

Taiwan Semiconductor Manufacturing Company Limited

2018 Annual Shareholders' Meeting

Meeting Agenda
(Translation)

June 5, 2018

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Note:

- 2017 Form 20-F is available at http://www.tsmc.com/english/investorRelations/annual_reports.htm
- Minutes of 2018 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
2018 Annual Shareholders' Meeting Agenda
(Translation)

Time : 9:00 a.m., June 5, 2018

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 2017
- (2) Audit Committee's review report
- (3) To report 2017 employees' profit sharing bonus and directors' compensation

3. Proposed Resolutions

- (1) To accept 2017 Business Report and Financial Statements
- (2) To approve the proposal for distribution of 2017 earnings
- (3) To revise the Articles of Incorporation

4. Directors Election

To elect nine Directors (including five Independent Directors)

Voting by Poll

5. Other Business and Special Motion

6. Meeting Adjourned

Report Items

1. To report the business of 2017

Explanatory Notes : Please refer to Attachment I.

2. Audit Committee's review report

Explanatory Notes : Please refer to Attachment II.

3. To report 2017 employees' profit sharing bonus and directors' compensation

Explanatory Notes :

- (1) The Board of Directors approved 2017 employees' profit sharing bonus and directors' compensation on February 13, 2018. The employees' profit sharing bonus and directors' compensation are to be distributed in cash.
- (2) 2017 employees' total cash bonus and profit sharing bonus is NT\$46,038,164,526, of which NT\$23,019,082,263 has been distributed following each quarter as cash bonus, and NT\$23,019,082,263 will be distributed in July 2018 as profit sharing bonus.
- (3) 2017 directors' compensation is NT\$368,919,380.

Proposed Resolutions

1. To accept 2017 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes :

- (1) TSMC's 2017 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) 2017 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 2017 earnings (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The proposed earnings distribution is allocated from Earnings in 2017 Available for Distribution. Each common share holder will be entitled to receive a cash dividend of NT\$8 per share.
- (2) The 2017 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 October 2017, Chairman Morris Chang announced his plan to retire from the Company immediately after the Annual

Shareholders' Meeting in June 2018.

It is proposed to revise TSMC's Articles of Incorporation to reflect TSMC's upcoming changes to dual leadership after this Annual Shareholders' Meeting, including:

(1) amending the Chinese title of the Chief Executive Officer from 「執行長」 to 「總裁」 and (2) the Chief Executive Officer will report to the Board of Directors.

(2) The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment VI.

Directors Election

**To elect nine Directors (including five Independent Directors)
(Proposed by the Board of Directors)**

Explanatory Notes :

- (1) Upon the expiration of the terms of all TSMC Directors, the Board of Directors resolved that nine Directors (including five Independent Directors) will be elected at this Annual Shareholders' Meeting. The tenure of newly elected directors shall be 3 years, commencing on June 5, 2018 and expiring on June 4, 2021.
- (2) The directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The directors shall be elected from the nominated candidates, whose education and professional qualifications, experience and relevant information, as well as the rationale for nomination of independent directors who have served for three or more consecutive terms, are attached hereto as Attachment VII.

Voting by Poll :

Other Business and Special Motion

Meeting Adjourned

3. Attachment

Business Report

2017 was a solid year for TSMC as we delivered another year of record revenue, net income and earnings per share. TSMC's technology leadership and manufacturing excellence, as well as our ongoing commitment to R&D and capacity investment, enabled us to capture opportunities in mobile devices, high-performance computing, the Internet of Things, and automotive semiconductors. Our continuing technological progress across the broad spectrum of advanced semiconductor process technologies lays a good foundation and builds a strong momentum for TSMC in the coming years.

“Being everyone's foundry” is at the heart of TSMC strategy. Through the expansion of our technology and services, we build an open platform that welcomes all innovators in the semiconductor industry to realize their innovations and see their products brought to market in volume quickly. TSMC's ability to address the increasing needs for specific technology requirements, through the most comprehensive range of technology offerings and our vast and flexible manufacturing capacity, enable us to cast a wide net to capture the varying waves of product innovations in the semiconductor industry.

In 2017, we saw computation expanding in the cloud and on the edge; major mobile products with enriched features adopted advanced processes; the need for safer, smarter and greener vehicles drove strong automotive semiconductor demand; and the readiness of ubiquitous connectivity provided exciting growth in the Internet of Things (IoT). AI (artificial intelligence) is expected to be embedded in all the above applications. As “everyone's foundry”, we were able to participate in these growing segments of the industry and continued to expand our foundry market segment share.

We continued to make significant advances in leading-edge process technologies in 2017. 10-nanometer set a new record in terms of ramp-up speed, and represented 10% of our total wafer revenue in its first year. Our industry-first 7-nanometer was transferred from R&D to manufacturing in 2017, and will begin volume production in the second quarter of 2018. Our 7-nanometer+ will follow and enter risk production later in 2018. We broke ground for Fab 18 in January 2018 for 5-nanometer, which will see extensive use of EUV (extreme ultraviolet) lithography with volume production targeted to start in 2020. Our proprietary CoWoS[®] (Chip on Wafer on Substrate) and InFO (integrated fan-out) advanced packaging solutions also continue to see enthusiastic adoption by customers in HPC (high performance computing), mobile and other high speed applications.

Highlights of TSMC's accomplishments in 2017:

- Total wafer shipments increased 8.8 percent from 2016 to reach 10.5 million 12-inch equivalent wafers.
- Advanced technologies (28-nanometer and beyond) accounted for 58 percent of total wafer revenue, up from 54 percent in 2016.
- We deployed 258 distinct process technologies, and manufactured 9,920 products for 465 customers.
- TSMC's market share in the total semiconductor foundry segment rose successively during the last eight years and reached 56 percent in 2017.

2017 Financial Performance

In 2017, our consolidated revenue totaled NT\$977.45 billion, an increase of 3.1 percent over NT\$947.94 billion in 2016, despite a significant appreciation in the NT dollar in this period. Net income was NT\$343.11 billion and diluted earnings per share were NT\$13.23. Both increased 3 percent from the 2016 level of NT\$334.25 billion net income and NT\$12.89 diluted EPS.

Gross profit margin was 50.6 percent compared with 50.1 percent in 2016, while operating profit margin was 39.4 percent compared with 39.9 percent a year earlier as R&D spending ratio increased. Net profit margin was 35.1 percent, a decrease of 0.2 percentage points from the prior year's 35.3 percent.

TSMC further raised its cash dividend payment to NT\$7.0 per share for 2016 profit distribution from NT\$6.0 a year ago.

Technological Developments

In 2017, we have increased our R&D expense by 13.5% over 2016, with a large number of new technology introduction, to meet our customer needs and to extend our technology leadership.

TSMC's 28/22-nanometer technology saw a record number of product tape-outs in 2017, thanks to its differentiated and diverse offerings. To further enhance the technology performance, we have also developed 22ULP (ultra-low power) and 22ULL (ultra-low leakage) technologies to address IoT and RF-related applications. We are confident that our continued performance enhancement, strong manufacturing capability, and flexible capacity can further strengthen our position in 28/22-nanometer node for years to come.

TSMC's 16-nanometer FinFET technology remains robust as it enters its fourth year of volume production in 2018. Strong tape-out activities covered a variety of mainstream

smartphones, cryptocurrency, AI, GPU and RF products. We continued to expand the technology portfolio by developing 12FFC (FinFET Compact) in 2017, which drives die size and power efficiency to serve demand in mobile, consumer electronics, digital TV and IoT applications.

10-nanometer FinFET technology started high-volume shipments in early 2017 and successfully supported a major customer's new mobile product launches. Thanks to its aggressive geometric shrinkage, this technology provides excellent density/cost benefits to support customer needs in performance-driven market segments, including application processors, cellular baseband and ASIC CPUs. As a result, we expect a continued growth of our 10-nanometer business in 2018.

We successfully introduced TSMC's 7-nanometer technology in 2017. Customer adoption of 7-nanometer is very strong and we received more than ten product tape-outs in 2017. A total of more than 50 customer product tape-outs are expected by the end of 2018. TSMC's 7-nanometer+ technology will be introduced in 2018. We have already demonstrated the same yield level of 256M bit SRAM as compared to 7-nanometer.

Furthermore, TSMC's 5-nanometer technology development is well on track for risk production in the first quarter of 2019. Both device performance and SRAM development vehicle yield improvement are on our plan. Customer test chips are already running in our fab.

In advanced packaging, TSMC's second generation InFO technology began volume production for advanced mobile products in 2017, while InFO_oS (Integrated Fan-Out on Substrate) technology is expected to complete qualification in 2018 for HPC (high performance computing) products. We also extended our interposer CoWoS[®] technology to 12-nanometer and are actively developing 7-nanometer solutions to further support the requirements of HPC applications, such as AI, data server, and networking.

TSMC's ecosystem, the Open Innovation Platform[®] (OIP), is an important factor in empowering customers to unleash their innovations with fast time-to-market. We continued to work with our ecosystem partners to expand our libraries and silicon IP portfolio in 2017 to more than 16,000 items. More than 9,000 technology files and over 300 process design kits were available to customers via TSMC-Online which saw more than 100,000 customer downloads in 2017.

Corporate Developments

In October 2017, I, as TSMC Chairman for the last thirty years, announced my plan to retire

from the Company immediately after the Annual Shareholders' Meeting in early June, 2018. All present directors of the board, except myself, have unanimously agreed to be nominated, and if elected, will serve as directors of the board during the next term. They all have agreed to have TSMC under the dual leadership of Dr. Mark Liu and Dr. C.C. Wei, who are TSMC's presidents and co-CEOs currently. Dr. Liu will be the Chairman of the Board, and Dr. Wei will be the Chief Executive Officer.

Honors and Awards

TSMC received recognition for achievements in innovation, business information disclosure, corporate governance, sustainability, investor relations and overall excellence in management from organizations including *Forbes*, *Fortune Magazine*, *Newsweek*, *Commonwealth Magazine*, *The Nikkei*, *PricewaterhouseCoopers*, *RobecoSAM* and the Taiwan Stock Exchange. TSMC continued to receive multiple awards from *Institutional Investor Magazine* and was ranked among the top global companies by *IR Magazine*. TSMC was chosen once again as a component of the Dow Jones Sustainability Indices, becoming the only semiconductor company to be selected for 17 consecutive years. Meanwhile, we remained a major component in both MSCI ESG and FTSE4Good Emerging Index, reflecting our ongoing commitment to sustainability and corporate social responsibility.

Outlook

TSMC's enduring business model, our ecosystem of partnerships across the industry, and our core values of integrity, commitment, innovation, and customer trust have well positioned us to serve as "everyone's foundry" and enabled win-win partnership between TSMC and IC innovators. TSMC will continue to advance our semiconductor process technologies and strengthen our manufacturing capabilities to meet the ever-increasing requirements of our customers and stay at the forefront to unleash innovation.

As technology and end applications undergo unprecedented change for the new digital age, our dedicated foundry business model will remain the foundation of our success. Our business model will continue to lead our way in creating value and generating strong returns to our shareholders. I would like to personally thank our shareholders for your long-term support to TSMC. While we have come a long way over the past thirty years, there is still much more ahead of us to achieve, and I am ever more confident that the best is yet to come.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 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 L. Bonfield

February 13, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 are stated as follows:

Provision for 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 for sales returns and allowance is based on historical experience and the varying contractual terms. Please refer to Notes 4, 5 and 19 to the consolidated financial statements for the details of the information about provision for sales returns and allowances. Since the provision for sales returns and allowances is subject to accounting judgment and estimation, 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 for sales returns and allowances;
2. Understood and assessed the reasonableness of assumptions made and methodology used in estimating provision for sales returns and allowances;
3. Sampled and inspected the sales contracts of main products by agreeing the contractual terms and performed an analysis to challenge the 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 returns and 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 their intended use 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, 2017 and 2016 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.

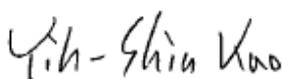
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain 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, 2017 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
Republic of China

February 13, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2017		December 31, 2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 553,391,696	28	\$ 541,253,833	29
Financial assets at fair value through profit or loss (Note 7)	569,751	-	6,451,112	-
Available-for-sale financial assets (Notes 8 and 14)	93,374,153	5	67,788,767	4
Held-to-maturity financial assets (Note 9)	1,988,385	-	16,610,116	1
Hedging derivative financial assets (Note 10)	34,394	-	5,550	-
Notes and accounts receivable, net (Note 11)	121,133,248	6	128,335,271	7
Receivables from related parties (Note 34)	1,184,124	-	969,559	-
Other receivables from related parties (Note 34)	171,058	-	146,788	-
Inventories (Notes 5, 12 and 38)	73,880,747	4	48,682,233	3
Other financial assets (Notes 35 and 38)	7,253,114	-	4,100,475	-
Other current assets (Note 17)	4,222,440	-	3,385,422	-
Total current assets	<u>857,203,110</u>	<u>43</u>	<u>817,729,126</u>	<u>44</u>
NONCURRENT ASSETS				
Held-to-maturity financial assets (Note 9)	18,833,329	1	22,307,561	1
Financial assets carried at cost (Note 13)	4,874,257	-	4,102,467	-
Investments accounted for using equity method (Notes 5 and 14)	17,861,488	1	19,743,888	1
Property, plant and equipment (Notes 5 and 15)	1,062,542,322	53	997,777,687	53
Intangible assets (Notes 5 and 16)	14,175,140	1	14,614,846	1
Deferred income tax assets (Notes 5 and 29)	12,105,463	1	8,271,421	-
Refundable deposits	1,283,414	-	407,874	-
Other noncurrent assets (Note 17)	2,983,120	-	1,500,432	-
Total noncurrent assets	<u>1,134,658,533</u>	<u>57</u>	<u>1,068,726,176</u>	<u>56</u>
TOTAL	<u>\$ 1,991,861,643</u>	<u>100</u>	<u>\$ 1,886,455,302</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 18)	\$ 63,766,850	3	\$ 57,958,200	3
Financial liabilities at fair value through profit or loss (Note 7)	26,709	-	191,135	-
Hedging derivative financial liabilities (Note 10)	15,562	-	-	-
Accounts payable	28,412,807	1	26,062,351	2
Payables to related parties (Note 34)	1,656,356	-	1,262,174	-
Salary and bonus payable	14,254,871	1	13,681,817	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 23 and 31)	23,419,135	1	22,894,006	1
Payables to contractors and equipment suppliers	55,723,774	3	63,154,514	3
Income tax payable (Notes 5 and 29)	33,479,311	2	40,306,054	2
Provisions (Notes 5 and 19)	13,961,787	1	18,037,789	1
Long-term liabilities - current portion (Note 20)	58,401,122	3	38,109,680	2
Accrued expenses and other current liabilities (Note 22)	65,588,396	3	36,581,553	2
Total current liabilities	<u>358,706,680</u>	<u>18</u>	<u>318,239,273</u>	<u>17</u>
NONCURRENT LIABILITIES				
Bonds payable (Note 20)	91,800,000	5	153,093,557	8
Long-term bank loans	-	-	21,780	-
Deferred income tax liabilities (Notes 5 and 29)	302,205	-	141,183	-
Net defined benefit liability (Notes 5 and 21)	8,850,704	1	8,551,408	-
Guarantee deposits (Note 22)	7,586,790	-	14,670,433	1
Others	1,855,621	-	1,686,542	-
Total noncurrent liabilities	<u>110,395,320</u>	<u>6</u>	<u>178,164,903</u>	<u>9</u>
Total liabilities	<u>469,102,000</u>	<u>24</u>	<u>496,404,176</u>	<u>26</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 23)	259,303,805	13	259,303,805	14
Capital surplus (Note 23)	56,309,536	3	56,272,304	3
Retained earnings (Note 23)				
Appropriated as legal capital reserve	241,722,663	12	208,297,945	11
Unappropriated earnings	991,639,347	49	863,710,224	46
	<u>1,233,362,010</u>	<u>61</u>	<u>1,072,008,169</u>	<u>57</u>
Others (Note 23)	(26,917,818)	(1)	1,663,983	-
Equity attributable to shareholders of the parent	1,522,057,533	76	1,389,248,261	74
NONCONTROLLING INTERESTS	702,110	-	802,865	-
Total equity	<u>1,522,759,643</u>	<u>76</u>	<u>1,390,051,126</u>	<u>74</u>
TOTAL	<u>\$ 1,991,861,643</u>	<u>100</u>	<u>\$ 1,886,455,302</u>	<u>100</u>

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2017		2016	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 24, 34 and 40)	\$ 977,447,241	100	\$ 947,938,344	100
COST OF REVENUE (Notes 5, 12, 31, 34 and 38)	<u>482,616,286</u>	<u>49</u>	<u>473,077,173</u>	<u>50</u>
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	494,830,955	51	474,861,171	50
UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	<u>(4,553)</u>	<u>-</u>	<u>(29,073)</u>	<u>-</u>
GROSS PROFIT	<u>494,826,402</u>	<u>51</u>	<u>474,832,098</u>	<u>50</u>
OPERATING EXPENSES (Notes 5, 31 and 34)				
Research and development	80,732,463	8	71,207,703	7
General and administrative	21,196,717	2	19,795,593	2
Marketing	<u>5,972,488</u>	<u>1</u>	<u>5,900,837</u>	<u>1</u>
Total operating expenses	<u>107,901,668</u>	<u>11</u>	<u>96,904,133</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 16, 25 and 31)	<u>(1,365,511)</u>	<u>(1)</u>	<u>29,813</u>	<u>-</u>
INCOME FROM OPERATIONS (Note 40)	<u>385,559,223</u>	<u>39</u>	<u>377,957,778</u>	<u>40</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates (Note 14)	2,985,941	1	3,495,600	-
Other income (Note 26)	9,610,294	1	6,454,901	1
Foreign exchange gain (loss), net (Note 39)	(1,509,473)	-	1,161,322	-
Finance costs (Note 27)	(3,330,313)	-	(3,306,153)	-
Other gains and losses, net (Note 28)	<u>2,817,358</u>	<u>-</u>	<u>195,932</u>	<u>-</u>
Total non-operating income and expenses	<u>10,573,807</u>	<u>2</u>	<u>8,001,602</u>	<u>1</u>
INCOME BEFORE INCOME TAX	396,133,030	41	385,959,380	41
INCOME TAX EXPENSE (Notes 5 and 29)	<u>52,986,182</u>	<u>6</u>	<u>51,621,144</u>	<u>6</u>
NET INCOME	<u>343,146,848</u>	<u>35</u>	<u>334,338,236</u>	<u>35</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 14, 21, 23 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ (254,681)	-	\$ (1,057,220)	-
Share of other comprehensive loss of associates	(20,853)	-	(19,961)	-
Income tax benefit related to items that will not be reclassified subsequently	<u>30,562</u>	-	<u>126,867</u>	-
	<u>(244,972)</u>	-	<u>(950,314)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(28,259,627)	(3)	(9,379,477)	(1)
Changes in fair value of available-for-sale financial assets	(218,832)	-	(692,523)	-
Cash flow hedges	4,683	-	-	-
Share of other comprehensive income (loss) of associates	(99,347)	-	16,301	-
Income tax expense related to items that may be reclassified subsequently	<u>(3,536)</u>	-	<u>(61,176)</u>	-
	<u>(28,576,659)</u>	<u>(3)</u>	<u>(10,116,875)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(28,821,631)</u>	<u>(3)</u>	<u>(11,067,189)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 314,325,217</u>	<u>32</u>	<u>\$ 323,271,047</u>	<u>34</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 343,111,476	35	\$ 334,247,180	35
Noncontrolling interests	<u>35,372</u>	-	<u>91,056</u>	-
	<u>\$ 343,146,848</u>	<u>35</u>	<u>\$ 334,338,236</u>	<u>35</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 314,294,993	32	\$ 323,186,736	34
Noncontrolling interests	<u>30,224</u>	-	<u>84,311</u>	-
	<u>\$ 314,325,217</u>	<u>32</u>	<u>\$ 323,271,047</u>	<u>34</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	<u>2017</u>	<u>2016</u>
	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent
EARNINGS PER SHARE (NT\$, Note 30)		
Basic earnings per share	<u>\$ 13.23</u>	<u>\$ 12.89</u>
Diluted earnings per share	<u>\$ 13.23</u>	<u>\$ 12.89</u>

(Concluded)

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													
	Capital Stock - Common Stock			Retained Earnings			Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available- for-sale Financial Assets	Others			Noncontrolling Interests	Total Equity	
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Unappropriated Earnings	Total			Cash Flow Hedges Reserve	Unearned Stock-Based Employee Compensation	Total			Total
BALANCE, JANUARY 1, 2016	25,930,380	\$ 259,303,805	\$ 56,300,215	\$177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$ -	\$ 11,774,113	\$1,221,671,719	\$ 962,760	\$1,222,634,479
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	30,657,384	(30,657,384)	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$6 per share	-	-	-	-	(155,582,283)	(155,582,283)	-	-	-	-	-	(155,582,283)	-	(155,582,283)
Total	-	-	-	30,657,384	(186,239,667)	(155,582,283)	-	-	-	-	-	(155,582,283)	-	(155,582,283)
Net income in 2016	-	-	-	-	334,247,180	334,247,180	-	-	-	-	-	334,247,180	91,056	334,338,236
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	(950,314)	(950,314)	(9,378,712)	(732,130)	712	-	(10,110,130)	(11,060,444)	(6,745)	(11,067,189)
Total comprehensive income (loss) in 2016	-	-	-	-	333,296,866	333,296,866	(9,378,712)	(732,130)	712	-	(10,110,130)	323,186,736	84,311	323,271,047
Disposal of investments accounted for using equity method	-	-	(56,169)	-	-	-	-	-	-	-	-	(56,169)	-	(56,169)
Adjustments to share of changes in equities of associates	-	-	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	1,072,008,169	1,661,237	2,641	105	-	1,663,983	1,389,248,261	802,865	1,390,051,126
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	33,424,718	(33,424,718)	-	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$7 per share	-	-	-	-	(181,512,663)	(181,512,663)	-	-	-	-	-	(181,512,663)	-	(181,512,663)
Total	-	-	-	33,424,718	(214,937,381)	(181,512,663)	-	-	-	-	-	(181,512,663)	-	(181,512,663)
Net income in 2017	-	-	-	-	343,111,476	343,111,476	-	-	-	-	-	343,111,476	35,372	343,146,848
Other comprehensive income (loss) in 2017, net of income tax	-	-	-	-	(244,972)	(244,972)	(28,358,917)	(216,715)	4,121	-	(28,571,511)	(28,816,483)	(5,148)	(28,821,631)
Total comprehensive income (loss) in 2017	-	-	-	-	342,866,504	342,866,504	(28,358,917)	(216,715)	4,121	-	(28,571,511)	314,294,993	30,224	314,325,217
Adjustments to share of changes in equities of associates	-	-	7,085	-	-	-	-	-	-	(10,290)	(10,290)	(3,205)	-	(3,205)
From share of changes in equities of subsidiaries	-	-	10,994	-	-	-	-	-	-	-	-	10,994	(10,994)	-
Donation from shareholders	-	-	19,153	-	-	-	-	-	-	-	-	19,153	1,684	20,837
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	(113,675)	(113,675)
Effect of disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(7,994)	(7,994)
BALANCE, DECEMBER 31, 2017	25,930,380	\$ 259,303,805	\$ 56,309,536	\$ 241,722,663	\$ 991,639,347	\$1,233,362,010	\$ (26,697,680)	\$ (214,074)	\$ 4,226	\$ (10,290)	\$ (26,917,818)	\$1,522,057,533	\$ 702,110	\$1,522,759,643

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 396,133,030	\$ 385,959,380
Adjustments for:		
Depreciation expense	255,795,962	220,084,998
Amortization expense	4,346,736	3,743,406
Finance costs	3,330,313	3,306,153
Share of profits of associates	(2,985,941)	(3,495,600)
Interest income	(9,464,706)	(6,317,500)
Loss (gain) on disposal or retirement of property, plant and equipment, net	1,097,908	(46,548)
Impairment loss on intangible assets	13,520	-
Impairment loss on financial assets	29,603	122,240
Loss (gain) on disposal of available-for-sale financial assets, net	(76,986)	4,014
Gain on disposal of financial assets carried at cost, net	(12,809)	(37,241)
Loss on disposal of investments accounted for using equity method, net	-	259,960
Loss (gain) from disposal of subsidiaries	(17,343)	36,105
Unrealized gross profit on sales to associates	4,553	29,073
Gain on foreign exchange, net	(9,118,580)	(2,656,406)
Dividend income	(145,588)	(137,401)
Loss (gain) arising from fair value hedges, net	30,293	(16,973)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	5,645,093	(6,326,561)
Notes and accounts receivable, net	1,061,805	(49,342,698)
Receivables from related parties	(214,565)	(463,837)
Other receivables from related parties	(13,873)	(21,770)
Inventories	(25,229,101)	18,370,037
Other financial assets	(502,306)	(41,554)
Other current assets	12,085	94,512
Other noncurrent assets	(1,276,130)	(349,771)
Accounts payable	2,572,072	7,295,491
Payables to related parties	394,182	139,818
Salary and bonus payable	582,054	1,979,775
Accrued profit sharing bonus to employees and compensation to directors and supervisors	525,129	1,935,113
Accrued expenses and other current liabilities	30,435,424	3,693,638
Provisions	(4,057,900)	7,931,877
Net defined benefit liability	44,615	46,163
Cash generated from operations	648,938,549	585,777,893
Income taxes paid	(63,620,382)	(45,943,301)
Net cash generated by operating activities	<u>585,318,167</u>	<u>539,834,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(100,510,905)	(83,275,573)
Held-to-maturity financial assets	(1,997,076)	(33,625,353)
Financial assets carried at cost	(1,313,124)	(533,745)
Property, plant and equipment	(330,588,188)	(328,045,270)
Intangible assets	(4,480,588)	(4,243,087)
Land use right	(819,694)	(805,318)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2017	2016
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 69,480,675	\$ 29,967,979
Held-to-maturity financial assets	17,980,640	10,550,000
Financial assets carried at cost	58,237	160,498
Property, plant and equipment	326,232	98,069
Proceeds from return of capital of financial assets carried at cost	14,828	65,087
Derecognition of hedging derivative financial instruments	33,008	8,868
Interest received	9,526,253	6,353,195
Proceeds from government grants - property, plant and equipment	2,629,747	738,643
Proceeds from government grants - land use right and others	1,811	798,469
Cash outflow from disposal of subsidiary	(4,080)	-
Other dividends received	145,588	137,420
Dividends received from investments accounted for using equity method	4,245,772	5,478,790
Refundable deposits paid	(1,326,983)	(144,982)
Refundable deposits refunded	432,944	169,912
Decrease in receivables for temporary payments	<u>-</u>	<u>706,718</u>
Net cash used in investing activities	<u>(336,164,903)</u>	<u>(395,439,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	10,394,290	18,968,936
Repayment of bonds	(38,100,000)	(23,471,600)
Repayment of long-term bank loans	(31,460)	(8,540)
Interest paid	(3,482,703)	(3,302,420)
Guarantee deposits received	950,928	6,354,677
Guarantee deposits refunded	(3,823,183)	(523,234)
Cash dividends	(181,512,663)	(155,582,283)
Donation from shareholders	20,837	-
Decrease in noncontrolling interests	<u>(113,675)</u>	<u>(235,733)</u>
Net cash used in financing activities	<u>(215,697,629)</u>	<u>(157,800,197)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(21,317,772)</u>	<u>(8,029,812)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,137,863	(21,435,097)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>541,253,833</u>	<u>562,688,930</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 553,391,696</u>	<u>\$ 541,253,833</u>

(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, 2017 and 2016, 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, 2017 and 2016, 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 the 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, 2017. 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, 2017 are stated as follows:

Provision for 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 for sales returns and allowance is based on historical experience and the varying contractual terms. Please refer to Notes 4, 5 and 17 to the parent company only financial statements for the details of the information about provision for sales returns and allowances. Since the provision for sales returns and allowances is subject to accounting judgment and estimation, 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 for sales returns and allowances;

2. Understood and assessed the reasonableness of assumptions made and methodology used in estimating provision for sales returns and allowances;
3. Sampled and inspected the sales contracts of main products by agreeing the contractual terms and performed an analysis to challenge the 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 returns and 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 13 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 their intended use 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:

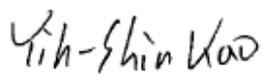
1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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, 2017 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
Republic of China

February 13, 2018

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, 2017		December 31, 2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 239,176,841	12	\$ 249,878,563	14
Financial assets at fair value through profit or loss (Note 7)	373,351	-	151,070	-
Available-for-sale financial assets	2,393,555	-	2,843,952	-
Held-to-maturity financial assets (Note 8)	-	-	11,447,538	1
Hedging derivative financial assets (Note 9)	7,378	-	-	-
Notes and accounts receivable, net (Note 10)	26,655,427	2	40,017,297	2
Receivables from related parties (Note 32)	92,141,837	5	86,845,570	5
Other receivables from related parties (Note 32)	3,143,872	-	948,800	-
Inventories (Notes 5, 11 and 35)	70,297,445	4	46,504,346	2
Other financial assets (Note 35)	94,839	-	2,139,366	-
Other current assets (Note 15)	2,484,792	-	3,004,662	-
Total current assets	436,769,337	23	443,781,164	24
NONCURRENT ASSETS				
Financial assets carried at cost	415,051	-	435,268	-
Investments accounted for using equity method (Notes 5 and 12)	463,986,364	24	396,855,708	22
Property, plant and equipment (Notes 5 and 13)	1,016,355,970	52	979,401,337	53
Intangible assets (Notes 5 and 14)	9,870,127	-	10,047,991	1
Deferred income tax assets (Notes 5 and 27)	10,829,473	1	6,446,781	-
Refundable deposits	1,163,069	-	369,895	-
Total noncurrent assets	1,502,620,054	77	1,393,556,980	76
TOTAL	\$ 1,939,389,391	100	\$ 1,837,338,144	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	\$ 63,766,850	3	\$ 57,958,200	3
Financial liabilities at fair value through profit or loss (Note 7)	18,764	-	62,441	-
Hedging derivative financial liabilities (Note 9)	15,562	-	-	-
Accounts payable	25,605,223	1	24,533,924	1
Payables to related parties (Note 32)	4,829,664	-	4,840,001	-
Salary and bonus payable	12,283,321	1	11,570,505	1
Accrued profit sharing bonus to employees and compensation to directors (Notes 21 and 29)	23,388,002	1	22,794,771	1
Payables to contractors and equipment suppliers	50,363,976	3	62,449,143	4
Income tax payable (Notes 5 and 27)	32,950,667	2	40,256,148	2
Provisions (Notes 5 and 17)	13,174,825	1	16,991,612	1
Long-term liabilities - current portion (Note 18)	24,300,000	1	38,100,000	2
Accrued expenses and other current liabilities (Note 20)	57,686,386	3	28,620,469	2
Total current liabilities	308,383,240	16	308,177,214	17
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	91,800,000	5	116,100,000	6
Deferred income tax liabilities (Notes 5 and 27)	302,205	-	141,183	-
Net defined benefit liability (Notes 5 and 19)	8,850,704	1	8,551,408	-
Guarantee deposits (Note 20)	7,582,479	-	14,666,542	1
Others	413,230	-	453,536	-
Total noncurrent liabilities	108,948,618	6	139,912,669	7
Total liabilities	417,331,858	22	448,089,883	24
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 21)	259,303,805	13	259,303,805	14
Capital surplus (Note 21)	56,309,536	3	56,272,304	3
Retained earnings (Note 21)				
Appropriated as legal capital reserve	241,722,663	12	208,297,945	12
Unappropriated earnings	991,639,347	51	863,710,224	47
	1,233,362,010	63	1,072,008,169	59
Others (Note 21)	(26,917,818)	(1)	1,663,983	-
Total equity	1,522,057,533	78	1,389,248,261	76
TOTAL	\$ 1,939,389,391	100	\$ 1,837,338,144	100

Taiwan Semiconductor Manufacturing Company Limited

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

	2017		2016	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 22 and 32)	\$ 969,136,109	100	\$ 936,387,291	100
COST OF REVENUE (Notes 5, 11, 29, 32 and 35)	<u>490,196,856</u>	<u>51</u>	<u>474,552,913</u>	<u>51</u>
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	478,939,253	49	461,834,378	49
UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	<u>(1,562)</u>	<u>-</u>	<u>(26,082)</u>	<u>-</u>
GROSS PROFIT	<u>478,937,691</u>	<u>49</u>	<u>461,808,296</u>	<u>49</u>
OPERATING EXPENSES (Notes 5, 29, and 32)				
Research and development	79,887,723	8	70,366,179	8
General and administrative	20,049,405	2	18,697,463	2
Marketing	<u>3,048,781</u>	<u>1</u>	<u>3,098,086</u>	<u>-</u>
Total operating expenses	<u>102,985,909</u>	<u>11</u>	<u>92,161,728</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 23 and 29)	<u>(1,261,665)</u>	<u>-</u>	<u>83,965</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>374,690,117</u>	<u>38</u>	<u>369,730,533</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 12)	18,757,236	2	14,941,372	2
Other income (Note 24)	1,696,595	-	1,816,803	-
Foreign exchange gain (loss), net (Note 36)	(670,371)	-	609,345	-
Finance costs (Note 25)	(2,749,640)	-	(2,643,193)	-
Other gains and losses, net (Note 26)	<u>1,592,239</u>	<u>-</u>	<u>734,100</u>	<u>-</u>
Total non-operating income and expenses	<u>18,626,059</u>	<u>2</u>	<u>15,458,427</u>	<u>2</u>
INCOME BEFORE INCOME TAX	393,316,176	40	385,188,960	41
INCOME TAX EXPENSE (Notes 5 and 27)	<u>50,204,700</u>	<u>5</u>	<u>50,941,780</u>	<u>5</u>
NET INCOME	<u>343,111,476</u>	<u>35</u>	<u>334,247,180</u>	<u>36</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 12, 19, 21 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	\$ (254,681)	-	\$ (1,057,220)	-
Share of other comprehensive loss of subsidiaries and associates	(20,853)	-	(19,961)	-
Income tax benefit related to items that will not be reclassified subsequently	<u>30,562</u>	-	<u>126,867</u>	-
	<u>(244,972)</u>	-	<u>(950,314)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(28,270,770)	(3)	(9,439,776)	(1)
Changes in fair value of available-for-sale financial assets	(425,692)	-	47,506	-
Cash flow hedges	4,683	-	-	-
Share of other comprehensive income (loss) of subsidiaries and associates	123,804	-	(656,684)	-
Income tax expense related to items that may be reclassified subsequently	<u>(3,536)</u>	-	<u>(61,176)</u>	-
	<u>(28,571,511)</u>	<u>(3)</u>	<u>(10,110,130)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(28,816,483)</u>	<u>(3)</u>	<u>(11,060,444)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 314,294,993</u>	<u>32</u>	<u>\$ 323,186,736</u>	<u>35</u>
EARNINGS PER SHARE (NT\$, Note 28)				
Basic earnings per share	<u>\$ 13.23</u>		<u>\$ 12.89</u>	
Diluted earnings per share	<u>\$ 13.23</u>		<u>\$ 12.89</u>	

(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	Retained Earnings			Foreign Currency Translation Reserve	Others				Total Equity
	Shares (In Thousands)	Amount		Legal Capital Reserve	Unappropriated Earnings	Total		Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Unearned Stock-Based Employee Compensation	Total	
BALANCE, JANUARY 1, 2016	25,930,380	\$ 259,303,805	\$ 56,300,215	\$ 177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$ -	\$ 11,774,113	\$ 1,221,671,719
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	30,657,384	(30,657,384)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$6 per share	-	-	-	-	(155,582,283)	(155,582,283)	-	-	-	-	-	(155,582,283)
Total	-	-	-	30,657,384	(186,239,667)	(155,582,283)	-	-	-	-	-	(155,582,283)
Net income in 2016	-	-	-	-	334,247,180	334,247,180	-	-	-	-	-	334,247,180
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	(950,314)	(950,314)	(9,378,712)	(732,130)	712	-	(10,110,130)	(11,060,444)
Total comprehensive income (loss) in 2016	-	-	-	-	333,296,866	333,296,866	(9,378,712)	(732,130)	712	-	(10,110,130)	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	1,072,008,169	1,661,237	2,641	105	-	1,663,983	1,389,248,261
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	33,424,718	(33,424,718)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$7 per share	-	-	-	-	(181,512,663)	(181,512,663)	-	-	-	-	-	(181,512,663)
Total	-	-	-	33,424,718	(214,937,381)	(181,512,663)	-	-	-	-	-	(181,512,663)
Net income in 2017	-	-	-	-	343,111,476	343,111,476	-	-	-	-	-	343,111,476
Other comprehensive income (loss) in 2017, net of income tax	-	-	-	-	(244,972)	(244,972)	(28,358,917)	(216,715)	4,121	-	(28,571,511)	(28,816,483)
Total comprehensive income (loss) in 2017	-	-	-	-	342,866,504	342,866,504	(28,358,917)	(216,715)	4,121	-	(28,571,511)	314,294,993
Adjustments to share of changes in equities of associates	-	-	7,085	-	-	-	-	-	-	(10,290)	(10,290)	(3,205)
From share of changes in equities of subsidiaries	-	-	10,994	-	-	-	-	-	-	-	-	10,994
Donation from shareholders	-	-	19,153	-	-	-	-	-	-	-	-	19,153
BALANCE, DECEMBER 31, 2017	25,930,380	\$ 259,303,805	\$ 56,309,536	\$ 241,722,663	\$ 991,639,347	\$ 1,233,362,010	\$ (26,697,680)	\$ (214,074)	\$ 4,226	\$ (10,290)	\$ (26,917,818)	\$ 1,522,057,533

Taiwan Semiconductor Manufacturing Company Limited

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 393,316,176	\$ 385,188,960
Adjustments for:		
Depreciation expense	250,597,135	213,977,324
Amortization expense	4,325,028	3,724,066
Finance costs	2,749,640	2,643,193
Share of profits of subsidiaries and associates	(18,757,236)	(14,941,372)
Interest income	(1,554,792)	(1,683,150)
Loss (gain) on disposal or retirement of property, plant and equipment, net	1,008,989	(100,503)
Gain on disposal of intangible assets, net	(3,198)	-
Impairment loss on financial assets	6,137	4,537
Gain on disposal of available-for-sale financial assets, net	(115,690)	(101,411)
Loss on disposal of investments accounted for using equity method, net	-	296,065
Unrealized gross profit on sales to subsidiaries and associates	1,562	26,082
Gain on foreign exchange, net	(9,118,776)	(2,656,406)
Dividend income	(141,803)	(133,653)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(196,337)	(127,857)
Notes and accounts receivable, net	7,253,120	(20,448,337)
Receivables from related parties	(5,296,267)	(29,562,888)
Other receivables from related parties	(733,023)	(493,473)
Inventories	(23,793,099)	17,833,842
Other financial assets	2,029,903	(22,662)
Other current assets	510,739	18,337
Accounts payable	1,275,185	7,639,380
Payables to related parties	(10,337)	1,108,002
Salary and bonus payable	712,816	1,966,597
Accrued profit sharing bonus to employees and compensation to directors	593,231	1,881,697
Accrued expenses and other current liabilities	29,615,847	3,891,345
Provisions	(3,823,540)	7,961,632
Net defined benefit liability	44,615	46,163
Cash generated from operations	<u>630,496,025</u>	<u>577,935,510</u>
Income taxes paid	<u>(61,695,694)</u>	<u>(45,387,724)</u>
Net cash generated by operating activities	<u>568,800,331</u>	<u>532,547,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	-	(172)
Held to maturity financial assets	(1,695,771)	(11,242,766)
Investments accounted for using equity method	-	(445,012)
Equity interest in subsidiary	-	(1,630,700)
Property, plant and equipment	(311,763,999)	(323,009,940)
Intangible assets	(4,351,050)	(4,207,065)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2017	2016
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 140,395	\$ 126,289
Held-to-maturity financial assets	13,160,000	10,550,000
Equity interest in subsidiary	-	2,325
Property, plant and equipment	13,226,816	104,020
Intangible assets	27,409	-
Proceeds from return of capital of financial assets carried at cost	14,080	7,493
Derecognition of hedging derivative financial instruments	38,097	-
Interest received	1,552,725	1,748,570
Other dividends received	141,803	133,653
Dividends received from investments accounted for using equity method	5,005,132	5,469,549
Refundable deposits paid	(1,227,010)	(138,204)
Refundable deposits refunded	416,600	169,464
Decrease in receivables for temporary payments	-	47,924
Cash inflow from incorporation of subsidiary	<u>-</u>	<u>396,262</u>
Net cash used in investing activities	<u>(285,314,773)</u>	<u>(321,918,310)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	10,394,485	18,968,936
Repayment of bonds	(38,100,000)	(12,000,000)
Interest paid	(2,916,969)	(2,644,187)
Guarantee deposits received	205,075	420,719
Guarantee deposits refunded	(89,507)	(421,002)
Cash dividends	(181,512,663)	(155,582,283)
Payment of partial acquisition of interests in subsidiaries	(82,433,287)	(74,130,714)
Proceeds from partial disposal of interests in subsidiaries	257,648	144,035
Donation from shareholders	<u>7,938</u>	<u>-</u>
Net cash used in financing activities	<u>(294,187,280)</u>	<u>(225,244,496)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,701,722)	(14,615,020)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>249,878,563</u>	<u>264,493,583</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 239,176,841</u>	<u>\$ 249,878,563</u>

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
Earnings Distribution Proposal
December 31, 2017

	Unit: NT\$
Net Income of 2017	343,111,475,749
Less:	
- 10% Legal Reserve	-34,311,147,575
- Special Reserve	-26,907,527,456
Earnings in 2017 Available for Distribution	281,892,800,718
Plus:	
- Unappropriated retained earnings of previous years	648,772,842,956
Less:	
- Remeasurement of defined benefit obligation	-244,972,204
Retained Earnings Available for Distribution as of December 31, 2017	930,420,671,470
Distribution Item:	
- Cash Dividends to Common Share Holders (NT\$8 per share)	-207,443,043,664
Unappropriated Retained Earnings	722,977,627,806

Comparison Table for the Articles of Incorporation Before and After Revision

Before the Version	After the Version
<p>Article 29</p> <p>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.</p> <p>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</p>	<p>Article 29</p> <p>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.</p> <p>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</p>

Before the Version	After the Version
accounting of the Corporation.	accounting of the Corporation.
<p>Article 30</p> <p>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.</p>	<p>Article 30</p> <p>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<u>Chief Executive Officer</u> or the Board of Directors.</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 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, the twenty-second Amendment on June 7, 2016, and the twenty-third Amendment on June 8, 2017.</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 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, the twenty-second Amendment on June 7, 2016, and the twenty-third Amendment on June 8, 2017, <u>and the twenty-fourth Amendment on June 5, 2018.</u></p>

List of Director (Including Independent Director) Candidates

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
Director F.C. Tseng	34,472,675	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, National Cheng Kung University ● Master Degree in Electrical Engineering, National Chiao Tung University ● Ph.D. in Electrical Engineering, National Cheng Kung University ● Honorary Ph.D., National Chiao Tung University ● Honorary Ph.D., National Tsing Hua University 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● President, Vanguard International Semiconductor Corp. ● President, TSMC ● Deputy CEO, TSMC ● Director, National Culture and Arts Foundation, ROC <p>Current Positions:</p> <ul style="list-style-type: none"> ● Chairman of: <ul style="list-style-type: none"> -TSMC China Company Ltd. (a privately held company) -Global Unichip Corp. ● Vice Chairman, Vanguard International Semiconductor Corp. ● Independent Director, Chairman of Audit Committee & Compensation Committee member, Acer Inc. ● Chairman, TSMC Education and Culture Foundation

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director Mei-ling Chen (Representative of National Development Fund, Executive Yuan)</p>	<p>1,653,709,980</p>	<ul style="list-style-type: none"> ● LL.B., National Chengchi University ● LL.M., National Taiwan University ● LL.D., National Chengchi University 	<p>Major Past Positions:</p> <ul style="list-style-type: none"> ● Director General, Department of Legal Affairs, Ministry of Justice, ROC ● Chairperson of Legal Affairs Committee & concurrently Chairperson of Petitions and Appeals Committee, Executive Yuan, ROC ● Deputy Secretary-General, Executive Yuan, ROC ● Secretary-General, Tainan City Government, ROC ● Secretary-General, Executive Yuan, ROC ● Associate Professor, Department of Law, Chinese Culture University <p>Current Positions:</p> <ul style="list-style-type: none"> ● Minister without Portfolio, Executive Yuan & concurrently Minister, National Development Council, ROC

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director Mark Liu</p>	<p>12,913,114</p>	<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"> ● President, Worldwide Semiconductor Manufacturing Corp. ● Senior Vice President, Advanced Technology Business, TSMC ● Senior Vice President, Operations, TSMC ● Executive Vice President and Co-Chief Operating Officer, TSMC <p>Current Positions :</p> <ul style="list-style-type: none"> ● President and Co-Chief Executive Officer, TSMC

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Director C.C. Wei</p>	<p>7,179,207</p>	<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"> ● Senior Vice President, Chartered Semiconductor Manufacturing Ltd. ● Senior Vice President, Mainstream Technology Business, TSMC ● Senior Vice President, Business Development, TSMC ● Executive Vice President and Co-Chief Operating Officer, TSMC <p>Current Positions :</p> <ul style="list-style-type: none"> ● President and Co-Chief Executive Officer, TSMC ● Chairman, TSMC Nanjing Company Ltd. (a privately held company) ● Chairman, Taiwan Semiconductor Industry Association (TSIA) ● Director, TSMC Charity Foundation

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Sir Peter L. Bonfield</p>	<p>-</p>	<ul style="list-style-type: none"> ● Bachelor Degree in Engineering, Loughborough University ● Honours Degree in Engineering, Loughborough University ● Fellow of The Royal Academy of Engineering ● Chair of Council and Senior Pro-Chancellor, Loughborough University ● Knighted, 1996 ● Awarded Commander of the Order of the British Empire (CBE), 1989 ● Awarded the Order of the Lion of Finland ● Awarded the Gold Medal from the Institute of Management ● Awarded the Mountbatten Medal from the National Electronics Council 	<p>Major Past Positions :</p> <ul style="list-style-type: none"> ● Chairman and CEO, ICL Plc ● CEO and Chairman of the Executive Committee, British Telecommunications Plc ● Vice President, the British Quality Foundation ● Director of: <ul style="list-style-type: none"> -Sony Corp., Japan -Mentor Graphics Corp., USA -Ericsson, Sweden ● Non-Executive Director of: <ul style="list-style-type: none"> -Dubai International Capital LLC -Actis Capital LLP, London ● Member of the Citigroup International Advisory Board ● Advisor to Apax Partners LLP, London ● Senior Advisor to Rothschild, London <p>Current Positions :</p> <ul style="list-style-type: none"> ● Chairman of: <ul style="list-style-type: none"> -NXP Semiconductors N.V., The Netherlands -GlobalLogic Inc., USA (a privately held company)

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
			<ul style="list-style-type: none"> ● Member of the Longreach Group Advisory Board, HK ● Board Mentor, CMI, UK ● Senior Advisor to: <ul style="list-style-type: none"> -Alix Partners, London -Hampton Group, London
<p>Rationale for Nomination:</p> <p>Sir Peter L. Bonfield has a wealth of experience in international information technology business. The Company needs his insights to guide TSMC’s future direction. The Board believes he continues to possess the requisite independence of judgment and action, and has not formed such associations with management (or others) as may compromise his ability to exercise impartial judgment or act without bias in the best interests of the Company.</p>			

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Stan Shih</p>	<p>1,480,286</p>	<ul style="list-style-type: none"> ● BSEE, National Chiao Tung University, 1968 ● MSEE, National Chiao Tung University, 1971 ● Honorary EE Ph.D., National Chiao Tung University, 1992 ● Honorary Doctor of Technology, The Hong Kong Polytechnic University, 1997 ● Honorary Fellowship, University of Wales, Cardiff, UK, 1998 ● Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, USA, 2000 	<p>Major Past Positions :</p> <ul style="list-style-type: none"> ● Co-Founder, Chairman Emeritus, Acer Group ● Chairman and Chief Executive Officer, Acer Group, 1976 ~ 2004 ● Director, Qisda Corp. ● Chairman, National Culture and Arts Foundation, ROC <p>Current Positions :</p> <ul style="list-style-type: none"> ● Director & Honorary Chairman, Acer Inc. ● Director of: <ul style="list-style-type: none"> -Wistron Corp. -Nan Shan Life Insurance Co., Ltd. -Egis Technology Inc. -Digitimes Inc. (a privately held company) -Chinese Television System Inc. ● Director, Public Television Service Foundation, ROC ● Council member of Asian Corporate Governance Associate (ACGA) ● Chairman, Stan Shih Foundation

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Rationale for Nomination: Mr. Stan Shih has a wealth of experience in international information technology business. The Company needs his insights to guide TSMC's future direction. The Board believes he continues to possess the requisite independence of judgment and action, and has not formed such associations with management (or others) as may compromise his ability to exercise impartial judgment or act without bias in the best interests of the Company.</p>			

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Thomas J. Engibous</p>	<p>-</p>	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, Purdue University, 1975 ● Master Degree in Electrical Engineering, Purdue University, 1976 ● Honorary Doctorate in Engineering, Purdue University ● Member of National Academy of Engineering ● Honorary Director of Catalyst ● Member of Texas Business Hall of Fame ● Woodrow Wilson Award 	<p>Major Past Positions :</p> <ul style="list-style-type: none"> ● Executive Vice President and President of the Semiconductor Group, Texas Instruments Inc., 1993 ~ 1996 ● President and CEO, Texas Instruments Inc., 1996 ~ 2004 ● Chairman of the Board, Texas Instruments Inc., 1998 ~ 2008 ● Chairman of the Board of Catalyst ● Chairman of the Board, J. C. Penney Company, Inc., USA ● Lead Director, J. C. Penney Company, Inc., USA <p>Current Positions :</p> <ul style="list-style-type: none"> ● Honorary Trustee, Southwestern Medical Foundation
<p>Rationale for Nomination: Mr. Thomas J. Engibous has a wealth of experience in international information technology business. The Company needs his insights to guide TSMC's future direction. The Board believes he continues to possess the requisite independence of judgment and action, and has not formed such associations with management (or others) as may compromise his ability to exercise impartial judgment or act without bias in the best interests of the Company.</p>			

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
Independent Director Kok-Choo Chen	-	<ul style="list-style-type: none"> ● Inns of Court School of Law, England ● Barrister-at-law, England ● Advocate & Solicitor, Singapore ● Attorney-at-law, California, USA 	Professional Experience: <ul style="list-style-type: none"> ● Lawyer, Tan, Rajah & Cheah, Singapore, 1969 ~ 1970 ● Lawyer, Sullivan & Cromwell, New York, USA, 1971 ~ 1974 ● Lawyer, Heller, Erhman, White & McAuliffe, San Francisco, California, USA, 1974 ~ 1975 ● Partner, Ding & Ding Law Offices, Taiwan, 1975 ~ 1988 ● Partner, Chen & Associates Law Offices, Taiwan, 1988 ~ 1992 ● Vice-President, Echo Publishing, Taiwan, 1992 ~ 1995 ● President, National Culture & Arts Foundation, ROC, 1995 ~ 1997 ● Senior Vice-President & General Counsel, TSMC, 1997 ~ 2001 ● Founder and Executive Director, Taipei Story House, 2003 ~ 2015 ● Advisor, Executive Yuan, ROC, 2009 ~ 2016 ● Director, National Culture and Arts Foundation, ROC, 2011 ~ 2016

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
			<ul style="list-style-type: none"> ● Chairman, National Performing Arts Center, ROC, 2014 ~ Jan. 2017 Academic Experience: ● Lecturer, Nanyang University, Singapore, 1970 ~ 1971 ● Associate Professor, Soochow University, 1981 ~ 1998 ● Chair Professor, National Tsing Hua University, 1999 ~ 2002 ● Professor, National Chengchi University, 2001 ~ 2004 ● Professor, Soochow University, 2001 ~ 2008 Current Positions : ● Founder and Executive Director, Museum207 (located in Taipei) ● Director, Republic of China Female Cancer Foundation

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Rationale for Nomination:</p> <p>Ms. KoK-Choo Chen has a wealth of experience in international legal and business matters in both the public & private industries as well as cultural & charitable initiatives. The Company needs her insights to guide TSMC's future direction. The Board believes she continues to possess the requisite independence of judgment and action, and has not formed such associations with management (or others) as may compromise her ability to exercise impartial judgment or act without bias in the best interests of the Company.</p>			

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
<p>Independent Director Michael R. Splinter</p>	<p>-</p>	<ul style="list-style-type: none"> ● Bachelor Degree in Electrical Engineering, University of Wisconsin Madison, 1972 ● Master Degree in Electrical Engineering, University of Wisconsin Madison, 1974 ● Honorary Ph.D. in Engineering, University of Wisconsin Madison ● Awarded 2013 Robert N. Noyce Award by Semiconductor Industry Association 	<p>Major Past Positions :</p> <ul style="list-style-type: none"> ● Executive Vice President of Technology and Manufacturing group, Intel Corp., 1996 ~ 2001 ● Executive Vice President of Sales and Marketing, Intel Corp., 2001 ~ 2003 ● CEO, Applied Materials, Inc., 2003 ~ 2012 ● Chairman, Applied Materials, Inc., 2009 ~ June 2015 ● Director, The NASDAQ OMX Group, Inc. ● Director, Silicon Valley Leadership Group (non profit) ● Director, Semiconductor Equipment and Materials International (SEMI) (non profit) <p>Current Positions :</p> <ul style="list-style-type: none"> ● Chairman of the Board, NASDAQ, Inc. ● Director of: <ul style="list-style-type: none"> -Pica8, Inc., USA (a privately held company)

Title / Name	Shareholdings (shares)	Education & Professional Qualifications	Major Past Positions & Current Positions
			<p>-Meyer Burger Technology Ltd., Switzerland</p> <ul style="list-style-type: none"> ● General Partner, WISC Partners LP ● Director, University of Wisconsin Foundation (non profit)

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)
4. Selling recycled and processed chemical, metal, and plastic materials and products derived from the Corporation's manufacturing activities.
(C801990 Other Chemical Materials Manufacturing)
(C802990 Other Chemical Products Manufacturing)
(CA02990 Other Fabricated Metal Products Manufacturing)
(C805990 Other Plastic Products Manufacturing)

Article 3

The Corporation shall have its head office in Hsinchu Science Park, 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. 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.

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 Company Law. The nomination of directors and related announcement shall comply with the relevant regulations of the Company Law and the 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 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 Company Law, the 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.

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, 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, the twenty-second Amendment on June 7, 2016, and the twenty-third Amendment on June 8, 2017.

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.

Appendix IV

Taiwan Semiconductor Manufacturing Company Limited

Shareholdings of All Directors

Record Date : April 7, 2018

Title	Name	Current Shareholding (Shares)
Chairman	Morris Chang	125,137,914
Vice Chairman	F.C. Tseng	34,472,675
Director	Mei-ling Chen (Representative of National Development Fund, Executive Yuan)	1,653,709,980
Director	Mark Liu	12,913,114
Director	C.C. Wei	7,179,207
Independent Director	Sir Peter L. Bonfield	-
Independent Director	Stan Shih	1,480,286
Independent Director	Thomas J. Engibous	-
Independent Director	Kok-Choo Chen	-
Independent Director	Michael R. Splinter	-
Total		1,834,893,176

Note 1: Total shares issued as of 4/7/2018: 25,930,380,458 common shares.

Note 2: Under the relevant regulations of the ROC, TSMC's Directors are required to hold in the aggregate not less than 207,443,043 shares. As of 4/7/2018, TSMC's Directors (not including Independent Directors) together held 1,833,412,890 shares.

Note 3: As TSMC has established the audit committee, the minimum shareholding requirements for supervisors do not apply.