

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD  
Form 6-K  
May 17, 2016

1934 Act Registration No. 1-14700

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

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

**For the month of May 2016**

**Taiwan Semiconductor Manufacturing Company Ltd.**

**(Translation of Registrant's Name Into English)**

**No. 8, Li-Hsin Rd. 6,**

**Hsinchu Science Park,**

**Taiwan**

**(Address of Principal Executive Offices)**

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

Form 20-F       Form 40-F

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

Yes       No

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

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing Company Ltd.

Date: May 17, 2016

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

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2016 and 2015 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the Company) as of March 31, 2016 and 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

May 10, 2016

### Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 617,984,318	36	\$ 562,688,930	34	\$ 437,412,411	28
Financial assets at fair value through profit or loss (Note 7)	618,810		6,026		297,698	
Available-for-sale financial assets (Note 8)	22,232,905	1	14,299,361	1	68,204,390	5
Held-to-maturity financial assets (Note 9)	7,561,182	1	9,166,523	1	13,060,038	1
Hedging derivative financial assets (Note 10)			1,739			
Notes and accounts receivable, net (Note 11)	96,273,270	6	85,059,675	5	98,529,745	6
Receivables from related parties (Note 32)	683,818		505,722		592,021	
Other receivables from related parties (Note 32)	141,009		125,018		162,908	
Inventories (Notes 12 and 36)	57,242,320	3	67,052,270	4	64,599,666	4
Other financial assets (Notes 4, 33 and 36)	7,057,944		4,305,358		3,946,604	
Other current assets (Note 17)	2,695,531		3,533,369		3,688,211	
Total current assets	812,491,107	47	746,743,991	45	690,493,692	44
<b>NONCURRENT ASSETS</b>						
Held-to-maturity financial assets (Note 9)	17,525,301	1	6,910,873			
Financial assets carried at cost (Note 13)	4,093,568		3,990,882		1,817,677	
Investments accounted for using equity method (Note 14)	24,715,683	1	24,091,828	2	30,363,144	2
Property, plant and equipment (Note 15)	844,305,450	49	853,470,392	52	813,219,884	52
Intangible assets (Note 16)	13,989,513	1	14,065,880	1	13,138,963	1

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Deferred income tax assets (Note 4)	7,561,741	1	6,384,974	6,246,031	1
Refundable deposits	443,337		430,802	442,633	
Other noncurrent assets (Note 17)	1,399,936		1,428,676	1,173,031	
Total noncurrent assets	914,034,529	53	910,774,307	866,401,363	56
<b>TOTAL</b>	<b>\$ 1,726,525,636</b>	<b>100</b>	<b>\$ 1,657,518,298</b>	<b>\$ 1,556,895,055</b>	<b>100</b>

**LIABILITIES AND EQUITY**

<b>CURRENT LIABILITIES</b>						
Short-term loans (Note 18)	\$ 34,690,040	2	\$ 39,474,000	2	\$ 18,683,595	1
Financial liabilities at fair value through profit or loss (Note 7)	16		72,610		64,929	
Hedging derivative financial liabilities (Note 10)	458				11,627,838	1
Accounts payable	18,513,952	1	18,575,286	1	18,595,310	1
Payables to related parties (Note 32)	1,115,073		1,149,988		1,609,613	
Salary and bonus payable	8,580,300	1	11,702,042	1	8,032,667	1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 22 and 28)	25,395,073	1	20,958,893	1	23,436,465	1
Payables to contractors and equipment suppliers	33,953,061	2	26,012,192	2	27,372,814	2
Income tax payable (Note 4)	41,474,426	2	32,901,106	2	38,954,401	2
Provisions (Note 19)	10,090,163	1	10,163,536	1	8,130,817	1
Long-term liabilities - current portion (Note 20)	33,272,901	2	23,517,612	1		
Accrued expenses and other current liabilities (Note 21)	28,807,760	2	27,701,329	2	31,056,696	2
Total current liabilities	235,893,223	14	212,228,594	13	187,565,145	12
<b>NONCURRENT LIABILITIES</b>						
Bonds payable (Note 20)	181,151,058	11	191,965,082	12	213,208,771	14
Long-term bank loans	30,000		32,500		40,000	
Deferred income tax liabilities (Note 4)	13,831		31,271		159,538	
Obligations under finance leases					799,612	
Net defined benefit liability (Note 4)	7,437,455		7,448,026		6,553,652	
Guarantee deposits (Note 21)	19,492,280	1	21,564,801	1	23,715,049	2
Others (Note 19)	1,561,713		1,613,545		937,535	
Total noncurrent liabilities	209,686,337	12	222,655,225	13	245,414,157	16
Total liabilities	445,579,560	26	434,883,819	26	432,979,302	28

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 22)	259,303,805	15	259,303,805	16	259,303,020	17
Capital surplus (Note 22)	56,317,375	3	56,300,215	3	56,274,436	4
Retained earnings (Note 22)						
Appropriated as legal capital reserve	177,640,561	11	177,640,561	11	151,250,682	10
Unappropriated earnings	781,434,518	45	716,653,025	43	632,904,503	40
	959,075,079	56	894,293,586	54	784,155,185	50
Others (Note 22)	5,276,848		11,774,113	1	24,110,858	1
Equity attributable to shareholders of the parent						
	1,279,973,107	74	1,221,671,719	74	1,123,843,499	72
NONCONTROLLING INTERESTS						
	972,969		962,760		72,254	
Total equity						
	1,280,946,076	74	1,222,634,479	74	1,123,915,753	72
TOTAL						
	\$ 1,726,525,636	100	\$ 1,657,518,298	100	\$ 1,556,895,055	100

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



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

	<b>Three Months Ended March 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
NET REVENUE (Notes 24, 32 and 38)	\$ 203,495,361	100	\$ 222,034,144	100
COST OF REVENUE (Notes 12, 28, 32 and 36)	112,124,894	55	112,585,333	51
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	91,370,467	45	109,448,811	49
UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	(32,889)		(19,547)	
GROSS PROFIT	91,337,578	45	109,429,264	49
OPERATING EXPENSES (Notes 28 and 32)				
Research and development	15,618,963	7	16,781,463	7
General and administrative	3,844,935	2	4,366,053	2
Marketing	1,415,099	1	1,390,996	1
Total operating expenses	20,878,997	10	22,538,512	10
OTHER OPERATING INCOME AND EXPENSES, NET (Note 28)	8,733		(264,629)	
INCOME FROM OPERATIONS (Note 38)	70,467,314	35	86,626,123	39
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates and joint venture	840,895		1,134,649	1
Other income	1,332,589	1	881,782	
Foreign exchange gain (loss), net (Note 37)	(1,093,618)	(1)	48,183	
Finance costs	(850,580)		(793,942)	
Other gains and losses (Note 25)	1,559,299	1	362,185	
Total non-operating income and expenses	1,788,585	1	1,632,857	1

INCOME BEFORE INCOME TAX	72,255,899	36	88,258,980	40
INCOME TAX EXPENSE (Notes 4 and 26)	7,463,302	4	9,275,072	4
NET INCOME	64,792,597	32	78,983,908	36

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 26)</b>				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	\$ (6,593,053)	(3)	\$ (2,279,138)	(1)
Changes in fair value of available-for-sale financial assets	51,294		(204,815)	
Share of other comprehensive income of associates and joint venture	26,157		843,163	
Income tax benefit (expense) related to items that may be reclassified subsequently	17,440		(4,793)	
Other comprehensive loss for the period, net of income tax	(6,498,162)	(3)	(1,645,583)	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$ 58,294,435</b>	<b>29</b>	<b>\$ 77,338,325</b>	<b>35</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 64,781,493	32	\$ 78,989,911	36
Noncontrolling interests	11,104		(6,003)	
	\$ 64,792,597	32	\$ 78,983,908	36
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 58,284,228	29	\$ 77,351,478	35
Noncontrolling interests	10,207		(13,153)	
	\$ 58,294,435	29	\$ 77,338,325	35
	<b>2016</b>		<b>2015</b>	
	<b>Income Attributable to</b>		<b>Income Attributable to</b>	
	<b>Shareholders of</b>		<b>Shareholders of</b>	

	<b>the Parent</b>		<b>the Parent</b>	
<b>EARNINGS PER SHARE (NT\$, Note 27)</b>				
Basic earnings per share	\$	2.50	\$	3.05
Diluted earnings per share	\$	2.50	\$	3.05

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Equity Attributable to Shareholders of the Parent				Others					
Capital Surplus	Legal Capital Reserve	Retained Earnings		Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total		
		Unappropriated Earnings	Total						
05	\$ 56,300,215	\$ 177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$ 11,774,113	\$ 1,2
			64,781,493	64,781,493					
					(6,587,294)	89,938	91	(6,497,265)	
			64,781,493	64,781,493	(6,587,294)	89,938	91	(6,497,265)	
	17,160								

05 \$ 56,317,375 \$ 177,640,561 \$ 781,434,518 \$ 959,075,079 \$ 4,452,655 \$ 824,709 \$ (516) \$ 5,276,848 \$ 1,2

24 \$ 55,989,922 \$ 151,250,682 \$ 553,914,592 \$ 705,165,274 \$ 4,502,113 \$ 21,247,483 \$ (305) \$ 25,749,291 \$ 1,0

78,989,911 78,989,911

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78,989,911 78,989,911 (2,258,112) 619,879 (200) (1,638,433)

06 23,793

261,752

(1,031)

20 \$ 56,274,436 \$ 151,250,682 \$ 632,904,503 \$ 784,155,185 \$ 2,244,001 \$ 21,867,362 \$ (505) \$ 24,110,858 \$ 1,1

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 72,255,899	\$ 88,258,980
Adjustments for:		
Depreciation expense	54,950,729	54,706,227
Amortization expense	896,332	771,769
Finance costs	850,580	793,942
Share of profits of associates and joint venture	(840,895)	(1,134,649)
Interest income	(1,332,589)	(881,782)
Loss (gain) on disposal of property, plant and equipment, net	(8,235)	4,081
Loss (gain) on disposal of available-for-sale financial assets, net	10,829	(2,961)
Gain on disposal of financial assets carried at cost, net	(14,381)	(42,243)
Unrealized gross profit on sales to associates	32,889	19,547
Gain on foreign exchange, net	(1,293,976)	(1,054,551)
Loss (gain) from hedging instruments	11,870	(4,592,076)
Loss (gain) arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(10,625)	4,602,284
Changes in operating assets and liabilities:		
Derivative financial instruments	(685,378)	(526,938)
Notes and accounts receivable, net	(12,473,495)	16,205,075
Receivables from related parties	(178,096)	(279,066)
Other receivables from related parties	(15,991)	15,717
Inventories	9,809,950	1,738,305
Other financial assets	(3,129,147)	(425,720)
Other current assets	837,838	(32,060)
Accounts payable	3,728	(2,573,738)
Payables to related parties	(7,283)	118,123
Salary and bonus payable	(3,121,742)	(2,541,255)
Accrued profit sharing bonus to employees and compensation to directors and supervisors	4,436,180	5,383,645
Accrued expenses and other current liabilities	760,672	(82,857)
Provisions	(64,147)	(2,314,512)
Net defined benefit liability	(10,571)	(14,130)
Cash generated from operations	121,670,945	156,119,157
Income taxes paid	(142,092)	(118,496)



Net cash generated by operating activities	121,528,853	156,000,661
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CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of:

Available-for-sale financial assets	(11,171,713)	
Held-to-maturity financial assets	(12,439,373)	(9,372,767)
Financial assets carried at cost	(187,378)	(31,533)

(Continued)

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

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Property, plant and equipment	\$ (38,141,373)	\$ (48,875,682)
Intangible assets	(1,003,705)	(1,151,372)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	2,943,420	36,021
Held-to-maturity financial assets	3,000,000	800,000
Financial assets carried at cost	14,381	9,125
Property, plant and equipment	12,470	30,161
Derecognition of hedging derivative financial instrument	(9,647)	
Interest received	1,541,119	874,723
Net cash inflow from disposal of subsidiary (Note 30)		601,047
Refundable deposits paid	(55,609)	(189,442)
Refundable deposits refunded	47,608	101,714
Decrease in receivables for temporary payments	102,433	
 Net cash used in investing activities	 (55,347,367)	 (57,168,005)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(4,114,866)	(17,341,135)
Interest paid	(689,803)	(861,616)
Guarantee deposits received	200,080	176,072
Guarantee deposits refunded	(202,243)	(174,920)
Proceeds from exercise of employee stock options		30,189
Decrease in noncontrolling interests		(179)
 Net cash used in financing activities	 (4,806,832)	 (18,171,589)
 <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	 (6,079,266)	 (1,779,163)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 55,295,388	 78,881,904
<b>CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE, BEGINNING OF PERIOD</b>		81,478

CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET, BEGINNING OF PERIOD	562,688,930	358,449,029
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 617,984,318	\$ 437,412,411

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015**

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

**(Reviewed, Not Audited)**

**1. GENERAL**

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

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

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities and operating segments information of TSMC and its subsidiaries (collectively as the Company) are described in Notes 4 and 38.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were reported to the Board of Directors and issued on May 10, 2016.

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

The Company has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards, and Interpretations of IASs (collectively, IFRSs) issued by the International Accounting Standards Board (IASB) but not endorsed by the Financial Supervisory Commission (FSC). On March 10, 2016, the FSC preannounced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and those with undetermined effective dates. In addition, the FSC announced that an entity should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were issued, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note 2)
IFRS 9 Financial Instruments	January 1, 2018

(Continued)

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014

(Concluded)

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

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

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

a. IFRS 9, Financial Instruments

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

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

- 1) If the objective of the Company's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

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

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

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

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

b. IFRS 15, Revenue from Contracts with Customers and related amendment

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

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

Identify the contract with the customer;

Identify the performance obligations in the contract;

Determine the transaction price;



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

Recognize revenue when the entity satisfies a performance obligation.

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

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c. IFRS 16, Leases

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

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

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

d. Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 clarify that the Company is only required to disclose the recoverable amount in the period of impairment accrual or reversal. Moreover, if the recoverable amount of impaired assets is based on fair value less costs of disposal, the Company should also disclose the discount rate used. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

#### **Statement of Compliance**

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

**Basis of Consolidation**The basis for the consolidated financial statements

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

The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				March 31, 2016	December 31, 2015	March 31, 2015	
TSMC	TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
	TSMC Japan Limited (TSMC Japan)	Marketing activities	Yokohama, Japan	100%	100%	100%	a)
	TSMC Partners, Ltd. (TSMC Partners)	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	Tortola, British Virgin Islands	100%	100%	100%	a)
	TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	100%	100%	100%	a)
	TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)
	TSMC Global, Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	100%	
	TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by	Shanghai, China	100%	100%	100%	

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	customers						
	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
	VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)
	Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands	99.5%	99.5%	99.5%	a), b)
	TSMC Solar Ltd. (TSMC Solar)	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	Tai-Chung, Taiwan			99%	c)
	TSMC Guang Neng Investment, Ltd. (TSMC GN)	Investment activities	Taipei, Taiwan			100%	c)
	TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%		a), c), d)
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	Investment activities	Taipei, Taiwan	100%	100%		e), f)
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	100%	a)
	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.	100%	100%	100%	a)
	TSMC Development, Inc. (TSMC Development)	Investment activities	Delaware, U.S.A.	100%	100%	100%	
	InveStar Semiconductor Development	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a)

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	Fund, Inc. (ISDF)						
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a)
	VisEra Holding Company (VisEra Holding)	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	98%	98%	49%	a), e)
TSMC Development	WaferTech, LLC (WaferTech)	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	Washington, U.S.A.	100%	100%	100%	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	Manufacturing of electronic parts, wholesaling and retailing of electronic materials, and researching, developing and testing of RFID	New Taipei, Taiwan	58%	58%	58%	
	Growth Fund Limited (Growth Fund)	Investing in new start-up technology companies	Cayman Islands	100%	100%	100%	a)
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	Investing in new start-up technology companies	Delaware, U.S.A.	100%	100%	100%	a)
TSMC Solar	TSMC Solar North America, Inc. (TSMC Solar NA)	Selling and marketing of solar related products	Delaware, U.S.A.			100%	a), c)
	TSMC Solar Europe B.V. (TSMC Solar Europe)	Investing in solar related business	Amsterdam, the Netherlands			100%	a), d)

(Continued)



Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				March 31, 2016	December 31, 2015	March 31, 2015	
TSMC Solar Europe	TSMC Solar Europe GmbH	Selling of solar modules and related products and providing customer service	Hamburg, Germany			100%	a), c), d)
VisEra Holding	VisEra Technologies Company Ltd. (VisEra Tech)	Engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter	Hsin-Chu, Taiwan	87%	87%	87%	e)

(Concluded)

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

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

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

Note d: To simplify overseas investments structure, in the second quarter of 2014, the Board of Directors of TSMC Solar approved to file for the liquidation of TSMC Solar Europe. The liquidation procedure was completed in the second quarter of 2015 and TSMC Solar Europe GmbH, the 100% owned subsidiary of TSMC Solar Europe, was held directly by TSMC Solar.

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

Holding, since November 20, 2015. Please refer to Note 29.

Note f: OVT Taiwan that originally acquired by the Company was renamed as Chi Cherng in December 2015. Under an investment agreement entered into with the municipal government of Nanjing, China on March 28, 2016, the Company will make an investment in Nanjing in the amount of approximately US\$3 billion to establish a wholly-owned subsidiary managing a 300mm wafer fab and design service center.

### **Retirement Benefits**

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

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

### **Insurance Claim**

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

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

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



**6. CASH AND CASH EQUIVALENTS**

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Cash and deposits in banks	\$ 610,578,696	\$ 557,270,910	\$ 432,069,913
Repurchase agreements collateralized by corporate bonds	7,005,622	5,132,778	3,629,594
Repurchase agreements collateralized by government bonds	400,000	285,242	264,590
Repurchase agreements collateralized by short-term commercial paper			448,784
Commercial paper			999,530
	\$ 617,984,318	\$ 562,688,930	\$ 437,412,411

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

**7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b><u>Derivative financial assets</u></b>			
Forward exchange contracts	\$ 618,810	\$ 6,026	\$ 297,698
<b><u>Derivative financial liabilities</u></b>			
Forward exchange contracts	\$ 16	\$ 72,610	\$ 64,601
Cross currency swap contracts			328
	\$ 16	\$ 72,610	\$ 64,929

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

Outstanding forward exchange contracts consisted of the following:

**Contract Amount**

	<b>Maturity Date</b>	<b>(In Thousands)</b>
<u>March 31, 2016</u>		
Sell US\$/Buy JPY	April 2016	US\$500/JPY56,125
Sell US\$/Buy RMB	April 2016	US\$193,000/RMB1,255,743
Sell US\$/Buy NT\$	April 2016 to May 2016	US\$1,092,000/NT\$35,729,464
<u>December 31, 2015</u>		
Sell US\$/Buy JPY	January 2016	US\$128,418/JPY15,449,355
Sell US\$/Buy RMB	January 2016	US\$226,000/RMB1,464,472
Sell US\$/Buy NT\$	January 2016 to February 2016	US\$440,000/NT\$14,434,179

(Continued)

	Maturity Date	Contract Amount (In Thousands)
<u>March 31, 2015</u>		
Sell EUR/Buy US\$	April 2015	EUR5,420/US\$5,794
Sell NT\$/Buy US\$	June 2015	NT\$1,777,048/US\$56,000
Sell US\$/Buy EUR	April 2015	US\$20,640/EUR19,000
Sell US\$/Buy JPY	April 2015	US\$2,000/JPY240,130
Sell US\$/Buy NT\$	April 2015 to June 2015	US\$1,965,000/NT\$61,740,851
Sell US\$/Buy RMB	April 2015	US\$177,000/RMB1,103,996
		(Concluded)

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>March 31, 2015</u>			
April 2015	NT\$2,758,469/US\$88,130		0.02%

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Corporate bonds	\$ 9,343,220	\$ 6,267,768	\$
Corporate issued asset-backed securities	5,618,046	3,154,366	
Agency bonds	5,507,441	2,627,367	
Publicly traded stocks	1,255,493	1,371,483	68,204,002
Government bonds	508,705	878,377	
Money market funds			388
	\$ 22,232,905	\$ 14,299,361	\$ 68,204,390

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

March 31,	December 31, 2015	March 31, 2015
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**2016**

Corporate bonds/Bank debentures	\$ 16,860,145	\$ 8,143,146	\$
Negotiable certificate of deposit	4,827,000	4,934,250	
Structured product	3,000,000	3,000,000	
Commercial paper	399,338		13,060,038
	\$ 25,086,483	\$ 16,077,396	\$ 13,060,038
Current portion	\$ 7,561,182	\$ 9,166,523	\$ 13,060,038
Noncurrent portion	17,525,301	6,910,873	
	\$ 25,086,483	\$ 16,077,396	\$ 13,060,038

**10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
<u>Financial assets - current</u>			
Fair value hedges			
Interest rate futures contracts	\$	\$ 1,739	\$
<u>Financial liabilities - current</u>			
Fair value hedges			
Interest rate futures contracts	\$ 458	\$	\$
Stock forward contracts			11,627,838
	\$ 458	\$	\$ 11,627,838

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

The outstanding interest rate futures contracts consisted of the following:

<b>Maturity Period</b>	<b>Contract Amount</b>
	<b>(US\$ in Thousands)</b>
<u>March 31, 2016</u>	
June 2016	US\$ 8,000
<u>December 31, 2015</u>	
March 2016	US\$ 13,800

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

The outstanding stock forward contracts consisted of the following:

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Contract amount (US\$ in thousands)	\$	\$	\$ 55,611,164



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

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Notes and accounts receivable	\$ 96,761,458	\$ 85,547,926	\$ 99,016,398
Allowance for doubtful receivables	(488,188)	(488,251)	(486,653)
Notes and accounts receivable, net	\$ 96,273,270	\$ 85,059,675	\$ 98,529,745

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

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

Aging analysis of notes and accounts receivable, net

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Neither past due nor impaired	\$ 83,871,066	\$ 71,482,666	\$ 89,431,546
Past due but not impaired			
Past due within 30 days	10,181,534	13,577,009	8,299,658
Past due 31-60 days	1,815,102		798,541
Past due 61-120 days	405,568		
	\$ 96,273,270	\$ 85,059,675	\$ 98,529,745

Movements of the allowance for doubtful receivables

	<b>Individually</b>	<b>Collectively</b>	<b>Total</b>
	<b>Assessed for</b>	<b>Assessed for</b>	
	<b>Impairment</b>	<b>Impairment</b>	
Balance at January 1, 2016	\$ 10,241	\$ 478,010	\$ 488,251
Effect of exchange rate changes		(63)	(63)

Balance at March 31, 2016	\$	10,241	\$	477,947	\$	488,188
Balance at January 1, 2015	\$	8,093	\$	478,637	\$	486,730
Provision				290		290
Reversal		(81)		(209)		(290)
Effect of exchange rate changes				(77)		(77)
Balance at March 31, 2015	\$	8,012	\$	478,641	\$	486,653



Aging analysis of accounts receivable that is individually determined as impaired

	March 31, 2016	December 31, 2015	March 31, 2015
Past due over 121 days	\$ 10,058	\$ 10,241	\$ 8,012

**12. INVENTORIES**

	March 31, 2016	December 31, 2015	March 31, 2015
Finished goods	\$ 5,812,241	\$ 7,974,902	\$ 10,960,937
Work in process	46,429,187	53,632,056	47,725,273
Raw materials	2,716,815	3,038,756	3,742,818
Supplies and spare parts	2,284,077	2,406,556	2,170,638
	\$ 57,242,320	\$ 67,052,270	\$ 64,599,666

Reversal of the reserve for inventory write-downs resulting from the increase in net realizable value in the amount of NT\$544,672 thousand (excluding earthquake losses) and write-down of inventories to net realizable value in the amount of NT\$1,769,358 thousand, respectively, were included in the cost of revenue for the three months ended March 31, 2016 and 2015. Please refer to related earthquake losses in Note 36.

**13. FINANCIAL ASSETS CARRIED AT COST**

	March 31, 2016	December 31, 2015	March 31, 2015
Non-publicly traded stocks	\$ 3,204,088	\$ 3,268,100	\$ 1,593,978
Mutual funds	889,480	722,782	223,699
	\$ 4,093,568	\$ 3,990,882	\$ 1,817,677

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

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

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

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

	<b>March 31, 2016</b>	<b>December 31, 2015</b>	<b>March 31, 2015</b>
Associates	\$ 24,715,683	\$ 24,091,828	\$ 26,209,636
Joint venture			4,153,508
	\$ 24,715,683	\$ 24,091,828	\$ 30,363,144

a. Investments in associates  
Associates consisted of the following:

Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
			March 31, 2016	December 31, 2015	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015
on	Fabrication and supply of integrated circuits	Singapore	\$ 9,649,635	\$ 9,511,515	\$ 8,919,391	39%	39%	39%
l.	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	Hsinchu, Taiwan	8,846,336	8,446,054	10,560,974	28%	28%	33%
)	Wafer level chip size packaging service	Taoyuan, Taiwan	2,896,364	2,928,362	2,360,234	41%	41%	35%
s,	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	New Taipei, Taiwan	2,148,431	2,053,562	3,247,436	12%	12%	20%
C)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,174,917	1,152,335	1,121,601	35%	35%	35%

\$ 24,715,683    \$ 24,091,828    \$ 26,209,636

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

In June 2015, Motech merged with Topcell Solar International Co., Ltd with exchange of shares. As a result, the Company's percentage of ownership over Motech decreased to 18.0%. In the fourth quarter of 2015, the Company sold 29,160 thousand common shares of Motech and recognized a disposal gain of NT\$202,384 thousand. After the sale, the Company's percentage of ownership over Motech decreased to 12.0%. Motech continues to be accounted for using equity method as the Company still retains significant influence over Motech.

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

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

Name of Associate	March 31, 2016	December 31, 2015	March 31, 2015
VIS	\$ 23,350,442	\$ 19,868,766	\$ 29,059,090
GUC	\$ 3,926,449	\$ 3,081,399	\$ 3,875,092
Xintec	\$ 3,204,919	\$ 3,605,534	\$ 5,602,050
Motech	\$ 2,128,672	\$ 2,636,054	\$ 3,704,769

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

Name of Joint Venture	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company			
			March 31, 2016	March 31, 2015	March 31, 2016	December 31, 2015	March 31, 2015	
VisEra Holding	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	\$	\$	\$ 4,153,508			49%

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

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Land Buildings	Machinery and Equipment	Office Equipment	Assets under Finance Leases	Equipment under Installation and Construction in Progress	Total
Balance at January 1, 2016	\$ 4,067,391	\$ 296,801,864	\$ 1,893,489,604	\$ 30,700,049	\$ 7,113	\$ 192,111,548	\$ 2,417,177,569
Additions		2,448,970	16,972,797	883,459		25,824,137	46,129,363
Disposals or retirements			(998,529)	(61,741)			(1,060,270)
Reclassification				7,113	(7,113)		
Effect of exchange rate changes	(18,593)	(442,618)	(1,584,024)	(39,858)		(5,747)	(2,090,840)

Balance at								
March 31, 2016	\$ 4,048,798	\$ 298,808,216	\$ 1,907,879,848	\$ 31,489,022	\$	\$ 217,929,938	\$ 2,460,155,822	

Accumulated  
depreciation

Balance at								
January 1, 2016	\$ 506,185	\$ 157,910,155	\$ 1,385,857,655	\$ 19,426,069	\$ 7,113	\$	\$ 1,563,707,177	
Additions	7,557	4,382,978	49,527,167	1,033,027			54,950,729	
Disposals or retirements			(983,846)	(61,680)			(1,045,526)	
Reclassification				7,113	(7,113)			
Effect of exchange rate changes	(11,222)	(341,013)	(1,380,339)	(29,434)			(1,762,008)	

Balance at								
March 31, 2016	\$ 502,520	\$ 161,952,120	\$ 1,433,020,637	\$ 20,375,095	\$	\$	\$ 1,615,850,372	

Carrying amounts at								
January 1, 2016	\$ 3,561,206	\$ 138,891,709	\$ 507,631,949	\$ 11,273,980	\$	\$ 192,111,548	\$ 853,470,392	

Carrying amounts at								
March 31, 2016	\$ 3,546,278	\$ 136,856,096	\$ 474,859,211	\$ 11,113,927	\$	\$ 217,929,938	\$ 844,305,450	

Cost

Balance at								
January 1, 2015	\$ 4,036,785	\$ 269,163,850	\$ 1,754,170,227	\$ 27,960,835	\$ 841,154	\$ 109,334,736	\$ 2,165,507,587	
Additions		3,562,755	22,835,366	978,950		22,555,321	49,932,392	
Disposals or retirements			(462,676)	(305,318)			(767,994)	
Effect of exchange rate changes	(8,244)	(218,806)	(719,097)	(35,173)	(7,820)	(31,166)	(1,020,306)	

Balance at								
March 31, 2015	\$ 4,028,541	\$ 272,507,799	\$ 1,775,823,820	\$ 28,599,294	\$ 833,334	\$ 131,858,891	\$ 2,213,651,679	

Accumulated  
depreciation

Balance at								
January 1, 2015	\$ 459,140	\$ 141,245,913	\$ 1,188,388,402	\$ 16,767,934	\$ 447,397	\$	\$ 1,347,308,786	
Additions	7,191	3,907,238	49,864,675	916,304	10,819		54,706,227	
			(428,452)	(305,300)			(733,752)	

Disposals or retirements							
Effect of exchange rate changes	(4,619)	(155,227)	(656,474)	(29,001)	(4,145)		(849,466)
Balance at March 31, 2015	\$ 461,712	\$ 144,997,924	\$ 1,237,168,151	\$ 17,349,937	\$ 454,071	\$	\$ 1,400,431,795
Carrying amounts at March 31, 2015	\$ 3,566,829	\$ 127,509,875	\$ 538,655,669	\$ 11,249,357	\$ 379,263	\$ 131,858,891	\$ 813,219,884

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

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

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

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

## 16. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
<u>Cost</u>					
Balance at January 1, 2016	\$ 6,104,784	\$ 8,454,304	\$ 19,474,428	\$ 4,879,026	\$ 38,912,542
Additions		454,622	230,629	235,392	920,643
Retirements			(1,800)		(1,800)
Effect of exchange rate changes	(98,616)	2,607	(2,667)	(2,478)	(101,154)
Balance at March 31, 2016	\$ 6,006,168	\$ 8,911,533	\$ 19,700,590	\$ 5,111,940	\$ 39,730,231
<u>Accumulated amortization</u>					
Balance at January 1, 2016	\$	\$ 4,779,388	\$ 16,431,666	\$ 3,635,608	\$ 24,846,662
Additions		314,356	409,156	172,820	896,332
Retirements			(1,800)		(1,800)
Effect of exchange rate changes		2,607	(2,430)	(653)	(476)
Balance at March 31, 2016	\$	\$ 5,096,351	\$ 16,836,592	\$ 3,807,775	\$ 25,740,718
Carrying amounts at January 1, 2016	\$ 6,104,784	\$ 3,674,916	\$ 3,042,762	\$ 1,243,418	\$ 14,065,880
Carrying amounts at March 31, 2016	\$ 6,006,168	\$ 3,815,182	\$ 2,863,998	\$ 1,304,165	\$ 13,989,513



Cost

Balance at January 1, 2015	\$ 5,888,813	\$ 6,350,253	\$ 18,697,098	\$ 4,292,555	\$ 35,228,719
Additions		78,496	199,110	145,880	423,486
Retirements			(42,737)		(42,737)
Effect of exchange rate changes	(43,186)	(6,053)	(1,425)	(1,305)	(51,969)

Balance at March 31, 2015	\$ 5,845,627	\$ 6,422,696	\$ 18,852,046	\$ 4,437,130	\$ 35,557,499
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Accumulated amortization

Balance at January 1, 2015	\$	\$ 3,778,912	\$ 14,861,146	\$ 3,057,151	\$ 21,697,209
Additions		212,239	421,365	138,165	771,769
Retirements			(42,737)		(42,737)
Effect of exchange rate changes		(6,053)	(1,349)	(303)	(7,705)

Balance at March 31, 2015	\$	\$ 3,985,098	\$ 15,238,425	\$ 3,195,013	\$ 22,418,536
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Carrying amounts at March 31, 2015	\$ 5,845,627	\$ 2,437,598	\$ 3,613,621	\$ 1,242,117	\$ 13,138,963
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The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rate of 8.40% in its test of impairment for December 31, 2015 to reflect the relevant specific risk in the cash-generating unit.

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

## 17. OTHER ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Tax receivable	\$ 1,534,342	\$ 2,026,509	\$ 2,069,072
Prepaid expenses	1,151,672	1,457,044	1,598,404
Long-term receivable	365,000	360,000	341,100
Others	1,044,453	1,118,492	852,666
	\$ 4,095,467	\$ 4,962,045	\$ 4,861,242
Current portion	\$ 2,695,531	\$ 3,533,369	\$ 3,688,211
Noncurrent portion	1,399,936	1,428,676	1,173,031
	\$ 4,095,467	\$ 4,962,045	\$ 4,861,242

## 18. SHORT-TERM LOANS

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured loans Amount	\$ 34,690,040	\$ 39,474,000	\$ 18,683,595
Original loan content			
US\$ (in thousands)	\$ 1,078,000	\$ 1,200,000	\$ 595,000
Annual interest rate	0.62%-0.70%	0.50%-0.77%	0.38%-0.47%
Maturity date	Due in April 2016	Due by February 2016	Due in April 2015

**19. PROVISIONS**

	<b>March 31,</b>		<b>December 31,</b>		<b>March 31,</b>
	<b>2016</b>		<b>2015</b>		<b>2015</b>
Sales returns and allowances	\$ 10,090,163		\$ 10,163,536		\$ 8,130,817
Warranties	42,808		46,304		14,853
	<b>\$ 10,132,971</b>		<b>\$ 10,209,840</b>		<b>\$ 8,145,670</b>
Current portion	\$ 10,090,163		\$ 10,163,536		\$ 8,130,817
Noncurrent portion (classified under other noncurrent liabilities)	42,808		46,304		14,853
	<b>\$ 10,132,971</b>		<b>\$ 10,209,840</b>		<b>\$ 8,145,670</b>

	Sales Returns and Allowances	Warranties	Total
<b><u>Three months ended March 31, 2016</u></b>			
Balance, beginning of period	\$ 10,163,536	\$ 46,304	\$ 10,209,840
Provision/Reversal	6,999,654	(2,119)	6,997,535
Payment	(7,060,305)	(1,377)	(7,061,682)
Effect of exchange rate changes	(12,722)		(12,722)
Balance, end of period	\$ 10,090,163	\$ 42,808	\$ 10,132,971
<b><u>Three months ended March 31, 2015</u></b>			
Balance, beginning of period	\$ 10,445,452	\$ 19,828	\$ 10,465,280
Provision/Reversal	1,427,900	(2,984)	1,424,916
Payment	(3,738,087)	(1,340)	(3,739,427)
Effect of exchange rate changes	(4,448)	(651)	(5,099)
Balance, end of period	\$ 8,130,817	\$ 14,853	\$ 8,145,670

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

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

## 20. BONDS PAYABLE

	March 31, 2016	December 31, 2015	March 31, 2015
Domestic unsecured bonds	\$ 166,200,000	\$ 166,200,000	\$ 166,200,000
Overseas unsecured bonds	48,270,000	49,342,500	47,101,500
	214,470,000	215,542,500	213,301,500
Less: Discounts on bonds payable	(56,041)	(67,306)	(92,729)
Less: Current portion	(33,262,901)	(23,510,112)	
	\$ 181,151,058	\$ 191,965,082	\$ 213,208,771

The major terms of overseas unsecured bonds are as follows:

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

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**21. GUARANTEE DEPOSITS**

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Capacity guarantee	\$ 25,744,000	\$ 27,549,563	\$ 29,830,950
Others	185,365	183,051	164,299
	<b>\$ 25,929,365</b>	<b>\$ 27,732,614</b>	<b>\$ 29,995,249</b>
Current portion (classified under accrued expenses and other current liabilities)	\$ 6,437,085	\$ 6,167,813	\$ 6,280,200
Noncurrent portion	19,492,280	21,564,801	23,715,049
	<b>\$ 25,929,365</b>	<b>\$ 27,732,614</b>	<b>\$ 29,995,249</b>

Starting from the second quarter of 2015, some of guarantee deposits were refunded to customers by offsetting related accounts receivable.

**22. EQUITY**

## a. Capital stock

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Authorized shares (in thousands)	28,050,000	28,050,000	28,050,000
Authorized capital	\$ 280,500,000	\$ 280,500,000	\$ 280,500,000
Issued and paid shares (in thousands)	25,930,380	25,930,380	25,930,302
Issued capital	\$ 259,303,805	\$ 259,303,805	\$ 259,303,020

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The authorized shares include 500,000 thousand shares allocated for the exercise of employee stock options.

As of March 31, 2016, 1,072,635 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,363,175 thousand shares (one ADS represents five common shares).

## b. Capital surplus

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Additional paid-in capital	\$ 24,184,939	\$ 24,184,939	\$ 24,077,758
From merger	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847
From share of changes in equities of subsidiaries	100,761	100,761	103,304
From share of changes in equities of associates and joint venture	334,263	317,103	395,962
Donations	55	55	55
	<b>\$ 56,317,375</b>	<b>\$ 56,300,215</b>	<b>\$ 56,274,436</b>

Under the Company Law, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of TSMC's paid-in capital. The capital surplus from share of changes in equities of subsidiaries may be used to offset a deficit.

c. Retained earnings and dividend policy

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

- 1) Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- 2) Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 3) Bonus to directors and profit sharing to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

4) Any balance left over shall be allocated according to the resolution of the shareholders' meeting. TSMC's existing Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to TSMC's Articles of Incorporation had been proposed by TSMC's Board of Directors on February 2, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 7, 2016 (expected). For information about the accrual basis of profit sharing bonus to employees and compensation to directors for the three months ended March 31, 2016 and 2015, and the appropriations for the years ended December 31, 2015 and 2014, please refer to employee benefits expense in Note 28.

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



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

The appropriations of 2015 and 2014 earnings have been approved by TSMC's Board of Directors in its meeting held on February 2, 2016 and by TSMC's shareholders in its meeting held on June 9, 2015, respectively. The appropriations and dividends per share were as follows:

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

The appropriations of earnings for 2015 are to be presented for approval in the TSMC's shareholders' meeting to be held on June 7, 2016 (expected).

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

d. Others

Changes in others were as follows:

	Three Months Ended March 31, 2016			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance, beginning of period	\$ 11,039,949	\$ 734,771	\$ (607)	\$ 11,774,113
Exchange differences arising on translation of foreign operations	(6,591,873)			(6,591,873)
Changes in fair value of available-for-sale financial assets		40,182		40,182
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets		10,829		10,829

Share of other comprehensive income of associates and joint venture	4,579	21,487	91	26,157
Income tax effect		17,440		17,440
Balance, end of period	\$ 4,452,655	\$ 824,709	\$ (516)	\$ 5,276,848

	<b>Three Months Ended March 31, 2015</b>			
	<b>Foreign Currency Translation Reserve</b>	<b>Unrealized Gain/Loss from Available-for- sale Financial Assets</b>	<b>Cash Flow Hedges Reserve</b>	<b>Total</b>
Balance, beginning of period	\$ 4,502,113	\$ 21,247,483	\$ (305)	\$ 25,749,291
Exchange differences arising on translation of foreign operations	(2,278,865)			(2,278,865)
Changes in fair value of available-for-sale financial assets		(195,085)		(195,085)
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets		(2,902)		(2,902)
Share of other comprehensive income of associates and joint venture	20,753	822,659	(200)	843,212
Income tax effect		(4,793)		(4,793)
Balance, end of period	\$ 2,244,001	\$ 21,867,362	\$ (505)	\$ 24,110,858

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

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

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

### 23. SHARE-BASED PAYMENT

The Company did not issue employee stock option plans for the three months ended March 31, 2016 and 2015. Information about the TSMC's outstanding employee stock options is described as follows:

	<b>Number of Stock Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2015</u>		
Balance, beginning of period	718	\$ 47.2
Options exercised	(640)	47.2
Balance, end of period	78	47.2
Balance exercisable, end of period	78	47.2

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

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

Information about TSMC's outstanding stock options was as follows:

<b>March 31, 2015</b>	
<b>Range of</b>	<b>Weighted-average</b>
<b>Exercise Price</b>	<b>Remaining</b>
<b>(NT\$)</b>	<b>Contractual Life</b>
<b>(Years)</b>	
\$47.2	0.1

#### 24. NET REVENUE

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Net revenue from sale of goods	\$ 203,383,417	\$ 221,899,524
Net revenue from royalties	111,944	134,620
	<b>\$ 203,495,361</b>	<b>\$ 222,034,144</b>

#### 25. OTHER GAINS AND LOSSES

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Gain (loss) on disposal of financial assets, net		
Available-for-sale financial assets	\$ (10,829)	\$ 2,961
Financial assets carried at cost	14,381	42,243
Other gains	37,428	16,169
Net gain on financial instruments at FVTPL		
Held for trading	1,532,135	317,555
Fair value hedges		
Gain (loss) from hedging instruments	(11,870)	4,592,076

Gain (loss) arising from changes in fair value of available-for-sale financial assets in hedge effective portion	10,625	(4,602,284)
Other losses	(12,571)	(6,535)
	\$ 1,559,299	\$ 362,185

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**26. INCOME TAX**

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

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Current income tax expense</b>		
Current tax expense recognized in the current period	\$ 8,646,510	\$ 10,403,960
Other income tax adjustments	35,840	42,039
	8,682,350	10,445,999
<b>Deferred income tax benefit</b>		
The origination and reversal of temporary differences	(246,750)	(183,268)
Investment tax credits and operating loss carryforward	(972,298)	(987,659)
	(1,219,048)	(1,170,927)
<b>Income tax expense recognized in profit or loss</b>	<b>\$ 7,463,302</b>	<b>\$ 9,275,072</b>

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

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Deferred income tax benefit (expense)</b>		
Related to unrealized gain/loss on available-for-sale financial assets	\$ 17,440	\$ (4,793)

## c. Integrated income tax information

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Balance of the Imputation</b>			
Credit Account - TSMC	\$ 59,973,516	\$ 59,973,516	\$ 35,353,150

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2015 and 2014 were 12.71% and 11.13%, respectively; however, effective from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66 - 6 of



the Income Tax Law.

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

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

d. Income tax examination

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

**27. EARNINGS PER SHARE**

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Basic EPS	\$ 2.50	\$ 3.05
Diluted EPS	\$ 2.50	\$ 3.05

EPS is computed as follows:

	<b>Amounts (Numerator)</b>	<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$)</b>
<u>Three months ended March 31, 2016</u>			
Basic/Diluted EPS			
Net income available to common shareholders of the parent	\$ 64,781,493	25,930,380	\$ 2.50
<u>Three months ended March 31, 2015</u>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 78,989,911	25,930,011	\$ 3.05
Effect of dilutive potential common shares		344	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 78,989,911	25,930,355	\$ 3.05

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

	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
a. Depreciation of property, plant and equipment		

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Recognized in cost of revenue	\$ 50,829,281	\$ 51,041,714
Recognized in operating expenses	4,115,030	3,658,291
Recognized in other operating income and expenses	6,418	6,222

	\$ 54,950,729	\$ 54,706,227
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b. Amortization of intangible assets

Recognized in cost of revenue	\$ 489,677	\$ 407,750
Recognized in operating expenses	406,655	364,019

	\$ 896,332	\$ 771,769
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c. Research and development costs expensed as incurred	\$ 15,618,963	\$ 16,781,463
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	<b>Three Months Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>d. Employee benefits expenses</b>		
Post-employment benefits		
Defined contribution plans	\$ 526,247	\$ 475,826
Defined benefit plans	68,025	68,128
	594,272	543,954
Other employee benefits	21,412,249	22,244,739
	\$ 22,006,521	\$ 22,788,693