

Taiwan Semiconductor Manufacturing Company Limited

2017 Annual Shareholders' Meeting

Meeting Agenda
(Translation)

June 8, 2017

Table of Contents

1. Call Meeting to Order	1
2. Meeting Agenda	2
(1) Report Items	4
(2) Proposed Resolutions	5
(3) Directors Election	7
(4) Other Business and Special Motion	7
3. Attachment	8
I. Business Report	9
II. Audit Committee’s Review Report	14
III. Independent Auditors’ Report and 2016 Consolidated Financial Statements	15
IV. Independent Auditors’ Report and 2016 Parent Company Only Financial Statements	28
V. Earnings Distribution Proposal	40
VI. Comparison Table for the Articles of Incorporation Before and After Revision	41
VII. Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision	44
VIII. List of Director Candidates	51
4. Appendix	52
I. Rules and Procedures of Shareholders’ Meeting	53
II. Articles of Incorporation	57
III. Rules for Election of Directors	68
IV. Shareholdings of All Directors	71

Note:

- 2016 Form 20-F is available at http://www.tsmc.com/english/investorRelations/annual_reports.htm
- Minutes of 2017 Annual Shareholders’ Meeting will be available on TSMC’s website (http://www.tsmc.com/english/investorRelations/shareholders_meeting.htm) within 20 days after the Meeting.

1. Call Meeting to Order

2. Meeting Agenda

Taiwan Semiconductor Manufacturing Company Limited
2017 Annual Shareholders' Meeting Agenda
(Translation)

Time : 9:00 a.m., June 8, 2017

Place : TSMC's Headquarters at Fab 12A
(No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan)

Attendants : All shareholders or their proxy holders

Chairman : Dr. Morris Chang, Chairman of the Board of Directors

1. Chairman's Address

2. Report Items:

- (1) To report the business of 2016
- (2) Audit Committee's review report
- (3) To report 2016 employees' profit sharing bonus and directors' compensation
- (4) To report TSMC's merger of Chi Cherng Investment Co., Ltd., a wholly-owned subsidiary of TSMC

3. Proposed Resolutions

- (1) To accept 2016 Business Report and Financial Statements
- (2) To approve the proposal for distribution of 2016 earnings
- (3) To revise the Articles of Incorporation
- (4) To revise the Procedures for Acquisition or Disposal of Assets

4. Directors Election

To elect two additional Directors

Voting by Poll

5. Other Business and Special Motion

6. Meeting Adjourned

Report Items

1. To report the business of 2016

Explanatory Notes : Please refer to Attachment I.

2. Audit Committee's review report

Explanatory Notes : Please refer to Attachment II.

3. To report 2016 employees' profit sharing bonus and directors' compensation

Explanatory Notes :

- (1) The Board of Directors approved 2016 employees' profit sharing bonus and directors' compensation on February 14, 2017. The employees' profit sharing bonus and directors' compensation are to be distributed in cash.
- (2) 2016 employees' total cash bonus and profit sharing bonus is NT\$44,836,678,524, of which NT\$22,418,339,262 has been distributed following each quarter as cash bonus, and NT\$22,418,339,262 will be distributed in July 2017 as profit sharing bonus.
- (3) 2016 directors' compensation is NT\$376,432,200.

4. To report TSMC's merger of Chi Cherng Investment Co., Ltd., a wholly-owned subsidiary of TSMC

Explanatory Notes :

- (1) Chi Cherng Investment Co., Ltd. ("Chi Cherng"), a wholly owned subsidiary of TSMC, became redundant because it had cash as its only asset and no debt. To streamline our investment structure,

TSMC's Board of Directors approved to merge Chi Cherng into TSMC in November 2016. A short-form merger was conducted pursuant to the R.O.C. Business Mergers and Acquisitions Act and the R.O.C. Company Act, with TSMC being the surviving company. The record date of the merger was December 12, 2016.

- (2) The merger has been approved by Hsinchu Science Park Bureau, Ministry of Science and Technology on January 11, 2017.

Proposed Resolutions

1. To accept 2016 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes :

- (1) TSMC's 2016 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Ms. Yih-Hsin Kao and Mr. Yu-Feng Huang, of Deloitte & Touche.
- (2) 2016 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements are attached hereto as Attachments I, III and IV.

2. To approve the proposal for distribution of 2016 earnings (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The proposed earnings distribution is allocated from Earnings in 2016 Available for Distribution. Each common share holder will be entitled to receive a cash dividend of NT\$7 per share.

- (2) The 2016 Earnings Distribution Proposal is attached hereto as Attachment V.

3. To revise the Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Notes :

- (1) In furtherance of TSMC's corporate social responsibility efforts, TSMC plans to recycle chemicals, metals and plastics used in or produced by, and leftover from our manufacturing activities, and, through proper processing, transform them into re-usable materials to reduce waste generation. Also TSMC itself plans to sell such materials that cannot be re-used by TSMC to enhance oversight of the downstream sales channels. According to the regulatory requirements, TSMC must incorporate these proposed activities into its business scope specified in the Articles of Incorporation.
- (2) The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment VI.

4. To revise the Procedures for Acquisition or Disposal of Assets (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The R.O.C. Financial Supervisory Commission recently amended its "Regulation Governing the Acquisition and Disposal of Assets by Public Companies". TSMC's "Procedures for Acquisition or Disposal of Assets" needs to be revised to reflect such regulatory amendments. The major revisions include the following:
 - (i) raising the disclosure threshold for acquisition or disposal of equipment for operation purpose with non-related parties from NT\$500 million to NT\$1 billion; and
 - (ii) specifying the deadline for correcting any erroneous or incomplete disclosure as "two days from the date the Company becomes aware of such error or incompleteness".

- (2) The Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revision is attached hereto as Attachment VII.

Directors Election

To elect two additional Directors (Proposed by the Board of Directors)

Explanatory Notes :

- (1) Article 19 of TSMC's Articles of Incorporation states that the Corporation's Board of Directors shall have seven to ten Directors, of which at least three must be independent. The Board of Directors is authorized to determine the number of Directors.

TSMC's Board of Directors is currently composed of eight Directors, five of whom are Independent Directors. The Board of Directors approved in February 2017 to increase the number of TSMC directors to ten and to elect two additional directors at this Shareholders' Meeting. The term of office of the two directors to be elected shall expire on the same date as the term of the existing directors, commencing from June 8, 2017 to June 8, 2018.

- (2) The directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the R.O.C. Company Act. The directors shall be elected from the nominated candidates, whose education and professional qualifications, experience and relevant information are attached hereto as Attachment VIII.

Voting by Poll :

Other Business and Special Motion

Meeting Adjourned

3. Attachment

Business Report

2016 was a good year for TSMC as we delivered another year of record revenue and earnings. Our revenue grew double-digit outpacing a relatively flat global semiconductor industry. We also achieved our highest gross and operating margin in the last twenty years, which is a direct result of our ongoing and unrelenting company-wide focus on driving productivity improvement, higher operating efficiency, and across-the-board cost reduction efforts.

TSMC's growth is propelled by our ability to earn a premium to the overall semiconductor industry's growth by being a trusted provider of technology and capacity to the world logic IC industry. This position allowed us to participate actively in the growth of the faster-growing segments, such as the strong demand from 4G+ smartphones in the China market, the replacement and upgrade of Gaming, and the emergence of AI (Artificial Intelligence) in 2016. These applications require the use of technologies over a wide spectrum, and TSMC holds a leading position over this spectrum. Our strong position in technology leadership and our commitment to invest in both R&D and in Capex are what enabled us to continually gain foundry market segment share.

We made significant advances in leading-edge process technologies in 2016. Revenue from 16-nanometer grew more than five-fold in 2016 and reached above 20% of total wafer revenue. Our 10-nanometer successfully began volume production for customers' products in 2016, while 7-nanometer is on schedule to complete technology qualification in early 2017. Our 5-nanometer development is also well-underway and will see use of EUV (extreme ultraviolet) lithography. Our proprietary InFO (integrated fan-out) advanced packaging solution was adopted by a major customer for a significant mobile product in 2016 while we were working on the next generation of InFO solution for 2017 volume production.

Highlights of TSMC's accomplishments in 2016:

- Total wafer shipments increased 9.6 percent from 2015 to reach 9.6 million 12-inch equivalent wafers.
- Advanced technologies (28-nanometer and beyond) accounted for 54 percent of total wafer revenue, up from 48 percent in 2015.
- We deployed 249 process technologies, and manufactured 9,275 products for 449 customers.

- TSMC's market share in the total semiconductor foundry segment rose successively during the last seven years and reached 56 percent in 2016.

2016 Financial Performance

Consolidated revenue totaled NT\$947.94 billion, an increase of 12.4 percent over NT\$843.50 billion in 2015. Net income was NT\$334.25 billion and diluted earnings per share were NT\$12.89. Both increased 9 percent from the 2015 level of NT\$306.57 billion net income and NT\$11.82 diluted EPS. Excluding major one-off items, namely share disposal gains and the closure of TSMC Solar operations in 2015 and the negative impact from the earthquake in 2016, our EPS would have grown 17.4 percent year-on-year in 2016.

In US dollars, TSMC generated net income of US\$10.38 billion on consolidated revenue of US\$29.43 billion, compared with net income of US\$9.67 billion on consolidated revenue of US\$26.61 billion in 2015.

Gross profit margin was 50.1 percent compared with 48.7 percent in 2015, and operating profit margin was 39.9 percent compared with 37.9 percent a year earlier. Net profit margin was 35.3 percent, a decrease of 1.0 percentage points from the prior year's 36.3 percent.

TSMC raised its cash dividend payment to NT\$6.0 per share for 2015 earnings distribution from NT\$4.5 a year ago to reflect continued rising free cash flow generation. We remain confident in our ability to maintain and steadily improve our free cash flow in the next few years, and will consider increasing the cash dividends when appropriate.

Technological Developments

Thanks to continuous innovation and improvement, TSMC's 28-nanometer technology remained robust with rising revenue in 2016, its sixth year of volume production. We will continue to roll out differentiated and cost-effective solutions and expect our strength in this significant node to persist for many more years.

We continued to reduce defect density and improve cycle time in our 16-nanometer FinFET technology. In addition to mobile processors, this node has gained strong acceptance for many other applications including cellular baseband, graphic processors for video games, augmented reality and virtual reality devices, and artificial intelligence systems. We further pushed the envelope of performance, die size and power consumption to roll out our 12-nanometer technology, which will

enter volume production in the second half of 2017. Both 16-nanometer and 12-nanometer technologies can serve customers in mainstream and ultra-low power market segments, including low-to-mid-end mobile phones, consumer electronics, digital TV, automotive, and Internet of Things (IoT), as well as high-end applications, including high-end mobile and networking.

10-nanometer FinFET technology began production ramp in the fourth quarter of 2016 with shipments commencing in the first quarter of 2017. We expect a healthy ramp throughout 2017. With its aggressive geometric shrinkage, our 10-nanometer technology provides excellent density and is well positioned to serve the premium mobile market segment.

During the year, we collaborated with major customers and IP vendors to complete the IP design for our 7-nanometer technology and started silicon validation. We are on plan to start risk production in the spring of 2017. Meanwhile, development activities for our 5-nanometer node continued with risk production targeted for first half of 2019. We plan to use EUV lithography extensively at 5-nanometer to reduce process complexity. In addition, intensive early development efforts focusing on new transistors and technology definition were on-going for the technologies beyond 5-nanometer.

In the area of advanced packaging technologies, TSMC's proprietary InFO began volume production in 2016 while we also successfully qualified the next generation InFO solution with volume production expected in 2017. We extended our interposer CoWoS[®] (chip-on-wafer-on substrate) technology to 16-nanometer and led the industry with volume production of super high-end accelerators that integrate multiple second generation high bandwidth memory chips (HBM2) and GPUs (Graphics Processing Unit) for the high performance computing market segment of artificial intelligence and deep learning.

TSMC's ecosystem, the Open Innovation Platform[®] (OIP), continued to expand in 2016 with more than 12,000 items contained in our libraries and silicon IP portfolio. More than 8,200 technology files and over 270 process design kits were available to customers via TSMC-Online which saw more than 100,000 customer downloads in 2016.

Corporate Developments

In March 2016, TSMC and the municipal government of Nanjing, China signed an agreement affirming that TSMC will make an investment to establish TSMC

Nanjing Co. Ltd., a wholly-owned subsidiary of TSMC that will own and operate a 12-inch wafer fab and a design service center. The purpose is to provide closer support to customers as we expand our business opportunities in China. The facility is scheduled to commence production of 16-nanometer process technology in the second half of 2018.

Honors and Awards

TSMC received recognitions for achievements in innovation, business information disclosure, corporate governance, sustainability, investor relations and overall excellence in management from organizations including *Newsweek*, *CommonWealth Magazine*, PricewaterhouseCoopers, *GlobalViews Magazine*, *Channel NewsAsia*, RobecoSAM and the Taiwan Stock Exchange. TSMC received multiple awards from *Institutional Investor Magazine* and was ranked number one in IR Magazine's Global Top Fifty Awards. TSMC was also selected as a component of the Dow Jones Sustainability Indices for a 16th consecutive year, reflecting our ongoing commitment to sustainability and corporate social responsibility. In 2016, TSMC was included as the largest component in the newly-launched FTSE4Good Emerging Index by the London Stock Exchange, and we remained a major component in MSCI Global Sustainability Indexes, an important global benchmark for CSR.

Outlook

Entering our fourth decade, TSMC has advanced into the forefront of semiconductor technology and has grown to become the world's largest wafer capacity provider for logic ICs. TSMC's innovative foundry business model has flourished and placed us at the center of a comprehensive ecosystem of IC designers, IP providers, and equipment suppliers with unmatched ability to unleash innovation. ICs manufactured by TSMC formed the backbone of information technology today.

As silicon becomes pervasive and computing is ubiquitous, the intelligent future requires continued advancement and innovation in semiconductor process technologies. As our technology development collecting pace, we now can provide our customers the most competitive leading-edge technology to develop their product. Combined with their innovative algorithm, customized architecture and strength in designs, our customers are able to provide the most competitive products in the applications where they were not used to compete before. Through our customers, we are expanding our footprint into the global high performance computing market as well.

TSMC has evolved over the last three decades, but our core values of integrity, commitment, innovation, and customer trust remain unchanged. We remain committed to creating value and generating strong returns to shareholders who have placed their trust with us. As we carry our heritage of excellence forward into an exciting future, we look forward to prospering together with our shareholders.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Chairman of the Audit Committee:



Sir Peter Leahy Bonfield

February 14, 2017

**Independent Auditors' Report
(Consolidated Financial Statements)**

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year

ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Provision of sales returns and allowances

In consideration of business volume and market conditions, the Company provides a variety of business incentives to specific customers or products. The provision of sales returns and allowance is based on historical experience and the varying contractual terms by management's judgment. Please refer to Notes 4, 5 and 19 to the consolidated financial statements for the details of the information about provision of sales returns and allowances. Since the provision of sales returns and allowances is subject to management's judgment, which has significant uncertainty, and the result could also affect the net revenue in the consolidated financial statements, it has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Understood and tested the design and operating effectiveness of the key controls over provision of sales returns and allowances;
2. Understood and assessed the reasonableness of management's assumptions made and methodology used in estimating provision of sales returns and allowances;
3. Sampled and inspected the Company's sales contracts of main products by agreeing the contractual terms and performed an analysis to challenge management's estimation on possibility that specific products could meet business incentives condition to verify the reasonableness of the accrual of the provision;
4. Performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual sales allowance paid.

Timing to commence depreciation of property, plant and equipment (PP&E)

The Company continues to invest in capital expenditures to develop and build capacity in leading-edge technologies to meet customers' demand. Please refer to Notes 4 and 15 to the consolidated financial statements for the details of the information and accounting policy about the depreciation of PP&E. According to IAS 16, depreciation of PP&E should commence when the assets are available for their intended use. Due to the significant capital expenditures incurred by the Company, the appropriateness of the timing to commence depreciation of PP&E

could have a material impact on its financial performance. Consequently, the validity of the timing to commence depreciation of PP&E is identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Understood and tested the design and operating effectiveness of the key controls over the timing to commence depreciation of PP&E;
2. Understood the criteria the assets are defined as available for use intended by management and the corresponding accounting treatments;
3. Sampled and reviewed the appropriateness of the timing for commencing depreciation after the assets met the criteria of available for use in current year;
4. Performed an observation on the physical count of equipment under installation and construction in progress; sampled and inspected the supporting documentation to verify that the status of equipment under installation and construction in progress are not available for use;
5. Sampled equipment under installation and construction in progress which met the criteria of available for use and were transferred in the subsequent period to evaluate the reasonableness of the timing for commencing depreciation;
6. Sampled and reviewed the appropriateness of the equipment under installation and construction in progress which are not available for their intended use.

Other Matter

We have also audited the parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as

applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yih-Shin Kao and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
The Republic of China

Deloitte & Touche

February 14, 2017

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 541,253,833	29	\$ 562,688,930	34
Financial assets at fair value through profit or loss (Note 7)	6,451,112	-	6,026	-
Available-for-sale financial assets (Notes 8 and 14)	67,788,767	4	14,299,361	1
Held-to-maturity financial assets (Note 9)	16,610,116	1	9,166,523	1
Hedging derivative financial assets (Note 10)	5,550	-	1,739	-
Notes and accounts receivable, net (Note 11)	128,335,271	7	85,059,675	5
Receivables from related parties (Note 37)	969,559	-	505,722	-
Other receivables from related parties (Note 37)	146,788	-	125,018	-
Inventories (Notes 5, 12 and 41)	48,682,233	3	67,052,270	4
Other financial assets (Notes 38 and 41)	4,100,475	-	4,305,358	-
Other current assets (Note 17)	3,385,422	-	3,533,369	-
Total current assets	<u>817,729,126</u>	<u>44</u>	<u>746,743,991</u>	<u>45</u>
NONCURRENT ASSETS				
Held-to-maturity financial assets (Note 9)	22,307,561	1	6,910,873	-
Financial assets carried at cost (Note 13)	4,102,467	-	3,990,882	-
Investments accounted for using equity method (Notes 5 and 14)	19,743,888	1	24,091,828	2
Property, plant and equipment (Notes 5 and 15)	997,777,687	53	853,470,392	52
Intangible assets (Notes 5, 16 and 33)	14,614,846	1	14,065,880	1
Deferred income tax assets (Notes 5 and 30)	8,271,421	-	6,384,974	-
Refundable deposits	407,874	-	430,802	-
Other noncurrent assets (Note 17)	1,500,432	-	1,428,676	-
Total noncurrent assets	<u>1,068,726,176</u>	<u>56</u>	<u>910,774,307</u>	<u>55</u>
TOTAL	<u>\$ 1,886,455,302</u>	<u>100</u>	<u>\$ 1,657,518,298</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 18)	\$ 57,958,200	3	\$ 39,474,000	2
Financial liabilities at fair value through profit or loss (Note 7)	191,135	-	72,610	-
Accounts payable	26,062,351	2	18,575,286	1
Payables to related parties (Note 37)	1,262,174	-	1,149,988	-
Salary and bonus payable	13,681,817	1	11,702,042	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 23 and 32)	22,894,006	1	20,958,893	1
Payables to contractors and equipment suppliers	63,154,514	3	26,012,192	2
Income tax payable (Notes 5 and 30)	40,306,054	2	32,901,106	2
Provisions (Notes 5 and 19)	18,037,789	1	10,163,536	1
Long-term liabilities - current portion (Note 20)	38,109,680	2	23,517,612	1
Accrued expenses and other current liabilities (Note 22)	36,581,553	2	27,701,329	2
Total current liabilities	<u>318,239,273</u>	<u>17</u>	<u>212,228,594</u>	<u>13</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 20)	153,093,557	8	191,965,082	12
Long-term bank loans	21,780	-	32,500	-
Deferred income tax liabilities (Notes 5 and 30)	141,183	-	31,271	-
Net defined benefit liability (Notes 5 and 21)	8,551,408	-	7,448,026	-
Guarantee deposits (Note 22)	14,670,433	1	21,564,801	1
Others (Note 19)	1,686,542	-	1,613,545	-
Total noncurrent liabilities	<u>178,164,903</u>	<u>9</u>	<u>222,655,225</u>	<u>13</u>
Total liabilities	<u>496,404,176</u>	<u>26</u>	<u>434,883,819</u>	<u>26</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 23)	259,303,805	14	259,303,805	16
Capital surplus (Note 23)	56,272,304	3	56,300,215	3
Retained earnings (Note 23)				
Appropriated as legal capital reserve	208,297,945	11	177,640,561	11
Unappropriated earnings	863,710,224	46	716,653,025	43
	<u>1,072,008,169</u>	<u>57</u>	<u>894,293,586</u>	<u>54</u>
Others (Note 23)	1,663,983	-	11,774,113	1
Equity attributable to shareholders of the parent	1,389,248,261	74	1,221,671,719	74
NONCONTROLLING INTERESTS	802,865	-	962,760	-
Total equity	<u>1,390,051,126</u>	<u>74</u>	<u>1,222,634,479</u>	<u>74</u>
TOTAL	<u>\$ 1,886,455,302</u>	<u>100</u>	<u>\$ 1,657,518,298</u>	<u>100</u>

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 25, 37 and 43)	\$ 947,938,344	100	\$ 843,497,368	100
COST OF REVENUE (Notes 5, 12, 32, 37 and 41)	<u>473,077,173</u>	<u>50</u>	<u>433,117,601</u>	<u>51</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	474,861,171	50	410,379,767	49
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	<u>(29,073)</u>	<u>-</u>	<u>15,126</u>	<u>-</u>
GROSS PROFIT	<u>474,832,098</u>	<u>50</u>	<u>410,394,893</u>	<u>49</u>
OPERATING EXPENSES (Notes 5, 32 and 37)				
Research and development	71,207,703	7	65,544,579	8
General and administrative	19,795,593	2	17,257,237	2
Marketing	<u>5,900,837</u>	<u>1</u>	<u>5,664,684</u>	<u>1</u>
Total operating expenses	<u>96,904,133</u>	<u>10</u>	<u>88,466,500</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 15, 16, 26 and 32)	<u>29,813</u>	<u>-</u>	<u>(1,880,618)</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 43)	<u>377,957,778</u>	<u>40</u>	<u>320,047,775</u>	<u>38</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates and joint venture (Notes 14 and 43)	3,495,600	-	4,132,128	-
Other income (Note 27)	6,454,901	1	4,750,829	1
Foreign exchange gain, net (Note 42)	1,161,322	-	2,481,446	-
Finance costs (Note 28)	(3,306,153)	-	(3,190,331)	-
Other gains and losses (Note 29)	<u>195,932</u>	<u>-</u>	<u>22,207,064</u>	<u>3</u>
Total non-operating income and expenses	<u>8,001,602</u>	<u>1</u>	<u>30,381,136</u>	<u>4</u>
INCOME BEFORE INCOME TAX	385,959,380	41	350,428,911	42
INCOME TAX EXPENSE (Notes 5, 30 and 43)	<u>51,621,144</u>	<u>6</u>	<u>43,872,744</u>	<u>6</u>
NET INCOME	<u>334,338,236</u>	<u>35</u>	<u>306,556,167</u>	<u>36</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 14, 21, 23 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(1,057,220)	-	(827,703)	-
Share of other comprehensive loss of associates and joint venture	(19,961)	-	(2,546)	-
Income tax benefit related to items that will not be reclassified subsequently	<u>126,867</u>	<u>-</u>	<u>99,326</u>	<u>-</u>
	<u>(950,314)</u>	<u>-</u>	<u>(730,923)</u>	<u>-</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent										Total Equity	
	Capital Stock - Common Stock				Retained Earnings		Others		Noncontrolling Interests			Total
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total			
BALANCE, JANUARY 1, 2015	25,929,662	\$ 259,296,624	\$ 55,989,922	\$ 151,250,682	\$ 553,914,592	\$ 4,502,113	\$ 21,247,483	\$ (305)	\$ 25,749,291	\$ 1,046,201,111	\$ 127,221	\$ 1,046,328,332
Appropriations of prior year's earnings	-	-	-	-	(26,389,879)	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	26,389,879	(116,683,481)	-	-	-	-	(116,683,481)	-	(116,683,481)
Cash dividends to shareholders - NT\$4.5 per share	-	-	-	26,389,879	(143,073,360)	-	-	-	-	(116,683,481)	-	(116,683,481)
Total	-	-	-	-	306,573,837	-	-	-	-	306,573,837	(17,670)	306,556,167
Net income (loss) in 2015	-	-	-	-	(730,902)	6,537,836	(20,512,712)	(302)	(13,975,178)	(14,706,080)	(8,102)	(14,714,182)
Other comprehensive income (loss) in 2015, net of income tax	-	-	-	-	305,842,935	6,537,836	(20,512,712)	(302)	(13,975,178)	291,867,757	(25,772)	291,841,985
Total comprehensive income (loss) in 2015	-	-	-	-	-	-	-	-	-	138,155	-	138,155
Issuance of stock from exercise of employee stock options	718	7,181	130,974	177,640,561	716,653,025	11,039,949	734,771	(607)	11,774,113	1,221,671,719	962,760	1,222,634,479
Disposal of investments accounted for using equity method	-	-	(47,850)	-	-	-	-	-	-	(47,850)	-	(47,850)
Adjustments to share of changes in equities of associates and joint venture	-	-	230,743	-	-	-	-	-	-	230,743	(4,230)	226,513
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	-	-	(31,142)	-	-	-	-	(31,142)	31,142	-
From share of changes in equities of subsidiaries	-	-	(3,574)	-	-	-	-	-	-	(3,574)	3,574	-
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(50,218)	(50,218)
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	923,683	923,683
Effect of disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(42,640)	(42,640)
BALANCE, DECEMBER 31, 2015	25,930,380	259,303,805	56,300,215	177,640,561	716,653,025	11,039,949	734,771	(607)	11,774,113	1,221,671,719	962,760	1,222,634,479
Appropriations of prior year's earnings	-	-	-	30,657,384	(30,657,384)	-	-	-	-	-	-	-
Legal capital reserve	-	-	-	30,657,384	(155,582,283)	-	-	-	-	(155,582,283)	-	(155,582,283)
Cash dividends to shareholders - NT\$6.0 per share	-	-	-	30,657,384	(186,239,667)	-	-	-	-	(155,582,283)	-	(155,582,283)
Total	-	-	-	-	334,247,180	-	-	-	-	334,247,180	91,056	334,338,236
Net income in 2016	-	-	-	-	(950,314)	(9,378,712)	(732,130)	712	(10,110,130)	(11,060,444)	(6,745)	(11,067,189)
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	333,296,866	(9,378,712)	(732,130)	712	(10,110,130)	323,186,736	84,311	323,271,047
Total comprehensive income (loss) in 2016	-	-	-	-	-	-	-	-	-	(56,169)	-	(56,169)
Disposal of investments accounted for using equity method	-	-	(56,169)	-	-	-	-	-	-	-	9	21,230
Adjustments to share of changes in equities of associates and joint venture	-	-	21,221	-	-	-	-	-	-	21,221	9	21,230
From share of changes in equities of subsidiaries	-	-	7,037	-	-	-	-	-	-	7,037	(7,037)	-
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(235,224)	(235,224)
Effect of disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(1,954)	(1,954)
BALANCE, DECEMBER 31, 2016	25,930,380	259,303,805	56,272,304	208,297,945	863,710,224	1,661,237	2,641	105	1,663,983	1,389,248,261	802,865	1,390,051,126

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)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 385,959,380	\$ 350,428,911
Adjustments for:		
Depreciation expense	220,084,998	219,303,369
Amortization expense	3,743,406	3,202,200
Finance costs	3,306,153	3,190,331
Share of profits of associates and joint venture	(3,495,600)	(4,132,128)
Interest income	(6,317,500)	(4,129,316)
Gain on disposal of property, plant and equipment, net	(46,548)	(433,559)
Impairment loss on property, plant and equipment	-	2,545,584
Impairment loss on intangible assets	-	58,514
Impairment loss on financial assets	122,240	154,721
Loss (gain) on disposal of available-for-sale financial assets, net	4,014	(22,070,736)
Gain on disposal of financial assets carried at cost, net	(37,241)	(87,193)
Loss (gain) on disposal of investments accounted for using equity method, net	259,960	(2,507,707)
Loss from liquidation of subsidiaries	36,105	138,243
Unrealized (realized) gross profit on sales to associates	29,073	(15,126)
Loss (gain) on foreign exchange, net	(2,656,406)	2,563,439
Dividend income	(137,401)	(621,513)
Loss (gain) from hedging instruments	(12,725)	134,112
Loss (gain) arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(4,248)	305,619
Gain from lease agreement modification	-	(430,041)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(6,326,561)	(228,560)
Notes and accounts receivable, net	(49,342,698)	26,630,123
Receivables from related parties	(463,837)	(192,767)
Other receivables from related parties	(21,770)	53,607
Inventories	18,370,037	(655,249)
Other financial assets	(41,554)	720,301
Other current assets	94,512	263,384
Other noncurrent assets	(349,771)	-
Accounts payable	7,295,491	(2,693,358)
Payables to related parties	139,818	(369,134)
Salary and bonus payable	1,979,775	945,030
Accrued profit sharing bonus to employees and compensation to directors and supervisors	1,935,113	2,860,250
Accrued expenses and other current liabilities	3,693,638	(3,778,322)
Provisions	7,931,877	(382,774)
Net defined benefit liability	46,163	52,540
Cash generated from operations	585,777,893	570,822,795
Income taxes paid	(45,943,301)	(40,943,357)
Net cash generated by operating activities	<u>539,834,592</u>	<u>529,879,438</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	\$ (83,275,573)	\$ (13,392,330)
Held-to-maturity financial assets	(33,625,353)	(28,181,915)
Financial assets carried at cost	(533,745)	(2,586,169)
Property, plant and equipment	(328,045,270)	(257,516,835)
Intangible assets	(4,243,087)	(4,283,870)
Land use right	(805,318)	-
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	29,967,979	57,493,051
Held-to-maturity financial assets	10,550,000	16,800,000
Financial assets carried at cost	160,498	368,778
Investments accounted for using equity method	-	5,171,962
Property, plant and equipment	98,069	816,852
Proceeds from return of capital of financial assets carried at cost	65,087	-
Derecognition of hedging derivative financial instruments	8,868	2,659
Costs from entering into hedging transactions	-	(495,348)
Interest received	6,353,195	3,641,920
Proceeds from government grants - land use right and others	798,469	-
Proceeds from government grants - property, plant and equipment	738,643	-
Net cash outflow from acquisition of subsidiary (Note 33)	-	(51,601)
Net cash inflow from disposal of subsidiary (Note 34)	-	601,047
Other dividends received	137,420	616,675
Dividends received from investments accounted for using equity method	5,478,790	3,407,126
Refundable deposits paid	(144,982)	(404,458)
Refundable deposits refunded	169,912	348,434
Decrease in receivables for temporary payments	<u>706,718</u>	<u>398,185</u>
Net cash used in investing activities	<u>(395,439,680)</u>	<u>(217,245,837)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	18,968,936	3,138,680
Repayment of bonds	(23,471,600)	-
Repayment of long-term bank loans	(8,540)	-
Interest paid	(3,302,420)	(3,156,218)
Decrease in obligations under finance leases	-	(29,098)
Guarantee deposits received	6,354,677	754,873
Guarantee deposits refunded	(523,234)	(742,458)
Cash dividends	(155,582,283)	(116,683,481)
Proceeds from exercise of employee stock options	-	33,891
Decrease in noncontrolling interests	<u>(235,733)</u>	<u>(50,218)</u>
Net cash used in financing activities	<u>(157,800,197)</u>	<u>(116,734,029)</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2016	2015
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>(8,029,812)</u>	\$ <u>8,258,851</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,435,097)	204,158,423
CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE, BEGINNING OF YEAR	-	81,478
CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET, BEGINNING OF YEAR	<u>562,688,930</u>	<u>358,449,029</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 541,253,833</u>	<u>\$ 562,688,930</u>

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

(Concluded)

**Independent Auditors' Report
(Parent Company Only Financial Statements)**

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

Opinion

We have audited the accompanying parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2016 and 2015, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these

matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2016 are stated as follows:

Provision of sales returns and allowances

In consideration of business volume and market conditions, the Company provides a variety of business incentives to specific customers or products. The provision of sales returns and allowance is based on historical experience and the varying contractual terms by management's judgment. Please refer to Notes 4, 5 and 16 to the parent company only financial statements for the details of the information about provision of sales returns and allowances. Since the provision of sales returns and allowances is subject to management's judgment, which has significant uncertainty, and the result could also affect the net revenue in the parent company only financial statements, it has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Understood and tested the design and operating effectiveness of the key controls over provision of sales returns and allowances;
2. Understood and assessed the reasonableness of management's assumptions made and methodology used in estimating provision of sales returns and allowances;
3. Sampled and inspected the Company's sales contracts of main products by agreeing the contractual terms and performed an analysis to challenge management's estimation on possibility that specific products could meet business incentives condition to verify the reasonableness of the accrual of the provision;
4. Performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual sales allowance paid.

Timing to commence depreciation of property, plant and equipment (PP&E)

The Company continues to invest in capital expenditures to develop and build capacity in leading-edge technologies to meet customers' demand. Please refer to Notes 4 and 12 to the parent company only financial statements for the details of the information and accounting policy about the depreciation of PP&E.

According to International Accounting Standards 16, depreciation of PP&E should commence when the assets are available for their intended use. Due to the significant capital expenditures incurred by the Company, the appropriateness of the timing to commence depreciation of PP&E could have a material impact on its financial performance. Consequently, the validity of the timing to commence

depreciation of PP&E is identified as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Understood and tested the design and operating effectiveness of the key controls over the timing to commence depreciation of PP&E;
2. Understood the criteria the assets are defined as available for use intended by management and the corresponding accounting treatments;
3. Sampled and reviewed the appropriateness of the timing for commencing depreciation after the assets met the criteria of available for use in current year;
4. Performed an observation on the physical count of equipment under installation and construction in progress; sampled and inspected the supporting documentation to verify that the status of equipment under installation and construction in progress are not available for use;
5. Sampled equipment under installation and construction in progress which met the criteria of available for use and were transferred in the subsequent period to evaluate the reasonableness of the timing for commencing depreciation;
6. Sampled and reviewed the appropriateness of the equipment under installation and construction in progress which are not available for their intended use.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yih-Shin Kao and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
The Republic of China



February 14, 2017

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 249,878,563	14	\$ 264,493,583	16
Financial assets at fair value through profit or loss (Note 7)	151,070	-	6,026	-
Available-for-sale financial assets	2,843,952	-	706,924	-
Held-to-maturity financial assets (Note 8)	11,447,538	1	9,166,523	1
Notes and accounts receivable, net (Note 9)	40,017,297	2	25,636,123	2
Receivables from related parties (Note 31)	86,845,570	5	57,282,682	4
Other receivables from related parties (Note 31)	948,800	-	455,327	-
Inventories (Notes 5, 10 and 34)	46,504,346	2	64,338,188	4
Other financial assets (Notes 34)	2,139,366	-	1,766,573	-
Other current assets (Note 14)	3,004,662	-	3,061,131	-
Total current assets	443,781,164	24	426,913,080	27
NONCURRENT ASSETS				
Held-to-maturity financial assets (Note 8)	-	-	1,621,424	-
Financial assets carried at cost	435,268	-	343,721	-
Investments accounted for using equity method (Notes 5 and 11)	396,855,708	22	324,365,592	20
Property, plant and equipment (Notes 5 and 12)	979,401,337	53	831,784,912	52
Intangible assets (Notes 5 and 13)	10,047,991	1	9,391,418	1
Deferred income tax assets (Notes 5 and 26)	6,446,781	-	4,506,675	-
Refundable deposits	369,895	-	398,693	-
Other noncurrent assets (Note 14)	-	-	360,000	-
Total noncurrent assets	1,393,556,980	76	1,172,772,435	73
TOTAL	\$ 1,837,338,144	100	\$ 1,599,685,515	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	\$ 57,958,200	3	\$ 39,474,000	2
Financial liabilities at fair value through profit or loss (Note 7)	62,441	-	45,254	-
Accounts payable	24,533,924	1	16,702,970	1
Payables to related parties (Note 31)	4,840,001	-	3,759,631	-
Salary and bonus payable	11,570,505	1	9,603,908	1
Accrued profit sharing bonus to employees and compensation to directors (Notes 20 and 28)	22,794,771	1	20,913,074	1
Payables to contractors and equipment suppliers	62,449,143	4	25,346,206	2
Income tax payable (Notes 5 and 26)	40,256,148	2	32,975,435	2
Provisions (Notes 5 and 16)	16,991,612	1	9,011,863	1
Long-term liabilities - current portion (Note 17)	38,100,000	2	12,000,000	1
Accrued expenses and other current liabilities (Note 19)	28,620,469	2	24,466,937	2
Total current liabilities	308,177,214	17	194,299,278	13
NONCURRENT LIABILITIES				
Bonds payable (Note 17)	116,100,000	6	154,200,000	10
Deferred income tax liabilities (Notes 5 and 26)	141,183	-	31,271	-
Net defined benefit liability (Notes 5 and 18)	8,551,408	-	7,448,026	-
Guarantee deposits (Note 19)	14,666,542	1	21,554,374	1
Others (Note 16)	453,536	-	480,847	-
Total noncurrent liabilities	139,912,669	7	183,714,518	11
Total liabilities	448,089,883	24	378,013,796	24
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 20)	259,303,805	14	259,303,805	16
Capital surplus (Note 20)	56,272,304	3	56,300,215	3
Retained earnings (Note 20)				
Appropriated as legal capital reserve	208,297,945	12	177,640,561	11
Unappropriated earnings	863,710,224	47	716,653,025	45
	1,072,008,169	59	894,293,586	56
Others (Note 20)	1,663,983	-	11,774,113	1
Total equity	1,389,248,261	76	1,221,671,719	76
TOTAL	\$ 1,837,338,144	100	\$ 1,599,685,515	100

The accompanying notes are an integral part of the parent company only financial statements.

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 22 and 31)	\$ 936,387,291	100	\$ 837,046,888	100
COST OF REVENUE (Notes 5, 10, 28, 31 and 34)	<u>474,552,913</u>	<u>51</u>	<u>439,356,165</u>	<u>52</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	461,834,378	49	397,690,723	48
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	<u>(26,082)</u>	<u>-</u>	<u>18,117</u>	<u>-</u>
GROSS PROFIT	<u>461,808,296</u>	<u>49</u>	<u>397,708,840</u>	<u>48</u>
OPERATING EXPENSES (Notes 5, 28 and 31)				
Research and development	70,366,179	8	64,831,860	8
General and administrative	18,697,463	2	16,138,095	2
Marketing	<u>3,098,086</u>	<u>-</u>	<u>2,983,080</u>	<u>-</u>
Total operating expenses	<u>92,161,728</u>	<u>10</u>	<u>83,953,035</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 12 and 28)	<u>83,965</u>	<u>-</u>	<u>(347,107)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>369,730,533</u>	<u>39</u>	<u>313,408,698</u>	<u>38</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 11)	14,941,372	2	33,694,186	4
Other income (Note 23)	1,816,803	-	1,839,862	-
Foreign exchange gain, net (Note 35)	609,345	-	2,698,396	-
Finance costs (Note 24)	(2,643,193)	-	(2,440,459)	-
Other gains and losses (Note 25)	<u>734,100</u>	<u>-</u>	<u>787,985</u>	<u>-</u>
Total non-operating income and expenses	<u>15,458,427</u>	<u>2</u>	<u>36,579,970</u>	<u>4</u>
INCOME BEFORE INCOME TAX	385,188,960	41	349,988,668	42
INCOME TAX EXPENSE (Notes 5 and 26)	<u>50,941,780</u>	<u>5</u>	<u>43,414,831</u>	<u>5</u>
NET INCOME	<u>334,247,180</u>	<u>36</u>	<u>306,573,837</u>	<u>37</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 11, 18, 20 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ (1,057,220)	-	\$ (827,703)	-
Share of other comprehensive loss of subsidiaries and associates	(19,961)	-	(2,523)	-
Income tax benefit related to items that will not be reclassified subsequently	<u>126,867</u>	<u>-</u>	<u>99,324</u>	<u>-</u>
	<u>(950,314)</u>	<u>-</u>	<u>(730,902)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(9,439,776)	(1)	6,525,608	1
Changes in fair value of available-for-sale financial assets	47,506	-	94,064	-
Share of other comprehensive loss of subsidiaries and associates	(656,684)	-	(20,578,859)	(3)
Income tax expense related to items that may be reclassified subsequently	<u>(61,176)</u>	<u>-</u>	<u>(15,991)</u>	<u>-</u>
	<u>(10,110,130)</u>	<u>(1)</u>	<u>(13,975,178)</u>	<u>(2)</u>
Other comprehensive loss for the year, net of income tax	<u>(11,060,444)</u>	<u>(1)</u>	<u>(14,706,080)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 323,186,736</u>	<u>35</u>	<u>\$ 291,867,757</u>	<u>35</u>
EARNINGS PER SHARE (NT\$, Note 27)				
Basic earnings per share	<u>\$ 12.89</u>		<u>\$ 11.82</u>	
Diluted earnings per share	<u>\$ 12.89</u>		<u>\$ 11.82</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock - Common Stock		Capital Surplus	Legal Capital Reserve	Retained Earnings Unappropriated Earnings	Others		Total Equity
	Shares (In Thousands)	Amount				Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	
BALANCE, JANUARY 1, 2015	25,929,662	\$ 259,296,624	\$ 55,989,922	\$ 151,250,682	\$ 555,914,592	\$ 4,502,113	\$ 21,247,483	\$ 1,046,201,111
Appropriations of prior year's earnings	-	-	-	26,389,879	(26,389,879)	-	-	-
Legal capital reserve	-	-	-	(116,683,481)	(116,683,481)	-	-	(116,683,481)
Cash dividends to shareholders - NT\$4.5 per share	-	-	-	(143,073,360)	(143,073,360)	-	-	(116,683,481)
Total	-	-	-	26,389,879	(116,683,481)	-	-	(116,683,481)
Net income in 2015	-	-	-	-	306,573,837	-	-	306,573,837
Other comprehensive income (loss) in 2015, net of income tax	-	-	-	-	(730,902)	6,537,836	(20,512,712)	(14,706,080)
Total comprehensive income (loss) in 2015	-	-	-	-	305,842,935	6,537,836	(20,512,712)	291,867,757
Issuance of stock from exercise of employee stock options	718	7,181	130,974	177,640,561	894,293,586	11,039,949	734,771	1,221,671,719
Disposal of investments accounted for using equity method	-	-	(26,537)	-	-	-	-	(26,537)
Adjustments to share of changes in equities of associates	-	-	209,430	-	-	-	-	209,430
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	-	-	(31,142)	-	-	(31,142)
From share of changes in equities of subsidiaries	-	-	(3,574)	-	-	-	-	(3,574)
BALANCE, DECEMBER 31, 2015	25,930,380	259,303,805	56,300,215	177,640,561	716,653,025	11,039,949	734,771	1,221,671,719
Appropriations of prior year's earnings	-	-	-	30,657,384	(30,657,384)	-	-	-
Legal capital reserve	-	-	-	(155,582,283)	(155,582,283)	-	-	(155,582,283)
Cash dividends to shareholders - NT\$6.0 per share	-	-	-	(186,239,667)	(186,239,667)	-	-	(155,582,283)
Total	-	-	-	30,657,384	(186,239,667)	-	-	(155,582,283)
Net income in 2016	-	-	-	-	334,247,180	-	-	334,247,180
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	(950,314)	(9,378,712)	(732,130)	(11,060,444)
Total comprehensive income (loss) in 2016	-	-	-	-	333,296,866	(9,378,712)	(732,130)	323,186,736
Disposal of investments accounted for using equity method	-	-	(56,169)	-	-	-	-	(56,169)
Adjustments to share of changes in equities of associates	-	-	21,221	-	-	-	-	21,221
From share of changes in equities of subsidiaries	-	-	7,037	-	-	-	-	7,037
BALANCE, DECEMBER 31, 2016	25,930,380	\$ 259,303,805	\$ 56,272,304	\$ 208,297,945	\$ 863,710,224	\$ 1,661,237	\$ 2,641	\$ 1,389,248,261

The accompanying notes are an integral part of the parent company only financial statements.

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 385,188,960	\$ 349,988,668
Adjustments for:		
Depreciation expense	213,977,324	213,293,810
Amortization expense	3,724,066	3,159,437
Finance costs	2,643,193	2,440,459
Share of profits of subsidiaries and associates	(14,941,372)	(33,694,186)
Interest income	(1,683,150)	(1,726,503)
Gain on disposal of property, plant and equipment, net	(100,503)	(21,569)
Impairment loss on property, plant and equipment	-	228,037
Impairment loss on financial assets	4,537	21,437
Gain on disposal of available-for-sale financial assets, net	(101,411)	(51)
Loss (gain) on disposal of investments accounted for using equity method, net	296,065	(2,419,785)
Unrealized (realized) gross profit on sales to subsidiaries and associates	26,082	(18,117)
Loss (gain) on foreign exchange, net	(2,656,406)	2,548,291
Dividend income	(133,653)	(113,359)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(127,857)	(249,322)
Notes and accounts receivable, net	(20,448,337)	(6,375,554)
Receivables from related parties	(29,562,888)	31,322,516
Other receivables from related parties	(493,473)	108,834
Inventories	17,833,842	(759,653)
Other financial assets	(22,662)	823,847
Other current assets	18,337	(142,763)
Accounts payable	7,639,380	(1,916,970)
Payables to related parties	1,108,002	(1,024,427)
Salary and bonus payable	1,966,597	595,592
Accrued profit sharing bonus to employees and compensation to directors	1,881,697	2,860,254
Accrued expenses and other current liabilities	3,891,345	(2,788,099)
Provisions	7,961,632	(948,176)
Net defined benefit liability	46,163	73,473
Cash generated from operations	577,935,510	555,266,121
Income taxes paid	(45,387,724)	(40,493,290)
Net cash generated by operating activities	<u>532,547,786</u>	<u>514,772,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(172)	(3,628)
Held to maturity financial assets	(11,242,766)	(23,074,925)
Investments accounted for using equity method	(445,012)	-

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2016	2015
Equity interest in subsidiary	\$ (1,630,700)	\$ (394,674)
Property, plant and equipment	(323,009,940)	(249,921,656)
Intangible assets	(4,207,065)	(4,269,815)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	126,289	3,679
Held-to-maturity financial assets	10,550,000	16,800,000
Financial assets carried at cost	-	8,000
Investments accounted for using equity method	-	3,962,848
Equity interest in subsidiary	2,325	806,807
Property, plant and equipment	104,020	347,840
Proceeds from return of capital of financial assets carried at cost	7,493	-
Interest received	1,748,570	1,636,497
Other dividends received	133,653	113,359
Dividends received from investments accounted for using equity method	5,469,549	3,001,834
Refundable deposits paid	(138,204)	(404,253)
Refundable deposits refunded	169,464	348,283
Decrease (increase) in receivables for temporary payments	47,924	(47,924)
Cash inflow (outflow) from incorporation of subsidiary	<u>396,262</u>	<u>(3,725,916)</u>
Net cash used in investing activities	<u>(321,918,310)</u>	<u>(254,813,644)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	18,968,936	3,138,680
Repayment of bonds	(12,000,000)	-
Interest paid	(2,644,187)	(2,456,299)
Guarantee deposits received	420,719	747,108
Guarantee deposits refunded	(421,002)	(740,829)
Cash dividends	(155,582,283)	(116,683,481)
Proceeds from exercise of employee stock options	-	33,891
Payment of partial acquisition of interests in subsidiaries	(74,130,714)	(64,744,242)
Proceeds from partial disposal of interests in subsidiaries	<u>144,035</u>	<u>380,336</u>
Net cash used in financing activities	<u>(225,244,496)</u>	<u>(180,324,836)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,615,020)	79,634,351
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>264,493,583</u>	<u>184,859,232</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 249,878,563</u>	<u>\$ 264,493,583</u>

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
Earnings Distribution Proposal
December 31, 2016

	Unit: NT\$
Net Income of 2016	334,247,180,167
Less:	
- 10% Legal Reserve	-33,424,718,017
Earnings in 2016 Available for Distribution	300,822,462,150
Plus:	
- Unappropriated retained earnings of previous years	530,413,358,646
Less:	
- Remeasurement of defined benefit obligation	-950,314,634
Retained Earnings Available for Distribution as of December 31, 2016	830,285,506,162
Distribution Item:	
- Cash Dividends to Common Share Holders (NT\$7 per share)	-181,512,663,206
Unappropriated Retained Earnings	648,772,842,956

**Comparison Table for the Articles of Incorporation
Before and After Revision**

Before the Version	After the Version
<p>Article 2</p> <p>The scope of business of the Corporation shall be as follows:</p> <p>1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers. Provision of packaging and testing services related to the above services. Providing computer assisted design services and technology for integrated circuits. Providing mask making and mask design services. (CC01080 Electronic Parts and Components Manufacturing)</p> <p>2. Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems. (CC01080 Electronic Parts and Components Manufacturing) (CC01040 Electric Wires and Cables Manufacturing)</p> <p>3. Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic</p>	<p>Article 2</p> <p>The scope of business of the Corporation shall be as follows:</p> <p>1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers. Provision of packaging and testing services related to the above services. Providing computer assisted design services and technology for integrated circuits. Providing mask making and mask design services. (CC01080 Electronic Parts and Components Manufacturing)</p> <p>2. Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems. (CC01080 Electronic Parts and Components Manufacturing) (CC01040 Electric Wires and Cables Manufacturing)</p> <p>3. Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic</p>

Before the Version	After the Version
<p>modules and their related systems and applications. (CC01080 Electronic Parts and Components Manufacturing) (IG03010 Energy Technical Services) (CC01090 Batteries Manufacturing)</p>	<p>modules and their related systems and applications. (CC01080 Electronic Parts and Components Manufacturing) (IG03010 Energy Technical Services) (CC01090 Batteries Manufacturing)</p> <p><u>4. Selling recycled and processed chemical, metal, and plastic materials and products derived from the Corporation's manufacturing activities.</u> <u>(C801990 Other Chemical Materials Manufacturing)</u> <u>(C802990 Other Chemical Products Manufacturing)</u> <u>(CA02990 Other Fabricated Metal Products Manufacturing)</u> <u>(C805990 Other Plastic Products Manufacturing)</u></p>
<p>Article 36</p> <p>These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth</p>	<p>Article 36</p> <p>These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth</p>

Before the Version	After the Version
<p>Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, and the twenty-second Amendment on June 7, 2016.</p>	<p>Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, and the twenty-second Amendment on June 7, 2016, and the twenty-third Amendment on June 8, 2017.</p>

Comparison Table for the Procedures for Acquisition or Disposal of Assets Before and After Revisions

Before the Revision	After the Revision
<p>Article 4</p> <p>Should any of the following conditions relating to the Company's acquisition or disposal of assets occurs, filing and public announcement shall be made according to the relevant regulations within two days commencing immediately from the Date of the Event:</p> <ol style="list-style-type: none"> 1. acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million; provided, this shall not apply to buying or selling of government bonds or bonds under repurchase and resale agreements, nor subscription or redemption of domestic money market funds; 2. merger, spin-off, acquisition or share swap; 3. the assets acquisition or disposal other than those mentioned above, of which one of the following amounts reaches 20% of the Company's paid-in capital or exceeds NT\$300 million: 	<p>Article 4</p> <p>Should any of the following conditions relating to the Company's acquisition or disposal of assets occurs, filing and public announcement shall be made according to the relevant regulations within two days commencing immediately from the Date of the Event:</p> <ol style="list-style-type: none"> 1. acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million; provided, this shall not apply to buying or selling of government bonds or bonds under repurchase and resale agreements, nor subscription or redemption of domestic money market funds <u>issued by securities investment trusts</u>; 2. merger, spin-off, acquisition or share swap; 3. the assets-acquisition or disposal <u>of</u> other than those mentioned above, of which one of <u>assets where</u> the following amounts <u>transaction amount</u> reaches 20% of the Company's paid-in capital or exceeds NT\$300 million.

Before the Revision	After the Revision
<ul style="list-style-type: none"> - the amount of each single transaction for acquisition or disposal of assets; - the accumulated amount of several transactions with the same party for acquisition or disposal of the same kind of assets within one year; - the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of real estate under the same development project within one year; or - the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of the same security within one year. <p>The following situations should not be subject to the above filing/publishing requirements:</p> <ol style="list-style-type: none"> 1. buying or selling government bonds; 2. buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming domestic money market funds; 3. acquisition or disposal of operation-purpose equipment with non-related parties in an amount not exceeding NT\$ 500 million; 4. acquisition of real estate by way of contracting third parties to construct on land owned or rented by this Company, distribution of building under joint construction project, distribution of profit 	<ul style="list-style-type: none"> —the amount of each single transaction for acquisition or disposal of assets; —the accumulated amount of several transactions with the same party for acquisition or disposal of the same kind of assets within one year; —the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of real estate under the same development project within one year; or —the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of the same security within one year. <p>The following situations should not be subject to the above filing/publishing requirements:</p> <ol style="list-style-type: none"> 1. buying or selling government bonds; 2. buying or selling bonds under repurchase and resale agreements, or subscribing or redeeming domestic money market funds <u>issued by securities investment trusts</u>; 3. acquisition or disposal of operation-purpose equipment with non-related parties in an amount not exceeding NT\$ 500 million <u>1 billion</u>; 4. acquisition of real estate by way of contracting third parties to construct on land owned or rented by this Company, distribution of building under joint construction project, distribution of profit

Before the Revision	After the Revision
<p>under joint construction project, or selling building under joint construction project, and the amount of transaction not exceeding NT\$ 500 million (based on the amount this Company plans to contribute).</p> <p>“Within one year” as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously published in accordance with the Procedures should be excluded.</p>	<p>under joint construction project, or selling building under joint construction project, and the amount of transaction not exceeding NT\$ 500 million (based on the amount this Company plans to contribute).</p> <p><u>The “transaction amount” referred to above shall be calculated as follows:</u></p> <ol style="list-style-type: none"> <u>1. the amount of each single transaction for acquisition or disposal of assets;</u> <u>2. the accumulated amount of several transactions with the same party for acquisition or disposal of the same kind of assets within one year;</u> <u>3. the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of real estate under the same development project within one year; or</u> <u>4. the accumulated amount for acquisition or disposal (acquisition and disposal should be cumulated separately) of the same security within one year.</u> <p>“Within one year” as used in the preceding paragraph refers to one year preceding the Date of the Event of the subject acquisition or disposal of assets. Transactions that have been previously published in accordance with the Procedures should be excluded.</p>

Before the Revision	After the Revision
<p>Article 8</p> <p>The procedures for acquisition or disposal of assets by this Company from or to a related party are as follows:</p> <ol style="list-style-type: none"> 1. When this Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring the compliance with the provision of Article 6, if the transaction amount reaches 10% of this Company's total assets, this Company shall also obtain an appraisal report from a professional appraiser or an opinion by the certified public accountant in accordance with Article 6. 2. If this Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million, except for buying or selling government bonds, bonds under repurchase and resale agreements and subscribing or redeeming domestic money market funds, this Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for a resolution: 	<p>Article 8</p> <p>The procedures for acquisition or disposal of assets by this Company from or to a related party are as follows:</p> <ol style="list-style-type: none"> 1. When this Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring the compliance with the provision of Article 6, if the transaction amount reaches 10% of this Company's total assets, this Company shall also obtain an appraisal report from a professional appraiser or an opinion by the certified public accountant in accordance with Article 6. 2. If this Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% of this Company's paid-in capital, 10% of this Company's total assets, or NT\$300 million, except for buying or selling government bonds, bonds under repurchase and resale agreements and subscribing or redeeming domestic money market funds <u>issued by securities investment trusts</u>, this Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for a resolution:

Before the Revision	After the Revision
<p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real estate from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with applicable regulations.</p> <p>(4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding subparagraph 1.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>3. With respect to the acquisition or disposal of operation-purpose</p>	<p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real estate from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with applicable regulations.</p> <p>(4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to this Company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or an opinion by the certified public accountant obtained in compliance with the preceding subparagraph 1.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>3. With respect to the acquisition or disposal of operation-purpose</p>

Before the Revision	After the Revision
<p>equipment between this Company and its subsidiaries, the Board may delegate the Chairman to decide such matters when the transaction is within the amount of NT\$500 million and have the decisions subsequently submitted to and ratified at the next Board meeting.</p> <p>4. When a matter is submitted for discussion by the Board pursuant to the preceding paragraph, the Board shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 4, paragraph 1, subparagraph 3 herein, and “within one year” refers to one year preceding the Date of Event of the current transaction. Items that have been previously approved by the Board need not be counted toward the transaction amount.</p>	<p>equipment between this Company and its subsidiaries, the Board may delegate the Chairman to decide such matters when the transaction is within the amount of NT\$500 million and have the decisions subsequently submitted to and ratified at the next Board meeting.</p> <p>4. When a matter is submitted for discussion by the Board pursuant to the preceding paragraph, the Board shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 4, paragraph 12 ², subparagraph 3 herein, and “within one year” refers to one year preceding the Date of Event of the current transaction. Items that have been previously approved by the Board need not be counted toward the transaction amount.</p>
<p>Article 11</p> <p>All items should be published again if any item required to be disclosed is missing during the original publication.</p> <p>Should any of the following conditions occur after the filing and public</p>	<p>Article 11</p> <p>All items should be published again if any item required to be disclosed is missing during the original publication <u>within two days from the date the Company becomes aware of any error or incompleteness therein.</u></p> <p>Should any of the following conditions occur after the filing and public</p>

Before the Revision	After the Revision
<p>announcement of transactions, this Company needs to file and make public announcement accordingly within two days commencing immediately from the Date of the Event:</p> <ol style="list-style-type: none"> 1. amendment, termination or cancellation of the original agreement; 2. merger, spin-off, acquisition or share swap not completed as scheduled in the agreement; 3. change to the originally publicly announced and reported information. 	<p>announcement of transactions, this Company needs to file and make public announcement accordingly within two days commencing immediately from the Date of the Event:</p> <ol style="list-style-type: none"> 1. amendment, termination or cancellation of the original agreement; 2. merger, spin-off, acquisition or share swap not completed as scheduled in the agreement; 3. change to the originally publicly announced and reported information.

ATTACHMENT VIII

List of Director Candidates

Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
Mark Liu	12,977,114	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, National Taiwan University ● Master Degree and Ph.D. in Electrical Engineering & Computer Science, University of California, Berkeley, USA 	<p>Major Past Positions :</p> <ul style="list-style-type: none"> ● Executive Vice President and Co-Chief Operating Officer, TSMC ● Senior Vice President, Operations, TSMC ● Senior Vice President, Advanced Technology Business, TSMC ● President, Worldwide Semiconductor Manufacturing Corp. <p>Current Positions :</p> <ul style="list-style-type: none"> ● President and Co-Chief Executive Officer, TSMC
C.C. Wei	7,179,207	<ul style="list-style-type: none"> ● Bachelor and Master Degrees in Electrical Engineering, National Chiao Tung University ● Ph.D. in Electrical Engineering, Yale University, USA 	<p>Major Past Positions :</p> <ul style="list-style-type: none"> ● Executive Vice President and Co-Chief Operating Officer, TSMC ● Senior Vice President, Business Development, TSMC ● Senior Vice President, Mainstream Technology Business, TSMC ● Senior Vice President, Chartered Semiconductor Manufacturing Ltd. <p>Current Positions :</p> <ul style="list-style-type: none"> ● President and Co-Chief Executive Officer, TSMC ● Chairman, TSMC Nanjing Company Limited ● Chairman, Taiwan Semiconductor Industry Association

4. Appendix

**Taiwan Semiconductor Manufacturing Company Limited
Rules and Procedures of Shareholders' Meeting**

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.
2. Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.

The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards or badges.
5. The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.
6. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting in accordance with Article 208 of the Company Law of the Republic of China.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

7. Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

8. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

9. Shareholders attending the Meeting shall have the obligation to observe Meeting rules, obey resolutions and maintain order at Meeting place.
10. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.

11. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

12. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
13. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
14. Except otherwise specified in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.

15. During the Meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation, when the Meeting will resume or, by resolution of the shareholders present at the Meeting, the chairman may resume the Meeting within five days without further notice or public announcement.
16. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
17. The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
18. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**Articles of Incorporation
of
Taiwan Semiconductor Manufacturing Company Limited**

Section I - General Provisions

Article 1

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 台灣積體電路製造股份有限公司 in the Chinese language, and Taiwan Semiconductor Manufacturing Company Limited in the English language.

Article 2

The scope of business of the Corporation shall be as follows:

1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.

Provision of packaging and testing services related to the above services.

Providing computer assisted design services and technology for integrated circuits.

Providing mask making and mask design services.

(CC01080 Electronic Parts and Components Manufacturing)

2. Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems.

(CC01080 Electronic Parts and Components Manufacturing)

(CC01040 Electric Wires and Cables Manufacturing)

3. Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic modules and their related systems and applications.

(CC01080 Electronic Parts and Components Manufacturing)

(IG03010 Energy Technical Services)

(CC01090 Batteries Manufacturing)

Article 3

The Corporation shall have its head office in Science Based Industrial Park, Hsin Chu, Taiwan, Republic of China, and shall be free, upon approval of government

authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

Article 4

Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations of the Republic of China.

Article 5

The Corporation may provide endorsement and guarantee and act as a guarantor.

Article 6

The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

Section II - Capital Stock

Article 7

The total capital stock of the Corporation shall be in the amount of 280,500,000,000 New Taiwan Dollars, divided into 28,050,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

The Corporation may issue employee stock options from time to time. A total of 500,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

Article 8

The Corporation may issue shares without printing share certificate(s). If the Corporation decides to print share certificates for shares issued, the Corporation shall comply with relevant provisions of the Company Law and relevant rules and

regulations of the Republic of China.

Article 9

The share certificates of the Corporation shall all be name-bearing share certificates, and issued in accordance with the Company Law and relevant rules and regulations of the Republic of China.

Article 10

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the “Guidelines for Stock Operations for Public Companies” unless specified otherwise by law and securities regulations.

Article 11

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

Article 12

Shareholders’ meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

Article 13

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of shareholders’ meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders. Notices shall be written in Chinese, and English when necessary.

Article 14

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. According to regulatory requirements, shareholders may also vote via an electronic voting system, and those who do shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.

Article 15

Each share of stock shall be entitled to one vote.

Article 16

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. A representative does not need to be a shareholder of the Corporation.

Article 17

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, either the Vice Chairman of the Board of Directors, or one of the Directors shall preside in accordance with Article 208 of the Company Law of the Republic of China.

Article 18

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Corporation. The minutes shall be drafted in both the Chinese language and the English language.

Section III - Directors

Article 19

The Corporation shall have seven to ten Directors. The Board of Directors is authorized to determine the number of Directors.

The aforesaid Board of Directors must have at least three independent directors.

Article 19-1

For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors.

Directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.

Article 19-2

In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.

Article 20

The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.

Article 21

Except as otherwise provided in the Company Law of the Republic of China, a

meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

Article 22

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall not have a second or casting vote at any meeting of the Board of Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

Article 23

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least fourteen days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The meeting of the Board of Directors shall be held at least once every quarter. Such prescribed notices may be waived in writing by any Director, either before or after the meeting. The meetings of the Board of Directors may be convened, at any time, without such prescribed notice in case of urgent circumstances. Notices shall be written in both the Chinese language and the English language. Personal attendance at a meeting will represent a waiver of the notice. Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

Article 24

The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. In addition, the Chairman shall have the right to execute documents in accordance with the resolutions of the Board of Directors in the name and on behalf of the Corporation as well as acting on behalf of the Board pursuant to Board resolutions and the Corporation's objectives when the Board is not in session. In his absence, the Vice Chairman of the Board of Directors, or any one of the Directors shall be acting for him according to Article 208 of the Company Law of the Republic of China.

Article 25

A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

Article 26

The Directors shall exercise their functions by resolutions adopted at meetings of Shareholders and the Board of Directors.

Article 27

In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors shall serve the remaining term of the predecessors.

Article 28

The Board of Directors is authorized to determine the salary for the Chairman, Vice-Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

Section IV - Management of the Corporation

Article 29

The Corporation may, by resolution of the Board of Directors, appoint one or more Chief Executive Officer(s), President(s), Vice President(s) or such other officers to meet the Corporation's operational or managerial needs.

The Chief Executive Officer(s) shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Quarterly statements shall be furnished no more than forty-five

(45) days after the end of each quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, and shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

Article 30

The Chief Executive Officer(s) reports to the Chairman of the Board of Directors. The President(s), Vice President(s) and other officers shall perform such duties as designated by the Chairman or the Board of Directors.

Article 31

Subject to the provisions of the Company Law of the Republic of China and these Articles of Incorporation, all actions of the Corporation's employees shall be in conformance with, and in furtherance of, the directions of the Board of Directors.

Section V - Financial Reports

Article 32

The fiscal year for the Corporation shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning Appropriation of Earnings or Covering of Losses.

Article 33

This Corporation shall not pay dividends or bonuses to shareholders when there are no earnings. When allocating the earnings for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.

Before paying dividends or bonuses to shareholders, this Corporation shall set aside not more than 0.3% of its annual profits as compensation to its directors and not less than 1% as profit sharing bonuses to its employees; provided, however, that this Corporation shall have reserved a sufficient amount to offset its accumulated losses. Directors' compensation is governed by the rules set by the Board of Directors; directors who also serve as executive officers of this Corporation are not entitled to receive compensation to directors. Employees' profit sharing bonuses are resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting. This Corporation may issue profit sharing bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors.

After this Corporation has set aside the capital reserves pursuant to the first Paragraph of this Article, the balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting: Earnings may be distributed in total after taking into consideration financial, business and operational factors. Earnings of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a capital-intensive industry at the steady growth stage of its business, distribution of earnings shall be made preferably by way of cash dividend. Distribution of earnings may also be made by way of stock dividend, provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are far less than the earnings actually distributed by this Corporation in the previous year, or considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

Section VI - Supplementary Provisions

Article 34

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

Article 35

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

Article 36

These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, the twenty-first Amendment on June 12, 2012, and the twenty-second Amendment on June 7, 2016.

Taiwan Semiconductor Manufacturing Company Limited
Rules for Election of Directors

Article 1

Unless otherwise provided in the Company Law or the Articles of Incorporation of this Company, the directors of this Company shall be elected in accordance with the rules specified herein.

Article 2

Election of directors of this Company shall be held at the shareholders' meeting. This Company shall prepare ballots and note the number of voting rights.

Article 3

In the election of directors of this Company, the names of voters may be represented by shareholders' numbers.

Article 4

This Company's directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

Article 5

In the election of directors of this Company, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

Article 6

In the election of directors of this Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

Article 7

At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from among the shareholders present.

Article 8

The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

Article 9

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

Article 10

Ballots shall be deemed void under the following conditions:

- (1) Ballots not placed in the ballot box;
- (2) Ballots not prepared by this Company;
- (3) Blank ballots not completed by the voter;
- (4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;
- (5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (6) Illegible writing;
- (7) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;
- (8) The name of the candidates filled in the ballots being the same as another

candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;

(9) The total votes cast by the voter exceeding the total voting rights of such voter;
or

(10) The number of candidates filled in the ballot exceeding the number of the seats to be elected.

Article 11

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

Article 12

This Company shall issue notifications to the directors elected.

Article 13

These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

Taiwan Semiconductor Manufacturing Company Limited
Shareholdings of All Directors

Record Date : April 10, 2017

Title	Name	Current Shareholding (Shares)
Chairman	Morris Chang	125,137,914
Vice Chairman	F.C. Tseng	34,472,675
Director	National Development Fund, Executive Yuan Representative: Johnsee Lee	1,653,709,980
Independent Director	Sir Peter Leahy Bonfield	-
Independent Director	Stan Shih	1,480,286
Independent Director	Thomas J. Engibous	-
Independent Director	Kok-Choo Chen	-
Independent Director	Michael R. Splinter	-
Total		1,814,800,855

Note 1: Total shares issued as of 4/10/2017: 25,930,380,458 Common Shares.

Note 2: As TSMC has a majority of independent directors, and has established the audit committee that satisfies the requirements of the Securities and Exchange Act, the minimum shareholding requirements for directors and supervisors do not apply.