

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
August 17, 2018

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

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

For the month of August 2018

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

SIGNATURES

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

Taiwan Semiconductor Manufacturing Company Ltd.

Date: August 17, 2018

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

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries
Consolidated Financial Statements for the
Six Months Ended June 30, 2018 and 2017 and
Independent Auditors Review Report**

Deloitte & Touche

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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

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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.

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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)

	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
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	959,042,679	47	857,203,110	43	838,049,552	42
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 8)	5,694,784		18,833,329	1	20,529,204	1

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Held-to-maturity financial assets (Note 10)						
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	1,094,370,275	53	1,134,658,533	57	1,148,384,225	58
TOTAL	\$ 2,053,412,954	100	\$ 1,991,861,643	100	\$ 1,986,433,777	100

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	462,997,164	22	358,706,680	18	523,507,145	27

NONCURRENT LIABILITIES

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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	99,780,505	5	110,395,320	6	120,560,987	6
Total liabilities	562,777,669	27	469,102,000	24	644,068,132	33
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
	1,189,470,511	58	1,233,362,010	61	1,044,395,423	52
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						
	633,743		702,110		680,148	
Total equity	1,490,635,285	73	1,522,759,643	76	1,342,365,645	67
TOTAL	\$ 2,053,412,954	100	\$ 1,991,861,643	100	\$ 1,986,433,777	100

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

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

	For the Three Months Ended 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)	121,688,707	52	105,101,969	49	244,792,684	51	217,530,703	49
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	(57,170)		(44,589)		(174,325)		(40,619)	
GROSS PROFIT	111,530,934	48	108,708,654	51	236,388,473	49	230,198,290	51
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	1,477,977	1	1,382,199	1	2,926,069	1	2,878,686	1
Total operating expenses	26,440,124	11	25,366,814	12	53,168,518	11	51,523,297	11

OTHER OPERATING INCOME AND EXPENSES, NET (Note 31)	(662,664)	(1)	(86,439)		(1,964,863)		(67,202)	
INCOME FROM OPERATIONS (Note 39)	84,428,146	36	83,255,401	39	181,255,092	38	178,607,791	40
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)	(2,539,198)	(1)	1,008,851		(1,774,010)		1,424,040	
Total non-operating income and expenses	3,159,462	2	2,862,066	1	6,276,137	1	5,332,175	1
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)	15,294,233	7	19,846,815	9	25,450,280	5	30,048,406	7
NET INCOME	72,293,375	31	66,270,652	31	162,080,949	34	153,891,560	34
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	(869,369)				(888,876)			

value through other comprehensive income								
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	(2,821)				36,385			
	(888,578)				(831,535)			

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			6,041				52,441	
	20,144,253	8	1,410,236	1	12,901,005	2	(19,942,085)	(4)

Other comprehensive income (loss) for the period, net of income tax	19,255,675	8	1,410,236	1	12,069,470	2	(19,942,085)	(4)
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 91,549,050	39	\$ 67,680,888	32	\$ 174,150,419	36	\$ 133,949,475	30
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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	2,836		(367)		5,788		(8,357)	
	\$ 72,293,375	31	\$ 66,270,652	31	\$ 162,080,949	34	\$ 153,891,560	34

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	3,169		871		8,486		(5,332)	
	\$ 91,549,050	39	\$ 67,680,888	32	\$ 174,150,419	36	\$ 133,949,475	30

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

(Reviewed, Not Audited)

	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	\$ 2.79	\$ 2.56	\$ 6.25	\$ 5.94
Diluted earnings per share	\$ 2.79	\$ 2.56	\$ 6.25	\$ 5.94

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				Others					
Retained Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Foreign Currency Translation Reserve	Comprehensive Income	Cash Flow Hedges Reserve	Gain (Loss) on Hedging Instruments	Unearned Compensation		
								Gain (Loss) on Stock-Based Compensation	
Capital Reserve	Special Reserve	Capital Reserve	Unappropriated Earnings	Total					
722,663	\$	\$ 991,639,347	\$ 1,233,362,010	\$ (26,697,680)	\$ (214,074)	\$	\$ 4,226	\$ (10,290)	
		1,556,319	1,556,319		214,074	(524,915)	(4,226)	4,226	
722,663		993,195,666	1,234,918,329	(26,697,680)		(524,915)		4,226	(10,290)

311,148	(34,311,148)				
26,907,527	(26,907,527)				
	(207,443,044)	(207,443,044)			
311,148	26,907,527	(268,661,719)	(207,443,044)		
	162,075,161	162,075,161			
			13,910,521	(1,857,564)	13,815
	162,075,161	162,075,161	13,910,521	(1,857,564)	13,815
	(79,935)	(79,935)		79,935	
					(2,605)
					(Continued)

Equity Attributable to Shareholders of the Parent													
Retained Earnings				Others									
				Unrealized									
				Gain (Loss)									
				on									
				Financial									
				Assets at									
				Fair									
				Value									
				Unrealized									
				Gain (Loss)									
				Foreign									
				Currency									
				Translation									
				Reserve									
				Available-									
				for-sale									
				Financial									
				Assets									
				Other									
				Comprehensive									
				Income									
				Cash									
				Flow									
				Hedges									
				Reserve									
				Gain (Loss)									
				Unearned									
				on									
				Stock-Base									
				Employee									
				Compensati									
				on									
				Hedging									
				Instruments									
				Compensati									
Reserve	Special Reserve	Capital	Unappropriated Earnings	Total	Reserve	Assets	Income	Reserve	Compensati	on	Stock-Base	Employee	Compensati
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 4,063
1,033,811	\$ 26,907,527	\$ 886,529,173	\$ 1,189,470,511	\$ (12,787,159)	\$	\$ (2,302,544)	\$	\$ 15,436	\$ (6,227)				
2,297,945	\$	\$ 863,710,224	\$ 1,072,008,169	\$ 1,661,237	\$ 2,641	\$	\$ 105	\$	\$				
4,424,718		(33,424,718)	(181,512,663)	(181,512,663)									

,424,718	(214,937,381)	(181,512,663)			
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	153,899,917	153,899,917			
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			(19,947,752)	(14,089)	16,731
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	153,899,917	153,899,917	(19,947,752)	(14,089)	16,731
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(15,384)

,722,663 \$	\$ 802,672,760	\$ 1,044,395,423	\$(18,286,515)	\$(11,448) \$	\$ 16,836 \$	\$ (15,384)
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The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

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)
	11,043,388	10,482,136

Accrued profit sharing bonus to employees and compensation to directors and supervisors		
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	290,499,278	264,408,424

(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	1,331,308	42,008
Net cash used in investing activities	(133,534,789)	(207,450,014)

CASH FLOWS FROM FINANCING ACTIVITIES

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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	(1,135)	(524)
Net cash used in financing activities	(86,973,526)	(12,548,807)

(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
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ 8,847,221	\$ (15,196,478)
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,838,184	29,213,125
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	553,391,696	541,253,833
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 632,229,880	\$ 570,466,958

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.

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

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

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

Carrying Adjustments Carrying Retained Other Equity Note
Arising from

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

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

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

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

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

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

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

Hedge accounting

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

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

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Carrying Amount as of January 1, 2018 (IFRS 15)	Note
	(IAS 18 and Revenue-related Interpretations)			
Inventories	\$ 73,880,747	\$ (19,746)	\$ 73,861,001	(1)
Contract assets		34,177	34,177	(1)
Investments accounted for using equity method	17,861,488	19,483	17,880,971	(1)
Total effect on assets		\$ 33,914		
Provisions - current	13,961,787	\$ (13,961,787)		(2)
Accrued expenses and other current liabilities	65,588,396	13,961,787	79,550,183	(2)

Total effect on liabilities		\$			
Retained earnings	1,233,362,010	\$	32,029	1,233,394,039	(1)
Non-controlling interests	702,110		1,885	703,995	(1)
Total effect on equity		\$	33,914		

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

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

Impact on Assets, Liabilities and Equity

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

Impact on Total Comprehensive Income

Three Months Ended June 30,	Six Months Ended June 30, 2018
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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	(196)	(3,000)
Increase in net income for the period	\$ 10,860	\$ 47,976
Increase in net income/total comprehensive income attributable to:		
Shareholders of the parent	\$ 10,758	\$ 46,409
Non-controlling interests	102	1,567
	\$ 10,860	\$ 47,976

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	Effective Date
(the New IFRSs)	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

New, Revised or Amended Standards and Interpretations

Effective Date Issued by IASB

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.	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)

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	(VTAF II) VentureTech Alliance Fund III, L.P.	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
	(VTAF III) TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%	100%	a), c)
MC 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)
MC Development	WaferTech, LLC (WaferTech)	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	100%	
AF 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.

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b. Impairment of financial assets

2018

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

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

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

2017

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

2018

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

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

2017

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

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

Hedge Accounting

a. Fair value hedges

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

b. Cash flow hedges

The Company designates certain hedging instruments, such as forward exchange contracts, 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.

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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,	December 31,	June 30,
	2017	

	2018		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	
	\$ 632,229,880	\$ 553,391,696	\$ 570,466,958

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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
Financial assets			
Mandatorily measured at FVTPL			
Agency bonds/ Agency mortgage-backed securities	\$ 717,735	\$	\$
Forward exchange contracts	356,335		
Asset-backed securities	130,966		
	1,205,036		
Held for trading			
Forward exchange contracts		569,751	209,435
Designated as at FVTPL			
Time deposit			4,725,106
Forward exchange contracts			60,710
			4,785,816
	\$ 1,205,036	\$ 569,751	\$ 4,995,251
Financial liabilities			
Held for trading			
Forward exchange contracts	\$ 1,057,719	\$ 26,709	\$ 82,552

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>	

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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
<u>June 30, 2017</u>		
Sell NT\$/Buy EUR	July 2017	NT\$5,591,846/EUR164,500
Sell NT\$/Buy JPY	July 2017	NT\$7,413,646/JPY27,100,000
Sell US\$/Buy EUR	July 2017	US\$89,202/EUR79,000
Sell US\$/Buy JPY	July 2017	US\$53,585/JPY6,000,000
Sell US\$/Buy NT\$	July 2017 to August 2017	US\$277,700/NT\$8,440,651
Sell US\$/Buy RMB	July 2017 to September 2017	US\$557,000/RMB3,805,715
		(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
	100,262,504
Investments in equity instruments at FVTOCI	
Non-publicly traded equity investments	5,694,784
Publicly traded stocks	1,765,104
	7,459,888

\$ 107,722,392

Current	\$ 102,027,608
Non-current	5,694,784
	\$ 107,722,392

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	148,295	358,175
	\$ 93,374,153	\$ 76,252,652

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		4,562,100
	\$ 20,821,714	\$ 27,739,584

Current portion	\$ 1,988,385	\$ 7,210,380
Noncurrent portion	18,833,329	20,529,204
	\$ 20,821,714	\$ 27,739,584

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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	(8,728)
	\$ 20,904,272
Current portion	\$ 13,427,398
Noncurrent portion	7,476,874
	\$ 20,904,272

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 INSTRUMENTS2018

	June 30, 2018
<u>Financial assets- current</u>	
Fair value hedges	
Interest rate futures contracts	\$ 14,279
Cash flow hedges	

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

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

Hedged Items	Asset Carrying Amount as of June 30, 2018	Accumulated Amount of Fair Value Hedge Adjustments	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness

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
<u>Cash flow hedge</u>		

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

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

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

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

	Contract Amount		Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Hedging Instruments	(in Thousands)	Maturity	
Forward exchange contracts	NT\$ 3,575,476/EUR100,000	July 2018 to September 2018	\$ 15,343
			Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Hedged items			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	7,378	19,734
	\$ 34,394	\$ 24,517

(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	15,562	
	\$ 15,562	\$ 19
		(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,	December 31,	June 30,
	2018	2017	2017
At amortized cost			
Notes and accounts receivable	\$ 84,650,270	\$ 121,604,989	\$ 110,365,090
Less: Loss allowance	(63,527)	(471,741)	(471,808)
	84,586,743	121,133,248	109,893,282
At FVTOCI			
	2,510,104		
Notes and accounts receivable, net	\$ 87,096,847	\$ 121,133,248	\$ 109,893,282

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	183,663
	\$ 87,096,847

Movements of the loss allowance for accounts receivable

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

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	341,411	
	\$ 121,133,248	\$ 109,893,282

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		(157)	(157)
Balance at June 30, 2017	\$	\$ 471,808	\$ 471,808

15. INVENTORIES

	June 30,		December 31,		June 30,
	2018		2017		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	4,420,977		3,451,443		2,881,149
	\$ 99,032,077	\$	73,880,747	\$	61,010,525

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)	\$ 365,574	\$ (520,998)	\$ 1,066,014	\$ (1,463,341)

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
		June 30, 2018	December 31, 2017	June 30, 2017	June 30, 2018	December 31, 2017	June 30, 2017
Manufacturing, selling, packaging, and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service works	Hsinchu, Taiwan	\$ 7,991,101	\$ 8,568,344	\$ 7,956,845	28%	28%	28%
Manufacturing and selling of integrated circuits and other semiconductor devices	Singapore	4,928,611	5,677,640	7,596,341	39%	39%	39%
Level chip size packaging and transfer level post passivation connection service	Taoyuan, Taiwan	1,679,997	2,292,100	2,344,813	41%	41%	41%
Design, developing, manufacturing, testing and packaging of integrated circuits	Hsinchu, Taiwan	1,044,164	1,300,194	1,078,026	35%	35%	35%
Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and design, developing and manufacturing of RFID	New Taipei, Taiwan	19,775	23,210		39%	39%	
		\$ 15,663,648	\$ 17,861,488	\$ 18,976,025			

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	\$ 32,402,800	\$ 30,638,751	\$ 27,853,410
GUC	\$ 12,769,129	\$ 11,905,404	\$ 6,022,734
Xintec	\$ 6,765,941	\$ 9,180,759	\$ 5,541,840

17. PROPERTY, PLANT AND EQUIPMENT

	Land and Land		Machinery and	Office	Equipment under	
	Improvements	Buildings	Equipment	Equipment	Installation and	
					Construction	Total
					in	
					Progress	
Cost						
Balance at						
January 1, 2018	\$ 3,983,243	\$ 379,134,613	\$ 2,487,752,265	\$ 42,391,516	\$ 167,353,490	\$ 3,080,615,127
Additions						
(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	\$ 4,005,892	\$ 401,520,062	\$ 2,618,947,381	\$ 46,011,969	\$ 123,163,776	\$ 3,193,649,080
Accumulated depreciation and impairment						
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	\$ 539,414	\$ 206,779,829	\$ 1,921,972,129	\$ 30,089,646	\$	\$ 2,159,381,018
Carrying amounts at						
January 1, 2018	\$ 3,472,745	\$ 184,688,092	\$ 692,303,423	\$ 14,724,572	\$ 167,353,490	\$ 1,062,542,322
Carrying amounts at	\$ 3,466,478	\$ 194,740,233	\$ 696,975,252	\$ 15,922,323	\$ 123,163,776	\$ 1,034,268,062

June 30, 2018

Cost

Balance at January 1, 2017	\$ 4,049,292	\$ 304,404,474	\$ 2,042,867,744	\$ 34,729,640	\$ 387,199,675	\$ 2,773,250,825
Additions						
(Deductions)		64,811,014	375,300,110	4,672,797	(248,117,207)	196,666,714
Disposals or retirements		(36,957)	(3,486,590)	(317,146)		(3,840,693)
Reclassification			8,791	1,507		10,298
Effect of exchange rate changes	(46,417)	(867,048)	(3,532,198)	(111,395)	(62,640)	(4,619,698)

Balance at June 30, 2017	\$ 4,002,875	\$ 368,311,483	\$ 2,411,157,857	\$ 38,975,403	\$ 139,019,828	\$ 2,961,467,446
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Accumulated depreciation and impairment

Balance at January 1, 2017	\$ 524,845	\$ 174,349,077	\$ 1,577,377,509	\$ 23,221,707	\$	\$ 1,775,473,138
Additions	14,012	9,400,481	104,345,520	2,339,103		116,099,116
Disposals or retirements		(28,816)	(3,333,518)	(317,093)		(3,679,427)
Reclassification			8,195	1,466		9,661
Effect of exchange rate changes	(29,236)	(713,609)	(3,239,046)	(79,910)		(4,061,801)

Balance at June 30, 2017	\$ 509,621	\$ 183,007,133	\$ 1,675,158,660	\$ 25,165,273	\$	\$ 1,883,840,687
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Carrying amounts at June 30, 2017	\$ 3,493,254	\$ 185,304,350	\$ 735,999,197	\$ 13,810,130	\$ 139,019,828	\$ 1,077,626,759
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The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 20 years, 10 years and 10 years, respectively.

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

18. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Cost					
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	\$ 5,766,973	\$ 10,575,572	\$ 26,245,095	\$ 6,020,839	\$ 48,608,479
Accumulated amortization and impairment					
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	\$	\$ 8,237,415	\$ 21,602,734	\$ 4,976,119	\$ 34,816,268
Carrying amounts at January 1, 2018	\$ 5,648,702	\$ 2,748,400	\$ 4,809,525	\$ 968,513	\$ 14,175,140
Carrying amounts at June 30, 2018	\$ 5,766,973	\$ 2,338,157	\$ 4,642,361	\$ 1,044,720	\$ 13,792,211
Cost					
Balance at January 1, 2017	\$ 6,007,975	\$ 9,546,007	\$ 22,243,595	\$ 5,386,435	\$ 43,184,012
Additions		671,467	902,376	242,792	1,816,635
Retirements			(75,237)		(75,237)
Reclassification			7,662	(17,960)	(10,298)
Effect of exchange rate changes	(243,177)	(1,089)	(4,585)	(3,895)	(252,746)
Balance at June 30, 2017	\$ 5,764,798	\$ 10,216,385	\$ 23,073,811	\$ 5,607,372	\$ 44,662,366
Accumulated amortization and impairment					
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)

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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	\$	\$ 6,920,814	\$ 19,117,872	\$ 4,504,788	\$ 30,543,474
Carrying amounts at June 30, 2017	\$ 5,764,798	\$ 3,295,571	\$ 3,955,939	\$ 1,102,584	\$ 14,118,892

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

20. SHORT-TERM LOANS

	June 30,		December 31,		June 30,
	2018		2017		2017
Unsecured loans					
Amount	\$ 30,835,300	\$	63,766,850	\$	54,745,200
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		Due by		Due by
	July 2018		February 2018		July 2017

21. PROVISIONS

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

**Sales Returns
and Allowances**

Six months ended June 30, 2017

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Balance, beginning of period	\$ 18,037,789
Provision	20,743,207
Payment	(24,930,685)
Effect of exchange rate changes	(32,095)
 Balance, end of period	 \$ 13,818,216

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		34,107,850	34,976,100
	99,300,000	150,207,850	179,176,100
Less: Discounts on bonds payable		(6,728)	(20,175)
Less: Current portion	(15,900,000)	(58,401,122)	(79,855,925)
	\$ 83,400,000	\$ 91,800,000	\$ 99,300,000

The major terms of overseas unsecured bonds are as follows:

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

23. GUARANTEE DEPOSITS

	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	242,094	306,521	292,113
	\$ 12,326,265	\$ 16,080,619	\$ 21,313,011
Current portion (classified under accrued expenses and other current liabilities)	\$ 6,961,106	\$ 8,493,829	\$ 10,494,634
Noncurrent portion	5,365,159	7,586,790	10,818,377
	\$ 12,326,265	\$ 16,080,619	\$ 21,313,011

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)	28,050,000	28,050,000	28,050,000
Authorized capital	\$ 280,500,000	\$ 280,500,000	\$ 280,500,000
Issued and paid shares (in thousands)	25,930,380	25,930,380	25,930,380
Issued capital	\$ 259,303,805	\$ 259,303,805	\$ 259,303,805

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	19,248	19,208	55
	\$ 56,307,720	\$ 56,309,536	\$ 56,282,780

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

c. Retained earnings and dividend policy

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

- 1) Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- 2) Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

3) Any balance left over shall be allocated according to the resolution of the shareholders' meeting. TSMC's Articles of Incorporation provide the policy about the profit sharing bonus to employees, please refer to Note 31.

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

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

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

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

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

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

d. Others

Changes in others were as follows:

	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	\$ (12,787,159)	\$ (2,302,544)	\$ 15,436	\$ (6,227)	\$ (15,080,494)

	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	\$ (18,286,515)	\$ (11,448)	\$ 16,836	\$ (15,384)	\$ (18,296,511)

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	20,262,185	48,649,193

	\$ 233,276,811	\$ 481,355,482
	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Region		
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	4,799,573	8,740,532
	\$ 233,276,811	\$ 481,355,482

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	18,524,998	34,370,153
	\$ 233,276,811	\$ 481,355,482

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	158,969	347,430
	\$ 233,276,811	\$ 481,355,482

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	7,311,964	14,204,226
Wafer revenue	\$ 213,014,626	\$ 432,706,289

b. Contract balances

June 30, 2018 **January 1, 2018**

Contract liabilities (classified under accrued expenses and other current liabilities)	\$ 14,164,016	\$ 32,434,829
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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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
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
	3,571,930	2,483,707	6,726,119	4,588,686
Dividend income	157,905	142,503	158,358	142,503
	\$ 3,729,835	\$ 2,626,210	\$ 6,884,477	\$ 4,731,189

27. FINANCE COSTS

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

28. OTHER GAINS AND LOSSES

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
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				

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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	107,300	87,768	13,997	120,184
	\$ (2,539,198)	\$ 1,008,851	\$ (1,774,010)	\$ 1,424,040

(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	35,161	34,178	74,546	70,534
	15,945,429	19,129,072	26,969,760	31,807,516
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		1,437,317		
	(651,196)	717,743	(1,519,480)	(1,759,110)
	\$ 15,294,233	\$ 19,846,815	\$ 25,450,280	\$ 30,048,406

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
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		8,321		54,721
	\$ (2,821)	\$ 6,041	\$ 36,385	\$ 52,441

c. Income tax examination

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

30. EARNINGS PER SHARE

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Basic EPS	\$ 2.79	\$ 2.56	\$ 6.25	\$ 5.94
Diluted EPS	\$ 2.79	\$ 2.56	\$ 6.25	\$ 5.94

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	\$ 72,290,539	25,930,380	\$ 2.79
<u>Three months ended June 30, 2017</u>			
Basic/Diluted EPS			

Net income available to common shareholders of the parent	\$ 66,271,019	25,930,380	\$ 2.56
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(Continued)

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
Six months ended June 30, 2018			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 162,075,161	25,930,380	\$ 6.25
Six months ended June 30, 2017			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 153,899,917	25,930,380	\$ 5.94
(Concluded)			

31. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Three Months Ended June 30		Six Months Ended June 30	
	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	6,222	6,221	17,075	12,443
	\$ 70,351,470	\$ 56,965,755	\$ 140,813,756	\$ 116,099,116
b. Amortization of intangible assets				
Recognized in cost of revenue	\$ 493,629	\$ 514,854	\$ 978,226	\$ 1,042,762
Recognized in operating expenses	563,585	511,781	1,114,579	1,022,697
	\$ 1,057,214	\$ 1,026,635	\$ 2,092,805	\$ 2,065,459
c. Research and development costs expensed as incurred				
	\$ 19,891,553	\$ 19,057,456	\$ 40,320,147	\$ 38,469,849

	Three Months Ended June 30		Six Months Ended June 30	
	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	70,466	67,887	140,902	135,762
	761,979	648,553	1,451,905	1,292,188
Other employee benefits	24,316,454	22,809,113	50,707,496	48,098,295
	\$ 25,078,433	\$ 23,457,666	\$ 52,159,401	\$ 49,390,483
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	10,260,578	9,551,780	21,463,139	20,255,697
	\$ 25,078,433	\$ 23,457,666	\$ 52,159,401	\$ 49,390,483

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 Foreign Exchange Movement	Other Changes (Note)	Balance as of June 30, 2018
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	150,201,122	(50,524,900)	(382,878)	6,656	99,300,000
Total	\$ 230,048,591	\$ (85,429,653)	\$ 798,421	\$ (2,955,794)	\$ 142,461,565

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)	757,509,475
	\$ 868,978,699
Financial liabilities	
FVTPL (Note 4)	\$ 1,057,719
Hedging financial liabilities	30,718
Amortized cost (Note 5)	463,211,148
	\$ 464,299,585

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)	684,416,654	685,521,404
	\$ 804,090,923	\$ 798,846,677
Financial liabilities		
FVTPL (Note 6)	\$ 26,709	\$ 82,552
Hedging derivative financial liabilities	15,562	19
Amortized cost (Note 9)	340,501,266	533,861,439
	\$ 340,543,537	\$ 533,944,010

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	Lifetime expected credit loss-not credit impaired	

grade

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

In default	Credit rating CC or below	Lifetime expected credit loss-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has 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)	6,961,106	5,277,912	87,247		12,326,265
	168,317,948	67,421,352	17,146,792	6,115,291	259,001,383
<u>Derivative financial instruments</u>					
<u>Forward exchange contracts</u>					
Outflows	78,855,358				78,855,358
Inflows	(78,118,962)				(78,118,962)
	736,396				736,396
	\$ 169,054,344	\$ 67,421,352	\$ 17,146,792	\$ 6,115,291	\$ 259,737,779
<u>December 31, 2017</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 63,801,977	\$	\$	\$	\$ 63,801,977

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

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>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)	10,494,634	10,732,609	85,768		21,313,011
	244,396,418	76,928,942	13,708,787	22,784,016	357,818,163
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	43,064,181				43,064,181
Inflows	(43,297,762)				(43,297,762)
	(233,581)				(233,581)
	\$ 244,162,837	\$ 76,928,942	\$ 13,708,787	\$ 22,784,016	\$ 357,584,582
					(Concluded)

f. Fair value of financial instruments

1) Fair value measurements recognized in the consolidated balance sheets

Fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- 2) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

	June 30, 2018			
	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		130,966		130,966
	\$	\$ 1,205,036	\$	\$ 1,205,036

(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
	\$ 11,993,131	\$ 92,544,581	\$ 5,694,784	\$ 110,232,496
<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
	\$ 14,279	\$ 17,413	\$	\$ 31,692
<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
	\$ 1,244	\$ 29,474	\$	\$ 30,718

(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
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Available-for-sale financial assets

Corporate bonds	\$	\$	40,165,148	\$	\$	40,165,148
Agency bonds/Agency mortgage-backed securities			29,235,388			29,235,388
Asset-backed securities			13,459,545			13,459,545
Government bonds		7,715,980	101,743			7,817,723
Publicly traded stocks		2,548,054				2,548,054
Commercial paper			148,295			148,295
	\$	10,264,034	\$	83,110,119	\$	93,374,153

(Continued)

	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		7,378		7,378
	\$ 27,016	\$ 7,378	\$	\$ 34,394
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 26,709	\$	\$ 26,709
<u>Hedging derivative financial liabilities</u>				
Cash flow hedges				
Forward exchange contracts	\$	\$ 15,562	\$	\$ 15,562
(Concluded)				

	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		60,710		60,710
	\$	\$ 4,995,251	\$	\$ 4,995,251
<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		358,175		358,175
	\$ 9,136,963	\$ 67,115,689	\$	\$ 76,252,652

Hedging derivative financial assets

Fair value hedges					
Interest rate futures contracts	\$	4,783	\$	\$	4,783
Cash flow hedges					
Forward exchange contracts				19,734	19,734
	\$	4,783	\$	19,734	\$ 24,517

(Continued)

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

(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	136,494
 Balance at June 30, 2018	 \$ 5,694,784

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 Fair Value			Total
		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
	\$ 20,904,272	\$	\$ 21,049,018	\$	\$ 21,049,018

Financial liabilities

Financial liabilities at
amortized costs

Bonds payable	\$ 99,300,000	\$	\$ 101,016,267	\$	\$ 101,016,267
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	December 31, 2017				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Held-to-maturity securities					
Corporate bonds	\$ 19,338,764	\$	\$ 19,541,419	\$	\$ 19,541,419
Structured product	1,482,950		1,475,350		1,475,350
	\$ 20,821,714	\$	\$ 21,016,769	\$	\$ 21,016,769
<u>Financial liabilities</u>					
Measured at amortized cost					
Bonds payable	\$ 150,201,122	\$	\$ 152,077,728	\$	\$ 152,077,728
<u>June 30, 2017</u>					
	June 30, 2017				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
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	498,818		499,928		499,928
	\$ 27,739,584	\$	\$ 27,923,603	\$	\$ 27,923,603
<u>Financial liabilities</u>					
Measured at amortized cost					
Bonds payable	\$ 179,155,925	\$	\$ 181,206,172	\$	\$ 181,206,172

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

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

b. Net revenue

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

c. Purchases

		Three Months Ended June 30		Six Months Ended June 30	
		2018	2017	2018	2017

Related Party Categories

Associates	\$ 2,174,704	\$ 2,257,852	\$ 4,398,054	\$ 4,885,920
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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	26,478	161,232	8,058
		\$ 1,099,472	\$ 1,184,124	\$ 436,001

(Continued)

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

(Concluded)

e. Payables to related parties

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

f. Accrued expenses and other current liabilities

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

g. Others

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

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

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

The Company deferred the disposal gain 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:

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

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:

	June 30,	December 31,	June 30,
	2018	2017	2017
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	9,521,057	8,905,848	6,510,866
	\$ 18,377,076	\$ 17,196,786	\$ 11,554,540

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	Exchange Rate (Note 1)	Carrying Amount (In Thousands)
	(In Thousands)		
June 30, 2018			
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Non-monetary items</u>			
HKD	215,268	3.89	837,393
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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
December 31, 2017			
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Non-monetary items</u>			
HKD	285,336	3.80	1,084,276
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>June 30, 2017</u>			
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Non-monetary items</u>			
HKD	190,998	3.90	744,891
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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.

TABLE 1**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)**

Financial Instrument	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 3)	Ending Balance (Foreign Currencies in Thousands) (Note 3)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing Transaction (Note 4)	Reasons for Financing (Note 4)	Allocated for (Note 4)
Notes	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	
Notes	Yes	45,795,000 (US\$ 1,500,000)	45,795,000 (US\$ 1,500,000)			The need for short-term financing	Operating capital	

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

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

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

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

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

TABLE 2**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE SIX MONTHS ENDED JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Nature of Relationship	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 Collateralized by Property (US\$ in Thousands)	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
Global	Subsidiary	\$ 372,500,386	\$ 35,109,500						\$ 372,500,386
			(US\$ 1,150,000)						
China America	Subsidiary	372,500,386	2,540,502	2,540,502	2,540,502	2,540,502		0.17%	372,500,386
			(US\$ 83,213)	(US\$ 83,213)	(US\$ 83,213)	(US\$ 83,213)			

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

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

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

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Marketable Securities Name	Relationship with the Company	Financial Statement Account	June 30, 2018			Fair Value (Foreign Currencies) (Thousands) Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies) (Thousands)	Percentage of Ownership (%)	
TSMC	<u>Non-publicly traded equity investments</u>						
	United Industrial Gases Co., Ltd.		Financial assets at fair value through other comprehensive income	21,230	\$ 580,864	10	\$ 580,864
	Shin-Etsu Handotai Taiwan Co., Ltd.			10,500	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	10,440	US\$ 56,058	25	US\$ 56,058

		other comprehensive income				
	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

(Continued)

June 30, 2018							
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value	Percentage of Ownership (%)	Fair Value	
				(Foreign Currencies in Thousands)		(Foreign Currencies in Thousands)	
			Shares/Units			Note	
TSMC Global	Capital One NA/ Mclean VA		Financial assets at fair value through other comprehensive income	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	
	Analog Devices Inc			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			US\$ 6,979	N/A	US\$ 6,979	

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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

(Continued)

June 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value	Percentage of Ownership (%)	Fair Value
				(Foreign Currencies)		(Foreign Currencies)
				Shares/Units (In Thousands)		(In Thousands) Note
TSMC Global	Barclays PLC		Financial assets at fair value through other comprehensive income	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
				US\$ 5,054	N/A	US\$ 5,054

Jackson National Life Global Funding			
SunTrust Banks Inc	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

(Continued)

June 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)
				Shares/Units (in Thousands)	Percentage of Ownership (%)	(in Thousands)
TSMC Global	New York Life Global Funding		Financial assets at fair value through other comprehensive income	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

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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 Branch Banking & Trust Co	US\$ 3,515	N/A	US\$ 3,515
LyondellBasell Industries NV	US\$ 3,483	N/A	US\$ 3,483
Kroger Co/The	US\$ 3,403	N/A	US\$ 3,403
BNP Paribas SA	US\$ 3,274	N/A	US\$ 3,274
Bayer US Finance II LLC	US\$ 3,247	N/A	US\$ 3,247
BMW US Capital LLC	US\$ 3,204	N/A	US\$ 3,204
Digital Realty Trust LP	US\$ 3,190	N/A	US\$ 3,190
Bank of Montreal	US\$ 3,128	N/A	US\$ 3,128
Inter American Development Bank	US\$ 3,117	N/A	US\$ 3,117
Skandinaviska Enskilda Banken AB	US\$ 3,106	N/A	US\$ 3,106
Capital One Financial Corp	US\$ 3,053	N/A	US\$ 3,053
Royal Bank of Canada	US\$ 3,027	N/A	US\$ 3,027
African Development Bank	US\$ 2,997	N/A	US\$ 2,997
Sprint Spectrum Co LLC / Sprint Spectrum Co II LLC / Sprint Spectrum Co III LLC	US\$ 2,988	N/A	US\$ 2,988
	US\$ 2,961	N/A	US\$ 2,961

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2018		Fair Value (Foreign Currencies) in Thousands	Note
				Carrying Value (Foreign Currencies) in Thousands	Percentage of Ownership (%)		
TSMC Global	Macquarie Bank Ltd		Financial assets at fair value through other comprehensive income	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	
	Enel Finance International NV			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	

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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

(Continued)

June 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Accounts	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)
				Shares/Units (in Thousands)	Percentage of Ownership (%)	(in Thousands)
TSMC Global	Bank of New York Mellon Corp/The		Financial assets at fair value through other comprehensive income	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
	Phillips 66			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

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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
Cboe 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

(Continued)

June 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value	Percentage of Ownership (%)	Fair Value
				(Foreign Currencies in Thousands)		(Foreign Currencies in Thousands)
			Shares/Units (in Thousands)			Note
TSMC Global	Compass Bank		Financial assets at fair value through other comprehensive income	US\$ 1,248	N/A	US\$ 1,248
	Western Union Co/The			US\$ 1,241	N/A	US\$ 1,241
	Entergy Corp Consolidated Edison Inc			US\$ 1,237	N/A	US\$ 1,237
	Glencore Funding LLC			US\$ 1,198	N/A	US\$ 1,198
	Public Service Enterprise Group Inc			US\$ 1,196	N/A	US\$ 1,196
	Swedbank AB CA Inc			US\$ 1,130	N/A	US\$ 1,130
	Merck & Co Inc			US\$ 1,059	N/A	US\$ 1,059
	Glencore Finance Canada Ltd			US\$ 1,040	N/A	US\$ 1,040
	Reinsurance Group of America Inc			US\$ 1,039	N/A	US\$ 1,039
	International Paper Co			US\$ 1,039	N/A	US\$ 1,039
	Commonwealth Edison Co			US\$ 1,037	N/A	US\$ 1,037
	Athene Global Funding			US\$ 1,019	N/A	US\$ 1,019
	Scentre Group Trust 1 / Scentre Group Trust 2			US\$ 1,016	N/A	US\$ 1,016
	Mitsubishi UFJ Trust & Banking Corp			US\$ 1,010	N/A	US\$ 1,010
	Union Pacific Corp			US\$ 1,009	N/A	US\$ 1,009
	GlaxoSmithKline Capital Inc			US\$ 1,007	N/A	US\$ 1,007
	Equinor ASA			US\$ 998	N/A	US\$ 998
	Biogen Inc			US\$ 998	N/A	US\$ 998
	Laboratory Corp of America Holdings			US\$ 995	N/A	US\$ 995
				US\$ 992	N/A	US\$ 992

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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
Duke Energy Progress LLC	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 Consolidated	US\$	816	N/A	US\$	816
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
	US\$	789	N/A	US\$	789

ONEOK Partners
LP

(Continued)

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June 30, 2018						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)
				Shares/Units (In Thousands)	Percentage of Ownership (%)	(In Thousands)
TSMC Global	AXIS Specialty Finance LLC		Financial assets at fair value through other comprehensive income	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

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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
Kimberly-Clark Corp	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

							June 30, 2018
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Accounts	Carrying Value (Foreign Currencies)		Percentage of Ownership (%)	Fair Value (Foreign Currencies)
				Shares/Units (in Thousands)	(in Thousands)		(in Thousands)
TSMC Global	Dr Pepper Snapple Group Inc		Financial assets at fair value through other comprehensive income	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			US\$	500	N/A	US\$ 500

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Program LLC			
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

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2018			Fair Value (Foreign Currencies) in Thousands	Note
				Carrying Value (Foreign Currencies) in Thousands	Percentage of Ownership (%)	Shares/Units		
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			US\$	231	N/A	US\$	231
	Protective Life Corp			US\$	221	N/A	US\$	221
	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

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Commonwealth Bank of Australia National Australia Bank		US\$ 49,994	N/A	US\$ 50,178
Bank of Nova Scotia		US\$ 49,994	N/A	US\$ 50,143
Industrial and Commercial Bank of China		US\$ 49,973	N/A	US\$ 50,143
		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		US\$ 3,258	N/A	US\$ 3,258

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Certificates				
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

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2018			Percentage Ownership (%)	Fair Value (Foreign Currencies) (Thousands)	Note
				Carrying Value (Foreign Currencies) (Thousands)	Shares/Units	(In Thousands)			
TSMC Global	<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		
	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		

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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	US\$	8,474	N/A	US\$	8,474
BANK	US\$	7,738	N/A	US\$	7,738
CGDBB Commercial Mortgage Trust 2017-BIOC	US\$	7,502	N/A	US\$	7,502
Mercedes-Benz Master Owner Trust	US\$	7,429	N/A	US\$	7,429
Honda Auto Receivables 2017-2 Owner Trust	US\$	7,257	N/A	US\$	7,257
Chesapeake Funding II LLC	US\$	6,824	N/A	US\$	6,824
GS Mortgage Securities Trust	US\$	6,730	N/A	US\$	6,730
Ford Credit Auto Lease Trust	US\$	6,439	N/A	US\$	6,439
Citigroup Commercial Mortgage Trust 2013-GC11	US\$	5,872	N/A	US\$	5,872
BMW Vehicle Lease Trust	US\$	5,640	N/A	US\$	5,640
Nissan Auto Lease Trust	US\$	5,532	N/A	US\$	5,532
BBCMS 2018-TALL Mortgage Trust	US\$	5,488	N/A	US\$	5,488
JPMBB Commercial Mortgage	US\$	5,346	N/A	US\$	5,346

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Securities Trust 2013-C12					
JPMDB Commercial Mortgage Securities Trust 2017-C7	US\$	5,037	N/A	US\$	5,037
Volvo Financial Equipment Master Owner Trust 2017-A	US\$	4,508	N/A	US\$	4,508
Ford Credit Auto Owner Trust	US\$	4,328	N/A	US\$	4,328
Wells Fargo Commercial Mortgage Trust 2015-LC20	US\$	4,125	N/A	US\$	4,125
UBS Commercial Mortgage Trust 2018-C10	US\$	4,018	N/A	US\$	4,018
GM Financial Consumer Automobile 2017-1	US\$	3,904	N/A	US\$	3,904
Nissan Auto Receivables 2017-B Owner Trust	US\$	3,853	N/A	US\$	3,853
Cold Storage Trust 2017-ICE3	US\$	3,811	N/A	US\$	3,811
Morgan Stanley Capital I Trust	US\$	3,697	N/A	US\$	3,697
Wheels SPV 2 LLC	US\$	3,383	N/A	US\$	3,383
Hertz Fleet Lease Funding LP	US\$	3,319	N/A	US\$	3,319
BMW Floorplan Master Owner Trust	US\$	2,800	N/A	US\$	2,800
Navient Student Loan Trust 2017-1	US\$	1,711	N/A	US\$	1,711
Hyundai Auto Receivables Trust	US\$	1,675	N/A	US\$	1,675
WFRBS Commercial Mortgage Trust 2013-C14	US\$	1,612	N/A	US\$	1,612
SLM Student Loan Trust 2013-6	US\$	1,594	N/A	US\$	1,594
Enterprise Fleet Financing LLC	US\$	1,474	N/A	US\$	1,474
	US\$	1,414	N/A	US\$	1,414

Mercedes-Benz Auto Lease Trust 2016-A					
CarMax Auto Owner Trust	US\$	872	N/A	US\$	872
280 Park Avenue Mortgage Trust	US\$	830	N/A	US\$	830
CFCRE Commercial Mortgage Trust 2011-C1	US\$	810	N/A	US\$	810
Ally Auto Receivables Trust 2018-3	US\$	700	N/A	US\$	700
DBUBS 2011-LC2 Mortgage Trust	US\$	516	N/A	US\$	516
ARI Fleet Lease Trust 2018-A	US\$	507	N/A	US\$	507

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2018			Fair Value (Foreign Currencies in Thousands) Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	
TSMC Global	CD 2016-CD2 Mortgage Trust		Financial assets at fair value through other comprehensive income		US\$ 497	N/A	US\$ 497
	Mercedes-Benz Auto Receivables Trust 2015-1				US\$ 197	N/A	US\$ 197
	Freddie Mac				US\$ 1	N/A	US\$ 1
	<u>Structure product</u>						
	Bank of Tokyo-Mitsubishi UFJ		Financial assets at amortized cost		US\$ 49,979	N/A	US\$ 49,752
	<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
				1,085	US\$ 355	20	US\$ 355

	Aether Systems, Inc.							
	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)

TABLE 4**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE SIX MONTHS ENDED JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition			Disposal		Gain/Loss
			Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	
Investments accounted for using equity method		Subsidiary	9	\$ 309,211,877	2	\$ 59,182,280	\$	\$	\$	
		Subsidiary		26,493,740		2,361,320				
Financial assets at fair value through other comprehensive income				US\$ 10,018		US\$ 14,507				
				US\$ 1,450		US\$ 11,593	US\$ 4,387	US\$ 4,497	US\$	
				US\$ 6,181		US\$ 10,575	US\$ 8,076	US\$ 8,258	US\$	
				US\$ 11,073			US\$ 11,075	US\$ 11,075	US\$	
Financial assets at fair value through other comprehensive income				US\$ 202,689		US\$ 277,214	US\$ 193,418	US\$ 194,524	US\$	
				US\$ 49,901		US\$ 67,998	US\$ 71,979	US\$ 71,935	US\$	
				US\$ 2,997		US\$ 93,204	US\$ 94,516	US\$ 94,492	US\$	

Financial assets at fair value through other comprehensive income	US\$	2,866	US\$	36,834	US\$	20,767	US\$	20,841	U
			US\$	46,384	US\$	29,474	US\$	29,526	U

(Continued)

Marketable Securities		Beginning Balance		Acquisition		Disposal		Gain/(Loss)
Instrument and Name	Financial Statement Account	Nature of Relationship	Shares/Units (In Thousands)	Shares/Units (In Thousands)	Shares/Units (In Thousands)	Carrying Value	Gain/(Loss)	
Governmental	Financial assets at fair value through other comprehensive income				US\$ 15,306	US\$	4	US\$
Governmental					US\$ 10,453			
Bank TBA 15			US\$ 2,015	US\$ 27,575	US\$ 23,017	US\$ 23,068		US\$
Bank TBA 30			US\$ 15,758	US\$ 86,688	US\$ 97,401	US\$ 97,702		US\$
Bank TBA II TBA 4			US\$ 2,378	US\$ 23,048	US\$ 23,063	US\$ 23,109		US\$
Bank TBA 15				US\$ 18,243	US\$ 16,218	US\$ 16,228		US\$
Bank TBA II TBA 3.5			US\$ 145	US\$ 29,969	US\$ 28,387	US\$ 28,458		US\$
Bank Home Bank				US\$ 29,498	US\$ 29,500	US\$ 29,499		US\$
Bank Notes					US\$ 123,851	US\$ 123,395	US\$ 123,851	US\$
Bank TBA 30								US\$
Unpackaged Securities								
Bank Credit Issuance	Financial assets at fair value through other comprehensive income		US\$ 48,328	US\$ 27,345	US\$ 16,000	US\$ 15,996		US\$
Bank Credit Issuance			US\$ 45,722	US\$ 15,017	US\$ 10,585	US\$ 10,591		US\$
Bank Credit Issuance			US\$ 39,211	US\$ 17,750	US\$ 16,973	US\$ 16,982		US\$
Bank Credit Issuance			US\$ 12,805	US\$ 12,963	US\$ 4,429	US\$ 4,431		US\$
Bank Credit Issuance					US\$ 11,500	US\$ 11,474		US\$

(Concluded)

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

TABLE 5**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE SIX MONTHS ENDED JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Principal Relationship	Manufacturing Relationship	Related Party	Counter-party	Price Reference	Purpose of Acquisition
b	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
b	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
b	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
b	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
b	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
b	April 20, 2017 to April 19, 2018	300,874	Monthly settlement by the construction	Unique Station International Corp.	N/A	N/A	N/A	N/A	Price comparison and price	Manufacturing purpose

			progress and acceptance						negotiation	
b	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	Manufac purpose
b	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	Manufac purpose
b	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	Manufac purpose
b	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	Manufac purpose
b	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	Manufac purpose

(Continued)

Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Relationship	Manufacturer	Of Related Counter-party	Transfer Date	Price Reference	Purpose	
b	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
b	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
b	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
b	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
b	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
b	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
b	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
b	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
b	November 10, 2017 to May 24, 2018	305,783	Monthly settlement by the construction	DESICCANT TECHNOLOGY CO., LTD.		N/A	N/A	N/A	N/A	Price comparison and price	Manufacturing purpose

			progress and acceptance						negotiation	
b	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	Manufac purpose
b	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	Manufac purpose
b	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	Manufac purpose
b	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	Manufac purpose
b	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	Manufac purpose

(Continued)

Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Relationship	Manufacturer	Of Related Counter-party	Transfer Date	Price Reference	Purpose	
b	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
b	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
b	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
b	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
b	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
b	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
b	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
b	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
b	April 16, 2018	2,691,210	Monthly settlement by the construction	DA CIN Construction Co., Ltd.		N/A	N/A	N/A	N/A	Price comparison and price	Manufacturing purpose

progress and
acceptance

negotiation
(Concluded)

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TABLE 6**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE SIX MONTHS ENDED JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Party	Nature of Relationships	Purchases/Sales	Transaction Details		Payment Terms	Abnormal Transaction	
			Amount (Foreign Currencies % to in Thousands)	Total		Unit Price	Payment Terms
North	Subsidiary	Sales	\$ 285,135,942	56	Net 30 days from invoice date (Note)		Note
	Associate	Sales	3,190,892	1	Net 30 days from the end of the month of when invoice is issued		
China	Subsidiary	Purchases	9,465,891	21	Net 30 days from the end of the month of when invoice is issued		
	Indirect subsidiary	Purchases	4,252,547	9	Net 30 days from the end of the month of when invoice is issued		
	Associate	Purchases	2,644,248	6	Net 30 days from the end of the month of when invoice is issued		
	Subsidiary	Purchases	2,302,108	5	Net 30 days from the end of the month of when invoice is issued		
	Associate	Purchases	1,753,667	4	Net 30 days from the end of the month of when invoice is issued		
	Associate of TSMC	Sales	987,354		Net 30 days from invoice date		
			(US\$ 33,457)				

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

TABLE 7**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue Amount	Action Taken	Amounts R in Subsec Period
	TSMC North America	Subsidiary	\$ 51,595,574	46	\$ 3,439,728		\$ 29,9
	SSMC	Associate	1,698,519	Note 2	172		
	VIS	Associate	1,486,788	Note 2			
	GUC	Associate	1,009,314	51			
	VisEra Tech	Subsidiary	506,971	Note 2			
na	TSMC Nanjing	The same parent company	28,335,695	Note 2			
			(RMB 6,148,439)				
	TSMC	Parent company	1,661,881	30			
			(RMB 360,606)				
	TSMC	The ultimate parent of the Company	1,546,592	60	840,390		8
			(USD 50,658)		(USD 27,527)		(USD 1
ijing	TSMC	Parent company	1,428,454	56			
			(RMB 309,955)				
	TSMC	The ultimate parent of the Company	238,220	Note 2			
			(USD 7,803)				
h	TSMC	Parent company	151,699	Note 2	1,011		
			(USD 4,969)		(USD 33)		(USD

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

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

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

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
					Amount	Terms (Note 2) Percentage of Consolidated Net Revenue or Total Assets
	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	1,428,454	

			parties		
	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	
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.

TABLE 9**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)****FOR THE SIX MONTHS ENDED JUNE 30, 2018****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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/Losse of Investee (Note 1) (Foreign Currencies in Thousands)	
			June 30, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares (In Percentage Ownership)	Carrying Value (Foreign Currencies in Thousands)			
SMC Global	Tortola, British Virgin Islands	Investment activities	\$ 352,072,509	\$ 292,890,229	11	100	\$ 382,629,000	\$ 4,076,767	\$ 4,076,767
SMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry and other investment activities	31,456,130	31,456,130	988,268	100	52,384,657	1,204,676	1,204,676
SIS	Hsin-Chu, Taiwan	Manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the	10,180,677	10,180,677	464,223	28	7,991,101	2,569,276	725,172

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		manufacturing and design service of masks							
SMC	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
SMC 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
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
Kintec	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)
SGUC	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
SMC Europe	Amsterdam, the Netherlands	Customer service and supporting activities	15,749	15,749		100	430,225	21,070	21,070
TAF II	Cayman Islands	Investing in new start-up technology companies	412,831	412,831		98	258,813	(1,593)	(1,561)
TAF III	Cayman Islands	Investing in new start-up technology companies	1,318,885	1,318,885		98	199,026	(6,122)	(6,000)

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SMC apan	Yokohama, Japan	Customer service and supporting activities	83,760	83,760	6	100	139,403	3,063	3,063
SMC orea	Seoul, Korea	Customer service and supporting activities	13,656	13,656	80	100	39,640	995	995

(Continued)

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2018		Net Income Pro	
			June 30, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares (In Percentage of Ownership)	Carrying Value (Foreign Currencies in Thousands)	(Losses) of the Investee (Foreign Currencies in Thousands)	(Losses) of the Investee (Foreign Currencies in Thousands)
C Solar	Hamburg, Germany	Selling of solar related products and providing customer service	\$ 25,266	\$ 25,266	1	100	\$ (20,334)	\$ (21)
C opment	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	100	28,103,686 (US\$ 920,527)	919,280 (US\$ 31,102)
C ology	Delaware, U.S.A	Engineering support activities	436,030 (US\$ 14,282)	436,030 (US\$ 14,282)	100	100	575,174 (US\$ 18,840)	39,976 (US\$ 1,354)
C a	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)
	Cayman Islands	Investing in new start-up technology companies	14,508 (US\$ 475)	14,508 (US\$ 475)	583	97	507 (US\$ 17)	
II	Cayman Islands	Investing in new start-up technology companies			9,299	97		(6,781) (US\$ (231))
h Fund	Cayman Islands	Investing in new start-up technology companies	65,755 (US\$ 2,154)	65,755 (US\$ 2,154)	100	100	97,119 (US\$ 3,181)	(590) (US\$ (20))
l-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))

Tech	Washington, U.S.A	Manufacturing, selling and testing of integrated circuits and other semiconductor devices	\$	\$	293,637	100	\$	4,769,089	\$	757,997
							(US\$	156,210)	(US\$	25,640)

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

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

(Concluded)

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

Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US\$ in Thousands)	Investment Flows Outflow (US\$ in Thousands)	Inflow	Accumulated Outflow of Investment from Taiwan as of June 30, 2018 (US\$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Profit
Manufacturing, testing and development of integrated circuits and other semiconductor products	\$ 18,939,667 (RMB 4,502,080)	Note 1	\$ 18,939,667 (US\$ 596,000)	\$	\$	\$ 18,939,667 (US\$ 596,000)	\$ 2,879,004	100%	\$ 2,879,004
Manufacturing, testing and development of integrated circuits and other semiconductor products	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)
Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousands)									
Accumulated Investment in Mainland China as of June 30, 2018 (US\$ in Thousands)			Upper Limit on Investment						
\$ 49,461,079 (US\$ 1,596,000)			\$ 119,412,667 (US\$ 3,596,000) Note 3						

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