

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD  
Form 6-K  
August 11, 2016

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 Aug 2016**

**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: Aug 11, 2016

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, 2016 and 2015 and  
Independent Accountants Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the Company) as of June 30, 2016 and 2015 and the related consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2015 and for the six months ended June 30, 2016 and 2015, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

August 2, 2016

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 accepted and applied in the Republic of China.*

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		June 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 622,359,302	35	\$ 562,688,930	34	\$ 528,895,107	33
Financial assets at fair value through profit or loss (Notes 4 and 7)	1,820,907		6,026		58,535	
Available-for-sale financial assets (Notes 8 and 14)	36,322,049	2	14,299,361	1	14,216,874	1
Held-to-maturity financial assets (Note 9)	7,362,302		9,166,523	1	7,180,351	
Hedging derivative financial assets (Note 10)			1,739			
Notes and accounts receivable, net (Note 11)	111,300,187	6	85,059,675	5	98,992,354	6
Receivables from related parties (Note 32)	424,210		505,722		744,707	
Other receivables from related parties (Note 32)	1,546,979		125,018		3,565,341	
Inventories (Notes 12 and 36)	60,705,814	4	67,052,270	4	66,278,597	4
Other financial assets (Notes 4, 33 and 36)	7,419,643		4,305,358		8,408,233	1
Other current assets (Note 17)	3,263,678		3,533,369		3,028,691	
Total current assets	852,525,071	47	746,743,991	45	731,368,790	45
<b>NONCURRENT ASSETS</b>						
Held-to-maturity financial assets (Note 9)	27,266,867	2	6,910,873			
Financial assets carried at cost (Note 13)	4,066,621		3,990,882		1,858,376	
Investments accounted for using equity method (Note 14)	22,064,632	1	24,091,828	2	25,915,208	2
Property, plant and equipment (Note 15)	875,870,205	49	853,470,392	52	829,703,176	52
Intangible assets (Note 16)	14,066,562	1	14,065,880	1	12,938,507	1
Deferred income tax assets (Note 4)	6,643,607		6,384,974		5,342,444	
Refundable deposits	441,447		430,802		408,585	
Other noncurrent assets (Note 17)	1,546,548		1,428,676		1,317,980	

Total noncurrent assets	951,966,489	53	910,774,307	55	877,484,276	55
<b>TOTAL</b>	<b>\$ 1,804,491,560</b>	<b>100</b>	<b>\$ 1,657,518,298</b>	<b>100</b>	<b>\$ 1,608,853,066</b>	<b>100</b>

**LIABILITIES AND EQUITY****CURRENT LIABILITIES**

Short-term loans (Note 18)	\$ 38,739,600	2	\$ 39,474,000	2	\$ 5,592,600	
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	178,704		72,610		780,721	
Hedging derivative financial liabilities (Note 10)	4,217				2,625,763	
Accounts payable	22,117,148	1	18,575,286	1	19,773,550	1
Payables to related parties (Note 32)	1,037,116		1,149,988		1,327,345	
Salary and bonus payable	9,843,554	1	11,702,042	1	9,116,649	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 22 and 28)	30,365,818	2	20,958,893	1	28,834,956	2
Payables to contractors and equipment suppliers	48,102,264	3	26,012,192	2	43,610,962	3
Cash dividends payable (Note 22)	155,696,382	9			116,683,481	7
Income tax payable (Note 4)	31,168,780	2	32,901,106	2	30,335,340	2
Provisions (Note 19)	9,495,889		10,163,536	1	8,593,075	1
Long-term liabilities - current portion (Note 20)	22,010,000	1	23,517,612	1	10,868,322	1
Accrued expenses and other current liabilities (Note 21)	29,979,582	2	27,701,329	2	31,236,977	2
<b>Total current liabilities</b>	<b>398,739,054</b>	<b>23</b>	<b>212,228,594</b>	<b>13</b>	<b>309,379,741</b>	<b>20</b>

**NONCURRENT LIABILITIES**

Bonds payable (Note 20)	181,276,211	10	191,965,082	12	201,856,784	13
Long-term bank loans	26,300		32,500		37,500	
Deferred income tax liabilities (Note 4)	3,631		31,271		232,340	
Obligations under finance leases					766,836	
Net defined benefit liability (Note 4)	7,456,666		7,448,026		6,585,747	
Guarantee deposits (Note 21)	17,950,414	1	21,564,801	1	21,916,587	1
Others (Note 19)	1,708,306		1,613,545		1,449,976	

<b>Total noncurrent liabilities</b>	<b>208,421,528</b>	<b>11</b>	<b>222,655,225</b>	<b>13</b>	<b>232,845,770</b>	<b>14</b>
<b>Total liabilities</b>	<b>607,160,582</b>	<b>34</b>	<b>434,883,819</b>	<b>26</b>	<b>542,225,511</b>	<b>34</b>

**EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT**

Capital stock (Note 22)	259,303,805	14	259,303,805	16	259,303,805	16
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Capital surplus (Note 22)	56,263,141	3	56,300,215	3	56,532,959	4
<b>Retained earnings (Note 22)</b>						
Appropriated as legal capital reserve	208,297,945	12	177,640,561	11	177,640,561	11
Unappropriated earnings	667,701,172	37	716,653,025	43	569,248,657	35
	875,999,117	49	894,293,586	54	746,889,218	46
<b>Others (Note 22)</b>	<b>4,888,074</b>		<b>11,774,113</b>	<b>1</b>	<b>3,854,399</b>	
Equity attributable to shareholders of the parent	1,196,454,137	66	1,221,671,719	74	1,066,580,381	66
<b>NONCONTROLLING INTERESTS</b>	<b>876,841</b>		<b>962,760</b>		<b>47,174</b>	
Total equity	1,197,330,978	66	1,222,634,479	74	1,066,627,555	66
<b>TOTAL</b>	<b>\$ 1,804,491,560</b>	<b>100</b>	<b>\$ 1,657,518,298</b>	<b>100</b>	<b>\$ 1,608,853,066</b>	<b>100</b>

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			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>NET REVENUE</b>								
(Notes 24, 32 and 38)	\$ 221,809,846	100	\$ 205,439,752	100	\$ 425,305,207	100	\$ 427,473,896	100
<b>COST OF REVENUE</b> (Notes 12, 28, 32 and 36)	107,468,601	48	105,735,807	51	219,593,495	52	218,321,140	51
<b>GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES</b>	114,341,245	52	99,703,945	49	205,711,712	48	209,152,756	49
<b>REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES</b>	(7,009)		1,011		(39,898)		(18,536)	
<b>GROSS PROFIT</b>	114,334,236	52	99,704,956	49	205,671,814	48	209,134,220	49
<b>OPERATING EXPENSES</b> (Notes 28 and 32)								
Research and development	16,903,540	8	16,612,213	8	32,522,503	7	33,393,676	8
General and administrative	4,667,198	2	4,463,580	2	8,512,133	2	8,829,633	2
Marketing	1,436,902	1	1,479,419	1	2,852,001	1	2,870,415	1
	23,007,640	11	22,555,212	11	43,886,637	10	45,093,724	11

Total operating expenses

<b>OTHER OPERATING INCOME AND EXPENSES, NET</b>								
(Note 28)	(5,595)		(80,686)		3,138		(345,315)	
<b>INCOME FROM OPERATIONS</b>								
(Note 38)	91,321,001	41	77,069,058	38	161,788,315	38	163,695,181	38
<b>NON-OPERATING INCOME AND EXPENSES</b>								
Share of profits of associates and joint venture								
	892,266		815,749		1,733,161		1,950,398	
Other income	1,792,766	1	1,544,750	1	3,125,355	1	2,426,532	1
Foreign exchange loss, net (Note 37)	(807,218)		(292,295)		(1,900,836)		(244,112)	
Finance costs	(821,425)		(783,401)		(1,672,005)		(1,577,343)	
Other gains and losses (Note 25)	1,029,001		19,777,822	9	2,588,300		20,140,007	5
<b>Total non-operating income and expenses</b>								
	2,085,390	1	21,062,625	10	3,873,975	1	22,695,482	6
<b>INCOME BEFORE INCOME TAX</b>								
	93,406,391	42	98,131,683	48	165,662,290	39	186,390,663	44
<b>INCOME TAX EXPENSE (Notes 4 and 26)</b>								
	20,878,112	9	18,718,779	9	28,341,414	7	27,993,851	7
<b>NET INCOME</b>								
	72,528,279	33	79,412,904	39	137,320,876	32	158,396,812	37
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>								
(Notes 22 and 26)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences arising on translation	(353,467)		(3,368,788)	(2)	(6,946,520)	(1)	(5,647,926)	(1)

of foreign operations								
Changes in fair value of available-for-sale financial assets	(30,018)		(16,627,929)	(8)	21,276		(16,832,744)	(4)
Share of other comprehensive income (loss) of associates and joint venture	(17,528)		(249,353)		8,629		593,810	
Income tax benefit (expense) related to items that may be reclassified subsequently	10,200		(13,311)		27,640		(18,104)	
Other comprehensive loss for the period, net of income tax	(390,813)		(20,259,381)	(10)	(6,888,975)	(1)	(21,904,964)	(5)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$ 72,137,466</b>	<b>33</b>	<b>\$ 59,153,523</b>	<b>29</b>	<b>\$ 130,431,901</b>	<b>31</b>	<b>\$ 136,491,848</b>	<b>32</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Shareholders of the parent	\$ 72,506,321	33	\$ 79,417,514	39	\$ 137,287,814	32	\$ 158,407,425	37
Noncontrolling interests	21,958		(4,610)		33,062		(10,613)	
	\$ 72,528,279	33	\$ 79,412,904	39	\$ 137,320,876	32	\$ 158,396,812	37
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Shareholders of the parent	\$ 72,117,547	33	\$ 59,161,055	29	\$ 130,401,775	31	\$ 136,512,533	32
Noncontrolling interests	19,919		(7,532)		30,126		(20,685)	
	\$ 72,137,466	33	\$ 59,153,523	29	\$ 130,431,901	31	\$ 136,491,848	32

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
	Income Attributable to		Income Attributable to	
	Shareholders of	Shareholders of	Shareholders of	Shareholders of
	the Parent	the Parent	the Parent	the Parent
<b>EARNINGS PER SHARE (NT\$, Note 27)</b>				
Basic earnings per share	\$ 2.80	\$ 3.06	\$ 5.29	\$ 6.11
Diluted earnings per share	\$ 2.80	\$ 3.06	\$ 5.29	\$ 6.11

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Reviewed, Not Audited)

Stock	Equity Attributable to Shareholders of the Parent				Foreign Currency Translation Reserve	Others Unrealized Gain/Loss from Available- for-sale Financial Assets	Cash Flow Hedges Reserve	Total	Total
	Capital Surplus	Legal Capital Reserve	Unappropriated Earnings	Retained Earnings Total					
05	\$ 56,300,215	\$ 177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$ 11,774,113	\$ 1,22
		30,657,384	(30,657,384)						
			(155,582,283)	(155,582,283)					(15
		30,657,384	(186,239,667)	(155,582,283)					(15
			137,287,814	137,287,814					13
					(6,958,514)	72,190	285	(6,886,039)	(

137,287,814 137,287,814 (6,958,514) 72,190 285 (6,886,039) 13

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05 \$ 56,263,141 \$ 208,297,945 \$ 667,701,172 \$ 875,999,117 \$ 4,081,435 \$ 806,961 \$ (322) \$ 4,888,074 \$ 1,19

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





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

	<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 165,662,290	\$ 186,390,663
Adjustments for:		
Depreciation expense	109,352,892	108,544,796
Amortization expense	1,769,157	1,556,307
Finance costs	1,672,005	1,577,343
Share of profits of associates and joint venture	(1,733,161)	(1,950,398)
Interest income	(2,987,896)	(1,817,825)
Loss (gain) on disposal of property, plant and equipment, net	(6,828)	50,368
Impairment loss on property, plant and equipment		31,305
Impairment loss on financial assets	30,872	
Gain on disposal of available-for-sale financial assets, net	(89,669)	(17,642,367)
Gain on disposal of financial assets carried at cost, net	(20,009)	(70,597)
Loss (gain) on disposal of investments accounted for using equity method, net	259,960	(2,305,323)
Loss from liquidation of subsidiaries	36,105	
Unrealized gross profit on sales to associates	39,898	18,536
Loss (gain) on foreign exchange, net	308,122	(2,014,106)
Dividend income	(137,459)	(608,707)
Loss from hedging instruments	15,548	737,305
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(14,707)	(299,191)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(1,708,787)	428,017
Notes and accounts receivable, net	(29,118,721)	14,569,490
Receivables from related parties	81,512	(431,752)
Other receivables from related parties	(19,200)	17,984
Inventories	6,346,456	59,374
Other financial assets	(3,053,635)	499,150
Other current assets	269,691	731,724
Accounts payable	3,446,305	(1,587,537)
Payables to related parties	(85,240)	(164,145)
Salary and bonus payable	(1,858,488)	(1,457,273)
Accrued profit sharing bonus to employees and compensation to directors and supervisors	9,406,925	10,782,136
Accrued expenses and other current liabilities	1,420,239	(232,268)

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Provisions	(642,887)	(1,844,746)
Net defined benefit liability	8,640	17,965
Cash generated from operations	258,649,930	293,586,228
Income taxes paid	(30,444,686)	(26,518,415)
Net cash generated by operating activities	228,205,244	267,067,813

(Continued)

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

	<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	\$ (28,802,391)	\$ (3,628)
Held-to-maturity financial assets	(23,706,522)	(11,766,723)
Financial assets carried at cost	(218,762)	(87,321)
Property, plant and equipment	(111,727,052)	(102,689,656)
Intangible assets	(1,783,656)	(1,589,831)
Land use right	(805,318)	
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	8,070,785	39,269,616
Held-to-maturity financial assets	4,700,000	9,100,000
Financial assets carried at cost	20,009	86,756
Investments accounted for using equity method		3,962,848
Property, plant and equipment	26,517	30,462
Proceeds from return of capital of financial assets carried at cost	42,064	
Derecognition of hedging derivative financial instruments	(9,534)	
Costs from entering into hedging transactions		(495,348)
Interest received	3,310,985	1,764,337
Net cash inflow from disposal of subsidiary (Note 30)		601,047
Other dividends received	118,890	595,980
Refundable deposits paid	(59,844)	(218,253)
Refundable deposits refunded	63,470	161,583
Decrease in receivables for temporary payments	706,718	
Net cash used in investing activities	(150,053,641)	(61,278,131)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(157,064)	(30,334,110)
Repayment of bonds	(11,471,600)	
Repayment of long-term bank loans	(3,700)	
Interest paid	(1,289,308)	(1,212,515)
Decrease in obligations under finance leases		(29,098)
Guarantee deposits received	498,025	454,190
Guarantee deposits refunded	(485,721)	(443,769)

Proceeds from exercise of employee stock options		33,891
Decrease in noncontrolling interests	(509)	(42,719)
Net cash used in financing activities	(12,909,877)	(31,574,130)

(Continued)

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

	<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (5,571,354)	\$ (3,850,952)
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,670,372	170,364,600
CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE, BEGINNING OF PERIOD		81,478
CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET, BEGINNING OF PERIOD	562,688,930	358,449,029
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 622,359,302	\$ 528,895,107

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, 2016 and 2015**

**(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 and operating segments information of TSMC and its subsidiaries (collectively as the Company) are described in Notes 4 and 38.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were reported to the Board of Directors and issued on August 2, 2016.

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

As of the date that the accompanying consolidated financial statements were issued, the Company has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards, and Interpretations of IASs issued by the International Accounting Standards Board (IASB) (collectively, IFRSs).

- a. The IFRSs in issue and endorsed by Financial Supervisory Commission (FSC) with effective date starting 2017

On July 18, 2016, according to Rule No. 1050026834 issued by the FSC, the following IFRSs endorsed by the FSC should be adopted by the Company starting 2017.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note 2)
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016

(Continued)

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following items, the Company believes that the adoption of aforementioned IFRSs with effective date starting 2017 will not have a significant effect on the Company's consolidated financial statements:

1) Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 clarify that the Company is required to disclose the recoverable amount of an asset or a cash-generating unit only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

b. The IFRSs issued by IASB but not endorsed by FSC

The Company has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. As of the date that the consolidated financial statements were issued, the initial adoption to the following standards and interpretations is still subject to the effective date to be published by the FSC, except for IFRS 15, which is endorsed by the FSC with effective date starting 2018.



<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 3)</b>
Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018

(Continued)

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 3)</b>
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

(Concluded)

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

Except for the following, the initial application of the above new standards and interpretations has not had any material impact on the Company's accounting policies:

1) IFRS 9, Financial Instruments

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

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

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

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

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

The main change in IFRS 9 is the increase of the eligibility of hedge accounting. It allows reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. A fundamental difference to IAS 39 is that IFRS 9 (a) increases the scope of hedged items eligible for hedge accounting. For example, the risk components of non-financial items may be designated as hedging accounting; (b) revises a new way to account for the gain or loss recognition arising from hedging derivative financial instruments, which results in a less volatility in profit or loss; and (c) is necessary for there to be an economic relationship between the hedged item and hedging instrument instead of performing the retrospective hedge effectiveness testing.

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

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

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

Identify the contract with the customer;

Identify the performance obligations in the contract;

Determine the transaction price;

Allocate the transaction price to the performance obligations in the contracts; and

Recognize revenue when the entity satisfies a performance obligation.

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

3) IFRS 16, Leases

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

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 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.

##### Basis of Consolidation

###### The basis for the consolidated financial statements

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

###### 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, 2016	December 31, 2015	June 30, 2015	
TSMC	TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
	TSMC Japan Limited	Marketing activities	Yokohama, Japan	100%	100%	100%	a)

(TSMC Japan)							
TSMC Partners, Ltd. (TSMC Partners)	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	Tortola, British Virgin Islands	100%	100%	100%	a)	
TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	100%	100%	100%	a)	
TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)	
TSMC Global, Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	100%		
TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Shanghai, China	100%	100%	100%		
TSMC Nanjing Company Limited (TSMC Nanjing)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Nanjing, China	100%			b)	

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				June 30, 2016	December 31, 2015	June 30, 2015	
TSMC	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
	VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
	Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands		99.5%	99.5%	a), c)
	TSMC Solar Ltd. (TSMC Solar)	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	Tai-Chung, Taiwan			99%	d)
	TSMC Guang Neng Investment, Ltd. (TSMC GN)	Investment activities	Taipei, Taiwan			100%	d)
	TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%		a), d)
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	Investment activities	Taipei, Taiwan	100%	100%		e), f)
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	100%	a)
				100%	100%	100%	a)



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	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.				
	TSMC Development, Inc. (TSMC Development)	Investment activities	Delaware, U.S.A.	100%	100%	100%	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a)
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a)
	VisEra Holding Company (VisEra Holding)	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	98%	98%	49%	a), e)
TSMC Development	WaferTech, LLC (WaferTech)	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	100%	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	New Taipei, Taiwan	58%	58%	58%	
	Growth Fund Limited	Investing in new start-up	Cayman Islands	100%	100%	100%	a)

	(Growth Fund)	technology companies					
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	Investing in new start-up technology companies	Delaware, U.S.A.	100%	100%	100%	a)
TSMC Solar	TSMC Solar North America, Inc. (TSMC Solar NA)	Selling and marketing of solar related products	Delaware, U.S.A.			100%	a), d)
	TSMC Solar Europe GmbH	Selling of solar modules and related products and providing customer service	Hamburg, Germany			100%	a), d)
VisEra Holding	VisEra Technologies Company Ltd. (VisEra Tech)	Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter	Hsin-Chu, Taiwan	87%	87%	87%	e)

(Concluded)

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

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

Note c: Due to the expiration of the investment agreement between Emerging Alliance and TSMC, Emerging Alliance completed the liquidation procedures in April 2016.

Note d: In August 2015, TSMC Solar ceased its manufacturing operations. TSMC Solar and TSMC GN were incorporated into TSMC in December 2015. After the incorporation, TSMC Solar Europe GmbH, the 100% owned subsidiary of TSMC Solar, is held directly by TSMC and TSMC Solar Europe GmbH has started the liquidation procedures. TSMC Solar NA, the 100% owned subsidiary of TSMC Solar, completed the liquidation procedures in December 2015.

Note e: The Company acquired OmniVision Technologies, Inc.'s (OVT's) 49.1% ownership in VisEra Holding and 100% ownership in Taiwan OmniVision Investment Holding Co. (OVT Taiwan) on November 20, 2015. As a result, the Company has obtained controls of VisEra Holding and OVT Taiwan; therefore the Company has consolidated VisEra Holding, OVT Taiwan and VisEra Tech, held directly by VisEra Holding, since November 20, 2015. Please refer to Note 29.

Note f: OVT Taiwan that originally acquired by the Company was renamed as Chi Cherng in December 2015.

**Financial Instruments Designated as at Fair Value through Profit or Loss**

A financial instrument may be designated as at fair value through profit or loss (FVTPL) upon initial recognition. The financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

**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.

**Insurance Claim**

The Company recognizes insurance claim reimbursement for losses incurred related to disaster damages. Insurance claim reimbursements are recorded, net of any deductible amounts, at the time while there is evidence that the claim reimbursement is virtually certain to be received.

**Government Grants**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (mainly including land use right and depreciable assets) are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets. Government grants that are receivables as compensation for expenses already incurred are deducted from incurred expenses in the period in which they become receivables.

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

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015.

**6. CASH AND CASH EQUIVALENTS**

	June 30, 2016	December 31, 2015	June 30, 2015
Cash and deposits in banks	\$ 617,660,014	\$ 557,270,910	\$ 522,994,073
Repurchase agreements collateralized by corporate bonds	4,499,288	5,132,778	4,155,782
	200,000	285,242	546,526

Repurchase agreements collateralized by government bonds	
Repurchase agreements collateralized by short-term commercial paper	898,859
Commercial paper	299,867

\$ 622,359,302    \$ 562,688,930    \$ 528,895,107

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, 2016	December 31, 2015	June 30, 2015
<b>Financial assets</b>			
Held for trading			
Forward exchange contracts	\$ 143,834	\$ 6,026	\$ 31,580
Cross currency swap contracts	62,917		26,955
	206,751	6,026	58,535
Designated as at FVTPL			
Time deposit	1,614,156		
	\$ 1,820,907	\$ 6,026	\$ 58,535
<b>Financial liabilities</b>			
Held for trading			
Forward exchange contracts	\$ 160,423	\$ 72,610	\$ 780,721
Cross currency swap contracts	7,408		
	167,831	72,610	780,721
Designated as at FVTPL			
Forward exchange contracts	10,873		
	\$ 178,704	\$ 72,610	\$ 780,721

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<b>June 30, 2016</b>		
Sell NT\$/Buy EUR	July 2016	NT\$2,114,352/EUR59,000
Sell NT\$/Buy JPY	July 2016	NT\$4,889,373/JPY15,521,040
Sell US\$/Buy JPY	July 2016	US\$166,271/JPY16,944,380
Sell US\$/Buy RMB	July 2016 to June 2017	US\$233,000/RMB1,538,880

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Sell US\$/Buy NT\$	July 2016 to August 2016	US\$498,000/NT\$16,190,246
<u>December 31, 2015</u>		
Sell US\$/Buy JPY	January 2016	US\$128,418/JPY15,449,355
Sell US\$/Buy RMB	January 2016	US\$226,000/RMB1,464,472
Sell US\$/Buy NT\$	January 2016 to February 2016	US\$440,000/NT\$14,434,179

(Continued)

	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2015</u>		
Sell EUR/Buy US\$	July 2015	EUR3,400/US\$3,834
Sell NT\$/Buy US\$	July 2015	NT\$1,868,845/US\$60,500
Sell US\$/Buy EUR	July 2015	US\$10,153/EUR9,079
Sell US\$/Buy JPY	July 2015	US\$40,000/JPY4,947,990
Sell US\$/Buy NT\$	July 2015 to August 2015	US\$2,345,000/NT\$72,072,355
Sell US\$/Buy RMB	July 2015	US\$90,000/RMB559,832
(Concluded)		

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2016</u>			
July 2016	US\$415,000/NT\$13,452,895	0.66%-0.90%	
<u>June 30, 2015</u>			
July 2015	NT\$3,033,613/US\$98,500		0.10%

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Corporate bonds	\$ 12,525,209	\$ 6,267,768	\$
Agency bonds	6,379,861	2,627,367	
Money market funds	6,128,310		383
Corporate issued asset-backed securities	6,029,248	3,154,366	
Publicly traded stocks	2,893,386	1,371,483	14,216,491
Government bonds	2,366,035	878,377	
	\$ 36,322,049	\$ 14,299,361	\$ 14,216,874

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

June 30,	June 30,
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	<b>2016</b>	<b>December 31, 2015</b>	<b>2015</b>
Corporate bonds/Bank debentures	\$ 26,988,011	\$ 8,143,146	\$
Negotiable certificate of deposit	4,842,450	4,934,250	
Structured product	2,000,000	3,000,000	
Commercial paper	798,708		7,180,351
	<b>\$ 34,629,169</b>	<b>\$ 16,077,396</b>	<b>\$ 7,180,351</b>
Current portion	\$ 7,362,302	\$ 9,166,523	\$ 7,180,351
Noncurrent portion	27,266,867	6,910,873	
	<b>\$ 34,629,169</b>	<b>\$ 16,077,396</b>	<b>\$ 7,180,351</b>

**10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>June 30,</b>		<b>December 31,</b>		<b>June 30,</b>
	<b>2016</b>		<b>2015</b>		<b>2015</b>
<b><u>Financial assets - current</u></b>					
Fair value hedges					
Interest rate futures contracts	\$		\$ 1,739		\$
<b><u>Financial liabilities - current</u></b>					
Fair value hedges					
Interest rate futures contracts	\$ 4,217		\$		\$
Stock forward contracts					2,625,763
	\$ 4,217		\$		\$ 2,625,763

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

The outstanding interest rate futures contracts consisted of the following:

<b>Maturity Period</b>	<b>Contract Amount</b>
	<b>(US\$ in Thousands)</b>
<b><u>June 30, 2016</u></b>	
September 2016	US\$ 10,000
<b><u>December 31, 2015</u></b>	
March 2016	US\$ 13,800

The Company's investments in publicly traded stocks are exposed to the risk of market price fluctuations. Accordingly, the Company entered into stock forward contracts to sell shares at a contracted price determined by specific percentage of the spot price on the trade date in a specific future period in order to hedge the fair value risk caused by changes in equity prices.

The outstanding stock forward contracts consisted of the following:

	<b>June 30,</b>		<b>December 31,</b>		<b>June 30,</b>
	<b>2016</b>		<b>2015</b>		<b>2015</b>
Contract amount (US\$ in thousands)	\$		\$		\$ 10,575,328
					(US\$ 340,371)

**11. NOTES AND ACCOUNTS RECEIVABLE, NET**

	<b>June 30,</b>		<b>December 31,</b>		<b>June 30,</b>
	<b>2016</b>		<b>2015</b>		<b>2015</b>
Notes and accounts receivable	\$ 111,788,384	\$	85,547,926	\$	99,479,058
Allowance for doubtful receivables	(488,197)		(488,251)		(486,704)
Notes and accounts receivable, net	\$ 111,300,187	\$	85,059,675	\$	98,992,354

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

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

Aging analysis of notes and accounts receivable, net

	June 30, 2016	December 31, 2015	June 30, 2015
Neither past due nor impaired	\$ 97,225,328	\$ 71,482,666	\$ 84,924,664
Past due but not impaired			
Past due within 30 days	9,190,367	13,577,009	12,393,941
Past due 31-60 days	1,901,629		1,466,102
Past due 61-120 days	2,982,863		207,647
	\$ 111,300,187	\$ 85,059,675	\$ 98,992,354

Movements of the allowance for doubtful receivables

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 10,241	\$ 478,010	\$ 488,251
Effect of exchange rate changes		(54)	(54)
Balance at June 30, 2016	\$ 10,241	\$ 477,956	\$ 488,197
Balance at January 1, 2015	\$ 8,093	\$ 478,637	\$ 486,730
Provision	10,861	597	11,458
Reversal		(11,383)	(11,383)
Effect of exchange rate changes		(101)	(101)
Balance at June 30, 2015	\$ 18,954	\$ 467,750	\$ 486,704

Aging analysis of accounts receivable that is individually determined as impaired

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Not past due	\$	\$	\$ 4,984
Past due 1-30 days			4,387
Past due 31-60 days			1,656
Past due over 121 days	10,241	10,241	7,927
	\$ 10,241	\$ 10,241	\$ 18,954

**12. INVENTORIES**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Finished goods	\$ 4,943,938	\$ 7,974,902	\$ 14,418,570
Work in process	50,604,010	53,632,056	45,538,445
Raw materials	2,765,102	3,038,756	4,146,095
Supplies and spare parts	2,392,764	2,406,556	2,175,487
	<b>\$ 60,705,814</b>	<b>\$ 67,052,270</b>	<b>\$ 66,278,597</b>

Write-down of inventories to net realizable value (excluding earthquake losses) and reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue, which were as follows. Please refer to related earthquake losses in Note 36.

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Inventory losses (reversal of write-down of inventories)	\$ 1,195,805	\$ (401,637)	\$ 651,133	\$ 1,367,721

**13. FINANCIAL ASSETS CARRIED AT COST**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Non-publicly traded stocks	\$ 3,176,575	\$ 3,268,100	\$ 1,580,737
Mutual funds	890,046	722,782	277,639
	<b>\$ 4,066,621</b>	<b>\$ 3,990,882</b>	<b>\$ 1,858,376</b>

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

The common stock of Richwave Technology Corp. was listed on the TWSE in November 2015. Thus, the Company reclassified the aforementioned investment from financial assets carried at cost to available-for-sale financial assets.

**14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

Investments accounted for using the equity method consisted of the following:

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Associates	\$ 22,064,632	\$ 24,091,828	\$ 22,446,195
Joint venture			3,469,013
	\$ 22,064,632	\$ 24,091,828	\$ 25,915,208

a. Investments in associates  
Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
			June 30, 2016	December 31, 2015	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2015
Systems on Silicon Manufacturing Company Pte Ltd. (SMC)	Fabrication and supply of integrated circuits	Singapore	\$ 10,154,793	\$ 9,511,515	\$ 7,831,408	39%	39%	39%
Vanguard International Semiconductor Corporation (VIS)	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	Hsinchu, Taiwan	8,068,620	8,446,054	8,196,482	28%	28%	28%
Xintec Inc. (Xintec)	Wafer level chip size packaging service	Taoyuan, Taiwan	2,777,336	2,928,362	2,250,809	41%	41%	35%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,063,883	1,152,335	1,013,265	35%	35%	35%
Motech Industries, Inc. (Motech)	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	New Taipei, Taiwan		2,053,562	3,154,231		12%	18%
			\$ 22,064,632	\$ 24,091,828	\$ 22,446,195			

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



In the fourth quarter of 2015, the Company sold 29,160 thousand common shares of Motech and recognized a disposal gain of NT\$202,384 thousand. After the sale, the Company's percentage of ownership over Motech decreased to 12.0%. Motech continued to be accounted for using equity method as the Company still retained significant influence over Motech.

The Company acquired OVT's 49.1% ownership in VisEra Holding on November 20, 2015. As a result, the Company has obtained control of VisEra Holding and consolidated VisEra Holding since November 20, 2015. The Company included the Xintec shares held by VisEra Holding and total percentage of ownership over Xintec increased to 41.4%.

In the second quarter of 2015, the Company sold 82,000 thousand common shares of VIS and recognized a disposal gain of NT\$2,263,539 thousand. After the sale, the Company owned approximately 28.3% of the equity interest in VIS.

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 follow. The closing price represents the quoted price in active markets, the level 1 fair value measurement.

Name of Associate	June 30, 2016	December 31, 2015	June 30, 2015
VIS	\$ 24,511,000	\$ 19,868,766	\$ 22,932,641
GUC	\$ 3,417,551	\$ 3,081,399	\$ 3,571,621
Xintec	\$ 2,325,793	\$ 3,605,534	\$ 4,082,245
Motech		\$ 2,636,054	\$ 3,201,760

b. Investments in joint venture  
Joint venture consisted of the following:

Name of Joint Venture	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company		
			June 30, 2016	June 30, 2015	June 30, 2016	December 31, 2015	June 30, 2015
VisEra Holding	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	\$	\$ 3,469,013			49%

The Company acquired OVT's 49.1% ownership in VisEra Holding on November 20, 2015. As a result, the Company has obtained control of VisEra Holding and consolidated VisEra Holding since November 20, 2015. Please refer to Note 29 for related disclosures.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Assets under Construction	Equipment under Installation and Construction in Progress	Total
Balance at January 1, 2016	\$ 4,067,391	\$ 296,801,864	\$ 1,893,489,604	\$ 30,700,049	\$ 7,113	\$ 192,111,548	\$ 2,417,177,569
Additions		5,544,359	117,986,695	3,012,979		5,870,440	132,414,473
Disposals or retirements			(1,828,533)	(316,251)			(2,144,784)
Reclassification				7,113	(7,113)		
Effect of exchange rate changes	(15,914)	(777,818)	(2,435,252)	(44,228)		(19,513)	(3,292,725)
	\$ 4,051,477	\$ 301,568,405	\$ 2,007,212,514	\$ 33,359,662	\$	\$ 197,962,475	\$ 2,544,154,533

Balance at June 30, 2016							
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2016	\$ 506,185	\$ 157,910,155	\$ 1,385,857,655	\$ 19,426,069	\$ 7,113	\$	\$ 1,563,707,177
Additions	14,949	8,772,080	98,462,355	2,103,508			109,352,892
Disposals or retirements			(1,808,905)	(316,190)			(2,125,095)
Reclassification				7,113	(7,113)		
Effect of exchange rate changes	(9,643)	(575,262)	(2,034,628)	(31,113)			(2,650,646)
Balance at June 30, 2016	\$ 511,491	\$ 166,106,973	\$ 1,480,476,477	\$ 21,189,387	\$	\$	\$ 1,668,284,328
Carrying amounts at							
January 1, 2016	\$ 3,561,206	\$ 138,891,709	\$ 507,631,949	\$ 11,273,980	\$	\$ 192,111,548	\$ 853,470,392
June 30, 2016	\$ 3,539,986	\$ 135,461,432	\$ 526,736,037	\$ 12,170,275	\$	\$ 197,962,475	\$ 875,870,205
<u>Cost</u>							
Balance at January 1, 2015	\$ 4,036,785	\$ 269,163,850	\$ 1,754,170,227	\$ 27,960,835	\$ 841,154	\$ 109,334,736	\$ 2,165,507,587
Additions		4,968,013	77,365,235	1,628,622		36,568,389	120,530,259
Disposals or retirements			(949,684)	(709,966)			(1,659,650)
Effect of exchange rate changes	(16,849)	(460,203)	(1,096,526)	(58,461)	(16,785)	(69,523)	(1,718,347)
Balance at June 30, 2015	\$ 4,019,936	\$ 273,671,660	\$ 1,829,489,252	\$ 28,821,030	\$ 824,369	\$ 145,833,602	\$ 2,282,659,849
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015	\$ 459,140	\$ 141,245,913	\$ 1,188,388,402	\$ 16,767,934	\$ 447,397	\$	\$ 1,347,308,786
Additions	14,224	7,833,137	98,831,428	1,844,552	21,455		108,544,796

Disposals or retirements			(912,589)	(666,231)			(1,578,820)
Impairment			31,305				31,305
Effect of exchange rate changes	(9,433)	(325,663)	(957,574)	(47,778)	(8,946)		(1,349,394)
Balance at June 30, 2015	\$ 463,931	\$ 148,753,387	\$ 1,285,380,972	\$ 17,898,477	\$ 459,906	\$	\$ 1,452,956,673
Carrying amounts at June 30, 2015	\$ 3,556,005	\$ 124,918,273	\$ 544,108,280	\$ 10,922,553	\$ 364,463	\$ 145,833,602	\$ 829,703,176

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.

For the year ended December 31, 2015, the Company recognized an impairment loss of NT\$259,568 thousand under foundry segment since the carrying amount of some of property, plant and equipment is expected to be unrecoverable. Such impairment loss was included in other operating income and expenses for the year ended December 31, 2015.

In August 2015, TSMC Solar ceased its manufacturing operations. In the third quarter of 2015, the Company recognized an impairment loss of NT\$2,286,016 thousand since the carrying amounts of some of machinery and equipment, office equipment and mechanical and electrical power equipment were expected to be unrecoverable. Such impairment loss was included in other operating income and expenses for the year ended December 31, 2015.

The Company had a building lease agreement with leasing terms from December 2003 to November 2018 and such lease was accounted for as a finance lease. In August 2015, the lease was determined to be an operating lease due to a modification on lease conditions; as such, the Company recognized a gain of NT\$430,041 thousand from the modification. Such gain was included in other operating income and expenses for the year ended December 31, 2015.

## 16. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
<b>Cost</b>					
Balance at January 1, 2016	\$ 6,104,784	\$ 8,454,304	\$ 19,474,428	\$ 4,879,026	\$ 38,912,542
Additions		751,269	745,416	362,770	1,859,455
Retirements			(1,800)		(1,800)
Effect of exchange rate changes	(84,410)	2,910	(5,961)	(6,179)	(93,640)
Balance at June 30, 2016	\$ 6,020,374	\$ 9,208,483	\$ 20,212,083	\$ 5,235,617	\$ 40,676,557
<b>Accumulated amortization</b>					
Balance at January 1, 2016	\$	\$ 4,779,388	\$ 16,431,666	\$ 3,635,608	\$ 24,846,662
Additions		651,638	791,025	326,494	1,769,157
Retirements			(1,800)		(1,800)
Effect of exchange rate changes		2,910	(5,409)	(1,525)	(4,024)
Balance at June 30, 2016	\$	\$ 5,433,936	\$ 17,215,482	\$ 3,960,577	\$ 26,609,995
Carrying amounts at January 1, 2016	\$ 6,104,784	\$ 3,674,916	\$ 3,042,762	\$ 1,243,418	\$ 14,065,880
Carrying amounts at June 30, 2016	\$ 6,020,374	\$ 3,774,547	\$ 2,996,601	\$ 1,275,040	\$ 14,066,562

<u>Cost</u>					
Balance at January 1, 2015	\$ 5,888,813	\$ 6,350,253	\$ 18,697,098	\$ 4,292,555	\$ 35,228,719
Additions		540,027	202,818	311,139	1,053,984
Retirements			(91,578)		(91,578)
Effect of exchange rate changes	(88,279)	(5,354)	(3,165)	(2,802)	(99,600)
Balance at June 30, 2015	\$ 5,800,534	\$ 6,884,926	\$ 18,805,173	\$ 4,600,892	\$ 36,091,525
<u>Accumulated amortization</u>					
Balance at January 1, 2015	\$	\$ 3,778,912	\$ 14,861,146	\$ 3,057,151	\$ 21,697,209
Additions		445,742	830,478	280,087	1,556,307
Retirements			(91,578)		(91,578)
Effect of exchange rate changes		(5,354)	(2,978)	(588)	(8,920)
Balance at June 30, 2015	\$	\$ 4,219,300	\$ 15,597,068	\$ 3,336,650	\$ 23,153,018
Carrying amounts at June 30, 2015	\$ 5,800,534	\$ 2,665,626	\$ 3,208,105	\$ 1,264,242	\$ 12,938,507

The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rate of 8.40% in its test of impairment for December 31, 2015 to reflect the relevant specific risk in the cash-generating unit.

In August 2015, TSMC Solar ceased its manufacturing operation and the Company recognized an impairment loss of NT\$58,514 thousand in the third quarter of 2015 since the carrying amounts of technology license fees, software and system design costs were expected to be unrecoverable. Such impairment loss was included in other operating income and expenses for the year ended December 31, 2015.

## 17. OTHER ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Tax receivable	\$ 2,064,225	\$ 2,026,509	\$ 1,795,457
Prepaid expenses	1,159,387	1,457,044	1,171,189
Long-term receivable	358,900	360,000	347,000
Others	1,227,714	1,118,492	1,033,025
	\$ 4,810,226	\$ 4,962,045	\$ 4,346,671
Current portion	\$ 3,263,678	\$ 3,533,369	\$ 3,028,691
Noncurrent portion	1,546,548	1,428,676	1,317,980
	\$ 4,810,226	\$ 4,962,045	\$ 4,346,671

## 18. SHORT-TERM LOANS

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured loans			
Amount	\$ 38,739,600	\$ 39,474,000	\$ 5,592,600
Original loan content			
US\$ (in thousands)	\$ 1,200,000	\$ 1,200,000	\$ 180,000
Annual interest rate	0.70%-0.77%	0.50%-0.77%	0.38%-0.44%
Maturity date			

Due in July 2016	Due by February 2016	Due in July 2015
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**19. PROVISIONS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Sales returns and allowances	\$ 9,495,889	\$ 10,163,536	\$ 8,593,075
Warranties	40,241	46,304	16,756
	\$ 9,536,130	\$ 10,209,840	\$ 8,609,831
Current portion	\$ 9,495,889	\$ 10,163,536	\$ 8,593,075
Noncurrent portion (classified under other noncurrent liabilities)	40,241	46,304	16,756
	\$ 9,536,130	\$ 10,209,840	\$ 8,609,831



	<b>Sales Returns</b>		
	<b>and Allowances</b>	<b>Warranties</b>	<b>Total</b>
<b><u>Six months ended June 30, 2016</u></b>			
Balance, beginning of period	\$ 10,163,536	\$ 46,304	\$ 10,209,840
Provision (Reversal)	13,433,695	(3,878)	13,429,817
Payment	(14,070,519)	(2,185)	(14,072,704)
Effect of exchange rate changes	(30,823)		(30,823)
Balance, end of period	\$ 9,495,889	\$ 40,241	\$ 9,536,130
<b><u>Six months ended June 30, 2015</u></b>			
Balance, beginning of period	\$ 10,445,452	\$ 19,828	\$ 10,465,280
Provision (Reversal)	6,353,637	6,071	6,359,708
Payment	(8,196,055)	(8,399)	(8,204,454)
Effect of exchange rate changes	(9,959)	(744)	(10,703)
Balance, end of period	\$ 8,593,075	\$ 16,756	\$ 8,609,831

Provisions for sales returns and allowances are estimated based on historical experience, management judgment, and any known factors that would significantly affect the returns and allowances, and are recognized as a reduction of revenue in the same period of the related product sales.

The provision for warranties represents the present value of the Company's best estimate of the future outflow of the economic benefits that will be required under the Company's obligations for warranties. The best estimate has been made on the basis of historical warranty trends of business.

## 20. BONDS PAYABLE

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Domestic unsecured bonds	\$ 166,200,000	\$ 166,200,000	\$ 166,200,000
Overseas unsecured bonds	37,125,450	49,342,500	46,605,000
	203,325,450	215,542,500	212,805,000
Less: Discounts on bonds payable	(49,239)	(67,306)	(82,394)
Less: Current portion	(22,000,000)	(23,510,112)	(10,865,822)
	\$ 181,276,211	\$ 191,965,082	\$ 201,856,784

The major terms of overseas unsecured bonds are as follows:

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

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**21. GUARANTEE DEPOSITS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Capacity guarantee	\$ 24,212,250	\$ 27,549,563	\$ 28,351,375
Others	200,014	183,051	167,587
	<b>\$ 24,412,264</b>	<b>\$ 27,732,614</b>	<b>\$ 28,518,962</b>
Current portion (classified under accrued expenses and other current liabilities)	\$ 6,461,850	\$ 6,167,813	\$ 6,602,375
Noncurrent portion	17,950,414	21,564,801	21,916,587
	<b>\$ 24,412,264</b>	<b>\$ 27,732,614</b>	<b>\$ 28,518,962</b>

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

**22. EQUITY**

## a. Capital stock

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
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, 2016, 1,072,635 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,363,175 thousand shares (one ADS represents five common shares).

## b. Capital surplus

	<b>June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>December 31,</b>	<b>2015</b>
		<b>2015</b>	
Additional paid-in capital	\$ 24,184,939	\$ 24,184,939	\$ 24,184,939
From merger	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847
From share of changes in equities of subsidiaries	100,761	100,761	78,464
From share of changes in equities of associates and joint venture	280,029	317,103	572,144
Donations	55	55	55
	<b>\$ 56,263,141</b>	<b>\$ 56,300,215</b>	<b>\$ 56,532,959</b>

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Under the Company Act, 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 as well as associates and joint venture may be used to offset a deficit.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The amendments to TSMC's Articles of Incorporation on profits distribution policy had been approved by TSMC's shareholders in its meeting held on June 7, 2016. For policy about the profit sharing bonus to employees, please refer to Note 28.

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

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

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

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

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

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

The appropriations of 2015 and 2014 earnings have been approved by TSMC's shareholders in its meeting held on June 7, 2016 and on June 9, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2015	For Fiscal Year 2014	For Fiscal Year 2015	For Fiscal Year 2014
Legal capital reserve	\$ 30,657,384	\$ 26,389,879		
Cash dividends to shareholders	155,582,283	116,683,481	\$ 6.0	\$ 4.5
	\$ 186,239,667	\$ 143,073,360		

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

d. Others

Changes in others were as follows:

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

Other comprehensive loss reclassified to profit or loss upon disposal of associates				
Income tax effect			27,640	27,640
Balance, end of period	\$	4,081,435	\$	806,961
			\$	(322)
	\$			4,888,074

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	<b>Six Months Ended June 30, 2015</b>			
	<b>Unrealized</b>			
	<b>Foreign</b>	<b>Gain/Loss from</b>		
	<b>Currency</b>	<b>Available-for-</b>		
<b>Translation</b>	<b>sale Financial</b>	<b>Cash Flow</b>		
<b>Reserve</b>	<b>Assets</b>	<b>Hedges Reserve</b>	<b>Total</b>	
Balance, beginning of period	\$ 4,502,113	\$ 21,247,483	\$ (305)	\$ 25,749,291
Exchange differences arising on translation of foreign operations	(4,654,336)			(4,654,336)
Changes in fair value of available-for-sale financial assets		(174,880)		(174,880)
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale financial assets	(993,026)	(16,649,252)		(17,642,278)
Share of other comprehensive income (loss) of associates and joint venture	43,487	544,976	(175)	588,288
The proportionate share of other comprehensive income reclassified to profit or loss upon partial disposal of associates	4,356	2,051	11	6,418
Income tax effect		(18,104)		(18,104)
Balance, end of period	\$ (1,097,406)	\$ 4,952,274	\$ (469)	\$ 3,854,399

The exchange differences arising on translation of foreign operation's net assets from its functional currency to TSMC's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income, excluding the amounts recognized in profit or loss for the effective portion from changes in fair value of the hedging instruments. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.



The cash flow hedges reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gains or losses arising on changes in fair value of the hedging instruments that are recognized and accumulated in cash flow hedges reserve will be reclassified to profit or loss only when the hedge transaction affects profit or loss.

**23. SHARE-BASED PAYMENT**

The Company did not issue employee stock option plans for the six months ended June 30, 2016 and 2015. Information about the TSMC's outstanding employee stock options is described as follows:

	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<b>Six months ended June 30, 2015</b>		
Balance, beginning of period	718	\$ 47.2
Options exercised	(718)	47.2
Balance, end of period		
Balance exercisable, end of period		

The numbers of outstanding stock options and exercise prices have been adjusted to reflect the distribution of earnings by TSMC in accordance with the plans.

The employee stock options have been fully exercised in the second quarter of 2015.

**24. NET REVENUE**

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net revenue from sale of goods	\$ 221,667,204	\$ 205,306,861	\$ 425,050,621	\$ 427,206,385
Net revenue from royalties	142,642	132,891	254,586	267,511
	\$ 221,809,846	\$ 205,439,752	\$ 425,305,207	\$ 427,473,896

**25. OTHER GAINS AND LOSSES**

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015

Gain on disposal of financial assets, net								
Available-for-sale financial assets	\$	100,498	\$	17,639,406	\$	89,669	\$	17,642,367
Financial assets carried at cost		5,628		28,354		20,009		70,597
Gain (loss) on disposal of investments accounted for using equity method		(259,960)		2,305,323		(259,960)		2,305,323
Other gains		25,210		11,240		62,638		27,409
Net gain (loss) on financial instruments at FVTPL								
Held for trading		1,297,816		243,123		2,829,951		560,678
Designated as at FVTPL		(70,947)				(70,947)		

(Continued)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Fair value hedges				
Loss from hedging instruments	\$ (3,678)	\$ (5,329,381)	\$ (15,548)	\$ (737,305)
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	4,082	4,901,475	14,707	299,191
Impairment loss of financial assets				
Financial assets carried at cost	(30,872)		(30,872)	
Loss from liquidation of subsidiaries	(36,105)		(36,105)	
Other losses	(2,671)	(21,718)	(15,242)	(28,253)
	\$ 1,029,001	\$ 19,777,822	\$ 2,588,300	\$ 20,140,007
				(Concluded)

## 26. INCOME TAX

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Current income tax expense				
Current tax expense recognized in the current period	\$ 20,823,242	\$ 18,461,370	\$ 29,469,752	\$ 28,865,330
Income tax adjustments on prior years	(1,035,405)	(793,673)	(1,035,405)	(793,673)
Other income tax adjustments	169,156	107,473	204,996	149,512
	19,956,993	17,775,170	28,639,343	28,221,169
Deferred income tax expense (benefit)				
The origination and reversal of temporary differences	(51,179)	(230,930)	(297,929)	(414,198)
Investment tax credits and operating loss carryforward	972,298	1,174,539		186,880
	921,119	943,609	(297,929)	(227,318)
Income tax expense recognized in profit or loss	\$ 20,878,112	\$ 18,718,779	\$ 28,341,414	\$ 27,993,851

## b. Income tax expense recognized in other comprehensive income

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Deferred income tax benefit (expense)				
Related to unrealized gain/loss on available-for-sale financial assets	\$ 10,200	\$ (13,311)	\$ 27,640	\$ (18,104)

## c. Integrated income tax information

	June 30,	December 31,	June 30,
	2016	2015	2015
Balance of the Imputation Credit Account - TSMC	\$ 90,045,123	\$ 59,973,516	\$ 61,581,277

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2015 and 2014 were 12.56% and 11.13%, respectively; however, effective from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66 - 6 of the Income Tax Law.

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

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

## d. Income tax examination

The tax authorities have examined income tax returns of TSMC through 2013. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

## 27. EARNINGS PER SHARE

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Basic EPS	\$ 2.80	\$ 3.06	\$ 5.29	\$ 6.11

Diluted EPS	\$	2.80	\$	3.06	\$	5.29	\$	6.11
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EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<b><u>Three months ended June 30, 2016</u></b>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 72,506,321	25,930,380	\$ 2.80
<b><u>Three months ended June 30, 2015</u></b>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 79,417,514	25,930,375	\$ 3.06
Effect of dilutive potential common shares		5	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 79,417,514	25,930,380	\$ 3.06
<b><u>Six months ended June 30, 2016</u></b>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 137,287,814	25,930,380	\$ 5.29
<b><u>Six months ended June 30, 2015</u></b>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 158,407,425	25,930,194	\$ 6.11
Effect of dilutive potential common shares		186	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 158,407,425	25,930,380	\$ 6.11





**28. ADDITIONAL INFORMATION OF EXPENSES BY NATURE**

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>a. Depreciation of property, plant and equipment</b>				
Recognized in cost of revenue	\$ 50,255,557	\$ 50,147,268	\$ 101,084,838	\$ 101,188,982
Recognized in operating expenses	4,140,384	3,685,080	8,255,414	7,343,371
Recognized in other operating income and expenses	6,222	6,221	12,640	12,443
	<b>\$ 54,402,163</b>	<b>\$ 53,838,569</b>	<b>\$ 109,352,892</b>	<b>\$ 108,544,796</b>
<b>b. Amortization of intangible assets</b>				
Recognized in cost of revenue	\$ 491,251	\$ 404,092	\$ 980,928	\$ 811,842
Recognized in operating expenses	381,574	380,446	788,229	744,465
	<b>\$ 872,825</b>	<b>\$ 784,538</b>	<b>\$ 1,769,157</b>	<b>\$ 1,556,307</b>
<b>c. Research and development costs expensed as incurred</b>				
	\$ 16,903,540	\$ 16,612,213	\$ 32,522,503	\$ 33,393,676
<b>d. Employee benefits expenses</b>				
Post-employment benefits				
Defined contribution plans	\$ 527,743	\$ 501,747	\$ 1,053,990	\$ 977,573
Defined benefit plans	68,034	79,591	136,059	147,719
	595,777	581,338	1,190,049	1,125,292
Other employee benefits	22,753,404	22,918,891	44,165,653	45,163,630
	<b>\$ 23,349,181</b>	<b>\$ 23,500,229</b>	<b>\$ 45,355,702</b>	<b>\$ 46,288,922</b>
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 13,811,159	\$ 13,576,089	\$ 26,916,580	\$ 26,870,583
Recognized in operating expenses	9,538,022	9,924,140	18,439,122	19,418,339
	<b>\$ 23,349,181</b>	<b>\$ 23,500,229</b>	<b>\$ 45,355,702</b>	<b>\$ 46,288,922</b>

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

that, when allocating the net profits for each fiscal year, TSMC shall first set aside legal capital reserve and special capital reserve, then set aside not more than 0.3% of the balance as compensation to directors and not less than 1% as profit sharing bonus to employees, respectively.

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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\$4,863,012 thousand and NT\$9,207,536 thousand for the three months and six months ended June 30, 2016, respectively. TSMC accrued profit sharing bonus to employees based on certain percentage of net income during the period, which amounted to NT\$5,338,604 thousand and NT\$10,621,290 thousand for the three months and six months ended June 30, 2015, 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\$20,556,888 thousand and NT\$356,186 thousand in cash for 2015, respectively, and profit sharing bonus to employees and compensation to directors in the amounts of NT\$17,645,966 thousand and NT\$406,854 thousand in cash for 2014, respectively, had been approved by the Board of Directors and the shareholders in its meetings held on February 2, 2016 and June 9, 2015, respectively. The profit sharing bonus to employees and compensation to directors in cash for 2015 had been reported to TSMC's shareholders in its meeting held on June 7, 2016, after the amended TSMC's Articles of Incorporation had been approved. The aforementioned approved amount has no difference with the one recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014, 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.

## 29. CONSOLIDATION OF SUBSIDIARIES

Due to a Chinese consortium's acquisition of OVT, major shareholders of VisEra Holding and OVT Taiwan, the Company acquired OVT's 49.1% ownership in VisEra Holding and 100% ownership in OVT Taiwan on November 20, 2015. The related information is as follows:

### a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
VisEra Holding	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	November 20, 2015	49.1	\$ 3,536,119
OVT Taiwan	Investment activities	November 20, 2015	100	\$ 394,674

### b. Considerations transferred

	<b>VisEra Holding</b>	<b>OVT Taiwan</b>
Cash	\$ 3,536,119	\$ 394,674

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## c. Assets acquired and liabilities assumed at the date of acquisition

	VisEra Holding	OVT Taiwan
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,858,482	\$ 20,710
Accounts receivable	511,999	
Inventories	59,050	
Other financial assets	706,500	373,813
Other current assets	26,441	155
<b>Noncurrent assets</b>		
Investments accounted for using equity method	721,641	
Property, plant and equipment	2,651,209	
Intangible assets	12,111	
Deferred income tax assets	29,943	
Refundable deposits	15,611	
	8,592,987	394,678
<b>Current liabilities</b>		
Financial liabilities at fair value through profit or loss	975	
Accounts payable	87,480	
Salary and bonus payable	183,090	
Accrued profit sharing bonus to employees and compensation to directors and supervisors	45,819	4
Payables to contractors and equipment suppliers	132,305	
Income tax payable	47,860	
Provisions	126,049	
Accrued expenses and other current liabilities	102,851	
<b>Noncurrent liabilities</b>		
Guarantee deposits	1,279	
	727,708	4
Net assets	\$ 7,865,279	\$ 394,674

## d. Goodwill arising on acquisition

	VisEra Holding
Consideration transferred	\$ 3,536,119
Fair value of investments previously owned	3,458,146
Less: Fair value of identifiable net assets acquired	(7,865,279)

Noncontrolling interests 923,683

Goodwill arising on acquisition \$ 52,669

e. Net cash outflow on acquisition of subsidiaries

	<b>VisEra Holding</b>	<b>OVT Taiwan</b>
Consideration paid in cash	\$ 3,536,119	\$ 394,674
Less: Cash and cash equivalent balances acquired	(3,858,482)	(20,710)
	\$ (322,363)	\$ 373,964

## f. Impact of acquisitions on the results of the Company

The results of VisEra Holding since the acquisition date included in the consolidated statements of comprehensive income for the year ended December 31, 2015 were as follows:

	<b>VisEra Holding</b>	
Net revenue	\$	254,319
Net income	\$	16,264

Had the business combination of VisEra Holding been in effect on January 1, 2015, the Company's net revenue and net income for the year ended December 31, 2015 would have been NT\$846,401,819 thousand and NT\$306,687,674 thousand, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed on January 1, 2015, nor is it intended to be a projection of future results. The aforementioned pro-forma net revenue and net income were calculated based on the fair value of assets acquired and liabilities assumed at the date of acquisition.

**30. DISPOSAL OF SUBSIDIARY**

In January 2015, the Board of Directors of TSMC approved a sale of TSMC SSL common shares of 565,480 thousand held by TSMC and TSMC Guang Neng to Epistar Corporation. The transaction was completed in February 2015.

## a. Consideration received from the disposal

Total consideration received	\$	825,000
Expenditure associated with consideration received		(142,475)
Net consideration received	\$	682,525

## b. Gain/loss on disposal of subsidiary

Net consideration received	\$	682,525
Net assets disposed of		(725,165)
Noncontrolling interests		42,640
Gain/loss on disposal of subsidiary	\$	

c. Net cash inflow arising from disposal of subsidiary

Net consideration received	\$	682,525
Less: Balance of cash and cash equivalents disposed of		81,478
	\$	601,047



**31. FINANCIAL INSTRUMENTS**

## a. Categories of financial instruments

	<b>June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>December 31,</b>	<b>2015</b>
		<b>2015</b>	
<b>Financial assets</b>			
<b>FVTPL</b>			
Held for trading	\$ 206,751	\$ 6,026	\$ 58,535
Designated as at FVTPL	1,614,156		
Available-for-sale financial assets (Note)	40,388,670	18,290,243	16,075,250
Held-to-maturity financial assets	34,629,169	16,077,396	7,180,351
Derivative financial instruments in designated hedge accounting relationships		1,739	
<b>Loans and receivables</b>			
Cash and cash equivalents	622,359,302	562,688,930	528,895,107
Notes and accounts receivables (including related parties)	111,724,397	85,565,397	99,737,061
Other receivables	5,503,244	4,790,376	12,320,574
Refundable deposits	441,447	430,802	408,585
	<b>\$ 816,867,136</b>	<b>\$ 687,850,909</b>	<b>\$ 664,675,463</b>
<b>Financial liabilities</b>			
<b>FVTPL</b>			
Held for trading	\$ 167,831	\$ 72,610	\$ 780,721
Designated as at FVTPL	10,873		
Derivative financial instruments in designated hedge accounting relationships	4,217		2,625,763
<b>Amortized cost</b>			
Short-term loans	38,739,600	39,474,000	5,592,600
Accounts payable (including related parties)	23,154,264	19,725,274	21,100,895
Payables to contractors and equipment suppliers	48,102,264	26,012,192	43,610,962
Cash dividends payable	155,696,382		116,683,481
Accrued expenses and other current liabilities	20,189,411	18,900,123	21,890,115
Bonds payable (including long-term liabilities-current portion)	203,276,211	215,475,194	212,722,606
Long-term bank loans (including long-term liabilities-current portion)	36,300	40,000	40,000
Other long-term payables (classified under accrued expenses and other current liabilities)		18,000	18,000
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	24,412,264	27,732,614	28,518,962
	<b>\$ 513,789,617</b>	<b>\$ 347,450,007</b>	<b>\$ 453,584,105</b>

Note: Including financial assets carried at cost.

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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 market risks arising from changes in foreign exchange rates, interest rates and the prices in equity investments, and utilizes some derivative financial instruments to reduce the related risks.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including currency forward contracts and cross currency swaps, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Company also holds short-term borrowings in foreign currencies in proportion to its expected future cash flows. This allows foreign-currency-denominated borrowings to be serviced with expected future cash flows and provides a partial hedge against transaction translation exposure.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges against the New Taiwan dollar, the net income for the six months ended June 30, 2016 and 2015 would have decreased by NT\$89,642 thousand and NT\$1,618,369 thousand, respectively, after taking into consideration of the hedging contracts and the hedged items.

Interest rate risk

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

Assuming the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical increase in interest rates of 100 basis point (1%) would have resulted in an increase in the interest expense, net of tax, by approximately NT\$151 thousand and NT\$166 thousand for the six months ended June 30, 2016 and 2015, respectively.

The Company classified fixed income securities as held-to-maturity and available-for-sale financial assets. Because held-to-maturity fixed income securities are measured at amortized cost, changes in interest rates would not affect the fair value. On the other hand, available-for-sale fixed income securities are exposed to fair value fluctuations caused

by changes in interest rates. To manage its exposure to the fair value fluctuations, the Company enters into interest rate futures contract to hedge against price risk caused by changes in risk-free interest rates in the Company's investments in available-for-sale fixed income securities.

Assuming a hypothetical increase of 100 basis point (1%) in interest rates of available-for-sale fixed income securities at the end of the reporting period, the net income for the six months ended June 30, 2016 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the six months ended June 30, 2016 would have decreased by NT\$607,921 thousand.

#### Other price risk

The Company is exposed to equity price risk arising from available-for-sale equity investments. To reduce the equity price risk, the Company utilized some stock forward contracts to partially hedge its exposure.

Assuming a hypothetical decrease of 5% in equity prices of the equity investments at the end of the reporting period, the net income for the six months ended June 30, 2016 and 2015 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the six months ended June 30, 2016 and 2015 would have decreased by NT\$328,089 thousand and NT\$135,538 thousand, respectively.

#### d. Credit risk management

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

#### Business related credit risk

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

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Company's ten largest customers accounted for 69%, 68% and 66% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

#### Financial credit risk

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

#### e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Company manages its liquidity risk by maintaining adequate cash.



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

	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<b>June 30, 2016</b>					
<b><u>Non-derivative financial liabilities</u></b>					
Short-term loans	\$ 38,743,592	\$	\$	\$	\$ 38,743,592
Accounts payable (including related parties)	23,154,264				23,154,264
Payables to contractors and equipment suppliers	48,102,264				48,102,264
Accrued expenses and other current liabilities	20,189,411				20,189,411
Bonds payable	24,797,738	101,437,838	62,143,440	23,174,836	211,553,852
Long-term bank loans	11,040	21,056	6,353		38,449
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	6,461,850	13,107,964	4,842,450		24,412,264
	161,460,159	114,566,858	66,992,243	23,174,836	366,194,096
<b><u>Derivative financial instruments</u></b>					
Forward exchange contracts					
Outflows	35,970,330				35,970,330
Inflows	(35,960,606)				(35,960,606)
	9,724				9,724
Cross currency swap contracts					
Outflows	13,404,146				13,404,146
Inflows	(13,452,895)				(13,452,895)
	(48,749)				(48,749)
	\$ 161,421,134	\$ 114,566,858	\$ 66,992,243	\$ 23,174,836	\$ 366,155,071

December 31, 2015Non-derivative financial liabilities

Short-term loans	\$ 39,488,957	\$	\$	\$	\$ 39,488,957
Accounts payable (including related parties)	19,725,274				19,725,274
Payables to contractors and equipment suppliers	26,012,192				26,012,192
Accrued expenses and other current liabilities	18,900,123				18,900,123
Bonds payable	26,494,990	104,462,371	68,378,787	25,981,316	225,317,464
Long-term bank loans	8,800	21,540	12,741		43,081
Other long-term payables (classified under accrued expenses and other current liabilities)	18,000				18,000
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	6,167,813	13,341,051	8,223,750		27,732,614
	136,816,149	117,824,962	76,615,278	25,981,316	357,237,705

(Continued)



	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	23,192,477				23,192,477
Inflows	(23,135,579)				(23,135,579)
	56,898				56,898
	\$ 136,873,047	\$ 117,824,962	\$ 76,615,278	\$ 25,981,316	\$ 357,294,603

June 30, 2015Non-derivative financial liabilities

Short-term loans	\$ 5,594,309	\$	\$	\$	\$ 5,594,309
Accounts payable (including related parties)	21,100,895				21,100,895
Payables to contractors and equipment suppliers	43,610,962				43,610,962
Accrued expenses and other current liabilities	21,890,115				21,890,115
Bonds payable	13,915,132	107,533,065	66,178,944	36,407,035	224,034,176
Long-term bank loans	3,931	21,933	18,002		43,866
Other long-term payables (classified under accrued expenses and other current liabilities)	18,000				18,000
Obligations under finance leases	29,076	58,151	755,364		842,591
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	6,602,375	12,595,587	9,321,000		28,518,962
	112,764,795	120,208,736	76,273,310	36,407,035	345,653,876

Derivative financial instruments

Forward exchange contracts					
Outflows	76,898,431				76,898,431
Inflows	(76,154,158)				(76,154,158)

	744,273				744,273
Cross currency swap contracts					
Outflows	3,033,613				3,033,613
Inflows	(3,060,582)				(3,060,582)
	(26,969)				(26,969)
Stock forward contracts					
Outflows	10,575,328				10,575,328
Inflows	(10,575,328)				(10,575,328)
	\$ 113,482,099	\$ 120,208,736	\$ 76,273,310	\$ 36,407,035	\$ 346,371,180
					(Concluded)

f. Fair value of financial instruments

1) Fair value measurements recognized in the consolidated balance sheets

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

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

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

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

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

Fair value hierarchy

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

	<b>June 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>Financial assets at FVTPL</u></b>				
<b>Held for trading</b>				
Forward exchange contracts	\$	\$ 143,834	\$	\$ 143,834
Cross currency swap contracts		62,917		62,917
<b>Designated as at FVTPL</b>				
Time deposit		1,614,156		1,614,156
	\$	\$ 1,820,907	\$	\$ 1,820,907
<b><u>Available-for-sale financial assets</u></b>				
Corporate bonds	\$ 12,525,209	\$	\$	\$ 12,525,209
Agency bonds	6,379,861			6,379,861
Money market funds	6,128,310			6,128,310
Corporate issued asset-backed securities		6,029,248		6,029,248
Publicly traded stocks	2,893,386			2,893,386
Government bonds	2,366,035			2,366,035
	\$ 30,292,801	\$ 6,029,248	\$	\$ 36,322,049
<b><u>Financial liabilities at FVTPL</u></b>				
<b>Held for trading</b>				
Forward exchange contracts	\$	\$ 160,423	\$	\$ 160,423
Cross currency swap contracts		7,408		7,408
<b>Designated as at FVTPL</b>				
Forward exchange contracts		10,873		10,873
	\$	\$ 178,704	\$	\$ 178,704
<b><u>Hedging derivative financial liabilities</u></b>				
Interest rate futures contracts	\$ 4,217	\$	\$	\$ 4,217

	<b>December 31, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>

Financial assets at FVTPL

Held for trading

Forward exchange contracts	\$	\$	6,026	\$	\$	6,026
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Available-for-sale financial assets

Corporate bonds	\$	6,267,768	\$	\$	\$	6,267,768
Corporate issued asset-backed securities			3,154,366			3,154,366
Agency bonds		2,627,367				2,627,367
Publicly traded stocks		1,371,483				1,371,483
Government bonds		878,377				878,377
	\$	11,144,995	\$	3,154,366	\$	14,299,361

(Continued)

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
<u>Hedging derivative financial assets</u>				
Interest rate futures contracts	\$ 1,739	\$	\$	\$ 1,739
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 72,610	\$	\$ 72,610
(Concluded)				
	June 30, 2015			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 31,580	\$	\$ 31,580
Cross currency swap contracts		26,955		26,955
	\$	\$ 58,535	\$	\$ 58,535
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 14,216,491	\$	\$	\$ 14,216,491
Money market funds	383			383
	\$ 14,216,874	\$	\$	\$ 14,216,874
<u>Financial liabilities at FVTPL</u>				
Held for trading				
Forward exchange contracts	\$	\$ 780,721	\$	\$ 780,721
<u>Hedging derivative financial liabilities</u>				
Stock forward contract	\$	\$ 2,625,763	\$	\$ 2,625,763

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2016 and 2015, respectively.

There were no purchases and disposals for assets on Level 3 for the six months ended June 30, 2016 and 2015, respectively.

Valuation techniques and assumptions used in fair value measurement

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes interest rate futures contracts, publicly traded stocks, money market funds, government bonds, agency bonds and corporate bonds).

Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and stock forward contracts are measured at the difference between the present value of stock forward price discounted based on the applicable yield curve derived from quoted interest rates and the stock spot price. For investments in corporate issued asset-backed securities and time deposit, the fair value are determined using quoted market prices or the present value of future cash flows based on the observable yield curves.

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

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

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>						
Held-to-maturity financial assets						
Corporate bonds/Bank debentures	\$ 26,988,011	\$ 27,051,457	\$ 8,143,146	\$ 8,146,756	\$	\$
Negotiable certificate of deposit	4,842,450	4,849,988	4,934,250	4,945,878		
Structured product	2,000,000	1,997,850	3,000,000	2,995,731		
Commercial paper	798,708	799,370			7,180,351	7,189,249
<b>Financial liabilities</b>						
Measured at amortized cost						
Bonds payable	203,276,211	205,939,533	215,475,194	216,223,736	212,722,606	213,040,105
<b>Fair value hierarchy</b>						

The table below sets out the balances for the Company's assets and liabilities that are not measured at fair value but for which the fair value is disclosed:

	Level 1	June 30, 2016		Total
		Level 2	Level 3	
<b>Assets</b>				
Held-to-maturity securities				
Corporate bonds/Bank debentures	\$ 27,051,457	\$	\$	\$ 27,051,457
Negotiable certificate of deposit		4,849,988		4,849,988
Structured product		1,997,850		1,997,850
Commercial paper		799,370		799,370
	\$ 27,051,457	\$ 7,647,208	\$	\$ 34,698,665

**Liabilities**

Measured at amortized cost				
Bonds payable	\$ 205,939,533	\$	\$	\$ 205,939,533

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Held-to-maturity securities				
Corporate bonds/Bank debentures	\$ 8,146,756	\$	\$	\$ 8,146,756
Negotiable certificate of deposit		4,945,878		4,945,878
Structured product		2,995,731		2,995,731
	\$ 8,146,756	\$ 7,941,609	\$	\$ 16,088,365

<u>Liabilities</u>				
Measured at amortized cost				
Bonds payable	\$ 216,223,736	\$	\$	\$ 216,223,736



	<b>June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>Assets</u></b>				
Held-to-maturity securities				
Commercial paper	\$	\$ 7,189,249	\$	\$ 7,189,249
<b><u>Liabilities</u></b>				
Measured at amortized cost				
Bonds payable	\$ 213,040,105	\$	\$	\$ 213,040,105

**Fair value measurement**

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

For investments in negotiable certificate of deposit, structured product and commercial paper, the fair value is determined using the present value of future cash flows based on the observable yield curves.

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

**32. RELATED PARTY TRANSACTIONS**

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

## a. Net revenue

<b><u>Item</u></b>	<b><u>Related Party Categories</u></b>	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net revenue from sale of goods	Associates	\$ 957,496	\$ 1,171,840	\$ 2,562,512	\$ 2,186,502
	Joint venture		283		667
		\$ 957,496	\$ 1,172,123	\$ 2,562,512	\$ 2,187,169
Net revenue from royalties	Associates	\$ 137,376	\$ 130,168	\$ 249,320	\$ 262,144

b. Purchases

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><u>Related Party Categories</u></b>				
Associates	\$ 2,441,794	\$ 2,974,865	\$ 4,787,039	\$ 5,979,141

## c. Receivables from related parties

		<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
		<b>2016</b>	<b>2015</b>	<b>2015</b>
<b><u>Item</u></b>	<b><u>Related Party Categories</u></b>			
Receivables from related parties	Associates	\$ 424,210	\$ 505,722	\$ 744,584
	Joint venture			123
		\$ 424,210	\$ 505,722	\$ 744,707
Other receivables from related parties	Associates	\$ 1,546,979	\$ 125,018	\$ 3,164,538
	Joint venture			400,803
		\$ 1,546,979	\$ 125,018	\$ 3,565,341

## d. Payables to related parties

		<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
		<b>2016</b>	<b>2015</b>	<b>2015</b>
<b><u>Item</u></b>	<b><u>Related Party Categories</u></b>			
Payables to related parties	Associates	\$ 1,037,116	\$ 1,149,988	\$ 1,325,844
	Joint venture			1,501
		\$ 1,037,116	\$ 1,149,988	\$ 1,327,345

## e. Others

		<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><u>Item</u></b>	<b><u>Related Party Categories</u></b>				
Manufacturing expenses	Associates	\$ 387,637	\$ 680,185	\$ 773,810	\$ 1,394,699
	Joint venture		3,023		5,363
		\$ 387,637	\$ 683,208	\$ 773,810	\$ 1,400,062

Research and development expenses	Associates	\$ 27,986	\$ 6,873	\$ 69,078	\$ 25,926
	Joint venture		888		948
		\$ 27,986	\$ 7,761	\$ 69,078	\$ 26,874

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 machinery and equipment from Xintec and office from VIS, respectively. The lease terms and prices were both determined in accordance with mutual agreements. The rental expenses were paid to Xintec and VIS quarterly and monthly, respectively; the related expenses were both classified under manufacturing expenses.

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

## f. Compensation of key management personnel

The compensation to directors and other key management personnel for the three months and six months ended June 30, 2016 and 2015 were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 477,001	\$ 484,183	\$ 851,777	\$ 970,226
Post-employment benefits	1,073	1,037	2,111	2,042
	\$ 478,074	\$ 485,220	\$ 853,888	\$ 972,268

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

**33. PLEDGED ASSETS**

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for litigation and building lease agreements. As of June 30, 2016, December 31, 2015 and June 30, 2015, the aforementioned other financial assets amounted to NT\$154,829 thousand, NT\$177,229 thousand and NT\$269,032 thousand, respectively.

**34. SIGNIFICANT OPERATING LEASE ARRANGEMENTS**

The Company leases several parcels of land, office premises and certain office equipment. These operating leases expire between September 2016 and June 2066 and can be renewed upon expiration.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	\$ 1,314,854	\$ 1,099,017	\$ 1,005,463
Later than 1 year and not later than 5 years	3,945,083	3,635,180	3,608,378
Later than 5 years	7,807,962	6,921,891	7,168,284
	\$ 13,067,899	\$ 11,656,088	\$ 11,782,125

**35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

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

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity provided TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of June 30, 2016, 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, 2016.
  
- c. In June 2010, Keranos, LLC. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents were invalid. These two litigations have been consolidated into a single lawsuit in the U.S. District Court for the Eastern District of Texas. In February 2014, the Court entered a final judgment in favor of TSMC, dismissing all of Keranos' claims against TSMC with prejudice. Keranos appealed the final judgment to the U.S. Court of Appeals for the Federal Circuit, and in August 2015, the Federal Circuit remanded the case back to the Texas court for further proceedings. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
  
- d. In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC North America and one other company of infringing several U.S. patents. In September 2014, the Court granted summary judgment of noninfringement in favor of TSMC and TSMC North America. Ziptronix, Inc. can appeal the Court's order. In August 2015, Tessera Technologies, Inc. announced it had acquired Ziptronix. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.
  
- e. TSMC joined the Customer Co-Investment Program of ASML and entered into the investment agreement in August 2012. The agreement includes an investment of EUR837,816 thousand by TSMC Global to acquire 5% of ASML's equity with a lock-up period of 2.5 years. TSMC Global has acquired the aforementioned equity on October 31, 2012. The lock-up period expired on May 1, 2015 and as of October 8, 2015, all ASML shares had been disposed.

Both parties also signed the research and development funding agreement whereby TSMC shall provide EUR276,000 thousand to ASML's research and development programs from 2013 to 2017. As of June 30, 2016, TSMC has paid EUR197,332 thousand to ASML under the research and development funding agreement.

- f. In March 2014, DSS Technology Management, Inc. (DSS) filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, TSMC Development and several other companies infringe one U.S. patent. TSMC Development has subsequently been dismissed. In May 2015, the Court entered a final judgment of noninfringement in favor of TSMC and TSMC North

America. DSS appealed the final judgment to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit). In November 2015, the Patent Trial and Appeal Board (PTAB) determined after concluding an Inter Partes Review (IPR) that the patent claims asserted by DSS in the District Court litigation are unpatentable. DSS appealed the PTAB's decision to the Federal Circuit in January 2016. In March 2016, the District Court's judgment of noninfringement was affirmed by the Federal Circuit. In April 2016, the District Court litigation between the parties and the related Federal Circuit appeal were dismissed, and the appeal proceeding of the PTAB's decision is also over as to TSMC.

- g. Amounts available under unused letters of credit as of June 30, 2016, December 31, 2015 and June 30, 2015 were NT\$122,675 thousand, NT\$144,738 thousand and NT\$198,848 thousand, respectively.



**36. SIGNIFICANT LOSS FROM DISASTER**

On February 6, 2016, an earthquake struck Taiwan. The resulting damage was mostly to inventories and equipment. In the first quarter of 2016, the Company recognized related earthquake losses of NT\$2,289,128 thousand, net of insurance claim. Such losses were primarily included in cost of revenue for the three months ended March 31, 2016.

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

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

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>June 30, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,531,293	32.283	\$ 146,283,737
EUR	20,955	35.89	752,085
JPY	21,406,874	0.3134	6,708,914
Non-monetary items			
HKD	130,849	4.16	544,333
<u>Financial liabilities</u>			
Monetary items			
USD	3,232,481	32.283	104,354,180
EUR	81,995	35.89	2,942,798
JPY	52,928,214	0.3134	16,587,702
<u>December 31, 2015</u>			
<u>Financial assets</u>			
Monetary items			
USD	3,089,634	32.895	101,633,497
USD	251,824	6.494(Note 2)	8,283,759
EUR	43,933	36.00	1,581,571
JPY	9,717,089	0.2733	2,655,680
Non-monetary items			
HKD	166,727	4.24	706,924

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	(In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 2,952,404	32.895	\$ 97,119,331
EUR	44,174	36.00	1,590,264
JPY	26,416,113	0.2733	7,219,524
<u>June 30, 2015</u>			
<u>Financial assets</u>			
Monetary items			
USD	4,645,790	31.070	144,344,694
RMB	2,496,163	0.161(Note 3)	12,507,023
EUR	218,538	34.70	7,583,271
JPY	39,072,839	0.2542	9,932,316
Non-monetary items			
HKD	179,390	4.01	719,354
<u>Financial liabilities</u>			
Monetary items			
USD	2,516,198	31.070	78,178,285
EUR	224,175	34.70	7,778,856
JPY	41,504,262	0.2542	10,550,383
			(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.

Note 3: The exchange rate represents the number of USD dollars for which one RMB could be exchanged.

The realized and unrealized foreign exchange losses were NT\$807,218 thousand and NT\$292,295 thousand for the three months ended June 30, 2016 and 2015, respectively; NT\$1,900,836 thousand and NT\$244,112 thousand for the six months ended June 30, 2016 and 2015, 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.

**38. OPERATING SEGMENTS INFORMATION**

## a. Operating segments

The Company's only reportable segment is 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 also had other operating segments that did not exceed the quantitative threshold for separate reporting. These segments mainly engaged in the researching, developing, designing, manufacturing and selling of renewable energy and efficiency related technologies and products.

The Company uses the income from operations as the measurement for segment profit and the basis of performance assessment. There was no material differences between the accounting policies of the operating segment and the accounting policies described in Note 4.

## b. Segment revenue and operating results

	Foundry	Others	Total
<u>Three months ended June 30, 2016</u>			
Net revenue from external customers	\$ 221,809,846	\$	\$ 221,809,846
Income from operations	91,321,001		91,321,001
<u>Three months ended June 30, 2015</u>			
Net revenue from external customers	205,167,427	272,325	205,439,752
Income (loss) from operations	77,380,992	(311,934)	77,069,058
<u>Six months ended June 30, 2016</u>			
Net revenue from external customers	425,305,207		425,305,207
Income from operations	161,788,315		161,788,315
<u>Six months ended June 30, 2015</u>			
Net revenue from external customers	427,062,560	411,336	427,473,896
Income (loss) from operations	164,356,759	(661,578)	163,695,181

**39. 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, associates and joint venture): Please see Table 3 attached;

- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please see Table 5 attached;

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

**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****FINANCINGS PROVIDED****FOR THE SIX MONTH ENDED JUNE 30, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	<b>Financial Statement Account</b>	<b>Related Party</b>	<b>Maximum Balance for the Period (RMB in Thousands) (Note 2)</b>	<b>Ending Balance (RMB in Thousands) (Note 2)</b>	<b>Amount Actually Drawn (RMB in Thousands)</b>	<b>Interest Rate</b>	<b>Nature of Financing</b>	<b>Transaction Amount</b>	<b>Reason for Financing</b>	<b>Allowance for Bad Debts</b>	<b>Collateral Value</b>
Financing	Other receivables from related parties	Yes	\$ 3,887,600 (RMB 800,000)	\$ 3,887,600 (RMB 800,000)	\$ 1,700,825 (RMB 350,000)	1.3%	The need for short-term financing	\$	Operating capital	\$	\$

Note 1: 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 100% owned subsidiaries by 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, which are not located in Taiwan, directly or indirectly wholly owned by TSMC, 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 and the total amount lending limit for such borrower still shall not exceed the net worth of TSMC China.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

**TABLE 2****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE SIX MONTH ENDED JUNE 30, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Guaranteed Party	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)	Ratio of Accumulated Endorsement/ Guarantee Amount to of Net Equity (Note 2)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company
TSMC Global	Subsidiary	\$ 299,113,534	\$ 48,424,500	\$ 48,424,500	\$ 48,424,500	4.05%	\$ 299,113,534	Yes
			(US\$ 1,500,000)	(US\$ 1,500,000)	(US\$ 1,500,000)			
TSMC America	Subsidiary	299,113,534	2,686,375	2,686,375	2,686,375	0.22%	299,113,534	Yes
			(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, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Held Company Name	Relationship Marketable Securities with Type the Name Company	Financial Statement Account	June 30, 2016		Fair Value (Foreign Currencies) (In Thousands) Note
			Shares/Units (In Thousands)	Carrying Value (Foreign Currencies) (In Thousands) Percentage of Ownership (%)	
TSMC	<u>Bank debentures</u>				
	The Export-Import Bank of the ROC	Held-to-maturity financial assets		\$ 149,999 N/A	\$ 149,999
	<u>Corporate bond</u>				
	CPC Corporation, Taiwan	Held-to-maturity financial assets		3,050,535 N/A	3,053,903
	Taiwan Power Company			1,203,797 N/A	1,205,101
	Hon Hai Precision Ind. Co., Ltd.			801,187 N/A	802,422
	Nan Ya Plastics Corporation			301,494 N/A	301,499
	Formosa Plastics Corporation			175,317 N/A	175,595
	Formosa Petrochemical Corporation			100,460 N/A	100,833
	China Steel Corporation			100,169 N/A	100,278
	<u>Structure deposit</u>				
	Hua Nan Commercial Bank	Held-to-maturity financial assets		2,000,000 N/A	1,997,850
	<u>Commercial paper</u>				
			80	798,708 N/A	799,370



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Taiwan Power Company	Held-to-maturity financial assets						
<u>Stock</u>							
Motech	Available-for-sale financial assets	58,320	1,953,713	12		1,953,713	
Semiconductor Manufacturing International Corporation		211,047	544,333	1		544,333	
RichWave Technology Corp.		2,007	143,902	4		143,902	
United Industrial Gases Co., Ltd.	Financial assets carried at cost	21,230	193,584	10		193,584	
Shin-Etsu Handotai Taiwan Co., Ltd.		10,500	105,000	7		105,000	
Global Investment Holding Inc.		11,124	99,041	6		99,041	
W.K. Technology Fund IV		2,560	18,121	2		18,121	
<u>Preferred stock</u>							
QST Holdings, LLC	Financial assets carried at cost	4,034	4,537	4		4,537	
<u>Fund</u>							
Horizon Ventures Fund	Financial assets carried at cost		11,259	12		11,259	
Crimson Asia Capital			8,263	1		8,263	
TSMC Partners	<u>Stock</u>						
Tela Innovations	Financial assets carried at cost	10,440	US\$ 65,000	25	US\$	65,000	
Mcube Inc.		6,333		14			
<u>Fund</u>							
China Walden Venture Investments II, L.P.	Financial assets carried at cost		US\$ 5,951	9	US\$	5,951	
Shanghai Walden Venture Capital Enterprise			US\$ 5,000	6	US\$	5,000	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	June 30, 2016		Fair Value (Foreign Currencies) (Thousands) Note
			Carrying Value (Foreign Currencies) (Thousands)	Percentage of Ownership (%)	
		Financial Statement Account	(In thousands)	(In thousands)	
TSMC Global	Corporate bond				
	JPMorgan Chase & Co.	Available-for-sale financial assets	US\$ 16,152	N/A	US\$ 16,152
	Bank of America Corp.		US\$ 12,390	N/A	US\$ 12,390
	Aetna Inc.		US\$ 9,014	N/A	US\$ 9,014
	Hyundai Capital America		US\$ 8,643	N/A	US\$ 8,643
	Walgreens Boots Alliance		US\$ 8,106	N/A	US\$ 8,106
	Sysco Corporation		US\$ 8,034	N/A	US\$ 8,034
	AT&T Inc.		US\$ 7,973	N/A	US\$ 7,973
	Southern Co.		US\$ 7,746	N/A	US\$ 7,746
	Verizon Communications		US\$ 7,228	N/A	US\$ 7,228
	Citigroup Inc.		US\$ 6,782	N/A	US\$ 6,782
	Anheuser Busch InBev Fin.		US\$ 6,740	N/A	US\$ 6,740
	Bank of Ny Mellon Corp.		US\$ 6,187	N/A	US\$ 6,187
	BB&T Corporation		US\$ 6,093	N/A	US\$ 6,093
	Fortive Corporation		US\$ 6,088	N/A	US\$ 6,088
	Citizens Bank NA/RI		US\$ 5,839	N/A	US\$ 5,839
	Intl Bk Recon & Develop		US\$ 5,605	N/A	US\$ 5,605
	State Street Corp.		US\$ 5,586	N/A	US\$ 5,586
	Oracle Corp.		US\$ 5,444	N/A	US\$ 5,444
	Chevron Corp.		US\$ 5,332	N/A	US\$ 5,332
	Principal Lfe Glb Fnd II		US\$ 5,229	N/A	US\$ 5,229
	Morgan Stanley		US\$ 5,062	N/A	US\$ 5,062
	PNC Bank NA		US\$ 5,002	N/A	US\$ 5,002
	Wells Fargo & Company		US\$ 4,996	N/A	US\$ 4,996
	Swedbank AB		US\$ 4,983	N/A	US\$ 4,983
	Toronto Dominion Bank		US\$ 4,853	N/A	US\$ 4,853
	Abbvie Inc.		US\$ 4,851	N/A	US\$ 4,851
	ING Bank N.V.		US\$ 4,755	N/A	US\$ 4,755
	KfW		US\$ 4,642	N/A	US\$ 4,642
	American Intl Group		US\$ 4,641	N/A	US\$ 4,641
	Morgan Stanley		US\$ 4,600	N/A	US\$ 4,600
			US\$ 4,528	N/A	US\$ 4,528

US Bank NA Cincinnati				
CVS Health Corp.	US\$	4,504	N/A	US\$ 4,504
Shell International Fin.	US\$	4,502	N/A	US\$ 4,502
Mitsubishi UFJ Fin Grp.	US\$	4,149	N/A	US\$ 4,149
Ameren Corp.	US\$	4,120	N/A	US\$ 4,120
Chubb Ina Holdings Inc.	US\$	4,113	N/A	US\$ 4,113
Svenska Handelsbanken AB	US\$	4,109	N/A	US\$ 4,109
Goldman Sachs Group Inc.	US\$	4,088	N/A	US\$ 4,088
Cisco Systems Inc.	US\$	4,014	N/A	US\$ 4,014
Enel Finance Intl N.V.	US\$	3,943	N/A	US\$ 3,943
National Rural Util. Coop.	US\$	3,920	N/A	US\$ 3,920
UBS Group Funding	US\$	3,621	N/A	US\$ 3,621
Fifth Third Bancorp	US\$	3,523	N/A	US\$ 3,523
Express Scripts Holding	US\$	3,365	N/A	US\$ 3,365
Lam Research Corp.	US\$	3,316	N/A	US\$ 3,316
BMW US Capital LLC	US\$	3,244	N/A	US\$ 3,244
Morgan Stanley	US\$	3,101	N/A	US\$ 3,101
ERAC USA Finance LLC	US\$	3,049	N/A	US\$ 3,049
Credit Agricole London	US\$	3,034	N/A	US\$ 3,034
Suncorp Metway Ltd.	US\$	3,033	N/A	US\$ 3,033
Protective Life Global	US\$	3,018	N/A	US\$ 3,018
Westpac Banking Corporation	US\$	3,003	N/A	US\$ 3,003
Fifth Third Bank	US\$	2,873	N/A	US\$ 2,873

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2016			Fair Value (Foreign Currencies) (Thousands)	Note
				Carrying Value (Foreign Currencies) (Thousands)	Percentage Ownership (%)			
TSMC Global	Corporate bond							
	Ryder System Inc.		Available-for-sale financial assets	US\$ 2,536	N/A	US\$ 2,536		
	Nordea Bank AB			US\$ 2,532	N/A	US\$ 2,532		
	Allied World Assurance			US\$ 2,227	N/A	US\$ 2,227		
	Comcast Corp.			US\$ 2,146	N/A	US\$ 2,146		
	Xcel Energy Inc.			US\$ 2,056	N/A	US\$ 2,056		
	Mizuho Financial Group			US\$ 2,037	N/A	US\$ 2,037		
	PSEG Power LLC			US\$ 2,035	N/A	US\$ 2,035		
	Bank of Ny Mellon Corp.			US\$ 2,031	N/A	US\$ 2,031		
	Reliance Stand Life II			US\$ 2,030	N/A	US\$ 2,030		
	Jackson Natl Life Global			US\$ 2,026	N/A	US\$ 2,026		
	New York Life Global FDG			US\$ 2,019	N/A	US\$ 2,019		
	FMS Wertmanagement			US\$ 2,019	N/A	US\$ 2,019		
	Wells Fargo Bank NA			US\$ 2,017	N/A	US\$ 2,017		
	BP Capital Markets PLC			US\$ 2,016	N/A	US\$ 2,016		
	Asian Development Bank			US\$ 2,013	N/A	US\$ 2,013		
	Pricoa Global Funding 144A			US\$ 2,013	N/A	US\$ 2,013		
	Nordic Investment Bank			US\$ 2,012	N/A	US\$ 2,012		
	Autozone Inc.			US\$ 1,965	N/A	US\$ 1,965		
	Oncor Electric Delivery			US\$ 1,885	N/A	US\$ 1,885		
	Electricite de France SA			US\$ 1,839	N/A	US\$ 1,839		
	Public Service Colorado			US\$ 1,712	N/A	US\$ 1,712		
	JPMorgan Chase & Co.			US\$ 1,609	N/A	US\$ 1,609		
	Heineken N.V.			US\$ 1,602	N/A	US\$ 1,602		
	African Development Bank			US\$ 1,589	N/A	US\$ 1,589		

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Capital One Bank (USA), NA	US\$ 1,561	N/A	US\$ 1,561
Unum Group	US\$ 1,534	N/A	US\$ 1,534
Nextera Energy Capital	US\$ 1,529	N/A	US\$ 1,529
Guardian Life Glob Fund	US\$ 1,520	N/A	US\$ 1,520
Wm. Wrigley Jr. Co.	US\$ 1,516	N/A	US\$ 1,516
Medtronic Inc.	US\$ 1,513	N/A	US\$ 1,513
Pfizer Inc.	US\$ 1,512	N/A	US\$ 1,512
Biogen Inc.	US\$ 1,382	N/A	US\$ 1,382
General Electric Co.	US\$ 1,336	N/A	US\$ 1,336
Unitedhealth Group Inc.	US\$ 1,319	N/A	US\$ 1,319
CSX Corp.	US\$ 1,290	N/A	US\$ 1,290
Stryker Corp.	US\$ 1,169	N/A	US\$ 1,169
American Intl Group	US\$ 1,162	N/A	US\$ 1,162
Trans Canada Pipelines	US\$ 1,153	N/A	US\$ 1,153
Corning Inc.	US\$ 1,145	N/A	US\$ 1,145
Pacificorp	US\$ 1,094	N/A	US\$ 1,094
Merck & Co Inc.	US\$ 1,077	N/A	US\$ 1,077
Statoil ASA	US\$ 1,042	N/A	US\$ 1,042
Gilead Sciences Inc.	US\$ 1,039	N/A	US\$ 1,039
Keycorp	US\$ 1,034	N/A	US\$ 1,034
Celgene Corp.	US\$ 1,034	N/A	US\$ 1,034
Met Life Glob Funding I	US\$ 1,023	N/A	US\$ 1,023
Suntrust Banks Inc.	US\$ 1,021	N/A	US\$ 1,021
Schlumberger Hldgs Corp.	US\$ 1,020	N/A	US\$ 1,020
UBS AG Stamford CT	US\$ 1,020	N/A	US\$ 1,020
Bank of America N.A.	US\$ 1,015	N/A	US\$ 1,015
Rabobank Nederland NY	US\$ 1,009	N/A	US\$ 1,009
Carnival Corp.	US\$ 1,009	N/A	US\$ 1,009
Visa Inc.	US\$ 1,006	N/A	US\$ 1,006

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	June 30, 2016			Fair Value (Foreign Currencies) Thousands	Note
			Financial Statement Account	Carrying Value (Foreign Currencies) Thousands	Percentage of Ownership (%)		
TSMC Global	Corporate bond						
	HSBC USA Inc.	Available-for-sale financial assets	US\$	1,005	N/A	US\$	1,005
	Eaton Corp.		US\$	1,005	N/A	US\$	1,005
	AIG Global Funding		US\$	1,004	N/A	US\$	1,004
	IBM Corp.		US\$	1,004	N/A	US\$	1,004
	Royal Bank of Canada		US\$	1,003	N/A	US\$	1,003
	Credit Suisse New York		US\$	1,001	N/A	US\$	1,001
	Deutsche Bank AG, London		US\$	994	N/A	US\$	994
	Branch Banking & Trust		US\$	954	N/A	US\$	954
	Marsh & McLennan Cos Inc.		US\$	947	N/A	US\$	947
	Mastercard Inc.		US\$	872	N/A	US\$	872
	Eaton Corp.		US\$	834	N/A	US\$	834
	Amgen Inc.		US\$	831	N/A	US\$	831
	BAT Intl Finance PLC		US\$	809	N/A	US\$	809
	Manuf & Traders Trust Co.		US\$	766	N/A	US\$	766
	Burlingt North Santa Fe		US\$	727	N/A	US\$	727
	TTX Co.		US\$	712	N/A	US\$	712
	Commonwealth Bk Austr NY		US\$	655	N/A	US\$	655
	Bayer US Finance LLC		US\$	601	N/A	US\$	601
	Coca Cola Co/The		US\$	591	N/A	US\$	591
	Mcdonald S Corp.		US\$	560	N/A	US\$	560
	BPCE SA		US\$	514	N/A	US\$	514
	ERP Operating LP		US\$	502	N/A	US\$	502
	Duke Energy Corp.		US\$	429	N/A	US\$	429
	Pepsico Inc.		US\$	416	N/A	US\$	416
	BB&T Corporation		US\$	414	N/A	US\$	414
	American Honda Finance		US\$	383	N/A	US\$	383
	Equifax Inc.		US\$	314	N/A	US\$	314
	Nissan Motor Acceptance		US\$	299	N/A	US\$	299
	Philip Morris Intl Inc.		US\$	292	N/A	US\$	292

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U.S. Bancorp		US\$	267	N/A	US\$	267
Ford Motor Credit Co LLC		US\$	263	N/A	US\$	263
Capital One NA		US\$	249	N/A	US\$	249
Bank of Nova Scotia		US\$	249	N/A	US\$	249
Rolls Royce PLC		US\$	231	N/A	US\$	231
HSBC Holdings PLC		US\$	217	N/A	US\$	217
Berkshire Hathaway Fin.		US\$	137	N/A	US\$	137
Capital One Financial Co.		US\$	122	N/A	US\$	122
JPMorgan Chase & Co.	Held-to-maturity financial assets	US\$	153,765	N/A	US\$	154,276
Wells Fargo & Company		US\$	150,007	N/A	US\$	149,366
Goldman Sachs Group, Inc.		US\$	100,000	N/A	US\$	100,898
Westpac Banking Corporation		US\$	100,000	N/A	US\$	100,497
Commonwealth Bank of Australia		US\$	50,000	N/A	US\$	50,294
National Australia Bank		US\$	50,000	N/A	US\$	50,176
Bank of Nova Scotia		US\$	49,979	N/A	US\$	50,005
<u>Government bond</u>						
US Treasury N/B	Available-for-sale financial assets	US\$	38,908	N/A	US\$	38,908
US Treasury Floating Rate Note		US\$	21,667	N/A	US\$	21,667
Treasury Inflation-Indexed N/B		US\$	9,175	N/A	US\$	9,175
Abu Dhabi Government International Bond		US\$	3,540	N/A	US\$	3,540

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	June 30, 2016			Note
			Financial Statement Account	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	
TSMC Global	Agency bond					
	Fnma Pool AL7191		Available-for-sale financial assets	US\$ 14,450	N/A	US\$ 14,450
	Fnma Pool 888577			US\$ 10,949	N/A	US\$ 10,949
	Fnma Pool AV5062			US\$ 9,641	N/A	US\$ 9,641
	Fnma Pool AL8703			US\$ 8,070	N/A	US\$ 8,070
	Fnma Pool 890731			US\$ 7,895	N/A	US\$ 7,895
	Fnma Pool AL4193			US\$ 6,829	N/A	US\$ 6,829
	Fnma Pool AL7437			US\$ 6,407	N/A	US\$ 6,407
	Fnma Pool AL1543			US\$ 5,908	N/A	US\$ 5,908
	Fed Hm Ln Pc Pool J32501			US\$ 5,507	N/A	US\$ 5,507
	Fnma Pool AD4037			US\$ 4,685	N/A	US\$ 4,685
	Fnma Pool 995113			US\$ 4,533	N/A	US\$ 4,533
	Fnma Pool AL7671			US\$ 4,290	N/A	US\$ 4,290
	Fnma Pool AL0516			US\$ 3,909	N/A	US\$ 3,909
	Fnma Pool AS3460			US\$ 3,760	N/A	US\$ 3,760
	Fnma Pool 310104			US\$ 3,754	N/A	US\$ 3,754
	Fnma Pool AB2895			US\$ 3,579	N/A	US\$ 3,579
	Freddie Mac			US\$ 3,251	N/A	US\$ 3,251
	Fnma Pool AL0950			US\$ 3,069	N/A	US\$ 3,069
	Fnma Pool AH5613			US\$ 3,066	N/A	US\$ 3,066
	Fed Hm Ln Pc Pool J32520			US\$ 3,011	N/A	US\$ 3,011
	Export Import Bank Korea			US\$ 3,002	N/A	US\$ 3,002
	Fed Hm Ln Pc Pool A94972			US\$ 2,994	N/A	US\$ 2,994



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Fnma Pool 725423	US\$ 2,662	N/A	US\$ 2,662
Fed Hm Ln Pc Pool 2B5202	US\$ 2,625	N/A	US\$ 2,625
Fnma Pool 888637	US\$ 2,404	N/A	US\$ 2,404
Fed Hm Ln Pc Pool 849787	US\$ 2,263	N/A	US\$ 2,263
Freddie Mac	US\$ 2,230	N/A	US\$ 2,230
Fnma Pool 995024	US\$ 2,202	N/A	US\$ 2,202
Fnma Pool AD0198	US\$ 2,137	N/A	US\$ 2,137
Fannie Mae	US\$ 2,087	N/A	US\$ 2,087
Fnma Pool AL6818	US\$ 2,073	N/A	US\$ 2,073
Fnma Pool AY6119	US\$ 2,008	N/A	US\$ 2,008
Freddie Mac	US\$ 2,001	N/A	US\$ 2,001
Fnma Pool AL7485	US\$ 1,871	N/A	US\$ 1,871
Fnma Pool AL6254	US\$ 1,831	N/A	US\$ 1,831
Fnma Pool 255364	US\$ 1,820	N/A	US\$ 1,820
Fnma Pool AH7196	US\$ 1,722	N/A	US\$ 1,722
Fnma Pool AL7421	US\$ 1,660	N/A	US\$ 1,660
Fnma Pool 930289	US\$ 1,579	N/A	US\$ 1,579
Freddie Mac	US\$ 1,501	N/A	US\$ 1,501
Fnma Pool AL4141	US\$ 1,493	N/A	US\$ 1,493
Fnma Pool MA1201	US\$ 1,468	N/A	US\$ 1,468
Fannie Mae	US\$ 1,358	N/A	US\$ 1,358
Freddie Mac	US\$ 1,319	N/A	US\$ 1,319
Federal Farm Credit Bank	US\$ 1,254	N/A	US\$ 1,254
Fnma Pool 890101	US\$ 1,238	N/A	US\$ 1,238
Fannie Mae	US\$ 1,219	N/A	US\$ 1,219
Fannie Mae	US\$ 1,216	N/A	US\$ 1,216
Fed Hm Ln Pc Pool 849872	US\$ 1,052	N/A	US\$ 1,052
Fnma Pool AL7912	US\$ 1,007	N/A	US\$ 1,007
Fnma Pool AX5630	US\$ 988	N/A	US\$ 988

(Continued)



		June 30, 2016					
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (In Thousands)	Carrying Value (Foreign Currencies)		Fair Value (Foreign Currencies)	Note
				Shares/Units	Percentage of Ownership (%)	(In Thousands)	
TSMC Global	Agency bond						
	Federal Farm Credit Bank		Available-for-sale financial assets		US\$ 913	N/A	US\$ 913
	Fed Hm Ln Pc Pool 849614				US\$ 912	N/A	US\$ 912
	Fed Hm Ln Pc Pool 2B3772				US\$ 891	N/A	US\$ 891
	Fed Hm Ln Pc Pool J32972				US\$ 830	N/A	US\$ 830
	Fed Hm Ln Pc Pool V60841				US\$ 752	N/A	US\$ 752
	Fed Hm Ln Pc Pool 840260				US\$ 723	N/A	US\$ 723
	Fnma Pool AL8471				US\$ 698	N/A	US\$ 698
	Freddie Mac				US\$ 696	N/A	US\$ 696
	Fnma Pool 888129				US\$ 695	N/A	US\$ 695
	Freddie Mac				US\$ 694	N/A	US\$ 694
	Freddie Mac				US\$ 693	N/A	US\$ 693
	Fnma Pool AD0249				US\$ 667	N/A	US\$ 667
	Fed Hm Ln Pc Pool G05956				US\$ 662	N/A	US\$ 662
	Freddie Mac				US\$ 660	N/A	US\$ 660
	Export Developmnt Canada				US\$ 657	N/A	US\$ 657
	Fannie Mae				US\$ 611	N/A	US\$ 611
	Government National Mortgage Association				US\$ 594	N/A	US\$ 594
	Fnma Pool AL6302				US\$ 580	N/A	US\$ 580
	Fnma Pool 257041				US\$ 578	N/A	US\$ 578
	Fannie Mae				US\$ 563	N/A	US\$ 563
	Fannie Mae				US\$ 561	N/A	US\$ 561
	Freddie Mac				US\$ 523	N/A	US\$ 523
	Fnma Pool 725946				US\$ 498	N/A	US\$ 498
					US\$ 488	N/A	US\$ 488

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Fnma Pool AL7920				
Fnma Pool 257004	US\$	465	N/A	US\$ 465
Fed Hm Ln Pc Pool C03532	US\$	406	N/A	US\$ 406
Fannie Mae	US\$	397	N/A	US\$ 397
Fed Hm Ln Pc Pool J33012	US\$	369	N/A	US\$ 369
Fed Hm Ln Pc Pool G60473	US\$	365	N/A	US\$ 365
Fnma Pool AL0720	US\$	360	N/A	US\$ 360
Government National Mortgage Association	US\$	351	N/A	US\$ 351
Fnma Pool AL6406	US\$	341	N/A	US\$ 341
Fnma Pool AE0154	US\$	332	N/A	US\$ 332
Fnma Pool 256513	US\$	316	N/A	US\$ 316
Freddie Mac	US\$	313	N/A	US\$ 313
Gnma Pool 701598	US\$	311	N/A	US\$ 311
Fed Hm Ln Pc Pool C03464	US\$	308	N/A	US\$ 308
Fannie Mae	US\$	299	N/A	US\$ 299
Fannie Mae	US\$	295	N/A	US\$ 295
Freddie Mac	US\$	291	N/A	US\$ 291
Fed Hm Ln Pc Pool J16417	US\$	276	N/A	US\$ 276
Fnma Pool AH3371	US\$	259	N/A	US\$ 259
Fnma Pool 735997	US\$	245	N/A	US\$ 245
Freddie Mac	US\$	234	N/A	US\$ 234
Fannie Mae	US\$	216	N/A	US\$ 216
Fnma Pool 889633	US\$	210	N/A	US\$ 210
Fnma Pool 725424	US\$	180	N/A	US\$ 180
Fannie Mae	US\$	174	N/A	US\$ 174
Fnma Pool 889576	US\$	169	N/A	US\$ 169
Fnma Pool 888994	US\$	153	N/A	US\$ 153
Fnma Pool 970382	US\$	136	N/A	US\$ 136

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2016			Fair Value		Note
				Shares/Units (in thousands)	Carrying Value (Foreign Currencies) (in thousands)	Percentage of Ownership (%)	(Foreign Currencies) (in thousands)		
TSMC Global	<u>Agency bond</u>								
	Fnma Pool AC8517		Available-for-sale financial assets		US\$ 116	N/A	US\$ 116		
	Fnma Pool AS7124				US\$ 115	N/A	US\$ 115		
	Fnma Pool 745418				US\$ 114	N/A	US\$ 114		
	Fnma Pool 889455				US\$ 77	N/A	US\$ 77		
	Fnma Pool 995018				US\$ 73	N/A	US\$ 73		
	Fnma Pool 831811				US\$ 60	N/A	US\$ 60		
	Fed Hm Ln Pc Pool 849506				US\$ 42	N/A	US\$ 42		
	Fnma Pool 954940				US\$ 41	N/A	US\$ 41		
	Fnma Pool AL6964				US\$ 30	N/A	US\$ 30		
	Fnma Pool AB0109				US\$ 28	N/A	US\$ 28		
	Fnma Pool AC8444				US\$ 26	N/A	US\$ 26		
	Fnma Pool 745516				US\$ 23	N/A	US\$ 23		
	Fnma Pool 890071				US\$ 23	N/A	US\$ 23		
	Fnma Pool 535994				US\$ 22	N/A	US\$ 22		
	Fed Hm Ln Pc Pool C91876				US\$ 20	N/A	US\$ 20		
	Fnma Pool AE0616				US\$ 19	N/A	US\$ 19		
	Fnma Pool 323692				US\$ 16	N/A	US\$ 16		
	Fnma Pool 725773				US\$ 13	N/A	US\$ 13		
	Fnma Pool 735141				US\$ 11	N/A	US\$ 11		
	<u>Negotiable certificate of deposit</u>								
	Bank of China		Held-to-maturity financial assets		US\$ 50,000	N/A	US\$ 50,176		

China Development Bank		US\$ 50,000	N/A	US\$ 50,209
China Construction Bank		US\$ 50,000	N/A	US\$ 49,850
<u>Corporate issued asset-backed securities</u>				
Citibank Credit Card Issuance Trust	Available-for-sale financial assets	US\$ 21,062	N/A	US\$ 21,062
Chase Issuance Trust		US\$ 20,809	N/A	US\$ 20,809
Capital One Multi Asset Execution Trust		US\$ 20,195	N/A	US\$ 20,195
Discover Card Execution Note Trust		US\$ 16,549	N/A	US\$ 16,549
Bank of America Credit Card Trust		US\$ 10,448	N/A	US\$ 10,448
American Express Credit Account Master Trust		US\$ 7,783	N/A	US\$ 7,783
Ford Credit Floorplan Master Owner Trust		US\$ 7,359	N/A	US\$ 7,359
Mercedes Benz Master Owner Trust		US\$ 5,990	N/A	US\$ 5,990
Chesapeake Funding II LLC		US\$ 5,782	N/A	US\$ 5,782
Ford Credit Auto Owner Trust		US\$ 4,768	N/A	US\$ 4,768
Morgan Stanley Capital I Trust		US\$ 4,069	N/A	US\$ 4,069
American Express Credit Account Master Trust		US\$ 4,006	N/A	US\$ 4,006
American Express Credit Account Master Trust		US\$ 3,997	N/A	US\$ 3,997
GS Mortgage Securities Trust		US\$ 3,170	N/A	US\$ 3,170
Hyundai Auto		US\$ 2,849	N/A	US\$ 2,849

Receivables Trust				
Mercedes Benz Auto Lease Trust	US\$	2,692	N/A	US\$ 2,692
Toyota Auto Receivables Owner Trust	US\$	2,495	N/A	US\$ 2,495
BMW Floorplan Master Owner Trust	US\$	2,437	N/A	US\$ 2,437
Nissan Auto Receivables Owner Trust	US\$	2,387	N/A	US\$ 2,387
Carmax Auto Owner Trust	US\$	2,018	N/A	US\$ 2,018
Nissan Auto Receivables Owner Trust	US\$	2,011	N/A	US\$ 2,011
BMW Vehicle Lease Trust	US\$	2,004	N/A	US\$ 2,004
Ford Credit Auto Owner Trust	US\$	2,003	N/A	US\$ 2,003
Toyota Auto Receivables Owner Trust	US\$	2,002	N/A	US\$ 2,002
Nissan Auto Receivables Owner Trust	US\$	2,002	N/A	US\$ 2,002
Hyundai Auto Lease Securitization Trust	US\$	2,002	N/A	US\$ 2,002

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2016			Fair Value		Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	(Foreign Currencies in Thousands)		
TSMC Global	<u>Corporate issued asset-backed securities</u>								
	USAA Auto Owner Trust		Available-for-sale financial assets		US\$ 2,000	N/A	US\$ 2,000		
	Mercedes Benz Auto Lease Trust				US\$ 1,999	N/A	US\$ 1,999		
	Nissan Master Owner Trust								
	Receivables Trust				US\$ 1,997	N/A	US\$ 1,997		
	Nissan Auto Lease Trust				US\$ 1,904	N/A	US\$ 1,904		
	Golden Credit Card Trust				US\$ 1,804	N/A	US\$ 1,804		
	Mercedes Benz Auto Receivables Trust				US\$ 1,709	N/A	US\$ 1,709		
	Honda Auto Receivables Owner Trust				US\$ 1,706	N/A	US\$ 1,706		
	Toyota Auto Receivables Owner Trust				US\$ 1,561	N/A	US\$ 1,561		
	Hyundai Auto Lease Securitization Trust				US\$ 1,347	N/A	US\$ 1,347		
	Toyota Auto Receivables Owner Trust				US\$ 1,148	N/A	US\$ 1,148		
	CFCRE Commercial Mortgage Trust				US\$ 1,119	N/A	US\$ 1,119		
	Ford Credit Auto Lease Trust				US\$ 1,113	N/A	US\$ 1,113		
	Hyundai Auto Receivables Trust				US\$ 1,010	N/A	US\$ 1,010		

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	Nissan Auto Lease Trust		US\$	1,002	N/A	US\$	1,002
	Ford Credit Auto Owner Trust		US\$	935	N/A	US\$	935
	Honda Auto Receivables Owner Trust		US\$	917	N/A	US\$	917
	Nissan Auto Lease Trust		US\$	605	N/A	US\$	605
	<u>Fund</u>						
	Primavera Capital Fund II L.P.	Financial assets carried at cost	US\$	16,014	4	US\$	16,014
	<u>Money market fund</u>						
	Goldman Sachs US\$ Liquid Reserves Fund	Available-for-sale financial assets	189,831	US\$ 189,831	N/A	US\$ 189,831	
VTAF III	<u>Common stock</u>						
	Accton Wireless Broadband Corp.	Financial assets carried at cost	2,249	US\$ 315	6	US\$ 315	
	<u>Preferred stock</u>						
	BridgeLux, Inc.	Financial assets carried at cost	7,522	US\$ 4,235	3	US\$ 4,235	
	GTBF, Inc.		1,154	US\$ 1,500	N/A	US\$ 1,500	
	LiquidLeds Lighting Corp.		1,600	US\$ 800	11	US\$ 800	
	Neoconix, Inc.		4,147	US\$ 170		US\$ 170	
VTAF II	<u>Common stock</u>						
	RichWave Technology Corp.	Available-for-sale financial assets	1,267	US\$ 2,814	3	US\$ 2,814	
	Sentelic	Financial assets carried at cost	1,806	US\$ 2,607	8	US\$ 2,607	
	Aether Systems, Inc.		3,100	US\$ 2,429	30	US\$ 2,429	
	<u>Preferred stock</u>						
	Aquantia 5V Technologies, Inc.	Financial assets carried at cost	4,643	US\$ 4,441	2	US\$ 4,441	
	Impinj, Inc.		963	US\$ 2,168	2	US\$ 2,168	
	QST Holdings, LLC		711	US\$ 1,100		US\$ 1,100	
				US\$ 588	13	US\$ 588	

	Cresta Technology Corporation		92	US\$	28		US\$	28
ISDF	<u>Preferred stock</u>							
	Sonics, Inc.	Financial assets carried at cost	230				3	
ISDF II	<u>Common stock</u>							
	Alchip Technologies Limited	Available-for-sale financial assets	6,581	US\$	4,974		11	US\$ 4,974
	Goyatek Technology, Corp.	Financial assets carried at cost	745				6	
	Sonics, Inc.		278				4	
	<u>Preferred stock</u>							
	Sonics, Inc.	Financial assets carried at cost	264				4	

(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, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Table Name	Financial Statement Account Counter-Party	Nature of Relationship	Beginning	Acquisition	Disposal	Gain/Loss	
			Balance	Shares/Units	Shares/Units		Carrying Value
			Shares/Units (In Thousands)	Amount (In Thousands)	Shares/Units (In Thousands)	Amount (In Thousands)	Disposal
<b>Bank</b>	Held-to-maturity		\$ 3,305,475	\$	\$ 3,300,000	\$ 3,300,000	\$
<b>limited</b>	financial assets						
<b>bond</b>							
<b>Corporation,</b>	Held-to-maturity		1,543,723	1,513,743			
<b>financial</b>	financial assets						
<b>assets</b>				302,139			
<b>in</b>							
<b>deposit</b>							
<b>limited</b>	Held-to-maturity		1,000,000		1,000,000	1,000,000	
<b>financial</b>	financial assets						
<b>al</b>							
<b>ower</b>	Held-to-maturity			80	798,708		
<b>financial</b>	financial assets						
<b>ing</b>	Investments	Subsidiary			1,630,700		
<b>accounted</b>	accounted for using						
<b>equity</b>	equity method						
<b>bal</b>	Prepayments for	Subsidiary			35,207,621		
<b>Investments</b>	Investments (Note 2)						
<b>bond</b>							
<b>Chase</b>	Available-for-sale		US\$ 4,971	US\$ 13,494	US\$ 2,505	US\$ 2,505	
<b>financial</b>	financial assets						
<b>IA</b>				US\$ 11,976	US\$ 7,513	US\$ 7,486	US\$
<b>Chase</b>	Held-to-maturity		US\$ 10,798	US\$ 143,533			
<b>financial</b>	financial assets			US\$ 150,008			

o &									
Eachs				US\$	100,000				
anking				US\$	100,000				
n									
health				US\$	50,000				
ustralia									
				US\$	50,000				
Bank									
ova				US\$	49,978				
nt bond									
ry N/B	Available-for-sale	US\$	26,702	US\$	43,762	US\$	31,946	US\$	31,915
	financial assets								
ry				US\$	39,304	US\$	17,642	US\$	17,631
ate									
				US\$	9,167				
ndexed									

(Continued)

Investment Category	Financial Statement Account	Nature (Type)	Beginning	Acquisition		Disposal		Gain/Loss Disposal	
			Balance	Shares/Units	Amount	Shares/Units	Amount		Carrying Value
Investment Fund Name	Account	Nature	Amount (In Thousands)	Shares/Units (In Thousands)	Amount (In Thousands)	Shares/Units (In Thousands)	Amount	Value	Gain/Loss (In Thousands)
<u>Equity bond</u>									
Pool 01	Available-for-sale financial assets		US\$ 5,864		US\$ 9,855		US\$ 1,353	US\$ 1,542	US\$ (189)
Pool 07			US\$		US\$ 11,995		US\$ 924	US\$ 1,055	US\$ (131)
Pool 52			US\$		US\$ 9,975		US\$ 391	US\$ 408	US\$ (17)
Tba 15 Yr			US\$ 3,964		US\$ 11,998		US\$ 16,006	US\$ 15,978	US\$ 28
<u>Debt issued</u>									
<u>Bank Credit</u>									
Issuance	Available-for-sale financial assets		US\$ 9,756		US\$ 11,268				
Issuance			US\$ 15,507		US\$ 10,984		US\$ 5,744	US\$ 5,753	US\$ (9)
One Asset Trust			US\$ 8,961		US\$ 13,178		US\$ 1,999	US\$ 1,996	US\$ 3
<u>Equity market</u>									
Man Sachs Liquid Res Fund	Available-for-sale financial assets			199,000	US\$ 199,000	9,169	US\$ 9,169	US\$ 9,169	

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

Note 2: To lower the hedging cost, in February 2016, the Board of Directors of TSMC approved to inject US\$2,000,000 thousand of capital into TSMC Global. This project was approved by the Investment Commission, Ministry of Economic Affairs, R.O.C. (MOEA). The prepayment for investment was US\$1,081,200 thousand as of June 30, 2016 and the total injection is expected to be finished in the fourth quarter of 2016.

(Concluded)

**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, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				R
					Owner	Relationships	Transfer Date	Amount	
January 15, 2015 to February 17, 2016	\$ 362,111	Monthly settlement by the construction progress and acceptance	Environetics Design Group Co., Ltd.		N/A	N/A	N/A	N/A	Bid pri con and neg
September 17, 2015 to February 25, 2016	3,201,800	Monthly settlement by the construction progress and acceptance	DA CIN Construction Co., Ltd.		N/A	N/A	N/A	N/A	Bid pri con and neg
September 10, 2015 to April 11, 2016	3,167,768	Monthly settlement by the construction progress and acceptance	Fu Tsu Construction Co., Ltd.		N/A	N/A	N/A	N/A	Bid pri con and neg
September 31, 2015 to February 04, 2016	1,250,000	Monthly settlement by the construction progress and acceptance	China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Bid pri con and neg
February 22, 2016 to January 25, 2016	750,000	Monthly settlement by the construction progress and acceptance	KEDGE Construction Co., Ltd.		N/A	N/A	N/A	N/A	Bid pri con and neg
February 16, 2016	RMB160,521	100% payment	Nanjing Municipal Bureau of Land and Resources		N/A	N/A	N/A	N/A	Bid





**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, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Related Party	Nature of Relationships	Purchases/Sales	Transaction Details Amount		Payment Terms	Unit Price	Abnormal Transaction Payment Terms	Ending Balance (Foreign Currencies % to Total)
			(in Thousands)	Total				
SMC North America	Subsidiary	Sales	\$ 264,580,092	61	Net 30 days from invoice date (Note)		Note	\$
UC	Associate	Sales	2,035,267		Net 30 days from the end of the month of when invoice is issued			
SMC China	Subsidiary	Purchases	8,451,002	26	Net 30 days from the end of the month of when invoice is issued			
WaferTech	Indirect subsidiary	Purchases	4,437,485	14	Net 30 days from the end of the month of when invoice is issued			
IS	Associate	Purchases	3,307,255	10	Net 30 days from the end of the month of when invoice is issued			
SMC	Associate	Purchases	1,479,784	5	Net 30 days from the end of			

				the month of when invoice is issued	
UC	Associate of TSMC	Sales	481,225	Net 30 days from invoice date	
		(US\$	14,682)		(US\$

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, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue Amount	Action Taken	Amounts Rec in Al Subsequer Period
	TSMC North America	Subsidiary	\$ 70,386,041	43	\$ 3,026,539		\$ 4,085,29
	VIS	Associate	1,296,830	Note 2			
	GUC	Associate	531,798	39			
China	TSMC	Parent company	1,632,878	33			
			(RMB 331,576)				
	TSMC	Parent company	266,530	Note 2			
			(US\$ 8,256)				
Tech	TSMC	Parent company	1,502,761	45			
			(US\$ 46,550)				

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****FOR SIX MONTH ENDED JUNE 30, 2016****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
				Amount	Percentage of Consolidated Net Revenue or Total Assets
TSMC	TSMC North America	1	Net revenue from sale of goods	\$ 264,580,092	62%
			Receivables from related parties	69,202,508	4%
			Other receivables from related parties	1,183,533	
	TSMC Japan	1	Marketing expenses - commission	144,035	
	TSMC Europe	1	Marketing expenses - commission	223,879	
	TSMC China	1	Purchases	8,451,002	2%
			Payables to related parties	1,632,878	
	TSMC Canada	1	Research and development expenses	121,789	
	TSMC Technology	1	Research and development expenses	925,244	
			Payables to related parties	266,530	
	WaferTech	1	Purchases	4,437,485	1%
			Payables to related parties	1,502,761	
TSMC China	TSMC Nanjing	3	Other receivables from related parties	1,700,825	
VisEra Holding	VisEra Tech	3	Other payables to related parties	759,360	

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 SIX MONTH ENDED JUNE 30, 2016****(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, 2016		Carrying Value (Foreign Currencies in Thousands)	Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share Profits/Losses of Investee (Note in Foreign Currencies in Thousands)
			June 30, 2016 (Foreign Currencies in Thousands)	December 31, 2015 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership			
C	Tortola, British Virgin Islands	Investment activities	\$ 202,962,857	\$ 167,755,236	5	100	\$ 235,940,202	\$ 1,136,615	\$ 1,136,615
			Note 3						
C	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	51,108,735	1,170,601	1,170,601
C	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	10,154,793	2,135,710	828,000
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging,	10,180,677	10,180,677	464,223	28	8,068,620	2,869,519	810,000

		testing and sale of memory integrated circuits, LSI, VLSI and related parts							
C	San Jose, California, U.S.A	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	4,235,511	80,826	80,
c	Taoyuan, Taiwan	Wafer level chip size packaging service	1,309,969	1,309,969	92,778	35	2,089,346	(217,146)	(74,
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,063,883	260,622	91,
F II	Cayman Islands	Investing in new start-up technology companies	608,562	608,562		98	533,531	1,533	1,
g	Taipei, Taiwan	Investment activities	394,674	394,674	36,600	100	395,068	704	
F III	Cayman Islands	Investing in new start-up technology companies	1,499,452	1,499,452		98	351,190	(28,978)	(28,
C	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749		100	349,104	19,916	19,
C	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	150,090	3,702	3,
C	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	36,777	1,410	1,
ngs	Delaware, U.S.A	Investing in new start-up technology companies				7			
ing ce	Cayman Islands	Investing in new start-up technology		844,775				(313)	(

companies									
C	Hamburg, Germany	Selling of solar related products and providing customer service	25,266	25,266	1	100	(4,430)	(5,747)	(5,
e									
H									
ch	New Taipei, Taiwan	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	Note 4	5,221,931	Note 4	Note 4	Note 4	Note 4	93,

(Continued)



Investor	Company	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2016		Net Income	
			June 30, 2016 (Foreign Currencies in Thousands)	December 31, 2015 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	(Losses) of the Investee (Foreign Currencies in Thousands)
Investment	Delaware, U.S.A	Investment activities	0.03	0.03		100	26,521,288	962,584
			(US\$ 0.001)	(US\$ 0.001)			(US\$ 821,525)	(US\$ 29,369)
Investment	Cayman Islands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	4,881,332	4,881,332	86,000	98	7,083,239	90,633
			(US\$ 151,204)	(US\$ 151,204)			(US\$ 219,411)	(US\$ 2,765)
Technology	Delaware, U.S.A	Engineering support activities	0.03	0.03		100	578,599	44,395
			(US\$ 0.001)	(US\$ 0.001)			(US\$ 17,923)	(US\$ 1,354)
Technology	Cayman Islands	Investing in new start-up technology companies	300,200	300,200	9,299	97	290,900	2,745
			(US\$ 9,299)	(US\$ 9,299)			(US\$ 9,011)	(US\$ 84)
Technology	Ontario, Canada	Engineering support activities	74,251	74,251	2,300	100	166,354	5,685
			(US\$ 2,300)	(US\$ 2,300)			(US\$ 5,153)	(US\$ 173)
Technology	Cayman Islands	Investing in new start-up technology companies	18,821	18,821	583	97	4,041	4
			(US\$ 583)	(US\$ 583)			(US\$ 125)	(US\$ 125)
Fund	Cayman Islands	Investing in new start-up technology companies	47,190	47,190		100	30,224	4,632
			(US\$ 1,462)	(US\$ 1,462)			(US\$ 936)	(US\$ 141)
Packaging	New Taipei, Taiwan	Manufacturing of electronic parts, wholesaling and	168,281	168,281	15,643	58	18,432	(3,184)
			(US\$ 5,212)	(US\$ 5,212)			(US\$ 571)	(US\$ (97)

		retailing of electronic materials, and researching, developing and testing of RFID							
	Delaware, U.S.A	Investing in new start-up technology companies				62			
	Delaware, U.S.A	Investing in new start-up technology companies				31			
ch	Washington, U.S.A	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	\$	\$	293,637	100	\$ 6,178,523	\$ 906,979	(US\$ 191,386) (US\$ 27,672)
ech	Hsin-Chu, Taiwan	Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter	3,036,818	3,036,818	253,120	87	4,827,608	254,988	(US\$ 94,069) (US\$ 94,069) (US\$ 149,540) (US\$ 7,780)
	Taoyuan, Taiwan	Wafer level chip size packaging service	196,375	196,375	18,504	6	687,990	(217,146)	(US\$ 6,083) (US\$ 6,083) (US\$ 21,311) (US\$ (6,625)

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

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

Note 3: To lower the hedging cost, in February 2016, the Board of Directors of TSMC approved to inject US\$2,000,000 thousand of capital into TSMC Global. This project was approved by the Investment Commission, MOEA. The prepayment for investment was US\$1,081,200 thousand as of June 30, 2016 and the

total injection is expected to be finished in the fourth quarter of 2016.

Note 4: The Company has no longer served as Motech's board of director starting June 2016. As a result, the Company exercises no significant influence over Motech. Therefore, Motech is no longer accounted for using the equity method.

(Concluded)

**TABLE 10****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR SIX MONTH ENDED JUNE 30, 2016****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Business and Products	Total Amount of Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016 (US\$ in Thousands)	Investment Flows Outflow (US\$ in Thousands)	Investment Inflow	Accumulated Outflow of Investment from Taiwan as of June 30, 2016 (US\$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership Pro
ing and Integrated ne order of nt to ign ns /	\$ 18,939,667 (RMB 4,502,080)	Note 1	\$ 18,939,667 (US\$ 596,000)	\$	\$	\$ 18,939,667 (US\$ 596,000)	\$ 2,132,375	100%
ing and Integrated ne order of nt to ign ns /	1,630,700 (RMB 328,975)	Note 1		1,630,700 (US\$ 50,000)		1,630,700 (US\$ 50,000)	4,963	100%
	<b>Accumulated Investment Mainland China as of June 30, 2016 (US\$ in Thousands)</b>	<b>Investment Commission, MOEA (US\$ in Thousands)</b>	<b>Investment Amounts Authorized by Upper Limit on Investment</b>					
	\$ 20,570,367	\$ 119,412,667	\$ 718,398,587					

(US\$ 646,000) (US\$ 3,596,000)

Note 1: TSMC directly invested US\$596,000 thousand in TSMC China and US\$50,000 thousands in TSMC Nanjing.

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

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