 4,222,440	\$ 3,025,168
Noncurrent portion	1,513,731	2,983,120	1,624,131
	\$ 41,461,052	\$ 7,205,560	\$ 4,649,299

Based on the contract terms of corporate bonds issued, prior to the date on which the principal or interests become due, the Company needs to transfer such amount in advance to a designated agent for repayment of principal and interest. The agent will repay the funds to the bond holders at maturity date.

20. SHORT-TERM LOANS

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured loans			
Amount	\$ 56,731,350	\$ 63,766,850	\$ 54,666,000
Original loan content			
US\$ (in thousands)	\$ 1,950,000	\$ 2,150,000	\$ 1,800,000
Annual interest rate	1.92%-2.22%	1.54%-1.82%	1.08%-1.23%
Maturity date	Due by May 2018	Due by February 2018	Due by April 2017

21. PROVISIONS

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

	Sales Returns and Allowances
<u>Three months ended March 31, 2017</u>	
Balance, beginning of period	\$ 18,037,789
Provision	8,556,743
Payment	(15,250,080)
Effect of exchange rate changes	(46,132)
Balance, end of period	\$ 11,298,320

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

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

22. BONDS PAYABLE

March 31, 2018	December 31, 2017	March 31, 2017
---------------------------	------------------------------	---------------------------

Domestic unsecured bonds	\$ 99,300,000	\$ 116,100,000	\$ 144,200,000
Overseas unsecured bonds	33,456,950	34,107,850	34,925,500
	132,756,950	150,207,850	179,125,500
Less: Discounts on bonds payable	(210)	(6,728)	(26,731)
Less: Current portion	(49,356,740)	(58,401,122)	(44,900,000)
	\$ 83,400,000	\$ 91,800,000	\$ 134,198,769

The major terms of overseas unsecured bonds are as follows:

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

23. GUARANTEE DEPOSITS

	March 31, 2018	December 31, 2017	March 31, 2017
Capacity guarantee	\$ 11,637,200	\$ 13,346,550	\$ 18,222,000
Receivables guarantee	2,475,412	2,427,548	4,900,473
Others	251,267	306,521	173,876
	\$ 14,363,879	\$ 16,080,619	\$ 23,296,349
Current portion (classified under accrued expenses and other current liabilities)	\$ 8,372,518	\$ 8,493,829	\$ 10,974,881
Noncurrent portion	5,991,361	7,586,790	12,321,468
	\$ 14,363,879	\$ 16,080,619	\$ 23,296,349

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

24. EQUITY

a. Capital stock

	March 31, 2018	December 31, 2017	March 31, 2017
Authorized shares (in thousands)	28,050,000	28,050,000	28,050,000

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Authorized capital	\$ 280,500,000	\$ 280,500,000	\$ 280,500,000
Issued and paid shares (in thousands)	25,930,380	25,930,380	25,930,380
Issued capital	\$ 259,303,805	\$ 259,303,805	\$ 259,303,805

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

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

As of March 31, 2018, 1,068,158 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,340,792 thousand shares (one ADS represents five common shares).

b. Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	\$ 24,184,939	\$ 24,184,939	\$ 24,184,939
From merger	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847
From share of changes in equities of subsidiaries	118,792	118,792	107,798
From share of changes in equities of associates	285,415	289,240	291,969
Donations	19,248	19,208	55
	\$ 56,305,751	\$ 56,309,536	\$ 56,282,118

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

c. Retained earnings and dividend policy

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

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

TSMC's Articles of Incorporation provide the policy about the profit sharing bonus to employees, please refer to Note 29.

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 2017 and 2016 earnings have been approved by TSMC's Board of Directors in its meeting held on February 13, 2018 and by TSMC's shareholders in its meeting held on June 8, 2017, respectively. The appropriations and dividends per share were as follows:

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

The appropriations of earnings for 2017 are to be presented for approval in the TSMC's shareholders' meeting to be held on June 5, 2018 (expected).

d. Others

Changes in others were as follows:

	Three Months Ended March 31, 2018				Total
	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Unearned Stock-Based Compensation	
Balance at January 1, 2018 (IFRS9)	\$ (26,697,680)	\$ (524,915)	\$ 4,226	\$ (10,290)	\$ (27,228,659)
Exchange differences arising on translation of foreign operations	(6,476,324)				(6,476,324)
Unrealized gain (loss) on financial assets at FVTOCI					
Equity instruments		(22,034)			(22,034)
Debt instruments		(979,455)			(979,455)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal		13,051			13,051
Cumulative unrealized gain (loss) of debt instruments		252,328			252,328

transferred to profit or loss due to disposal					
Loss allowance adjustments from debt instruments		(283)			(283)
Gain (loss) arising on changes in the fair value of hedging instruments			37,282		37,282
Share of other comprehensive income (loss) of associates	(39,352)	62			(39,290)
Share of unearned stock-based employee compensation of associates				3,111	3,111
Income tax effect		43,680	(4,474)		39,206
Balance, end of period	\$ (33,213,356)	\$ (1,217,566)	\$ 37,034	\$ (7,179)	\$ (34,401,067)

	Three Months Ended March 31, 2017					Total
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Res	Unearned Stock-Based Employee Compensation		
Balance, beginning of period	\$ 1,661,237	\$ 2,641	\$ 105	\$	\$ 1,663,983	
Exchange differences arising on translation of foreign operations	(21,242,411)				(21,242,411)	
Changes in fair value of available-for-sale financial assets		(106,236)			(106,236)	
Cumulative (gain) loss reclassified to profit or loss upon disposal of available-for-sale financial assets		9,796			9,796	
Share of other comprehensive income (loss) of associates	(61,681)	24			(61,657)	
Share of unearned stock-based employee compensation of associates				(19,502)	(19,502)	
Income tax effect		46,400			46,400	
Balance, end of period	\$ (19,642,855)	\$ (47,375)	\$ 105	\$ (19,502)	\$ (19,709,627)	

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

25. NET REVENUE

- a. Disaggregation of revenue from contracts with customers

	Three Months Ended March 31, 2018
Production	
Wafer	\$ 219,691,663
Others	28,387,008
	\$ 248,078,671

Region

	Three Months Ended March 31, 2018
Taiwan	\$ 18,401,294
United States	145,216,734
China	46,513,034
Europe, the Middle East and Africa	17,460,367
Japan	16,546,283
Others	3,940,959
	\$ 248,078,671

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

	Three Months Ended March 31, 2018
Application Type	
Communication	\$ 136,894,555
Industrial/Standard	57,749,827
Computer	37,589,134
Consumer	15,845,155
	\$ 248,078,671

	Three Months Ended March 31, 2018
Customer Type	
Fabless semiconductor companies/systems companies	\$ 204,360,744
Integrated device manufacturers	43,529,466
Others	188,461
	\$ 248,078,671

	Three Months Ended March 31, 2018
Resolution	
10-nanometer	\$ 40,853,554
16/20-nanometer	47,322,891
28-nanometer	44,156,689
40/45-nanometer	25,240,238
65-nanometer	20,445,219
90-nanometer	10,038,144
0.11/0.13 micron	5,448,803
0.15/0.18 micron	19,293,863
0.25 micron and above	6,892,262
Wafer revenue	\$ 219,691,663

b. Contract balances

	March 31, 2018	January 1, 2018
Contract liabilities (classified under accrued expenses and other current liabilities)	\$ 27,076,312	\$ 32,434,829

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

In the first quarter of 2018, the Company recognized NT\$26,965,981 thousand in revenue from the beginning balance of contract liability.

26. OTHER GAINS AND LOSSES

	Three Months Ended March 31	
	2018	2017
Loss on disposal of financial assets, net		
Investments in debt instruments at FVTOCI	\$ (252,328)	\$
Available-for-sale financial assets		(8,982)
Other gains	4,970	36,095
Net gain on financial instruments at FVTPL		
Held for trading		373,140
Mandatorily measured at FVTPL	1,108,710	
Designated as at FVTPL		50,134
Gain (loss) arising from fair value hedges, net	352	(19,487)
Impairment loss of financial assets		
Financial assets carried at cost		(12,032)
The reversal of expected credit loss of financial assets		
Investments in debt instruments at FVTOCI	283	
Financial assets at amortized cost	1,474	
Other losses	(98,273)	(3,679)
	\$ 765,188	\$ 415,189

27. INCOME TAX

- a. Income tax expense recognized in profit or loss

	Three Months Ended March 31	
	2018	2017
Current income tax expense		
Current tax expense recognized in the current period	\$ 10,984,946	\$ 12,642,088
Other income tax adjustments	39,385	36,356
	11,024,331	12,678,444
Deferred income tax benefit		
Effect of tax rate changes	(376,065)	
The origination and reversal of temporary differences	(492,219)	(1,039,536)
Investment tax credits and operating loss carryforward		(1,437,317)
	(868,284)	(2,476,853)

Income tax expense recognized in profit or loss	\$ 10,156,047	\$ 10,201,591
---	---------------	---------------

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is NT\$1,474,808 thousand, of which NT\$1,098,743 thousand has not been recognized as of March 31, 2018, with corresponding effect recognized throughout the interim periods. In addition, the tax rate applicable to unappropriated earnings was reduced from 10% to 5%.

b. Income tax expense recognized in other comprehensive income

	Three Months Ended March 31	
	2018	2017
Deferred income tax benefit (expense)		
Related to unrealized gain/loss on financial assets at FVTOCI	\$ 43,680	\$
Related to gain/loss on cash flow hedges	(4,474)	
Related to unrealized gain/loss on available-for-sale financial assets		46,400
	\$ 39,206	\$ 46,400

c. 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.

28. EARNINGS PER SHARE

	Three Months Ended March 31	
	2018	2017
Basic EPS	\$ 3.46	\$ 3.38
Diluted EPS	\$ 3.46	\$ 3.38

EPS is computed as follows:

	Amounts	Number of		
	(Numerator)	Shares	(Denominator)	EPS (NT\$)
		(In Thousands)		
<u>Three months ended March 31, 2018</u>				
Basic/Diluted EPS				
Net income available to common shareholders of the parent	\$ 89,784,622	25,930,380	\$	3.46
<u>Three months ended March 31, 2017</u>				
Basic/Diluted EPS				
Net income available to common shareholders of the parent	\$ 87,628,898	25,930,380	\$	3.38

29. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Three Months Ended March 31	
	2018	2017
a. Depreciation of property, plant and equipment		
Recognized in cost of revenue	\$ 64,798,902	\$ 54,492,962
Recognized in operating expenses	5,652,531	4,634,177
Recognized in other operating income and expenses	10,853	6,222
	\$ 70,462,286	\$ 59,133,361
b. Amortization of intangible assets		
Recognized in cost of revenue	\$ 484,597	\$ 527,908
Recognized in operating expenses	550,994	510,916
	\$ 1,035,591	\$ 1,038,824
c. Research and development expenses	\$ 20,428,594	\$ 19,412,393
d. Employee benefits expenses		
Post-employment benefits		
Defined contribution plans	\$ 619,490	\$ 575,760
Defined benefit plans	70,436	67,875
	689,926	643,635
Other employee benefits	26,391,042	25,289,182
	\$ 27,080,968	\$ 25,932,817
Employee benefits expense summarized by function		
Recognized in cost of revenue	\$ 15,878,407	\$ 15,228,900
Recognized in operating expenses	11,202,561	10,703,917
	\$ 27,080,968	\$ 25,932,817

According to TSMC's Articles of Incorporation, TSMC shall allocate compensation to directors and profit sharing bonus to employees of TSMC not more than 0.3% and not less than 1% of annual profits during the period, respectively.

TSMC accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT\$6,023,994 thousand and NT\$5,877,094 thousand for the three months ended March 31, 2018 and 2017, respectively; compensation to directors was expensed based on estimated amount payable. If there is a change in the

proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

TSMC's profit sharing bonus to employees and compensation to directors in the amounts of NT\$23,019,082 thousand and NT\$368,919 thousand in cash for 2017, respectively, and profit sharing bonus to employees and compensation to directors in the amounts of NT\$22,418,339 thousand and NT\$376,432 thousand in cash for 2016, respectively, had been approved by the Board of Directors of TSMC held on February 13, 2018 and February 14, 2017, respectively. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2017 and 2016, respectively.

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

30. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	Balance as of January 1, 2018	Financing Cash Flow	Non-cash changes Foreign Exchange Movement	Other Changes (Note)	Balance as of March 31, 2018
Short-term loans	\$ 63,766,850	\$ (5,774,830)	\$ (1,260,670)	\$	\$ 56,731,350
Guarantee deposits	16,080,619	(54,135)	(182,905)	(1,479,700)	14,363,879
Bonds payable	150,201,122	(16,800,000)	(650,823)	6,441	132,756,740
Total	\$ 230,048,591	\$ (22,628,965)	\$ (2,094,398)	\$ (1,473,259)	\$ 203,851,969

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

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2018
Financial assets	
Financial assets at FVTPL (Note 1)	\$ 963,915
Financial assets at FVOCI (Note 2)	101,749,350
Hedging financial assets	26,357
Amortized cost (Note 3)	719,404,172
	\$ 822,143,794
Financial liabilities	
FVTPL (Note 4)	\$ 170,673
Hedging financial liabilities	79,182
Amortized cost (Note 5)	320,473,302

\$ 320,723,157

Note 1: Financial assets mandatorily measured at FVTPL.

Note 2: Including debt and equity investments.

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

Note 4: Held for trading.

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

- 45 -

	December 31, 2017	March 31, 2017
Financial assets		
FVTPL (Note 6)	\$ 569,751	\$ 5,374,003
Available-for-sale financial assets (Note 7)	98,248,410	75,163,089
Held-to-maturity financial assets	20,821,714	38,639,832
Hedging derivative financial assets	34,394	
Loans and receivables (Note 8)	684,416,654	678,221,474
	\$ 804,090,923	\$ 797,398,398
Financial liabilities		
FVTPL (Note 6)	\$ 26,709	\$ 124,935
Hedging derivative financial liabilities	15,562	3,908
Amortized cost (Note 9)	340,501,266	358,368,663
	\$ 340,543,537	\$ 358,497,506

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

Note 7: Including financial assets carried at cost.

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

Note 9: Including short-term loans, accounts payable (including related parties), payables to contractors and equipment suppliers, accrued expenses and other current liabilities, bonds payable, long-term bank loans, and guarantee deposits.

b. Financial risk management objectives

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

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

c. Market risk

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

Foreign currency risk

Most of the Company's revenues and expenditures are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company uses derivative financial instruments, such as forward exchange contracts and cross currency swaps, and non-derivative financial instruments, such as foreign currency-denominated debt, to partially hedge the Company's existing and certain forecasted currency exposure. These hedges will offset only a portion of, but do not eliminate, the financial impact from movements in foreign currency exchange rates.

The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items and the derivatives financial instruments at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges relative to the New Taiwan dollar, the net income for the three months ended March 31, 2018 and 2017 would have decreased by NT\$1,060,765 thousand and NT\$878,838 thousand, respectively, and the other comprehensive income for the three months ended March 31, 2018 would have decreased by NT\$326,872 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. As of December 31, 2017, the Company had no outstanding long-term bank loans.

The Company classified its investments in fixed income securities as financial assets at FVTPL, financial assets at FVTOCI and financial assets at amortized costs starting from 2018; as available-for-sale and held-to-maturity financial assets in 2017. Because financial assets at amortized costs and held-to-maturity fixed income securities are measured at amortized cost, changes in interest rates would not affect the fair value. On the other hand, financial assets at FVTPL, financial assets at FVTOCI and available-for-sale fixed income securities are exposed to fair value fluctuations caused by changes in interest rates. The Company utilized interest rate futures to partially hedge the interest rate risk on its financial assets at FVTPL and FVTOCI and available-for-sale fixed income investments. These hedges may offset only a small portion of the financial impact from movements in interest rates.

Based on a sensitivity analysis performed at the end of the reporting period, a hypothetical 100 basis points (1.00%) increase in interest rates across all maturities would have resulted in a decrease in profit or loss by 73,285 thousand for the three months ended March 31, 2018, and in a decrease in other comprehensive income by NT\$2,243,927 thousand and NT\$1,778,761 thousand for three months ended March 31, 2018 and 2017, respectively.

Other price risk

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

Assuming a hypothetical decrease of 5% in prices of the equity investments at the end of the reporting period for the three months ended March 31, 2018 and 2017, the other comprehensive income would have decreased by NT\$395,686 thousand and NT\$327,239 thousand, respectively.

d. Credit risk management

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

Business related credit risk

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

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Company's ten largest customers accounted for 76%, 70% and 73% of accounts receivable, respectively. The Company believes the concentration of credit risk is not material for the remaining accounts receivable.

Financial credit risk

The Company 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.

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

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

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

Category	Description	Basis for Recognizing Expected Credit Loss	Expected
			Credit Loss Ratio
Performing	Credit rating on trade date and valuation date: (1) Within investment grade	12 months expected credit loss	0~0.11%

Doubtful	(2) Between BB+ and BB- Credit rating on trade date and valuation date:	Lifetime expected credit loss-not credit impaired
----------	---	--

(1) From investment grade to
non-investment grade

(2) From BB+~BB-to B+~CCC-

(Continued)

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio
In default	Credit rating CC or below	Lifetime expected credit loss-credit impaired	
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	

(Concluded)

For the three months ended March 31, 2018, the expected credit loss decreases NT\$2,486 thousand, mainly attributed to increase in debt investments of higher credit rating.

e. Liquidity risk management

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

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

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
March 31, 2018					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 56,787,188	\$	\$	\$	\$ 56,787,188
Accounts payable (including related parties)	29,041,977				29,041,977
Payables to contractors and equipment suppliers	47,828,289				47,828,289
Accrued expenses and other current liabilities	39,751,067				39,751,067
Bonds payable	51,058,202	62,362,560	17,128,725	6,143,816	136,693,303
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	8,372,518	5,908,158	83,203		14,363,879
	232,839,241	68,270,718	17,211,928	6,143,816	324,465,703

Derivative financial instruments

Forward exchange contracts					
Outflows		69,663,091			69,663,091
Inflows		(69,633,869)			(69,633,869)
		29,222			29,222
		\$ 232,868,463	\$ 68,270,718	\$ 17,211,928	\$ 6,143,816
					\$ 324,494,925

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>December 31, 2017</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 63,801,977	\$	\$	\$	\$ 63,801,977
Accounts payable (including related parties)	30,069,163				30,069,163
Payables to contractors and equipment suppliers	55,723,774				55,723,774
Accrued expenses and other current liabilities	24,659,738				24,659,738
Bonds payable	60,176,818	68,378,787	7,777,715	18,203,601	154,536,921
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	8,493,829	7,503,151	83,639		16,080,619
	242,925,299	75,881,938	7,861,354	18,203,601	344,872,192
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	67,393,539				67,393,539
Inflows	(67,957,919)				(67,957,919)
	(564,380)				(564,380)
	\$ 242,360,919	\$ 75,881,938	\$ 7,861,354	\$ 18,203,601	\$ 344,307,812
<u>March 31, 2017</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 54,687,875	\$	\$	\$	\$ 54,687,875
Accounts payable (including related parties)	24,252,762				24,252,762
Payables to contractors and equipment suppliers	57,671,953				57,671,953
Accrued expenses and other current liabilities	19,353,790				19,353,790
Bonds payable	47,013,779	101,618,771	13,673,294	22,881,721	185,187,565
Long-term bank loans	10,463	19,954			30,417
	10,974,881	12,235,825	85,643		23,296,349

Guarantee deposits
(including those classified
under accrued expenses
and other current
liabilities)

	213,965,503	113,874,550	13,758,937	22,881,721	364,480,711
--	-------------	-------------	------------	------------	-------------

Derivative financial
instruments

Forward exchange contracts					
Outflows	36,386,668				36,386,668
Inflows	(36,341,820)				(36,341,820)
	44,848				44,848
	\$ 214,010,351	\$ 113,874,550	\$ 13,758,937	\$ 22,881,721	\$ 364,525,559

(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:

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mandatorily measured at FVTPL				
Agency bonds/Agency mortgage-backed securities	\$	\$ 754,545	\$	\$ 754,545
Forward exchange contracts		113,426		113,426
Asset-backed securities		95,944		95,944
	\$	\$ 963,915	\$	\$ 963,915
<u>Financial assets at FVTOCI</u>				
Investments in debt instruments at FVTOCI				
Corporate bonds	\$	\$ 37,980,277	\$	\$ 37,980,277
Agency bonds/Agency mortgage-backed securities		32,189,767		32,189,767
Asset-backed securities		13,671,612		13,671,612
Government bonds	9,395,235	98,969		9,494,204
Commercial paper		57,877		57,877
Investments in equity instruments at FVTOCI				
Non-publicly traded stocks			3,032,070	3,032,070
Funds			3,003,834	3,003,834
Publicly traded stocks	2,319,709			2,319,709
	\$ 11,714,944	\$ 83,998,502	\$ 6,035,904	\$ 101,749,350
<u>Hedging financial assets</u>				
Cash flow hedges				
Forward exchange contracts	\$	\$ 26,357	\$	\$ 26,357
<u>Financial liabilities at FVTPL</u>				
Held for trading				

Forward exchange contracts	\$		\$	170,673	\$		\$	170,673
<u>Hedging financial liabilities</u>								
Fair value hedges								
Interest rate futures contracts	\$	74,811	\$		\$		\$	74,811
Cash flow hedges								
Forward exchange contracts				4,371				4,371
	\$	74,811	\$	4,371	\$		\$	79,182

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 569,751	\$	\$ 569,751
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$	\$ 40,165,148	\$	\$ 40,165,148
Agency bonds/Agency mortgage-backed securities		29,235,388		29,235,388
Asset-backed securities		13,459,545		13,459,545
Government bonds	7,715,980	101,743		7,817,723
Publicly traded stocks	2,548,054			2,548,054
Commercial paper		148,295		148,295
	\$ 10,264,034	\$ 83,110,119	\$	\$ 93,374,153
<u>Hedging derivative financial assets</u>				
Fair value hedges				
Interest rate futures contracts	\$ 27,016	\$	\$	\$ 27,016
Cash flow hedges				
Forward exchange contracts		7,378		7,378
	\$ 27,016	\$ 7,378	\$	\$ 34,394
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 26,709	\$	\$ 26,709
<u>Hedging derivative financial liabilities</u>				
Cash flow hedges				
Forward exchange contracts	\$	\$ 15,562	\$	\$ 15,562
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 23,432	\$	\$ 23,432
Designated as at FVTPL				
Time deposit		5,344,256		5,344,256

	March 31, 2017			
	Level 1	Level 2	Level 3	Total

<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 23,432	\$	\$ 23,432
Designated as at FVTPL				
Time deposit		5,344,256		5,344,256

Forward exchange contracts		6,315		6,315
	\$	\$ 5,374,003	\$	\$ 5,374,003
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$	\$ 31,423,219	\$	\$ 31,423,219
Agency bonds/Agency mortgage-backed securities		17,234,724		17,234,724
Asset-backed securities		11,252,756		11,252,756
Government bonds		7,726,028		7,831,260
Publicly traded stocks		2,849,231		2,849,231
Commercial paper		492,607		492,607
	\$	\$ 10,575,259	\$	\$ 60,508,538
				\$ 71,083,797

(Continued)

	March 31, 2017			Total
	Level 1	Level 2	Level 3	
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 80,795	\$	\$ 80,795
Designated as at FVTPL				
Forward exchange contracts		44,140		44,140
	\$	\$ 124,935	\$	\$ 124,935
<u>Hedging derivative financial liabilities</u>				
Interest rate futures contracts	\$ 3,908	\$	\$	\$ 3,908
				(Concluded)

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

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2018.

Reconciliation of Level 3 fair value measurements of financial assets

The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the three months ended March 31, 2018 were as follows:

Balance at January 1, 2018	\$ 5,841,384
Additions	128,951
Total gains or losses recognized in other comprehensive income	205,421
Disposals	(45,210)
Effect of exchange rate changes	(94,642)
Balance at March 31, 2018	\$ 6,035,904

Valuation techniques and assumptions used in Level 2 fair value measurement

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

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

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

- 53 -

Valuation techniques and assumptions used in Level 3 fair value Measurement

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

To determine the fair value for the funds, the Company utilizes the asset approach and takes into account the net asset value measured at the fair value by independent parties. On March 31, 2018, the Company uses unobservable inputs derived from discount for lack of marketability by 10%. When other inputs remain equal, the fair value will decrease by NT\$31,078 thousand if discounts for lack of marketability increase by 1%.

The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. On March 31, 2018, the Company uses significant unobservable inputs, which include long term revenue growth rate of approximately 3%, discount rate of 8.5%, discount for lack of marketability of 10%, and discounts for lack of control of 10%. When other inputs remain equal, if long term revenue growth rate decreases by 1%, the fair value will decrease by NT\$41,323 thousand; if discount rate increases by 1%, the fair value will decrease by NT\$75,000 thousand; if discount for lack of marketability increases by 1%, the fair value will decrease by NT\$21,520 thousand; if discount for lack of control increases by 1%, the fair value will decrease by NT\$21,520 thousand.

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

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

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

	March 31, 2018	
	Carrying Amount	Fair Value
<u>Financial assets</u>		
Financial assets at amortized costs		
Corporate bonds	\$ 18,467,935	\$ 18,618,060
Structured product	1,454,047	1,447,779
<u>Financial liabilities</u>		
Financial assets at amortized costs		
Bonds payable	132,756,740	134,616,063

	December 31, 2017		March 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets				
Corporate bonds	\$ 19,338,764	\$ 19,541,419	\$ 22,241,885	\$ 22,431,579
Structured product	1,482,950	1,475,350	1,518,500	1,513,549
Commercial paper			10,323,947	10,343,339
Negotiable certificate of deposit			4,555,500	4,568,438
Financial liabilities				
Measured at amortized cost				
Bonds payable	150,201,122	152,077,728	179,098,769	180,786,416

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:

	March 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at amortized costs				
Corporate bonds	\$	\$ 18,618,060	\$	\$ 18,618,060
Structured product		1,447,779		1,447,779
	\$	\$ 20,065,839	\$	\$ 20,065,839

Financial liabilities

Financial liabilities at amortized costs				
Bonds payable	\$	\$ 134,616,063	\$	\$ 134,616,063

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity securities				
Corporate bonds	\$	\$ 19,541,419	\$	\$ 19,541,419
Structured product		1,475,350		1,475,350
	\$	\$ 21,016,769	\$	\$ 21,016,769

Financial liabilities

Measured at amortized cost

Bonds payable	\$	\$	152,077,728	\$	\$	152,077,728
---------------	----	----	-------------	----	----	-------------

- 55 -

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds	\$	\$ 22,431,579	\$	\$ 22,431,579
Commercial paper		10,343,339		10,343,339
Negotiable certificate of deposit		4,568,438		4,568,438
Structured product		1,513,549		1,513,549
	\$	\$ 38,856,905	\$	\$ 38,856,905
<u>Financial liabilities</u>				
Measured at amortized cost				
Bonds payable	\$	\$ 180,786,416	\$	\$ 180,786,416

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

Valuation techniques and assumptions used in Level 2 fair value measurement

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

The fair value of commercial paper is determined by the present value of future cash flows based on the discounted yield curves that are derived from the quoted market prices.

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

32. RELATED PARTY TRANSACTIONS

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

- a. Related party name and categories

Related Party Name	Related Party Categories
GUC	Associates

VIS	Associates
SSMC	Associates
Xintec	Associates
Mutual-Pak	Associates
TSMC Education and Culture Foundation	Other related parties
TSMC Charity Foundation	Other related parties

- 56 -

b. Net revenue

<u>Item</u>	<u>Related Party Categories</u>	<u>Three Months Ended March 31</u>	
		2018	2017
Net revenue from sale of goods	Associates	\$ 2,174,536	\$ 1,524,150
Net revenue from royalties	Associates	\$ 126,102	\$ 117,775

c. Purchases

<u>Related Party Categories</u>	<u>Three Months Ended March 31</u>	
	2018	2017
Associates	\$ 2,223,350	\$ 2,628,068

d. Receivables from related parties

<u>Item</u>	<u>Related Party Name/Categories</u>	March 31,	December 31,	March 31,
		2018	2017	2017
Receivables from related parties	GUC	\$ 1,119,260	\$ 1,022,892	\$ 494,839
	Xintec	60,052	161,232	
		\$ 1,179,312	\$ 1,184,124	\$ 494,839
Other receivables from related parties	VIS	\$ 77,843	\$ 78,141	\$ 84,321
	SSMC	49,604	83,099	50,474
	Other associates	2,623	9,818	256
	\$ 130,070	\$ 171,058	\$ 135,051	

e. Payables to related parties

		March 31,	December 31,	March 31,
		2018	2017	2017
<u>Item</u>	<u>Related Party Name</u>			
Payables to related parties	VIS	\$ 452,091	\$ 409,950	\$ 604,897
	Xintec	406,234	817,930	171,524
	SSMC	359,001	406,959	383,246
	Other associates	6,981	21,517	11,528
		\$ 1,224,307	\$ 1,656,356	\$ 1,171,195

f. Accrued expenses and other current liabilities

		March 31,	December 31,	March 31,
		2018	2017	2017
<u>Item</u>	<u>Related Party Categories</u>			
Contract liabilities	Associates	\$ 17,402	\$	\$
Advance receipts	Associates	\$	\$ 96,502	\$ 384,778

g. Others

		Three Months Ended March 31	
		2018	2017
<u>Item</u>	<u>Related Party Categories</u>		
Manufacturing expenses	Associates	\$ 672,932	\$ 256,657
General and administrative expenses	Other related parties	\$ 45,074	\$ 12,000

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 ended March 31, 2018 and 2017 were as follows:

	Three Months Ended March 31	
	2018	2017
Short-term employee benefits	\$ 534,943	\$ 527,053

Post-employment benefits	21,645	1,146
	\$ 556,588	\$ 528,199

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.

33. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of March 31, 2018, December 31, 2017 and March 31, 2017, the aforementioned other financial assets amounted to NT\$117,677 thousand, NT\$165,618 thousand and NT\$157,244 thousand, respectively.

34. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than 1 year	\$ 4,853,387	\$ 3,116,209	\$ 1,272,661
Later than 1 year and not later than 5 years	5,088,935	5,174,729	3,639,334
Later than 5 years	9,318,985	8,905,848	6,727,624
	\$ 19,261,307	\$ 17,196,786	\$ 11,639,619

35. 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 March 31, 2018, the R.O.C. Government did not invoke such right.
- b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and NXP B.V. are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any

party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of March 31, 2018.

- c. In May 2017, Uri Cohen filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America and other companies infringe four U.S. patents. Cohen's case has been transferred to and consolidated with the responsive declaratory judgment case for non-infringement of Cohen's asserted patents filed by TSMC and TSMC North America in the U.S. District Court for the Northern District of California. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
- d. On September 28, 2017, TSMC was contacted by the European Commission (the Commission), which has asked us for information and documents concerning alleged anti-competitive practices in relation to semiconductor sales. We are cooperating with the Commission to provide the requested information and documents. In light of the fact that this proceeding is still in its preliminary stage, it is premature to predict how the case will proceed, the outcome of the proceeding or its impact.
- e. TSMC entered into long-term purchase agreements of silicon wafer with multiple suppliers. The relative minimum purchase quantity and price are specified in the agreements.
- f. Amounts available under unused letters of credit as of March 31, 2018, December 31, 2017 and March 31, 2017 were NT\$66,914 thousand, NT\$94,909 thousand and NT\$97,184 thousand, respectively.

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

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

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>March 31, 2018</u>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 4,428,364	29.093	\$ 128,834,383
USD	651,633	6.264(Note 2)	18,957,968
EUR	74,176	35.92	2,664,388
JPY	711,970	0.2746	195,507
<u>Non-monetary items</u>			
HKD	216,534	3.71	803,343
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	4,040,810	29.093	117,559,276

EUR	184,925	35.92	6,642,497
JPY	38,476,708	0.2746	10,565,704

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>December 31, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,668,611	29.659	\$ 168,125,342
USD	580,555	6.512(Note 2)	17,218,674
EUR	236,474	35.45	8,383,015
JPY	34,335,661	0.2629	9,026,845
Non-monetary items			
HKD	285,336	3.80	1,084,276
<u>Financial liabilities</u>			
Monetary items			
USD	4,048,384	29.659	120,071,030
EUR	415,819	35.45	14,740,766
JPY	43,205,838	0.2629	11,358,815
<u>March 31, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,344,232	30.370	\$ 131,934,327
USD	305,563	6.891(Note 2)	9,279,956
EUR	12,694	32.61	413,957
JPY	418,699	0.2731	114,347
Non-monetary items			
HKD	203,027	3.91	793,837
<u>Financial liabilities</u>			
Monetary items			
USD	4,228,469	30.370	128,418,618
EUR	211,843	32.61	6,908,184
JPY	53,477,096	0.2731	14,604,595
			(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 ended March 31, 2018 and 2017, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Company, the Company was

unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

- 61 -

37. 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.

38. ADDITIONAL DISCLOSURES

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

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Information about the derivative financial instruments transaction: Please see Notes 7 and 13;
- j.

Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 8 attached;

k. Names, locations, and related information of investees over which TSMC exercises significant influence (excluding information on investment in mainland China): Please see Table 9 attached;

l. Information on investment in mainland China

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

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

TABLE 1**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****FINANCINGS PROVIDED****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Instrument	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 3)	Ending Balance (Foreign Currencies in Thousands) (Note 3)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing Transaction (Note 4)	Reason for Financing (Note 4)
Accounts from parties	Yes	\$ 45,908,750 (RMB 5,500,000) & (US\$ 700,000)	\$ 45,908,750 (RMB 5,500,000) & (US\$ 700,000)	\$ 22,012,290 (RMB 3,800,000) & (US\$ 150,000)	1.30%-1.88%	The need for short-term and long-term financing	Operating capital
Receivables	Yes	43,639,500 (US\$ 1,500,000)				The need for short-term financing	Operating capital

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

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

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

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

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

TABLE 2**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Provider	Guaranteed Party	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Party (Notes 1 and 2)	Maximum Balance for the Period (US\$ in Thousands) (Note 3)	Ending Balance (US\$ in Thousands) (Note 3)	Amount Actually Drawn (US\$ in Thousands)	Ratio of Accumulated Endorsement/ Guarantee Amount to Amount of Net Equity by Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
	TSMC Global	Subsidiary	\$ 401,474,597	\$ 33,456,950	\$ 33,456,950	\$ 33,456,950	2.08%	\$ 401,474,597
				(US\$ 1,150,000)	(US\$ 1,150,000)	(US\$ 1,150,000)		
	TSMC North America	Subsidiary	401,474,597	2,420,925	2,420,925	2,420,925	0.15%	401,474,597
				(US\$ 83,213)	(US\$ 83,213)	(US\$ 83,213)		

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

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

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

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****MARCH 31, 2018****(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 (In Thousands)	March 31, 2018		Percentage Ownership (%)	Fair Value (Foreign Currencies) (In Thousands)	Note
				Carrying Value (Foreign Currencies) (In Thousands)				
TSMC	<u>Common stock</u>							
	Motech		Financial assets at fair value through other comprehensive income	58,320	\$ 1,306,363	11	\$ 1,306,363	
	Semiconductor Manufacturing International Corporation			21,105	803,343		803,343	
	United Industrial Gases Co., Ltd.			21,230	558,744	10	558,744	
	Shin-Etsu Handotai Taiwan Co., Ltd.			10,500	353,303	7	353,303	
	Global Investment Holding Inc.			11,124	94,543	6	94,543	
	W.K. Technology Fund IV			1,152	9,587	2	9,587	
	<u>Fund</u>							
	Horizon Ventures Fund		Financial assets at fair value through other comprehensive income		6,715	12	6,715	
	Crimson Asia Capital				5,863	1	5,863	
TSMC Partners	<u>Common stock</u>							

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Tela Innovations	Financial assets at fair value through other comprehensive income	10,440	US\$	65,000	25	US\$	65,000
Mcube Inc.		6,333			12		
<u>Fund</u>							
Shanghai Walden Venture Capital Enterprise	Financial assets at fair value through other comprehensive income		US\$	14,447	6	US\$	14,447
China Walden Venture Investments II, L.P.			US\$	8,048	9	US\$	8,048
China Walden Venture Investments III, L.P.			US\$	1,400	5	US\$	1,400
TSMC Global	<u>Corporate bond</u>						
Bank of America Corp	Financial assets at fair value through other comprehensive income		US\$	41,775	N/A	US\$	41,775
Morgan Stanley			US\$	41,616	N/A	US\$	41,616
JPMorgan Chase & Co			US\$	40,145	N/A	US\$	40,145
Goldman Sachs Group Inc/The			US\$	33,315	N/A	US\$	33,315
Citigroup Inc			US\$	28,536	N/A	US\$	28,536
AT&T Inc			US\$	26,534	N/A	US\$	26,534
CVS Health Corp			US\$	24,628	N/A	US\$	24,628
Verizon Communications Inc			US\$	18,854	N/A	US\$	18,854
Ford Motor Credit Co LLC			US\$	16,938	N/A	US\$	16,938
Apple Inc			US\$	15,096	N/A	US\$	15,096
Credit Suisse AG/New York NY			US\$	13,451	N/A	US\$	13,451
Anheuser-Busch InBev Finance Inc			US\$	13,224	N/A	US\$	13,224
Celgene Corp			US\$	12,459	N/A	US\$	12,459
PNC Bank NA			US\$	12,269	N/A	US\$	12,269
BAT Capital Corp			US\$	12,206	N/A	US\$	12,206

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Daimler Finance North America LLC	US\$	11,917	N/A	US\$	11,917
AbbVie Inc	US\$	11,375	N/A	US\$	11,375
BP Capital Markets PLC	US\$	11,080	N/A	US\$	11,080
Southern Co/The Cardinal Health Inc	US\$	10,510	N/A	US\$	10,510
ABN AMRO Bank NV	US\$	10,333	N/A	US\$	10,333
Wells Fargo & Co	US\$	9,890	N/A	US\$	9,890
HSBC Holdings PLC	US\$	9,709	N/A	US\$	9,709
	US\$	9,695	N/A	US\$	9,695

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Accounts	March 31, 2018			Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies) (In Thousands)	Percentage Ownership (%)	
TSMC Global	Capital One NA/Mclean VA		Financial assets at fair value through other comprehensive income		US\$ 9,277	N/A	US\$ 9,277
	Sumitomo Mitsui Financial Group Inc				US\$ 9,250	N/A	US\$ 9,250
	Macquarie Group Ltd				US\$ 9,100	N/A	US\$ 9,100
	Mitsubishi UFJ Financial Group Inc				US\$ 8,975	N/A	US\$ 8,975
	Wells Fargo Bank NA				US\$ 8,872	N/A	US\$ 8,872
	Analog Devices Inc				US\$ 8,856	N/A	US\$ 8,856
	ERAC USA Finance LLC				US\$ 8,652	N/A	US\$ 8,652
	Tyson Foods Inc				US\$ 8,340	N/A	US\$ 8,340
	Toronto-Dominion Bank/The				US\$ 8,241	N/A	US\$ 8,241
	Duke Energy Corp				US\$ 8,162	N/A	US\$ 8,162
	American International Group Inc				US\$ 7,861	N/A	US\$ 7,861
	Hewlett Packard Enterprise Co				US\$ 7,813	N/A	US\$ 7,813
	Svenska Handelsbanken AB				US\$ 7,762	N/A	US\$ 7,762
	Huntington National Bank/The				US\$ 7,717	N/A	US\$ 7,717
	Tencent Holdings Ltd				US\$ 7,685	N/A	US\$ 7,685
	UBS Group Funding Switzerland AG				US\$ 7,396	N/A	US\$ 7,396
	Westpac Banking Corp				US\$ 7,371	N/A	US\$ 7,371
	Reckitt Benckiser Treasury Services PLC				US\$ 7,349	N/A	US\$ 7,349
	ANZ New Zealand Int 1 Ltd/London				US\$ 7,255	N/A	US\$ 7,255
	Deutsche Telekom International Finance BV				US\$ 7,126	N/A	US\$ 7,126
	Microsoft Corp				US\$ 7,106	N/A	US\$ 7,106
	Skandinaviska Enskilda Banken AB				US\$ 7,070	N/A	US\$ 7,070
	Banque Federative du Credit Mutuel SA				US\$ 7,028	N/A	US\$ 7,028
	Bank of New York Mellon Corp/The				US\$ 7,014	N/A	US\$ 7,014
	Siemens Financieringsmaatschappij				US\$ 6,977	N/A	US\$ 6,977

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

NV			
Hyundai Capital America	US\$ 6,948	N/A	US\$ 6,948
Barclays PLC	US\$ 6,898	N/A	US\$ 6,898
Dominion Energy Inc	US\$ 6,796	N/A	US\$ 6,796
Marriott International Inc/MD	US\$ 6,793	N/A	US\$ 6,793
Citizens Bank NA/Providence RI	US\$ 6,630	N/A	US\$ 6,630
QUALCOMM Inc	US\$ 6,529	N/A	US\$ 6,529
Mizuho Financial Group Inc	US\$ 6,402	N/A	US\$ 6,402
Reliance Standard Life Global Funding II	US\$ 6,400	N/A	US\$ 6,400
Fifth Third Bancorp	US\$ 6,390	N/A	US\$ 6,390
Banco Santander SA	US\$ 6,289	N/A	US\$ 6,289
21st Century Fox America Inc	US\$ 6,245	N/A	US\$ 6,245
Dow Chemical Co/The Welltower Inc	US\$ 6,214	N/A	US\$ 6,214
Santander UK Group Holdings PLC	US\$ 6,172	N/A	US\$ 6,172
Northrop Grumman Corp	US\$ 6,101	N/A	US\$ 6,101
Nordea Bank AB	US\$ 6,052	N/A	US\$ 6,052
SMBC Aviation Capital Finance DAC	US\$ 6,046	N/A	US\$ 6,046
KeyCorp	US\$ 5,869	N/A	US\$ 5,869
Manufacturers & Traders Trust Co	US\$ 5,823	N/A	US\$ 5,823
UBS AG/London	US\$ 5,801	N/A	US\$ 5,801
Schlumberger Holdings Corp	US\$ 5,770	N/A	US\$ 5,770
Oracle Corp	US\$ 5,704	N/A	US\$ 5,704
Air Lease Corp	US\$ 5,702	N/A	US\$ 5,702
Santander UK PLC	US\$ 5,596	N/A	US\$ 5,596
Toyota Motor Credit Corp	US\$ 5,592	N/A	US\$ 5,592
Penske Truck Leasing Co Lp / PTL Finance Corp	US\$ 5,592	N/A	US\$ 5,592
UBS AG/Stamford CT	US\$ 5,521	N/A	US\$ 5,521
ITC Holdings Corp	US\$ 5,458	N/A	US\$ 5,458
Amgen Inc	US\$ 5,385	N/A	US\$ 5,385
International Bank for Reconstruction & Development	US\$ 5,215	N/A	US\$ 5,215
Montpelier Re Holdings Ltd	US\$ 5,164	N/A	US\$ 5,164
McCormick & Co Inc/MD	US\$ 5,163	N/A	US\$ 5,163
	US\$ 5,146	N/A	US\$ 5,146

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2018		Note
				Carrying Value (Foreign Currencies)	Fair Value (Foreign Currencies)	
			Shares/Units (In Thousands)	Percentage Ownership (%)		
TSMC Global	Jackson National Life Global Funding		Financial assets at fair value through other comprehensive income	US\$ 5,073	N/A	US\$ 5,073
	Branch Banking & Trust Co			US\$ 5,025	N/A	US\$ 5,025
	Aviation Capital Group Corp			US\$ 5,009	N/A	US\$ 5,009
	KeyBank NA/Cleveland OH			US\$ 4,980	N/A	US\$ 4,980
	Cigna Corp			US\$ 4,968	N/A	US\$ 4,968
	Rockwell Collins Inc			US\$ 4,933	N/A	US\$ 4,933
	BB&T Corp			US\$ 4,875	N/A	US\$ 4,875
	US Bancorp			US\$ 4,841	N/A	US\$ 4,841
	Cox Communications Inc			US\$ 4,795	N/A	US\$ 4,795
	BPCE SA			US\$ 4,765	N/A	US\$ 4,765
	American Express Credit Corp			US\$ 4,748	N/A	US\$ 4,748
	Five Corners Funding Trust			US\$ 4,700	N/A	US\$ 4,700
	Shell International Finance BV			US\$ 4,681	N/A	US\$ 4,681
	Air Liquide Finance SA			US\$ 4,672	N/A	US\$ 4,672
	SunTrust Banks Inc			US\$ 4,567	N/A	US\$ 4,567
	AEP Texas Inc			US\$ 4,480	N/A	US\$ 4,480
	Ryder System Inc			US\$ 4,427	N/A	US\$ 4,427
	New York Life Global Funding			US\$ 4,415	N/A	US\$ 4,415
	US Bank NA/Cincinnati OH			US\$ 4,341	N/A	US\$ 4,341
	Bank of Montreal			US\$ 4,306	N/A	US\$ 4,306
	Enterprise Products Operating LLC			US\$ 4,299	N/A	US\$ 4,299
	Lloyds Bank PLC			US\$ 4,185	N/A	US\$ 4,185
	Exelon Generation Co LLC			US\$ 4,037	N/A	US\$ 4,037
	Ventas Realty LP / Ventas Capital Corp			US\$ 3,982	N/A	US\$ 3,982
	Mondelez International Holdings Netherlands			US\$ 3,979	N/A	US\$ 3,979

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

BV				
Nuveen Finance LLC	US\$	3,927	N/A	US\$ 3,927
European Investment Bank	US\$	3,899	N/A	US\$ 3,899
Bank of Nova Scotia	US\$	3,877	N/A	US\$ 3,877
Intercontinental Exchange Inc	US\$	3,862	N/A	US\$ 3,862
Royal Bank of Canada	US\$	3,823	N/A	US\$ 3,823
Edison International	US\$	3,814	N/A	US\$ 3,814
NextEra Energy Capital Holdings Inc	US\$	3,793	N/A	US\$ 3,793
Express Scripts Holding Co	US\$	3,788	N/A	US\$ 3,788
Suncorp-Metway Ltd	US\$	3,756	N/A	US\$ 3,756
Husky Energy Inc	US\$	3,683	N/A	US\$ 3,683
Alimentation Couche-Tard Inc	US\$	3,670	N/A	US\$ 3,670
Canadian Imperial Bank of Commerce	US\$	3,596	N/A	US\$ 3,596
Credit Agricole SA/London	US\$	3,588	N/A	US\$ 3,588
Credit Suisse Group Funding Guernsey Ltd	US\$	3,557	N/A	US\$ 3,557
Protective Life Global Funding	US\$	3,527	N/A	US\$ 3,527
SES GLOBAL Americas Holdings GP	US\$	3,513	N/A	US\$ 3,513
LyondellBasell Industries NV	US\$	3,431	N/A	US\$ 3,431
Kroger Co/The	US\$	3,292	N/A	US\$ 3,292
Sprint Spectrum Co LLC / Sprint Spectrum Co II LLC / Sprint Spectrum Co III LLC	US\$	3,209	N/A	US\$ 3,209
Digital Realty Trust LP	US\$	3,149	N/A	US\$ 3,149
BNP Paribas SA	US\$	3,048	N/A	US\$ 3,048
African Development Bank	US\$	2,998	N/A	US\$ 2,998
Macquarie Bank Ltd	US\$	2,965	N/A	US\$ 2,965
Time Warner Inc	US\$	2,945	N/A	US\$ 2,945
Enel Finance International NV	US\$	2,928	N/A	US\$ 2,928
Anthem Inc	US\$	2,850	N/A	US\$ 2,850
Australia & New Zealand Banking Group Ltd/New York	US\$	2,690	N/A	US\$ 2,690

NY

Lloyds Banking Group PLC	US\$ 2,685	N/A	US\$ 2,685
Delta Air Lines 2007-1 Class A Pass Through Trust	US\$ 2,678	N/A	US\$ 2,678
Fifth Third Bank/Cincinnati OH	US\$ 2,677	N/A	US\$ 2,677
AutoZone Inc	US\$ 2,657	N/A	US\$ 2,657

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Accounts	March 31, 2018		
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies) (In Thousands)	Percentage Ownership (%)
TSMC Global	PartnerRe Finance B LLC		Financial assets at fair value through other comprehensive income	US\$ 2,623	N/A	US\$ 2,623
	DXC Technology Co			US\$ 2,596	N/A	US\$ 2,596
	WR Berkley Corp			US\$ 2,534	N/A	US\$ 2,534
	NiSource Inc			US\$ 2,533	N/A	US\$ 2,533
	Metropolitan Life Global Funding I			US\$ 2,504	N/A	US\$ 2,504
	Pacific Gas & Electric Co			US\$ 2,497	N/A	US\$ 2,497
	Barclays Bank PLC			US\$ 2,472	N/A	US\$ 2,472
	Capital One Financial Corp			US\$ 2,456	N/A	US\$ 2,456
	Anheuser-Busch InBev Worldwide Inc			US\$ 2,455	N/A	US\$ 2,455
	Eastman Chemical Co			US\$ 2,398	N/A	US\$ 2,398
	Danske Bank A/S			US\$ 2,389	N/A	US\$ 2,389
	Xylem Inc/NY			US\$ 2,380	N/A	US\$ 2,380
	Aetna Inc			US\$ 2,331	N/A	US\$ 2,331
	EI du Pont de Nemours & Co			US\$ 2,316	N/A	US\$ 2,316
	SunTrust Bank/Atlanta GA			US\$ 2,312	N/A	US\$ 2,312
	Bank of Tokyo-Mitsubishi UFJ Ltd/The			US\$ 2,288	N/A	US\$ 2,288
	NBCUniversal Media LLC			US\$ 2,286	N/A	US\$ 2,286
	Simon Property Group LP			US\$ 2,265	N/A	US\$ 2,265
	Kimco Realty Corp			US\$ 2,241	N/A	US\$ 2,241
	ING Groep NV			US\$ 2,229	N/A	US\$ 2,229
	BAT International Finance PLC			US\$ 2,188	N/A	US\$ 2,188
	Pricoa Global Funding I			US\$ 2,186	N/A	US\$ 2,186
	BMW US Capital LLC			US\$ 2,178	N/A	US\$ 2,178
	Cintas Corp No 2			US\$ 2,166	N/A	US\$ 2,166
	ProAssurance Corp			US\$ 2,155	N/A	US\$ 2,155
	National Australia Bank Ltd/New York			US\$ 2,127	N/A	US\$ 2,127
	Wm Wrigley Jr Co			US\$ 2,124	N/A	US\$ 2,124

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Walgreens Boots Alliance Inc	US\$ 2,091	N/A	US\$ 2,091
Commonwealth Bank of Australia/New York NY	US\$ 2,087	N/A	US\$ 2,087
HCP Inc	US\$ 2,068	N/A	US\$ 2,068
EOG Resources Inc	US\$ 2,013	N/A	US\$ 2,013
British Telecommunications PLC	US\$ 1,993	N/A	US\$ 1,993
Bank of New York Mellon Corp/The	US\$ 1,991	N/A	US\$ 1,991
Realty Income Corp	US\$ 1,976	N/A	US\$ 1,976
Duke Realty LP	US\$ 1,916	N/A	US\$ 1,916
Societe Generale SA	US\$ 1,888	N/A	US\$ 1,888
Magellan Midstream Partners LP	US\$ 1,886	N/A	US\$ 1,886
Sempra Energy	US\$ 1,884	N/A	US\$ 1,884
American Airlines 2013-2 Class A Pass Through Trust	US\$ 1,833	N/A	US\$ 1,833
Orange SA	US\$ 1,817	N/A	US\$ 1,817
Lam Research Corp	US\$ 1,800	N/A	US\$ 1,800
Philip Morris International Inc	US\$ 1,795	N/A	US\$ 1,795
WestRock RKT Co	US\$ 1,789	N/A	US\$ 1,789
Brambles USA Inc	US\$ 1,769	N/A	US\$ 1,769
State Grid Overseas Investment Ltd	US\$ 1,765	N/A	US\$ 1,765
Visa Inc	US\$ 1,747	N/A	US\$ 1,747
Regency Centers LP	US\$ 1,744	N/A	US\$ 1,744
Dominion Energy Gas Holdings LLC	US\$ 1,733	N/A	US\$ 1,733
Inter American Development Bank	US\$ 1,710	N/A	US\$ 1,710
Citibank NA	US\$ 1,708	N/A	US\$ 1,708
Regions Financial Corp	US\$ 1,670	N/A	US\$ 1,670
General Electric Co	US\$ 1,607	N/A	US\$ 1,607
Amazon.com Inc	US\$ 1,600	N/A	US\$ 1,600
Ontario Teachers Cadillac Fairview Properties Trust	US\$ 1,591	N/A	US\$ 1,591
Gilead Sciences Inc	US\$ 1,589	N/A	US\$ 1,589
Weyerhaeuser Co	US\$ 1,571	N/A	US\$ 1,571
Lincoln National Corp	US\$ 1,563	N/A	US\$ 1,563

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2018		Fair Value (Foreign Currencies) (Thousands of Dollars)
				Carrying Value (Foreign Currencies) (Thousands of Dollars)	Percentage Ownership	
TSMC Global	Principal Life Global Funding II		Financial assets at fair value through other comprehensive income	US\$ 1,561	N/A	US\$ 1,561
	Phillips 66			US\$ 1,557	N/A	US\$ 1,557
	Sinopec Capital Ltd			US\$ 1,554	N/A	US\$ 1,554
	Berkshire Hathaway Energy Co			US\$ 1,551	N/A	US\$ 1,551
	Chevron Corp			US\$ 1,527	N/A	US\$ 1,527
	Caterpillar Financial Services Corp			US\$ 1,518	N/A	US\$ 1,518
	PSEG Power LLC			US\$ 1,495	N/A	US\$ 1,495
	McKesson Corp			US\$ 1,492	N/A	US\$ 1,492
	O Reilly Automotive Inc			US\$ 1,492	N/A	US\$ 1,492
	Ares Capital Corp			US\$ 1,491	N/A	US\$ 1,491
	Harley-Davidson Financial Services Inc			US\$ 1,488	N/A	US\$ 1,488
	Standard Chartered PLC			US\$ 1,480	N/A	US\$ 1,480
	Abbott Laboratories			US\$ 1,474	N/A	US\$ 1,474
	HSBC USA Inc			US\$ 1,462	N/A	US\$ 1,462
	Guardian Life Global Funding			US\$ 1,452	N/A	US\$ 1,452
	CBS Corp			US\$ 1,441	N/A	US\$ 1,441
	Cooperatieve Rabobank UA/NY			US\$ 1,439	N/A	US\$ 1,439
	Sumitomo Mitsui Banking Corp			US\$ 1,437	N/A	US\$ 1,437
	Oesterreichische Kontrollbank AG			US\$ 1,437	N/A	US\$ 1,437
	HSBC Bank PLC			US\$ 1,431	N/A	US\$ 1,431
	American Express Co			US\$ 1,416	N/A	US\$ 1,416
	Monongahela Power Co			US\$ 1,398	N/A	US\$ 1,398
	Sysco Corp			US\$ 1,389	N/A	US\$ 1,389
	AIG Global Funding			US\$ 1,378	N/A	US\$ 1,378
	Georgia-Pacific LLC			US\$ 1,374	N/A	US\$ 1,374
	Texas Eastern Transmission LP			US\$ 1,369	N/A	US\$ 1,369
	Cboe Global Markets Inc			US\$ 1,359	N/A	US\$ 1,359
	CNA Financial Corp			US\$ 1,273	N/A	US\$ 1,273
	GATX Corp			US\$ 1,266	N/A	US\$ 1,266
	Entergy Arkansas Inc			US\$ 1,256	N/A	US\$ 1,256
	Nissan Motor Acceptance Corp			US\$ 1,251	N/A	US\$ 1,251
	Western Union Co/The			US\$ 1,249	N/A	US\$ 1,249
	Entergy Corp			US\$ 1,245	N/A	US\$ 1,245
	Consolidated Edison Inc			US\$ 1,199	N/A	US\$ 1,199
	Glencore Funding LLC			US\$ 1,198	N/A	US\$ 1,198
	Stryker Corp			US\$ 1,142	N/A	US\$ 1,142
	Kreditanstalt fuer Wiederaufbau			US\$ 1,131	N/A	US\$ 1,131
	Public Service Enterprise Group Inc			US\$ 1,128	N/A	US\$ 1,128
	ERP Operating LP			US\$ 1,110	N/A	US\$ 1,110

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Marsh & McLennan Cos Inc	US\$ 1,077	N/A	US\$ 1,077
CA Inc	US\$ 1,059	N/A	US\$ 1,059
Swedbank AB	US\$ 1,058	N/A	US\$ 1,058
Reinsurance Group of America Inc	US\$ 1,049	N/A	US\$ 1,049
International Paper Co	US\$ 1,048	N/A	US\$ 1,048
Merck & Co Inc	US\$ 1,042	N/A	US\$ 1,042
Glencore Finance Canada Ltd	US\$ 1,042	N/A	US\$ 1,042
Commonwealth Edison Co	US\$ 1,023	N/A	US\$ 1,023
Athene Global Funding	US\$ 1,021	N/A	US\$ 1,021
Scentre Group Trust 1 / Scentre Group Trust 2	US\$ 1,014	N/A	US\$ 1,014
Statoil ASA	US\$ 999	N/A	US\$ 999
Holcim US Finance Sarl & Cie SCS	US\$ 996	N/A	US\$ 996
Bank Nederlandse Gemeenten NV	US\$ 994	N/A	US\$ 994
Biogen Inc	US\$ 994	N/A	US\$ 994
Laboratory Corp of America Holdings	US\$ 992	N/A	US\$ 992
Unum Group	US\$ 992	N/A	US\$ 992
Entergy Texas Inc	US\$ 980	N/A	US\$ 980
Healthcare Trust of America Holdings LP	US\$ 978	N/A	US\$ 978

(Continued)

							March 31, 2018		
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)	Note	
					Percentage Ownership (%)	(US\$)	(US\$)		
TSMC Global	UnitedHealth Group Inc		Financial assets at fair value through other comprehensive income		US\$	977	N/A	US\$ 977	
	XLIT Ltd				US\$	972	N/A	US\$ 972	
	TransCanada PipeLines Ltd				US\$	967	N/A	US\$ 967	
	Bunge Ltd Finance Corp				US\$	967	N/A	US\$ 967	
	National Retail Properties Inc				US\$	949	N/A	US\$ 949	
	PPL Capital Funding Inc				US\$	931	N/A	US\$ 931	
	Duke Energy Progress LLC				US\$	916	N/A	US\$ 916	
	Coca-Cola Femsa SAB de CV				US\$	901	N/A	US\$ 901	
	Southern Electric Generating Co				US\$	898	N/A	US\$ 898	
	Lockheed Martin Corp				US\$	892	N/A	US\$ 892	
	Walmart Inc				US\$	882	N/A	US\$ 882	
	CNOOC Finance Ltd				US\$	870	N/A	US\$ 870	
	Intesa Sanpaolo SpA				US\$	849	N/A	US\$ 849	
	Valero Energy Corp				US\$	846	N/A	US\$ 846	
	Mastercard Inc				US\$	844	N/A	US\$ 844	
	Baker Hughes a GE Co LLC / Baker Hughes Co-Obligor Inc				US\$	842	N/A	US\$ 842	
	Consolidated Edison Co of New York Inc				US\$	822	N/A	US\$ 822	
	Huntington Bancshares Inc/OH				US\$	814	N/A	US\$ 814	
	Alterra Finance LLC				US\$	805	N/A	US\$ 805	
	Nucor Corp				US\$	804	N/A	US\$ 804	
	MetLife Inc				US\$	804	N/A	US\$ 804	
	Aon PLC				US\$	802	N/A	US\$ 802	
	Danone SA				US\$	799	N/A	US\$ 799	
	Continental Airlines 2000-1 Class A-1 Pass Through Trust				US\$	792	N/A	US\$ 792	

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

AXIS Specialty Finance LLC	US\$ 789	N/A	US\$ 789
ONEOK Partners LP	US\$ 787	N/A	US\$ 787
Incitec Pivot Finance LLC	US\$ 783	N/A	US\$ 783
Manulife Financial Corp	US\$ 782	N/A	US\$ 782
Spectra Energy Partners LP	US\$ 781	N/A	US\$ 781
Activision Blizzard Inc	US\$ 776	N/A	US\$ 776
United Technologies Corp	US\$ 756	N/A	US\$ 756
Baidu Inc	US\$ 745	N/A	US\$ 745
John Deere Capital Corp	US\$ 738	N/A	US\$ 738
Duke Energy Progress LLC	US\$ 721	N/A	US\$ 721
DTE Energy Co	US\$ 707	N/A	US\$ 707
Baker Hughes a GE Co LLC	US\$ 702	N/A	US\$ 702
APT Pipelines Ltd	US\$ 701	N/A	US\$ 701
American Honda Finance Corp	US\$ 698	N/A	US\$ 698
TTX Co	US\$ 697	N/A	US\$ 697
Sumitomo Mitsui Trust Bank Ltd	US\$ 688	N/A	US\$ 688
Norfolk Southern Railway Co	US\$ 686	N/A	US\$ 686
Vornado Realty LP	US\$ 682	N/A	US\$ 682
Three Gorges Finance I Cayman Islands Ltd	US\$ 680	N/A	US\$ 680
Rochester Gas & Electric Corp	US\$ 673	N/A	US\$ 673
ING Bank NV	US\$ 672	N/A	US\$ 672
National Oilwell Varco Inc	US\$ 669	N/A	US\$ 669
Continental Airlines 2007-1 Class A Pass Through Trust	US\$ 646	N/A	US\$ 646
Ohio Power Co	US\$ 646	N/A	US\$ 646
Entergy Gulf States Louisiana LLC	US\$ 642	N/A	US\$ 642
Georgia Power Co	US\$ 635	N/A	US\$ 635
RBC USA Holdco Corp	US\$ 632	N/A	US\$ 632
Hyatt Hotels Corp	US\$ 629	N/A	US\$ 629
Alexandria Real Estate Equities Inc	US\$ 625	N/A	US\$ 625
	US\$ 621	N/A	US\$ 621

Grupo Bimbo SAB
de CV

Liberty Property LP	US\$	621	N/A	US\$	621
Potash Corp of Saskatchewan Inc	US\$	618	N/A	US\$	618
Woolworths Group Ltd	US\$	617	N/A	US\$	617
OneBeacon US Holdings Inc	US\$	603	N/A	US\$	603

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2018			Note
				Carrying Value (Foreign Currencies) (In Thousands)	Units Held	Percentage Ownership (%)	
TSMC Global	Daiwa Securities Group Inc		Financial assets at fair value through other comprehensive income	US\$ 602		N/A	US\$ 602
	Life Technologies Corp			US\$ 599		N/A	US\$ 599
	BOC Aviation Ltd			US\$ 598		N/A	US\$ 598
	Dr Pepper Snapple Group Inc			US\$ 598		N/A	US\$ 598
	Altria Group Inc			US\$ 596		N/A	US\$ 596
	MUFG Union Bank NA			US\$ 596		N/A	US\$ 596
	Kimberly-Clark Corp			US\$ 595		N/A	US\$ 595
	ABC Inc			US\$ 587		N/A	US\$ 587
	Host Hotels & Resorts LP			US\$ 576		N/A	US\$ 576
	AXIS Specialty Finance PLC			US\$ 574		N/A	US\$ 574
	Mizuho Bank Ltd			US\$ 571		N/A	US\$ 571
	AvalonBay Communities Inc			US\$ 567		N/A	US\$ 567
	Regions Bank/Birmingham AL			US\$ 549		N/A	US\$ 549
	Exxon Mobil Corp			US\$ 542		N/A	US\$ 542
	Bunge Ltd Finance Corp			US\$ 531		N/A	US\$ 531
	Prudential Financial Inc			US\$ 523		N/A	US\$ 523
	MUFG Americas Holdings Corp			US\$ 517		N/A	US\$ 517
	Southwestern Electric Power Co			US\$ 514		N/A	US\$ 514
	American Electric Power Co Inc			US\$ 514		N/A	US\$ 514
	Fulton Financial Corp			US\$ 510		N/A	US\$ 510
	TD Ameritrade Holding Corp			US\$ 509		N/A	US\$ 509
	Regency Centers Corp			US\$ 503		N/A	US\$ 503
	BNP Paribas / BNP Paribas US Medium-Term Note Program LLC			US\$ 500		N/A	US\$ 500

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Halliburton Co	US\$	499	N/A	US\$	499
Highwoods Realty LP	US\$	496	N/A	US\$	496
ORIX Corp	US\$	492	N/A	US\$	492
MassMutual Global Funding II	US\$	478	N/A	US\$	478
Comerica Inc	US\$	471	N/A	US\$	471
Eaton Corp	US\$	465	N/A	US\$	465
Narragansett Electric Co/The	US\$	462	N/A	US\$	462
Spire Inc	US\$	459	N/A	US\$	459
CenterPoint Energy Inc	US\$	455	N/A	US\$	455
Canadian Pacific Railway Co	US\$	428	N/A	US\$	428
Texas-New Mexico Power Co	US\$	426	N/A	US\$	426
Volkswagen Group of America Finance LLC	US\$	399	N/A	US\$	399
Southern Power Co	US\$	389	N/A	US\$	389
IBM Credit LLC	US\$	388	N/A	US\$	388
Aon Corp	US\$	382	N/A	US\$	382
StanCorp Financial Group Inc	US\$	382	N/A	US\$	382
First Niagara Financial Group Inc	US\$	373	N/A	US\$	373
Nationwide Financial Services Inc	US\$	369	N/A	US\$	369
NetApp Inc	US\$	359	N/A	US\$	359
CenterPoint Energy Resources Corp	US\$	359	N/A	US\$	359
Deutsche Bank AG	US\$	349	N/A	US\$	349
Cisco Systems Inc	US\$	319	N/A	US\$	319
PacifiCorp	US\$	311	N/A	US\$	311
eBay Inc	US\$	299	N/A	US\$	299
Schlumberger Finance Canada Ltd	US\$	296	N/A	US\$	296
Eli Lilly & Co	US\$	288	N/A	US\$	288
Amphenol Corp	US\$	286	N/A	US\$	286
BAE Systems Holdings Inc	US\$	286	N/A	US\$	286
EMD Finance LLC	US\$	277	N/A	US\$	277
Nomura Holdings Inc	US\$	250	N/A	US\$	250
NBCUniversal Enterprise Inc	US\$	248	N/A	US\$	248
CMS Energy Corp	US\$	237	N/A	US\$	237
Comcast Corp	US\$	236	N/A	US\$	236
Hartford Financial Services Group Inc/The	US\$	232	N/A	US\$	232
Protective Life Corp	US\$	223	N/A	US\$	223

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statements Account	March 31, 2018			Fair Value		Note
				Carrying Value (Foreign Currencies)	Percentage of Ownership (%)	Carrying Value (Foreign Currencies)	Fair Value (Foreign Currencies)		
				Shares/Units (In Thousands)	(\$ Thousands)		(\$ Thousands)		
TSMC Global	WestRock MWV LLC		Financial assets at fair value through other comprehensive income	US\$	222	N/A	US\$	222	
	Rolls-Royce PLC			US\$	221	N/A	US\$	221	
	Fidelity National Information Services Inc			US\$	203	N/A	US\$	203	
	Commonwealth Bank of Australia			US\$	201	N/A	US\$	201	
	Pinnacle West Capital Corp			US\$	195	N/A	US\$	195	
	Equifax Inc			US\$	175	N/A	US\$	175	
	Packaging Corp of America			US\$	157	N/A	US\$	157	
	Schneider Electric SE			US\$	157	N/A	US\$	157	
	Berkshire Hathaway Finance Corp			US\$	134	N/A	US\$	134	
	Duke Energy Florida LLC			US\$	104	N/A	US\$	104	
	Wells Fargo & Co		Financial assets at amortized cost	US\$	149,943	N/A	US\$	151,431	
	JPMorgan Chase & Co.			US\$	124,948	N/A	US\$	126,789	
	Westpac Banking Corp.			US\$	99,987	N/A	US\$	100,455	
	Goldman Sachs Group, Inc.			US\$	99,959	N/A	US\$	100,728	
	Commonwealth Bank of Australia			US\$	49,993	N/A	US\$	50,214	
	National Australia Bank			US\$	49,993	N/A	US\$	50,178	
	Bank of Nova Scotia			US\$	49,971	N/A	US\$	50,150	
	Industrial and Commercial Bank of China			US\$	9,996	N/A	US\$	10,006	
	<u>Government bond</u>								
	United States Treasury Note/Bond		Financial assets at fair value through other	US\$	322,938	N/A	US\$	322,938	

	comprehensive income					
Abu Dhabi Government International Bond		US\$	3,402	N/A	US\$	3,402
<u>Agency bonds/Agency mortgage-backed securities</u>						
Government National Mortgage Association	Financial assets at fair value through profit or loss	US\$	11,633	N/A	US\$	11,633
Fannie Mae		US\$	9,260	N/A	US\$	9,260
Freddie Mac		US\$	5,042	N/A	US\$	5,042
Fannie Mae	Financial assets at fair value through other comprehensive income	US\$	665,741	N/A	US\$	665,741
Freddie Mac		US\$	264,453	N/A	US\$	264,453
Government National Mortgage Association		US\$	126,064	N/A	US\$	126,064
Ginnie Mae		US\$	27,221	N/A	US\$	27,221
Federal Home Loan Banks		US\$	6,138	N/A	US\$	6,138
Freddie Mac Multifamily Structured Pass Through Certificates		US\$	3,744	N/A	US\$	3,744
Export-Import Bank of Korea		US\$	3,004	N/A	US\$	3,004
Export Development Canada		US\$	2,977	N/A	US\$	2,977
Province of Quebec Canada		US\$	2,521	N/A	US\$	2,521
NCUA Guaranteed Notes Trust 2010-R2		US\$	1,416	N/A	US\$	1,416
CPPIB Capital Inc		US\$	1,177	N/A	US\$	1,177
Federal Farm Credit Banks		US\$	888	N/A	US\$	888
Kowloon-Canton Railway Corp		US\$	564	N/A	US\$	564
FHLMC-GNMA		US\$	535	N/A	US\$	535
<u>Asset-backed securities</u>						
Hyundai Auto Receivables Trust	Financial assets at fair value through profit or loss	US\$	1,992	N/A	US\$	1,992

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Ford Credit Auto Owner Trust		US\$	1,306	N/A	US\$	1,306
Citibank Credit Card Issuance Trust	Financial assets at fair value through other comprehensive income	US\$	53,963	N/A	US\$	53,963
Discover Card Execution Note Trust		US\$	45,298	N/A	US\$	45,298
Chase Issuance Trust		US\$	43,924	N/A	US\$	43,924
American Express Credit Account Master Trust		US\$	35,584	N/A	US\$	35,584
Ford Credit Floorplan Master Owner Trust A		US\$	26,781	N/A	US\$	26,781
Ford Credit Auto Owner Trust/Ford Credit 2014-REV1		US\$	13,762	N/A	US\$	13,762
Toyota Auto Receivables 2014-C Owner Trust		US\$	13,002	N/A	US\$	13,002
UBS-Barclays Commercial Mortgage Trust 2012-C2		US\$	12,523	N/A	US\$	12,523

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (In Thousands)	March 31, 2018		Note			
				Carrying Value (Foreign Currencies) (In Thousands)	Fair Value (Foreign Currencies) (In Thousands)				
			Shares/Units	Percentage Ownership					
TSMC Global	Capital One Multi-Asset Execution Trust		Financial assets at fair value through other comprehensive income				US\$ 12,494	N/A	US\$ 12,494
	Morgan Stanley Bank of America Merrill Lynch Trust						US\$ 11,598	N/A	US\$ 11,598
	BA Credit Card Trust						US\$ 10,816	N/A	US\$ 10,816
	COMM Mortgage Trust						US\$ 10,410	N/A	US\$ 10,410
	Chesapeake Funding II LLC						US\$ 10,285	N/A	US\$ 10,285
	Nissan Master Owner Trust						US\$ 10,004	N/A	US\$ 10,004
	Receivables								
	GM Financial Automobile Leasing Trust 2015-3						US\$ 9,408	N/A	US\$ 9,408
	Hyundai Auto Lease Securitization Trust 2017-A						US\$ 9,108	N/A	US\$ 9,108
	Honda Auto Receivables 2017-2						US\$ 8,662	N/A	US\$ 8,662
	Owner Trust								
	JPMCC Commercial Mortgage Securities Trust 2017-JP7						US\$ 8,552	N/A	US\$ 8,552
	Mercedes-Benz Master Owner Trust						US\$ 8,536	N/A	US\$ 8,536
	BANK						US\$ 7,871	N/A	US\$ 7,871
	CGDBB Commercial Mortgage Trust 2017-BIOC						US\$ 7,507	N/A	US\$ 7,507
	GS Mortgage Securities Trust						US\$ 7,355	N/A	US\$ 7,355
	Citigroup Commercial Mortgage Trust 2013-GC11						US\$ 6,590	N/A	US\$ 6,590
							US\$ 6,363	N/A	US\$ 6,363

JPMBB Commercial Mortgage Securities Trust 2013-C12				
Nissan Auto Lease Trust	US\$	6,090	N/A	US\$ 6,090
Ford Credit Auto Owner Trust	US\$	5,750	N/A	US\$ 5,750
BBCMS 2018-TALL Mortgage Trust	US\$	5,469	N/A	US\$ 5,469
JPMDB Commercial Mortgage Securities Trust 2017-C7	US\$	5,327	N/A	US\$ 5,327
Ford Credit Auto Lease Trust	US\$	4,905	N/A	US\$ 4,905
BMW Vehicle Lease Trust	US\$	4,794	N/A	US\$ 4,794
Volvo Financial Equipment Master Owner Trust 2017-A	US\$	4,523	N/A	US\$ 4,523
Nissan Auto Receivables 2017-B Owner Trust	US\$	4,405	N/A	US\$ 4,405
Wells Fargo Commercial Mortgage Trust 2015-LC20	US\$	4,209	N/A	US\$ 4,209
GM Financial Consumer Automobile 2017-1	US\$	3,922	N/A	US\$ 3,922
Morgan Stanley Capital I Trust	US\$	3,885	N/A	US\$ 3,885
Cold Storage Trust 2017-ICE3	US\$	3,813	N/A	US\$ 3,813
Wheels SPV 2 LLC	US\$	3,579	N/A	US\$ 3,579
Hertz Fleet Lease Funding LP	US\$	3,476	N/A	US\$ 3,476
Hyundai Auto Receivables Trust	US\$	3,158	N/A	US\$ 3,158
BMW Floorplan Master Owner Trust	US\$	2,440	N/A	US\$ 2,440
Mercedes-Benz Auto Lease Trust 2016-A	US\$	1,892	N/A	US\$ 1,892
WFRBS Commercial Mortgage Trust 2013-C14	US\$	1,828	N/A	US\$ 1,828

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

	Enterprise Fleet Financing LLC		US\$	1,603	N/A	US\$	1,603
	CFCRE Commercial Mortgage Trust 2011-C1		US\$	892	N/A	US\$	892
	CarMax Auto Owner Trust		US\$	873	N/A	US\$	873
	280 Park Avenue Mortgage Trust		US\$	833	N/A	US\$	833
	DBUBS 2011-LC2 Mortgage Trust		US\$	520	N/A	US\$	520
	ARI Fleet Lease Trust 2018-A		US\$	508	N/A	US\$	508
	CD 2016-CD2 Mortgage Trust		US\$	500	N/A	US\$	500
	Mercedes-Benz Auto Receivables Trust 2015-1		US\$	339	N/A	US\$	339
	<u>Structure product</u>						
	Bank of Tokyo-Mitsubishi UFJ	Financial assets at amortized cost	US\$	49,979	N/A	US\$	49,764
	<u>Commercial paper</u>						
	Old Line Funding LLC	Financial assets at fair value through other comprehensive income	US\$	1,989	N/A	US\$	1,989
	<u>Fund</u>						
	Primavera Capital Fund II L.P.	Financial assets at fair value through other comprehensive income	US\$	78,923	4	US\$	78,923
VTAF II	<u>Common stock</u>						
	Aquantia	Financial assets at fair value through other comprehensive income	460	US\$ 7,218	1	US\$	7,218
	Sentelic		903	US\$ 1,864	4	US\$	1,864
	Aether Systems, Inc.		1,085	US\$ 373	20	US\$	373
	5V Technologies, Inc.		963	US\$ 331	2	US\$	331

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2018			Fair Value (Foreign Currencies) (Thousands)	Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies) (Thousands)	Percentage Ownership (%)		
VTAF II	<u>Common stock</u> Aquantia		Financial assets at fair value through other comprehensive income	460	US\$ 7,218	1	US\$ 7,218	
	Sentelic			903	US\$ 1,864	4	US\$ 1,864	
	Aether Systems, Inc.			1,085	US\$ 373	20	US\$ 373	
	5V Technologies, Inc.			963	US\$ 331	2	US\$ 331	
VTAF II	<u>Common stock</u> LiquidLeds Lighting Corp.		Financial assets at fair value through other comprehensive income	1,600	US\$ 800	11	US\$ 800	
	<u>Preferred stock</u> Neoconix, Inc.		Financial assets at fair value through other comprehensive income	4,147	US\$ 170		US\$ 170	
ISDF	<u>Preferred stock</u> Sonics, Inc.		Financial assets at fair value through other comprehensive income	230		3		
ISDF II	<u>Common stock</u> Sonics, Inc.		Financial assets at fair value through other comprehensive income	278		4		
	<u>Preferred stock</u> Sonics, Inc.		Financial assets at fair value through other comprehensive income	264		4		

Growth Fund	<u>Common stock</u>						
	Innovium, Inc.	Financial assets at fair value through other comprehensive income	221	US\$	370	US\$	370
	<u>Preferred stock</u>						
	Innovium, Inc.	Financial assets at fair value through other comprehensive income	230	US\$	384	US\$	384

(Concluded)

TABLE 4**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Marketable Securities and Name	Financial Statement Account	Counter-Party	Nature of Party	Beginning Balance		Acquisition		Disposal		
				Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss (In Thousands)	Shares/Units (In Thousands)
Global	Investments accounted for using equity method		Subsidiary	9	\$ 309,211,877	2	\$ 59,182,280	\$	\$	\$
Nanjing			Subsidiary		26,493,740		2,361,320			
State bond										
Health	Financial assets at fair value through other comprehensive income				US\$ 10,018		US\$ 14,507			
Government					US\$ 11,073			US\$ 11,075	US\$ 11,075	
Government										
States / Bond	Financial assets at fair value through other comprehensive income				US\$ 202,689		US\$ 160,346	US\$ 86,184	US\$ 86,814	US\$ (630)
States / Rate					US\$ 49,901		US\$ 38,809	US\$ 48,975	US\$ 48,930	US\$ 45
States / Bill					US\$ 2,997		US\$ 48,775	US\$ 51,413	US\$ 51,407	US\$ 6

<u>Agency</u>								
<u>Securities</u>								
<u>Securities</u>								
TBA 30	Financial assets at fair value through other comprehensive income	US\$	15,758	US\$	45,336	US\$ 31,918	US\$ 32,128	US\$ (210)
Investment				US\$	12,707			
TBA 30				US\$	10,569			
II TBA 5		US\$	145	US\$	19,769	US\$ 16,282	US\$ 16,346	US\$ (64)
II TBA		US\$	2,378	US\$	16,057	US\$ 16,069	US\$ 16,108	US\$ (39)
TBA 30		US\$	2,866	US\$	11,140	US\$ 11,662	US\$ 11,719	US\$ (57)
TBA 30				US\$	48,338	US\$ 48,047	US\$ 48,338	US\$ (291)
Home Bank				US\$	29,498	US\$ 29,500	US\$ 29,499	US\$ 1
<u>Notes</u>								
<u>Securities</u>								
Credit	Financial assets at fair value through other comprehensive income	US\$	48,328	US\$	12,594	US\$ 6,802	US\$ 6,800	US\$ 2

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

TABLE 5**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Transaction of Related Counter-party				Price Reference	Purpose of Acquisition
		(Foreign Currencies in Thousands)			Prior Relationship	On Relationship	Transfer Relationship	Amount		
Fab	March 10, 2017 to January 25, 2018	\$ 303,592	Monthly settlement by the construction progress and acceptance	HSIEH KUN CO., LTD	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	March 17, 2017 to March 12, 2018	301,341	Monthly settlement by the construction progress and acceptance	Jer Yih Electrical Eng. Co.	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	March 21, 2017 to January 8, 2018	302,101	Monthly settlement by the construction progress and acceptance	TRUSVAL TECHNOLOGY CO., LTD.	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	April 10, 2017 to March 30, 2018	382,672	Monthly settlement by the construction progress and acceptance	M+W High Tech Project Taiwan Co., Ltd.	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	April 25, 2017 to March 30, 2018	559,250	Monthly settlement by the construction progress and acceptance	YANKEY ENGINEERING CO., LTD.	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	May 25, 2017 to March 29, 2018	303,552	Monthly settlement by the construction	MEGA UNION TECHNOLOGY INCORPORATED	N/A	N/A	N/A	N/A	Price comparison and price	Manufacture purpose

			progress and acceptance						negotiation	
Fab	August 16, 2017 to March 26, 2018	322,134	Monthly settlement by the construction progress and acceptance	Air Liquide Far Eastern	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	September 5, 2017 to March 8, 2018	809,171	Monthly settlement by the construction progress and acceptance	Uangyih-Tech Industrial Co., Ltd.	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose
Fab	September 14, 2017 to March 22, 2018	784,003	Monthly settlement by the construction progress and acceptance	Siemens Ltd.	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacture purpose

(Continued)

Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Owner	Related Counter-party Relationships	Transfer Date	Amount	Pr Refer
September 9, 2017 to October 16, 2018	300,598	Monthly settlement by the construction progress and acceptance	MARKETECH INTERNATIONAL CORP.		N/A	N/A	N/A	N/A	Price compa and pr negoti
September 5, 2017 to October 5, 2018	300,150	Monthly settlement by the construction progress and acceptance	UNITED INTEGRATED SERVICES CO., LTD.		N/A	N/A	N/A	N/A	Price compa and pr negoti
September 26, to October 13, 2018	525,172	Monthly settlement by the construction progress and acceptance	ABB Ltd.		N/A	N/A	N/A	N/A	Price compa and pr negoti
October 4, 2018	747,551	Monthly settlement by the construction progress and acceptance	KEDGE Construction Co., Ltd.		N/A	N/A	N/A	N/A	Price compa and pr negoti
October 5, 2018 to October 22, 2018	2,067,841	Monthly settlement by the construction progress and acceptance	L&K ENGINEERING CO.,LTD.		N/A	N/A	N/A	N/A	Price compa and pr negoti

(Concluded)

TABLE 6**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Abnormal Transaction	Notes/Accounts Payable or Receivable	Ending Balance (Foreign Currencies in Thousands)	% to Total
				Amount	% to Total	Payment Terms				
				(Foreign Currencies in Thousands)						
TSMC	TSMC North America	Subsidiary	Sales	\$ 152,751,762	59	Net 30 days from invoice date (Note)	Note	\$ 73,470,052	70	
	GUC	Associate	Sales	1,592,532	1	Net 30 days from the end of the month of when invoice is issued		843,572	1	
	TSMC China	Subsidiary	Purchases	4,524,097	22	Net 30 days from the end of the month of when invoice is issued		(1,360,751)	5	
	WaferTech	Indirect subsidiary	Purchases	1,984,763	10	Net 30 days from the		(1,259,891)	4	

					end of the month of when invoice is issued		
	VIS	Associate	Purchases	1,311,213	7 Net 30 days from the end of the month of when invoice is issued	(452,091)	2
	SSMC	Associate	Purchases	912,035	5 Net 30 days from the end of the month of when invoice is issued	(358,899)	1
TSMC North America	GUC	Associate of TSMC	Sales	505,383	Net 30 days from invoice date	275,688	
			(US\$ 17,233)			(US\$ 9,476)	

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

TABLE 7**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue Amount	Amounts Received in Subsequent Period	Allowance for Bad Debt
TSMC	TSMC North America	Subsidiary	\$ 74,240,350	49	\$ 1,450,406	\$ 11,273,836	\$
	TSMC Nanjing	Subsidiary	1,201,519	Note 2			
	GUC	Associate	843,572	46	301,502	317,927	
TSMC China	TSMC Nanjing	The same parent company	22,122,110	Note 2			
			(RMB 4,763,282)				
	TSMC	Parent company	1,360,751	28			
			(RMB 293,418)				
WaferTech	TSMC	The ultimate parent of the Company	1,259,891	59	634,996	634,996	
			(US\$ 43,305)		(US\$ 21,826)	(US\$ 21,826)	
TSMC Technology	TSMC	The ultimate parent of the Company	280,077	Note 2			
			(US\$ 9,627)				
TSMC North America	GUC	Associate of TSMC	275,912	47	38,839	53,124	
			(US\$ 9,484)		(US\$ 1,335)	(US\$ 1,826)	
TSMC Japan	TSMC	Parent company	103,541	Note 2			
			(JPY 377,062)				

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

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

TABLE 8**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Net Revenue Terms or Total Assets (Note 2)		
				Financial Statements Item	Amount			
0	TSMC	TSMC North America	1	Net revenue from sales of goods	\$ 152,751,762	62%		
				Receivables from related parties	73,470,052	4%		
				Other receivables from related parties	770,298			
				TSMC China	1	Purchases	4,524,097	2%
				Payables to related parties	1,360,751			
			TSMC Nanjing	1	Proceeds from disposal of property, plant and equipment	1,892,937	1%	
				Other receivables from related parties	1,201,519			
			WaferTech	1	Purchases	1,984,763	1%	
				Payables to related parties	1,259,891			
			TSMC Technology	1	Research and development expenses	489,653		
				Payables to related parties	280,077			
			TSMC Europe	1	Marketing expenses - commission	116,994		
				TSMC Japan	1	Payables to related parties	103,541	
		1	TSMC China	TSMC Nanjing	3	Other receivables from related parties	22,122,110	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

TABLE 9**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)****FOR THE THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2018		Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
		March 31, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares (In Percentage of Ownership) (Thousands)	Carrying Value (Foreign Currencies in Thousands)	
Tortola, British Virgin Islands	Investment activities	\$ 352,072,509	\$ 292,890,229	11	100	\$ 362,900,046 \$ 1,848,060
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	49,539,919 482,623
Hsin-Chu, Taiwan	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the	10,180,677	10,180,677	464,223	28	8,860,765 1,147,920

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

	manufacturing and design service of masks						
Singapore	Manufacturing and selling of integrated circuits and other semiconductor devices	5,120,028	5,120,028	314	39	5,923,979	908,118
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	4,701,334	24,829
San Jose, California, U.S.A	Selling and marketing of integrated circuits and other semiconductor devices	333,718	333,718	11,000	100	3,961,984	37,634
Taoyuan, Taiwan	Wafer level chip size packaging and wafer level post passivation interconnection service	1,988,317	1,988,317	111,282	41	2,246,049	(171,371)
Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,255,013	206,599
Amsterdam, the Netherlands	Customer service and supporting activities	15,749	15,749		100	423,206	10,528
Cayman Islands	Investing in new start-up technology companies	412,831	412,831		98	297,778	(1,497)
Cayman Islands	Investing in new start-up technology companies	1,318,885	1,318,885		98	147,653	(3,221)

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

n	Yokohama, Japan	Customer service and supporting activities	83,760	83,760	6	100	136,715	1,488
a	Seoul, Korea	Customer service and supporting activities	13,656	13,656	80	100	38,960	311
r	Hamburg, Germany	Selling of solar related products and providing customer service	25,266	25,266	1	100	(20,500)	(15)
t	Delaware, U.S.A	Investing in companies involved in the manufacturing related business in the semiconductor industry	17,075,811	17,075,811		100	26,231,490	358,287
			(US\$ 586,939)	(US\$ 586,939)			(US\$ 901,643)	(US\$ 12,217)
	Delaware, U.S.A	Engineering support activities	415,507	415,507		100	526,830	18,256
			(US\$ 14,282)	(US\$ 14,282)			(US\$ 18,108)	(US\$ 623)
	Ontario, Canada	Engineering support activities	66,914	66,914	2,300	100	181,599	7,157
			(US\$ 2,300)	(US\$ 2,300)			(US\$ 6,242)	(US\$ 244)
	Cayman Islands	Investing in new start-up technology companies	13,825	13,825	583	97	483	
			(US\$ 475)	(US\$ 475)			(US\$ 17)	
	Cayman Islands	Investing in new start-up technology companies			9,299	97		(6,781)
								(US\$ (231))
d	Cayman Islands	Investing in new start-up technology companies	62,660	62,660		100	45,159	(293)
			(US\$ 2,154)	(US\$ 2,154)			(US\$ 1,552)	(US\$ (10))
	New Taipei, Taiwan	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	46,355	46,355	4,693	39	21,711	(3,849)
			(US\$ 1,593)	(US\$ 1,593)			(US\$ 746)	(US\$ (131))

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Balances of March 31, 2018		Carrying Value (Foreign Thousands)	Net Income (Losses) of the Investee (Foreign Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Thousands)	Note
				March 31, 2017 (Foreign Thousands)	March 31, 2018 (Foreign Thousands)				
SMC Development	WaferTech	Washington, U.S.A	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	\$ 293,637	\$ 293,637	100 \$ 4,953,422 (US\$ 170,262)	\$ 284,221 (US\$ 9,692)	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.

(Concluded)

TABLE 10**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR THREE MONTHS ENDED MARCH 31, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US\$ in Thousands)	Investment Flows Outflow (US\$ in Thousands)	Investment Inflow	Accumulated Outflow of Investment from Taiwan as of March 31, 2018 (US\$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profit
Manufacturing, testing and other semiconductor products	\$ 18,939,667 (RMB 4,502,080)	Note 1	\$ 18,939,667 (US\$ 596,000)	\$	\$	\$ 18,939,667 (US\$ 596,000)	\$ 1,349,349	100%	\$ 1,349,349
Manufacturing, testing and other semiconductor products	30,521,412 (RMB 6,650,119)	Note 1	28,160,092 (US\$ 920,000)	2,361,320 (US\$ 80,000)		30,521,412 (US\$ 1,000,000)	(1,746,699)	100%	(1,746,699)
Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)									
Accumulated Investment in Mainland China as of March 31, 2018 (US\$ in Thousands)			Upper Limit on Investment						
\$ 49,461,079 (US\$ 1,596,000)			\$ 119,412,667 (US\$ 3,596,000)						
			Note 3						

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

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

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