

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

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

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

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

August 8, 2017

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 570,466,958	29	\$ 541,253,833	29	\$ 622,359,302	35
Financial assets at fair value through profit or loss (Note 7)	4,995,251	-	6,451,112	-	1,820,907	-
Available-for-sale financial assets (Notes 8 and 14)	76,252,652	4	67,788,767	4	36,322,049	2
Held-to-maturity financial assets (Note 9)	7,210,380	-	16,610,116	1	7,362,302	-
Hedging derivative financial assets (Notes 4 and 10)	24,517	-	5,550	-	-	-
Notes and accounts receivable, net (Note 11)	109,893,282	6	128,335,271	7	111,300,187	6
Receivables from related parties (Note 29)	436,001	-	969,559	-	424,210	-
Other receivables from related parties (Note 29)	1,532,321	-	146,788	-	1,546,979	-
Inventories (Notes 12 and 33)	61,010,525	3	48,682,233	3	60,705,814	4
Other financial assets (Notes 30 and 33)	2,450,135	-	4,100,475	-	7,419,643	-
Other current assets (Note 17)	3,777,530	-	3,385,422	-	3,263,678	-
Total current assets	<u>838,049,552</u>	<u>42</u>	<u>817,729,126</u>	<u>44</u>	<u>852,525,071</u>	<u>47</u>
NONCURRENT ASSETS						
Held-to-maturity financial assets (Note 9)	20,529,204	1	22,307,561	1	27,266,867	2
Financial assets carried at cost (Note 13)	4,313,269	-	4,102,467	-	4,066,621	-
Investments accounted for using equity method (Note 14)	18,976,025	1	19,743,888	1	22,064,632	1
Property, plant and equipment (Note 15)	1,077,626,759	54	997,777,687	53	875,870,205	49
Intangible assets (Note 16)	14,118,892	1	14,614,846	1	14,066,562	1
Deferred income tax assets (Note 4)	10,010,278	1	8,271,421	-	6,643,607	-
Refundable deposits	742,707	-	407,874	-	441,447	-
Other noncurrent assets (Note 17)	2,067,091	-	1,500,432	-	1,546,548	-
Total noncurrent assets	<u>1,148,384,225</u>	<u>58</u>	<u>1,068,726,176</u>	<u>56</u>	<u>951,966,489</u>	<u>53</u>
TOTAL	<u>\$ 1,986,433,777</u>	<u>100</u>	<u>\$ 1,886,455,302</u>	<u>100</u>	<u>\$ 1,804,491,560</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 18)	\$ 54,745,200	3	\$ 57,958,200	3	\$ 38,739,600	2
Financial liabilities at fair value through profit or loss (Note 7)	82,552	-	191,135	-	178,704	-
Hedging derivative financial liabilities (Notes 4 and 10)	19	-	-	-	4,217	-
Accounts payable	24,509,899	1	26,062,351	2	22,117,148	1
Payables to related parties (Note 29)	1,101,776	-	1,262,174	-	1,037,116	-
Salary and bonus payable	10,042,918	1	13,681,817	1	9,843,554	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 22 and 27)	33,376,142	2	22,894,006	1	30,365,818	2
Payables to contractors and equipment suppliers	50,376,846	2	63,154,514	3	48,102,264	3
Cash dividends payable (Note 22)	181,626,763	9	-	-	155,696,382	9
Income tax payable (Note 4)	33,463,459	2	40,306,054	2	31,168,780	2
Provisions (Note 19)	13,818,216	1	18,037,789	1	9,495,889	-
Long-term liabilities - current portion (Note 20)	79,865,605	4	38,109,680	2	22,010,000	1
Accrued expenses and other current liabilities (Notes 21 and 29)	40,497,750	2	36,581,553	2	29,979,582	2
Total current liabilities	<u>523,507,145</u>	<u>27</u>	<u>318,239,273</u>	<u>17</u>	<u>398,739,054</u>	<u>23</u>
NONCURRENT LIABILITIES						
Bonds payable (Note 20)	99,300,000	5	153,093,557	8	181,276,211	10
Long-term bank loans	16,940	-	21,780	-	26,300	-
Deferred income tax liabilities (Note 4)	160,709	-	141,183	-	3,631	-
Net defined benefit liability (Note 4)	8,556,640	-	8,551,408	-	7,456,666	-
Guarantee deposits (Note 21)	10,818,377	1	14,670,433	1	17,950,414	1
Others	1,708,321	-	1,686,542	-	1,708,306	-
Total noncurrent liabilities	<u>120,560,987</u>	<u>6</u>	<u>178,164,903</u>	<u>9</u>	<u>208,421,528</u>	<u>11</u>
Total liabilities	<u>644,068,132</u>	<u>33</u>	<u>496,404,176</u>	<u>26</u>	<u>607,160,582</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 22)	<u>259,303,805</u>	<u>13</u>	<u>259,303,805</u>	<u>14</u>	<u>259,303,805</u>	<u>14</u>
Capital surplus (Note 22)	<u>56,282,780</u>	<u>3</u>	<u>56,272,304</u>	<u>3</u>	<u>56,263,141</u>	<u>3</u>
Retained earnings (Note 22)						
Appropriated as legal capital reserve	241,722,663	12	208,297,945	11	208,297,945	12
Unappropriated earnings	802,672,760	40	863,710,224	46	667,701,172	37
	<u>1,044,395,423</u>	<u>52</u>	<u>1,072,008,169</u>	<u>57</u>	<u>875,999,117</u>	<u>49</u>
Others (Note 22)	(18,296,511)	(1)	1,663,983	-	4,888,074	-
Equity attributable to shareholders of the parent	<u>1,341,685,497</u>	<u>67</u>	<u>1,389,248,261</u>	<u>74</u>	<u>1,196,454,137</u>	<u>66</u>
NONCONTROLLING INTERESTS	<u>680,148</u>	<u>-</u>	<u>802,865</u>	<u>-</u>	<u>876,841</u>	<u>-</u>
Total equity	<u>1,342,365,645</u>	<u>67</u>	<u>1,390,051,126</u>	<u>74</u>	<u>1,197,330,978</u>	<u>66</u>
TOTAL	<u>\$ 1,986,433,777</u>	<u>100</u>	<u>\$ 1,886,455,302</u>	<u>100</u>	<u>\$ 1,804,491,560</u>	<u>100</u>

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 23, 29 and 35)	\$ 213,855,212	100	\$ 221,809,846	100	\$ 447,769,612	100	\$ 425,305,207	100
COST OF REVENUE (Notes 12, 27, 29 and 33)	<u>105,101,969</u>	<u>49</u>	<u>107,468,601</u>	<u>48</u>	<u>217,530,703</u>	<u>49</u>	<u>219,593,495</u>	<u>52</u>
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	108,753,243	51	114,341,245	52	230,238,909	51	205,711,712	48
UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	<u>(44,589)</u>	<u>-</u>	<u>(7,009)</u>	<u>-</u>	<u>(40,619)</u>	<u>-</u>	<u>(39,898)</u>	<u>-</u>
GROSS PROFIT	<u>108,708,654</u>	<u>51</u>	<u>114,334,236</u>	<u>52</u>	<u>230,198,290</u>	<u>51</u>	<u>205,671,814</u>	<u>48</u>
OPERATING EXPENSES (Notes 27 and 29)								
Research and development	19,057,456	9	16,903,540	8	38,469,849	8	32,522,503	7
General and administrative	4,927,159	2	4,667,198	2	10,174,762	2	8,512,133	2
Marketing	1,382,199	1	1,436,902	1	2,878,686	1	2,852,001	1
Total operating expenses	<u>25,366,814</u>	<u>12</u>	<u>23,007,640</u>	<u>11</u>	<u>51,523,297</u>	<u>11</u>	<u>43,886,637</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Note 27)	<u>(86,439)</u>	<u>-</u>	<u>(5,595)</u>	<u>-</u>	<u>(67,202)</u>	<u>-</u>	<u>3,138</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 35)	<u>83,255,401</u>	<u>39</u>	<u>91,321,001</u>	<u>41</u>	<u>178,607,791</u>	<u>40</u>	<u>161,788,315</u>	<u>38</u>
NON-OPERATING INCOME AND EXPENSES								
Share of profits of associates	618,451	-	892,266	-	1,285,261	-	1,733,161	-
Other income	2,626,210	1	1,792,766	1	4,731,189	1	3,125,355	1
Foreign exchange loss, net (Note 34)	(551,533)	-	(807,218)	-	(451,738)	-	(1,900,836)	-
Finance costs	(839,913)	-	(821,425)	-	(1,656,577)	-	(1,672,005)	-
Other gains and losses (Note 24)	<u>1,008,851</u>	<u>-</u>	<u>1,029,001</u>	<u>-</u>	<u>1,424,040</u>	<u>-</u>	<u>2,588,300</u>	<u>-</u>
Total non-operating income and expenses	<u>2,862,066</u>	<u>1</u>	<u>2,085,390</u>	<u>1</u>	<u>5,332,175</u>	<u>1</u>	<u>3,873,975</u>	<u>1</u>
INCOME BEFORE INCOME TAX	86,117,467	40	93,406,391	42	183,939,966	41	165,662,290	39
INCOME TAX EXPENSE (Notes 4 and 25)	<u>19,846,815</u>	<u>9</u>	<u>20,878,112</u>	<u>9</u>	<u>30,048,406</u>	<u>7</u>	<u>28,341,414</u>	<u>7</u>
NET INCOME	<u>66,270,652</u>	<u>31</u>	<u>72,528,279</u>	<u>33</u>	<u>153,891,560</u>	<u>34</u>	<u>137,320,876</u>	<u>32</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	1,353,774	1	(353,467)	-	(19,889,820)	(4)	(6,946,520)	(1)
Changes in fair value of available-for-sale financial assets	28,397	-	(30,018)	-	(65,073)	-	21,276	-
Cash flow hedges	18,997	-	-	-	18,997	-	-	-
Share of other comprehensive income (loss) of associates	3,027	-	(17,528)	-	(58,630)	-	8,629	-
Income tax benefit related to items that may be reclassified subsequently	<u>6,041</u>	<u>-</u>	<u>10,200</u>	<u>-</u>	<u>52,441</u>	<u>-</u>	<u>27,640</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>1,410,236</u>	<u>1</u>	<u>(390,813)</u>	<u>-</u>	<u>(19,942,085)</u>	<u>(4)</u>	<u>(6,888,975)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 67,680,888</u>	<u>32</u>	<u>\$ 72,137,466</u>	<u>33</u>	<u>\$ 133,949,475</u>	<u>30</u>	<u>\$ 130,431,901</u>	<u>31</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	\$ 66,271,019	31	\$ 72,506,321	33	\$ 153,899,917	34	\$ 137,287,814	32
Noncontrolling interests	<u>(367)</u>	<u>-</u>	<u>21,958</u>	<u>-</u>	<u>(8,357)</u>	<u>-</u>	<u>33,062</u>	<u>-</u>
	<u>\$ 66,270,652</u>	<u>31</u>	<u>\$ 72,528,279</u>	<u>33</u>	<u>\$ 153,891,560</u>	<u>34</u>	<u>\$ 137,320,876</u>	<u>32</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	\$ 67,680,017	32	\$ 72,117,547	33	\$ 133,954,807	30	\$ 130,401,775	31
Noncontrolling interests	<u>871</u>	<u>-</u>	<u>19,919</u>	<u>-</u>	<u>(5,332)</u>	<u>-</u>	<u>30,126</u>	<u>-</u>
	<u>\$ 67,680,888</u>	<u>32</u>	<u>\$ 72,137,466</u>	<u>33</u>	<u>\$ 133,949,475</u>	<u>30</u>	<u>\$ 130,431,901</u>	<u>31</u>
	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent	
EARNINGS PER SHARE (NT\$, Note 26)								
Basic earnings per share	<u>\$ 2.56</u>		<u>\$ 2.80</u>		<u>\$ 5.94</u>		<u>\$ 5.29</u>	
Diluted earnings per share	<u>\$ 2.56</u>		<u>\$ 2.80</u>		<u>\$ 5.94</u>		<u>\$ 5.29</u>	

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	Equity Attributable to Shareholders of the Parent														
	Capital Stock - Common Stock						Others							Noncontrolling Interests	Total Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Unearned Stock-Based Employee Compensation	Total	Total			
BALANCE, JANUARY 1, 2017	25,930,380	\$ 259,303,805	\$ 56,272,304	\$ 208,297,945	\$ 863,710,224	\$ 1,072,008,169	\$ 1,661,237	\$ 2,641	\$ 105	\$ -	\$ 1,663,983	\$ 1,389,248,261	\$ 802,865	\$ 1,390,051,126	
Appropriations of prior year's earnings															
Legal capital reserve	-	-	-	33,424,718	(33,424,718)	-	-	-	-	-	-	-	-	-	
Cash dividends to shareholders - NT\$7.0 per share	-	-	-	-	(181,512,663)	(181,512,663)	-	-	-	-	-	(181,512,663)	-	(181,512,663)	
Total	-	-	-	33,424,718	(214,937,381)	(181,512,663)	-	-	-	-	-	(181,512,663)	-	(181,512,663)	
Net income (loss) for the six months ended June 30, 2017	-	-	-	-	153,899,917	153,899,917	-	-	-	-	-	153,899,917	(8,357)	153,891,560	
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(19,947,752)	(14,089)	16,731	-	(19,945,110)	(19,945,110)	3,025	(19,942,085)	
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	153,899,917	153,899,917	(19,947,752)	(14,089)	16,731	-	(19,945,110)	133,954,807	(5,332)	133,949,475	
Adjustments to share of changes in equities of associates	-	-	7,715	-	-	-	-	-	-	(15,384)	(15,384)	(7,669)	-	(7,669)	
From share of changes in equities of subsidiaries	-	-	2,761	-	-	-	-	-	-	-	-	2,761	(2,761)	-	
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	(114,624)	(114,624)	
BALANCE, JUNE 30, 2017	25,930,380	\$ 259,303,805	\$ 56,282,780	\$ 241,722,663	\$ 802,672,760	\$ 1,044,395,423	\$ (18,286,515)	\$ (11,448)	\$ 16,836	\$ (15,384)	\$ (18,296,511)	\$ 1,341,685,497	\$ 680,148	\$ 1,342,365,645	
BALANCE, JANUARY 1, 2016	25,930,380	\$ 259,303,805	\$ 56,300,215	\$ 177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$ -	\$ 11,774,113	\$ 1,221,671,719	\$ 962,760	\$ 1,222,634,479	
Appropriations of prior year's earnings															
Legal capital reserve	-	-	-	30,657,384	(30,657,384)	-	-	-	-	-	-	-	-	-	
Cash dividends to shareholders - NT\$6.0 per share	-	-	-	-	(155,582,283)	(155,582,283)	-	-	-	-	-	(155,582,283)	-	(155,582,283)	
Total	-	-	-	30,657,384	(186,239,667)	(155,582,283)	-	-	-	-	-	(155,582,283)	-	(155,582,283)	
Net income for the six months ended June 30, 2016	-	-	-	-	137,287,814	137,287,814	-	-	-	-	-	137,287,814	33,062	137,320,876	
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	(6,958,514)	72,190	285	-	(6,886,039)	(6,886,039)	(2,936)	(6,888,975)	
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	137,287,814	137,287,814	(6,958,514)	72,190	285	-	(6,886,039)	130,401,775	30,126	130,431,901	
Disposal of investments accounted for using equity method	-	-	(56,169)	-	-	-	-	-	-	-	-	(56,169)	-	(56,169)	
Adjustments to share of changes in equities of associates	-	-	19,095	-	-	-	-	-	-	-	-	19,095	8	19,103	
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	(114,099)	(114,099)	
Effect of disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(1,954)	(1,954)	
BALANCE, JUNE 30, 2016	25,930,380	\$ 259,303,805	\$ 56,263,141	\$ 208,297,945	\$ 667,701,172	\$ 875,999,117	\$ 4,081,435	\$ 806,961	\$ (322)	\$ -	\$ 4,888,074	\$ 1,196,454,137	\$ 876,841	\$ 1,197,330,978	

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)

	Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 183,939,966	\$ 165,662,290
Adjustments for:		
Depreciation expense	116,099,116	109,352,892
Amortization expense	2,065,459	1,769,157
Finance costs	1,656,577	1,672,005
Share of profits of associates	(1,285,261)	(1,733,161)
Interest income	(4,588,686)	(2,987,896)
Gain on disposal of property, plant and equipment, net	(15,343)	(6,828)
Impairment loss on financial assets	12,032	30,872
Loss (gain) on disposal of available-for-sale financial assets, net	59,311	(89,669)
Gain on disposal of financial assets carried at cost, net	(4,753)	(20,009)
Loss on disposal of investments accounted for using equity method, net	-	259,960
Loss from liquidation of subsidiaries	-	36,105
Unrealized gross profit on sales to associates	40,619	39,898
Loss (gain) on foreign exchange, net	(6,377,351)	308,122
Dividend income	(142,503)	(137,459)
Loss arising from fair value hedges, net	23,494	841
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	1,159,461	(1,708,787)
Notes and accounts receivable, net	15,263,197	(29,118,721)
Receivables from related parties	533,558	81,512
Other receivables from related parties	8,492	(19,200)
Inventories	(12,328,292)	6,346,456
Other financial assets	1,844,118	(3,053,635)
Other current assets	(143,032)	269,691
Other noncurrent assets	(433,328)	-
Accounts payable	(1,398,358)	3,446,305
Payables to related parties	(160,398)	(85,240)
Salary and bonus payable	(3,638,899)	(1,858,488)
Accrued profit sharing bonus to employees and compensation to directors and supervisors	10,482,136	9,406,925
Accrued expenses and other current liabilities	4,823,091	1,420,239
Provisions	(4,192,045)	(642,887)
Net defined benefit liability	<u>5,232</u>	<u>8,640</u>
Cash generated from operations	303,307,610	258,649,930
Income taxes paid	<u>(38,899,186)</u>	<u>(30,444,686)</u>
Net cash generated by operating activities	<u>264,408,424</u>	<u>228,205,244</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(48,350,281)	(28,802,391)
Held-to-maturity financial assets	(1,695,771)	(23,706,522)
Financial assets carried at cost	(475,184)	(218,762)
Property, plant and equipment	(207,694,057)	(111,727,052)
Intangible assets	(1,970,729)	(1,783,656)
Land use right	-	(805,318)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six Months Ended June 30	
	2017	2016
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 36,338,151	\$ 8,070,785
Held-to-maturity financial assets	11,350,000	4,700,000
Financial assets carried at cost	50,180	20,009
Property, plant and equipment	170,029	26,517
Proceeds from return of capital of financial assets carried at cost	-	42,064
Derecognition of hedging derivative financial instruments	6,496	(9,534)
Interest received	4,432,649	3,310,985
Proceeds from government grants - property, plant and equipment	436,587	-
Other dividends received	124,835	118,890
Dividends received from investments accounted for using equity method	163,408	-
Refundable deposits paid	(378,335)	(59,844)
Refundable deposits refunded	42,008	63,470
Decrease in receivables for temporary payments	<u>-</u>	<u>706,718</u>
Net cash used in investing activities	<u>(207,450,014)</u>	<u>(150,053,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(290,110)	(157,064)
Repayment of bonds	(10,000,000)	(11,471,600)
Repayment of long-term bank loans	(4,840)	(3,700)
Interest paid	(1,383,051)	(1,289,308)
Guarantee deposits received	848,259	498,025
Guarantee deposits refunded	(1,718,541)	(485,721)
Decrease in noncontrolling interests	<u>(524)</u>	<u>(509)</u>
Net cash used in financing activities	<u>(12,548,807)</u>	<u>(12,909,877)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(15,196,478)</u>	<u>(5,571,354)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,213,125	59,670,372
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>541,253,833</u>	<u>562,688,930</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 570,466,958</u>	<u>\$ 622,359,302</u>

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 and 2016

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

(Reviewed, Not Audited)

1. GENERAL

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

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on August 8, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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

1) IFRS 9 “Financial Instruments”

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

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

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

the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

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

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

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

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

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

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

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 3)</u>
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
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 3: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

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

- 1) IFRS 16 “Leases”

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Statement of Compliance

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

Basis of Consolidation

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

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

The subsidiaries in the consolidated financial statements

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

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

Hedge Accounting

Cash Flow Hedge

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

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

Retirement Benefits

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

Taxation

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

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

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash and deposits in banks	\$ 570,466,958	\$ 536,895,344	\$ 617,660,014
Repurchase agreements collateralized by corporate bonds	-	2,361,250	4,499,288
Commercial paper	-	1,997,239	-
Repurchase agreements collateralized by government bonds	-	-	200,000
	<u>\$ 570,466,958</u>	<u>\$ 541,253,833</u>	<u>\$ 622,359,302</u>

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

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

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets</u>			
Held for trading			
Forward exchange contracts	\$ 209,435	\$ 142,406	\$ 143,834
Cross currency swap contracts	-	10,976	62,917
	<u>209,435</u>	<u>153,382</u>	<u>206,751</u>
Designated as at FVTPL			
Time deposit	4,725,106	6,297,708	1,614,156
Forward exchange contracts	60,710	22	-
	<u>4,785,816</u>	<u>6,297,730</u>	<u>1,614,156</u>
	<u>\$ 4,995,251</u>	<u>\$ 6,451,112</u>	<u>\$ 1,820,907</u>
<u>Financial liabilities</u>			
Held for trading			
Forward exchange contracts	\$ 82,552	\$ 91,585	\$ 160,423
Cross currency swap contracts	-	-	7,408
	<u>82,552</u>	<u>91,585</u>	<u>167,831</u>
Designated as at FVTPL			
Forward exchange contracts	-	99,550	10,873
	<u>\$ 82,552</u>	<u>\$ 191,135</u>	<u>\$ 178,704</u>

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2017</u>		
Sell NT\$/Buy EUR	July 2017	NT\$5,591,846/EUR164,500
Sell NT\$/Buy JPY	July 2017	NT\$7,413,646/JPY27,100,000
Sell US\$/Buy EUR	July 2017	US\$89,202/EUR79,000
Sell US\$/Buy JPY	July 2017	US\$53,585/JPY6,000,000
Sell US\$/Buy NT\$	July 2017 to August 2017	US\$277,700/NT\$8,440,651
Sell US\$/Buy RMB	July 2017 to September 2017	US\$557,000/RMB3,805,715
<u>December 31, 2016</u>		
Sell NT\$/Buy EUR	January 2017	NT\$5,393,329/EUR159,400
Sell NT\$/Buy JPY	January 2017	NT\$7,314,841/JPY26,501,800
Sell US\$/Buy EUR	January 2017	US\$4,180/EUR4,000
Sell US\$/Buy JPY	January 2017	US\$428/JPY50,000
Sell US\$/Buy NT\$	January 2017 to February 2017	US\$439,000/NT\$14,138,202
Sell US\$/Buy RMB	January 2017 to June 2017	US\$421,750/RMB2,908,380
<u>June 30, 2016</u>		
Sell NT\$/Buy EUR	July 2016	NT\$2,114,352/EUR59,000
Sell NT\$/Buy JPY	July 2016	NT\$4,889,373/JPY15,521,040
Sell US\$/Buy JPY	July 2016	US\$166,271/JPY16,944,380
Sell US\$/Buy RMB	July 2016 to June 2017	US\$233,000/RMB1,538,880
Sell US\$/Buy NT\$	July 2016 to August 2016	US\$498,000/NT\$16,190,246

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2016</u>			
January 2017	US\$170,000/NT\$5,487,600	3.98%	-
<u>June 30, 2016</u>			
July 2016	US\$415,000/NT\$13,452,895	0.66%-0.90%	-

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Corporate bonds	\$ 32,784,516	\$ 29,999,508	\$ 12,525,209
Agency bonds/Agency mortgage-backed securities	21,861,711	14,880,482	6,379,861
Asset-backed securities	12,005,502	11,254,757	6,029,248
Government bonds	6,607,624	8,457,362	2,366,035
Publicly traded stocks	2,635,124	3,196,658	2,893,386
Commercial paper	358,175	-	-
Money market funds	<u>-</u>	<u>-</u>	<u>6,128,310</u>
	<u>\$ 76,252,652</u>	<u>\$ 67,788,767</u>	<u>\$ 36,322,049</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Corporate bonds/Bank debentures	\$ 21,157,966	\$ 23,849,701	\$ 26,988,011
Negotiable certificate of deposit	4,562,100	4,829,850	4,842,450
Structured product	1,520,700	1,609,950	2,000,000
Commercial paper	<u>498,818</u>	<u>8,628,176</u>	<u>798,708</u>
	<u>\$ 27,739,584</u>	<u>\$ 38,917,677</u>	<u>\$ 34,629,169</u>
Current portion	\$ 7,210,380	\$ 16,610,116	\$ 7,362,302
Noncurrent portion	<u>20,529,204</u>	<u>22,307,561</u>	<u>27,266,867</u>
	<u>\$ 27,739,584</u>	<u>\$ 38,917,677</u>	<u>\$ 34,629,169</u>

10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets- current</u>			
Fair value hedges			
Interest rate futures contracts	\$ 4,783	\$ 5,550	\$ -
Cash flow hedges			
Forward exchange contracts	<u>19,734</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,517</u>	<u>\$ 5,550</u>	<u>\$ -</u>
<u>Financial liabilities- current</u>			
Fair value hedges			
Interest rate futures contracts	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 4,217</u>

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

The outstanding interest rate futures contracts consisted of the following:

Maturity Period	Contract Amount (US\$ in Thousands)
<u>June 30, 2017</u>	
September 2017	US\$ 115,000
<u>December 31, 2016</u>	
March 2017	US\$ 53,600
<u>June 30, 2016</u>	
September 2016	US\$ 10,000

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2017</u>		
Sell NT\$/Buy EUR	October 2017	NT\$329,400/EUR10,000

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Notes and accounts receivable	\$ 110,365,090	\$ 128,815,389	\$ 111,788,384
Allowance for doubtful receivables	<u>(471,808)</u>	<u>(480,118)</u>	<u>(488,197)</u>
Notes and accounts receivable, net	<u>\$ 109,893,282</u>	<u>\$ 128,335,271</u>	<u>\$ 111,300,187</u>

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

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

Aging analysis of notes and accounts receivable, net

	June 30, 2017	December 31, 2016	June 30, 2016
Neither past due nor impaired	\$ 102,621,332	\$ 108,411,408	\$ 97,225,328
Past due but not impaired			
Past due within 30 days	3,770,828	15,017,824	9,190,367
Past due 31-60 days	1,723,349	1,844,726	1,901,629
Past due 61-120 days	<u>1,777,773</u>	<u>3,061,313</u>	<u>2,982,863</u>
	<u>\$ 109,893,282</u>	<u>\$ 128,335,271</u>	<u>\$ 111,300,187</u>

Movements of the allowance for doubtful receivables

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 1,848	\$ 478,270	\$ 480,118
Reversal/Write-off	(1,848)	(6,305)	(8,153)
Effect of exchange rate changes	<u>-</u>	<u>(157)</u>	<u>(157)</u>
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 471,808</u>	<u>\$ 471,808</u>
Balance at January 1, 2016	\$ 10,241	\$ 478,010	\$ 488,251
Effect of exchange rate changes	<u>-</u>	<u>(54)</u>	<u>(54)</u>
Balance at June 30, 2016	<u>\$ 10,241</u>	<u>\$ 477,956</u>	<u>\$ 488,197</u>

Aging analysis of accounts receivable that is individually determined as impaired

	June 30, 2017	December 31, 2016	June 30, 2016
Past due over 121 days	<u>\$ -</u>	<u>\$ 1,848</u>	<u>\$ 10,241</u>

12. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	\$ 9,445,865	\$ 8,521,873	\$ 4,943,938
Work in process	42,817,413	33,330,870	50,604,010
Raw materials	5,866,098	4,012,190	2,765,102
Supplies and spare parts	<u>2,881,149</u>	<u>2,817,300</u>	<u>2,392,764</u>
	<u>\$ 61,010,525</u>	<u>\$ 48,682,233</u>	<u>\$ 60,705,814</u>

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Inventory losses (reversal of write-down of inventories)	\$ <u>(520,998)</u>	\$ <u>1,195,805</u>	\$ <u>(1,463,341)</u>	\$ <u>651,133</u>

13. FINANCIAL ASSETS CARRIED AT COST

	June 30, 2017	December 31, 2016	June 30, 2016
Non-publicly traded stocks	\$ 2,749,463	\$ 2,944,859	\$ 3,176,575
Mutual funds	<u>1,563,806</u>	<u>1,157,608</u>	<u>890,046</u>
	<u>\$ 4,313,269</u>	<u>\$ 4,102,467</u>	<u>\$ 4,066,621</u>

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

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
			June 30, 2017	December 31, 2016	June 30, 2016	June 30, 2017	December 31, 2016	June 30, 2016
Vanguard International Semiconductor Corporation (VIS)	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks	Hsin-Chu, Taiwan	\$ 7,956,845	\$ 8,806,384	\$ 8,068,620	28%	28%	28%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Manufacturing and selling of integrated circuits and other semiconductor devices	Singapore	7,596,341	7,163,516	10,154,793	39%	39%	39%
Xintec Inc. (Xintec)	Wafer level chip size packaging and wafer level post passivation interconnection service	Taoyuan, Taiwan	2,344,813	2,599,807	2,777,336	41%	41%	41%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsin-Chu, Taiwan	1,078,026	1,174,181	1,063,883	35%	35%	35%
			<u>\$ 18,976,025</u>	<u>\$ 19,743,888</u>	<u>\$ 22,064,632</u>			

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

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

Name of Associate	June 30, 2017	December 31, 2016	June 30, 2016
VIS	\$ 27,853,410	\$ 26,089,360	\$ 24,511,000
GUC	\$ 6,022,734	\$ 3,664,997	\$ 3,417,551
Xintec	\$ 5,541,840	\$ 3,622,227	\$ 2,325,793

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Assets under Finance Leases	Equipment under Installation and Construction in Progress	Total
Cost							
Balance at January 1, 2017	\$ 4,049,292	\$ 304,404,474	\$ 2,042,867,744	\$ 34,729,640	\$ -	\$ 387,199,675	\$ 2,773,250,825
Additions (Deductions)	-	64,811,014	375,300,110	4,672,797	-	(248,117,207)	196,666,714
Disposals or retirements	-	(36,957)	(3,486,590)	(317,146)	-	-	(3,840,693)
Reclassification	-	-	8,791	1,507	-	-	10,298
Effect of exchange rate changes	(46,417)	(867,048)	(3,532,198)	(111,395)	-	(62,640)	(4,619,698)
Balance at June 30, 2017	\$ 4,002,875	\$ 368,311,483	\$ 2,411,157,857	\$ 38,975,403	\$ -	\$ 139,019,828	\$ 2,961,467,446
Accumulated depreciation and impairment							
Balance at January 1, 2017	\$ 524,845	\$ 174,349,077	\$ 1,577,377,509	\$ 23,221,707	\$ -	\$ -	\$ 1,775,473,138
Additions	14,012	9,400,481	104,345,520	2,339,103	-	-	116,099,116
Disposals or retirements	-	(28,816)	(3,333,518)	(317,093)	-	-	(3,679,427)
Reclassification	-	-	8,195	1,466	-	-	9,661
Effect of exchange rate changes	(29,236)	(713,609)	(3,239,046)	(79,910)	-	-	(4,061,801)
Balance at June 30, 2017	\$ 509,621	\$ 183,007,133	\$ 1,675,158,660	\$ 25,165,273	\$ -	\$ -	\$ 1,883,840,687
Carrying amounts at January 1, 2017	\$ 3,524,447	\$ 130,055,397	\$ 465,490,235	\$ 11,507,933	\$ -	\$ 387,199,675	\$ 997,777,687
Carrying amounts at June 30, 2017	\$ 3,493,254	\$ 185,304,350	\$ 735,999,197	\$ 13,810,130	\$ -	\$ 139,019,828	\$ 1,077,626,759
Cost							
Balance at January 1, 2016	\$ 4,067,391	\$ 296,801,864	\$ 1,893,489,604	\$ 30,700,049	\$ 7,113	\$ 192,111,548	\$ 2,417,177,569
Additions	-	5,544,359	117,986,695	3,012,979	-	5,870,440	132,414,473
Disposals or retirements	-	-	(1,828,533)	(316,251)	-	-	(2,144,784)
Reclassification	-	-	-	7,113	(7,113)	-	-
Effect of exchange rate changes	(15,914)	(777,818)	(2,435,252)	(44,228)	-	(19,513)	(3,292,725)
Balance at June 30, 2016	\$ 4,051,477	\$ 301,568,405	\$ 2,007,212,514	\$ 33,359,662	\$ -	\$ 197,962,475	\$ 2,544,154,533
Accumulated depreciation and impairment							
Balance at January 1, 2016	\$ 506,185	\$ 157,910,155	\$ 1,385,857,655	\$ 19,426,069	\$ 7,113	\$ -	\$ 1,563,707,177
Additions	14,949	8,772,080	98,462,355	2,103,508	-	-	109,352,892
Disposals or retirements	-	-	(1,808,905)	(316,190)	-	-	(2,125,095)
Reclassification	-	-	-	7,113	(7,113)	-	-
Effect of exchange rate changes	(9,643)	(575,262)	(2,034,628)	(31,113)	-	-	(2,650,646)
Balance at June 30, 2016	\$ 511,491	\$ 166,106,973	\$ 1,480,476,477	\$ 21,189,387	\$ -	\$ -	\$ 1,668,284,328
Carrying amounts at June 30, 2016	\$ 3,539,986	\$ 135,461,432	\$ 526,736,037	\$ 12,170,275	\$ -	\$ 197,962,475	\$ 875,870,205

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

16. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Cost					
Balance at January 1, 2017	\$ 6,007,975	\$ 9,546,007	\$ 22,243,595	\$ 5,386,435	\$ 43,184,012
Additions	-	671,467	902,376	242,792	1,816,635
Retirements	-	-	(75,237)	-	(75,237)
Reclassification	-	-	7,662	(17,960)	(10,298)
Effect of exchange rate changes	(243,177)	(1,089)	(4,585)	(3,895)	(252,746)
Balance at June 30, 2017	\$ 5,764,798	\$ 10,216,385	\$ 23,073,811	\$ 5,607,372	\$ 44,662,366

(Continued)

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2017	\$ -	\$ 6,147,200	\$ 18,144,428	\$ 4,277,538	\$ 28,569,166
Additions	-	774,708	1,045,257	245,494	2,065,459
Retirements	-	-	(75,237)	-	(75,237)
Reclassification	-	-	7,409	(17,070)	(9,661)
Effect of exchange rate changes	-	(1,094)	(3,985)	(1,174)	(6,253)
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 6,920,814</u>	<u>\$ 19,117,872</u>	<u>\$ 4,504,788</u>	<u>\$ 30,543,474</u>
Carrying amounts at January 1, 2017	<u>\$ 6,007,975</u>	<u>\$ 3,398,807</u>	<u>\$ 4,099,167</u>	<u>\$ 1,108,897</u>	<u>\$ 14,614,846</u>
Carrying amounts at June 30, 2017	<u>\$ 5,764,798</u>	<u>\$ 3,295,571</u>	<u>\$ 3,955,939</u>	<u>\$ 1,102,584</u>	<u>\$ 14,118,892</u>
<u>Cost</u>					
Balance at January 1, 2016	\$ 6,104,784	\$ 8,454,304	\$ 19,474,428	\$ 4,879,026	\$ 38,912,542
Additions	-	751,269	745,416	362,770	1,859,455
Retirements	-	-	(1,800)	-	(1,800)
Effect of exchange rate changes	(84,410)	2,910	(5,961)	(6,179)	(93,640)
Balance at June 30, 2016	<u>\$ 6,020,374</u>	<u>\$ 9,208,483</u>	<u>\$ 20,212,083</u>	<u>\$ 5,235,617</u>	<u>\$ 40,676,557</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2016	\$ -	\$ 4,779,388	\$ 16,431,666	\$ 3,635,608	\$ 24,846,662
Additions	-	651,638	791,025	326,494	1,769,157
Retirements	-	-	(1,800)	-	(1,800)
Effect of exchange rate changes	-	2,910	(5,409)	(1,525)	(4,024)
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 5,433,936</u>	<u>\$ 17,215,482</u>	<u>\$ 3,960,577</u>	<u>\$ 26,609,995</u>
Carrying amounts at June 30, 2016	<u>\$ 6,020,374</u>	<u>\$ 3,774,547</u>	<u>\$ 2,996,601</u>	<u>\$ 1,275,040</u>	<u>\$ 14,066,562</u>

(Concluded)

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

17. OTHER ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Tax receivable	\$ 3,100,287	\$ 2,325,825	\$ 2,064,225
Prepaid expenses	1,242,518	1,007,026	1,159,387
Others	<u>1,501,816</u>	<u>1,553,003</u>	<u>1,586,614</u>
	<u>\$ 5,844,621</u>	<u>\$ 4,885,854</u>	<u>\$ 4,810,226</u>
Current portion	\$ 3,777,530	\$ 3,385,422	\$ 3,263,678
Noncurrent portion	<u>2,067,091</u>	<u>1,500,432</u>	<u>1,546,548</u>
	<u>\$ 5,844,621</u>	<u>\$ 4,885,854</u>	<u>\$ 4,810,226</u>

18. SHORT-TERM LOANS

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured loans			
Amount	<u>\$ 54,745,200</u>	<u>\$ 57,958,200</u>	<u>\$ 38,739,600</u>
Original loan content			
US\$ (in thousands)	\$ 1,800,000	\$ 1,800,000	\$ 1,200,000
Annual interest rate	1.27%-1.33%	0.87%-1.07%	0.70%-0.77%
Maturity date	Due by July 2017	Due by January 2017	Due in July 2016

19. PROVISIONS

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

	Sales Returns and Allowances
<u>Six months ended June 30, 2017</u>	
Balance, beginning of period	\$ 18,037,789
Provision	20,743,207
Payment	(24,930,685)
Effect of exchange rate changes	<u>(32,095)</u>
Balance, end of period	<u>\$ 13,818,216</u>
<u>Six months ended June 30, 2016</u>	
Balance, beginning of period	\$ 10,163,536
Provision	13,433,695
Payment	(14,070,519)
Effect of exchange rate changes	<u>(30,823)</u>
Balance, end of period	<u>\$ 9,495,889</u>

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

20. BONDS PAYABLE

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic unsecured bonds	\$ 144,200,000	\$ 154,200,000	\$ 166,200,000
Overseas unsecured bonds	<u>34,976,100</u>	<u>37,028,850</u>	<u>37,125,450</u>
	179,176,100	191,228,850	203,325,450
Less: Discounts on bonds payable	(20,175)	(35,293)	(49,239)
Less: Current portion	<u>(79,855,925)</u>	<u>(38,100,000)</u>	<u>(22,000,000)</u>
	<u>\$ 99,300,000</u>	<u>\$ 153,093,557</u>	<u>\$ 181,276,211</u>

The major terms of overseas unsecured bonds are as follows:

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

21. GUARANTEE DEPOSITS

	June 30, 2017	December 31, 2016	June 30, 2016
Capacity guarantee	\$ 16,727,700	\$ 20,929,350	\$ 24,212,250
Receivables guarantee	4,293,198	5,559,960	-
Others	<u>292,113</u>	<u>181,312</u>	<u>200,014</u>
	<u>\$ 21,313,011</u>	<u>\$ 26,670,622</u>	<u>\$ 24,412,264</u>
Current portion (classified under accrued expenses and other current liabilities)	\$ 10,494,634	\$ 12,000,189	\$ 6,461,850
Noncurrent portion	<u>10,818,377</u>	<u>14,670,433</u>	<u>17,950,414</u>
	<u>\$ 21,313,011</u>	<u>\$ 26,670,622</u>	<u>\$ 24,412,264</u>

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

22. EQUITY

a. Capital stock

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

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

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

As of June 30, 2017, 1,068,224 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,341,120 thousand shares (one ADS represents five common shares).

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
Additional paid-in capital	\$ 24,184,939	\$ 24,184,939	\$ 24,184,939
From merger	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847
From share of changes in equities of subsidiaries	110,559	107,798	100,761
From share of changes in equities of associates	289,870	282,155	280,029
Donations	<u>55</u>	<u>55</u>	<u>55</u>
	<u>\$ 56,282,780</u>	<u>\$ 56,272,304</u>	<u>\$ 56,263,141</u>

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

d. Others

Changes in others were as follows:

	Six Months Ended June 30, 2017				
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Unearned Stock-Based Employee Compensation	Total
Balance, beginning of period	\$ 1,661,237	\$ 2,641	\$ 105	\$ -	\$ 1,663,983
Exchange differences arising on translation of foreign operations	(19,888,672)	-	-	-	(19,888,672)
Changes in fair value of available-for-sale financial assets	-	(130,925)	-	-	(130,925)
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	61,679	-	-	61,679
Gain/(loss) arising on changes in the fair value of hedging instruments	-	-	82,504	-	82,504
Transferred to initial carrying amount of hedged items	-	-	(63,507)	-	(63,507)

(Continued)

	Six Months Ended June 30, 2017				
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Unearned Stock-Based Employee Compensation	Total
Share of other comprehensive income (loss) of associates	\$ (59,080)	\$ 436	\$ 14	\$ -	\$ (58,630)
Share of unearned stock-based employee compensation of associates	-	-	-	(15,384)	(15,384)
Income tax effect	-	54,721	(2,280)	-	52,441
Balance, end of period	<u>\$ (18,286,515)</u>	<u>\$ (11,448)</u>	<u>\$ 16,836</u>	<u>\$ (15,384)</u>	<u>\$ (18,296,511)</u>

(Concluded)

	Six Months Ended June 30, 2016				
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total	
Balance, beginning of period	\$ 11,039,949	\$ 734,771	\$ (607)	\$ 11,774,113	
Exchange differences arising on translation of foreign operations	(6,981,647)	-	-	(6,981,647)	
Other comprehensive income reclassified to profit or loss upon disposal of subsidiaries	36,105	-	-	36,105	
Changes in fair value of available-for-sale financial assets	-	112,904	-	112,904	
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(89,669)	-	(89,669)	
Share of other comprehensive income (loss) of associates and joint venture	(8,260)	24,784	285	16,809	
Other comprehensive loss reclassified to profit or loss upon disposal of associates	(4,712)	(3,469)	-	(8,181)	
Income tax effect	-	27,640	-	27,640	
Balance, end of period	<u>\$ 4,081,435</u>	<u>\$ 806,961</u>	<u>\$ (322)</u>	<u>\$ 4,888,074</u>	

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

23. NET REVENUE

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Net revenue from sale of goods	\$ 213,731,711	\$ 221,667,204	\$ 447,486,888	\$ 425,050,621
Net revenue from royalties	<u>123,501</u>	<u>142,642</u>	<u>282,724</u>	<u>254,586</u>
	<u>\$ 213,855,212</u>	<u>\$ 221,809,846</u>	<u>\$ 447,769,612</u>	<u>\$ 425,305,207</u>

24. OTHER GAINS AND LOSSES

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Gain (loss) on disposal of financial assets, net				
Available-for-sale financial assets	\$ (50,329)	\$ 100,498	\$ (59,311)	\$ 89,669
Financial assets carried at cost	4,753	5,628	4,753	20,009
Loss on disposal of investments accounted for using equity method, net	-	(259,960)	-	(259,960)
Other gains	92,681	25,210	128,776	62,638
Net gain (loss) on financial instruments at FVTPL				
Held for trading	923,136	1,297,816	1,296,276	2,829,951
Designated as at FVTPL	47,530	(70,947)	97,664	(70,947)
Gain (loss) arising from fair value hedges, net	(4,007)	404	(23,494)	(841)
Impairment loss on financial assets				
Financial assets carried at cost	-	(30,872)	(12,032)	(30,872)
Loss from liquidation of subsidiaries	-	(36,105)	-	(36,105)
Other losses	(4,913)	(2,671)	(8,592)	(15,242)
	<u>\$ 1,008,851</u>	<u>\$ 1,029,001</u>	<u>\$ 1,424,040</u>	<u>\$ 2,588,300</u>

25. INCOME TAX

a. Income tax expense recognized in profit or loss

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current income tax expense				
Current tax expense recognized in the current period	\$ 20,033,186	\$ 20,823,242	\$ 32,675,274	\$ 29,469,752
Income tax adjustments on prior years	(938,292)	(1,035,405)	(938,292)	(1,035,405)
Other income tax adjustments	34,178	169,156	70,534	204,996
	<u>19,129,072</u>	<u>19,956,993</u>	<u>31,807,516</u>	<u>28,639,343</u>
Deferred income tax expense (benefit)				
The origination and reversal of temporary differences	(719,574)	(51,179)	(1,759,110)	(297,929)
Investment tax credits and operating loss carryforward	1,437,317	972,298	-	-
	<u>717,743</u>	<u>921,119</u>	<u>(1,759,110)</u>	<u>(297,929)</u>
Income tax expense recognized in profit or loss	<u>\$ 19,846,815</u>	<u>\$ 20,878,112</u>	<u>\$ 30,048,406</u>	<u>\$ 28,341,414</u>

b. Income tax expense recognized in other comprehensive income

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred income tax benefit (expense)				
Related to unrealized gain/loss on available-for-sale financial assets	\$ 8,321	\$ 10,200	\$ 54,721	\$ 27,640
Related to gain/loss on cash flow hedges	<u>(2,280)</u>	<u>-</u>	<u>(2,280)</u>	<u>-</u>
Total income tax recognized in other comprehensive income	<u>\$ 6,041</u>	<u>\$ 10,200</u>	<u>\$ 52,441</u>	<u>\$ 27,640</u>

c. Integrated income tax information

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Balance of the Imputation Credit Account - TSMC	<u>\$ 120,076,806</u>	<u>\$ 82,072,562</u>	<u>\$ 90,045,123</u>

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

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

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

d. Income tax examination

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

26. EARNINGS PER SHARE

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Basic EPS	<u>\$2.56</u>	<u>\$2.80</u>	<u>\$5.94</u>	<u>\$5.29</u>
Diluted EPS	<u>\$2.56</u>	<u>\$2.80</u>	<u>\$5.94</u>	<u>\$5.29</u>

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Three months ended June 30, 2017</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	<u>\$ 66,271,019</u>	<u>25,930,380</u>	<u>\$2.56</u>
<u>Three months ended June 30, 2016</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	<u>\$ 72,506,321</u>	<u>25,930,380</u>	<u>\$2.80</u>
<u>Six months ended June 30, 2017</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	<u>\$ 153,899,917</u>	<u>25,930,380</u>	<u>\$5.94</u>
<u>Six months ended June 30, 2016</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	<u>\$ 137,287,814</u>	<u>25,930,380</u>	<u>\$5.29</u>

27. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2017	2016	2017	2016
a. Depreciation of property, plant and equipment				
Recognized in cost of revenue	\$ 52,169,204	\$ 50,255,557	\$ 106,662,166	\$ 101,084,838
Recognized in operating expenses	4,790,330	4,140,384	9,424,507	8,255,414
Recognized in other operating income and expenses	<u>6,221</u>	<u>6,222</u>	<u>12,443</u>	<u>12,640</u>
	<u>\$ 56,965,755</u>	<u>\$ 54,402,163</u>	<u>\$ 116,099,116</u>	<u>\$ 109,352,892</u>

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ 514,854	\$ 491,251	\$ 1,042,762	\$ 980,928
Recognized in operating expenses	<u>511,781</u>	<u>381,574</u>	<u>1,022,697</u>	<u>788,229</u>
	<u>\$ 1,026,635</u>	<u>\$ 872,825</u>	<u>\$ 2,065,459</u>	<u>\$ 1,769,157</u>
c. Research and development costs expensed as incurred	<u>\$ 19,057,456</u>	<u>\$ 16,903,540</u>	<u>\$ 38,469,849</u>	<u>\$ 32,522,503</u>
d. Employee benefits expenses				
Post-employment benefits				
Defined contribution plans	\$ 580,666	\$ 527,976	\$ 1,156,426	\$ 1,054,449
Defined benefit plans	<u>67,887</u>	<u>68,034</u>	<u>135,762</u>	<u>136,059</u>
	648,553	596,010	1,292,188	1,190,508
Other employee benefits	<u>22,809,113</u>	<u>22,846,683</u>	<u>48,098,295</u>	<u>44,346,307</u>
	<u>\$ 23,457,666</u>	<u>\$ 23,442,693</u>	<u>\$ 49,390,483</u>	<u>\$ 45,536,815</u>
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 13,905,886	\$ 13,811,159	\$ 29,134,786	\$ 26,916,580
Recognized in operating expenses	<u>9,551,780</u>	<u>9,631,534</u>	<u>20,255,697</u>	<u>18,620,235</u>
	<u>\$ 23,457,666</u>	<u>\$ 23,442,693</u>	<u>\$ 49,390,483</u>	<u>\$ 45,536,815</u>

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

TSMC accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT\$4,445,463 thousand and NT\$4,863,012 thousand for the three months ended June 30, 2017 and 2016, respectively; and NT\$10,322,557 thousand and NT\$9,207,536 thousand for the six months ended June 30, 2017 and 2016, respectively. Compensation to directors was expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

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

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

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets			
FVTPL			
Held for trading	\$ 209,435	\$ 153,382	\$ 206,751
Designated as at FVTPL	4,785,816	6,297,730	1,614,156
Available-for-sale financial assets (Note)	80,565,921	71,891,234	40,388,670
Held-to-maturity financial assets	27,739,584	38,917,677	34,629,169
Derivative financial instruments in designated hedge accounting relationships			
	24,517	5,550	-
Loans and receivables			
Cash and cash equivalents	570,466,958	541,253,833	622,359,302
Notes and accounts receivable (including related parties)	110,329,283	129,304,830	111,724,397
Other receivables	3,982,456	2,626,401	5,503,244
Refundable deposits	<u>742,707</u>	<u>407,874</u>	<u>441,447</u>
	<u>\$ 798,846,677</u>	<u>\$ 790,858,511</u>	<u>\$ 816,867,136</u>
Financial liabilities			
FVTPL			
Held for trading	\$ 82,552	\$ 91,585	\$ 167,831
Designated as at FVTPL	-	99,550	10,873
Derivative financial instruments in designated hedge accounting relationships			
	19	-	4,217
Amortized cost			
Short-term loans	54,745,200	57,958,200	38,739,600
Accounts payable (including related parties)	25,611,675	27,324,525	23,154,264
Payables to contractors and equipment suppliers	50,376,846	63,154,514	48,102,264
Cash dividends payable	181,626,763	-	155,696,382
Accrued expenses and other current liabilities	21,005,399	20,713,259	20,189,411

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Bonds payable (including long-term liabilities-current portion)	\$ 179,155,925	\$ 191,193,557	\$ 203,276,211
Long-term bank loans (including long-term liabilities-current portion)	26,620	31,460	36,300
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	<u>21,313,011</u>	<u>26,670,622</u>	<u>24,412,264</u>
	<u>\$ 533,944,010</u>	<u>\$ 387,237,272</u>	<u>\$ 513,789,617</u> (Concluded)

Note: Including financial assets carried at cost.

b. Financial risk management objectives

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

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

c. Market risk

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

Foreign currency risk

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

The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items and the derivatives financial instruments at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges relative to the New Taiwan dollar, the net income for the six months ended June 30, 2017 and 2016 would have decreased by NT\$503,920 thousand and NT\$89,642 thousand, respectively, and the other comprehensive income for the six months ended June 30, 2017 would have decreased by NT\$34,770 thousand.

Interest rate risk

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

Assuming the amount of the long-term bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical 100 basis point (1.00%) increase in interest rates would have resulted in an increase in the interest expense, net of tax, by approximately NT\$110 thousand and NT\$151 thousand for the six months ended June 30, 2017 and 2016, respectively.

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

Based on a sensitivity analysis performed for the six months ended June 30, 2017 and 2016, a hypothetical 100 basis points (1.00%) increase in interest rates across all maturities would have resulted in a decrease in other comprehensive income by NT\$1,717,186 thousand and NT\$607,921 thousand, respectively.

Other price risk

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

Assuming a hypothetical decrease of 5% in prices of the equity investments at the end of the reporting period for the six months ended June 30, 2017 and 2016, the other comprehensive income would have decreased by NT\$329,734 thousand and NT\$328,089 thousand, respectively.

d. Credit risk management

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

Business related credit risk

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, the Company's ten largest customers accounted for 70%, 74% and 69% of accounts receivable, respectively. The Company believes the concentration of credit risk is not material for the remaining accounts receivable.

Financial credit risk

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

e. Liquidity risk management

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

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

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>June 30, 2017</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 54,765,829	\$ -	\$ -	\$ -	\$ 54,765,829
Accounts payable (including related parties)	25,611,675	-	-	-	25,611,675
Payables to contractors and equipment suppliers	50,376,846	-	-	-	50,376,846
Accrued expenses and other current liabilities	21,005,399	-	-	-	21,005,399
Bonds payable	82,131,653	66,178,944	13,623,019	22,784,016	184,717,632
Long-term bank loans	10,382	17,389	-	-	27,771
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	<u>10,494,634</u>	<u>10,732,609</u>	<u>85,768</u>	<u>-</u>	<u>21,313,011</u>
	<u>244,396,418</u>	<u>76,928,942</u>	<u>13,708,787</u>	<u>22,784,016</u>	<u>357,818,163</u>
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	43,064,181	-	-	-	43,064,181
Inflows	<u>(43,297,762)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,297,762)</u>
	<u>(233,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,581)</u>
	<u>\$ 244,162,837</u>	<u>\$ 76,928,942</u>	<u>\$ 13,708,787</u>	<u>\$ 22,784,016</u>	<u>\$ 357,584,582</u>
<u>December 31, 2016</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 57,974,562	\$ -	\$ -	\$ -	\$ 57,974,562
Accounts payable (including related parties)	27,324,525	-	-	-	27,324,525
Payables to contractors and equipment suppliers	63,154,514	-	-	-	63,154,514
Accrued expenses and other current liabilities	20,713,259	-	-	-	20,713,259
Bonds payable	40,669,468	99,161,486	35,340,742	22,979,426	198,151,122
Long-term bank loans	10,543	20,116	2,423	-	33,082
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	<u>12,000,189</u>	<u>13,060,483</u>	<u>1,609,950</u>	<u>-</u>	<u>26,670,622</u>
	<u>221,847,060</u>	<u>112,242,085</u>	<u>36,953,115</u>	<u>22,979,426</u>	<u>394,021,686</u>

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	\$ 40,571,841	\$ -	\$ -	\$ -	\$ 40,571,841
Inflows	(40,586,344)	-	-	-	(40,586,344)
	<u>(14,503)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,503)</u>
Cross currency swap contracts					
Outflows	5,478,066	-	-	-	5,478,066
Inflows	(5,487,600)	-	-	-	(5,487,600)
	<u>(9,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,534)</u>
	<u>\$ 221,823,023</u>	<u>\$ 112,242,085</u>	<u>\$ 36,953,115</u>	<u>\$ 22,979,426</u>	<u>\$ 393,997,649</u>

June 30, 2016

Non-derivative financial liabilities

Short-term loans	\$ 38,743,592	\$ -	\$ -	\$ -	\$ 38,743,592
Accounts payable (including related parties)	23,154,264	-	-	-	23,154,264
Payables to contractors and equipment suppliers	48,102,264	-	-	-	48,102,264
Accrued expenses and other current liabilities	20,189,411	-	-	-	20,189,411
Bonds payable	24,797,738	101,437,838	62,143,440	23,174,836	211,553,852
Long-term bank loans	11,040	21,056	6,353	-	38,449
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	6,461,850	13,107,964	4,842,450	-	24,412,264
	<u>161,460,159</u>	<u>114,566,858</u>	<u>66,992,243</u>	<u>23,174,836</u>	<u>366,194,096</u>

Derivative financial instruments

Forward exchange contracts					
Outflows	35,970,330	-	-	-	35,970,330
Inflows	(35,960,606)	-	-	-	(35,960,606)
	<u>9,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,724</u>
Cross currency swap contracts					
Outflows	13,404,146	-	-	-	13,404,146
Inflows	(13,452,895)	-	-	-	(13,452,895)
	<u>(48,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,749)</u>
	<u>\$ 161,421,134</u>	<u>\$ 114,566,858</u>	<u>\$ 66,992,243</u>	<u>\$ 23,174,836</u>	<u>\$ 366,155,071</u>

(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:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$ -	\$ 209,435	\$ -	\$ 209,435
Designated as at FVTPL				
Time deposit	-	4,725,106	-	4,725,106
Forward exchange contracts	-	<u>60,710</u>	-	<u>60,710</u>
	<u>\$ -</u>	<u>\$ 4,995,251</u>	<u>\$ -</u>	<u>\$ 4,995,251</u>
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$ 32,784,516	\$ -	\$ -	\$ 32,784,516
Agency bonds/Agency mortgage-backed securities	21,861,711	-	-	21,861,711
Asset-backed securities	-	12,005,502	-	12,005,502
Government bonds	6,607,624	-	-	6,607,624
Publicly traded stocks	2,635,124	-	-	2,635,124
Commercial paper	-	<u>358,175</u>	-	<u>358,175</u>
	<u>\$ 63,888,975</u>	<u>\$ 12,363,677</u>	<u>\$ -</u>	<u>\$ 76,252,652</u>
<u>Hedging derivative financial assets</u>				
Fair value hedges				
Interest rate futures contracts	\$ 4,783	\$ -	\$ -	\$ 4,783
Cash flow hedges				
Forward exchange contracts	-	<u>19,734</u>	-	<u>19,734</u>
	<u>\$ 4,783</u>	<u>\$ 19,734</u>	<u>\$ -</u>	<u>\$ 24,517</u>
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 82,552</u>	<u>\$ -</u>	<u>\$ 82,552</u>
<u>Hedging derivative financial liabilities</u>				
Fair value hedges				
Interest rate futures contracts	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$ -	\$ 142,406	\$ -	\$ 142,406
Cross currency swap contracts	-	10,976	-	10,976
Designated as at FVTPL				
Time deposit	-	6,297,708	-	6,297,708
Forward exchange contracts	-	<u>22</u>	-	<u>22</u>
	<u>\$ -</u>	<u>\$ 6,451,112</u>	<u>\$ -</u>	<u>\$ 6,451,112</u>
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$ 29,999,508	\$ -	\$ -	\$ 29,999,508
Agency bonds/Agency mortgage-backed securities	14,880,482	-	-	14,880,482
Asset-backed securities	-	11,254,757	-	11,254,757
Government bonds	8,457,362	-	-	8,457,362
Publicly traded stocks	<u>3,196,658</u>	-	-	<u>3,196,658</u>
	<u>\$ 56,534,010</u>	<u>\$ 11,254,757</u>	<u>\$ -</u>	<u>\$ 67,788,767</u>
<u>Hedging derivative financial assets</u>				
Fair value hedges				
Interest rate futures contracts	<u>\$ 5,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,550</u>
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$ -	\$ 91,585	\$ -	\$ 91,585
Designated as at FVTPL				
Forward exchange contracts	-	<u>99,550</u>	-	<u>99,550</u>
	<u>\$ -</u>	<u>\$ 191,135</u>	<u>\$ -</u>	<u>\$ 191,135</u>
	June 30, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$ -	\$ 143,834	\$ -	\$ 143,834
Cross currency swap contracts	-	62,917	-	62,917
Designated as at FVTPL				
Time deposit	-	<u>1,614,156</u>	-	<u>1,614,156</u>
	<u>\$ -</u>	<u>\$ 1,820,907</u>	<u>\$ -</u>	<u>\$ 1,820,907</u>
<u>Available-for-sale financial assets</u>				
Corporate bonds	\$ 12,525,209	\$ -	\$ -	\$ 12,525,209
Agency bonds/Agency mortgage-backed securities	6,379,861	-	-	6,379,861
Money market funds	6,128,310	-	-	6,128,310
Asset-backed securities	-	6,029,248	-	6,029,248
Publicly traded stocks	2,893,386	-	-	2,893,386
Government bonds	<u>2,366,035</u>	-	-	<u>2,366,035</u>
	<u>\$ 30,292,801</u>	<u>\$ 6,029,248</u>	<u>\$ -</u>	<u>\$ 36,322,049</u>

(Continued)

June 30, 2016				
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$ -	\$ 160,423	\$ -	\$ 160,423
Cross currency swap contracts	-	7,408	-	7,408
Designated as at FVTPL				
Forward exchange contracts	-	10,873	-	10,873
	<u>\$ -</u>	<u>\$ 178,704</u>	<u>\$ -</u>	<u>\$ 178,704</u>
<u>Hedging derivative financial liabilities</u>				
Fair value hedges				
Interest rate futures contracts	<u>\$ 4,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,217</u> (Concluded)

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

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

Valuation techniques and assumptions used in fair value measurement

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

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

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

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

	<u>June 30, 2017</u>		<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Held-to-maturity financial assets						
Corporate bonds/Bank debentures	\$ 21,157,966	\$ 21,340,032	\$ 23,849,701	\$ 23,996,429	\$ 26,988,011	\$ 27,051,457
Negotiable certificate of deposit	4,562,100	4,570,388	4,829,850	4,847,785	4,842,450	4,849,988
Structured product	1,520,700	1,513,255	1,609,950	1,609,738	2,000,000	1,997,850
Commercial paper	498,818	499,928	8,628,176	8,630,769	798,708	799,370
<u>Financial liabilities</u>						
Measured at amortized cost						
Bonds payable	179,155,925	181,206,172	191,193,557	192,845,296	203,276,211	205,939,533

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:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds/Bank debentures	\$ 21,340,032	\$ -	\$ -	\$ 21,340,032
Negotiable certificate of deposit	-	4,570,388	-	4,570,388
Structured product	-	1,513,255	-	1,513,255
Commercial paper	-	499,928	-	499,928
	<u>\$ 21,340,032</u>	<u>\$ 6,583,571</u>	<u>\$ -</u>	<u>\$ 27,923,603</u>
<u>Financial liabilities</u>				
Measured at amortized cost				
Bonds payable	<u>\$ 181,206,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,206,172</u>
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds/Bank debentures	\$ 23,996,429	\$ -	\$ -	\$ 23,996,429
Commercial paper	-	8,630,769	-	8,630,769
Negotiable certificate of deposit	-	4,847,785	-	4,847,785
Structured product	-	1,609,738	-	1,609,738
	<u>\$ 23,996,429</u>	<u>\$ 15,088,292</u>	<u>\$ -</u>	<u>\$ 39,084,721</u>
<u>Financial liabilities</u>				
Measured at amortized cost				
Bonds payable	<u>\$ 192,845,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,845,296</u>
	June 30, 2016			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Held-to-maturity securities				
Corporate bonds/Bank debentures	\$ 27,051,457	\$ -	\$ -	\$ 27,051,457
Negotiable certificate of deposit	-	4,849,988	-	4,849,988
Structured product	-	1,997,850	-	1,997,850
Commercial paper	-	799,370	-	799,370
	<u>\$ 27,051,457</u>	<u>\$ 7,647,208</u>	<u>\$ -</u>	<u>\$ 34,698,665</u>
<u>Financial liabilities</u>				
Measured at amortized cost				
Bonds payable	<u>\$ 205,939,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,939,533</u>

Fair value measurement

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

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

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

29. RELATED PARTY TRANSACTIONS

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

a. Related party name and categories

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

b. Net revenue

<u>Item</u>	<u>Related Party Categories</u>	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net revenue from sale of goods	Associates	<u>\$ 1,978,999</u>	<u>\$ 957,496</u>	<u>\$ 3,503,149</u>	<u>\$ 2,562,512</u>
Net revenue from royalties	Associates	<u>\$ 123,501</u>	<u>\$ 137,376</u>	<u>\$ 241,276</u>	<u>\$ 249,320</u>

c. Purchases

<u>Related Party Categories</u>	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Associates	<u>\$ 2,257,852</u>	<u>\$ 2,441,794</u>	<u>\$ 4,885,920</u>	<u>\$ 4,787,039</u>

d. Receivables from related parties

		June 30, 2017	December 31, 2016	June 30, 2016
<u>Item</u>	<u>Related Party Name</u>			
Receivables from related parties	GUC	\$ 427,943	\$ 969,136	\$ 423,963
	Others	<u>8,058</u>	<u>423</u>	<u>247</u>
		<u>\$ 436,001</u>	<u>\$ 969,559</u>	<u>\$ 424,210</u>
Other receivables from related parties	VIS	\$ 1,474,583	\$ 86,038	\$ 1,296,830
	SSMC	57,619	60,641	54,395
	Others	<u>119</u>	<u>109</u>	<u>195,754</u>
		<u>\$ 1,532,321</u>	<u>\$ 146,788</u>	<u>\$ 1,546,979</u>

e. Payables to related parties

		June 30, 2017	December 31, 2016	June 30, 2016
<u>Item</u>	<u>Related Party Name</u>			
Payables to related parties	SSMC	\$ 458,644	\$ 506,121	\$ 257,953
	VIS	416,232	587,407	485,679
	Xintec	203,620	124,541	264,153
	Others	<u>23,280</u>	<u>44,105</u>	<u>29,331</u>
		<u>\$ 1,101,776</u>	<u>\$ 1,262,174</u>	<u>\$ 1,037,116</u>

f. Accrued expenses and other current liabilities

		June 30, 2017	December 31, 2016	June 30, 2016
<u>Item</u>	<u>Related Party Categories</u>			
Advance receipts	Associates	<u>\$ 802,325</u>	<u>\$ 210,791</u>	<u>\$ -</u>

g. Others

		<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
		2017	2016	2017	2016
<u>Item</u>	<u>Related Party Categories</u>				
Manufacturing expenses	Associates	<u>\$ 306,338</u>	<u>\$ 387,637</u>	<u>\$ 562,995</u>	<u>\$ 773,810</u>
Research and development expenses	Associates	<u>\$ 16,634</u>	<u>\$ 27,986</u>	<u>\$ 31,123</u>	<u>\$ 69,078</u>

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

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

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

h. Compensation of key management personnel

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 464,115	\$ 477,001	\$ 991,168	\$ 851,777
Post-employment benefits	<u>947</u>	<u>1,073</u>	<u>2,093</u>	<u>2,111</u>
	<u>\$ 465,062</u>	<u>\$ 478,074</u>	<u>\$ 993,261</u>	<u>\$ 853,888</u>

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

30. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of June 30, 2017, December 31, 2016 and June 30, 2016, the aforementioned other financial assets amounted to NT\$177,567 thousand, NT\$185,698 thousand and NT\$154,829 thousand, respectively.

31. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

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

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

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	\$ 1,314,592	\$ 1,321,546	\$ 1,314,854
Later than 1 year and not later than 5 years	3,729,082	3,677,432	3,945,083
Later than 5 years	<u>6,510,866</u>	<u>6,623,957</u>	<u>7,807,962</u>
	<u>\$ 11,554,540</u>	<u>\$ 11,622,935</u>	<u>\$ 13,067,899</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity provided TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of June 30, 2017, the R.O.C. Government did not invoke such right.
- b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and NXP B.V. are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of June 30, 2017.
- c. TSMC joined the Customer Co-Investment Program of ASML and entered into the investment agreement in August 2012. The agreement includes an investment of EUR837,816 thousand by TSMC Global to acquire 5% of ASML's equity with a lock-up period of 2.5 years. TSMC Global has acquired the aforementioned equity on October 31, 2012. The lock-up period expired on May 1, 2015 and as of October 8, 2015, all ASML shares had been disposed.

Both parties also signed the research and development funding agreement whereby TSMC shall provide EUR276,000 thousand to ASML's research and development programs from 2013 to 2017. As of June 30, 2017, TSMC has paid EUR260,201 thousand to ASML under the research and development funding agreement.

- d. In May 2017, Mr. Uri Cohen filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America and other companies infringe several U.S. patents. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
- e. Amounts available under unused letters of credit as of June 30, 2017, December 31, 2016 and June 30, 2016 were NT\$97,325 thousand, NT\$122,356 thousand and NT\$122,675 thousand, respectively.

33. SIGNIFICANT LOSS FROM DISASTER

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

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

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

	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	Carrying Amount (In Thousands)
<u>June 30, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,390,391	30.414	\$ 133,529,339
USD	412,765	6.780(Note 2)	12,553,839
EUR	84,297	34.77	2,930,992
JPY	893,511	0.2710	242,142
Non-monetary items			
HKD	190,998	3.90	744,891
<u>Financial liabilities</u>			
Monetary items			
USD	4,018,068	30.414	122,205,531
EUR	330,722	34.77	11,499,188
JPY	34,041,471	0.2710	9,225,239
<u>December 31, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	5,042,715	32.199	162,370,381
EUR	19,556	34.30	670,767
JPY	37,024,347	0.2775	10,274,256
Non-monetary items			
HKD	257,056	4.15	1,066,780
<u>Financial liabilities</u>			
Monetary items			
USD	4,000,930	32.199	128,825,952
EUR	183,922	34.30	6,308,513
JPY	61,062,114	0.2775	16,944,737

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	Carrying Amount (In Thousands)
<u>June 30, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,531,293	32.283	\$ 146,283,737
EUR	20,955	35.89	752,085
JPY	21,406,874	0.3134	6,708,914
Non-monetary items			
HKD	130,849	4.16	544,333
<u>Financial liabilities</u>			
Monetary items			
USD	3,232,481	32.283	104,354,180
EUR	81,995	35.89	2,942,798
JPY	52,928,214	0.3134	16,587,702 (Concluded)

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

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

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

35. OPERATING SEGMENTS INFORMATION

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

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

36. ADDITIONAL DISCLOSURES

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 3)	Ending Balance (Foreign Currencies in Thousands) (Note 3)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts	Reason for Financing (Note 4)	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Notes 1 and 2)	Financing Company's Total Financing Amount Limits (Notes 1 and 2)
													Item	Value		
1	TSMC China	TSMC Nanjing	Other receivables from related parties	Yes	\$ 20,636,060 (RMB 4,600,000)	\$ 20,636,060 (RMB 4,600,000)	\$ 7,177,760 (RMB 1,600,000)	1.5%	The need for long-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 45,991,492	\$ 45,991,492
2	TSMC Global	TSMC	Other receivables from related parties	Yes	45,621,000 (US\$ 1,500,000)	45,621,000 (US\$ 1,500,000)	7,603,500 (US\$ 250,000)	1.27%	The need for short-term financing	-	Operating capital	-	-	-	259,503,712	259,503,712

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

Note 2: The total amount available for lending purpose shall not exceed the net worth of TSMC Global. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Global. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. While TSMC, or foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC will not be subject to this restriction, their total borrowing amount still shall not exceed the net worth of TSMC Global. Notwithstanding the foregoing, the aggregate amount for lending to Taiwan companies other than TSMC shall not exceed forty percent (40%) of the net worth of TSMC Global.

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2)	Maximum Balance for the Period (US\$ in Thousands) (Note 3)	Ending Balance (US\$ in Thousands) (Note 3)	Amount Actually Drawn (US\$ in Thousands)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	TSMC	TSMC Global	Subsidiary	\$ 335,421,374	\$ 34,976,100 (US\$ 1,150,000)	\$ 34,976,100 (US\$ 1,150,000)	\$ 34,976,100 (US\$ 1,150,000)	\$ -	2.61%	\$ 335,421,374	Yes	No	No
		TSMC North America	Subsidiary	335,421,374	2,530,849 (US\$ 83,213)	2,530,849 (US\$ 83,213)	2,530,849 (US\$ 83,213)	-	0.19%	335,421,374	Yes	No	No

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

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD

JUNE 30, 2017

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC	<u>Corporate bond</u>							
	CPC Corporation, Taiwan	-	Held-to-maturity financial assets	-	\$ 1,161,873	N/A	\$ 1,162,443	
	Nan Ya Plastics Corporation	-	"	-	150,200	N/A	150,209	
	<u>Commercial paper</u>							
	Taiwan Power Company	-	Held-to-maturity financial assets	50	498,818	N/A	499,928	
	<u>Stock</u>							
	Motech	-	Available-for-sale financial assets	58,320	1,452,163	12	1,452,163	
	Semiconductor Manufacturing International Corporation	-	"	21,105	744,891	-	744,891	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	21,230	193,584	10	193,584	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	105,000	
	Global Investment Holding Inc.	-	"	11,124	99,041	6	99,041	
	W.K. Technology Fund IV	-	"	2,560	18,121	2	18,121	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	9,031	12	9,031	
	Crimson Asia Capital	-	"	-	8,263	1	8,263	
TSMC Partners	<u>Common stock</u>							
	Tela Innovations	-	Financial assets carried at cost	10,440	US\$ 65,000	25	US\$ 65,000	
	Meube Inc.	-	"	6,333	-	13	-	
	<u>Fund</u>							
	China Walden Venture Investments II, L.P.	-	Financial assets carried at cost	-	US\$ 8,101	9	US\$ 8,101	
	Shanghai Walden Venture Capital Enterprise	-	"	-	US\$ 4,270	6	US\$ 4,270	
TSMC Global	<u>Corporate bond</u>							
	Bank of America Corp.	-	Available-for-sale financial assets	-	US\$ 32,753	N/A	US\$ 32,753	
	Morgan Stanley	-	"	-	US\$ 30,992	N/A	US\$ 30,992	
	JPMorgan Chase & Co.	-	"	-	US\$ 29,871	N/A	US\$ 29,871	
	Goldman Sachs Group Inc.	-	"	-	US\$ 27,152	N/A	US\$ 27,152	
	Verizon Communications	-	"	-	US\$ 21,377	N/A	US\$ 21,377	
	Citigroup Inc.	-	"	-	US\$ 20,596	N/A	US\$ 20,596	
	AT&T Inc.	-	"	-	US\$ 19,257	N/A	US\$ 19,257	
	Abbvie Inc.	-	"	-	US\$ 15,128	N/A	US\$ 15,128	
	PNC Bank NA	-	"	-	US\$ 13,875	N/A	US\$ 13,875	
	Ford Motor Credit Co LLC	-	"	-	US\$ 13,547	N/A	US\$ 13,547	
	Microsoft Corp.	-	"	-	US\$ 13,393	N/A	US\$ 13,393	
	Apple Inc.	-	"	-	US\$ 11,638	N/A	US\$ 11,638	
	Anheuser Busch InBev Fin.	-	"	-	US\$ 11,354	N/A	US\$ 11,354	
	Westpac Banking Corp.	-	"	-	US\$ 10,474	N/A	US\$ 10,474	
	BP Capital Markets PLC	-	"	-	US\$ 10,323	N/A	US\$ 10,323	
	BMW US Capital LLC	-	"	-	US\$ 10,302	N/A	US\$ 10,302	
	Qualcomm, Inc.	-	"	-	US\$ 10,093	N/A	US\$ 10,093	
	Svenska Handelsbanken AB	-	"	-	US\$ 9,904	N/A	US\$ 9,904	
	CVS Health Corp.	-	"	-	US\$ 9,768	N/A	US\$ 9,768	
Oracle Corp.	-	"	-	US\$ 9,721	N/A	US\$ 9,721		
Capital One NA	-	"	-	US\$ 9,601	N/A	US\$ 9,601		
Wells Fargo & Company	-	"	-	US\$ 9,210	N/A	US\$ 9,210		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	Analog Devices, Inc.	-	Available-for-sale financial assets	-	US\$ 9,014	N/A	US\$ 9,014	
	Southern Co.	-	"	-	US\$ 8,601	N/A	US\$ 8,601	
	Cardinal Health Inc.	-	"	-	US\$ 8,445	N/A	US\$ 8,445	
	Duke Energy Corp.	-	"	-	US\$ 8,181	N/A	US\$ 8,181	
	Rockwell Collins, Inc.	-	"	-	US\$ 8,125	N/A	US\$ 8,125	
	Aviation Capital Group	-	"	-	US\$ 8,072	N/A	US\$ 8,072	
	American Express Credit	-	"	-	US\$ 7,817	N/A	US\$ 7,817	
	ERAC USA Finance LLC	-	"	-	US\$ 7,663	N/A	US\$ 7,663	
	Ventas Realty LP/Cap Crp.	-	"	-	US\$ 7,529	N/A	US\$ 7,529	
	UBS Group Funding (Switzerland) AG	-	"	-	US\$ 7,156	N/A	US\$ 7,156	
	Reckitt Benckiser Treasury	-	"	-	US\$ 7,123	N/A	US\$ 7,123	
	ABN AMRO Bank N.V.	-	"	-	US\$ 7,122	N/A	US\$ 7,122	
	HSBC Holdings PLC	-	"	-	US\$ 6,923	N/A	US\$ 6,923	
	Credit Suisse New York	-	"	-	US\$ 6,878	N/A	US\$ 6,878	
	Tyson Foods, Inc.	-	"	-	US\$ 6,805	N/A	US\$ 6,805	
	Deutsche Telekom International Fin.	-	"	-	US\$ 6,647	N/A	US\$ 6,647	
	Dow Chemical Co/The	-	"	-	US\$ 6,524	N/A	US\$ 6,524	
	Citizens Bank NA/RI	-	"	-	US\$ 6,272	N/A	US\$ 6,272	
	Dominion Energy, Inc.	-	"	-	US\$ 6,251	N/A	US\$ 6,251	
	Teva Pharmaceuticals Netherlands	-	"	-	US\$ 6,243	N/A	US\$ 6,243	
	Suntrust Banks Inc.	-	"	-	US\$ 6,214	N/A	US\$ 6,214	
	Daimler Finance NA LLC.	-	"	-	US\$ 6,168	N/A	US\$ 6,168	
	Welltower Inc.	-	"	-	US\$ 6,133	N/A	US\$ 6,133	
	Hyundai Capital America	-	"	-	US\$ 6,067	N/A	US\$ 6,067	
	Sumitomo Mitsui Trust Bank, Limited	-	"	-	US\$ 6,043	N/A	US\$ 6,043	
	Skandinaviska Enskilda Banken AB	-	"	-	US\$ 6,038	N/A	US\$ 6,038	
	BB&T Corporation	-	"	-	US\$ 5,994	N/A	US\$ 5,994	
	Royal Bank of Canada	-	"	-	US\$ 5,976	N/A	US\$ 5,976	
	Mizuho Financial Group	-	"	-	US\$ 5,910	N/A	US\$ 5,910	
	Nextera Energy Capital	-	"	-	US\$ 5,887	N/A	US\$ 5,887	
	Huntington National Bank	-	"	-	US\$ 5,814	N/A	US\$ 5,814	
	Groupe Danone S.A.	-	"	-	US\$ 5,796	N/A	US\$ 5,796	
	Shell International Fin.	-	"	-	US\$ 5,765	N/A	US\$ 5,765	
	Berkshire Hathaway Fin.	-	"	-	US\$ 5,754	N/A	US\$ 5,754	
	Toyota Motor Credit Corp.	-	"	-	US\$ 5,668	N/A	US\$ 5,668	
	Nordea Bank AB	-	"	-	US\$ 5,594	N/A	US\$ 5,594	
	Mitsubishi UFJ Fin Grp.	-	"	-	US\$ 5,585	N/A	US\$ 5,585	
	Bank of Ny Mellon Corp.	-	"	-	US\$ 5,542	N/A	US\$ 5,542	
	Cisco Systems Inc.	-	"	-	US\$ 5,508	N/A	US\$ 5,508	
	New York Life Global FDG	-	"	-	US\$ 5,461	N/A	US\$ 5,461	
	Siemens Financieringsmat CA, Inc.	-	"	-	US\$ 5,445	N/A	US\$ 5,445	
	Enel Finance Intl N.V.	-	"	-	US\$ 5,385	N/A	US\$ 5,385	
	Toronto Dominion Bank	-	"	-	US\$ 5,379	N/A	US\$ 5,379	
	Amgen Inc.	-	"	-	US\$ 5,296	N/A	US\$ 5,296	
	Jackson Natl Life Global	-	"	-	US\$ 5,259	N/A	US\$ 5,259	
	Sempra Energy	-	"	-	US\$ 5,159	N/A	US\$ 5,159	
	Intl. Bank Recon. & Development	-	"	-	US\$ 5,158	N/A	US\$ 5,158	
	Voya Financial, Inc.	-	"	-	US\$ 5,144	N/A	US\$ 5,144	
	Manuf & Traders Trust Co.	-	"	-	US\$ 5,037	N/A	US\$ 5,037	
	Macquarie Group Ltd.	-	"	-	US\$ 5,006	N/A	US\$ 5,006	
	Reliance Stand Life II	-	"	-	US\$ 5,004	N/A	US\$ 5,004	
	American Intl. Group	-	"	-	US\$ 4,970	N/A	US\$ 4,970	
	Twenty-First Century Fox Inc.	-	"	-	US\$ 4,859	N/A	US\$ 4,859	
	Air Liquide Finance	-	"	-	US\$ 4,827	N/A	US\$ 4,827	
	Fifth Third Bank	-	"	-	US\$ 4,756	N/A	US\$ 4,756	
	ING Bank N.V.	-	"	-	US\$ 4,714	N/A	US\$ 4,714	
	Cadillac Fairview Corp. Ltd.	-	"	-	US\$ 4,699	N/A	US\$ 4,699	
		-	"	-	US\$ 4,673	N/A	US\$ 4,673	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	Sumitomo Mitsui Financial Group	-	Available-for-sale financial assets	-	US\$ 4,440	N/A	US\$ 4,440	
	US Bank NA Cincinnati	-	"	-	US\$ 4,386	N/A	US\$ 4,386	
	U.S. Bancorp	-	"	-	US\$ 4,309	N/A	US\$ 4,309	
	Marriott International, Inc.	-	"	-	US\$ 4,276	N/A	US\$ 4,276	
	Oaktree Capital Management, L.P.	-	"	-	US\$ 4,264	N/A	US\$ 4,264	
	Lloyds Bank PLC	-	"	-	US\$ 4,227	N/A	US\$ 4,227	
	Exelon Generation Co. LLC	-	"	-	US\$ 4,166	N/A	US\$ 4,166	
	Schlumberger Hldgs Corp.	-	"	-	US\$ 4,143	N/A	US\$ 4,143	
	Banco Santander, S.A.	-	"	-	US\$ 4,111	N/A	US\$ 4,111	
	Keycorp Pty Ltd.	-	"	-	US\$ 4,072	N/A	US\$ 4,072	
	Pepsico Inc.	-	"	-	US\$ 4,021	N/A	US\$ 4,021	
	Mondelez International	-	"	-	US\$ 4,002	N/A	US\$ 4,002	
	Intel Corp.	-	"	-	US\$ 4,000	N/A	US\$ 4,000	
	Fortive Corporation	-	"	-	US\$ 3,982	N/A	US\$ 3,982	
	Wells Fargo Bank NA	-	"	-	US\$ 3,912	N/A	US\$ 3,912	
	Fifth Third Bancorp	-	"	-	US\$ 3,808	N/A	US\$ 3,808	
	Suncorp Metway Ltd.	-	"	-	US\$ 3,794	N/A	US\$ 3,794	
	Husky Energy Inc.	-	"	-	US\$ 3,755	N/A	US\$ 3,755	
	Sprint Spectrum L.P.	-	"	-	US\$ 3,727	N/A	US\$ 3,727	
	Anheuser Busch InBev Worldwide Inc.	-	"	-	US\$ 3,632	N/A	US\$ 3,632	
	Lam Research Corp.	-	"	-	US\$ 3,614	N/A	US\$ 3,614	
	Canadian Imperial Bank	-	"	-	US\$ 3,612	N/A	US\$ 3,612	
	UBS AG Stamford CT	-	"	-	US\$ 3,536	N/A	US\$ 3,536	
	SES GLOBAL-Americas Holdings	-	"	-	US\$ 3,529	N/A	US\$ 3,529	
	BAT Intl Finance PLC	-	"	-	US\$ 3,496	N/A	US\$ 3,496	
	Aetna Inc.	-	"	-	US\$ 3,414	N/A	US\$ 3,414	
	Credit Agricole London	-	"	-	US\$ 3,383	N/A	US\$ 3,383	
	BNP Paribas	-	"	-	US\$ 3,357	N/A	US\$ 3,357	
	Ryder System Inc.	-	"	-	US\$ 3,244	N/A	US\$ 3,244	
	Pricoa Global Funding I	-	"	-	US\$ 3,202	N/A	US\$ 3,202	
	Air Lease Corporation	-	"	-	US\$ 3,141	N/A	US\$ 3,141	
	Protective Life Global Funding	-	"	-	US\$ 3,096	N/A	US\$ 3,096	
	Key Bank N.A.	-	"	-	US\$ 3,086	N/A	US\$ 3,086	
	Time Warner Inc.	-	"	-	US\$ 3,038	N/A	US\$ 3,038	
	Principal Life Global Funding II	-	"	-	US\$ 2,788	N/A	US\$ 2,788	
	Barclays PLC	-	"	-	US\$ 2,731	N/A	US\$ 2,731	
	PartnerRe Finance B LLC	-	"	-	US\$ 2,719	N/A	US\$ 2,719	
	Chevron Corp.	-	"	-	US\$ 2,646	N/A	US\$ 2,646	
	LyondellBasell Industries N.V.	-	"	-	US\$ 2,563	N/A	US\$ 2,563	
	Nuveen Finance, LLC	-	"	-	US\$ 2,562	N/A	US\$ 2,562	
	MetLife Global Funding I	-	"	-	US\$ 2,534	N/A	US\$ 2,534	
	Wm. Wrigley Jr. Co.	-	"	-	US\$ 2,504	N/A	US\$ 2,504	
	Penske Truck Leasing (PTL)	-	"	-	US\$ 2,492	N/A	US\$ 2,492	
	Sumitomo Mitsui Banking	-	"	-	US\$ 2,486	N/A	US\$ 2,486	
	Eastman Chemical Company	-	"	-	US\$ 2,458	N/A	US\$ 2,458	
	Xylem Inc.	-	"	-	US\$ 2,437	N/A	US\$ 2,437	
	Commonwealth Bank Australia NY	-	"	-	US\$ 2,411	N/A	US\$ 2,411	
	HSBC USA Inc.	-	"	-	US\$ 2,377	N/A	US\$ 2,377	
	NBCUniversal Media, LLC	-	"	-	US\$ 2,374	N/A	US\$ 2,374	
	EI du Pont de Nemours	-	"	-	US\$ 2,349	N/A	US\$ 2,349	
	Biogen Inc.	-	"	-	US\$ 2,333	N/A	US\$ 2,333	
	National Australia Bank/NY	-	"	-	US\$ 2,322	N/A	US\$ 2,322	
	Simon Property Group LP	-	"	-	US\$ 2,311	N/A	US\$ 2,311	
	Bank of Tokyo-Mitsubishi UFJ	-	"	-	US\$ 2,306	N/A	US\$ 2,306	
	Gilead Sciences Inc.	-	"	-	US\$ 2,277	N/A	US\$ 2,277	
	Mckesson Corp.	-	"	-	US\$ 2,258	N/A	US\$ 2,258	
	Inter-American Development Bank	-	"	-	US\$ 2,239	N/A	US\$ 2,239	
	Cintas Corporation No. 2	-	"	-	US\$ 2,238	N/A	US\$ 2,238	
	ING Groep N.V.	-	"	-	US\$ 2,237	N/A	US\$ 2,237	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	Allied World Assurance	-	Available-for-sale financial assets	-	US\$ 2,169	N/A	US\$ 2,169	
	Express Scripts Holding	-	"	-	US\$ 2,154	N/A	US\$ 2,154	
	Celgene Corp.	-	"	-	US\$ 2,139	N/A	US\$ 2,139	
	HCP Inc.	-	"	-	US\$ 2,117	N/A	US\$ 2,117	
	Sysco Corporation	-	"	-	US\$ 2,021	N/A	US\$ 2,021	
	Lloyds Banking Group PLC	-	"	-	US\$ 2,019	N/A	US\$ 2,019	
	Johnson Controls International PLC	-	"	-	US\$ 2,016	N/A	US\$ 2,016	
	British Telecommunications PLC	-	"	-	US\$ 2,010	N/A	US\$ 2,010	
	Enterprise Products Operating, LLC	-	"	-	US\$ 2,009	N/A	US\$ 2,009	
	State Street Corp.	-	"	-	US\$ 2,009	N/A	US\$ 2,009	
	Credit Suisse Group Funding Limited	-	"	-	US\$ 1,994	N/A	US\$ 1,994	
	Autozone Inc.	-	"	-	US\$ 1,975	N/A	US\$ 1,975	
	Danske Bank A/S	-	"	-	US\$ 1,969	N/A	US\$ 1,969	
	The Bear Stearns Companies LLC.	-	"	-	US\$ 1,960	N/A	US\$ 1,960	
	Stryker Corp.	-	"	-	US\$ 1,956	N/A	US\$ 1,956	
	Magellan Midstream Partners LP	-	"	-	US\$ 1,951	N/A	US\$ 1,951	
	Unitedhealth Group Inc.	-	"	-	US\$ 1,951	N/A	US\$ 1,951	
	BPCE SA	-	"	-	US\$ 1,931	N/A	US\$ 1,931	
	Capital One Financial Co.	-	"	-	US\$ 1,913	N/A	US\$ 1,913	
	Branch Banking & Trust	-	"	-	US\$ 1,890	N/A	US\$ 1,890	
	Cooperatieve Rabobank UA/NY	-	"	-	US\$ 1,862	N/A	US\$ 1,862	
	WestRock RKT Company	-	"	-	US\$ 1,856	N/A	US\$ 1,856	
	Suntrust Bank	-	"	-	US\$ 1,849	N/A	US\$ 1,849	
	Orange S.A.	-	"	-	US\$ 1,840	N/A	US\$ 1,840	
	Stancorp Financial Group	-	"	-	US\$ 1,827	N/A	US\$ 1,827	
	Aust. & NZ Banking Grp. NY	-	"	-	US\$ 1,804	N/A	US\$ 1,804	
	Regency Centers, L.P.	-	"	-	US\$ 1,793	N/A	US\$ 1,793	
	Dominion Energy Gas Holdings	-	"	-	US\$ 1,773	N/A	US\$ 1,773	
	Kimco Realty Corp.	-	"	-	US\$ 1,711	N/A	US\$ 1,711	
	Pacific Gas & Electric	-	"	-	US\$ 1,604	N/A	US\$ 1,604	
	African Development Bank	-	"	-	US\$ 1,566	N/A	US\$ 1,566	
	Realty Income Corp.	-	"	-	US\$ 1,531	N/A	US\$ 1,531	
	PSEG Power LLC	-	"	-	US\$ 1,520	N/A	US\$ 1,520	
	Standard Chartered PLC	-	"	-	US\$ 1,503	N/A	US\$ 1,503	
	Guardian Life Global Funding	-	"	-	US\$ 1,480	N/A	US\$ 1,480	
	HSBC Bank PLC	-	"	-	US\$ 1,480	N/A	US\$ 1,480	
	Oesterreichische Kontrollbank	-	"	-	US\$ 1,457	N/A	US\$ 1,457	
	Texas Eastern Transmission, LP	-	"	-	US\$ 1,400	N/A	US\$ 1,400	
	Walt Disney Company/The	-	"	-	US\$ 1,398	N/A	US\$ 1,398	
	IBM Corp.	-	"	-	US\$ 1,307	N/A	US\$ 1,307	
	Equifax Inc.	-	"	-	US\$ 1,303	N/A	US\$ 1,303	
	Philip Morris Intl Inc.	-	"	-	US\$ 1,289	N/A	US\$ 1,289	
	Visa Inc.	-	"	-	US\$ 1,287	N/A	US\$ 1,287	
	Eaton Corp.	-	"	-	US\$ 1,284	N/A	US\$ 1,284	
	Comcast Corp.	-	"	-	US\$ 1,279	N/A	US\$ 1,279	
	The Western Union Company	-	"	-	US\$ 1,276	N/A	US\$ 1,276	
	Nissan Motor Acceptance	-	"	-	US\$ 1,264	N/A	US\$ 1,264	
	Kroger Co.	-	"	-	US\$ 1,244	N/A	US\$ 1,244	
	Consolidated Edison, Inc.	-	"	-	US\$ 1,221	N/A	US\$ 1,221	
	American Airlines 2013-2	-	"	-	US\$ 1,216	N/A	US\$ 1,216	
	Banque Fed Cred Mutuel	-	"	-	US\$ 1,179	N/A	US\$ 1,179	
	ONEOK Partners LP	-	"	-	US\$ 1,162	N/A	US\$ 1,162	
	Public Service Enterprise Group Inc.	-	"	-	US\$ 1,143	N/A	US\$ 1,143	
	KfW	-	"	-	US\$ 1,141	N/A	US\$ 1,141	
	DXC Technology Co.	-	"	-	US\$ 1,130	N/A	US\$ 1,130	
	ERP Operating LP	-	"	-	US\$ 1,122	N/A	US\$ 1,122	
	Berkshire Hathaway Inc.	-	"	-	US\$ 1,121	N/A	US\$ 1,121	
	Medtronic Inc.	-	"	-	US\$ 1,099	N/A	US\$ 1,099	
	Wesfarmers Ltd.	-	"	-	US\$ 1,097	N/A	US\$ 1,097	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	International Paper Company	-	Available-for-sale financial assets	-	US\$ 1,091	N/A	US\$ 1,091	
	Marsh & McLennan Cos Inc.	-	"	-	US\$ 1,090	N/A	US\$ 1,090	
	Cigna Corporation	-	"	-	US\$ 1,085	N/A	US\$ 1,085	
	Merck & Co Inc.	-	"	-	US\$ 1,058	N/A	US\$ 1,058	
	UBS AG London	-	"	-	US\$ 1,055	N/A	US\$ 1,055	
	EOG Resources, Inc.	-	"	-	US\$ 1,050	N/A	US\$ 1,050	
	Lincoln National Corp.	-	"	-	US\$ 1,048	N/A	US\$ 1,048	
	Berkshire Hathaway Energy Co.	-	"	-	US\$ 1,030	N/A	US\$ 1,030	
	Statoil ASA	-	"	-	US\$ 1,025	N/A	US\$ 1,025	
	Amazon.com Inc.	-	"	-	US\$ 1,018	N/A	US\$ 1,018	
	Altera Corp.	-	"	-	US\$ 1,013	N/A	US\$ 1,013	
	HP Enterprise Co.	-	"	-	US\$ 1,012	N/A	US\$ 1,012	
	Macquarie Bank Ltd.	-	"	-	US\$ 1,011	N/A	US\$ 1,011	
	Home Depot Inc.	-	"	-	US\$ 1,007	N/A	US\$ 1,007	
	John Deere Capital Corp.	-	"	-	US\$ 1,004	N/A	US\$ 1,004	
	Harley-Davidson Financial Services, Inc.	-	"	-	US\$ 1,004	N/A	US\$ 1,004	
	United Technologies Corporation	-	"	-	US\$ 1,001	N/A	US\$ 1,001	
	Georgia-Pacific LLC	-	"	-	US\$ 985	N/A	US\$ 985	
	Capital One Bank (USA), NA	-	"	-	US\$ 978	N/A	US\$ 978	
	National Retail Properties, Inc.	-	"	-	US\$ 977	N/A	US\$ 977	
	Duke Realty LP	-	"	-	US\$ 973	N/A	US\$ 973	
	Exxon Mobil Corporation	-	"	-	US\$ 956	N/A	US\$ 956	
	Duke Energy Progress Inc.	-	"	-	US\$ 951	N/A	US\$ 951	
	PPL Capital Funding, Inc.	-	"	-	US\$ 934	N/A	US\$ 934	
	Glaxosmithkline Cap. Inc.	-	"	-	US\$ 932	N/A	US\$ 932	
	Coca Cola Femsa S.A.B. de C.V.	-	"	-	US\$ 929	N/A	US\$ 929	
	Southern Electric Generating Company	-	"	-	US\$ 904	N/A	US\$ 904	
	Lockheed Martin Corp.	-	"	-	US\$ 902	N/A	US\$ 902	
	CNOOC Finance (2011) Ltd.	-	"	-	US\$ 894	N/A	US\$ 894	
	Federal Realty Invs Trust	-	"	-	US\$ 878	N/A	US\$ 878	
	Mastercard Inc.	-	"	-	US\$ 857	N/A	US\$ 857	
	Alterra Finance LLC	-	"	-	US\$ 842	N/A	US\$ 842	
	Metlife Inc.	-	"	-	US\$ 841	N/A	US\$ 841	
	Huntington Bancshares	-	"	-	US\$ 838	N/A	US\$ 838	
	Nucor Corporation	-	"	-	US\$ 830	N/A	US\$ 830	
	Pacific LifeCorp	-	"	-	US\$ 820	N/A	US\$ 820	
	AXIS Specialty Finance PLC	-	"	-	US\$ 819	N/A	US\$ 819	
	Bank Of Montreal	-	"	-	US\$ 815	N/A	US\$ 815	
	Aon PLC	-	"	-	US\$ 814	N/A	US\$ 814	
	Societe Generale Group	-	"	-	US\$ 808	N/A	US\$ 808	
	Manulife Financial Corporation	-	"	-	US\$ 807	N/A	US\$ 807	
	Activision Blizzard	-	"	-	US\$ 799	N/A	US\$ 799	
	State Grid Overseas Investment Ltd.	-	"	-	US\$ 798	N/A	US\$ 798	
	Spectra Energy Partners, LP	-	"	-	US\$ 789	N/A	US\$ 789	
	Sinopec Capital (2013) Ltd.	-	"	-	US\$ 780	N/A	US\$ 780	
	Cox Communications, Inc.	-	"	-	US\$ 778	N/A	US\$ 778	
	AIG Global Funding	-	"	-	US\$ 765	N/A	US\$ 765	
	Baidu, Inc.	-	"	-	US\$ 760	N/A	US\$ 760	
	Crown Castle Towers LLC	-	"	-	US\$ 753	N/A	US\$ 753	
	CMS Energy Corp.	-	"	-	US\$ 752	N/A	US\$ 752	
	Norfolk Southern Railway Co.	-	"	-	US\$ 724	N/A	US\$ 724	
	APT Pipelines Ltd.	-	"	-	US\$ 724	N/A	US\$ 724	
	Baker Hughes Incorporated	-	"	-	US\$ 721	N/A	US\$ 721	
	DTE Electric Company	-	"	-	US\$ 718	N/A	US\$ 718	
	Regions Financial Corporation	-	"	-	US\$ 717	N/A	US\$ 717	
	American Honda Finance	-	"	-	US\$ 714	N/A	US\$ 714	
	Total Capital International S.A.	-	"	-	US\$ 706	N/A	US\$ 706	
	Scentre Group	-	"	-	US\$ 702	N/A	US\$ 702	
	TTX Co.	-	"	-	US\$ 701	N/A	US\$ 701	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	Mattel Inc.	-	Available-for-sale financial assets	-	US\$ 700	N/A	US\$ 700	
	Rochester Gas & Electric	-	"	-	US\$ 695	N/A	US\$ 695	
	Continental Airlines Inc.	-	"	-	US\$ 681	N/A	US\$ 681	
	Ohio Power Company	-	"	-	US\$ 669	N/A	US\$ 669	
	Entergy Louisiana, LLC	-	"	-	US\$ 663	N/A	US\$ 663	
	Athene Global Funding	-	"	-	US\$ 653	N/A	US\$ 653	
	RBC USA Holdco Corp.	-	"	-	US\$ 653	N/A	US\$ 653	
	Grupo Bimbo, S.A.B. de C.V.	-	"	-	US\$ 643	N/A	US\$ 643	
	Alexandria Real Estate Equities	-	"	-	US\$ 642	N/A	US\$ 642	
	Texas Instruments, Inc.	-	"	-	US\$ 639	N/A	US\$ 639	
	Liberty Property LP	-	"	-	US\$ 637	N/A	US\$ 637	
	Potash Corp Saskatchewan Inc.	-	"	-	US\$ 636	N/A	US\$ 636	
	Life Technologies Corp.	-	"	-	US\$ 622	N/A	US\$ 622	
	Dr Pepper Snapple Group, Inc.	-	"	-	US\$ 617	N/A	US\$ 617	
	Daiwa Securities Group	-	"	-	US\$ 615	N/A	US\$ 615	
	Altria Group, Inc.	-	"	-	US\$ 610	N/A	US\$ 610	
	ABC Inc.	-	"	-	US\$ 610	N/A	US\$ 610	
	Kimberly Clark Corp.	-	"	-	US\$ 603	N/A	US\$ 603	
	Host Hotels & Resorts, Inc.	-	"	-	US\$ 595	N/A	US\$ 595	
	McDonald's Corp.	-	"	-	US\$ 587	N/A	US\$ 587	
	MUFG Union Bank, N.A.	-	"	-	US\$ 585	N/A	US\$ 585	
	CenterPoint Energy Resources	-	"	-	US\$ 583	N/A	US\$ 583	
	AvalonBay Communities	-	"	-	US\$ 581	N/A	US\$ 581	
	AXIS Specialty Finance PLC	-	"	-	US\$ 578	N/A	US\$ 578	
	Boston Properties LP	-	"	-	US\$ 560	N/A	US\$ 560	
	Bunge Limited Finance Corp.	-	"	-	US\$ 559	N/A	US\$ 559	
	Fédération des caisses	-	"	-	US\$ 550	N/A	US\$ 550	
	Prudential Financial Inc.	-	"	-	US\$ 543	N/A	US\$ 543	
	Digital Realty Trust, L.P.	-	"	-	US\$ 541	N/A	US\$ 541	
	Brambles USA Inc.	-	"	-	US\$ 540	N/A	US\$ 540	
	O'Reilly Automotive Inc.	-	"	-	US\$ 540	N/A	US\$ 540	
	Southwestern Electric Power Company	-	"	-	US\$ 532	N/A	US\$ 532	
	TD Ameritrade Holding Corp.	-	"	-	US\$ 527	N/A	US\$ 527	
	Regency Centers Corp.	-	"	-	US\$ 518	N/A	US\$ 518	
	Burlington Northern Santa Fe Corp.	-	"	-	US\$ 515	N/A	US\$ 515	
	Walgreens Boots Alliance	-	"	-	US\$ 508	N/A	US\$ 508	
	Swedbank AB	-	"	-	US\$ 506	N/A	US\$ 506	
	CBS Corp.	-	"	-	US\$ 505	N/A	US\$ 505	
	Halliburton Co.	-	"	-	US\$ 501	N/A	US\$ 501	
	MassMutual Global Funding	-	"	-	US\$ 489	N/A	US\$ 489	
	Narragansett Electric	-	"	-	US\$ 475	N/A	US\$ 475	
	Comerica Inc.	-	"	-	US\$ 474	N/A	US\$ 474	
	Spire, Inc.	-	"	-	US\$ 464	N/A	US\$ 464	
	Texas-New Mexico Power	-	"	-	US\$ 449	N/A	US\$ 449	
	Canadian Pacific Railway Company	-	"	-	US\$ 449	N/A	US\$ 449	
	Nationwide Building Society	-	"	-	US\$ 441	N/A	US\$ 441	
	Valero Energy Corp.	-	"	-	US\$ 439	N/A	US\$ 439	
	Blackstone Holdings Finance Co., LLC	-	"	-	US\$ 422	N/A	US\$ 422	
	Trans Canada Pipelines	-	"	-	US\$ 420	N/A	US\$ 420	
	Woolworths Limited	-	"	-	US\$ 419	N/A	US\$ 419	
	Volkswagen Group of America, Inc.	-	"	-	US\$ 400	N/A	US\$ 400	
	Southern Power Company	-	"	-	US\$ 397	N/A	US\$ 397	
	Aon Corp.	-	"	-	US\$ 394	N/A	US\$ 394	
	First Niagara Financial Group, Inc.	-	"	-	US\$ 391	N/A	US\$ 391	
	Nationwide Financial Service, Inc.	-	"	-	US\$ 383	N/A	US\$ 383	
	Enbridge, Inc.	-	"	-	US\$ 363	N/A	US\$ 363	
	Deutsche Bank AG	-	"	-	US\$ 353	N/A	US\$ 353	
	CBOE Holdings, Inc.	-	"	-	US\$ 350	N/A	US\$ 350	
	ConocoPhillips	-	"	-	US\$ 337	N/A	US\$ 337	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	Phillips 66	-	Available-for-sale financial assets	-	US\$ 326	N/A	US\$ 326	
	PacifiCorp	-	"	-	US\$ 320	N/A	US\$ 320	
	eBay, Inc.	-	"	-	US\$ 305	N/A	US\$ 305	
	Eli Lilly & Co.	-	"	-	US\$ 296	N/A	US\$ 296	
	Barclays Bank PLC	-	"	-	US\$ 294	N/A	US\$ 294	
	BAE Systems Holdings, Inc.	-	"	-	US\$ 293	N/A	US\$ 293	
	Amphenol Corp.	-	"	-	US\$ 291	N/A	US\$ 291	
	EMD Finance LLC	-	"	-	US\$ 282	N/A	US\$ 282	
	Nomura Holdings Inc.	-	"	-	US\$ 253	N/A	US\$ 253	
	NBCUniversal Enterprise, Inc.	-	"	-	US\$ 251	N/A	US\$ 251	
	Bank of Nova Scotia	-	"	-	US\$ 246	N/A	US\$ 246	
	Kansas City Power & Light Company	-	"	-	US\$ 242	N/A	US\$ 242	
	Protective Life Corporation	-	"	-	US\$ 233	N/A	US\$ 233	
	WestRock MWV, LLC	-	"	-	US\$ 231	N/A	US\$ 231	
	Rolls Royce PLC	-	"	-	US\$ 226	N/A	US\$ 226	
	Assurant, Inc.	-	"	-	US\$ 211	N/A	US\$ 211	
	Fidelity National Information	-	"	-	US\$ 208	N/A	US\$ 208	
	Nisource Finance Corp.	-	"	-	US\$ 84	N/A	US\$ 84	
	JPMorgan Chase & Co.	-		Held-to-maturity financial assets	-	US\$ 152,533	N/A	US\$ 154,237
	Wells Fargo & Company	-		"	-	US\$ 150,006	N/A	US\$ 151,562
	Westpac Banking Corp.	-		"	-	US\$ 100,000	N/A	US\$ 101,002
	Goldman Sachs Group, Inc.	-		"	-	US\$ 100,000	N/A	US\$ 100,565
	Commonwealth Bank of Australia	-		"	-	US\$ 50,000	N/A	US\$ 50,455
	National Australia Bank	-		"	-	US\$ 50,000	N/A	US\$ 50,392
	Bank of Nova Scotia	-		"	-	US\$ 49,986	N/A	US\$ 50,281
	<u>Government bond</u>							
	US Treasury N/B	-		Available-for-sale financial assets	-	US\$ 213,778	N/A	US\$ 213,778
	Abu Dhabi Government International Bond	-		"	-	US\$ 3,478	N/A	US\$ 3,478
	<u>Agency bonds/Agency mortgage-backed securities</u>							
	Federal National Mortgage Association	-		Available-for-sale financial assets	-	US\$ 446,850	N/A	US\$ 446,850
	Federal Home Loan Mortgage Corporation	-		"	-	US\$ 181,670	N/A	US\$ 181,670
	Government National Mortgage Association	-		"	-	US\$ 43,096	N/A	US\$ 43,096
	Government National Mortgage Association	-		"	-	US\$ 27,679	N/A	US\$ 27,679
	Federal Home Loan Bank	-		"	-	US\$ 6,182	N/A	US\$ 6,182
	Fhlmc Multifamily Structured PTC	-		"	-	US\$ 3,634	N/A	US\$ 3,634
	Export Import Bank Korea	-		"	-	US\$ 3,007	N/A	US\$ 3,007
	Province Of Quebec	-		"	-	US\$ 2,592	N/A	US\$ 2,592
	Export Developmnt Canada	-		"	-	US\$ 2,005	N/A	US\$ 2,005
	CPPIB Capital, Inc.	-		"	-	US\$ 1,186	N/A	US\$ 1,186
	Federal Farm Credit Bank	-		"	-	US\$ 904	N/A	US\$ 904
	<u>Negotiable certificate of deposit</u>							
	China Construction Bank	-		Held-to-maturity financial assets	-	US\$ 50,000	N/A	US\$ 50,100
	Bank of China	-		"	-	US\$ 50,000	N/A	US\$ 50,094
	China Development Bank	-		"	-	US\$ 50,000	N/A	US\$ 50,079
	<u>Asset-backed securities</u>							
	Citibank Credit Card Issuance Trust	-		Available-for-sale financial assets	-	US\$ 33,844	N/A	US\$ 33,844
	Discover Card Execution Note Trust	-		"	-	US\$ 28,764	N/A	US\$ 28,764
Chase Issuance Trust	-		"	-	US\$ 27,310	N/A	US\$ 27,310	
Capital One Multi Asset Execution Trust	-		"	-	US\$ 27,180	N/A	US\$ 27,180	
American Express Credit Account Master Trust	-		"	-	US\$ 24,269	N/A	US\$ 24,269	
Ford Credit Floorplan Master Owner Trust	-		"	-	US\$ 22,741	N/A	US\$ 22,741	
Bank of America Credit Card Trust	-		"	-	US\$ 21,254	N/A	US\$ 21,254	
COMM Mortgage Trust	-		"	-	US\$ 12,681	N/A	US\$ 12,681	
Ford Credit Auto Owner Trust	-		"	-	US\$ 11,792	N/A	US\$ 11,792	
Morgan Stanley Bank of America Merrill Lynch Trust	-		"	-	US\$ 11,094	N/A	US\$ 11,094	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC Global	UBS-Barclays Commercial Mortgage Trust	-	Available-for-sale financial assets	-	US\$ 10,193	N/A	US\$ 10,193	
	Mercedes Benz Master Owner Trust	-	"	-	US\$ 10,061	N/A	US\$ 10,061	
	Hyundai Auto Lease Securitization Trust	-	"	-	US\$ 9,928	N/A	US\$ 9,928	
	GM Financial Automobile Leasing Trust	-	"	-	US\$ 9,077	N/A	US\$ 9,077	
	Hyundai Auto Receivables Trust	-	"	-	US\$ 8,979	N/A	US\$ 8,979	
	Nissan Auto Lease Trust	-	"	-	US\$ 8,731	N/A	US\$ 8,731	
	Honda Auto Receivables Owner Trust	-	"	-	US\$ 8,608	N/A	US\$ 8,608	
	Nissan Auto Receivables Owner Trust	-	"	-	US\$ 8,457	N/A	US\$ 8,457	
	J.P. Morgan Chase Commercial Mortgage Securities Trust	-	"	-	US\$ 7,564	N/A	US\$ 7,564	
	GS Mortgage Securities Trust	-	"	-	US\$ 7,375	N/A	US\$ 7,375	
	JPMBB Commercial Mortgage Securities Trust	-	"	-	US\$ 6,443	N/A	US\$ 6,443	
	Chesapeake Funding II LLC	-	"	-	US\$ 6,339	N/A	US\$ 6,339	
	Toyota Auto Receivables Owner Trust	-	"	-	US\$ 6,002	N/A	US\$ 6,002	
	Ford Credit Auto Owner Trust	-	"	-	US\$ 5,984	N/A	US\$ 5,984	
	Toyota Auto Receivables Owner Trust	-	"	-	US\$ 5,959	N/A	US\$ 5,959	
	BMW Vehicle Lease Trust	-	"	-	US\$ 5,147	N/A	US\$ 5,147	
	Citigroup Commercial Mortgage Trust	-	"	-	US\$ 4,899	N/A	US\$ 4,899	
	Bank	-	"	-	US\$ 4,011	N/A	US\$ 4,011	
	Nissan Master Owner Trust Receivables Trust	-	"	-	US\$ 4,007	N/A	US\$ 4,007	
	Cold Storage Trust	-	"	-	US\$ 3,805	N/A	US\$ 3,805	
	Mercedes Benz Auto Lease Trust	-	"	-	US\$ 3,703	N/A	US\$ 3,703	
	Hertz Fleet Lease Funding L.P.	-	"	-	US\$ 3,496	N/A	US\$ 3,496	
	Wells Fargo Commercial Mortgage Trust	-	"	-	US\$ 3,334	N/A	US\$ 3,334	
	Ford Credit Auto Lease Trust	-	"	-	US\$ 3,007	N/A	US\$ 3,007	
	Credit Suisse Mortgage Trust	-	"	-	US\$ 2,888	N/A	US\$ 2,888	
	BMW Floorplan Master Owner Trust	-	"	-	US\$ 2,445	N/A	US\$ 2,445	
	WF-RBS Commercial Mortgage Trust	-	"	-	US\$ 2,050	N/A	US\$ 2,050	
	Carmax Auto Owner Trust	-	"	-	US\$ 1,998	N/A	US\$ 1,998	
	Mercedes Benz Auto Receivables Trust	-	"	-	US\$ 1,882	N/A	US\$ 1,882	
	Morgan Stanley Capital I Trust	-	"	-	US\$ 1,841	N/A	US\$ 1,841	
	Golden Credit Card Trust	-	"	-	US\$ 1,800	N/A	US\$ 1,800	
	Wheels SPV LLC	-	"	-	US\$ 1,693	N/A	US\$ 1,693	
	CFCRE Commercial Mortgage Trust	-	"	-	US\$ 1,075	N/A	US\$ 1,075	
Enterprise Fleet Financing LLC	-	"	-	US\$ 1,028	N/A	US\$ 1,028		
	<u>Structure product</u>							
	Bank of Tokyo-Mitsubishi UFJ	-	Held-to-maturity financial assets	-	US\$ 50,000	N/A	US\$ 49,755	
	<u>Commercial paper</u>							
	BNP Paribas New York Branch	-	Available-for-sale financial assets	-	US\$ 3,000	N/A	US\$ 3,000	
	Norinchukin Bank	-	"	-	US\$ 2,000	N/A	US\$ 2,000	
	Societe Generale	-	"	-	US\$ 2,000	N/A	US\$ 2,000	
	UBS AG, Stamford Branch	-	"	-	US\$ 2,000	N/A	US\$ 2,000	
	Bank of Tokyo-Mitsubishi UFJ, Ltd., London	-	"	-	US\$ 1,000	N/A	US\$ 1,000	
	Svenska Handelsbanken AB (publ)	-	"	-	US\$ 891	N/A	US\$ 891	
	AXA Financial, Inc.	-	"	-	US\$ 886	N/A	US\$ 886	
	<u>Fund</u>							
	Primavera Capital Fund II L.P.	-	Financial assets carried at cost	-	US\$ 38,477	4	US\$ 38,477	
VTAF III	<u>Common stock</u>							
	LiquidLeds Lighting Corp.	-	Financial assets carried at cost	1,600	US\$ 800	11	US\$ 800	
	Xenio Corporation	-	"	435	US\$ 453	3	US\$ 453	
	<u>Preferred stock</u>							
	Neoconix, Inc.	-	Financial assets carried at cost	4,147	US\$ 170	-	US\$ 170	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
VTAF II	<u>Common stock</u>							
	RichWave Technology Corp.	-	Available-for-sale financial assets	419	US\$ 1,508	1	US\$ 1,508	
	Impinj, Inc.	-	"	7	US\$ 362	-	US\$ 362	
	Sentelic	-	Financial assets carried at cost	1,806	US\$ 2,607	8	US\$ 2,607	
	5V Technologies, Inc.	-	"	963	US\$ 2,168	2	US\$ 2,168	
Aether Systems, Inc.	-	"	3,100	US\$ 339	20	US\$ 339		
	<u>Preferred stock</u>							
	Aquantia	-	Financial assets carried at cost	4,643	US\$ 4,441	2	US\$ 4,441	
ISDF	<u>Preferred stock</u>							
	Sonics, Inc.	-	Financial assets carried at cost	230	-	3	-	
ISDF II	<u>Common stock</u>							
	Alchip Technologies Limited	-	Available-for-sale financial assets	6,249	US\$ 12,534	10	US\$ 12,534	
	Sonics, Inc.	-	Financial assets carried at cost	278	-	4	-	
	<u>Preferred stock</u>							
	Sonics, Inc.	-	Financial assets carried at cost	264	-	4	-	
Growth Fund	<u>Common stock</u>							
	Innovium, Inc.	-	Financial assets carried at cost	221	US\$ 370	-	US\$ 370	
	<u>Preferred stock</u>							
	Innovium, Inc.	-	Financial assets carried at cost	230	US\$ 384	-	US\$ 384	

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance (Note 1)		
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount
TSMC	<u>Corporate bond</u> CPC Corporation, Taiwan	Held-to-maturity financial assets	-	-	-	\$ 1,967,303	-	\$ -	-	\$ 800,000	\$ 800,000	\$ -	-	\$ 1,161,873
	Hon Hai Precision Ind. Co., Ltd.	"	-	-	-	400,250	-	-	-	400,000	400,000	-	-	-
	<u>Commercial paper</u> Taiwan Power Company	Held-to-maturity financial assets	-	-	865	8,628,176	170	1,695,771	985	9,850,000	9,850,000	-	50	498,818
	<u>Stock</u> TSMC Global	Prepayments for Investments (Note 2)	-	Subsidiary	-	-	-	5,986,500	-	-	-	-	-	5,986,500
TSMC Global	<u>Corporate bond</u> Bank of America Corp.	Available-for-sale financial assets	-	-	-	US\$ 27,973	-	US\$ 13,417	-	US\$ 10,679	US\$ 10,803	US\$ (124)	-	US\$ 30,880
	Goldman Sachs Group Inc.	"	-	-	-	US\$ 7,390	-	US\$ 11,755	-	US\$ 1,900	US\$ 1,976	US\$ (76)	-	US\$ 17,375
	Morgan Stanley	"	-	-	-	US\$ 11,237	-	US\$ 12,049	-	US\$ 6,775	US\$ 6,738	US\$ 37	-	US\$ 16,706
	Microsoft Corp.	"	-	-	-	US\$ 2,905	-	US\$ 11,279	-	US\$ 1,001	US\$ 999	US\$ 2	-	US\$ 13,393
	JPMorgan Chase & Co.	"	-	-	-	-	-	US\$ 10,596	-	-	-	-	-	US\$ 10,611
	Qualcomm, Inc.	"	-	-	-	-	-	US\$ 10,048	-	-	-	-	-	US\$ 10,093
	Aetna Inc.	"	-	-	-	US\$ 11,618	-	-	-	US\$ 10,157	US\$ 10,069	US\$ 88	-	US\$ 1,604
	<u>Government bond</u> US Treasury N/B	Available-for-sale financial assets	-	-	-	US\$ 195,285	-	US\$ 193,984	-	US\$ 254,014	US\$ 254,497	US\$ (483)	-	US\$ 142,023
	US Treasury Floating Rate Note	"	-	-	-	US\$ 30,756	-	US\$ 142,388	-	US\$ 115,149	US\$ 115,059	US\$ 90	-	US\$ 58,030
	Treasury Inflation-Indexed N/B	"	-	-	-	US\$ 19,349	-	US\$ 8,039	-	US\$ 19,208	US\$ 19,326	US\$ (118)	-	US\$ 8,093
	Treasury Bill	"	-	-	-	-	-	US\$ 29,244	-	US\$ 28,348	US\$ 28,345	US\$ 3	-	US\$ 900
	WI Treasury Securities	"	-	-	-	-	-	US\$ 71,332	-	US\$ 71,362	US\$ 71,332	US\$ 30	-	-
	<u>Agency bonds/Agency mortgage-backed securities</u> FNMA Pool AL9718	Available-for-sale financial assets	-	-	-	-	-	US\$ 9,841	-	US\$ 621	US\$ 704	US\$ (83)	-	US\$ 9,202
	FNMA TBA 15 Yr 3	"	-	-	-	-	-	US\$ 14,993	-	US\$ 12,978	US\$ 12,955	US\$ 23	-	US\$ 2,034
	FNMA TBA 30 Yr 4.5	"	-	-	-	-	-	US\$ 21,945	-	US\$ 21,181	US\$ 21,194	US\$ (13)	-	US\$ 750
	GNMA II TBA 30 Yr 4	"	-	-	-	-	-	US\$ 19,296	-	US\$ 18,992	US\$ 18,980	US\$ 12	-	US\$ 316
	GNMA II TBA 30 Yr 3.5	"	-	-	-	-	-	US\$ 25,695	-	US\$ 25,539	US\$ 25,549	US\$ (10)	-	US\$ 145
	GNMA II TBA 30 Yr 3	"	-	-	-	-	-	US\$ 12,544	-	US\$ 12,541	US\$ 12,544	US\$ (3)	-	-
	FNMA TBA 30 Yr 5	"	-	-	-	-	-	US\$ 11,128	-	US\$ 11,134	US\$ 11,128	US\$ 6	-	-
	FNMA TBA 30 Yr 4	"	-	-	-	-	-	US\$ 21,721	-	US\$ 21,726	US\$ 21,721	US\$ 5	-	-
	FNMA TBA 30 Yr 3.5	"	-	-	-	-	-	US\$ 33,902	-	US\$ 33,891	US\$ 33,902	US\$ (11)	-	-
	FNMA TBA 30 Yr 3	"	-	-	-	-	-	US\$ 46,700	-	US\$ 46,736	US\$ 46,700	US\$ 36	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount
TSMC Global	<u>Asset-backed securities</u>													
	Citibank Credit Card Issuance Trust	Available-for-sale financial assets	-	-	-	US\$ 22,585	-	US\$ 13,313	-	US\$ 2,031	US\$ 2,161	US\$ (130)	-	US\$ 33,844
	Discover Card Execution Note Trust	"	-	-	-	US\$ 23,076	-	US\$ 11,172	-	US\$ 5,500	US\$ 5,499	US\$ 1	-	US\$ 28,764
	Capital One Multi Asset Execution Trust	"	-	-	-	US\$ 39,626	-	US\$ 200	-	US\$ 12,703	US\$ 12,778	US\$ (75)	-	US\$ 27,180
	Ford Credit Floorplan Master Owner Trust	"	-	-	-	US\$ 11,944	-	US\$ 10,779	-	-	-	-	-	US\$ 22,741
	<u>Fund</u>													
	Primavera Capital Fund II L.P.	Financial assets carried at cost	-	-	-	US\$ 23,784	-	US\$ 14,693	-	-	-	-	-	US\$ 38,477

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

Note 2: To lower the hedging cost, in February 2017, the Board of Directors of TSMC approved to inject US\$2,000,000 thousand of capital into TSMC Global. This project was approved by the Investment Commission, Ministry of Economic Affairs, R.O.C. (MOEA). The prepayment for investment was US\$195,000 thousand as of June 30, 2017 and the total injection is expected to be finished in the fourth quarter of 2017.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017

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

Company Name	Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	August 10, 2016 to April 6, 2017	\$ 837,466	Monthly settlement by the construction progress and acceptance	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	January 18, 2017	352,766	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
TSMC Nanjing Company Ltd.	Fab	March 21, 2017 to June 23, 2017	RMB 183,300	Monthly settlement by the construction progress and acceptance	China Construction First Division Group Construction & Development Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	May 25, 2017	RMB 119,027	Monthly settlement by the construction progress and acceptance	Renchong Interior Decoration (Shanghai) Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	June 22, 2017 to June 27, 2017	RMB 98,000	Monthly settlement by the construction progress and acceptance	Shanghai Baoye Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount (Foreign Currencies in Thousands)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Foreign Currencies in Thousands)	% to Total	
TSMC	TSMC North America	Subsidiary	Sales	\$ 287,574,248	62	Net 30 days from invoice date (Note)	-	Note	\$ 66,739,205	62	
	GUC	Associate	Sales	3,047,052	1	Net 30 days from the end of the month of when invoice is issued	-	-	341,107	-	
	TSMC China	Subsidiary	Purchases	11,220,670	28	Net 30 days from the end of the month of when invoice is issued	-	-	(1,832,175)	7	
	WaferTech	Indirect subsidiary	Purchases	4,359,047	11	Net 30 days from the end of the month of when invoice is issued	-	-	(1,512,184)	5	
	VIS	Associate	Purchases	2,821,271	7	Net 30 days from the end of the month of when invoice is issued	-	-	(416,232)	1	
	SSMC	Associate	Purchases	2,064,649	5	Net 30 days from the end of the month of when invoice is issued	-	-	(458,644)	2	
TSMC North America	GUC	Associate of TSMC	Sales	414,555 (US\$ 13,480)	-	Net 30 days from invoice date	-	-	86,836 (US\$ 2,855)	-	

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

JUNE 30, 2017

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

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
TSMC	TSMC North America	Subsidiary	\$ 67,559,095	48	\$ 1,180,581	-	\$ 5,254,863	\$ -
	VIS	Associate	1,474,583	Note 2	-	-	-	-
	VisEra Tech	Subsidiary	760,168	Note 2	-	-	-	-
	GUC	Associate	341,107	38	-	-	-	-
TSMC Global	TSMC	Parent company	7,603,768 (US\$ 250,009)	Note 2	-	-	-	-
TSMC China	TSMC	Parent company	1,832,175 (RMB 408,411)	29	-	-	-	-
	TSMC Nanjing	The same parent company	7,213,695 (RMB 1,608,010)	Note 2	-	-	-	-
TSMC Technology	TSMC	The ultimate parent of the Company	216,047 (US\$ 7,104)	Note 2	-	-	-	-
WaferTech	TSMC	The ultimate parent of the Company	1,512,184 (US\$ 49,720)	58	-	-	-	-

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Net Revenue or Total Assets
0	TSMC	TSMC North America	1	Net revenue from sale of goods	\$ 287,574,248	-	64%
				Receivables from related parties	66,739,205	-	3%
				Other receivables from related parties	819,890	-	-
		TSMC Japan	1	Marketing expenses - commission	102,593	-	-
				TSMC Europe	1	Marketing expenses - commission	212,189
		TSMC Global	1	Short-term loans	7,603,500	-	-
		TSMC China	1	Purchases	11,220,670	-	3%
				Payables to related parties	1,832,175	-	-
		VisEra Tech	1	Other receivables from related parties	760,168	-	-
		TSMC Canada	1	Research and development expenses	120,780	-	-
TSMC Technology	1	Research and development expenses	883,200	-	-		
		Payables to related parties	216,047	-	-		
WaferTech	1	Purchases	4,359,047	-	1%		
		Payables to related parties	1,512,184	-	-		
1	TSMC China	TSMC Nanjing	3	Other receivables from related parties	7,213,695	-	-

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				June 30, 2017 (Foreign Currencies in Thousands)	December 31, 2016 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 238,193,719 Note 3	\$ 232,207,219	7	100	\$ 259,503,712	\$ 2,264,670	\$ 2,264,670	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry and other investment activities	31,456,130	31,456,130	988,268	100	50,134,056	1,093,644	1,093,644	Subsidiary
	VIS	Hsin-Chu, Taiwan	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks	10,180,677	10,180,677	464,223	28	7,956,845	2,129,857	600,728	Associate
	SSMC	Singapore	Manufacturing and selling of integrated circuits and other semiconductor devices	5,120,028	5,120,028	314	39	7,596,341	2,121,561	822,954	Associate
	VisEra Tech	Hsin-Chu, Taiwan	Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter	5,005,171	5,005,171	253,120	87	4,437,218	(44,030)	(38,305)	Subsidiary
	TSMC North America	San Jose, California, U.S.A	Selling and marketing of integrated circuits and other semiconductor devices	333,718	333,718	11,000	100	4,224,656	126,238	126,238	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging and wafer level post passivation interconnection service	1,988,317	1,988,317	111,282	41	2,344,813	(609,250)	(248,833)	Associate
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,078,026	316,911	110,412	Associate
	TSMC Europe	Amsterdam, the Netherlands	Customer service and supporting activities	15,749	15,749	-	100	378,915	19,487	19,487	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	470,505	608,562	-	98	365,580	93,619	91,747	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,329,951	1,355,417	-	98	168,551	(15,602)	(15,290)	Subsidiary
	TSMC Japan	Yokohama, Japan	Customer service and supporting activities	83,760	83,760	6	100	132,560	2,704	2,704	Subsidiary
	TSMC Korea	Seoul, Korea	Customer service and supporting activities	13,656	13,656	80	100	36,843	1,283	1,283	Subsidiary
	TSMC Solar Europe GmbH	Hamburg, Germany	Selling of solar related products and providing customer service	25,266	25,266	1	100	(21,539)	(14,455)	(14,455)	Subsidiary
TSMC Partners	TSMC Development	Delaware, U.S.A	Investing in companies involved in the manufacturing related business in the semiconductor industry	17,851,157 (US\$ 586,939)	17,851,157 (US\$ 586,939)	-	100	26,467,770 (US\$ 870,250)	868,652 (US\$ 28,303)	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A	Engineering support activities	434,373 (US\$ 14,282)	434,373 (US\$ 14,282)	-	100	543,006 (US\$ 17,854)	30,230 (US\$ 984)	Note 2	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	157,965 (US\$ 5,194)	157,965 (US\$ 5,194)	9,299	97	355,828 (US\$ 11,699)	12,948 (US\$ 428)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	69,952 (US\$ 2,300)	69,952 (US\$ 2,300)	2,300	100	174,080 (US\$ 5,724)	8,891 (US\$ 289)	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	14,452 (US\$ 475)	14,452 (US\$ 475)	583	97	462 (US\$ 15)	-	Note 2	Subsidiary
VTAF III	Growth Fund	Cayman Islands	Investing in new start-up technology companies	68,789 (US\$ 2,262)	44,458 (US\$ 1,462)	-	100	51,574 (US\$ 1,696)	(614) (US\$ (20))	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2017			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				June 30, 2017 (Foreign Currencies in Thousands)	December 31, 2016 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
VTAF III	Mutual-Pak	New Taipei, Taiwan	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	\$ 158,538 (US\$ 5,213)	\$ 158,538 (US\$ 5,213)	15,643	58	\$ 14,531 (US\$ 478)	\$ (10,967) (US\$ (355))	Note 2	Subsidiary
TSMC Development	WaferTech	Washington, U.S.A	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	-	-	293,637	100	5,325,252 (US\$ 175,092)	780,110 (US\$ 25,418)	Note 2	Subsidiary

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

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

Note 3: To lower the hedging cost, in February 2017, the Board of Directors of TSMC approved to inject US\$2,000,000 thousand of capital into TSMC Global. This project was approved by the Investment Commission, Ministry of Economic Affairs, R.O.C. (MOEA). The prepayment for investment was US\$195,000 thousand as of June 30, 2017 and the total injection is expected to be finished in the fourth quarter of 2017.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION ON INVESTMENT IN MAINLAND CHINA FOR SIX MONTHS ENDED JUNE 30, 2017

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017 (US\$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017 (US\$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow (US\$ in Thousands)	Inflow						
TSMC China	Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices	\$ 18,939,667 (RMB 4,502,080)	Note 1	\$ 18,939,667 (US\$ 596,000)	\$ -	\$ -	\$ 18,939,667 (US\$ 596,000)	\$ 4,478,588	100%	\$ 4,592,206 (Note 2)	\$ 45,863,677	\$ -
TSMC Nanjing	Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices	\$ 6,435,200 (RMB 1,366,240)	Note 1	6,435,200 (US\$ 200,000)	-	-	6,435,200 (US\$ 200,000)	73,435	100%	73,435 (Note 2)	6,203,715	-

Accumulated Investment in Mainland China as of June 30, 2017 (US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment
\$ 25,374,867 (US\$ 796,000)	\$ 119,412,667 (US\$ 3,596,000)	Note 3

Note 1: TSMC directly invested US\$596,000 thousand in TSMC China and US\$200,000 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.