

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

Introduction

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

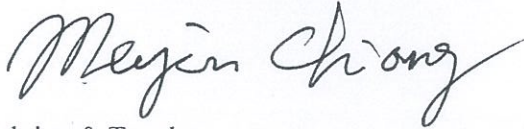
Scope of Review

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

Conclusion

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

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

August 14, 2018

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | June 30, 2018 (Reviewed) | | December 31, 2017 (Audited) | | June 30, 2017 (Reviewed) | |
|---|-----------------------------|------------|--------------------------------|------------|-----------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 632,229,880 | 31 | \$ 553,391,696 | 28 | \$ 570,466,958 | 29 |
| Financial assets at fair value through profit or loss (Note 7) | 1,205,036 | - | 569,751 | - | 4,995,251 | - |
| Financial assets at fair value through other comprehensive income (Note 8) | 102,027,608 | 5 | - | - | - | - |
| Available-for-sale financial assets (Note 9) | - | - | 93,374,153 | 5 | 76,252,652 | 4 |
| Held-to-maturity financial assets (Note 10) | - | - | 1,988,385 | - | 7,210,380 | - |
| Financial assets at amortized cost (Note 11) | 13,427,398 | 1 | - | - | - | - |
| Hedging derivative financial assets (Note 13) | - | - | 34,394 | - | 24,517 | - |
| Hedging financial assets (Note 13) | 31,692 | - | - | - | - | - |
| Notes and accounts receivable, net (Note 14) | 87,096,847 | 4 | 121,133,248 | 6 | 109,893,282 | 6 |
| Receivables from related parties (Note 34) | 1,099,472 | - | 1,184,124 | - | 436,001 | - |
| Other receivables from related parties (Note 34) | 3,185,522 | - | 171,058 | - | 1,532,321 | - |
| Inventories (Note 15) | 99,032,077 | 5 | 73,880,747 | 4 | 61,010,525 | 3 |
| Other financial assets (Note 35) | 13,393,142 | 1 | 7,253,114 | - | 2,450,135 | - |
| Other current assets (Note 19) | 6,314,005 | - | 4,222,440 | - | 3,777,530 | - |
| Total current assets | <u>959,042,679</u> | <u>47</u> | <u>857,203,110</u> | <u>43</u> | <u>838,049,552</u> | <u>42</u> |
| NONCURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income (Note 8) | 5,694,784 | - | - | - | - | - |
| Held-to-maturity financial assets (Note 10) | - | - | 18,833,329 | 1 | 20,529,204 | 1 |
| Financial assets at amortized cost (Note 11) | 7,476,874 | - | - | - | - | - |
| Financial assets carried at cost (Note 12) | - | - | 4,874,257 | - | 4,313,269 | - |
| Investments accounted for using equity method (Note 16) | 15,663,648 | 1 | 17,861,488 | 1 | 18,976,025 | 1 |
| Property, plant and equipment (Note 17) | 1,034,268,062 | 50 | 1,062,542,322 | 53 | 1,077,626,759 | 54 |
| Intangible assets (Note 18) | 13,792,211 | 1 | 14,175,140 | 1 | 14,118,892 | 1 |
| Deferred income tax assets (Note 4) | 13,632,059 | 1 | 12,105,463 | 1 | 10,010,278 | 1 |
| Refundable deposits | 2,110,444 | - | 1,283,414 | - | 742,707 | - |
| Other noncurrent assets (Note 19) | 1,732,193 | - | 2,983,120 | - | 2,067,091 | - |
| Total noncurrent assets | <u>1,094,370,275</u> | <u>53</u> | <u>1,134,658,533</u> | <u>57</u> | <u>1,148,384,225</u> | <u>58</u> |
| TOTAL | <u>\$ 2,053,412,954</u> | <u>100</u> | <u>\$ 1,991,861,643</u> | <u>100</u> | <u>\$ 1,986,433,777</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term loans (Notes 20 and 32) | \$ 30,835,300 | 1 | \$ 63,766,850 | 3 | \$ 54,745,200 | 3 |
| Financial liabilities at fair value through profit or loss (Note 7) | 1,057,719 | - | 26,709 | - | 82,552 | - |
| Hedging derivative financial liabilities (Note 13) | - | - | 15,562 | - | 19 | - |
| Hedging financial liabilities (Note 13) | 30,718 | - | - | - | - | - |
| Accounts payable | 29,711,846 | 1 | 28,412,807 | 1 | 24,509,899 | 1 |
| Payables to related parties (Note 34) | 951,332 | - | 1,656,356 | - | 1,101,776 | - |
| Salary and bonus payable | 10,047,025 | 1 | 14,254,871 | 1 | 10,042,918 | 1 |
| Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 24 and 31) | 34,462,523 | 2 | 23,419,135 | 1 | 33,376,142 | 2 |
| Payables to contractors and equipment suppliers | 39,602,732 | 2 | 55,723,774 | 3 | 50,376,846 | 2 |
| Cash dividends payable (Note 24) | 207,519,110 | 10 | - | - | 181,626,763 | 9 |
| Income tax payable (Note 4) | 28,789,175 | 1 | 33,479,311 | 2 | 33,463,459 | 2 |
| Provisions (Note 21) | - | - | 13,961,787 | 1 | 13,818,216 | 1 |
| Long-term liabilities - current portion (Note 22) | 15,900,000 | 1 | 58,401,122 | 3 | 79,865,605 | 4 |
| Accrued expenses and other current liabilities (Notes 23, 25, 32 and 34) | 64,089,684 | 3 | 65,588,396 | 3 | 40,497,750 | 2 |
| Total current liabilities | <u>462,997,164</u> | <u>22</u> | <u>358,706,680</u> | <u>18</u> | <u>523,507,145</u> | <u>27</u> |
| NONCURRENT LIABILITIES | | | | | | |
| Bonds payable (Notes 22 and 32) | 83,400,000 | 4 | 91,800,000 | 5 | 99,300,000 | 5 |
| Long-term bank loans | - | - | - | - | 16,940 | - |
| Deferred income tax liabilities (Note 4) | 242,158 | - | 302,205 | - | 160,709 | - |
| Net defined benefit liability (Note 4) | 8,765,705 | 1 | 8,850,704 | 1 | 8,556,640 | - |
| Guarantee deposits (Notes 23 and 32) | 5,365,159 | - | 7,586,790 | - | 10,818,377 | 1 |
| Others | 2,007,483 | - | 1,855,621 | - | 1,708,321 | - |
| Total noncurrent liabilities | <u>99,780,505</u> | <u>5</u> | <u>110,395,320</u> | <u>6</u> | <u>120,560,987</u> | <u>6</u> |
| Total liabilities | <u>562,777,669</u> | <u>27</u> | <u>469,102,000</u> | <u>24</u> | <u>644,068,132</u> | <u>33</u> |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | | | |
| Capital stock (Note 24) | 259,303,805 | 13 | 259,303,805 | 13 | 259,303,805 | 13 |
| Capital surplus (Note 24) | 56,307,720 | 3 | 56,309,536 | 3 | 56,282,780 | 3 |
| Retained earnings (Note 24) | | | | | | |
| Appropriated as legal capital reserve | 276,033,811 | 14 | 241,722,663 | 12 | 241,722,663 | 12 |
| Appropriated as special capital reserve | 26,907,527 | 1 | - | - | - | - |
| Unappropriated earnings | 886,529,173 | 43 | 991,639,347 | 49 | 802,672,760 | 40 |
| | <u>1,189,470,511</u> | <u>58</u> | <u>1,233,362,010</u> | <u>61</u> | <u>1,044,395,423</u> | <u>52</u> |
| Others (Note 24) | (15,080,494) | (1) | (26,917,818) | (1) | (18,296,511) | (1) |
| Equity attributable to shareholders of the parent | 1,490,001,542 | 73 | 1,522,057,533 | 76 | 1,341,685,497 | 67 |
| NON-CONTROLLING INTERESTS | <u>633,743</u> | <u>-</u> | <u>702,110</u> | <u>-</u> | <u>680,148</u> | <u>-</u> |
| Total equity | <u>1,490,635,285</u> | <u>73</u> | <u>1,522,759,643</u> | <u>76</u> | <u>1,342,365,645</u> | <u>67</u> |
| TOTAL | <u>\$ 2,053,412,954</u> | <u>100</u> | <u>\$ 1,991,861,643</u> | <u>100</u> | <u>\$ 1,986,433,777</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 | | | |
|---|------------------------------------|------------|----------------------|-----------|----------------------------------|-----------|-----------------------|------------|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET REVENUE (Notes 25, 34 and 39) | \$ 233,276,811 | 100 | \$ 213,855,212 | 100 | \$ 481,355,482 | 100 | \$ 447,769,612 | 100 |
| COST OF REVENUE (Notes 15, 31 and 34) | <u>121,688,707</u> | <u>52</u> | <u>105,101,969</u> | <u>49</u> | <u>244,792,684</u> | <u>51</u> | <u>217,530,703</u> | <u>49</u> |
| GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES | 111,588,104 | 48 | 108,753,243 | 51 | 236,562,798 | 49 | 230,238,909 | 51 |
| UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES | <u>(57,170)</u> | <u>-</u> | <u>(44,589)</u> | <u>-</u> | <u>(174,325)</u> | <u>-</u> | <u>(40,619)</u> | <u>-</u> |
| GROSS PROFIT | <u>111,530,934</u> | <u>48</u> | <u>108,708,654</u> | <u>51</u> | <u>236,388,473</u> | <u>49</u> | <u>230,198,290</u> | <u>51</u> |
| OPERATING EXPENSES (Notes 31 and 34) | | | | | | | | |
| Research and development | 19,891,553 | 8 | 19,057,456 | 9 | 40,320,147 | 8 | 38,469,849 | 8 |
| General and administrative | 5,070,594 | 2 | 4,927,159 | 2 | 9,922,302 | 2 | 10,174,762 | 2 |
| Marketing | <u>1,477,977</u> | <u>1</u> | <u>1,382,199</u> | <u>1</u> | <u>2,926,069</u> | <u>1</u> | <u>2,878,686</u> | <u>1</u> |
| Total operating expenses | <u>26,440,124</u> | <u>11</u> | <u>25,366,814</u> | <u>12</u> | <u>53,168,518</u> | <u>11</u> | <u>51,523,297</u> | <u>11</u> |
| OTHER OPERATING INCOME AND EXPENSES, NET (Note 31) | <u>(662,664)</u> | <u>(1)</u> | <u>(86,439)</u> | <u>-</u> | <u>(1,964,863)</u> | <u>-</u> | <u>(67,202)</u> | <u>-</u> |
| INCOME FROM OPERATIONS (Note 39) | <u>84,428,146</u> | <u>36</u> | <u>83,255,401</u> | <u>39</u> | <u>181,255,092</u> | <u>38</u> | <u>178,607,791</u> | <u>40</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Share of profits of associates | 266,493 | - | 618,451 | - | 948,284 | - | 1,285,261 | - |
| Other income (Note 26) | 3,729,835 | 2 | 2,626,210 | 1 | 6,884,477 | 1 | 4,731,189 | 1 |
| Foreign exchange gain (loss), net (Note 38) | 2,330,616 | 1 | (551,533) | - | 1,653,636 | - | (451,738) | - |
| Finance costs (Note 27) | (628,284) | - | (839,913) | - | (1,436,250) | - | (1,656,577) | - |
| Other gains and losses, net (Note 28) | <u>(2,539,198)</u> | <u>(1)</u> | <u>1,008,851</u> | <u>-</u> | <u>(1,774,010)</u> | <u>-</u> | <u>1,424,040</u> | <u>-</u> |
| Total non-operating income and expenses | <u>3,159,462</u> | <u>2</u> | <u>2,862,066</u> | <u>1</u> | <u>6,276,137</u> | <u>1</u> | <u>5,332,175</u> | <u>1</u> |
| INCOME BEFORE INCOME TAX | 87,587,608 | 38 | 86,117,467 | 40 | 187,531,229 | 39 | 183,939,966 | 41 |
| INCOME TAX EXPENSE (Notes 4 and 29) | <u>15,294,233</u> | <u>7</u> | <u>19,846,815</u> | <u>9</u> | <u>25,450,280</u> | <u>5</u> | <u>30,048,406</u> | <u>7</u> |
| NET INCOME | <u>72,293,375</u> | <u>31</u> | <u>66,270,652</u> | <u>31</u> | <u>162,080,949</u> | <u>34</u> | <u>153,891,560</u> | <u>34</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 24 and 29) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income | (869,369) | - | - | - | (888,876) | - | - | - |
| Gain (loss) on hedging instruments | (21,939) | - | - | - | 15,343 | - | - | - |
| Share of other comprehensive income of associates | 5,551 | - | - | - | 5,613 | - | - | - |
| Income tax benefit (expense) related to items that will not be reclassified subsequently | <u>(2,821)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36,385</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>(888,578)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(831,535)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences arising on translation of foreign operations | 20,310,158 | 8 | 1,353,774 | 1 | 13,833,672 | 3 | (19,889,820) | (4) |
| Changes in fair value of available-for-sale financial assets | - | - | 28,397 | - | - | - | (65,073) | - |
| Cash flow hedges | - | - | 18,997 | - | - | - | 18,997 | - |
| Unrealized loss on investments in debt instruments at fair value through other comprehensive income | (282,360) | - | - | - | (1,009,770) | (1) | - | - |
| Share of other comprehensive income (loss) of associates | 116,455 | - | 3,027 | - | 77,103 | - | (58,630) | - |
| Income tax benefit related to items that may be reclassified subsequently | <u>-</u> | <u>-</u> | <u>6,041</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,441</u> | <u>-</u> |
| Total | <u>20,144,253</u> | <u>8</u> | <u>1,410,236</u> | <u>1</u> | <u>12,901,005</u> | <u>2</u> | <u>(19,942,085)</u> | <u>(4)</u> |
| Other comprehensive income (loss) for the period, net of income tax | <u>19,255,675</u> | <u>8</u> | <u>1,410,236</u> | <u>1</u> | <u>12,069,470</u> | <u>2</u> | <u>(19,942,085)</u> | <u>(4)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>\$ 91,549,050</u> | <u>39</u> | <u>\$ 67,680,888</u> | <u>32</u> | <u>\$ 174,150,419</u> | <u>36</u> | <u>\$ 133,949,475</u> | <u>30</u> |
| NET INCOME (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Shareholders of the parent | \$ 72,290,539 | 31 | \$ 66,271,019 | 31 | \$ 162,075,161 | 34 | \$ 153,899,917 | 34 |
| Non-controlling interests | <u>2,836</u> | <u>-</u> | <u>(367)</u> | <u>-</u> | <u>5,788</u> | <u>-</u> | <u>(8,357)</u> | <u>-</u> |
| | <u>\$ 72,293,375</u> | <u>31</u> | <u>\$ 66,270,652</u> | <u>31</u> | <u>\$ 162,080,949</u> | <u>34</u> | <u>\$ 153,891,560</u> | <u>34</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Shareholders of the parent | \$ 91,545,881 | 39 | \$ 67,680,017 | 32 | \$ 174,141,933 | 36 | \$ 133,954,807 | 30 |
| Non-controlling interests | <u>3,169</u> | <u>-</u> | <u>871</u> | <u>-</u> | <u>8,486</u> | <u>-</u> | <u>(5,332)</u> | <u>-</u> |
| | <u>\$ 91,549,050</u> | <u>39</u> | <u>\$ 67,680,888</u> | <u>32</u> | <u>\$ 174,150,419</u> | <u>36</u> | <u>\$ 133,949,475</u> | <u>30</u> |

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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 | |
|------------------------------------|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | 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 30) | | | | |
| Basic earnings per share | <u>\$ 2.79</u> | <u>\$ 2.56</u> | <u>\$ 6.25</u> | <u>\$ 5.94</u> |
| Diluted earnings per share | <u>\$ 2.79</u> | <u>\$ 2.56</u> | <u>\$ 6.25</u> | <u>\$ 5.94</u> |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

| | Equity Attributable to Shareholders of the Parent | | | | | | | | | | | | | | Non-controlling Interests | Total Equity | |
|--|---|----------------|-----------------|-----------------------|-------------------------|-------------------------|------------------|--------------------------------------|---|---|--------------------------|------------------------------------|--|-----------------|---------------------------|--------------|------------------|
| | Capital Stock - Common Stock | | | | | | | Others | | | | | | | | | |
| | Shares (In Thousands) | Amount | Capital Surplus | Legal Capital Reserve | Special Capital Reserve | Unappropriated Earnings | Total | Foreign Currency Translation Reserve | Unrealized Gain (Loss) from Available-for-sale Financial Assets | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Cash Flow Hedges Reserve | Gain (Loss) on Hedging Instruments | Unearned Stock-Based Employee Compensation | Total | | | |
| BALANCE, JANUARY 1, 2018 | 25,930,380 | \$ 259,303,805 | \$ 56,309,536 | \$ 241,722,663 | \$ - | \$ 991,639,347 | \$ 1,233,362,010 | \$ (26,697,680) | \$ (214,074) | \$ - | \$ 4,226 | \$ - | \$ (10,290) | \$ (26,917,818) | \$ 1,522,057,533 | \$ 702,110 | \$ 1,522,759,643 |
| Effect of retrospective application | - | - | - | - | - | 1,556,319 | 1,556,319 | - | 214,074 | (524,915) | (4,226) | 4,226 | - | (310,841) | 1,245,478 | 342 | 1,245,820 |
| ADJUSTED BALANCE, JANUARY 1, 2018 | 25,930,380 | 259,303,805 | 56,309,536 | 241,722,663 | - | 993,195,666 | 1,234,918,329 | (26,697,680) | - | (524,915) | - | 4,226 | (10,290) | (27,228,659) | 1,523,303,011 | 702,452 | 1,524,005,463 |
| Appropriations of prior year's earnings | | | | | | | | | | | | | | | | | |
| Legal capital reserve | - | - | - | 34,311,148 | - | (34,311,148) | - | - | - | - | - | - | - | - | - | - | - |
| Special capital reserve | - | - | - | - | 26,907,527 | (26,907,527) | - | - | - | - | - | - | - | - | - | - | - |
| Cash dividends to shareholders - NTS\$ per share | - | - | - | - | - | (207,443,044) | (207,443,044) | - | - | - | - | - | - | (207,443,044) | (207,443,044) | - | (207,443,044) |
| Total | - | - | - | 34,311,148 | 26,907,527 | (268,661,719) | (207,443,044) | - | - | - | - | - | - | (207,443,044) | (207,443,044) | - | (207,443,044) |
| Net income for the six months ended June 30, 2018 | - | - | - | - | - | 162,075,161 | 162,075,161 | - | - | - | - | - | - | - | 162,075,161 | 5,788 | 162,080,949 |
| Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax | - | - | - | - | - | - | - | 13,910,521 | - | (1,857,564) | - | 13,815 | - | 12,066,772 | 12,066,772 | 2,698 | 12,069,470 |
| Total comprehensive income (loss) for the six months ended June 30, 2018 | - | - | - | - | - | 162,075,161 | 162,075,161 | 13,910,521 | - | (1,857,564) | - | 13,815 | - | 12,066,772 | 174,141,933 | 8,486 | 174,150,419 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | (79,935) | (79,935) | - | - | 79,935 | - | - | - | 79,935 | - | - | - |
| Basis adjustment for loss on hedging instruments | - | - | - | - | - | - | - | - | - | - | - | (2,605) | - | (2,605) | (2,605) | - | (2,605) |
| Adjustments to share of changes in equities of associates | - | - | (1,856) | - | - | - | - | - | - | - | - | - | 4,063 | 4,063 | 2,207 | - | 2,207 |
| Donation from shareholders | - | - | 40 | - | - | - | - | - | - | - | - | - | - | - | 40 | 6 | 46 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (77,201) | (77,201) |
| BALANCE, JUNE 30, 2018 | 25,930,380 | \$ 259,303,805 | \$ 56,307,720 | \$ 276,033,811 | \$ 26,907,527 | \$ 886,529,173 | \$ 1,189,470,511 | \$ (12,787,159) | \$ - | \$ (2,302,544) | \$ - | \$ 15,436 | \$ (6,227) | \$ (15,080,494) | \$ 1,490,001,542 | \$ 633,743 | \$ 1,490,635,285 |
| 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 - NTS\$7 per share | - | - | - | - | - | (181,512,663) | (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) | - | (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 non-controlling 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 |

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 | |
|---|---------------------------------|--------------------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 187,531,229 | \$ 183,939,966 |
| Adjustments for: | | |
| Depreciation expense | 140,813,756 | 116,099,116 |
| Amortization expense | 2,092,805 | 2,065,459 |
| Reversal of expected credit losses on investments in debt instruments | (1,453) | - |
| Finance costs | 1,436,250 | 1,656,577 |
| Share of profits of associates | (948,284) | (1,285,261) |
| Interest income | (6,726,119) | (4,588,686) |
| Loss (gain) on disposal or retirement of property, plant and equipment, net | 793,090 | (15,343) |
| Gain on disposal of intangible assets, net | (436) | - |
| Impairment loss on property, plant and equipment | 488,336 | - |
| Impairment loss on financial assets | - | 12,032 |
| Loss on financial instruments at fair value through profit or loss, net | 60,541 | - |
| Loss on disposal of investments in debt instruments at fair value through other comprehensive income, net | 512,267 | - |
| Loss on disposal of available-for-sale financial assets, net | - | 59,311 |
| Gain on disposal of financial assets carried at cost, net | - | (4,753) |
| Unrealized gross profit on sales to associates | 174,325 | 40,619 |
| Loss (gain) on foreign exchange, net | 2,098,700 | (6,377,351) |
| Dividend income | (158,358) | (142,503) |
| Loss (gain) arising from fair value hedges, net | (7,725) | 23,494 |
| Changes in operating assets and liabilities: | | |
| Financial instruments at fair value through profit or loss | 1,241,998 | 1,159,461 |
| Notes and accounts receivable, net | 31,318,729 | 15,263,197 |
| Receivables from related parties | 84,652 | 533,558 |
| Other receivables from related parties | 14,353 | 8,492 |
| Inventories | (25,171,076) | (12,328,292) |
| Other financial assets | (4,930,978) | 1,844,118 |
| Other current assets | (1,388,497) | (143,032) |
| Other noncurrent assets | 56,329 | (433,328) |
| Accounts payable | 1,093,210 | (1,398,358) |
| Payables to related parties | (705,024) | (160,398) |
| Salary and bonus payable | (4,207,846) | (3,638,899) |
| Accrued profit sharing bonus to employees and compensation to directors and supervisors | 11,043,388 | 10,482,136 |
| Accrued expenses and other current liabilities | (14,314,806) | 4,823,091 |
| Provisions | - | (4,192,045) |
| Net defined benefit liability | (84,999) | 5,232 |
| Cash generated from operations | 322,208,357 | 303,307,610 |
| Income taxes paid | (31,709,079) | (38,899,186) |
| Net cash generated by operating activities | <u>290,499,278</u> | <u>264,408,424</u> |

(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 | |
|---|---------------------------------|----------------------|
| | 2018 | 2017 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Financial instruments at fair value through profit or loss - debt instruments | \$ (212,254) | \$ - |
| Financial assets at fair value through other comprehensive income | (47,523,622) | - |
| Available-for-sale financial assets | - | (48,350,281) |
| Held-to-maturity financial assets | - | (1,695,771) |
| Financial assets carried at cost | - | (475,184) |
| Property, plant and equipment | (131,528,345) | (207,694,057) |
| Intangible assets | (1,391,186) | (1,970,729) |
| Proceeds from disposal or redemption of: | | |
| Financial instruments at fair value through profit or loss - debt instruments | 63,150 | - |
| Financial assets at fair value through other comprehensive income | 39,921,113 | - |
| Available-for-sale financial assets | - | 36,338,151 |
| Held-to-maturity financial assets | - | 11,350,000 |
| Financial assets at amortized cost | 498,542 | - |
| Financial assets carried at cost | - | 50,180 |
| Property, plant and equipment | 116,927 | 170,029 |
| Intangible assets | 492 | - |
| Proceeds from return of capital of investments in equity instruments at fair value through other comprehensive income | 127,878 | - |
| Derecognition of hedging derivative financial instruments | - | 6,496 |
| Derecognition of hedging financial instruments | 162,699 | - |
| Interest received | 6,635,893 | 4,432,649 |
| Proceeds from government grants - property, plant and equipment | - | 436,587 |
| Other dividends received | 139,342 | 124,835 |
| Dividends received from investments accounted for using equity method | 233,439 | 163,408 |
| Refundable deposits paid | (2,110,165) | (378,335) |
| Refundable deposits refunded | <u>1,331,308</u> | <u>42,008</u> |
| Net cash used in investing activities | <u>(133,534,789)</u> | <u>(207,450,014)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term loans | (33,743,725) | (290,110) |
| Repayment of bonds | (50,524,900) | (10,000,000) |
| Repayment of long-term bank loans | - | (4,840) |
| Interest paid | (1,542,784) | (1,383,051) |
| Guarantee deposits received | 639,802 | 848,259 |
| Guarantee deposits refunded | (1,800,830) | (1,718,541) |
| Donation from shareholders | 46 | - |
| Decrease in non-controlling interests | <u>(1,135)</u> | <u>(524)</u> |
| Net cash used in financing activities | <u>(86,973,526)</u> | <u>(12,548,807)</u> |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | <u>Six Months Ended June 30</u> | |
|--|---------------------------------|------------------------|
| | <u>2018</u> | <u>2017</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | \$ <u>8,847,221</u> | \$ <u>(15,196,478)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 78,838,184 | 29,213,125 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>553,391,696</u> | <u>541,253,833</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ <u>632,229,880</u> | \$ <u>570,466,958</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, 2018 and 2017

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

(Reviewed, Not Audited)

1. GENERAL

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

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on August 14, 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

- 1) IFRS 9 "Financial Instruments" and related amendment

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

Classification, measurement and impairment of financial assets and financial liabilities

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

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

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

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

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

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

Hedge accounting

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

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

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

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

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

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

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

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

Impact on Assets, Liabilities and Equity

| | June 30, 2018 |
|--|--------------------------|
| Decrease in inventories | \$ (17,365) |
| Increase in contract assets | 32,090 |
| Increase in investments accounted for using equity method | <u>35,977</u> |
| Total effect on assets | <u>\$ 50,702</u> |
| Decrease in provisions - current | \$ (17,961,777) |
| Increase in accrued expenses and other current liabilities | 17,961,503 |
| Increase in income tax payable | <u>3,000</u> |
| Total effect on liabilities | <u>\$ 2,726</u> |
| Increase in retained earnings | \$ 46,409 |
| Increase in non-controlling interests | <u>1,567</u> |
| Total effect on equity | <u>\$ 47,976</u> |

Impact on Total Comprehensive Income

| | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|--|---|---|
| Increase in net revenue | \$ 1,907 | \$ 32,364 |
| Increase in cost of revenue | (927) | (17,365) |
| Increase in share of the profit or loss of associates | 10,076 | 35,977 |
| Increase in income tax expense | <u>(196)</u> | <u>(3,000)</u> |
| Increase in net income for the period | <u>\$ 10,860</u> | <u>\$ 47,976</u> |
| Increase in net income/total comprehensive income attributable to: | | |
| Shareholders of the parent | \$ 10,758 | \$ 46,409 |
| Non-controlling interests | <u>102</u> | <u>1,567</u> |
| | <u>\$ 10,860</u> | <u>\$ 47,976</u> |

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

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

| New, Amended or Revised Standards and Interpretations (the “New IFRSs”) | Effective Date Announced by IASB (Note 1) |
|--|--|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation” | January 1, 2019 (Note 2) |
| IFRS 16 “Leases” | January 1, 2019 |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” | January 1, 2019 (Note 3) |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” | January 1, 2019 |
| IFRIC 23 “Uncertainty over Income Tax Treatments” | January 1, 2019 |

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

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

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

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

1) IFRS 16 “Leases”

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

Upon initial application of IFRS 16, if the Company is a lessee, it will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company will 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 will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

Under initial application of IFRS 16, the Company 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.

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

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Issued by IASB</u> |
|--|--------------------------------------|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017.

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

Statement of Compliance

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

Basis of Consolidation

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

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

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, 2018 | December 31, 2017 | June 30, 2017 | | |
| TSMC | TSMC North America | Selling and marketing of integrated circuits and other semiconductor devices | San Jose, California, U.S.A. | 100% | 100% | 100% | - | |
| | TSMC Europe B.V. (TSMC Europe) | Customer service and supporting activities | Amsterdam, the Netherlands | 100% | 100% | 100% | a) | |
| | TSMC Japan Limited (TSMC Japan) | Customer service and supporting activities | Yokohama, Japan | 100% | 100% | 100% | a) | |
| | TSMC Korea Limited (TSMC Korea) | Customer service and supporting activities | Seoul, Korea | 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 Global, Ltd. (TSMC Global) | Investment activities | Tortola, British Virgin Islands | 100% | 100% | 100% | - | |
| | TSMC China Company Limited (TSMC China) | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices | Shanghai, China | 100% | 100% | 100% | - | |
| | TSMC Nanjing Company Limited (TSMC Nanjing) | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices | Nanjing, China | 100% | 100% | 100% | b) | |
| | VisEra Technologies Company Ltd. (VisEra Tech) | Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter | Hsin-Chu, Taiwan | 87% | 87% | 87% | - | |
| | VentureTech Alliance Fund II, L.P. (VTAF II) | Investing in new start-up technology companies | Cayman Islands | 98% | 98% | 98% | a) | |
| | VentureTech Alliance Fund III, L.P. (VTAF III) | 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) | |
| | TSMC Partners | TSMC Development, Inc. (TSMC Development) | Investing in companies involved in the manufacturing related business in the semiconductor industry | Delaware, U.S.A. | 100% | 100% | 100% | - |
| | | TSMC Technology, Inc. (TSMC Technology) | Engineering support activities | Delaware, U.S.A. | 100% | 100% | 100% | a) |
| TSMC Design Technology Canada Inc. (TSMC Canada) | | Engineering support activities | Ontario, Canada | 100% | 100% | 100% | a) | |
| InveStar Semiconductor Development Fund, Inc. (ISDF) | | Investing in new start-up technology companies | Cayman Islands | 97% | 97% | 97% | a), d) | |
| InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | | Investing in new start-up technology companies | Cayman Islands | 97% | 97% | 97% | a), d) | |
| TSMC Development | WaferTech, LLC (WaferTech) | Manufacturing, selling and testing of integrated circuits and other semiconductor devices | Washington, U.S.A. | 100% | 100% | 100% | - | |
| VTAF III | Mutual-Pak Technology Co., Ltd. (Mutual-Pak) | Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID | New Taipei, Taiwan | 39% | 39% | 58% | a), e) | |
| | Growth Fund Limited (Growth Fund) | Investing in new start-up technology companies | Cayman Islands | 100% | 100% | 100% | a) | |

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

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

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

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

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

Financial Assets

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

a. Category of financial assets and measurement

2018

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

1) Financial asset at FVTPL

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

2) Investments in debt instruments at FVTOCI

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

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

3) Investments in equity instruments at FVTOCI

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

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

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

4) Measured at amortized cost

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

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

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

2017

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

1) Financial asset at FVTPL

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

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

2) Available-for-sale financial assets

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

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

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

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

3) Held-to-maturity financial assets

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

4) Loans and receivables

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

b. Impairment of financial assets

2018

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

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

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

2017

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

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

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted

at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c. Derecognition of financial assets

2018

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

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

2017

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

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

Hedge Accounting

a. Fair value hedges

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

b. Cash flow hedges

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

2018

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

2017

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

Revenue Recognition

2018

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

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

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

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

2017

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

Sale of goods

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

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Dividend and interest income

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

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

Retirement Benefits

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

Taxation

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

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

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

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

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

6. CASH AND CASH EQUIVALENTS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|--|--------------------------|------------------------------|--------------------------|
| Cash and deposits in banks | \$ 627,258,280 | \$ 551,919,770 | \$ 570,466,958 |
| Repurchase agreements collateralized by corporate bonds | 4,551,750 | - | - |
| Commercial paper | 419,850 | 695,901 | - |
| Agency bonds | - | 776,025 | - |
| | <u>\$ 632,229,880</u> | <u>\$ 553,391,696</u> | <u>\$ 570,466,958</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, 2018 | December 31, 2017 | June 30, 2017 |
|---|---------------------|----------------------|---------------------|
| <u>Financial assets</u> | | | |
| Mandatorily measured at FVTPL | | | |
| Agency bonds/ Agency mortgage-backed securities | \$ 717,735 | \$ - | \$ - |
| Forward exchange contracts | 356,335 | - | - |
| Asset-backed securities | <u>130,966</u> | <u>-</u> | <u>-</u> |
| | <u>1,205,036</u> | <u>-</u> | <u>-</u> |
| Held for trading | | | |
| Forward exchange contracts | <u>-</u> | <u>569,751</u> | <u>209,435</u> |
| Designated as at FVTPL | | | |
| Time deposit | - | - | 4,725,106 |
| Forward exchange contracts | <u>-</u> | <u>-</u> | <u>60,710</u> |
| | <u>-</u> | <u>-</u> | <u>4,785,816</u> |
| | <u>\$ 1,205,036</u> | <u>\$ 569,751</u> | <u>\$ 4,995,251</u> |
| <u>Financial liabilities</u> | | | |
| Held for trading | | | |
| Forward exchange contracts | <u>\$ 1,057,719</u> | <u>\$ 26,709</u> | <u>\$ 82,552</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, 2018</u> | | |
| Sell NT\$/Buy EUR | July 2018 to September 2018 | NT\$8,748,750/EUR248,000 |
| Sell NT\$/Buy JPY | July 2018 to August 2018 | NT\$6,661,029/JPY24,396,000 |
| Sell US\$/Buy RMB | July 2018 to August 2018 | US\$698,000/RMB4,540,519 |
| Sell US\$/Buy NT\$ | July 2018 to August 2018 | US\$962,500/NT\$28,710,052 |
| Sell US\$/Buy JPY | July 2018 | US\$34,627/JPY3,796,536 |
| Sell US\$ /Buy EUR | July 2018 | US\$5,301/EUR4,530 |
| Sell US\$/Buy GBP | July 2018 | US\$55/GBP41 |
| Sell RMB/Buy US\$ | July 2018 to August 2018 | RMB2,050,582/US\$315,000 |

(Continued)

| | Maturity Date | Contract Amount (In Thousands) |
|--------------------------|-------------------------------|---|
| <u>December 31, 2017</u> | | |
| Sell NT\$/Buy EUR | January 2018 to February 2018 | NT\$6,002,786/EUR169,000 |
| Sell NT\$/Buy JPY | February 2018 | NT\$996,294/JPY3,800,000 |
| Sell US\$/Buy JPY | January 2018 | US\$2,191/JPY246,724 |
| Sell US\$/Buy RMB | January 2018 | US\$558,000/RMB3,679,575 |
| Sell US\$/Buy NT\$ | January 2018 to February 2018 | US\$1,661,500/NT\$49,673,320 |
| Sell RMB /Buy EUR | January 2018 | RMB38,967/EUR4,994 |
| Sell RMB/Buy JPY | January 2018 | RMB409,744/JPY7,062,536 |
| Sell RMB/Buy GBP | January 2018 | RMB3,637/GBP413 |

June 30, 2017

| | | |
|--------------------|-----------------------------|-----------------------------|
| 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 |
| | | (Concluded) |

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

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

| | June 30, 2018 |
|---|--------------------------|
| Investments in debt instruments at FVTOCI | |
| Corporate bonds | \$ 40,298,039 |
| Agency bonds/ Agency mortgage-backed securities | 35,043,747 |
| Asset-backed securities | 14,321,226 |
| Government bonds | 10,370,874 |
| Commercial paper | 228,618 |
| | <u>100,262,504</u> |
| Investments in equity instruments at FVTOCI | |
| Non-publicly traded equity investments | 5,694,784 |
| Publicly traded stocks | 1,765,104 |
| | <u>7,459,888</u> |
| | <u>\$ 107,722,392</u> |
| Current | \$ 102,027,608 |
| Non-current | <u>5,694,784</u> |
| | <u>\$ 107,722,392</u> |

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

For the six months ended June 30, 2018, the Company sold shares of stocks for NT\$206,165 thousand mainly because the strategic purpose no longer exists and the non-publicly traded investee has been merged. The related other equity-unrealized gain or loss on financial assets at FVTOCI of NT\$79,935 thousand were transferred to decrease retained earnings.

Dividends from equity investments designated as at FVTOCI recognized during the three months and six months ended June 30, 2018 were NT\$157,905 thousand and NT\$158,358 thousand, respectively, all related to investments held at the end of the reporting period.

As of June 30, 2018, the cumulative loss allowance for expected credit loss of NT\$29,807 thousand is recognized under investments in debt instruments at FVTOCI. Refer to Note 33 for information relating to their credit risk management and expected credit loss.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

| | December 31, 2017 | June 30, 2017 |
|--|------------------------------|--------------------------|
| Corporate bonds | \$ 40,165,148 | \$ 32,784,516 |
| Agency bonds/Agency mortgage-backed securities | 29,235,388 | 21,861,711 |
| Asset-backed securities | 13,459,545 | 12,005,502 |
| Government bonds | 7,817,723 | 6,607,624 |
| Publicly traded stocks | 2,548,054 | 2,635,124 |
| Commercial paper | <u>148,295</u> | <u>358,175</u> |
| | <u>\$ 93,374,153</u> | <u>\$ 76,252,652</u> |

10. HELD-TO-MATURITY FINANCIAL ASSETS-2017

| | December 31, 2017 | June 30, 2017 |
|-----------------------------------|------------------------------|--------------------------|
| Corporate bonds | \$ 19,338,764 | \$ 21,157,966 |
| Structured product | 1,482,950 | 1,520,700 |
| Commercial paper | - | 498,818 |
| Negotiable certificate of deposit | <u>-</u> | <u>4,562,100</u> |
| | <u>\$ 20,821,714</u> | <u>\$ 27,739,584</u> |
| Current portion | \$ 1,988,385 | \$ 7,210,380 |
| Noncurrent portion | <u>18,833,329</u> | <u>20,529,204</u> |
| | <u>\$ 20,821,714</u> | <u>\$ 27,739,584</u> |

11. FINANCIAL ASSETS AT AMORTIZED COST-2018

| | June 30, 2018 |
|-------------------------------------|--------------------------|
| Corporate bonds | \$ 19,386,500 |
| Structured product | 1,526,500 |
| Less: Allowance for impairment loss | <u>(8,728)</u> |
| | <u>\$ 20,904,272</u> |
| Current portion | \$ 13,427,398 |
| Noncurrent portion | <u>7,476,874</u> |
| | <u>\$ 20,904,272</u> |

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

12. FINANCIAL ASSETS CARRIED AT COST-2017

The Company's investment classified as financial assets carried at cost primarily consists of non-publicly traded equity investments. Since there is a wide range of estimated fair values of the Company's investments in non-publicly traded equity investments, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment.

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

13. HEDGING FINANCIAL INSTRUMENTS

2018

| | June 30, 2018 |
|---------------------------------------|--------------------------|
| <u>Financial assets- current</u> | |
| Fair value hedges | |
| Interest rate futures contracts | \$ 14,279 |
| Cash flow hedges | |
| Forward exchange contracts | <u>17,413</u> |
| | <u>\$ 31,692</u> |
| <u>Financial liabilities- current</u> | |
| Fair value hedges | |
| Interest rate futures contracts | \$ 1,244 |
| Cash flow hedges | |
| Forward exchange contracts | <u>29,474</u> |
| | <u>\$ 30,718</u> |

Fair value hedge

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

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

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

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

| Hedging Instruments | Contract Amount (US\$ in Thousands) | Maturity | Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness |
|---|--|-----------------|--|
| US treasury bonds interest rate futures contracts | US\$ 217,100 | September 2018 | \$ 99,363 |

| Hedged Items | Asset Carrying Amount as of June 30, 2018 | Asset Accumulated Amount of Fair Value Hedge Adjustments | Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness |
|----------------------------|--|---|--|
| Financial assets at FVTOCI | \$ 13,914,694 | \$ (54,821) | \$ (91,638) |

The effect on comprehensive income for the six months ended June 30, 2018 is detailed below:

| Comprehensive Income | Amount of Hedge Ineffectiveness Recognized in Profit or Loss | Line Item in which Hedge Ineffectiveness is Included |
|-----------------------------|---|---|
| Fair value hedge | \$ 7,725 | Other gains and losses |

Cash flow hedge

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

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

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

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

| Hedging Instruments | Contract Amount (in Thousands) | Maturity | Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness |
|---|---|--|--|
| Forward exchange contracts | NT\$ 3,575,476/EUR 100,000 | July 2018 to September 2018 | \$15,343 |
| Hedged items | | Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness | Balance in Other Equity (Continuing Hedges) |
| Cash flow hedge | | | |
| Forecast transaction (capital expenditures) | | \$ (15,343) | \$15,436 |

Refer to Note 24(d) for gain or loss arising from changes in the fair value of hedging instruments and the amount transferred to initial carrying amount of hedged items.

2017

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

| | December 31, 2017 | June 30, 2017 |
|----------------------------------|------------------------------|--------------------------|
| <u>Financial assets- current</u> | | |
| Fair value hedges | | |
| Interest rate futures contracts | \$ 27,016 | \$ 4,783 |
| Cash flow hedges | | |
| Forward exchange contracts | <u>7,378</u> | <u>19,734</u> |
| | <u>\$ 34,394</u> | <u>\$ 24,517</u> |

(Continued)

| | December 31, 2017 | June 30, 2017 |
|---------------------------------------|------------------------------|-----------------------------|
| <u>Financial liabilities- current</u> | | |
| Fair value hedges | | |
| Interest rate futures contracts | \$ - | \$ 19 |
| Cash flow hedges | | |
| Forward exchange contracts | <u>15,562</u> | <u>-</u> |
| | <u>\$ 15,562</u> | <u>\$ 19</u> (Concluded) |

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

The outstanding interest rate futures contracts consisted of the following:

| Maturity Period | Contract Amount (US\$ in Thousands) |
|--------------------------|--|
| <u>December 31, 2017</u> | |
| March 2018 | US\$ 169,400 |
| <u>June 30, 2017</u> | |
| September 2017 | US\$ 115,000 |

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

Outstanding forward exchange contracts consisted of the following:

| | Maturity Date | Contract Amount (In Thousands) |
|--------------------------|---------------------------|---|
| <u>December 31, 2017</u> | | |
| Sell NT\$/Buy EUR | February 2018 to May 2018 | NT\$2,649,104/EUR75,000 |
| <u>June 30, 2017</u> | | |
| Sell NT\$/Buy EUR | October 2017 | NT\$329,400/EUR10,000 |

14. NOTES AND ACCOUNTS RECEIVABLE, NET

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|------------------------------------|----------------------|-----------------------|-----------------------|
| At amortized cost | | | |
| Notes and accounts receivable | \$ 84,650,270 | \$ 121,604,989 | \$ 110,365,090 |
| Less: Loss allowance | <u>(63,527)</u> | <u>(471,741)</u> | <u>(471,808)</u> |
| | <u>84,586,743</u> | <u>121,133,248</u> | <u>109,893,282</u> |
| At FVTOCI | <u>2,510,104</u> | <u>-</u> | <u>-</u> |
| Notes and accounts receivable, net | <u>\$ 87,096,847</u> | <u>\$ 121,133,248</u> | <u>\$ 109,893,282</u> |

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

2018

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

Aging analysis of notes and accounts receivable, net

| | June 30, 2018 |
|-------------------------|----------------------|
| Not past due | \$ 79,391,718 |
| Past due | |
| Past due within 30 days | 7,323,783 |
| Past due 31-60 days | 140,500 |
| Past due 61-120 days | 57,183 |
| Past due over 121 days | <u>183,663</u> |
| | <u>\$ 87,096,847</u> |

Movements of the loss allowance for accounts receivable

| | |
|---|------------------|
| Balance at January 1, 2018 (IAS 39) | \$ 471,741 |
| Effect of retrospective application of IFRS 9 | <u>(244,773)</u> |
| Balance at January 1, 2018 (IFRS 9) | 226,968 |
| Provision (Reversal) | (163,437) |
| Effect of exchange rate changes | <u>(4)</u> |
| Balance at June 30, 2018 | <u>\$ 63,527</u> |

For the six months ended June 30, 2018, the loss allowance decreased mainly due to the decrease in the balance of accounts receivable.

2017

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

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

Aging analysis of notes and accounts receivable, net

| | December 31, 2017 | June 30, 2017 |
|-------------------------------|------------------------------|--------------------------|
| Neither past due nor impaired | \$ 105,295,219 | \$ 102,621,332 |
| Past due but not impaired | | |
| Past due within 30 days | 13,984,125 | 3,770,828 |
| Past due 31-60 days | 929,672 | 1,723,349 |
| Past due 61-120 days | 582,821 | 1,777,773 |
| Past due over 121 days | <u>341,411</u> | <u>-</u> |
| | <u>\$ 121,133,248</u> | <u>\$ 109,893,282</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> |

15. INVENTORIES

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|--------------------------|--------------------------|------------------------------|--------------------------|
| Finished goods | \$ 10,771,461 | \$ 9,923,338 | \$ 9,445,865 |
| Work in process | 73,688,538 | 53,362,160 | 42,817,413 |
| Raw materials | 10,151,101 | 7,143,806 | 5,866,098 |
| Supplies and spare parts | <u>4,420,977</u> | <u>3,451,443</u> | <u>2,881,149</u> |
| | <u>\$ 99,032,077</u> | <u>\$ 73,880,747</u> | <u>\$ 61,010,525</u> |

Write-down of inventories to net realizable value and reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue, which were as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-----------------------------------|---------------------|---------------------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Inventory losses (reversal of write-down of inventories) | <u>\$ 365,574</u> | <u>\$ (520,998)</u> | <u>\$ 1,066,014</u> | <u>\$ (1,463,341)</u> |

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

| Name of Associate | Principal Activities | Place of Incorporation and Operation | Carrying Amount | | | % of Ownership and Voting Rights Held by the Company | | |
|--|---|--------------------------------------|----------------------|---------------------|----------------------|--|-------------------|---------------|
| | | | June 30, 2018 | December 31, 2017 | June 30, 2017 | June 30, 2018 | December 31, 2017 | June 30, 2017 |
| Vanguard International Semiconductor Corporation (VIS) | Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks | Hsinchu, Taiwan | \$ 7,991,101 | \$ 8,568,344 | \$ 7,956,845 | 28% | 28% | 28% |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | Manufacturing and selling of integrated circuits and other semiconductor devices | Singapore | 4,928,611 | 5,677,640 | 7,596,341 | 39% | 39% | 39% |
| Xintec Inc. (Xintec) | Wafer level chip size packaging and wafer level post passivation interconnection service | Taoyuan, Taiwan | 1,679,997 | 2,292,100 | 2,344,813 | 41% | 41% | 41% |
| Global Unichip Corporation (GUC) | Researching, developing, manufacturing, testing and marketing of integrated circuits | Hsinchu, Taiwan | 1,044,164 | 1,300,194 | 1,078,026 | 35% | 35% | 35% |
| Mutual-Pak | Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID | New Taipei, Taiwan | 19,775 | 23,210 | - | 39% | 39% | - |
| | | | <u>\$ 15,663,648</u> | <u>\$17,861,488</u> | <u>\$ 18,976,025</u> | | | |

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

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

| Name of Associate | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|-------------------|----------------------|----------------------|----------------------|
| VIS | <u>\$ 32,402,800</u> | <u>\$ 30,638,751</u> | <u>\$ 27,853,410</u> |
| GUC | <u>\$ 12,769,129</u> | <u>\$ 11,905,404</u> | <u>\$ 6,022,734</u> |
| Xintec | <u>\$ 6,765,941</u> | <u>\$ 9,180,759</u> | <u>\$ 5,541,840</u> |

17. PROPERTY, PLANT AND EQUIPMENT

| | Land and Land Improvements | Buildings | Machinery and Equipment | Office Equipment | Equipment under Installation and Construction in Progress | Total |
|--|----------------------------|-----------------------|-------------------------|----------------------|---|-------------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2018 | \$ 3,983,243 | \$ 379,134,613 | \$ 2,487,752,265 | \$ 42,391,516 | \$ 167,353,490 | \$ 3,080,615,127 |
| Additions (Deductions) | - | 22,038,114 | 131,502,040 | 3,906,855 | (44,079,362) | 113,367,647 |
| Disposals or retirements | - | (18,624) | (2,721,863) | (337,434) | - | (3,077,921) |
| Effect of exchange rate changes | 22,649 | 365,959 | 2,414,939 | 51,032 | (110,352) | 2,744,227 |
| Balance at June 30, 2018 | <u>\$ 4,005,892</u> | <u>\$ 401,520,062</u> | <u>\$ 2,618,947,381</u> | <u>\$ 46,011,969</u> | <u>\$ 123,163,776</u> | <u>\$ 3,193,649,080</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance at January 1, 2018 | \$ 510,498 | \$ 194,446,521 | \$ 1,795,448,842 | \$ 27,666,944 | \$ - | \$ 2,018,072,805 |
| Additions | 13,462 | 12,016,411 | 126,065,287 | 2,718,596 | - | 140,813,756 |
| Disposals or retirements | - | (6,764) | (1,823,921) | (337,219) | - | (2,167,904) |
| Impairment | - | - | 488,336 | - | - | 488,336 |
| Effect of exchange rate changes | 15,454 | 323,661 | 1,793,585 | 41,325 | - | 2,174,025 |
| Balance at June 30, 2018 | <u>\$ 539,414</u> | <u>\$ 206,779,829</u> | <u>\$ 1,921,972,129</u> | <u>\$ 30,089,646</u> | <u>\$ -</u> | <u>\$ 2,159,381,018</u> |
| Carrying amounts at January 1, 2018 | <u>\$ 3,472,745</u> | <u>\$ 184,688,092</u> | <u>\$ 692,303,423</u> | <u>\$ 14,724,572</u> | <u>\$ 167,353,490</u> | <u>\$ 1,062,542,322</u> |
| Carrying amounts at June 30, 2018 | <u>\$ 3,466,478</u> | <u>\$ 194,740,233</u> | <u>\$ 696,975,252</u> | <u>\$ 15,922,323</u> | <u>\$ 123,163,776</u> | <u>\$ 1,034,268,062</u> |
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2017 | \$ 4,049,292 | \$ 304,404,474 | \$ 2,042,867,744 | \$ 34,729,640 | \$ 387,199,675 | \$ 2,773,250,825 |
| Additions (Deductions) | - | 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 | <u>\$ 4,002,875</u> | <u>\$ 368,311,483</u> | <u>\$ 2,411,157,857</u> | <u>\$ 38,975,403</u> | <u>\$ 139,019,828</u> | <u>\$ 2,961,467,446</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| 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 | <u>\$ 509,621</u> | <u>\$ 183,007,133</u> | <u>\$ 1,675,158,660</u> | <u>\$ 25,165,273</u> | <u>\$ -</u> | <u>\$ 1,883,840,687</u> |
| Carrying amounts at June 30, 2017 | <u>\$ 3,493,254</u> | <u>\$ 185,304,350</u> | <u>\$ 735,999,197</u> | <u>\$ 13,810,130</u> | <u>\$ 139,019,828</u> | <u>\$ 1,077,626,759</u> |

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

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

18. INTANGIBLE ASSETS

| | Goodwill | Technology License Fees | Software and System Design Costs | Patent and Others | Total |
|--|---------------------|-------------------------|----------------------------------|---------------------|----------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2018 | \$ 5,648,702 | \$ 10,443,257 | \$ 25,186,218 | \$ 5,716,146 | \$ 46,994,323 |
| Additions | - | 133,572 | 1,121,841 | 332,608 | 1,588,021 |
| Disposals or retirements | - | - | (65,173) | (31,183) | (96,356) |
| Effect of exchange rate changes | 118,271 | (1,257) | 2,209 | 3,268 | 122,491 |
| Balance at June 30, 2018 | <u>\$ 5,766,973</u> | <u>\$ 10,575,572</u> | <u>\$ 26,245,095</u> | <u>\$ 6,020,839</u> | <u>\$ 48,608,479</u> |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2018 | \$ - | \$ 7,694,857 | \$ 20,376,693 | \$ 4,747,633 | \$ 32,819,183 |
| Additions | - | 543,815 | 1,290,224 | 258,766 | 2,092,805 |
| Disposals or retirements | - | - | (65,117) | (31,183) | (96,300) |
| Effect of exchange rate changes | - | (1,257) | 934 | 903 | 580 |
| Balance at June 30, 2018 | <u>\$ -</u> | <u>\$ 8,237,415</u> | <u>\$ 21,602,734</u> | <u>\$ 4,976,119</u> | <u>\$ 34,816,268</u> |
| Carrying amounts at January 1, 2018 | <u>\$ 5,648,702</u> | <u>\$ 2,748,400</u> | <u>\$ 4,809,525</u> | <u>\$ 968,513</u> | <u>\$ 14,175,140</u> |
| Carrying amounts at June 30, 2018 | <u>\$ 5,766,973</u> | <u>\$ 2,338,157</u> | <u>\$ 4,642,361</u> | <u>\$ 1,044,720</u> | <u>\$ 13,792,211</u> |
| <u>Cost</u> | | | | | |
| 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 | <u>\$ 5,764,798</u> | <u>\$ 10,216,385</u> | <u>\$ 23,073,811</u> | <u>\$ 5,607,372</u> | <u>\$ 44,662,366</u> |
| <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 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> |

The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rate of 8.5% in its test of impairment as of December 31, 2017 to reflect the relevant specific risk in the cash-generating unit.

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

19. OTHER ASSETS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|--------------------|---------------------|----------------------|---------------------|
| Tax receivable | \$ 4,988,021 | \$ 4,021,602 | \$ 3,100,287 |
| Prepaid expenses | 1,006,234 | 1,559,963 | 1,242,518 |
| Others | <u>2,051,943</u> | <u>1,623,995</u> | <u>1,501,816</u> |
| | <u>\$ 8,046,198</u> | <u>\$ 7,205,560</u> | <u>\$ 5,844,621</u> |
| Current portion | \$ 6,314,005 | \$ 4,222,440 | \$ 3,777,530 |
| Noncurrent portion | <u>1,732,193</u> | <u>2,983,120</u> | <u>2,067,091</u> |
| | <u>\$ 8,046,198</u> | <u>\$ 7,205,560</u> | <u>\$ 5,844,621</u> |

20. SHORT-TERM LOANS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|-----------------------|----------------------|-------------------------|----------------------|
| Unsecured loans | | | |
| Amount | <u>\$ 30,835,300</u> | <u>\$ 63,766,850</u> | <u>\$ 54,745,200</u> |
| Original loan content | | | |
| US\$ (in thousands) | \$ 1,010,000 | \$ 2,150,000 | \$ 1,800,000 |
| Annual interest rate | 2.30%-2.42% | 1.54%-1.82% | 1.27%-1.33% |
| Maturity date | Due by July 2018 | Due by February 2018 | Due by July 2017 |

21. 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> |

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

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

22. BONDS PAYABLE

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|----------------------------------|----------------------|----------------------|----------------------|
| Domestic unsecured bonds | \$ 99,300,000 | \$ 116,100,000 | \$ 144,200,000 |
| Overseas unsecured bonds | <u>-</u> | <u>34,107,850</u> | <u>34,976,100</u> |
| | 99,300,000 | 150,207,850 | 179,176,100 |
| Less: Discounts on bonds payable | - | (6,728) | (20,175) |
| Less: Current portion | <u>(15,900,000)</u> | <u>(58,401,122)</u> | <u>(79,855,925)</u> |
| | <u>\$ 83,400,000</u> | <u>\$ 91,800,000</u> | <u>\$ 99,300,000</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 2018 | US\$ 1,150,000 | 1.625% | Bullet repayment; interest payable semi-annually |

23. GUARANTEE DEPOSITS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|--|----------------------|----------------------|----------------------|
| Capacity guarantee | \$ 11,296,100 | \$ 13,346,550 | \$ 16,727,700 |
| Receivables guarantee | 788,071 | 2,427,548 | 4,293,198 |
| Others | <u>242,094</u> | <u>306,521</u> | <u>292,113</u> |
| | <u>\$ 12,326,265</u> | <u>\$ 16,080,619</u> | <u>\$ 21,313,011</u> |
| Current portion (classified under accrued expenses and other current liabilities) | \$ 6,961,106 | \$ 8,493,829 | \$ 10,494,634 |
| Noncurrent portion | <u>5,365,159</u> | <u>7,586,790</u> | <u>10,818,377</u> |
| | <u>\$ 12,326,265</u> | <u>\$ 16,080,619</u> | <u>\$ 21,313,011</u> |

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

24. EQUITY

a. Capital stock

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| 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, 2018, 1,068,157 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,340,787 thousand shares (one ADS represents five common shares).

b. Capital surplus

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|--------------------------|------------------------------|--------------------------|
| Additional paid-in capital | \$ 24,184,939 | \$ 24,184,939 | \$ 24,184,939 |
| From merger | 22,804,510 | 22,804,510 | 22,804,510 |
| From convertible bonds | 8,892,847 | 8,892,847 | 8,892,847 |
| From share of changes in equities of subsidiaries | 118,792 | 118,792 | 110,559 |
| From share of changes in equities of associates | 287,384 | 289,240 | 289,870 |
| Donations | <u>19,248</u> | <u>19,208</u> | <u>55</u> |
| | <u>\$ 56,307,720</u> | <u>\$ 56,309,536</u> | <u>\$ 56,282,780</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 and dividend of a claim extinguished by a prescription may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

The appropriations of 2017 and 2016 earnings have been approved by TSMC's shareholders in its meeting held on June 5, 2018 and June 8, 2017, respectively. The appropriations and dividends per share were as follows:

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

d. Others

Changes in others were as follows:

| | Six Months Ended June 30, 2018 | | | | |
|--|---|---|---|--|------------------------|
| | Foreign Currency Translation Reserve | Unrealized Gain (Loss) on Financial Assets at FVTOCI | Gain (Loss) on Hedging Instruments | Unearned Stock-Based Compensation | Total |
| Balance, beginning of period (IFRS 9) | \$ (26,697,680) | \$ (524,915) | \$ 4,226 | \$ (10,290) | \$ (27,228,659) |
| Exchange differences arising on translation of foreign operations | 13,833,418 | - | - | - | 13,833,418 |
| Unrealized gain (loss) on financial assets at FVTOCI | | | | | |
| Equity instruments | - | (891,320) | - | - | (891,320) |
| Debt instruments | - | (1,520,336) | - | - | (1,520,336) |
| Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal | - | 79,935 | - | - | 79,935 |
| Cumulative unrealized gain (loss) of debt instruments transferred to profit or loss due to disposal | - | 512,267 | - | - | 512,267 |
| Loss allowance adjustments from debt instruments | - | (1,701) | - | - | (1,701) |
| Gain (loss) arising on changes in the fair value of hedging instruments | - | - | 15,343 | - | 15,343 |
| Transferred to initial carrying amount of hedged items | - | - | (2,605) | - | (2,605) |
| Share of other comprehensive income (loss) of associates | 77,103 | 5,613 | - | - | 82,716 |
| Share of unearned stock-based employee compensation of associates | - | - | - | 4,063 | 4,063 |
| Income tax effect | - | 37,913 | (1,528) | - | 36,385 |
| Balance, end of period | <u>\$ (12,787,159)</u> | <u>\$ (2,302,544)</u> | <u>\$ 15,436</u> | <u>\$ (6,227)</u> | <u>\$ (15,080,494)</u> |

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) |
| 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> |

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

25. NET REVENUE

a. Disaggregation of revenue from contracts with customers

| Production | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|------------------------------------|---|---|
| Wafer | \$ 213,014,626 | \$ 432,706,289 |
| Others | <u>20,262,185</u> | <u>48,649,193</u> |
| | <u>\$ 233,276,811</u> | <u>\$ 481,355,482</u> |
| Region | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
| Taiwan | \$ 19,660,007 | \$ 38,061,301 |
| United States | 122,125,637 | 267,342,371 |
| China | 53,837,800 | 100,350,834 |
| Europe, the Middle East and Africa | 17,408,485 | 34,868,852 |
| Japan | 15,445,309 | 31,991,592 |
| Others | <u>4,799,573</u> | <u>8,740,532</u> |
| | <u>\$ 233,276,811</u> | <u>\$ 481,355,482</u> |

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

| Application Type | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|-------------------------|---|---|
| Communication | \$ 111,971,421 | \$ 248,865,976 |
| Industrial/Standard | 54,854,493 | 112,604,320 |
| Computer | 47,925,899 | 85,515,033 |
| Consumer | <u>18,524,998</u> | <u>34,370,153</u> |
| | <u>\$ 233,276,811</u> | <u>\$ 481,355,482</u> |

| Customer Type | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|---|---|---|
| Fabless semiconductor companies/systems companies | \$ 189,965,256 | \$ 394,326,000 |
| Integrated device manufacturers | 43,152,586 | 86,682,052 |
| Others | <u>158,969</u> | <u>347,430</u> |
| | <u>\$ 233,276,811</u> | <u>\$ 481,355,482</u> |

| Resolution | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|-----------------------|---|---|
| 7-nanometer | \$ 913,283 | \$ 913,283 |
| 10-nanometer | 26,873,324 | 67,726,878 |
| 16/20-nanometer | 53,330,347 | 100,653,238 |
| 28-nanometer | 47,910,378 | 92,067,067 |
| 40/45-nanometer | 24,329,416 | 49,569,654 |
| 65-nanometer | 18,284,124 | 38,729,343 |
| 90-nanometer | 10,692,169 | 20,730,313 |
| 0.11/0.13 micron | 3,790,129 | 9,238,932 |
| 0.15/0.18 micron | 19,579,492 | 38,873,355 |
| 0.25 micron and above | <u>7,311,964</u> | <u>14,204,226</u> |
| Wafer revenue | <u>\$ 213,014,626</u> | <u>\$ 432,706,289</u> |

b. Contract balances

| | June 30, 2018 | January 1, 2018 |
|--|----------------------|------------------------|
| Contract liabilities (classified under accrued expenses and other current liabilities) | <u>\$ 14,164,016</u> | <u>\$ 32,434,829</u> |

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

For the three months and six months ended June 30, 2018, the Company recognized NT\$4,546,815 thousand and NT\$31,512,796 thousand in revenue from the beginning balance of contract liability.

26. OTHER INCOME

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|-------------------------------------|-----------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Interest income | | | | |
| Bank deposits | \$ 2,491,474 | \$ 1,686,814 | \$ 4,665,301 | \$ 3,108,923 |
| Financial assets at FVTPL | 22,197 | - | 52,933 | - |
| Financial assets at FVTOCI | 842,003 | - | 1,553,810 | - |
| Financial assets at amortized cost | 216,256 | - | 454,075 | - |
| Available-for-sale financial assets | - | 534,810 | - | 1,005,164 |
| Held-to-maturity financial assets | - | 142,337 | - | 285,458 |
| Structured product | - | 119,746 | - | 189,141 |
| | <u>3,571,930</u> | <u>2,483,707</u> | <u>6,726,119</u> | <u>4,588,686</u> |
| Dividend income | <u>157,905</u> | <u>142,503</u> | <u>158,358</u> | <u>142,503</u> |
| | <u>\$ 3,729,835</u> | <u>\$ 2,626,210</u> | <u>\$ 6,884,477</u> | <u>\$ 4,731,189</u> |

27. FINANCE COSTS

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|------------------|-----------------------------------|-------------------|---------------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Interest expense | | | | |
| Corporate bonds | \$ 383,379 | \$ 669,410 | \$ 907,900 | \$ 1,346,878 |
| Bank loans | 244,854 | 170,466 | 528,264 | 309,625 |
| Others | <u>51</u> | <u>37</u> | <u>86</u> | <u>74</u> |
| | <u>\$ 628,284</u> | <u>\$ 839,913</u> | <u>\$ 1,436,250</u> | <u>\$ 1,656,577</u> |

28. OTHER GAINS AND LOSSES

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|---|-----------------------------------|-------------|---------------------------------|-------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Gain (loss) on disposal of financial assets, net | | | | |
| Investments in debt instruments at FVTOCI | \$ (259,939) | \$ - | \$ (512,267) | \$ - |
| Available-for-sale financial assets | - | (50,329) | - | (59,311) |
| Financial assets carried at cost | - | 4,753 | - | 4,753 |
| Net gain (loss) on financial instruments at FVTPL | | | | |
| Held for trading | - | 923,136 | - | 1,296,276 |
| Mandatorily measured at FVTPL | (2,393,628) | - | (1,284,918) | - |
| Designated as at FVTPL | - | 47,530 | - | 97,664 |
| Gain (loss) arising from fair value hedges, net | 7,373 | (4,007) | 7,725 | (23,494) |
| Impairment loss on financial assets | | | | |
| Financial assets carried at cost | - | - | - | (12,032) |

(Continued)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-----------------------------------|---------------------|---------------------------------|------------------------------------|
| | 2018 | 2017 | 2018 | 2017 |
| The reversal (accrual) of expected credit loss of financial assets | | | | |
| Investments in debt instruments at FVTOCI | \$ 1,418 | \$ - | \$ 1,701 | \$ - |
| Financial assets at amortized cost | (1,722) | - | (248) | - |
| Other gains, net | <u>107,300</u> | <u>87,768</u> | <u>13,997</u> | <u>120,184</u> |
| | <u>\$ (2,539,198)</u> | <u>\$ 1,008,851</u> | <u>\$ (1,774,010)</u> | <u>\$ 1,424,040</u> (Concluded) |

29. INCOME TAX

a. Income tax expense recognized in profit or loss

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-----------------------------------|----------------------|---------------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current income tax expense | | | | |
| Current tax expense recognized in the current period | \$ 16,873,624 | \$ 20,033,186 | \$ 27,858,570 | \$ 32,675,274 |
| Income tax adjustments on prior years | (963,356) | (938,292) | (963,356) | (938,292) |
| Other income tax adjustments | <u>35,161</u> | <u>34,178</u> | <u>74,546</u> | <u>70,534</u> |
| | <u>15,945,429</u> | <u>19,129,072</u> | <u>26,969,760</u> | <u>31,807,516</u> |
| Deferred income tax expense (benefit) | | | | |
| Effect of tax rate changes | (340,032) | - | (716,097) | - |
| The origination and reversal of temporary differences | (311,164) | (719,574) | (803,383) | (1,759,110) |
| Investment tax credits | <u>-</u> | <u>1,437,317</u> | <u>-</u> | <u>-</u> |
| | <u>(651,196)</u> | <u>717,743</u> | <u>(1,519,480)</u> | <u>(1,759,110)</u> |
| | <u>\$ 15,294,233</u> | <u>\$ 19,846,815</u> | <u>\$ 25,450,280</u> | <u>\$ 30,048,406</u> |

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is NT\$1,474,808 thousand, of which NT\$758,711 thousand has not been recognized as of June 30, 2018, with corresponding effect recognized throughout the interim periods. In addition, the tax rate applicable to unappropriated earnings was reduced from 10% to 5%.

b. Income tax expense recognized in other comprehensive income

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|--|-----------------------------------|-----------------|---------------------------------|------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Deferred income tax benefit (expense) | | | | |
| Related to unrealized gain/loss on investments in equity instruments at FVTOCI | \$ (5,767) | \$ - | \$ 37,913 | \$ - |
| Related to gain/loss on cash flow hedges | 2,946 | (2,280) | (1,528) | (2,280) |
| Related to unrealized gain/loss on available-for-sale financial assets | <u>-</u> | <u>8,321</u> | <u>-</u> | <u>54,721</u> |
| | <u>\$ (2,821)</u> | <u>\$ 6,041</u> | <u>\$ 36,385</u> | <u>\$ 52,441</u> |

c. Income tax examination

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

30. EARNINGS PER SHARE

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|-------------|-----------------------------------|---------------|---------------------------------|---------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Basic EPS | <u>\$2.79</u> | <u>\$2.56</u> | <u>\$6.25</u> | <u>\$5.94</u> |
| Diluted EPS | <u>\$2.79</u> | <u>\$2.56</u> | <u>\$6.25</u> | <u>\$5.94</u> |

EPS is computed as follows:

| | Amounts (Numerator) | Number of Shares (Denominator) (In Thousands) | EPS (NT\$) |
|---|--------------------------------|--|-------------------|
| <u>Three months ended June 30, 2018</u> | | | |
| Basic/Diluted EPS | | | |
| Net income available to common shareholders of the parent | <u>\$ 72,290,539</u> | <u>25,930,380</u> | <u>\$2.79</u> |
| <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> |

(Continued)

| | Amounts (Numerator) | Number of Shares (Denominator) (In Thousands) | EPS (NT\$) |
|--|------------------------|--|------------------------------|
| <u>Six months ended June 30, 2018</u> | | | |
| Basic/Diluted EPS | | | |
| Net income available to common shareholders of the parent | <u>\$ 162,075,161</u> | <u>25,930,380</u> | <u>\$6.25</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> (Concluded) |

31. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|---|-----------------------------------|----------------------|---------------------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| a. Depreciation of property, plant and equipment | | | | |
| Recognized in cost of revenue | \$ 64,558,463 | \$ 52,169,204 | \$ 129,357,365 | \$ 106,662,166 |
| Recognized in operating expenses | 5,786,785 | 4,790,330 | 11,439,316 | 9,424,507 |
| Recognized in other operating income and expenses | <u>6,222</u> | <u>6,221</u> | <u>17,075</u> | <u>12,443</u> |
| | <u>\$ 70,351,470</u> | <u>\$ 56,965,755</u> | <u>\$ 140,813,756</u> | <u>\$ 116,099,116</u> |
| b. Amortization of intangible assets | | | | |
| Recognized in cost of revenue | \$ 493,629 | \$ 514,854 | \$ 978,226 | \$ 1,042,762 |
| Recognized in operating expenses | <u>563,585</u> | <u>511,781</u> | <u>1,114,579</u> | <u>1,022,697</u> |
| | <u>\$ 1,057,214</u> | <u>\$ 1,026,635</u> | <u>\$ 2,092,805</u> | <u>\$ 2,065,459</u> |
| c. Research and development costs expensed as incurred | <u>\$ 19,891,553</u> | <u>\$ 19,057,456</u> | <u>\$ 40,320,147</u> | <u>\$ 38,469,849</u> |

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|--|-----------------------------------|----------------------|---------------------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| d. Employee benefits expenses | | | | |
| Post-employment benefits | | | | |
| Defined contribution plans | \$ 691,513 | \$ 580,666 | \$ 1,311,003 | \$ 1,156,426 |
| Defined benefit plans | <u>70,466</u> | <u>67,887</u> | <u>140,902</u> | <u>135,762</u> |
| | 761,979 | 648,553 | 1,451,905 | 1,292,188 |
| Other employee benefits | <u>24,316,454</u> | <u>22,809,113</u> | <u>50,707,496</u> | <u>48,098,295</u> |
| | <u>\$ 25,078,433</u> | <u>\$ 23,457,666</u> | <u>\$ 52,159,401</u> | <u>\$ 49,390,483</u> |
| Employee benefits expense summarized by function | | | | |
| Recognized in cost of revenue | \$ 14,817,855 | \$ 13,905,886 | \$ 30,696,262 | \$ 29,134,786 |
| Recognized in operating expenses | <u>10,260,578</u> | <u>9,551,780</u> | <u>21,463,139</u> | <u>20,255,697</u> |
| | <u>\$ 25,078,433</u> | <u>\$ 23,457,666</u> | <u>\$ 52,159,401</u> | <u>\$ 49,390,483</u> |

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

TSMC accrued profit sharing bonus to employees based on a percentage of net income before income tax, profit sharing bonus to employees and compensation to directors during the period, which amounted to NT\$4,848,398 thousand and NT\$4,445,463 thousand for the three months ended June 30, 2018 and 2017, respectively; and NT\$10,872,392 thousand and NT\$10,322,557 thousand for the six months ended June 30, 2018 and 2017, respectively. Compensation to directors was expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

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

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

32. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

| | Balance as of January 1, 2018 | Financing Cash Flow | Non-cash changes | | Balance as of June 30, 2018 |
|--------------------|----------------------------------|------------------------|---------------------------------|-------------------------|--------------------------------|
| | | | Foreign Exchange Movement | Other Changes (Note) | |
| Short-term loans | \$ 63,766,850 | \$ (33,743,725) | \$ 812,175 | \$ - | \$ 30,835,300 |
| Guarantee deposits | 16,080,619 | (1,161,028) | 369,124 | (2,962,450) | 12,326,265 |
| Bonds payable | <u>150,201,122</u> | <u>(50,524,900)</u> | <u>(382,878)</u> | <u>6,656</u> | <u>99,300,000</u> |
| Total | <u>\$ 230,048,591</u> | <u>\$ (85,429,653)</u> | <u>\$ 798,421</u> | <u>\$ (2,955,794)</u> | <u>\$ 142,461,565</u> |

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

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

| | June 30, 2018 |
|-------------------------------------|-----------------------|
| Financial assets | |
| Financial assets at FVTPL (Note 1) | \$ 1,205,036 |
| Financial assets at FVTOCI (Note 2) | 110,232,496 |
| Hedging financial assets | 31,692 |
| Amortized cost (Note 3) | <u>757,509,475</u> |
| | <u>\$ 868,978,699</u> |
| Financial liabilities | |
| FVTPL (Note 4) | \$ 1,057,719 |
| Hedging financial liabilities | 30,718 |
| Amortized cost (Note 5) | <u>463,211,148</u> |
| | <u>\$ 464,299,585</u> |

Note 1: Financial assets mandatorily measured at FVTPL.

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

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

Note 4: Held for trading.

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

| | December 31, 2017 | June 30, 2017 |
|--|------------------------------|--------------------------|
| Financial assets | | |
| FVTPL (Note 6) | \$ 569,751 | \$ 4,995,251 |
| Available-for-sale financial assets (Note 7) | 98,248,410 | 80,565,921 |
| Held-to-maturity financial assets | 20,821,714 | 27,739,584 |
| Hedging derivative financial assets | 34,394 | 24,517 |
| Loans and receivables (Note 8) | <u>684,416,654</u> | <u>685,521,404</u> |
| | <u>\$ 804,090,923</u> | <u>\$ 798,846,677</u> |
| Financial liabilities | | |
| FVTPL (Note 6) | \$ 26,709 | \$ 82,552 |
| Hedging derivative financial liabilities | 15,562 | 19 |
| Amortized cost (Note 9) | <u>340,501,266</u> | <u>533,861,439</u> |
| | <u>\$ 340,543,537</u> | <u>\$ 533,944,010</u> |

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

Note 7: Including financial assets carried at cost.

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

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

b. Financial risk management objectives

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

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

c. Market risk

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

Foreign currency risk

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

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

The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items and the derivatives financial instruments at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges relative to the New Taiwan dollar, the net income for the six months ended June 30, 2018 and 2017 would have decreased by NT\$261,642 thousand and NT\$503,920 thousand, respectively, and the other comprehensive income for the six months ended June 30, 2018 and 2017 would have decreased by NT\$356,200 thousand and NT\$34,770 thousand, respectively.

Interest rate risk

The Company is exposed to interest rate risk primarily related to its outstanding debt and investments in fixed income securities. All of the Company's bonds payable have fixed interest rates and are measured at amortized cost. As such, changes in interest rates would not affect the future cash flows. On the other hand, because interest rates of the Company's long-term bank loans are floating, changes in interest rates would affect the future cash flows but not the fair value. As of December 31, 2017, the Company had no outstanding long-term bank loans.

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

Based on a sensitivity analysis performed at the end of the reporting period, a hypothetical 100 basis points (1.00%) increase in interest rates across all maturities would have resulted in a decrease in profit or loss by NT\$129,053 thousand for the six months ended June 30, 2018, and in a decrease in other comprehensive income by NT\$2,280,513 thousand and NT\$1,717,186 thousand for six months ended June 30, 2018 and 2017, respectively.

Other price risk

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

Assuming a hypothetical decrease of 5% in prices of the equity investments at the end of the reporting period for the six months ended June 30, 2018 and 2017, the other comprehensive income would have decreased by NT\$353,544 thousand and NT\$329,734 thousand, respectively.

d. Credit risk management

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

Business related credit risk

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Company's ten largest customers accounted for 62%, 70% and 70% of accounts receivable, respectively. The Company believes the concentration of credit risk is not material for the remaining accounts receivable.

Financial credit risk

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

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

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

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

| Category | Description | Basis for Recognizing Expected Credit Loss | Expected Credit Loss Ratio |
|-----------------|--|---|-----------------------------------|
| Performing | Credit rating on trade date and valuation date: (1) Within investment grade (2) Between BB+ and BB- | 12 months expected credit loss | 0-0.1% |
| Doubtful | Credit rating on trade date and valuation date: (1) From investment grade to non-investment grade (2) From BB+~BB- to B+~CCC- | Lifetime expected credit loss-not credit impaired | - |
| In default | Credit rating CC or below | Lifetime expected credit loss-credit impaired | - |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off | - |

For the six months ended June 30, 2018, the expected credit loss decreases NT\$375 thousand, mainly attributed to increase in debt investments of higher credit rating.

e. Liquidity risk management

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

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

| | Less Than 1 Year | 2-3 Years | 4-5 Years | 5+ Years | Total |
|--|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| <u>June 30, 2018</u> | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Short-term loans | \$ 30,858,667 | \$ - | \$ - | \$ - | \$ 30,858,667 |
| Accounts payable (including related parties) | 30,663,178 | - | - | - | 30,663,178 |
| Payables to contractors and equipment suppliers | 39,602,732 | - | - | - | 39,602,732 |
| Accrued expenses and other current liabilities | 42,964,563 | - | - | - | 42,964,563 |
| Bonds payable | 17,267,702 | 62,143,440 | 17,059,545 | 6,115,291 | 102,585,978 |
| Guarantee deposits (including those classified under accrued expenses and other current liabilities) | <u>6,961,106</u> | <u>5,277,912</u> | <u>87,247</u> | <u>-</u> | <u>12,326,265</u> |
| | <u>168,317,948</u> | <u>67,421,352</u> | <u>17,146,792</u> | <u>6,115,291</u> | <u>259,001,383</u> |
| <u>Derivative financial instruments</u> | | | | | |
| Forward exchange contracts | | | | | |
| Outflows | 78,855,358 | - | - | - | 78,855,358 |
| Inflows | <u>(78,118,962)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(78,118,962)</u> |
| | <u>736,396</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>736,396</u> |
| | <u>\$ 169,054,344</u> | <u>\$ 67,421,352</u> | <u>\$ 17,146,792</u> | <u>\$ 6,115,291</u> | <u>\$ 259,737,779</u> |
| <u>December 31, 2017</u> | | | | | |
| <u>Non-derivative financial liabilities</u> | | | | | |
| Short-term loans | \$ 63,801,977 | \$ - | \$ - | \$ - | \$ 63,801,977 |
| Accounts payable (including related parties) | 30,069,163 | - | - | - | 30,069,163 |
| Payables to contractors and equipment suppliers | 55,723,774 | - | - | - | 55,723,774 |
| Accrued expenses and other current liabilities | 24,659,738 | - | - | - | 24,659,738 |
| Bonds payable | 60,176,818 | 68,378,787 | 7,777,715 | 18,203,601 | 154,536,921 |
| Guarantee deposits (including those classified under accrued expenses and other current liabilities) | <u>8,493,829</u> | <u>7,503,151</u> | <u>83,639</u> | <u>-</u> | <u>16,080,619</u> |
| | <u>242,925,299</u> | <u>75,881,938</u> | <u>7,861,354</u> | <u>18,203,601</u> | <u>344,872,192</u> |
| <u>Derivative financial instruments</u> | | | | | |
| Forward exchange contracts | | | | | |
| Outflows | 67,393,539 | - | - | - | 67,393,539 |
| Inflows | <u>(67,957,919)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(67,957,919)</u> |
| | <u>(564,380)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(564,380)</u> |
| | <u>\$ 242,360,919</u> | <u>\$ 75,881,938</u> | <u>\$ 7,861,354</u> | <u>\$ 18,203,601</u> | <u>\$ 344,307,812</u> |

(Continued)

| | 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> |
| | | | | | (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:

| | <u>June 30, 2018</u> | | | |
|--|----------------------|---------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets at FVTPL</u> | | | | |
| Mandatorily measured at FVTPL | | | | |
| Agency bonds/Agency mortgage-backed securities | \$ - | \$ 717,735 | \$ - | \$ 717,735 |
| Forward exchange contracts | - | 356,335 | - | 356,335 |
| Asset-backed securities | <u>-</u> | <u>130,966</u> | <u>-</u> | <u>130,966</u> |
| | <u>\$ -</u> | <u>\$ 1,205,036</u> | <u>\$ -</u> | <u>\$ 1,205,036</u> |
| | | | | (Continued) |

June 30, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|----------------------|---------------------|-----------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in debt instruments | | | | |
| Corporate bonds | \$ - | \$ 40,298,039 | \$ - | \$ 40,298,039 |
| Agency bonds/Agency mortgage-backed securities | - | 35,043,747 | - | 35,043,747 |
| Asset-backed securities | - | 14,321,226 | - | 14,321,226 |
| Government bonds | 10,228,027 | 142,847 | - | 10,370,874 |
| Commercial paper | - | 228,618 | - | 228,618 |
| Investments in equity instruments | | | | |
| Non-publicly traded equity investments | - | - | 5,694,784 | 5,694,784 |
| Publicly traded stocks | 1,765,104 | - | - | 1,765,104 |
| Notes and accounts receivable, net | - | 2,510,104 | - | 2,510,104 |
| | <u>\$ 11,993,131</u> | <u>\$ 92,544,581</u> | <u>\$ 5,694,784</u> | <u>\$ 110,232,496</u> |
| <u>Hedging financial assets</u> | | | | |
| Fair value hedges | | | | |
| Interest rate futures contracts | \$ 14,279 | \$ - | \$ - | \$ 14,279 |
| Cash flow hedges | | | | |
| Forward exchange contracts | - | 17,413 | - | 17,413 |
| | <u>\$ 14,279</u> | <u>\$ 17,413</u> | <u>\$ -</u> | <u>\$ 31,692</u> |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Held for trading | | | | |
| Forward exchange contracts | \$ - | \$ 1,057,719 | \$ - | \$ 1,057,719 |
| <u>Hedging financial liabilities</u> | | | | |
| Fair value hedges | | | | |
| Interest rate futures contracts | \$ 1,244 | \$ - | \$ - | \$ 1,244 |
| Cash flow hedges | | | | |
| Forward exchange contracts | - | 29,474 | - | 29,474 |
| | <u>\$ 1,244</u> | <u>\$ 29,474</u> | <u>\$ -</u> | <u>\$ 30,718</u> |

(Concluded)

December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------------|----------------------|----------------|----------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Held for trading | | | | |
| Forward exchange contracts | \$ - | \$ 569,751 | \$ - | \$ 569,751 |
| <u>Available-for-sale financial assets</u> | | | | |
| Corporate bonds | \$ - | \$ 40,165,148 | \$ - | \$ 40,165,148 |
| Agency bonds/Agency mortgage-backed securities | - | 29,235,388 | - | 29,235,388 |
| Asset-backed securities | - | 13,459,545 | - | 13,459,545 |
| Government bonds | 7,715,980 | 101,743 | - | 7,817,723 |
| Publicly traded stocks | 2,548,054 | - | - | 2,548,054 |
| Commercial paper | - | 148,295 | - | 148,295 |
| | <u>\$ 10,264,034</u> | <u>\$ 83,110,119</u> | <u>\$ -</u> | <u>\$ 93,374,153</u> |

(Continued)

| | December 31, 2017 | | | |
|---|--------------------------|----------------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Hedging derivative financial assets</u> | | | | |
| Fair value hedges | | | | |
| Interest rate futures contracts | \$ 27,016 | \$ - | \$ - | \$ 27,016 |
| Cash flow hedges | | | | |
| Forward exchange contracts | <u>-</u> | <u>7,378</u> | <u>-</u> | <u>7,378</u> |
| | <u>\$ 27,016</u> | <u>\$ 7,378</u> | <u>\$ -</u> | <u>\$ 34,394</u> |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Held for trading | | | | |
| Forward exchange contracts | <u>-</u> | <u>26,709</u> | <u>-</u> | <u>26,709</u> |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Cash flow hedges | | | | |
| Forward exchange contracts | <u>-</u> | <u>15,562</u> | <u>-</u> | <u>15,562</u> |
| | | | | (Concluded) |
| | | | | |
| | 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>-</u> | <u>60,710</u> | <u>-</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 | 6,501,839 | 105,785 | - | 6,607,624 |
| Publicly traded stocks | 2,635,124 | - | - | 2,635,124 |
| Commercial paper | <u>-</u> | <u>358,175</u> | <u>-</u> | <u>358,175</u> |
| | <u>\$ 9,136,963</u> | <u>\$ 67,115,689</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>-</u> | <u>19,734</u> | <u>-</u> | <u>19,734</u> |
| | <u>\$ 4,783</u> | <u>\$ 19,734</u> | <u>\$ -</u> | <u>\$ 24,517</u> |
| | | | | (Continued) |

| | June 30, 2017 | | | |
|---|----------------------|------------------|----------------|-----------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial liabilities at FVTPL</u> | | | | |
| Held for trading | | | | |
| Forward exchange contracts | \$ _____ - | \$ <u>82,552</u> | \$ _____ - | \$ <u>82,552</u> |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Fair value hedges | | | | |
| Interest rate futures contracts | \$ <u>19</u> | \$ _____ - | \$ _____ - | \$ <u>19</u> (Concluded) |

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

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

Reconciliation of Level 3 fair value measurements of financial assets

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

| | |
|--|---------------------|
| Balance at January 1, 2018 | \$ 5,841,384 |
| Additions | 152,430 |
| Total gains or losses recognized in other comprehensive income | (262,436) |
| Disposals and proceeds from return of capital of investments | (173,088) |
| Effect of exchange rate changes | <u>136,494</u> |
| Balance at June 30, 2018 | <u>\$ 5,694,784</u> |

Valuation techniques and assumptions used in Level 2 fair value measurement

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

- The fair values of corporate bonds, agency bonds, agency mortgage-backed securities, asset-backed securities, and government bonds are determined by quoted market prices provided by third party pricing services.
- Forward exchange contracts and cross currency swap contracts are measured using forward exchange rates and the discounted yield curves that are derived from quoted market prices. For investments in commercial paper and time deposit designated as FVTPL, the fair values are determined by the present value of future cash flows based on the discounted yield curves that are derived from the quoted market prices.
- The fair value of accounts receivables classified as at FVTOCI are determined by the present value of future cash flows based on the discount rate that reflects the credit risk of counterparties.

Valuation techniques and assumptions used in Level 3 fair value Measurement

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

To determine the fair value, the Company utilizes the asset approach and takes into account the net asset value measured at the fair value by independent parties. On June 30, 2018, the Company uses unobservable inputs derived from discount for lack of marketability by 10%. When other inputs remain equal, the fair value will decrease by NT\$31,749 thousand if discounts for lack of marketability increase by 1%.

The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. On June 30, 2018, the Company uses significant unobservable inputs, which include long term revenue growth rate of approximately 3%, discount rate of 10%, discount for lack of marketability of 10%, and discounts for lack of control of 10%. When other inputs remain equal, if long term revenue growth rate decreases by 1%, the fair value will decrease by NT\$40,113 thousand; if discount rate increases by 1%, the fair value will decrease by NT\$72,776 thousand; if discount for lack of marketability increases by 1%, the fair value will decrease by NT\$19,016 thousand; if discount for lack of control increases by 1%, the fair value will decrease by NT\$19,016 thousand.

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

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

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

Fair value hierarchy

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

| | Carrying Amount | June 30, 2018 | | | Total |
|--|----------------------|---------------|-----------------------|-------------|-----------------------|
| | | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized costs | | | | | |
| Corporate bonds | \$ 19,378,409 | \$ - | \$ 19,530,079 | \$ - | \$ 19,530,079 |
| Structured product | 1,525,863 | - | 1,518,939 | - | 1,518,939 |
| | <u>\$ 20,904,272</u> | <u>\$ -</u> | <u>\$ 21,049,018</u> | <u>\$ -</u> | <u>\$ 21,049,018</u> |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized costs | | | | | |
| Bonds payable | <u>\$ 99,300,000</u> | <u>\$ -</u> | <u>\$ 101,016,267</u> | <u>\$ -</u> | <u>\$ 101,016,267</u> |

| | December 31, 2017 | | | | |
|------------------------------------|----------------------------|-------------------|-----------------------|----------------|-----------------------|
| | Carrying Amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Held-to-maturity securities | | | | | |
| Corporate bonds | \$ 19,338,764 | \$ - | \$ 19,541,419 | \$ - | \$ 19,541,419 |
| Structured product | <u>1,482,950</u> | <u>-</u> | <u>1,475,350</u> | <u>-</u> | <u>1,475,350</u> |
| | <u>\$ 20,821,714</u> | <u>\$ -</u> | <u>\$ 21,016,769</u> | <u>\$ -</u> | <u>\$ 21,016,769</u> |
| Financial liabilities | | | | | |
| Measured at amortized cost | | | | | |
| Bonds payable | <u>\$ 150,201,122</u> | <u>\$ -</u> | <u>\$ 152,077,728</u> | <u>\$ -</u> | <u>\$ 152,077,728</u> |
| June 30, 2017 | | | | | |
| | Carrying Amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | | |
| Held-to-maturity securities | | | | | |
| Corporate bonds | \$ 21,157,966 | \$ - | \$ 21,340,032 | \$ - | \$ 21,340,032 |
| Negotiable certificate of deposit | 4,562,100 | - | 4,570,388 | - | 4,570,388 |
| Structured product | 1,520,700 | - | 1,513,255 | - | 1,513,255 |
| Commercial paper | <u>498,818</u> | <u>-</u> | <u>499,928</u> | <u>-</u> | <u>499,928</u> |
| | <u>\$ 27,739,584</u> | <u>\$ -</u> | <u>\$ 27,923,603</u> | <u>\$ -</u> | <u>\$ 27,923,603</u> |
| Financial liabilities | | | | | |
| Measured at amortized cost | | | | | |
| Bonds payable | <u>\$ 179,155,925</u> | <u>\$ -</u> | <u>\$ 181,206,172</u> | <u>\$ -</u> | <u>\$ 181,206,172</u> |

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

Valuation techniques and assumptions used in Level 2 fair value measurement

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

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

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

34. RELATED PARTY TRANSACTIONS

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

a. Related party name and categories

| <u>Related Party Name</u> | <u>Related Party Categories</u> |
|---------------------------------------|---------------------------------|
| GUC | Associates |
| VIS | Associates |
| SSMC | Associates |
| Xintec | Associates |
| Mutual-Pak | Associates |
| TSMC Education and Culture Foundation | Other related parties |
| TSMC Charity Foundation | Other related parties |

b. Net revenue

| | | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|--------------------------------|---------------------------------|-----------------------------------|---------------------|---------------------------------|---------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| <u>Item</u> | <u>Related Party Categories</u> | | | | |
| Net revenue from sale of goods | Associates | \$ 2,121,528 | \$ 1,978,999 | \$ 4,296,064 | \$ 3,503,149 |
| | Other related parties | <u>330</u> | <u>-</u> | <u>330</u> | <u>-</u> |
| | | <u>\$ 2,121,858</u> | <u>\$ 1,978,999</u> | <u>\$ 4,296,394</u> | <u>\$ 3,503,149</u> |
| Net revenue from royalties | Associates | <u>\$ 134,212</u> | <u>\$ 123,501</u> | <u>\$ 260,314</u> | <u>\$ 241,276</u> |

c. Purchases

| | | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|------------|---------------------------------|-----------------------------------|---------------------|---------------------------------|---------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | <u>Related Party Categories</u> | | | | |
| Associates | | <u>\$ 2,174,704</u> | <u>\$ 2,257,852</u> | <u>\$ 4,398,054</u> | <u>\$ 4,885,920</u> |

d. Receivables from related parties

| | | June 30, | December 31, | June 30, |
|----------------------------------|--------------------------------------|---------------------|---------------------|-------------------|
| | | 2018 | 2017 | 2017 |
| <u>Item</u> | <u>Related Party Name/Categories</u> | | | |
| Receivables from related parties | GUC | \$ 1,072,994 | \$ 1,022,892 | \$ 427,943 |
| | Xintec | <u>26,478</u> | <u>161,232</u> | <u>8,058</u> |
| | | <u>\$ 1,099,472</u> | <u>\$ 1,184,124</u> | <u>\$ 436,001</u> |

(Continued)

| | | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|-------------------|------------------|--------------------------|------------------------------|------------------------------------|
| Other receivables | SSMC | \$ 1,698,519 | \$ 83,099 | \$ 57,619 |
| from related | VIS | 1,486,788 | 78,141 | 1,474,583 |
| parties | Other associates | <u>215</u> | <u>9,818</u> | <u>119</u> |
| | | <u>\$ 3,185,522</u> | <u>\$ 171,058</u> | <u>\$ 1,532,321</u> (Concluded) |

e. Payables to related parties

| | | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---------------------|---------------------------|--------------------------|------------------------------|--------------------------|
| <u>Item</u> | <u>Related Party Name</u> | | | |
| Payables to related | VIS | \$ 475,506 | \$ 409,950 | \$ 416,232 |
| parties | SSMC | 344,699 | 406,959 | 458,644 |
| | Xintec | 125,820 | 817,930 | 203,620 |
| | Other associates | <u>5,307</u> | <u>21,517</u> | <u>23,280</u> |
| | | <u>\$ 951,332</u> | <u>\$ 1,656,356</u> | <u>\$ 1,101,776</u> |

f. Accrued expenses and other current liabilities

| | | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|----------------------|---------------------------------|--------------------------|------------------------------|--------------------------|
| <u>Item</u> | <u>Related Party Categories</u> | | | |
| Contract liabilities | Associates | <u>\$ 113,111</u> | <u>\$ -</u> | <u>\$ -</u> |
| Advance receipts | Associates | <u>\$ -</u> | <u>\$ 96,502</u> | <u>\$ 802,325</u> |

g. Others

| | | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|-------------------------------------|---------------------------------|-----------------------------------|-------------------|---------------------------------|-------------------|
| | | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| <u>Item</u> | <u>Related Party Categories</u> | | | | |
| Manufacturing expenses | Associates | <u>\$ 326,254</u> | <u>\$ 306,338</u> | <u>\$ 999,186</u> | <u>\$ 562,995</u> |
| General and administrative expenses | Other related parties | <u>\$ 25,227</u> | <u>\$ 47,000</u> | <u>\$ 70,301</u> | <u>\$ 59,000</u> |

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

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

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

h. Compensation of key management personnel

The compensation to directors and other key management personnel for the three months and six months ended June 30, 2018 and 2017 were as follows:

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|------------------------------|-----------------------------------|-------------------|---------------------------------|-------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Short-term employee benefits | \$ 485,585 | \$ 464,115 | \$1,020,528 | \$ 991,168 |
| Post-employment benefits | <u>950</u> | <u>947</u> | <u>1,937</u> | <u>2,093</u> |
| | <u>\$ 486,535</u> | <u>\$ 465,062</u> | <u>\$1,022,465</u> | <u>\$ 993,261</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.

35. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for building lease agreements. As of June 30, 2018, December 31, 2017 and June 30, 2017, the aforementioned other financial assets amounted to NT\$122,348 thousand, NT\$165,618 thousand and NT\$177,567 thousand, respectively.

36. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

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

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

| | <u>June 30,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> | <u>June 30,</u> <u>2017</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Not later than 1 year | \$ 4,118,574 | \$ 3,116,209 | \$ 1,314,592 |
| Later than 1 year and not later than 5 years | 4,737,445 | 5,174,729 | 3,729,082 |
| Later than 5 years | <u>9,521,057</u> | <u>8,905,848</u> | <u>6,510,866</u> |
| | <u>\$ 18,377,076</u> | <u>\$ 17,196,786</u> | <u>\$ 11,554,540</u> |

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity provided TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of June 30, 2018, the R.O.C. Government did not invoke such right.
- b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and NXP B.V. are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of June 30, 2018.
- c. In May 2017, Uri Cohen filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America and other companies infringe four U.S. patents. Cohen's case was transferred to and consolidated with the responsive declaratory judgment case for non-infringement of Cohen's asserted patents filed by TSMC and TSMC North America in the U.S. District Court for the Northern District of California. In July 2018, all pending litigations between the parties in the U.S. District Court for the Northern District of California were dismissed.
- d. On September 28, 2017, TSMC was contacted by the European Commission (the "Commission"), which has asked us for information and documents concerning alleged anti-competitive practices in relation to semiconductor sales. We are cooperating with the Commission to provide the requested information and documents. In light of the fact that this proceeding is still in its preliminary stage, it is premature to predict how the case will proceed, the outcome of the proceeding or its impact.
- e. TSMC entered into long-term purchase agreements of silicon wafer with multiple suppliers. The relative minimum purchase quantity and price are specified in the agreements.
- f. TSMC entered into a long-term purchase agreement of equipment. The relative purchase quantity and price are specified in the agreement.
- g. Amounts available under unused letters of credit as of June 30, 2018, December 31, 2017 and June 30, 2017 were NT\$70,219 thousand, NT\$94,909 thousand and NT\$97,325 thousand, respectively.

38. SIGNIFICANT SUBSEQUENT EVENT

The Company experienced a computer virus outbreak on August 3, 2018, which affected a number of computer systems and fab tools, and consequently impacted wafer production in Taiwan. All the impacted tools have been recovered by August 6, 2018. The estimated amount of damage is yet to be determined.

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

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

| | Foreign Currencies (In Thousands) | Exchange Rate (Note 1) | Carrying Amount (In Thousands) |
|------------------------------|---|---------------------------|--------------------------------------|
| <u>June 30, 2018</u> | | | |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 3,648,964 | 30.530 | \$ 111,402,872 |
| USD | 719,564 | 6.625 (Note 2) | 21,968,279 |
| EUR | 14,282 | 35.62 | 508,731 |
| JPY | 2,069,358 | 0.2768 | 572,798 |
| Non-monetary items | | | |
| HKD | 215,268 | 3.89 | 837,393 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 2,992,719 | 30.530 | 91,367,715 |
| EUR | 212,005 | 35.62 | 7,551,601 |
| JPY | 30,435,996 | 0.2768 | 8,424,684 |
| <u>December 31, 2017</u> | | | |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | 5,668,611 | 29.659 | 168,125,342 |
| USD | 580,555 | 6.512 (Note 2) | 17,218,674 |
| EUR | 236,474 | 35.45 | 8,383,015 |
| JPY | 34,335,661 | 0.2629 | 9,026,845 |
| Non-monetary items | | | |
| HKD | 285,336 | 3.80 | 1,084,276 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 4,048,384 | 29.659 | 120,071,030 |
| EUR | 415,819 | 35.45 | 14,740,766 |
| JPY | 43,205,838 | 0.2629 | 11,358,815 |

(Continued)

| | 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 |
| | | | (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, 2018 and 2017, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

40. OPERATING SEGMENTS INFORMATION

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

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

41. ADDITIONAL DISCLOSURES

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

- a. Financings provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Information about the derivative financial instruments transaction: Please see Notes 7 and 13;
- j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 8 attached;
- k. Names, locations, and related information of investees over which TSMC exercises significant influence (excluding information on investment in mainland China): Please see Table 9 attached;
- l. Information on investment in mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 10 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

FINANCINGS PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(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 | \$ 46,718,300 (RMB 5,500,000) & (US\$ 700,000) | \$ 46,718,300 (RMB 5,500,000) & (US\$ 700,000) | \$ 28,198,180 (RMB 3,800,000) & (US\$ 350,000) | 1.50%-1.96% | The need for long-term financing | \$ - | Operating capital | \$ - | - | \$ - | \$ 54,629,047 | \$ 54,629,047 |
| 2 | TSMC Global | TSMC | Other receivables from related parties | Yes | 45,795,000 (US\$ 1,500,000) | 45,795,000 (US\$ 1,500,000) | - | - | The need for short-term financing | - | Operating capital | - | - | - | 382,629,000 | 382,629,000 |

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, 2018

(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 | \$ 372,500,386 | \$ 35,109,500 (US\$ 1,150,000) | \$ - | \$ - | \$ - | - | \$ 372,500,386 | Yes | No | No |
| | | TSMC North America | Subsidiary | 372,500,386 | 2,540,502 (US\$ 83,213) | 2,540,502 (US\$ 83,213) | 2,540,502 (US\$ 83,213) | - | 0.17% | 372,500,386 | 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, 2018

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

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------------------------|---|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC | <u>Non-publicly traded equity investments</u> | | | | | | | |
| | United Industrial Gases Co., Ltd. | - | Financial assets at fair value through other comprehensive income | 21,230 | \$ 580,864 | 10 | \$ 580,864 | |
| | Shin-Etsu Handotai Taiwan Co., Ltd. | - | " | 10,500 | 359,100 | 7 | 359,100 | |
| | Global Investment Holding Inc. | - | " | 11,124 | 87,050 | 6 | 87,050 | |
| | W.K. Technology Fund IV | - | " | 806 | 6,262 | 2 | 6,262 | |
| | Crimson Asia Capital | - | " | - | 4,652 | 1 | 4,652 | |
| | Horizon Ventures Fund | - | " | - | 2,708 | 12 | 2,708 | |
| | <u>Publicly traded stocks</u> | | | | | | | |
| | Semiconductor Manufacturing International Corporation | - | Financial assets at fair value through other comprehensive income | 21,105 | 837,393 | - | 837,393 | |
| | Motech | - | " | 51,982 | 800,519 | 10 | 800,519 | |
| TSMC Partners | <u>Non-publicly traded equity investments</u> | | | | | | | |
| | Tela Innovations | - | Financial assets at fair value through other comprehensive income | 10,440 | US\$ 56,058 | 25 | US\$ 56,058 | |
| | Shanghai Walden Venture Capital Enterprise | - | " | - | US\$ 8,945 | 6 | US\$ 8,945 | |
| | China Walden Venture Investments II, L.P. | - | " | - | US\$ 7,308 | 9 | US\$ 7,308 | |
| | China Walden Venture Investments III, L.P. | - | " | - | US\$ 1,547 | 5 | US\$ 1,547 | |
| | Mcube Inc. | - | " | 6,333 | - | 12 | - | |
| TSMC Global | <u>Corporate bond</u> | | | | | | | |
| | JPMorgan Chase & Co | - | Financial assets at fair value through other comprehensive income | - | US\$ 42,320 | N/A | US\$ 42,320 | |
| | Bank of America Corp | - | " | - | US\$ 41,335 | N/A | US\$ 41,335 | |
| | Morgan Stanley | - | " | - | US\$ 40,004 | N/A | US\$ 40,004 | |
| | Goldman Sachs Group Inc/The | - | " | - | US\$ 31,677 | N/A | US\$ 31,677 | |
| | Citigroup Inc | - | " | - | US\$ 28,427 | N/A | US\$ 28,427 | |
| | CVS Health Corp | - | " | - | US\$ 24,424 | N/A | US\$ 24,424 | |
| | AT&T Inc | - | " | - | US\$ 23,274 | N/A | US\$ 23,274 | |
| | Verizon Communications Inc | - | " | - | US\$ 18,771 | N/A | US\$ 18,771 | |
| | Ford Motor Credit Co LLC | - | " | - | US\$ 16,630 | N/A | US\$ 16,630 | |
| | Apple Inc | - | " | - | US\$ 14,523 | N/A | US\$ 14,523 | |
| | HSBC Holdings PLC | - | " | - | US\$ 12,580 | N/A | US\$ 12,580 | |
| | Anheuser-Busch InBev Finance Inc | - | " | - | US\$ 12,531 | N/A | US\$ 12,531 | |
| | BAT Capital Corp | - | " | - | US\$ 12,130 | N/A | US\$ 12,130 | |
| | PNC Bank NA | - | " | - | US\$ 11,916 | N/A | US\$ 11,916 | |
| | AbbVie Inc | - | " | - | US\$ 11,849 | N/A | US\$ 11,849 | |
| | Daimler Finance North America LLC | - | " | - | US\$ 11,829 | N/A | US\$ 11,829 | |
| | Southern Co/The | - | " | - | US\$ 10,541 | N/A | US\$ 10,541 | |
| | BP Capital Markets PLC | - | " | - | US\$ 10,121 | N/A | US\$ 10,121 | |
| | Credit Suisse AG/New York NY | - | " | - | US\$ 9,696 | N/A | US\$ 9,696 | |
| Wells Fargo & Co | - | " | - | US\$ 9,691 | N/A | US\$ 9,691 | | |
| Capital One NA/Mclean VA | - | " | - | US\$ 9,268 | N/A | US\$ 9,268 | | |
| ABN AMRO Bank NV | - | " | - | US\$ 9,244 | N/A | US\$ 9,244 | | |
| Sumitomo Mitsui Financial Group Inc | - | " | - | US\$ 9,200 | N/A | US\$ 9,200 | | |
| Macquarie Group Ltd | - | " | - | US\$ 9,018 | N/A | US\$ 9,018 | | |
| Mitsubishi UFJ Financial Group Inc | - | " | - | US\$ 8,956 | N/A | US\$ 8,956 | | |
| Wells Fargo Bank NA | - | " | - | US\$ 8,860 | N/A | US\$ 8,860 | | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | 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 | - | Financial assets at fair value through other comprehensive income | - | US\$ 8,816 | N/A | US\$ 8,816 | |
| | ERAC USA Finance LLC | - | " | - | US\$ 8,618 | N/A | US\$ 8,618 | |
| | Cardinal Health Inc | - | " | - | US\$ 8,584 | N/A | US\$ 8,584 | |
| | Cooperatieve Rabobank UA/NY | - | " | - | US\$ 8,542 | N/A | US\$ 8,542 | |
| | Celgene Corp | - | " | - | US\$ 8,348 | N/A | US\$ 8,348 | |
| | Tyson Foods Inc | - | " | - | US\$ 8,320 | N/A | US\$ 8,320 | |
| | Duke Energy Corp | - | " | - | US\$ 8,188 | N/A | US\$ 8,188 | |
| | Tencent Holdings Ltd | - | " | - | US\$ 8,120 | N/A | US\$ 8,120 | |
| | Svenska Handelsbanken AB | - | " | - | US\$ 8,071 | N/A | US\$ 8,071 | |
| | Hewlett Packard Enterprise Co | - | " | - | US\$ 7,784 | N/A | US\$ 7,784 | |
| | Huntington National Bank/The | - | " | - | US\$ 7,705 | N/A | US\$ 7,705 | |
| | UBS Group Funding Switzerland AG | - | " | - | US\$ 7,360 | N/A | US\$ 7,360 | |
| | Westpac Banking Corp | - | " | - | US\$ 7,359 | N/A | US\$ 7,359 | |
| | Toyota Motor Credit Corp | - | " | - | US\$ 7,323 | N/A | US\$ 7,323 | |
| | Reckitt Benckiser Treasury Services PLC | - | " | - | US\$ 7,319 | N/A | US\$ 7,319 | |
| | ANZ New Zealand Int'l Ltd/London | - | " | - | US\$ 7,253 | N/A | US\$ 7,253 | |
| | Microsoft Corp | - | " | - | US\$ 7,092 | N/A | US\$ 7,092 | |
| | Deutsche Telekom International Finance BV | - | " | - | US\$ 7,083 | N/A | US\$ 7,083 | |
| | QUALCOMM Inc | - | " | - | US\$ 7,058 | N/A | US\$ 7,058 | |
| | General Dynamics Corp | - | " | - | US\$ 7,016 | N/A | US\$ 7,016 | |
| | Banco Santander SA | - | " | - | US\$ 6,999 | N/A | US\$ 6,999 | |
| | Siemens Financieringsmaatschappij NV | - | " | - | US\$ 6,979 | N/A | US\$ 6,979 | |
| | Bank of New York Mellon Corp/The | - | " | - | US\$ 6,946 | N/A | US\$ 6,946 | |
| | American International Group Inc | - | " | - | US\$ 6,845 | N/A | US\$ 6,845 | |
| | Dominion Energy Inc | - | " | - | US\$ 6,794 | N/A | US\$ 6,794 | |
| | BB&T Corp | - | " | - | US\$ 6,710 | N/A | US\$ 6,710 | |
| | Hyundai Capital America | - | " | - | US\$ 6,635 | N/A | US\$ 6,635 | |
| | Citizens Bank NA/Providence RI | - | " | - | US\$ 6,631 | N/A | US\$ 6,631 | |
| | Maple Escrow Subsidiary Inc | - | " | - | US\$ 6,616 | N/A | US\$ 6,616 | |
| | Reliance Standard Life Global Funding II | - | " | - | US\$ 6,385 | N/A | US\$ 6,385 | |
| | Mizuho Financial Group Inc | - | " | - | US\$ 6,381 | N/A | US\$ 6,381 | |
| | 21st Century Fox America Inc | - | " | - | US\$ 6,165 | N/A | US\$ 6,165 | |
| | Dow Chemical Co/The | - | " | - | US\$ 6,148 | N/A | US\$ 6,148 | |
| | Welltower Inc | - | " | - | US\$ 6,097 | N/A | US\$ 6,097 | |
| | Barclays PLC | - | " | - | US\$ 6,065 | N/A | US\$ 6,065 | |
| | Santander UK Group Holdings PLC | - | " | - | US\$ 6,041 | N/A | US\$ 6,041 | |
| | Nordea Bank AB | - | " | - | US\$ 6,039 | N/A | US\$ 6,039 | |
| | Fifth Third Bancorp | - | " | - | US\$ 6,031 | N/A | US\$ 6,031 | |
| | Northrop Grumman Corp | - | " | - | US\$ 6,026 | N/A | US\$ 6,026 | |
| | Lloyds Bank PLC | - | " | - | US\$ 6,020 | N/A | US\$ 6,020 | |
| | Ryder System Inc | - | " | - | US\$ 5,901 | N/A | US\$ 5,901 | |
| | KeyCorp | - | " | - | US\$ 5,802 | N/A | US\$ 5,802 | |
| | Manufacturers & Traders Trust Co | - | " | - | US\$ 5,786 | N/A | US\$ 5,786 | |
| | SMBC Aviation Capital Finance DAC | - | " | - | US\$ 5,786 | N/A | US\$ 5,786 | |
| | UBS AG/London | - | " | - | US\$ 5,750 | N/A | US\$ 5,750 | |
| | AXA Equitable Holdings Inc | - | " | - | US\$ 5,705 | N/A | US\$ 5,705 | |
| | Oracle Corp | - | " | - | US\$ 5,686 | N/A | US\$ 5,686 | |
| | Air Lease Corp | - | " | - | US\$ 5,560 | N/A | US\$ 5,560 | |
| | Santander UK PLC | - | " | - | US\$ 5,558 | N/A | US\$ 5,558 | |
| | KeyBank NA/Cleveland OH | - | " | - | US\$ 5,524 | N/A | US\$ 5,524 | |
| | Penske Truck Leasing Co Lp / PTL Finance Corp | - | " | - | US\$ 5,488 | N/A | US\$ 5,488 | |
| | ITC Holdings Corp | - | " | - | US\$ 5,345 | N/A | US\$ 5,345 | |
| | Amgen Inc | - | " | - | US\$ 5,227 | N/A | US\$ 5,227 | |
| | International Bank for Reconstruction & Development | - | " | - | US\$ 5,158 | N/A | US\$ 5,158 | |
| | Sompo International Holdings Ltd | - | " | - | US\$ 5,103 | N/A | US\$ 5,103 | |
| | McCormick & Co Inc/MD | - | " | - | US\$ 5,097 | N/A | US\$ 5,097 | |
| | General Mills Inc | - | " | - | US\$ 5,071 | N/A | US\$ 5,071 | |
| | Jackson National Life Global Funding | - | " | - | US\$ 5,054 | N/A | US\$ 5,054 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|---|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | SunTrust Banks Inc | - | Financial assets at fair value through other comprehensive income | - | US\$ 5,051 | N/A | US\$ 5,051 | |
| | BPCE SA | - | " | - | US\$ 4,972 | N/A | US\$ 4,972 | |
| | UBS AG/Stamford CT | - | " | - | US\$ 4,965 | N/A | US\$ 4,965 | |
| | US Bank NA/Cincinnati OH | - | " | - | US\$ 4,964 | N/A | US\$ 4,964 | |
| | Aviation Capital Group Corp | - | " | - | US\$ 4,948 | N/A | US\$ 4,948 | |
| | Cigna Corp | - | " | - | US\$ 4,937 | N/A | US\$ 4,937 | |
| | Rockwell Collins Inc | - | " | - | US\$ 4,932 | N/A | US\$ 4,932 | |
| | Cox Communications Inc | - | " | - | US\$ 4,737 | N/A | US\$ 4,737 | |
| | Schlumberger Holdings Corp | - | " | - | US\$ 4,691 | N/A | US\$ 4,691 | |
| | Shell International Finance BV | - | " | - | US\$ 4,689 | N/A | US\$ 4,689 | |
| | Air Liquide Finance SA | - | " | - | US\$ 4,670 | N/A | US\$ 4,670 | |
| | Five Corners Funding Trust | - | " | - | US\$ 4,634 | N/A | US\$ 4,634 | |
| | Goldman Sachs Bank USA/New York NY | - | " | - | US\$ 4,564 | N/A | US\$ 4,564 | |
| | US Bancorp | - | " | - | US\$ 4,550 | N/A | US\$ 4,550 | |
| | Marriott International Inc/MD | - | " | - | US\$ 4,518 | N/A | US\$ 4,518 | |
| | Toronto-Dominion Bank/The | - | " | - | US\$ 4,488 | N/A | US\$ 4,488 | |
| | AEP Texas Inc | - | " | - | US\$ 4,471 | N/A | US\$ 4,471 | |
| | New York Life Global Funding | - | " | - | US\$ 4,417 | N/A | US\$ 4,417 | |
| | Enterprise Products Operating LLC | - | " | - | US\$ 4,279 | N/A | US\$ 4,279 | |
| | Credit Agricole SA/London | - | " | - | US\$ 4,109 | N/A | US\$ 4,109 | |
| | Vodafone Group PLC | - | " | - | US\$ 4,089 | N/A | US\$ 4,089 | |
| | Exelon Generation Co LLC | - | " | - | US\$ 4,017 | N/A | US\$ 4,017 | |
| | Banque Federative du Credit Mutuel SA | - | " | - | US\$ 4,012 | N/A | US\$ 4,012 | |
| | Mondelez International Holdings Netherlands BV | - | " | - | US\$ 3,987 | N/A | US\$ 3,987 | |
| | Ventas Realty LP / Ventas Capital Corp | - | " | - | US\$ 3,953 | N/A | US\$ 3,953 | |
| | Nuveen Finance LLC | - | " | - | US\$ 3,920 | N/A | US\$ 3,920 | |
| | European Investment Bank | - | " | - | US\$ 3,885 | N/A | US\$ 3,885 | |
| | Bank of Nova Scotia | - | " | - | US\$ 3,838 | N/A | US\$ 3,838 | |
| | Intercontinental Exchange Inc | - | " | - | US\$ 3,831 | N/A | US\$ 3,831 | |
| | Edison International | - | " | - | US\$ 3,813 | N/A | US\$ 3,813 | |
| | American Express Credit Corp | - | " | - | US\$ 3,804 | N/A | US\$ 3,804 | |
| | NextEra Energy Capital Holdings Inc | - | " | - | US\$ 3,779 | N/A | US\$ 3,779 | |
| | Suncorp-Metway Ltd | - | " | - | US\$ 3,759 | N/A | US\$ 3,759 | |
| | Express Scripts Holding Co | - | " | - | US\$ 3,755 | N/A | US\$ 3,755 | |
| | Alimentation Couche-Tard Inc | - | " | - | US\$ 3,649 | N/A | US\$ 3,649 | |
| | Husky Energy Inc | - | " | - | US\$ 3,641 | N/A | US\$ 3,641 | |
| | Canadian Imperial Bank of Commerce | - | " | - | US\$ 3,596 | N/A | US\$ 3,596 | |
| | Credit Suisse Group Funding Guernsey Ltd | - | " | - | US\$ 3,545 | N/A | US\$ 3,545 | |
| | SES GLOBAL Americas Holdings GP | - | " | - | US\$ 3,519 | N/A | US\$ 3,519 | |
| | Protective Life Global Funding | - | " | - | US\$ 3,515 | N/A | US\$ 3,515 | |
| | Branch Banking & Trust Co | - | " | - | US\$ 3,483 | N/A | US\$ 3,483 | |
| | LyondellBasell Industries NV | - | " | - | US\$ 3,403 | N/A | US\$ 3,403 | |
| | Kroger Co/The | - | " | - | US\$ 3,274 | N/A | US\$ 3,274 | |
| | BNP Paribas SA | - | " | - | US\$ 3,247 | N/A | US\$ 3,247 | |
| | Bayer US Finance II LLC | - | " | - | US\$ 3,204 | N/A | US\$ 3,204 | |
| | BMW US Capital LLC | - | " | - | US\$ 3,190 | N/A | US\$ 3,190 | |
| | Digital Realty Trust LP | - | " | - | US\$ 3,128 | N/A | US\$ 3,128 | |
| | Bank of Montreal | - | " | - | US\$ 3,117 | N/A | US\$ 3,117 | |
| | Inter American Development Bank | - | " | - | US\$ 3,106 | N/A | US\$ 3,106 | |
| | Skandinaviska Enskilda Banken AB | - | " | - | US\$ 3,053 | N/A | US\$ 3,053 | |
| | Capital One Financial Corp | - | " | - | US\$ 3,027 | N/A | US\$ 3,027 | |
| | Royal Bank of Canada | - | " | - | US\$ 2,997 | N/A | US\$ 2,997 | |
| | African Development Bank | - | " | - | US\$ 2,988 | N/A | US\$ 2,988 | |
| | Sprint Spectrum Co LLC / Sprint Spectrum Co II LLC / Sprint Spectrum Co III LLC | - | " | - | US\$ 2,961 | N/A | US\$ 2,961 | |
| | Macquarie Bank Ltd | - | " | - | US\$ 2,955 | N/A | US\$ 2,955 | |
| | Warner Media LLC | - | " | - | US\$ 2,916 | N/A | US\$ 2,916 | |
| | American Express Co | - | " | - | US\$ 2,873 | N/A | US\$ 2,873 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|---|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | Enel Finance International NV | - | Financial assets at fair value through other comprehensive income | - | US\$ 2,857 | N/A | US\$ 2,857 | |
| | Anthem Inc | - | " | - | US\$ 2,844 | N/A | US\$ 2,844 | |
| | Fifth Third Bank/Cincinnati OH | - | " | - | US\$ 2,680 | N/A | US\$ 2,680 | |
| | Lloyds Banking Group PLC | - | " | - | US\$ 2,653 | N/A | US\$ 2,653 | |
| | Delta Air Lines 2007-1 Class A Pass Through Trust | - | " | - | US\$ 2,642 | N/A | US\$ 2,642 | |
| | DXC Technology Co | - | " | - | US\$ 2,589 | N/A | US\$ 2,589 | |
| | PartnerRe Finance B LLC | - | " | - | US\$ 2,584 | N/A | US\$ 2,584 | |
| | WR Berkley Corp | - | " | - | US\$ 2,516 | N/A | US\$ 2,516 | |
| | NiSource Inc | - | " | - | US\$ 2,484 | N/A | US\$ 2,484 | |
| | AutoZone Inc | - | " | - | US\$ 2,482 | N/A | US\$ 2,482 | |
| | Sumitomo Mitsui Banking Corp | - | " | - | US\$ 2,459 | N/A | US\$ 2,459 | |
| | Barclays Bank PLC | - | " | - | US\$ 2,451 | N/A | US\$ 2,451 | |
| | Pacific Gas & Electric Co | - | " | - | US\$ 2,436 | N/A | US\$ 2,436 | |
| | Eastman Chemical Co | - | " | - | US\$ 2,390 | N/A | US\$ 2,390 | |
| | Danske Bank A/S | - | " | - | US\$ 2,384 | N/A | US\$ 2,384 | |
| | Xylem Inc/NY | - | " | - | US\$ 2,355 | N/A | US\$ 2,355 | |
| | Aetna Inc | - | " | - | US\$ 2,330 | N/A | US\$ 2,330 | |
| | EI du Pont de Nemours & Co | - | " | - | US\$ 2,314 | N/A | US\$ 2,314 | |
| | SunTrust Bank/Atlanta GA | - | " | - | US\$ 2,312 | N/A | US\$ 2,312 | |
| | MUFG Bank Ltd | - | " | - | US\$ 2,293 | N/A | US\$ 2,293 | |
| | Simon Property Group LP | - | " | - | US\$ 2,261 | N/A | US\$ 2,261 | |
| | NBCUniversal Media LLC | - | " | - | US\$ 2,258 | N/A | US\$ 2,258 | |
| | Metropolitan Life Global Funding I | - | " | - | US\$ 2,247 | N/A | US\$ 2,247 | |
| | PSEG Power LLC | - | " | - | US\$ 2,235 | N/A | US\$ 2,235 | |
| | ING Groep NV | - | " | - | US\$ 2,230 | N/A | US\$ 2,230 | |
| | Kimco Realty Corp | - | " | - | US\$ 2,212 | N/A | US\$ 2,212 | |
| | Pricoa Global Funding I | - | " | - | US\$ 2,183 | N/A | US\$ 2,183 | |
| | Cintas Corp No 2 | - | " | - | US\$ 2,154 | N/A | US\$ 2,154 | |
| | National Australia Bank Ltd/New York | - | " | - | US\$ 2,128 | N/A | US\$ 2,128 | |
| | Wm Wrigley Jr Co | - | " | - | US\$ 2,121 | N/A | US\$ 2,121 | |
| | AIG Global Funding | - | " | - | US\$ 2,118 | N/A | US\$ 2,118 | |
| | ProAssurance Corp | - | " | - | US\$ 2,110 | N/A | US\$ 2,110 | |
| | Walgreens Boots Alliance Inc | - | " | - | US\$ 2,088 | N/A | US\$ 2,088 | |
| | Commonwealth Bank of Australia/New York NY | - | " | - | US\$ 2,087 | N/A | US\$ 2,087 | |
| | HCP Inc | - | " | - | US\$ 2,046 | N/A | US\$ 2,046 | |
| | EOG Resources Inc | - | " | - | US\$ 2,010 | N/A | US\$ 2,010 | |
| | Philip Morris International Inc | - | " | - | US\$ 2,000 | N/A | US\$ 2,000 | |
| | Bank of New York Mellon Corp/The | - | " | - | US\$ 1,995 | N/A | US\$ 1,995 | |
| | British Telecommunications PLC | - | " | - | US\$ 1,992 | N/A | US\$ 1,992 | |
| | salesforce.com Inc | - | " | - | US\$ 1,991 | N/A | US\$ 1,991 | |
| | Realty Income Corp | - | " | - | US\$ 1,961 | N/A | US\$ 1,961 | |
| | Duke Realty LP | - | " | - | US\$ 1,901 | N/A | US\$ 1,901 | |
| | Societe Generale SA | - | " | - | US\$ 1,881 | N/A | US\$ 1,881 | |
| | Magellan Midstream Partners LP | - | " | - | US\$ 1,878 | N/A | US\$ 1,878 | |
| | Orange SA | - | " | - | US\$ 1,821 | N/A | US\$ 1,821 | |
| | American Airlines 2013-2 Class A Pass Through Trust | - | " | - | US\$ 1,816 | N/A | US\$ 1,816 | |
| | Lam Research Corp | - | " | - | US\$ 1,798 | N/A | US\$ 1,798 | |
| | WestRock RKT Co | - | " | - | US\$ 1,771 | N/A | US\$ 1,771 | |
| | Brambles USA Inc | - | " | - | US\$ 1,757 | N/A | US\$ 1,757 | |
| | Visa Inc | - | " | - | US\$ 1,745 | N/A | US\$ 1,745 | |
| | Dominion Energy Gas Holdings LLC | - | " | - | US\$ 1,729 | N/A | US\$ 1,729 | |
| | Citibank NA | - | " | - | US\$ 1,703 | N/A | US\$ 1,703 | |
| | Regions Financial Corp | - | " | - | US\$ 1,661 | N/A | US\$ 1,661 | |
| | General Electric Co | - | " | - | US\$ 1,605 | N/A | US\$ 1,605 | |
| | Gilead Sciences Inc | - | " | - | US\$ 1,585 | N/A | US\$ 1,585 | |
| | Amazon.com Inc | - | " | - | US\$ 1,574 | N/A | US\$ 1,574 | |
| | Weyerhaeuser Co | - | " | - | US\$ 1,559 | N/A | US\$ 1,559 | |
| | Principal Life Global Funding II | - | " | - | US\$ 1,559 | N/A | US\$ 1,559 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|---|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | Phillips 66 | - | Financial assets at fair value through other comprehensive income | - | US\$ 1,557 | N/A | US\$ 1,557 | |
| | Lincoln National Corp | - | " | - | US\$ 1,553 | N/A | US\$ 1,553 | |
| | Chevron Corp | - | " | - | US\$ 1,528 | N/A | US\$ 1,528 | |
| | Caterpillar Financial Services Corp | - | " | - | US\$ 1,515 | N/A | US\$ 1,515 | |
| | McKesson Corp | - | " | - | US\$ 1,495 | N/A | US\$ 1,495 | |
| | Harley-Davidson Financial Services Inc | - | " | - | US\$ 1,488 | N/A | US\$ 1,488 | |
| | Standard Chartered PLC | - | " | - | US\$ 1,479 | N/A | US\$ 1,479 | |
| | O'Reilly Automotive Inc | - | " | - | US\$ 1,477 | N/A | US\$ 1,477 | |
| | Abbott Laboratories | - | " | - | US\$ 1,475 | N/A | US\$ 1,475 | |
| | Guardian Life Global Funding | - | " | - | US\$ 1,451 | N/A | US\$ 1,451 | |
| | Marsh & McLennan Cos Inc | - | " | - | US\$ 1,439 | N/A | US\$ 1,439 | |
| | Oesterreichische Kontrollbank AG | - | " | - | US\$ 1,435 | N/A | US\$ 1,435 | |
| | HSBC Bank PLC | - | " | - | US\$ 1,426 | N/A | US\$ 1,426 | |
| | CBS Corp | - | " | - | US\$ 1,426 | N/A | US\$ 1,426 | |
| | Sempra Energy | - | " | - | US\$ 1,399 | N/A | US\$ 1,399 | |
| | Monongahela Power Co | - | " | - | US\$ 1,382 | N/A | US\$ 1,382 | |
| | Texas Eastern Transmission LP | - | " | - | US\$ 1,362 | N/A | US\$ 1,362 | |
| | Choe Global Markets Inc | - | " | - | US\$ 1,362 | N/A | US\$ 1,362 | |
| | Georgia-Pacific LLC | - | " | - | US\$ 1,362 | N/A | US\$ 1,362 | |
| | Kreditanstalt fuer Wiederaufbau | - | " | - | US\$ 1,331 | N/A | US\$ 1,331 | |
| | Nissan Motor Acceptance Corp | - | " | - | US\$ 1,303 | N/A | US\$ 1,303 | |
| | Charles Schwab Corp/The | - | " | - | US\$ 1,283 | N/A | US\$ 1,283 | |
| | GATX Corp | - | " | - | US\$ 1,262 | N/A | US\$ 1,262 | |
| | CNA Financial Corp | - | " | - | US\$ 1,257 | N/A | US\$ 1,257 | |
| | Entergy Arkansas Inc | - | " | - | US\$ 1,257 | N/A | US\$ 1,257 | |
| | Compass Bank | - | " | - | US\$ 1,248 | N/A | US\$ 1,248 | |
| | Western Union Co/The | - | " | - | US\$ 1,241 | N/A | US\$ 1,241 | |
| | Entergy Corp | - | " | - | US\$ 1,237 | N/A | US\$ 1,237 | |
| | Consolidated Edison Inc | - | " | - | US\$ 1,198 | N/A | US\$ 1,198 | |
| | Glencore Funding LLC | - | " | - | US\$ 1,196 | N/A | US\$ 1,196 | |
| | Public Service Enterprise Group Inc | - | " | - | US\$ 1,130 | N/A | US\$ 1,130 | |
| | Swedbank AB | - | " | - | US\$ 1,059 | N/A | US\$ 1,059 | |
| | CA Inc | - | " | - | US\$ 1,040 | N/A | US\$ 1,040 | |
| | Merck & Co Inc | - | " | - | US\$ 1,039 | N/A | US\$ 1,039 | |
| | Glencore Finance Canada Ltd | - | " | - | US\$ 1,039 | N/A | US\$ 1,039 | |
| | Reinsurance Group of America Inc | - | " | - | US\$ 1,037 | N/A | US\$ 1,037 | |
| | International Paper Co | - | " | - | US\$ 1,034 | N/A | US\$ 1,034 | |
| | Commonwealth Edison Co | - | " | - | US\$ 1,019 | N/A | US\$ 1,019 | |
| | Athene Global Funding | - | " | - | US\$ 1,016 | N/A | US\$ 1,016 | |
| | Scentre Group Trust 1 / Scentre Group Trust 2 | - | " | - | US\$ 1,010 | N/A | US\$ 1,010 | |
| | Mitsubishi UFJ Trust & Banking Corp | - | " | - | US\$ 1,009 | N/A | US\$ 1,009 | |
| | Union Pacific Corp | - | " | - | US\$ 1,007 | N/A | US\$ 1,007 | |
| | GlaxoSmithKline Capital Inc | - | " | - | US\$ 998 | N/A | US\$ 998 | |
| | Equinor ASA | - | " | - | US\$ 998 | N/A | US\$ 998 | |
| | Biogen Inc | - | " | - | US\$ 995 | N/A | US\$ 995 | |
| | Laboratory Corp of America Holdings | - | " | - | US\$ 992 | N/A | US\$ 992 | |
| | Bank Nederlandse Gemeenten NV | - | " | - | US\$ 991 | N/A | US\$ 991 | |
| | Sysco Corp | - | " | - | US\$ 988 | N/A | US\$ 988 | |
| | Holcim US Finance Sarl & Cie SCS | - | " | - | US\$ 985 | N/A | US\$ 985 | |
| | Unum Group | - | " | - | US\$ 985 | N/A | US\$ 985 | |
| | Entergy Texas Inc | - | " | - | US\$ 978 | N/A | US\$ 978 | |
| | UnitedHealth Group Inc | - | " | - | US\$ 976 | N/A | US\$ 976 | |
| | Healthcare Trust of America Holdings LP | - | " | - | US\$ 970 | N/A | US\$ 970 | |
| | State Grid Overseas Investment Ltd | - | " | - | US\$ 964 | N/A | US\$ 964 | |
| | Bunge Ltd Finance Corp | - | " | - | US\$ 963 | N/A | US\$ 963 | |
| | TransCanada PipeLines Ltd | - | " | - | US\$ 962 | N/A | US\$ 962 | |
| | XLIT Ltd | - | " | - | US\$ 961 | N/A | US\$ 961 | |
| | National Retail Properties Inc | - | " | - | US\$ 936 | N/A | US\$ 936 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|--|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | Duke Energy Progress LLC | - | Financial assets at fair value through other comprehensive income | - | US\$ 916 | N/A | US\$ 916 | |
| | Southern Electric Generating Co | - | " | - | US\$ 898 | N/A | US\$ 898 | |
| | Coca-Cola Femsa SAB de CV | - | " | - | US\$ 895 | N/A | US\$ 895 | |
| | Lockheed Martin Corp | - | " | - | US\$ 888 | N/A | US\$ 888 | |
| | CNOOC Finance Ltd | - | " | - | US\$ 867 | N/A | US\$ 867 | |
| | Viterra Inc | - | " | - | US\$ 863 | N/A | US\$ 863 | |
| | Baker Hughes a GE Co LLC / Baker Hughes Co-Obligor Inc | - | " | - | US\$ 834 | N/A | US\$ 834 | |
| | Huntington Bancshares Inc/OH | - | " | - | US\$ 816 | N/A | US\$ 816 | |
| | Consolidated Edison Co of New York Inc | - | " | - | US\$ 815 | N/A | US\$ 815 | |
| | Danone SA | - | " | - | US\$ 801 | N/A | US\$ 801 | |
| | Alterra Finance LLC | - | " | - | US\$ 799 | N/A | US\$ 799 | |
| | Intesa Sanpaolo SpA | - | " | - | US\$ 798 | N/A | US\$ 798 | |
| | Aon PLC | - | " | - | US\$ 797 | N/A | US\$ 797 | |
| | ONEOK Partners LP | - | " | - | US\$ 789 | N/A | US\$ 789 | |
| | AXIS Specialty Finance LLC | - | " | - | US\$ 783 | N/A | US\$ 783 | |
| | Spectra Energy Partners LP | - | " | - | US\$ 780 | N/A | US\$ 780 | |
| | Nomura Holdings Inc | - | " | - | US\$ 777 | N/A | US\$ 777 | |
| | Incitec Pivot Finance LLC | - | " | - | US\$ 776 | N/A | US\$ 776 | |
| | Manulife Financial Corp | - | " | - | US\$ 773 | N/A | US\$ 773 | |
| | Sinopec Capital Ltd | - | " | - | US\$ 773 | N/A | US\$ 773 | |
| | Activision Blizzard Inc | - | " | - | US\$ 771 | N/A | US\$ 771 | |
| | Baidu Inc | - | " | - | US\$ 744 | N/A | US\$ 744 | |
| | United Technologies Corp | - | " | - | US\$ 743 | N/A | US\$ 743 | |
| | Walmart Inc | - | " | - | US\$ 743 | N/A | US\$ 743 | |
| | WEC Energy Group Inc | - | " | - | US\$ 738 | N/A | US\$ 738 | |
| | John Deere Capital Corp | - | " | - | US\$ 737 | N/A | US\$ 737 | |
| | Duke Energy Progress LLC | - | " | - | US\$ 721 | N/A | US\$ 721 | |
| | DTE Energy Co | - | " | - | US\$ 707 | N/A | US\$ 707 | |
| | Comcast Corp | - | " | - | US\$ 703 | N/A | US\$ 703 | |
| | APT Pipelines Ltd | - | " | - | US\$ 701 | N/A | US\$ 701 | |
| | Baker Hughes a GE Co LLC | - | " | - | US\$ 698 | N/A | US\$ 698 | |
| | American Honda Finance Corp | - | " | - | US\$ 696 | N/A | US\$ 696 | |
| | eBay Inc | - | " | - | US\$ 693 | N/A | US\$ 693 | |
| | Textron Inc | - | " | - | US\$ 693 | N/A | US\$ 693 | |
| | Sumitomo Mitsui Trust Bank Ltd | - | " | - | US\$ 691 | N/A | US\$ 691 | |
| | Australia & New Zealand Banking Group Ltd/New York NY | - | " | - | US\$ 691 | N/A | US\$ 691 | |
| | Vornado Realty LP | - | " | - | US\$ 677 | N/A | US\$ 677 | |
| | Three Gorges Finance I Cayman Islands Ltd | - | " | - | US\$ 677 | N/A | US\$ 677 | |
| | Anheuser-Busch InBev Worldwide Inc | - | " | - | US\$ 675 | N/A | US\$ 675 | |
| | Norfolk Southern Railway Co | - | " | - | US\$ 675 | N/A | US\$ 675 | |
| | Rochester Gas & Electric Corp | - | " | - | US\$ 669 | N/A | US\$ 669 | |
| | National Oilwell Varco Inc | - | " | - | US\$ 664 | N/A | US\$ 664 | |
| | Toledo Edison Co/The | - | " | - | US\$ 640 | N/A | US\$ 640 | |
| | Ohio Power Co | - | " | - | US\$ 639 | N/A | US\$ 639 | |
| | Georgia Power Co | - | " | - | US\$ 635 | N/A | US\$ 635 | |
| | RBC USA Holdco Corp | - | " | - | US\$ 626 | N/A | US\$ 626 | |
| | Hyatt Hotels Corp | - | " | - | US\$ 624 | N/A | US\$ 624 | |
| | Continental Airlines 2007-1 Class A Pass Through Trust | - | " | - | US\$ 624 | N/A | US\$ 624 | |
| | Continental Airlines 2000-1 Class A-1 Pass Through Trust | - | " | - | US\$ 622 | N/A | US\$ 622 | |
| | ERP Operating LP | - | " | - | US\$ 622 | N/A | US\$ 622 | |
| | Alexandria Real Estate Equities Inc | - | " | - | US\$ 619 | N/A | US\$ 619 | |
| | Liberty Property LP | - | " | - | US\$ 617 | N/A | US\$ 617 | |
| | Grupo Bimbo SAB de CV | - | " | - | US\$ 616 | N/A | US\$ 616 | |
| | Nutrien Ltd | - | " | - | US\$ 612 | N/A | US\$ 612 | |
| | Woolworths Group Ltd | - | " | - | US\$ 612 | N/A | US\$ 612 | |
| | OneBeacon US Holdings Inc | - | " | - | US\$ 600 | N/A | US\$ 600 | |
| | Daiwa Securities Group Inc | - | " | - | US\$ 598 | N/A | US\$ 598 | |
| | MUFG Union Bank NA | - | " | - | US\$ 597 | N/A | US\$ 597 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|---|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | Kimberly-Clark Corp | - | Financial assets at fair value through other comprehensive income | - | US\$ 596 | N/A | US\$ 596 | |
| | Altria Group Inc | - | " | - | US\$ 596 | N/A | US\$ 596 | |
| | BOC Aviation Ltd | - | " | - | US\$ 595 | N/A | US\$ 595 | |
| | BAT International Finance PLC | - | " | - | US\$ 594 | N/A | US\$ 594 | |
| | Life Technologies Corp | - | " | - | US\$ 594 | N/A | US\$ 594 | |
| | Dr Pepper Snapple Group Inc | - | " | - | US\$ 592 | N/A | US\$ 592 | |
| | Ontario Teachers' Cadillac Fairview Properties Trust | - | " | - | US\$ 592 | N/A | US\$ 592 | |
| | ABC Inc | - | " | - | US\$ 579 | N/A | US\$ 579 | |
| | Nationwide Financial Services Inc | - | " | - | US\$ 574 | N/A | US\$ 574 | |
| | AXIS Specialty Finance PLC | - | " | - | US\$ 573 | N/A | US\$ 573 | |
| | Mizuho Bank Ltd | - | " | - | US\$ 572 | N/A | US\$ 572 | |
| | Host Hotels & Resorts LP | - | " | - | US\$ 569 | N/A | US\$ 569 | |
| | AvalonBay Communities Inc | - | " | - | US\$ 564 | N/A | US\$ 564 | |
| | Berkshire Hathaway Energy Co | - | " | - | US\$ 549 | N/A | US\$ 549 | |
| | Regions Bank/Birmingham AL | - | " | - | US\$ 549 | N/A | US\$ 549 | |
| | Exxon Mobil Corp | - | " | - | US\$ 539 | N/A | US\$ 539 | |
| | Bunge Ltd Finance Corp | - | " | - | US\$ 525 | N/A | US\$ 525 | |
| | Prudential Financial Inc | - | " | - | US\$ 519 | N/A | US\$ 519 | |
| | MUFG Americas Holdings Corp | - | " | - | US\$ 517 | N/A | US\$ 517 | |
| | American Electric Power Co Inc | - | " | - | US\$ 512 | N/A | US\$ 512 | |
| | Southwestern Electric Power Co | - | " | - | US\$ 510 | N/A | US\$ 510 | |
| | Fulton Financial Corp | - | " | - | US\$ 505 | N/A | US\$ 505 | |
| | TD Ameritrade Holding Corp | - | " | - | US\$ 504 | N/A | US\$ 504 | |
| | Halliburton Co | - | " | - | US\$ 500 | N/A | US\$ 500 | |
| | BNP Paribas / BNP Paribas US Medium-Term Note Program LLC | - | " | - | US\$ 500 | N/A | US\$ 500 | |
| | Regency Centers Corp | - | " | - | US\$ 499 | N/A | US\$ 499 | |
| | Highwoods Realty LP | - | " | - | US\$ 493 | N/A | US\$ 493 | |
| | MetLife Inc | - | " | - | US\$ 489 | N/A | US\$ 489 | |
| | ORIX Corp | - | " | - | US\$ 489 | N/A | US\$ 489 | |
| | MassMutual Global Funding II | - | " | - | US\$ 478 | N/A | US\$ 478 | |
| | Diageo Capital PLC | - | " | - | US\$ 476 | N/A | US\$ 476 | |
| | Comerica Inc | - | " | - | US\$ 472 | N/A | US\$ 472 | |
| | HSBC USA Inc | - | " | - | US\$ 470 | N/A | US\$ 470 | |
| | Eaton Corp | - | " | - | US\$ 460 | N/A | US\$ 460 | |
| | Narragansett Electric Co/The | - | " | - | US\$ 460 | N/A | US\$ 460 | |
| | Spire Inc | - | " | - | US\$ 457 | N/A | US\$ 457 | |
| | United Overseas Bank Ltd | - | " | - | US\$ 454 | N/A | US\$ 454 | |
| | CenterPoint Energy Inc | - | " | - | US\$ 451 | N/A | US\$ 451 | |
| | Total Capital International SA | - | " | - | US\$ 447 | N/A | US\$ 447 | |
| | Burlington Northern Santa Fe LLC | - | " | - | US\$ 428 | N/A | US\$ 428 | |
| | Columbia Pipeline Group Inc | - | " | - | US\$ 423 | N/A | US\$ 423 | |
| | Canadian Pacific Railway Co | - | " | - | US\$ 421 | N/A | US\$ 421 | |
| | Texas-New Mexico Power Co | - | " | - | US\$ 419 | N/A | US\$ 419 | |
| | Valero Energy Corp | - | " | - | US\$ 418 | N/A | US\$ 418 | |
| | Tanger Properties LP | - | " | - | US\$ 391 | N/A | US\$ 391 | |
| | Southern Power Co | - | " | - | US\$ 389 | N/A | US\$ 389 | |
| | IBM Credit LLC | - | " | - | US\$ 388 | N/A | US\$ 388 | |
| | Aon Corp | - | " | - | US\$ 379 | N/A | US\$ 379 | |
| | StanCorp Financial Group Inc | - | " | - | US\$ 375 | N/A | US\$ 375 | |
| | First Niagara Financial Group Inc | - | " | - | US\$ 369 | N/A | US\$ 369 | |
| | NetApp Inc | - | " | - | US\$ 360 | N/A | US\$ 360 | |
| | CenterPoint Energy Resources Corp | - | " | - | US\$ 356 | N/A | US\$ 356 | |
| | Deutsche Bank AG | - | " | - | US\$ 347 | N/A | US\$ 347 | |
| | Cisco Systems Inc | - | " | - | US\$ 318 | N/A | US\$ 318 | |
| | PacifiCorp | - | " | - | US\$ 308 | N/A | US\$ 308 | |
| | Schlumberger Finance Canada Ltd | - | " | - | US\$ 293 | N/A | US\$ 293 | |
| | Eli Lilly & Co | - | " | - | US\$ 287 | N/A | US\$ 287 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|--|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | Amphenol Corp | - | Financial assets at fair value through other comprehensive income | - | US\$ 285 | N/A | US\$ 285 | |
| | BAE Systems Holdings Inc | - | " | - | US\$ 284 | N/A | US\$ 284 | |
| | EMD Finance LLC | - | " | - | US\$ 276 | N/A | US\$ 276 | |
| | CMS Energy Corp | - | " | - | US\$ 234 | N/A | US\$ 234 | |
| | Hartford Financial Services Group Inc/The Protective Life Corp | - | " | - | US\$ 231 | N/A | US\$ 231 | |
| | Rolls-Royce PLC | - | " | - | US\$ 221 | N/A | US\$ 221 | |
| | WestRock MWV LLC | - | " | - | US\$ 216 | N/A | US\$ 216 | |
| | ING Bank NV | - | " | - | US\$ 208 | N/A | US\$ 208 | |
| | Fidelity National Information Services Inc | - | " | - | US\$ 202 | N/A | US\$ 202 | |
| | Commonwealth Bank of Australia | - | " | - | US\$ 201 | N/A | US\$ 201 | |
| | Pinnacle West Capital Corp | - | " | - | US\$ 195 | N/A | US\$ 195 | |
| | Equifax Inc | - | " | - | US\$ 174 | N/A | US\$ 174 | |
| | Schneider Electric SE | - | " | - | US\$ 157 | N/A | US\$ 157 | |
| | Packaging Corp of America | - | " | - | US\$ 157 | N/A | US\$ 157 | |
| | Duke Energy Florida LLC | - | " | - | US\$ 89 | N/A | US\$ 89 | |
| | Wells Fargo & Co | - | Financial assets at amortized cost | - | US\$ 149,942 | N/A | US\$ 151,620 | |
| | JPMorgan Chase & Co. | - | " | - | US\$ 124,948 | N/A | US\$ 126,594 | |
| | Westpac Banking Corp. | - | " | - | US\$ 99,987 | N/A | US\$ 100,392 | |
| | Goldman Sachs Group, Inc. | - | " | - | US\$ 99,900 | N/A | US\$ 100,623 | |
| | Commonwealth Bank of Australia | - | " | - | US\$ 49,994 | N/A | US\$ 50,178 | |
| | National Australia Bank | - | " | - | US\$ 49,994 | N/A | US\$ 50,143 | |
| | Bank of Nova Scotia | - | " | - | US\$ 49,973 | N/A | US\$ 50,143 | |
| | Industrial and Commercial Bank of China | - | " | - | US\$ 9,996 | N/A | US\$ 10,010 | |
| | <u>Government bond</u> | | | | | | | |
| | United States Treasury Note/Bond | - | Financial assets at fair value through other comprehensive income | - | US\$ 335,016 | N/A | US\$ 335,016 | |
| | Abu Dhabi Government International Bond | - | " | - | US\$ 3,380 | N/A | US\$ 3,380 | |
| | Qatar Government International Bond | - | " | - | US\$ 1,299 | N/A | US\$ 1,299 | |
| | <u>Agency bonds/Agency mortgage-backed securities</u> | | | | | | | |
| | Government National Mortgage Association | - | Financial assets at fair value through Profit or Loss | - | US\$ 11,530 | N/A | US\$ 11,530 | |
| | Fannie Mae | - | " | - | US\$ 7,190 | N/A | US\$ 7,190 | |
| | Freddie Mac | - | " | - | US\$ 4,789 | N/A | US\$ 4,789 | |
| | Fannie Mae | - | Financial assets at fair value through other comprehensive income | - | US\$ 666,059 | N/A | US\$ 666,059 | |
| | Freddie Mac | - | " | - | US\$ 279,461 | N/A | US\$ 279,461 | |
| | Government National Mortgage Association | - | " | - | US\$ 157,046 | N/A | US\$ 157,046 | |
| | Ginnie Mae | - | " | - | US\$ 26,426 | N/A | US\$ 26,426 | |
| | Federal Home Loan Banks | - | " | - | US\$ 6,143 | N/A | US\$ 6,143 | |
| | Freddie Mac Multifamily Structured Pass Through Certificates | - | " | - | US\$ 3,258 | N/A | US\$ 3,258 | |
| | Province of Quebec Canada | - | " | - | US\$ 2,510 | N/A | US\$ 2,510 | |
| | Export Development Canada | - | " | - | US\$ 2,485 | N/A | US\$ 2,485 | |
| | NCUA Guaranteed Notes Trust 2010-R2 | - | " | - | US\$ 1,335 | N/A | US\$ 1,335 | |
| | CPPIB Capital Inc | - | " | - | US\$ 1,179 | N/A | US\$ 1,179 | |
| | Federal Farm Credit Banks | - | " | - | US\$ 885 | N/A | US\$ 885 | |
| | Kowloon-Canton Railway Corp | - | " | - | US\$ 560 | N/A | US\$ 560 | |
| | FHLMC-GNMA | - | " | - | US\$ 500 | N/A | US\$ 500 | |
| | <u>Asset-backed securities</u> | | | | | | | |
| | Ford Credit Auto Owner Trust | - | Financial assets at fair value through Profit or Loss | - | US\$ 2,295 | N/A | US\$ 2,295 | |
| | Hyundai Auto Receivables Trust | - | " | - | US\$ 1,995 | N/A | US\$ 1,995 | |
| | Citibank Credit Card Issuance Trust | - | Financial assets at fair value through other comprehensive income | - | US\$ 59,519 | N/A | US\$ 59,519 | |
| | Discover Card Execution Note Trust | - | " | - | US\$ 50,082 | N/A | US\$ 50,082 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|--|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | Chase Issuance Trust | - | Financial assets at fair value through other comprehensive income | - | US\$ 39,932 | N/A | US\$ 39,932 | |
| | American Express Credit Account Master Trust | - | " | - | US\$ 36,256 | N/A | US\$ 36,256 | |
| | Ford Credit Floorplan Master Owner Trust A | - | " | - | US\$ 26,768 | N/A | US\$ 26,768 | |
| | Ford Credit Auto Owner Trust/Ford Credit 2014-REV1 | - | " | - | US\$ 13,720 | N/A | US\$ 13,720 | |
| | UBS-Barclays Commercial Mortgage Trust 2012-C2 | - | " | - | US\$ 12,331 | N/A | US\$ 12,331 | |
| | Morgan Stanley Bank of America Merrill Lynch Trust | - | " | - | US\$ 11,498 | N/A | US\$ 11,498 | |
| | Toyota Auto Receivables 2014-C Owner Trust | - | " | - | US\$ 11,403 | N/A | US\$ 11,403 | |
| | Capital One Multi-Asset Execution Trust | - | " | - | US\$ 11,014 | N/A | US\$ 11,014 | |
| | BA Credit Card Trust | - | " | - | US\$ 10,805 | N/A | US\$ 10,805 | |
| | Hyundai Auto Lease Securitization Trust 2017-A | - | " | - | US\$ 10,334 | N/A | US\$ 10,334 | |
| | Nissan Master Owner Trust Receivables | - | " | - | US\$ 10,006 | N/A | US\$ 10,006 | |
| | COMM Mortgage Trust | - | " | - | US\$ 9,019 | N/A | US\$ 9,019 | |
| | GM Financial Automobile Leasing Trust 2015-3 | - | " | - | US\$ 8,933 | N/A | US\$ 8,933 | |
| | JPMCC Commercial Mortgage Securities Trust 2017-JP7 BANK | - | " | - | US\$ 8,474 | N/A | US\$ 8,474 | |
| | CGDBB Commercial Mortgage Trust 2017-BIOC | - | " | - | US\$ 7,738 | N/A | US\$ 7,738 | |
| | Mercedes-Benz Master Owner Trust | - | " | - | US\$ 7,502 | N/A | US\$ 7,502 | |
| | Honda Auto Receivables 2017-2 Owner Trust | - | " | - | US\$ 7,429 | N/A | US\$ 7,429 | |
| | Chesapeake Funding II LLC | - | " | - | US\$ 7,257 | N/A | US\$ 7,257 | |
| | GS Mortgage Securities Trust | - | " | - | US\$ 6,824 | N/A | US\$ 6,824 | |
| | Ford Credit Auto Lease Trust | - | " | - | US\$ 6,730 | N/A | US\$ 6,730 | |
| | Citigroup Commercial Mortgage Trust 2013-GC11 | - | " | - | US\$ 6,439 | N/A | US\$ 6,439 | |
| | BMW Vehicle Lease Trust | - | " | - | US\$ 5,872 | N/A | US\$ 5,872 | |
| | Nissan Auto Lease Trust | - | " | - | US\$ 5,640 | N/A | US\$ 5,640 | |
| | BBCMS 2018-TALL Mortgage Trust | - | " | - | US\$ 5,532 | N/A | US\$ 5,532 | |
| | JPMBB Commercial Mortgage Securities Trust 2013-C12 | - | " | - | US\$ 5,488 | N/A | US\$ 5,488 | |
| | JPMDB Commercial Mortgage Securities Trust 2017-C7 | - | " | - | US\$ 5,346 | N/A | US\$ 5,346 | |
| | Volvo Financial Equipment Master Owner Trust 2017-A | - | " | - | US\$ 5,037 | N/A | US\$ 5,037 | |
| | Ford Credit Auto Owner Trust | - | " | - | US\$ 4,508 | N/A | US\$ 4,508 | |
| | Wells Fargo Commercial Mortgage Trust 2015-LC20 | - | " | - | US\$ 4,328 | N/A | US\$ 4,328 | |
| | UBS Commercial Mortgage Trust 2018-C10 | - | " | - | US\$ 4,125 | N/A | US\$ 4,125 | |
| | GM Financial Consumer Automobile 2017-1 | - | " | - | US\$ 4,018 | N/A | US\$ 4,018 | |
| | Nissan Auto Receivables 2017-B Owner Trust | - | " | - | US\$ 3,904 | N/A | US\$ 3,904 | |
| | Cold Storage Trust 2017-ICE3 | - | " | - | US\$ 3,853 | N/A | US\$ 3,853 | |
| | Morgan Stanley Capital I Trust | - | " | - | US\$ 3,811 | N/A | US\$ 3,811 | |
| | Wheels SPV 2 LLC | - | " | - | US\$ 3,697 | N/A | US\$ 3,697 | |
| | Hertz Fleet Lease Funding LP | - | " | - | US\$ 3,383 | N/A | US\$ 3,383 | |
| | BMW Floorplan Master Owner Trust | - | " | - | US\$ 3,319 | N/A | US\$ 3,319 | |
| | Navient Student Loan Trust 2017-1 | - | " | - | US\$ 2,800 | N/A | US\$ 2,800 | |
| | Hyundai Auto Receivables Trust | - | " | - | US\$ 1,711 | N/A | US\$ 1,711 | |
| | WFRBS Commercial Mortgage Trust 2013-C14 | - | " | - | US\$ 1,675 | N/A | US\$ 1,675 | |
| | SLM Student Loan Trust 2013-6 | - | " | - | US\$ 1,612 | N/A | US\$ 1,612 | |
| | Enterprise Fleet Financing LLC | - | " | - | US\$ 1,594 | N/A | US\$ 1,594 | |
| | Mercedes-Benz Auto Lease Trust 2016-A | - | " | - | US\$ 1,474 | N/A | US\$ 1,474 | |
| | CarMax Auto Owner Trust | - | " | - | US\$ 1,414 | N/A | US\$ 1,414 | |
| | 280 Park Avenue Mortgage Trust | - | " | - | US\$ 872 | N/A | US\$ 872 | |
| | CFCRE Commercial Mortgage Trust 2011-C1 | - | " | - | US\$ 830 | N/A | US\$ 830 | |
| | Ally Auto Receivables Trust 2018-3 | - | " | - | US\$ 810 | N/A | US\$ 810 | |
| | DBUBS 2011-LC2 Mortgage Trust | - | " | - | US\$ 700 | N/A | US\$ 700 | |
| | ARI Fleet Lease Trust 2018-A | - | " | - | US\$ 516 | N/A | US\$ 516 | |
| | CD 2016-CD2 Mortgage Trust | - | " | - | US\$ 507 | N/A | US\$ 507 | |
| | Mercedes-Benz Auto Receivables Trust 2015-1 | - | " | - | US\$ 497 | N/A | US\$ 497 | |
| | Freddie Mac | - | " | - | US\$ 197 | N/A | US\$ 197 | |
| | <u>Structure product</u> | | | | | | | |
| | Bank of Tokyo-Mitsubishi UFJ | - | Financial assets at amortized cost | - | US\$ 49,979. | N/A | US\$ 49,752. | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | JUNE 30, 2018 | | | | Note |
|-------------------|---|-------------------------------|---|--------------------------------|--|--------------------------------|--|------|
| | | | | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Fair Value (Foreign Currencies in Thousands) | |
| TSMC Global | <u>Commercial paper</u> Sumitomo Mitsui Trust Bank Limited/ New York | - | Financial assets at fair value through other comprehensive income | - | US\$ 2,000 | N/A | US\$ 2,000 | |
| | Royal Bank of Canada/New York NY | - | " | - | US\$ 2,000 | N/A | US\$ 2,000 | |
| | Macquarie Bank Ltd | - | " | - | US\$ 1,988 | N/A | US\$ 1,988 | |
| | Toronto-Dominion Bank/NY | - | " | - | US\$ 1,500 | N/A | US\$ 1,500 | |
| | <u>Non-publicly traded equity investments</u> Primavera Capital Fund II L.P. | - | Financial assets at fair value through other comprehensive income | - | US\$ 72,498 | 4 | US\$ 72,498 | |
| VTAF II | <u>Non-publicly traded equity investments</u> Sentelic | - | Financial assets at fair value through other comprehensive income | 1,019 | US\$ 2,053 | 4 | US\$ 2,053 | |
| | Aether Systems, Inc. | - | " | 1,085 | US\$ 355 | 20 | US\$ 355 | |
| | 5V Technologies, Inc. | - | " | 963 | US\$ 316 | 2 | US\$ 316 | |
| | <u>Publicly traded stocks</u> Aquantia | - | Financial assets at fair value through other comprehensive income | 360 | US\$ 4,166 | 1 | US\$ 4,166 | |
| VTAF III | <u>Non-publicly traded equity investments</u> LiquidLeds Lighting Corp. | - | Financial assets at fair value through other comprehensive income | 1,600 | US\$ 800 | 11 | US\$ 800 | |
| | Neoconix, Inc. | - | " | 4,147 | US\$ 174 | - | US\$ 174 | |
| ISDF | <u>Non-publicly traded equity investments</u> Sonics, Inc. | - | Financial assets at fair value through other comprehensive income | 230 | - | 3 | - | |
| ISDF II | <u>Non-publicly traded equity investments</u> Sonics, Inc. | - | Financial assets at fair value through other comprehensive income | 542 | - | 8 | - | |
| Growth Fund | <u>Non-publicly traded equity investments</u> Innovium, Inc. | - | Financial assets at fair value through other comprehensive income | 451 | US\$ 2,392 | - | US\$ 2,392 | |

(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, 2018
(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>Non-publicly traded equity investments</u> | | | | | | | | | | | | | |
| | TSMC Global | Investments accounted for using equity method | - | Subsidiary | 9 | \$ 309,211,877 | 2 | \$ 59,182,280 | - | \$ - | \$ - | \$ - | 11 | \$ 382,629,000 |
| | TSMC Nanjing | " | - | Subsidiary | - | 26,493,740 | - | 2,361,320 | - | - | - | - | - | 25,388,452 |
| TSMC Global | <u>Corporate bond</u> | | | | | | | | | | | | | |
| | CVS Health Corp | Financial assets at fair value through other comprehensive income | - | - | - | US\$ 10,018 | - | US\$ 14,507 | - | - | - | - | - | US\$ 24,424 |
| | Cooperatieve Rabobank UA/NY | " | - | - | - | US\$ 1,450 | - | US\$ 11,593 | - | US\$ 4,387 | US\$ 4,497 | US\$ (110) | - | US\$ 8,542 |
| | Celgene Corp | " | - | - | - | US\$ 6,181 | - | US\$ 10,575 | - | US\$ 8,076 | US\$ 8,258 | US\$ (182) | - | US\$ 8,348 |
| | Asian Development Bank | " | - | - | - | US\$ 11,073 | - | - | - | US\$ 11,075 | US\$ 11,075 | - | - | - |
| | <u>Government bond</u> | | | | | | | | | | | | | |
| | United States Treasury Note/Bond | Financial assets at fair value through other comprehensive income | - | - | - | US\$ 202,689 | - | US\$ 277,214 | - | US\$ 193,418 | US\$ 194,524 | US\$ (1,106) | - | US\$ 282,963 |
| | United States Treasury Floating Rate Note | " | - | - | - | US\$ 49,901 | - | US\$ 67,998 | - | US\$ 71,979 | US\$ 71,935 | US\$ 44 | - | US\$ 45,909 |
| | United States Treasury Bill | " | - | - | - | US\$ 2,997 | - | US\$ 93,204 | - | US\$ 94,516 | US\$ 94,492 | US\$ 24 | - | US\$ 1,749 |
| | <u>Agency bonds/Agency mortgage-backed securities</u> | | | | | | | | | | | | | |
| | FNMA TBA 30 Yr 3.5 | Financial assets at fair value through other comprehensive income | - | - | - | US\$ 2,866 | - | US\$ 36,834 | - | US\$ 20,767 | US\$ 20,841 | US\$ (74) | - | US\$ 19,006 |
| | FNMA TBA 30 Yr 5 | " | - | - | - | - | - | US\$ 46,384 | - | US\$ 29,474 | US\$ 29,526 | US\$ (52) | - | US\$ 16,960 |
| | Government National Mortgage Association | " | - | - | - | - | - | US\$ 15,306 | - | - | US\$ 4 | US\$ (4) | - | US\$ 15,299 |
| | Government National Mortgage Association | " | - | - | - | - | - | US\$ 10,453 | - | - | - | - | - | US\$ 10,382 |
| | FNMA TBA 15 Yr 3 | " | - | - | - | US\$ 2,015 | - | US\$ 27,575 | - | US\$ 23,017 | US\$ 23,068 | US\$ (51) | - | US\$ 6,558 |
| | FNMA TBA 30 Yr 4.5 | " | - | - | - | US\$ 15,758 | - | US\$ 86,688 | - | US\$ 97,401 | US\$ 97,702 | US\$ (301) | - | US\$ 4,817 |
| | GNMA II TBA 30 Yr 4 | " | - | - | - | US\$ 2,378 | - | US\$ 23,048 | - | US\$ 23,063 | US\$ 23,109 | US\$ (46) | - | US\$ 2,339 |
| | FNMA TBA 15 Yr 3.5 | " | - | - | - | - | - | US\$ 18,243 | - | US\$ 16,218 | US\$ 16,228 | US\$ (10) | - | US\$ 2,023 |
| | GNMA II TBA 30 Yr 3.5 | " | - | - | - | US\$ 145 | - | US\$ 29,969 | - | US\$ 28,387 | US\$ 28,458 | US\$ (71) | - | US\$ 1,658 |
| | Federal Home Loan Bank Discount Notes | " | - | - | - | - | - | US\$ 29,498 | - | US\$ 29,500 | US\$ 29,499 | US\$ 1 | - | - |
| | FNMA TBA 30 Yr 3 | " | - | - | - | - | - | US\$ 123,851 | - | US\$ 123,395 | US\$ 123,851 | US\$ (456) | - | - |
| | <u>Asset-backed securities</u> | | | | | | | | | | | | | |
| | Citibank Credit Card Issuance Trust | Financial assets at fair value through other comprehensive income | - | - | - | US\$ 48,328 | - | US\$ 27,345 | - | US\$ 16,000 | US\$ 15,996 | US\$ 4 | - | US\$ 59,519 |
| | Discover Card Execution Note Trust | " | - | - | - | US\$ 45,722 | - | US\$ 15,017 | - | US\$ 10,585 | US\$ 10,591 | US\$ (6) | - | US\$ 50,082 |
| | Chase Issuance Trust | " | - | - | - | US\$ 39,211 | - | US\$ 17,750 | - | US\$ 16,973 | US\$ 16,982 | US\$ (9) | - | US\$ 39,932 |
| | American Express Credit Account Master Trust | " | - | - | - | US\$ 12,805 | - | US\$ 12,963 | - | US\$ 4,429 | US\$ 4,431 | US\$ (2) | - | US\$ 21,316 |
| | Capital One Multi-Asset Execution Trust | " | - | - | - | US\$ 22,544 | - | - | - | US\$ 11,500 | US\$ 11,474 | US\$ 26 | - | US\$ 11,014 |

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

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, 2018
(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 | March 10, 2017 to January 25, 2018 | \$ 303,592 | Monthly settlement by the construction progress and acceptance | HSIEH KUN CO., LTD | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | March 17, 2017 to March 12, 2018 | 301,341 | Monthly settlement by the construction progress and acceptance | Jer Yih Electrical Eng. Co. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | March 21, 2017 to January 8, 2018 | 302,101 | Monthly settlement by the construction progress and acceptance | TRUSVAL TECHNOLOGY CO., LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 10, 2017 to March 30, 2018 | 382,672 | Monthly settlement by the construction progress and acceptance | M+W High Tech Project Taiwan Co., Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 18, 2017 to June 4, 2018 | 1,334,403 | Monthly settlement by the construction progress and acceptance | CHEN FULL INTERNATIONAL CO., LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 20, 2017 to April 19, 2018 | 300,874 | Monthly settlement by the construction progress and acceptance | Unique Station International Corp. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 21, 2017 to June 12, 2018 | 1,841,951 | Monthly settlement by the construction progress and acceptance | Organo Technology Co., Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 25, 2017 to May 29, 2018 | 2,153,120 | Monthly settlement by the construction progress and acceptance | YANKEY ENGINEERING CO., LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | May 12, 2017 to May 10, 2018 | 413,901 | Monthly settlement by the construction progress and acceptance | HUAN YU TECHNOLOGIES CO., LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | May 25, 2017 to June 21, 2018 | 2,187,982 | Monthly settlement by the construction progress and acceptance | MEGA UNION TECHNOLOGY INCORPORATED | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | July 11, 2017 to May 8, 2018 | 556,646 | Monthly settlement by the construction progress and acceptance | TASA Construction Corporation | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | July 24, 2017 to June 21, 2018 | 347,431 | Monthly settlement by the construction progress and acceptance | MandarTech Interiors Inc. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | July 28, 2017 to April 19, 2018 | 348,757 | Monthly settlement by the construction progress and acceptance | J.J. PAN AND PARTNERS , ARCHITECTS AND PLANNERS | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | July 28, 2017 to May 8, 2018 | 574,621 | Monthly settlement by the construction progress and acceptance | Trane Taiwan Distribution Limited | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | August 8, 2017 to June 28, 2018 | 337,069 | Monthly settlement by the construction progress and acceptance | Lumax International Corp., Ltd | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | August 16, 2017 to June 12, 2018 | 679,225 | Monthly settlement by the construction progress and acceptance | Air Liquide Far Eastern | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |

(Continued)

| 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 | September 5, 2017 to June 1, 2018 | \$ 1,224,738 | Monthly settlement by the construction progress and acceptance | Uangyih-Tech Industrial Co., Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | September 14, 2017 to March 22, 2018 | 784,003 | Monthly settlement by the construction progress and acceptance | Siemens Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | November 9, 2017 to June 20, 2018 | 1,773,165 | Monthly settlement by the construction progress and acceptance | MARKETECH INTERNATIONAL CORP. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | November 10, 2017 to May 24, 2018 | 305,783 | Monthly settlement by the construction progress and acceptance | DESICCANT TECHNOLOGY CO., LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | November 13, 2017 to April 16, 2018 | 388,969 | Monthly settlement by the construction progress and acceptance | Chen Yuan International Co., Ltd | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | November 14, 2017 to April 16, 2018 | 1,724,550 | Monthly settlement by the construction progress and acceptance | PAN ASIA Corp. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | December 5, 2017 to June 4, 2018 | 6,758,423 | Monthly settlement by the construction progress and acceptance | UNITED INTEGRATED SERVICES CO., LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | December 13, 2017 to June 22, 2018 | 2,113,761 | Monthly settlement by the construction progress and acceptance | Taiwan Puritic Corp. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | December 14, 2017 to May 23, 2018 | 305,566 | Monthly settlement by the construction progress and acceptance | WHOLETECH SYSTEM HITECH LIMITED | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | December 26, 2017 to February 13, 2018 | 525,172 | Monthly settlement by the construction progress and acceptance | ABB Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | January 4, 2018 to April 16, 2018 | 1,744,533 | Monthly settlement by the construction progress and acceptance | KEDGE Construction Co., Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | January 5, 2018 to April 16, 2018 | 315,886 | Monthly settlement by the construction progress and acceptance | Shihlin Electric & Engineering Corp. Tainan Branch | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | February 5, 2018 to March 22, 2018 | 2,067,841 | Monthly settlement by the construction progress and acceptance | L&K ENGINEERING CO.,LTD. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | February 6, 2018 to April 3, 2018 | 2,710,363 | Monthly settlement by the construction progress and acceptance | Fu Tsu Construction Co., Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | February 12, 2018 to April 16, 2018 | 378,445 | Monthly settlement by the construction progress and acceptance | AMPOWER INTERNATIONAL ENTERPRISE | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | February 13, 2018 to June 25, 2018 | 1,415,232 | Monthly settlement by the construction progress and acceptance | Cica-Huntek Chemical Technology Taiwan Co., Ltd | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 13, 2018 to April 16, 2018 | 410,000 | Monthly settlement by the construction progress and acceptance | Lead Fu Industrials Corp. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |
| | Fab | April 16, 2018 | 2,691,210 | Monthly settlement by the construction progress and acceptance | DA CIN Construction Co., Ltd. | - | N/A | N/A | N/A | N/A | Price comparison and price negotiation | Manufacturing purpose | None |

(Concluded)

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, 2018

(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 | \$ 285,135,942 | 56 | Net 30 days from invoice date (Note) | - | Note | \$ 50,980,985 | 60 | |
| | GUC | Associate | Sales | 3,190,892 | 1 | Net 30 days from the end of the month of when invoice is issued | - | - | 1,009,177 | 1 | |
| | TSMC China | Subsidiary | Purchases | 9,465,891 | 21 | Net 30 days from the end of the month of when invoice is issued | - | - | (1,661,881) | 5 | |
| | WaferTech | Indirect subsidiary | Purchases | 4,252,547 | 9 | Net 30 days from the end of the month of when invoice is issued | - | - | (1,546,592) | 5 | |
| | VIS | Associate | Purchases | 2,644,248 | 6 | Net 30 days from the end of the month of when invoice is issued | - | - | (475,506) | 1 | |
| | TSMC Nanjing | Subsidiary | Purchases | 2,302,108 | 5 | Net 30 days from the end of the month of when invoice is issued | - | - | (1,428,454) | 4 | |
| | SSMC | Associate | Purchases | 1,753,667 | 4 | Net 30 days from the end of the month of when invoice is issued | - | - | (344,554) | 1 | |
| TSMC North America | GUC | Associate of TSMC | Sales | 987,354 (US\$ 33,457) | - | Net 30 days from invoice date | - | - | 63,817 (US\$ 2,090) | - | |

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, 2018

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

| Company Name | Related Party | Nature of Relationships | Ending Balance (Foreign Currencies in Thousands) | Turnover Days (Note 1) | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----------------------|--------------------|---------------------------------------|--|---------------------------|-------------------------|--------------|---|----------------------------|
| | | | | | Amount | Action Taken | | |
| TSMC | TSMC North America | Subsidiary | \$ 51,595,574 | 46 | \$ 3,439,728 | - | \$ 29,909,924 | \$ - |
| | SSMC | Associate | 1,698,519 | Note 2 | 172 | - | 391 | - |
| | VIS | Associate | 1,486,788 | Note 2 | - | - | - | - |
| | GUC | Associate | 1,009,314 | 51 | - | - | - | - |
| | VisEra Tech | Subsidiary | 506,971 | Note 2 | - | - | - | - |
| TSMC China | TSMC Nanjing | The same parent company | 28,335,695 (RMB 6,148,439) | Note 2 | - | - | - | - |
| | TSMC | Parent company | 1,661,881 (RMB 360,606) | 30 | - | - | - | - |
| WaferTech | TSMC | The ultimate parent of the Company | 1,546,592 (USD 50,658) | 60 | 840,390 (USD 27,527) | - | 840,390 (USD 27,527) | - |
| TSMC Nanjing | TSMC | Parent company | 1,428,454 (RMB 309,955) | 56 | - | - | - | - |
| TSMC Technology | TSMC | The ultimate parent of the Company | 238,220 (USD 7,803) | Note 2 | - | - | - | - |
| TSMC North America | TSMC | Parent company | 151,699 (USD 4,969) | Note 2 | 1,011 (USD 33) | - | 3,240 (USD 106) | - |

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE SIX MONTHS ENDED JUNE 30, 2018
 (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 | \$ 285,135,942 | - | 59% |
| | | | | Receivables from related parties | 50,980,985 | - | 2% |
| | | | | Other receivables from related parties | 614,589 | - | - |
| | | | | Payables to related parties | 151,699 | - | - |
| | | TSMC Japan | 1 | Marketing expenses - commission | 112,326 | - | - |
| | | TSMC Europe | 1 | Marketing expenses - commission | 236,985 | - | - |
| | | TSMC China | 1 | Purchases | 9,465,891 | - | 2% |
| | | | | Payables to related parties | 1,661,881 | - | - |
| | | TSMC Nanjing | 1 | Purchases | 2,302,108 | - | - |
| | | | | Proceeds from disposal of property, plant and equipment | 2,348,831 | - | - |
| Payables to related parties | 1,428,454 | | | - | - | | |
| TSMC Canada | 1 | Research and development expenses | 148,523 | - | - | | |
| TSMC Technology | 1 | Research and development expenses | 1,006,902 | - | - | | |
| | | Payables to related parties | 238,220 | - | - | | |
| WaferTech | 1 | Purchases | 4,252,547 | - | 1% | | |
| | | Payables to related parties | 1,546,592 | - | - | | |
| VisEra | 1 | Other receivables from related parties | 506,931 | - | - | | |
| 1 | TSMC China | TSMC Nanjing | 3 | Other receivables from related parties | 28,335,695 | - | 1% |

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
 FOR THE SIX MONTHS ENDED JUNE 30, 2018
 (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, 2018 | | | 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, 2018 (Foreign Currencies in Thousands) | December 31, 2017 (Foreign Currencies in Thousands) | Shares (In Thousands) | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) | | | |
| TSMC | TSMC Global TSMC Partners | Tortola, British Virgin Islands | Investment activities | \$ 352,072,509 | \$ 292,890,229 | 11 | 100 | \$ 382,629,000 | \$ 4,076,767 | \$ 4,076,767 | Subsidiary |
| | | 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 | 52,384,657 | 1,204,676 | 1,204,676 | 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 | 7,991,101 | 2,569,276 | 725,172 | Associate |
| | SSMC | Singapore | Manufacturing and selling of integrated circuits and other semiconductor devices | 5,120,028 | 5,120,028 | 314 | 39 | 4,928,611 | 1,830,054 | 709,878 | Associate |
| | 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 | 4,226,373 | 104,476 | 104,476 | Subsidiary |
| | 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 | 4,214,239 | 46,870 | 40,732 | 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 | 1,679,997 | (1,560,278) | (633,605) | Associate |
| | GUC | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 46,688 | 35 | 1,044,164 | 431,327 | 150,274 | Associate |
| | TSMC Europe | Amsterdam, the Netherlands | Customer service and supporting activities | 15,749 | 15,749 | - | 100 | 430,225 | 21,070 | 21,070 | Subsidiary |
| | VTAF II | Cayman Islands | Investing in new start-up technology companies | 412,831 | 412,831 | - | 98 | 258,813 | (1,593) | (1,561) | Subsidiary |
| | VTAF III | Cayman Islands | Investing in new start-up technology companies | 1,318,885 | 1,318,885 | - | 98 | 199,026 | (6,122) | (6,000) | Subsidiary |
| | TSMC Japan | Yokohama, Japan | Customer service and supporting activities | 83,760 | 83,760 | 6 | 100 | 139,403 | 3,063 | 3,063 | Subsidiary |
| | TSMC Korea | Seoul, Korea | Customer service and supporting activities | 13,656 | 13,656 | 80 | 100 | 39,640 | 995 | 995 | Subsidiary |
| | TSMC Solar Europe GmbH | Hamburg, Germany | Selling of solar related products and providing customer service | 25,266 | 25,266 | 1 | 100 | (20,334) | (21) | (21) | Subsidiary |
| TSMC Partners | TSMC Development | Delaware, U.S.A | Investing in companies involved in the manufacturing related business in the semiconductor industry | 17,919,242 (US\$ 586,939) | 17,919,242 (US\$ 586,939) | - | 100 | 28,103,686 (US\$ 920,527) | 919,280 (US\$ 31,102) | Note 2 | Subsidiary |
| | TSMC Technology | Delaware, U.S.A | Engineering support activities | 436,030 (US\$ 14,282) | 436,030 (US\$ 14,282) | - | 100 | 575,174 (US\$ 18,840) | 39,976 (US\$ 1,354) | Note 2 | Subsidiary |
| | TSMC Canada | Ontario, Canada | Engineering support activities | 70,219 (US\$ 2,300) | 70,219 (US\$ 2,300) | 2,300 | 100 | 194,473 (US\$ 6,370) | 16,334 (US\$ 553) | Note 2 | Subsidiary |
| | ISDF | Cayman Islands | Investing in new start-up technology companies | 14,508 (US\$ 475) | 14,508 (US\$ 475) | 583 | 97 | 507 (US\$ 17) | - | Note 2 | Subsidiary |
| | ISDF II | Cayman Islands | Investing in new start-up technology companies | - | - | 9,299 | 97 | - | (6,781) (US\$ (231)) | Note 2 | Subsidiary |
| VTAF III | Growth Fund | Cayman Islands | Investing in new start-up technology companies | 65,755 (US\$ 2,154) | 65,755 (US\$ 2,154) | - | 100 | 97,119 (US\$ 3,181) | (590) (US\$ (20)) | Note 2 | Subsidiary |
| | Mutual-Pak | New Taipei, Taiwan | Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID | 48,645 (US\$ 1,593) | 48,645 (US\$ 1,593) | 4,693 | 39 | 19,775 (US\$ 648) | (8,818) (US\$ (299)) | Note 2 | Associate |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2018 | | | 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, 2018 (Foreign Currencies in Thousands) | December 31, 2017 (Foreign Currencies in Thousands) | Shares (In Thousands) | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) | | | |
| TSMC Development | WaferTech | Washington, U.S.A | Manufacturing, selling and testing of integrated circuits and other semiconductor devices | \$ - | \$ - | 293,637 | 100 | \$ 4,769,089 (US\$ 156,210) | \$ 757,997 (US\$ 25,640) | Note 2 | Subsidiary |

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR SIX MONTHS ENDED JUNE 30, 2018

(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, 2018 (US\$ in Thousands) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2018 (US\$ in Thousands) | Net Income (Losses) of the Investee Company | Percentage of Ownership | Share of Profits/Losses | Carrying Amount as of June 30, 2018 | Accumulated Inward Remittance of Earnings as of June 30, 2018 |
|------------------|--|--|----------------------|---|-----------------------------|--------|---|---|-------------------------|--------------------------|-------------------------------------|---|
| | | | | | 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) | \$ 2,879,004 | 100% | \$ 2,881,262 (Note 2) | \$ 54,543,007 | \$ - |
| TSMC Nanjing | Manufacturing, selling, testing and computer-aided design of integrated circuits and other semiconductor devices | 30,521,412 (RMB 6,650,119) | Note 1 | 28,160,092 (US\$ 920,000) | 2,361,320 (USD 80,000) | - | 30,521,412 (US\$ 1,000,000) | (3,918,665) | 100% | (3,918,665) (Note 2) | 25,388,452 | - |

| Accumulated Investment in Mainland China as of June 30, 2018 (US\$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands) | Upper Limit on Investment |
|--|--|---------------------------|
| \$ 49,461,079 (US\$ 1,596,000) | \$ 119,412,667 (US\$ 3,596,000) | Note 3 |

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