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Taiwan Semiconductor Manufacturing Company, Ltd.

Morris Chang, Chairman

Taiwan Semiconductor Manufacturing Company, Ltd.

Annual Report 2014 (I)

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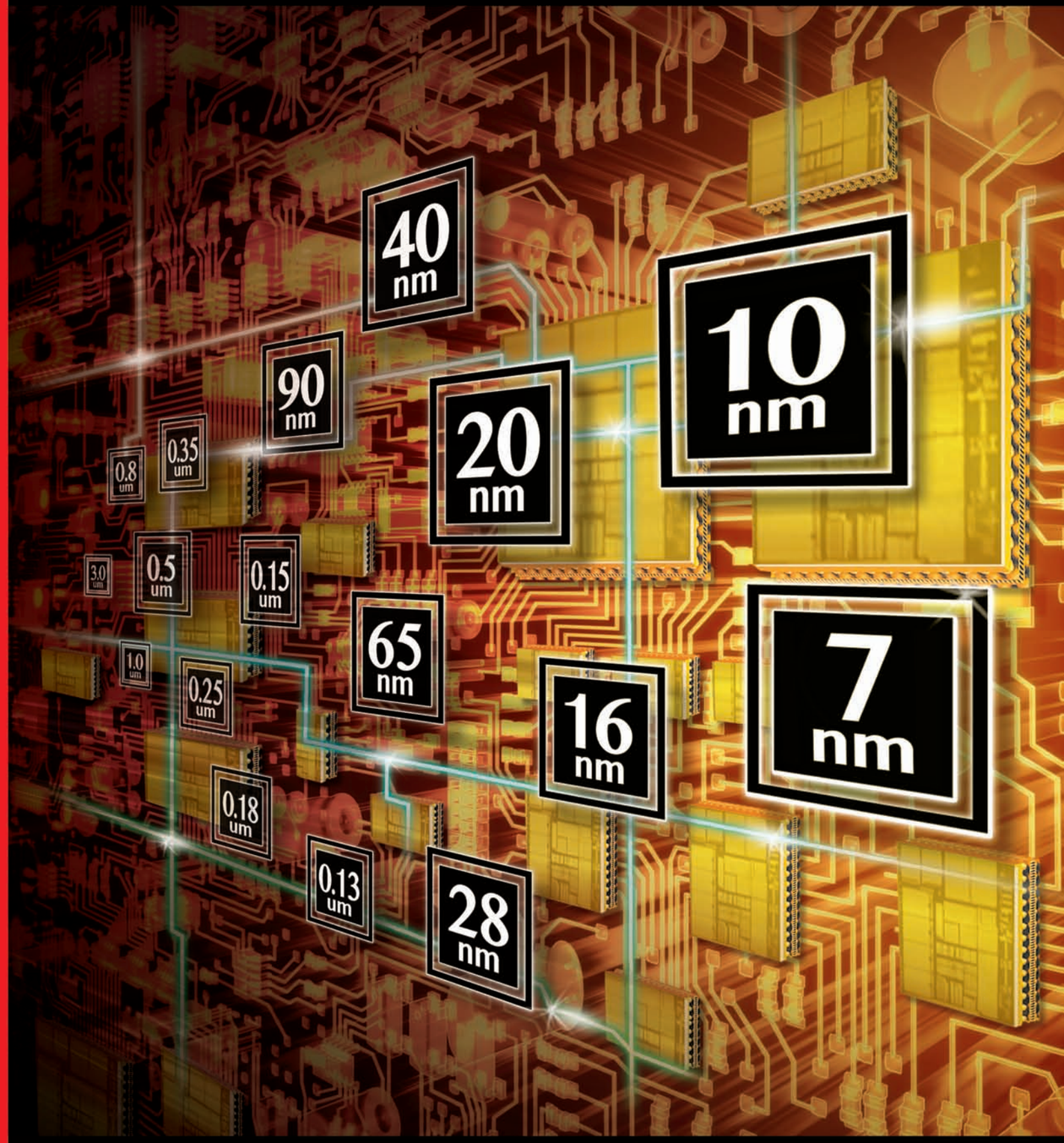
TSMC Annual Report 2014 (I)



- Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
- TSMC annual report is available at http://www.tsmc.com/english/investorRelations/annual_reports.htm

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TSMC Vision, Mission & Core Values

TSMC's Vision

Our vision is to be the most advanced and largest technology and foundry services provider to fabless companies and IDMs, and in partnership with them, to forge a powerful competitive force in the semiconductor industry.

To realize our vision, we must have a trinity of strengths:
(1) be a technology leader, competitive with the leading IDMs
(2) be the manufacturing leader
(3) be the most reputable, service-oriented and maximum-total-benefits silicon foundry

TSMC's Mission

Our mission is to be the trusted technology and capacity provider of the global logic IC industry for years to come.

TSMC's Core Values

Integrity

Integrity is our most basic and most important core value. We tell the truth. We believe the record of our accomplishments is the best proof of our merit. Hence, we do not brag. We do not make commitments lightly. Once we make a commitment, we devote ourselves completely to meeting that commitment. We compete to our fullest within the law, but we do not slander our competitors and we respect the intellectual property rights of others. With vendors, we maintain an objective, consistent, and impartial attitude. We do not tolerate any form of corrupt behavior or politicking. When selecting new employees, we place emphasis on the candidates' qualifications and character, not connections or access.

Commitment

TSMC is committed to the welfare of customers, suppliers, employees, shareholders, and society. These stakeholders all contribute to TSMC's success, and TSMC is dedicated to serving their best interests. In return, TSMC hopes all these stakeholders will make a mutual commitment to the Company.

Innovation

Innovation is the wellspring of TSMC's growth, and is a part of all aspects of our business, from strategic planning, marketing and management, to technology and manufacturing. At TSMC, innovation means more than new ideas, it means putting ideas into practice.

Customer Trust

At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term.

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1. Letter to Shareholders

A diamond requires meticulous cutting and polishing before it can dazzle radiantly in the light. Though competition grows more intense, TSMC works unceasingly to deliver brilliant results.

Dear Shareholders,

In 2014, we continued to reap the benefits of correct strategic choices made over the last several years. Our record high revenue and profitability led to significant growth in both net income and earnings per share. Our revenue growth was propelled largely by strong demand for our industry-leading 28-nanometer technologies and the rapid customer acceptance and ramp-up of our first-in-foundry-industry 20-nanometer System-on-Chip (SoC) production, which was the application processor of the world's best-selling smartphone models in 2014. We anticipate continued growth in 2015 and beyond as strong demand for leading-edge technologies continues with better performance, more efficient power consumption, and smaller device form factors.

We envision the race ahead as a relay in which our new technology development programs hand off the benefit of each node to the next, leveraging our knowledge and capacity to deliver optimal performance for our customers and the best returns to our shareholders. Our success in 20-nanometer has also laid the groundwork for our industry-leading FinFET solution at the 16-nanometer node. Our 16 FinFET Plus has completed technology qualification on schedule in December 2014 and begun risk production for customers. Our 10-nanometer technology development is progressing, and we remain on track to begin customer product tape-outs by the end of 2015.

We continue to increase our investments in R&D and capacity, as we firmly believe these will sow the seeds for further harvests to come. Our other achievements in 2014 include:

- Total wafer shipments grew 19 percent from 2013 to reach 8.26 million 12-inch equivalent wafers.
- Advanced technologies (28-nanometer and beyond) accounted for 42 percent of total wafer revenue.
- We deployed 210 process technologies, and manufactured 8,876 products for 453 customers.
- TSMC's market share in the total semiconductor foundry segment rose successively during the last five years and reached 54 percent in 2014.

2014 Financial Performance

Consolidated revenue totaled NT$762.81 billion, an increase of 27.8 percent over NT$597.02 billion in 2013. Net income was NT$263.90 billion and diluted earnings per share were NT$10.18. Both increased 40.3 percent from the 2013 level of NT$188.15 billion net income and NT$7.26 diluted EPS.

In US dollars, TSMC generated net income of US$8.71 billion on consolidated revenue of US$25.17 billion, compared with net income of US$6.34 billion on consolidated revenue of US$20.11 billion for 2013.

Gross profit margin was 49.5 percent compared with 47.1 percent in 2013, and operating profit margin was 38.8 percent compared with 35.1 percent a year earlier. Net profit margin was 34.6 percent, an increase of 3.1 percentage points from the previous year's 31.5 percent.

Technological Developments

TSMC's industry-leading 28-nanometer saw several significant process improvements in 2014. Enhancements and extensions of the 28-nanometer node help ensure continued strong market share, and the Company is building additional capacity to accommodate and support customers' increasing demand. A new offering, 28ULP for ultra-low power applications helps customers to expand into the Internet of Things (IoT) and wearable device area. Combined with the Company's 55- and 40-nanometer ULP, TSMC builds the foundry industry's most comprehensive ultra-low power platform that can serve a wide range of speed-power combinations.

In 20-nanometer, high volume production started in the middle of 2014 and quickly ramped up to account for 21 percent of fourth quarter revenue, registering a record as the fastest production ramp of any node in Company history. By introducing the double patterning technique, 20SoC provides better density and power value for both performance-driven products and mobile computing applications migration. In addition, 16-nanometer FinFET Plus (16FF+) has a comprehensive design ecosystem that supports a wide variety of design tools and more than 100 silicon-validated IPs. Nearly 60 customer designs are currently scheduled for tape out by the end of 2015. Volume ramp is expected to begin in the middle of 2015.

Meanwhile, we are at work providing the design ecosystem for our 10-nanometer technology. Not only have we started the IP validation process early, we have also completed certification of over 35 design tools.

In 2014, 7-nanometer technology entered advanced development stage. Development activities in 2015 will focus on selection of transistor architecture, baseline manufacturing process setup for both transistors and interconnects, and initial reliability evaluations.

In addition to silicon device scaling, we are working on system scaling through advanced packaging to increase system bandwidth and to decrease power consumption and device form factors. TSMC's Chip-on-Wafer-on-Substrate (CoWoS®) technology continues to expand its applications from FPGA to network and to high performance computing using 20SoC or 16FF+ for the top dies. In parallel, TSMC's Integrated Fan-Out (InFO) technology has been developed for such applications as mobile and consumer products. We are qualifying InFO 16-nanometer products for volume ramp-up in 2016. Meanwhile we are working on our second generation InFO to supplement the silicon scaling of the 10-nanometer generation.

Corporate Developments

In January 2015, TSMC's board of directors approved the sale of TSMC Solid State Lighting (TSMC SSL) to Epistar, which is the world's largest manufacturer of LED epitaxial wafers and dies, through an equity ownership transfer. The share transfer is valued at NT$1.46 per share with a total of NT$825 million proceeds to TSMC. An important part of the ownership change is that no employee of TSMC SSL will lose employment. After the transfer, TSMC will exit the LED industry.

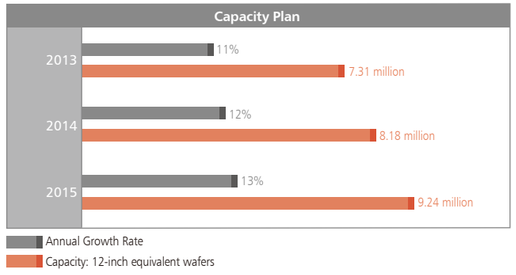
Honors and Awards

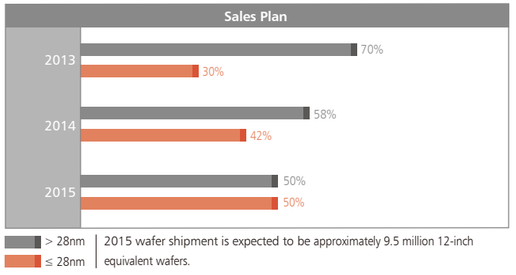
TSMC received recognitions for achievements in corporate governance and citizenship, economic contribution, financial reporting, innovation, investor relations, management, and sustainability in 2014 from organizations including *FinanceAsia*, *Fortune Magazine*, *Institutional Investor*, *IR Magazine*, *GlobalViews Magazine*, *CommonWealth Magazine*, *RobecoSAM*, and the *Financial Times* and Standard Chartered Bank.

In particular, TSMC was named the Leader of the Dow Jones Sustainability Index for the Semiconductors and Semiconductor Equipment Industry Group for the second year in a row. The honor affirms the Company's commitment to sustainability and corporate social responsibility.

Outlook

TSMC positioned itself with the right technology to capture maximum benefit from the growth in demand for mobile devices in the past five years. We continue to believe that these products will propel our growth for the next few years as consumers in emerging economies demand smartphones and tablets with both powerful functionality and accessible prices.





We are now utilizing the same strategy to ride the next wave of new evolutionary mobile devices–the Internet of Things. The Internet of Things not only drive a multitude of consumer devices connected to the network, it will also drive continuously increasing data processing power on various processors, in data centers, and in many mobile devices. For example, exciting applications such as wearables, smart cars, smart homes, and smart cities are the major IoT applications which promise to make semiconductors ubiquitous in our lives.

Innovators are already hard at work designing a myriad of ways to create a better life by linking objects all around us into an intelligent network. To turn their visions into reality, they need semiconductors with processing power, connectivity, ultra-low power, various types of sensors, and system-level integration, including advanced packaging. We have made much progress in developing all of those necessary technologies to make TSMC a critical part of the IoT ecosystem. At the same time, we are also investing in the capacity in both advanced and specialty technologies to supply the demand from this highly promising and still evolving market.

With our unwavering dedication to technology leadership, manufacturing excellence, and customer trust, we believe we can serve as a vital supplier of the fundamental building blocks of the semiconductor industry's "next big things". More importantly, we are preparing for many more years of profitable growth and good shareholder returns.

Morris Chang
Chairman

2. Company Profile

To carve elaborate images on eggshells is an art that requires excellence in craftsmanship. With its competitive advantages of technology leadership, manufacturing excellence, and customer trust, TSMC pays precise attention to every detail, and moves forward with full commitment.

2.1 An Introduction to TSMC

Founded on February 21, 1987, and headquartered in Hsinchu, Taiwan, TSMC pioneered the foundry business model by focusing solely on manufacturing customers' semiconductor designs. As a pure-play semiconductor foundry, the Company does not design, manufacture, or market semiconductor products under its own brand name, ensuring that TSMC does not compete directly with its customers. Today, TSMC is the world's largest pure-play semiconductor foundry, manufacturing 8,876 different products using 210 different technologies for 453 different customers in 2014.

With a diverse global customer base, TSMC-manufactured semiconductors are used in a wide variety of applications covering various segments of the computer, communications, consumer, industrial and standard semiconductor markets.

Annual capacity of the manufacturing facilities managed by TSMC and its subsidiaries totaled 8.18 million 12-inch equivalent wafers in 2014. TSMC's managed manufacturing facilities include three 12-inch wafer GIGAFAB™ facilities, four 8-inch wafer fabs, and one 6-inch wafer fab in Taiwan, as well as two 8-inch wafer fabs at wholly owned subsidiaries: WaferTech in the United States and TSMC China Company Limited.

TSMC provides customer service through its account management and engineering services offices in North America, Europe, Japan, China, South Korea, and India. The Company employed more than 43,000 people worldwide at the end of 2014.

By leveraging the successful mass production of 28nm, including 28HP, 28HPM, 28HPL and 28LP, TSMC continuously delivered a highly competitive performance/cost solution 28HPC (High Performance Compact) in 2014. This process is seamlessly applicable to the 28nm ecosystem, accelerating time-to-market for customers. Furthermore, 20nm System-on-Chip technology (20SoC) entered the production stage with smooth ramping and stable yield performance. By introducing the advanced patterning technique, this process provides better density and power value for both performance-driven products and mobile computing applications migration. In addition, 16nm FinFET Plus (16FF+) process passed full reliability qualification on schedule in the fourth quarter of 2014, and nearly 60 customer designs are currently scheduled for tape-out by the end of 2015. Due to rapid progress in yield and performance, 16FF+ volume ramp is expected to begin around July in 2015. TSMC's comprehensive 16FF+ design ecosystem supports a wide variety of EDA tools and hundreds of process design kits with more than 100 IPs, and all have been silicon validated. Also, 10nm technology is under development and on track to start risk production in the fourth quarter of 2015. The Company anticipates customer tape-out in the fourth quarter of 2015 and volume production in 2016. In addition to general-purpose logic process technology, TSMC supports the wide-ranging needs of its customers with embedded non-volatile memory, embedded DRAM, Mixed Signal/RF, high voltage, CMOS image sensor, MEMS, silicon germanium technologies and automotive service packages.

TSMC's subsidiaries TSMC Solid State Lighting Ltd. and TSMC Solar Ltd. engage in researching, developing, designing, manufacturing and selling solid state lighting devices and related products and systems, and solar-related technologies and products, respectively. In January 2015, TSMC announced a sale of all TSMC SSL shares held by TSMC and TSMC's subsidiary to Epistar Corp. After this transaction, TSMC completely exited TSMC SSL.

The Company is listed on the Taiwan Stock Exchange (TWSE) under ticker number 2330, and its American Depositary Shares trade on the New York Stock Exchange (NYSE) under the symbol "TSM".

2.2 Market/Business Summary

2.2.1 TSMC Achievements

In 2014, TSMC maintained its leading position in the total foundry segment of the global semiconductor industry, with an estimated market segment share of 54%. TSMC achieved this result amid intense competition from both established players and relatively new entrants to the business.

Leadership in advanced process technologies is a key factor in TSMC's strong market position. In 2014, 42% of TSMC's wafer revenue came from manufacturing processes with geometries of 28nm and below.

With TSMC's focus on customer trust, the Company strengthened its Open Innovation Platform® (OIP) initiative in 2014 with additional services. During the 2014 Open Innovation Platform® Ecosystem Forum, the Company revealed 16nm FinFET Plus Reference Flow (both full-chip and IP Design), to highlight the success of design enablement through OIP. The OIP Ecosystem Forum, which was held October 2014 in San Jose, California, was well attended by both customers and ecosystem partners to demonstrate the value of collaboration through OIP to foster innovations.

TSMC offers the foundry segment's widest technology portfolio and continues to invest in advanced technologies and specialty technologies, which is a key differentiator from our competitors and provides customers more added value.

Technologies that the Company either developed or rolled out in 2014 include:

Advanced Technology

- 10nm FinFET technology is under development to keep TSMC's technology leadership position in the industry. It is expected to be ready for risk production in the fourth quarter of 2015. 10nm FinFET can provide the best density/cost benefit with the desired speed/power performance to meet customers' expectations. It can serve customers from all different applications, such as APU (Accelerated Processing Unit), CPU (Central Processing Unit), FPGA (Field-Programmable Gate Array), GPU (Graphics Processing Unit), Networking and mobile computing applications, including smartphones, tablets and high-end SoC devices.
- 16nm FinFET Plus technology (16FF+) passed full reliability qualification on-schedule in the fourth quarter of 2014. This enhanced version of TSMC's 16FF technology operates 40% faster than planar 20nm System-on-Chip technology (20SoC) or consumes 50% less power at the same speed. It offers customers a new level of performance and power optimization targeted at the next generation of high-end mobile computing, networking, and consumer applications.
- 20nm System-on-Chip technology entered production with smooth ramping and stable yield performance. It provides better density and power value than 28nm by introducing advanced patterning technique for both performance-driven products and mobile computing applications migration.
- 28nm High Performance (28HP) technology for performance-driven markets like CPU, GPU, APU, FPGA and high-speed networking applications.
- 28nm High Performance Mobile Computing (28HPM) technology for tablets, smartphones, SoC applications with outstanding performance.
- 28nm High Performance Compact Mobile Computing (28HPC) technology for mainstream smartphones, DTV, Storage and SoC applications. 28HPC enables circuit design to use smaller die size, less over-design and extraordinary power reduction with excellent process control and optimized design rules.
- 28nm Low Power (28LP and 28HPL) and RF (28HPL-RF and 28LP-RF) technology for entry-level smartphones, application processors, tablets, home entertainment and digital consumer applications.
- 40nm general purpose (40G) technology for performance-driven markets like CPU, GPU, FPGA, HDD, Game Console, Network Processor and Gigabit Ethernet applications.
- 40nm Low Power (40LP and 40LP+) and RF technology for smartphones, DTV (Digital Television), STB (Set-Top-Box), game and wireless connectivity applications.
- 40nm ultra-low power technology is under development. It is expected to be ready for production in 2015. It can serve customers from Internet of Things (IoT) and wearable devices related applications, such as wireless connectivity, wearable AP, and sensor hub applications.
- Compared to 55nm Low Power (55LP) process, TSMC's 55nm Ultra-Low Power (55ULP) process can further reduce operating voltages by 20% to 30% to lower both active power and standby power consumption and to enable significant increases in battery life by 2 to 10 times. In addition, 55ULP integrates RF and EmbFlash to enable customers' SoC designs.

Specialty Technology

- 28HPM passed automotive grade qualification and entered risk production for automotive applications.
- 40nm eFlash is under development for general offerings. Solution will be ready in the second half of 2015 for applications such as high endurance security MCU, wireless MCU, high performance MCU, etc.
- 55nm eFlash technology is in production for such applications as FPGA, general purpose MCU, etc.
- 55nm Ultra-Low Power (ULP) eFlash is under development and will be available in early 2015 for battery-powered applications like wireless MCUs, IoT, wearable devices, and general-purpose MCUs.
- 55/65/90nm customized eFlash technologies were all qualified and entered production for automotive applications.
- 55nm high voltage process entered production with the industry's smallest SRAM bit cell offering to support narrow border design of Super Retina display driver IC for high-end mobile phones.
- 65nm TSI CIS (TSMC Stacked Illumination CMOS Image Sensor) technology was fully qualified, and is ready for customer tape-outs in the first quarter of 2015.
- 0.13-micron BCD process is ready for production on both 8" and 12" wafers. This process is expected to extend qualification for automotive AEC-Q100 Grade-0 in the first half of 2015.
- 0.18μm BCD second generation entered into production with multiple products from multiple customers. The technology also passed automotive process qualification criteria. It offers worldwide competitive power LDMOS Rds(on) performance with wide voltage spectrum from 6V to 70V for multiple applications in Computing, Communication, Consumer, wearable devices and automotive markets.
- 0.18μm eFlash technology is ready for 18V device integration for analog-intensive applications such as touch screen controllers.
- 0.5μm GaN on Silicon 100V Enhancement Mode HEMT process was qualified for power discrete applications. 650V GaN on Silicon processes are expected to be qualified in 2015. GaN-on-Silicon technology offers the values of less conduction and switching loss for energy efficient power delivery.
- 28HPC with 5V LDMOS is available for high precision analog products with amplifiers integrated.
- Successfully produced the world's smallest CMOS-MEMS monolithic accelerometer for customers.

2.2.2 Market Overview

TSMC estimates that the worldwide semiconductor market in 2014 reached US$354 billion in revenue, a 10% growth compared to 2013. Total foundry, a manufacturing sub-segment of the semiconductor industry, generated total revenues of US$42 billion in 2014, or 14% YoY growth.

2.2.3 Industry Outlook, Opportunities and Threats

Industry Demand and Supply Outlook

Following 11% growth in 2013, the foundry segment again posted double-digit growth, to 14% in 2014, mainly driven by fabless market share gains over IDM and by process technology advancement.

TSMC forecasts total semiconductor market to grow mid single digit in 2015. Over the longer term, due to increasing semiconductor content in electronics devices, fabless companies' continuing market share gains, and increasing in-house Application-Specific Integrated Circuits (ASIC) from system companies, foundry segment revenue growth is expected to be much stronger than the projected 4% compound annual growth rate (CAGR) for the total semiconductor industry from 2014 through 2019.

As an upstream supplier in the semiconductor supply chain, the condition of the foundry segment is tightly correlated with the market health of the 3Cs: communications, computer and consumer.

- Communications

The communications sector, particularly the handset segment, posted a modest 4% growth in unit shipments for 2014. Smartphones, which have much stronger 25% growth and higher semiconductor content, have been leading the growth of the sector.

The continuing transition to 4G/LTE and LTE-Advanced handsets will bring double digits growth to the market. Smartphones with increasing performance, lower power and more intelligent features continue to propel buying interest for new handsets in 2015. The growing popularity of mid- to low-end smartphones in emerging countries is also a new catalyst driving the growth of the sector.

Low power IC is an essential requirement among handset manufacturers. The SoC design for more optimized cost, power and form-factor (i.e. device footprint), plus the appetite for higher performance to run complicated software, will continue to accelerate the migration to advanced process technologies in which TSMC is already the leader.

• Computer

The computer sector's unit shipments dropped 1% YoY in 2014, after a 10% decline in 2013. Slowing decline was driven by replacement cycles, Windows XP expiration, and the slowdown in tablet sales.

The personal computer (PC) market is expected to decline low to mid single digit in 2015, with increasing variety (e.g. Convertible, Ultrabook and Chromebook), the introduction of new operating systems, and consumer replacement expected to stimulate PC demand.

Requirements of lower power, higher performance and integration for key computer components such as CPU, GPU, Chipset, etc., should drive product design demand for leading process technologies.

• Consumer

The consumer sector's unit shipments declined 3% in 2014, as growth from TV game console and set-top-boxes was offset by the decline on digital cameras, MP3 players, and handheld game consoles, as well as the result of smartphone cannibalization.

Consumer electronics will be flat to slightly decline in 2015. The 4K UHD TVs will also continue the high growth within the otherwise flattening TV market in 2015. TSMC will be able to capitalize on these trends with advanced technologies for 4K UHD TV market.

Supply Chain

The electronics industry consists of a long and complex supply chain, the elements of which are highly dependent and correlated with each other. At the upstream IC manufacturing level, it is important for IC vendors to have sufficient and flexible supply to support the dynamic market situation. The foundry vendors are playing an important role to ensure the health of the supply chain. As a leader in the foundry segment, TSMC provides leading technologies and large-scale capacity to complement the innovations created along the downstream chain.

2.2.4 TSMC Position, Differentiation and Strategy

Position

TSMC is the semiconductor foundry leader for both advanced and specialty process technologies. As a result, the Company commanded a 54% market share in 2014. In terms of TSMC's net revenue geographic distribution, 69% came from North America; 13% from the Asia Pacific region, excluding China and Japan; 7% from China; 6% from Europe; and 5% from Japan. By end product application, 10% of TSMC's net revenue came from the computer sector, 59% from communications, 10% from consumer products, and 21% from industrial and standard products.

Differentiation

TSMC's leadership position is based on three defining strengths and a business strategy rooted in the Company's heritage. TSMC distinguishes itself from the competition through its technology leadership, manufacturing excellence and customer trust.

As a technology leader, TSMC is consistently first among dedicated foundries to develop next-generation leading-edge technologies. The Company has also established its technology leadership on more mature technology nodes by applying the lessons learned on leading-edge technology development to enrich its specialty technologies to more advanced process nodes. Beyond process technology, TSMC has established front-end and back-end integration capabilities that result in faster time-to-production and creates the best power, performance and area sweet spot.

TSMC has gained manufacturing acclaim for its industry-leading management, and is extending that leadership through its Open Innovation Platform® and Grand Alliance initiatives. The TSMC Open Innovation Platform® initiative hastens the pace of innovation among the semiconductor design community, its ecosystem partners and TSMC's IP, design implementation and design for manufacturing capabilities, process technology and backend services. A key element is a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that more efficiently empower innovation throughout the supply chain and that drive the creation and sharing of newly created revenue and profits. The TSMC Grand Alliance is one of the most powerful forces for innovation in the semiconductor industry, bringing together customers, electronic design automation (EDA) partners, IP partners, and key equipment and materials suppliers at a new, higher level of collaboration. Its objectives are to help customers, the alliance members and TSMC win business and stay competitive.

The foundation for customer trust is a commitment TSMC made when it first opened for business over a quarter century ago: to never compete with our customers. As a result, TSMC has never owned nor marketed a single semiconductor product design, but rather has focused all of its resources on becoming the trusted foundry for our customers.

Strategy

TSMC is confident that its differentiating strengths will enable it to leverage the foundry segment's attractive growth opportunities. TSMC has invested heavily in leading-edge 20nm System-on-Chip technology (20SoC) and 16nm FinFET Plus (16FF+) technologies. 20SoC technology entered the production stage with smooth ramping and stable yield performance. 16FF+ technology passed full reliability qualification on schedule in the fourth quarter of 2014, and is expected to begin volume ramp around July 2015. Also, the even more leading 10nm technology is under development and on track to start risk production in the fourth quarter of 2015. TSMC maintains technology leadership by collaborating in the development process through early engagement and technology definition that provides a smooth transition for TSMC's advanced technology customers. At the same time, the Company maintains its leadership in specialty technologies by broadening its offerings and expanding their integration into more advanced process nodes.

Numerous other efforts to ensure manufacturing excellence through product grade enhancements and manufacturing technology innovation are underway.

To address challenges inherent in the electronic product life cycle and increased competition from other semiconductor manufacturing companies, TSMC continually strengthens its core competitiveness and deploys both short-term and long-term technology and business development plans to meet Return on Investment (ROI) and growth objectives.

• Short Term Semiconductor Business Development Plan

1. Substantially ramp the business and sustain advanced technology market share through increased capacity investment.
2. Maintain mainstream technology market share by expanding business into new customers and market segments with off-the-shelf technologies.
3. Further expand TSMC's business and service infrastructure into emerging and developing markets.

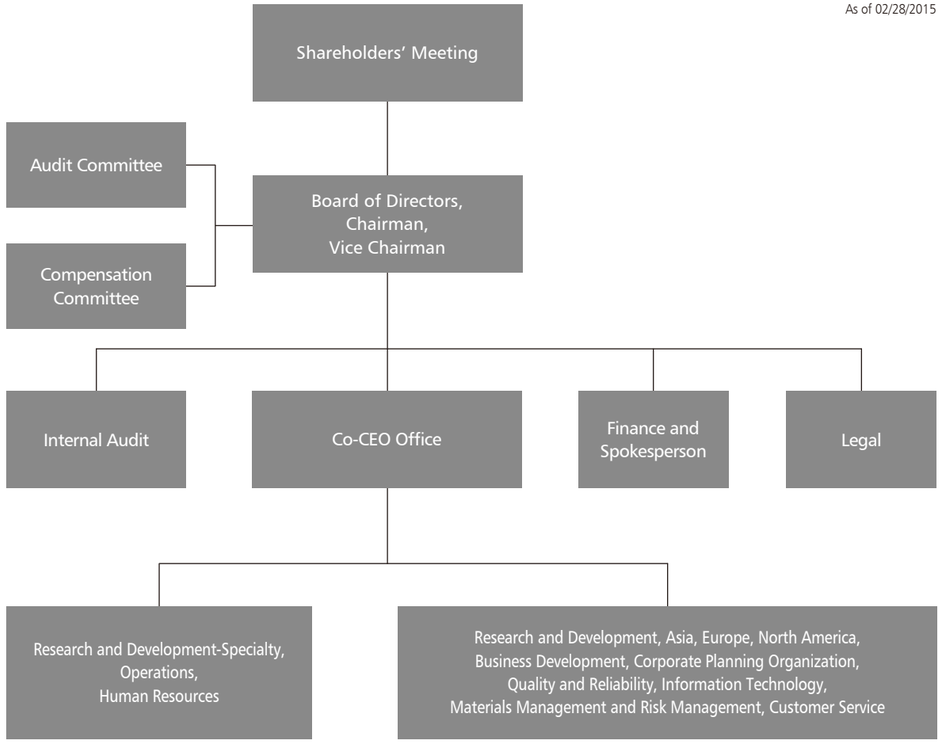
• Long Term Semiconductor Business Development Plan

1. Continue developing leading-edge technologies consistent with Moore's Law.
2. Broaden specialty business contributions by further developing derivative technologies.
3. Provide more integrated services, covering system-level integration design, design technology definition, design tool preparation, wafer processing, and backend services, that deliver more value to customers through optimization solutions.

2.3 Organization

2.3.1 Organization Chart

As of 02/28/2015



2.3.2 Major Corporate Functions

Operations

- In charge of operations of 150mm, 200mm and 300mm Fabs, as well as affiliate fabs; product development, manufacturing technology, as well as back-end technology, and service are part of the organization's responsibility

Human Resources

- Includes human resources management and organizational development, as well as proprietary information protection (PIP) and physical security management

Research and Development

- Includes advanced and specialty technology development, exploratory research and advanced development, as well as design and technology platform development

Asia

- In charge of the sales operations, market development, field technical support and service for Asia customers

Europe

- In charge of technical marketing, field technical support and service for European customers

North America

- In charge of sales operations, market development, field technical support and service for North America customers

Business Development

- Includes business development for electronic products, identification of new applications, as well as development of markets for specialty technology; exploring and developing new markets, strengthening the relationship with customers, as well as managing the Company's brand are handled by the organization

Corporate Planning Organization

- In charge of the planning for operational resources, as well as for production and demand; the integration of business process, corporate pricing and market analysis and forecast are also part of the organization's responsibility

Quality and Reliability

- In charge of ensuring and managing the quality and reliability of the Company's products

Information Technology

- Responsible for the integration of the Company's technology & business IT systems; developing IT infrastructure, providing communication services, ensuring IT security and service quality are also part of the organization's responsibility

Materials Management and Risk Management

- Includes procurement, warehousing, import and export, and logistics support; the organization is also responsible for environmental protection, industrial safety, occupational health, and risk management

Customer Service

- Provides support and service for customers in North America, Europe, and Asia

Internal Audit

- Inspect and review whether TSMC's internal control system is adequate in design and effective in operation with independent risk assessment to ensure compliance with TSMC's policies and procedures as well as external regulations

Finance and Spokesperson

- In charge of corporate finance, accounting and corporate communication; Chief Financial Officer, the head of the organization, also serves as company spokesperson

Legal

- Responsible for corporate legal affairs, including litigation, commercial transactions, patents and management of other intellectual properties; and compliance with relevant domestic and international laws and regulations

2.4 Board Members

2.4.1 Information Regarding Board Members

As of 02/28/2015

Title/Name	Nationality or Place of Registration	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at TSMC and Other Companies
					Shares	%	Shares	%	Shares	%		
Chairman Morris Chang	U.S.A.	06/12/2012	06/11/2015	12 /10/1986	123,137,914	0.48%	125,137,914	0.48%	135,217	0.00%	Bachelor Degree in Mechanical Engineering, MIT Master Degree in Mechanical Engineering, MIT Ph.D. in Electrical Engineering, Stanford University Former Group Vice-President, Texas Instruments Inc. Former President & COO, General Instrument Corporation Former Chairman, Industrial Technology Research Institute Former CEO, TSMC Member of National Academy of Engineering, U.S.A. Life Member Emeritus of MIT Corporation Fellow of the Computer History Museum, U.S.A.	None
Vice Chairman F.C. Tseng	R.O.C.	06/12/2012	06/11/2015	05/13/1997	34,662,675	0.13%	34,472,675	0.13%	132,855	0.00%	Bachelor Degree in Electrical Engineering, National Chengkung University Master Degree in Electrical Engineering, National Chiao Tung University Ph.D. in Electrical Engineering, National Chengkung University Honorary Ph.D., National Chiao Tung University Former President, Vanguard International Semiconductor Corp. Former President, TSMC Former Deputy CEO, TSMC Chairman, TSMC Education and Culture Foundation Director, National Culture and Arts Foundation, R.O.C.	Chairman of: - TSMC China Company Ltd. - Global Unichip Corp. Vice Chairman, Vanguard International Semiconductor Corp. Director of: - TSMC Solar Ltd. - TSMC Solid State Lighting Ltd. Independent Director, Chairman of Audit Committee & Compensation Committee member, Acer Inc.
Director National Development Fund, Executive Yuan (Note 1)		06/12/2012	06/11/2015	12/10/1986	1,653,709,980	6.38%	1,653,709,980	6.38%	-	-		
Representative: Johnsee Lee	R.O.C.			08/06/2010 (Note 2)	-	-	-	-	-	-	Ph.D. in Chemical Engineering, Illinois Institute of Technology MBA, University of Chicago Graduate of Harvard Business School's Advanced Management Program Former Principal Investigator, Argonne National Laboratory Former Senior Manager, Johnson Matthey Inc. Former President, Industrial Technology Research Institute Former Chairman, Development Center for Biotechnology Managing Director, Development Center for Biotechnology Honorary Chairman, Taiwan Bio Industry Organization	CEO, Personal Genomics, Inc. Independent Director of: - Far Eastern New Century Corp. - Zhen Ding Technology Holding Ltd.
Independent Director Sir Peter Leahy Bonfield	UK	06/12/2012	06/11/2015	05/07/2002	-	-	-	-	-	-	Bachelor Degree in Engineering, Loughborough University Honours Degree in Engineering, Loughborough University Former CEO and Chairman of the Executive Committee, British Telecommunications Plc Former Chairman and CEO, ICL Plc Former Vice President, the British Quality Foundation Fellow of the Royal Academy of Engineering Chair of Council and Senior Pro-Chancellor, Loughborough University, UK	Chairman, NXP Semiconductors N.V., the Netherlands Director of: - L.M. Ericsson, Sweden - Mentor Graphics Corporation Inc., Oregon, U.S.A. - Global Logic Inc., U.S.A. Member of: - The Longreach Group Advisory Board - New Venture Partners LLP Advisory Board Board Mentor, CMi Senior Advisor to Rothschild, London
Independent Director Stan Shih	R.O.C.	06/12/2012	06/11/2015	04/14/2000	1,480,286	0.01%	1,480,286	0.01%	16,116	0.00%	BSEE, National Chiao Tung University MSEE, National Chiao Tung University Honorary EE Ph.D., National Chiao Tung University Honorary Doctor of Technology, The Hong Kong Polytechnic University Honorary Fellowship, University of Wales, Cardiff, UK Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, U.S.A. Co-Founder, Chairman Emeritus, Acer Group Former Chairman & CEO, Acer Group Chairman, National Culture and Arts Foundation, R.O.C. Director, Public Television Service Foundation, R.O.C. Council member of Asian Corporate Governance Associate (ACGA)	Group Chairman, iD SoftCapital Director & Honorary Chairman, Acer Inc. Director of: - Qisda Corp. - Wistron Corp. - Nan Shan Life Insurance Co., Ltd. - Egis Technology Inc. - Digitimes Inc.
Independent Director Thomas J. Engibous	U.S.A.	06/12/2012	06/11/2015	06/10/2009	-	-	-	-	-	-	Bachelor Degree in Electrical Engineering, Purdue University Master Degree in Electrical Engineering, Purdue University Honorary Doctorate in Engineering, Purdue University Former Executive Vice President and President of the Semiconductor Group, Texas Instruments Inc. Former President and CEO, Texas Instruments Inc. Former Chairman of the Board, Texas Instruments Inc. Former Chairman of the Board of Catalyst Member of National Academy of Engineering Member of Texas Business Hall of Fame Woodrow Wilson Award Honorary Director of Catalyst Honorary Trustee, Southwestern Medical Foundation	Chairman, J. C. Penney Company Inc.

(Continued)

Title/Name	Nationality or Place of Registration	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at TSMC and Other Companies
					Shares	%	Shares	%	Shares	%		
Independent Director Gregory C. Chow	U.S.A.	06/12/2012	06/11/2015	06/09/2011	-	-	-	-	-	-	Bachelor Degree in Economics, Cornell University, 1951 Master Degree in Economics, The University of Chicago, 1952 Ph.D. in Economics, The University of Chicago, 1955 Academician, Academia Sinica, R.O.C. Member, American Philosophical Society Fellow of the American Statistical Association Fellow of the Econometric Society Former President, Society of Economic Dynamics and Control Honorary Doctor's, Sun Yat-Sen University L.L.D., Lingnan University Hon. Dr. of Business Adm, The University of Hong Kong of Science and Technology Honorary Professor of Fudan, Guangxi, Hainan, Nankai, Shandong, Remin, Huazhong University of Science and Technology, Graduate University of Management of Chinese Academy of Sciences, Sun Yat-Sen Universities and City University of Hong Kong Assistant Professor, MIT., 1955-1959 Associate Professor, Cornell University, 1959-1962 Research Staff Member and Manager of Economics Research, IBM Thomas Watson Research Center, 1962-1970 Adjunct Professor, Columbia University, 1964-1970 Professor and Director, Econometric Research Program, Princeton University, 1970-2001 (In 2001 Princeton University renamed the Program the Gregory C. Chow Econometric Research Program in his honor.) Class of 1913 Professor of Political Economy, Princeton University, 1976-2001 Chairman of the American Economic Association's Committee on Exchanges in Economics with the People's Republic of China, 1981-1994 Co-chairman of the U.S. Committee on Economics Education and Research in China, 1985-1994 Advisor to Prime Ministers and Chairmen of the Economic Planning and Development Council of the Executive Yuan in Taiwan on economic policy from the mid 1960's to the early 1980's Advisor to the Prime Minister and the State Commission for Restructuring the Economic System on economic reform in China, 1985-1989 Professor of Economics and Class of 1913 Professor of Political Economy, Emeritus, Princeton University, 2001-Present	None
Independent Director Kok-Choo Chen	R.O.C.	06/12/2012	06/11/2015	06/09/2011	-	-	-	-	5,120	0.00%	Inns of Court School of Law, England Barrister-at-law, England Advocate & Solicitor, Singapore Attorney-at-law, California, U.S.A. Former Senior Vice-President & General Counsel, TSMC Former President, National Culture & Arts Foundation, R.O.C. Former Vice-President, Echo Publishing, Taiwan Partner, Chen & Associates Law Offices, Taiwan Partner, Ding & Ding Law Offices, Taiwan Lawyer, Heller, Erhman, White & McAuliffe, San Francisco, California, U.S.A. Lawyer, Sullivan & Cromwell, New York, U.S.A. Lawyer, Tan, Rajah & Cheah, Singapore Professor, Soochow University Professor, National Chengchi University Chair Professor, National Tsing Hua University Associate Professor, Soochow University Lecturer, Nanyang University, Singapore Chairman, National Performing Arts Center Advisor, Executive Yuan, R.O.C. Sponsor and Founder, Taipei Story House Director, National Culture and Arts Foundation, R.O.C. Director, Republic of China Female Cancer Foundation	None

Remarks:
1. No member of the Board of Directors held TSMC shares by nominee arrangement.
2. No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at TSMC.

Note 1: Major Shareholder of TSMC's Director that is an Institutional Shareholder.

Director that is an Institutional Shareholder of TSMC	Top 10 Shareholders
National Development Fund, Executive Yuan	Not Applicable

Major institutional shareholders of National Development Fund: Not applicable.

Note 2: Mr. Johnsee Lee was appointed as the representative of National Development Fund on August 6, 2010.

2.4.2 Remuneration Paid to Directors (Note 1)

Unit: NT$ thousands

Title/Name	Director's Remuneration								Total Remuneration (A+B+C+D) as a % of 2014 Net Income		Compensation Earned by a Director Who is an Employee of TSMC or of TSMC's Consolidated Entities										Total Compensation (A+B+C+D+E+F+G) as a % of 2014 Net Income (Note 8)		Compensation Paid to Directors from Non-consolidated Affiliates (J)
	Base Compensation (A)		Severance Pay and Pensions (B) (Note 3)		Compensation to Directors (C)		Allowances (D) (Note 5)				Base Compensation, Bonuses, and Allowances (E)		Severance Pay and Pensions (F) (Note 3)		Employee Profit Sharing (G)				Exercisable Employee Stock Options (H) (Note 6)		Granted Employee Restricted Stock (I) (Note 7)				
															From TSMC		From All Consolidated Entities						
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC (Note 4)	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	
Chairman Morris Chang	32,586	32,586	864	864	406,854	406,854	3,806	3,806	0.17%	0.17%	-	1,942	-	32,011	-	-	-	-	-	-	-	-	0.17%	0.18%	2,842
Vice Chairman F.C. Tseng																									
Director Rick Tsai (Note 2)																									
Independent Director Sir Peter Leahy Bonfield																									
Independent Director Stan Shih																									
Independent Director Thomas J. Engibous																									
Independent Director Gregory C. Chow																									
Independent Director Kok-Choo Chen																									
Director National Development Fund, Executive Yuan Representative: Johnsee Lee																									

Note 1: Remuneration policies, standards/packages, procedures, the linkage to operating performance and future risk exposure: The base compensation for the Chairman, Vice-Chairman and directors are determined in accordance with the procedures set forth in TSMC's Articles of Incorporation. The Articles of Incorporation also provides that the compensation to directors shall be no more than 0.3% of earnings available for distribution and directors who also serve as executive officers of TSMC are not entitled to receive compensation to directors. The distribution of compensation to directors shall be made in accordance with TSMC's "Rules for Distribution of Compensation to Directors".
Note 2: Dr. Rick Tsai resigned as a director of TSMC effective January 27, 2014 and thereafter as directors and executives of TSMC's subsidiaries.
Note 3: Pensions funded/paid according to applicable law.
Note 4: TSMC Board adopted a proposal that includes 2014 compensation to TSMC's directors in the amount of NT$ 406,854 thousand at its meeting on February 10, 2015. The amount is preliminary.
Note 5: The above-mentioned figures include expenses for Company cars and gasoline reimbursement, but do not include compensation paid to Company drivers (totaled NT$ 4,441 thousand).
Note 6: Represents the number of cumulative employee stock options exercisable as of the date of this Annual Report.
Note 7: TSMC did not issue employee restricted stock in 2014, and as of the date of this Annual Report.
Note 8: Total remuneration and compensation paid to TSMC's directors in 2013 was NT$339,617 thousand, accounting for 0.18% of 2013 net income.

Remuneration Paid to Directors

	2014			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G+J)	
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities and Non-consolidated Affiliates
NT$0 ~ NT$2,000,000	None	Rick Tsai	None	
NT$2,000,000 ~ NT$4,999,999	None		None	
NT$5,000,000 ~ NT$9,999,999	National Development Fund, Executive Yuan		National Development Fund, Executive Yuan	
NT$10,000,000 ~ NT$14,999,999	Sir Peter Leahy Bonfield, Stan Shih, Thomas J. Engibous, Gregory C. Chow, Kok-Choo Chen		Sir Peter Leahy Bonfield, Stan Shih, Thomas J. Engibous, Gregory C. Chow, Kok-Choo Chen	
NT$15,000,000 ~ NT$29,999,999	F.C. Tseng		F.C. Tseng	
NT$30,000,000 ~ NT$49,999,999	None		None	Rick Tsai
NT$50,000,000 ~ NT$99,999,999	None		None	
Over NT$100,000,000	Morris Chang		Morris Chang	
Total	9		9	

2.5 Management Team

2.5.1 Information Regarding Management Team

As of 02/28/2015

Title Name (Note 1)	Nationality	On-board Date (Note 2)	Shareholding		Spouse & Minor		TSMC Shareholding by Nominee Arrangement (Shares)	Education & Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
			Shareholding	%	Shareholding	%				Title	Name	Relation
President and Co-Chief Executive Officer Mark Liu	R.O.C.	11/15/1993	12,977,114	0.05%	-	-	-	Ph.D., Electrical Engineering & Computer Science, University of California, Berkeley, U.S. Executive Vice President and Co-Chief Operating Officer, TSMC Senior Vice President, Operations, TSMC Senior Vice President, Advanced Technology Business, TSMC President, Worldwide Semiconductor Manufacturing Corp.	None	None	None	None
President and Co-Chief Executive Officer C.C. Wei	R.O.C.	02/01/1998	7,179,207	0.03%	261	0.00%	-	Ph.D., Electrical Engineering, Yale University, U.S. Executive Vice President and Co-Chief Operating Officer, TSMC Senior Vice President, Business Development, TSMC Senior Vice President, Mainstream Technology Business, TSMC Senior Vice President, Chartered Semiconductor Manufacturing Ltd.	None	None	None	None
Senior Vice President and Chief Information Officer Information Technology, Materials Management and Risk Management Stephen T. Tso	R.O.C.	12/16/1996	13,237,064	0.05%	-	-	-	Ph.D., Materials Science & Engineering, University of California, Berkeley, U.S. President, WaferTech, LLC Senior Vice President, Operations, TSMC General Manager of CVD Products, Applied Material	Director, TSMC subsidiaries	None	None	None
Senior Vice President, Chief Financial Officer and Spokesperson Finance Lora Ho	R.O.C.	06/01/1999	6,381,080	0.02%	110,268	0.00%	-	Master, Business Administration, National Taiwan University, Taiwan Senior Director, Accounting, TSMC Vice President & CFO, TI-Acer Semiconductor Manufacturing Corp.	Director and/or Supervisor, TSMC subsidiaries Director, TSMC affiliates President, TSMC subsidiaries	None	None	None
Senior Vice President Research and Development Wei-Jen Lo (Note 3)	R.O.C.	07/01/2004	1,468,127	0.01%	-	-	-	Ph.D., Solid State Physics and Surface Chemistry, University of California, Berkeley, U.S. Vice President, Research and Development, TSMC Vice President, Operations/ Manufacturing Technology, TSMC Vice President, Advanced Technology Business, TSMC Vice President, Operation II, TSMC Director, Advanced Technology Development and CTM Plant Manager, Intel	None	None	None	None
Senior Vice President of TSMC and President of TSMC North America Rick Cassidy (Note 3)	U.S.A.	11/14/1997	-	-	-	-	-	Bachelor, Engineering Technology, United States Military Academy at West Point, U.S. Vice President of TSMC North America Account Management	Director, TSMC North America	None	None	None
Vice President Operations/Affiliate Fabs M.C. Tzeng	R.O.C.	01/01/1987	7,592,595	0.03%	-	-	-	Master, Applied Chemistry, Chungyuan University, Taiwan Vice President, Mainstream Technology Business, TSMC Senior Director, Fab 2 Operation, TSMC	Director, TSMC subsidiaries Director, TSMC affiliate	Deputy Director	M.J. Tzeng	Siblings
Vice President and Chief Technology Officer Research and Development Jack Sun	R.O.C.	06/02/1997	4,290,831	0.02%	-	-	-	Ph.D., Electrical Engineering, University of Illinois at Urbana-Champaign, U.S. Vice President, Research and Development, TSMC Senior Director, Logic Technology Division, TSMC Senior Manager of R&D, International Business Machines (IBM)	None	None	None	None
Vice President Operations/Product Development Y.P. Chin	R.O.C.	01/01/1987	7,273,122	0.03%	2,194,107	0.01%	-	Master, Electrical Engineering, National Cheng Kung University, Taiwan Vice President, Advanced Technology and Business, TSMC Senior Director, Product Engineering & Services, TSMC	None	None	None	None
Vice President Quality and Reliability N.S. Tsai	R.O.C.	03/01/2000	2,051,180	0.01%	1,103,253	0.00%	-	Ph.D., Material Science, Massachusetts Institute of Technology, U.S. Senior Director, Assembly Test Technology & Service, TSMC Vice President, Operations, Vanguard International Semiconductor Corp.	None	None	None	None
Vice President Operations/Mainstream Fabs and Manufacturing Technology J.K. Lin	R.O.C.	01/01/1987	12,498,018	0.05%	1,321,036	0.01%	-	Bachelor, Science, National Changhua University of Education, Taiwan Senior Director, Mainstream Fabs, TSMC	Director, TSMC affiliates	None	None	None
Vice President Operations/300mm Fabs J.K. Wang	R.O.C.	02/11/1987	2,553,947	0.01%	160,844	0.00%	-	Master, Chemical Engineering, National Cheng Kung University, Taiwan Senior Director, 300mm fab operations, TSMC	None	Manager	J.J. Wang	Siblings
Vice President Corporate Planning Organization Irene Sun	R.O.C.	10/01/2003	420,709	0.00%	-	-	-	Ph.D., Materials Science and Engineering, Cornell University, U.S. Senior Director, Corporate Planning Organization, TSMC	None	None	None	None

(Continued)

Title Name (Note 1)	Nationality	On-board Date (Note 2)	Shareholding		Spouse & Minor		TSMC Shareholding by Nominee Arrangement (Shares)	Education & Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
			Shareholding	%	Shareholding	%				Title	Name	Relation
Vice President Research and Development Burn J. Lin	R.O.C.	04/26/2000	2,654,746	0.01%	1,024,933	0.00%	-	Ph.D., Electrical Engineering, Ohio State University, U.S. Senior Director, Nanopatterning Technology Division, TSMC	None	None	None	None
Vice President Research and Development Y.J. Mii	R.O.C.	11/14/1994	1,000,419	0.00%	-	-	-	Ph.D., Electrical Engineering, University of California, Los Angeles, U.S. Senior Director, R&D Platform I Division, TSMC	None	None	None	None
Vice President Research and Development Cliff Hou	R.O.C.	12/15/1997	652,532	0.00%	60,802	0.00%	-	Ph.D., Electrical Engineering, Syracuse University, U.S. Senior Director, Design and Technology Platform, TSMC	Director, TSMC subsidiaries Director, TSMC affiliate President, TSMC subsidiaries	None	None	None
Vice President Business Development Been-Jon Woo	R.O.C.	04/30/2009	220,000	0.00%	45,000	0.00%	-	Ph.D., Chemistry, University of Southern California, U.S. Director of Business Development, TSMC Vice President of R&D, Grace Semiconductor Manufacturing Corp. Director of Technology Integration, Intel Corp.	None	None	None	None
Vice President and General Counsel Legal Sylvia Fang (Note 4)	R.O.C.	03/20/1995	700,285	0.00%	419,112	0.00%	34,000	Master of Comparative Law, School of Law, University of Iowa Associate General Counsel, TSMC Taiwan International Patent and Law Office (TIPLO)	Director, TSMC subsidiaries Director, TSMC affiliate	None	None	None
Vice President Human Resources Connie Ma (Note 4)	R.O.C.	06/01/2014	40,000	0.00%	-	-	-	EMBA, International Business Management, National Taiwan University Director of Human Resources, TSMC Senior Vice President of Global Human Resources, Trend Micro Inc.	None	None	None	None

Note 1: Senior Vice President and General Counsel Dr. Richard Thurston voluntarily retired, effective July 16, 2014.
Note 2: On-board date means the official date joining TSMC.
Note 3: Dr. Wei-Jen Lo and Mr. Rick Cassidy were promoted to Senior Vice President, effective February 18, 2014.
Note 4: Ms. Sylvia Fang and Ms. Connie Ma were promoted to Vice President, effective August 12, 2014.

2.5.2 Compensation Paid to CEO, President and Vice Presidents (Note 1)

Unit: NT$ thousands

Title	Name	Salary (A)		Severance Pay and Pensions (B) (Note 5)		Bonuses and Allowances (C) (Note 6)		Employee Profit Sharing (D) (Note 7)				Total Compensation as a % of 2014 Net Income (A+B+C+D) (Note 8)		Exercisable Employee Stock Options (K shares) (Note 9)		Exercisable Employee Restricted Stock (K shares) (Note 10)		Compensation Received from Non-consolidated Affiliates
								From TSMC		From All Consolidated Entities								
		From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	
President and Co-Chief Executive Officer	Mark Liu	79,813	95,215	13,537	13,883	609,582	659,230	580,533	-	580,533	-	0.49%	0.51%	-	-	-	-	250
President and Co-Chief Executive Officer	C.C. Wei																	
Senior Vice President and Chief Information Officer Information Technology, Materials Management and Risk Management	Stephen T. Tso																	
Senior Vice President and General Counsel Legal	Richard Thurston (Note 2)																	
Senior Vice President, Chief Financial Officer and Spokesperson Finance	Lora Ho																	
Senior Vice President Research and Development	Wei-Jen Lo (Note 3)																	
Senior Vice President of TSMC and President of TSMC North America	Rick Cassidy (Note 3)																	
Vice President Operations/Affiliate Fabs	M.C. Tzeng																	
Vice President and Chief Technology Officer Research and Development	Jack Sun																	
Vice President Operations/Product Development	Y.P. Chin																	
Vice President Quality and Reliability	N.S. Tsai																	
Vice President Operations/Mainstream Fabs and Manufacturing Technology	J.K. Lin																	
Vice President Operations/300mm Fabs	J.K. Wang																	
Vice President Corporate Planning Organization	Irene Sun																	
Vice President Research and Development	Burn J. Lin																	
Vice President Research and Development	Y.J. Mii																	
Vice President Research and Development	Cliff Hou																	
Vice President Business Development	Been-Jon Woo																	
Vice President and General Counsel Legal	Sylvia Fang (Note 4)																	
Vice President Human Resources	Connie Ma (Note 4)																	

Note 1: Compensation Policy: The cash compensation and profit sharing paid to Chief Executive Officer and each executive officer are also reviewed by the Compensation Committee individually based on their job responsibility, contribution, and projected future risks the Company will face before the compensation and profit sharing proposals are submitted to the Board of Directors for approval.
Note 2: Senior Vice President and General Counsel Dr. Richard Thurston voluntarily retired, effective July 16, 2014.
Note 3: Dr. Wei-Jen Lo and Mr. Rick Cassidy were promoted to Senior Vice President, effective February 18, 2014.
Note 4: Ms. Sylvia Fang and Ms. Connie Ma were promoted to Vice President, effective August 12, 2014.
Note 5: Pensions funded/paid according to applicable law.
Note 6: The above-mentioned figures include the expense for the employees' cash bonuses distributed in May, August, November 2014 and February 2015, Company cars and gasoline reimbursement, but does not include compensation paid to Company drivers (totaled NT$3,206 thousand).
Note 7: The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 9, 2015.
Note 8: Total compensation paid to TSMC's Chief Executive Officer and Executive Officers in 2013 was NT$1,203,742 thousand, accounting for 0.64% of 2013 net income.
Note 9: Represents cumulative employee stock options exercisable as of the date of this Annual Report.
Note 10: TSMC did not issue employee restricted stock in 2014, and as of the date of this Annual Report.

Compensation Paid to CEO, President and Vice Presidents

	2014	
	From TSMC	From All Consolidated Entities and Non-consolidated Affiliates
NT$0 ~ NT$2,000,000	Rick Cassidy	None
NT$2,000,000 ~ NT$4,999,999	None	None
NT$5,000,000 ~ NT$9,999,999	None	None
NT$10,000,000 ~ NT$14,999,999	None	None
NT$15,000,000 ~ NT$29,999,999	Sylvia Fang, Connie Ma	Sylvia Fang, Connie Ma
NT$30,000,000 ~ NT$49,999,999	Richard Thurston, Burn J. LIN, N.S. Tsai, J.K. Lin, Cliff Hou, Been-Jon Woo, J.K. Wang, Irene Sun	Richard Thurston, Burn J. LIN, N.S. Tsai, J.K. Lin, Cliff Hou, Been-Jon Woo, J.K. Wang, Irene Sun
NT$50,000,000 ~ NT$99,999,999	Wei-Jen Lo, Lora Ho, Jack Sun, M.C. Tzeng, Y.P. Chin, Y.J. Mii	Wei-Jen Lo, Lora Ho, Rick Cassidy, Jack Sun, M.C. Tzeng, Y.P. Chin, Y.J. Mii
Over NT$100,000,000	Mark Liu, C.C. Wei, Stephen T. Tso	Mark Liu, C.C. Wei, Stephen T. Tso
Total	20	20

2.5.3 Employee Profit Sharing Granted to Management Team (Note 1)

Unit: NT$ thousands

Title	Name	Stock (Fair Market Value)	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a % of 2014 Net Income
President and Co-Chief Executive Officer	Mark Liu				
President and Co-Chief Executive Officer	C.C. Wei				
Senior Vice President and Chief Information Officer Information Technology, Materials Management and Risk Management	Stephen T. Tso				
Senior Vice President and General Counsel Legal	Richard Thurston (Note 2)				
Senior Vice President, Chief Financial Officer and Spokesperson Finance	Lora Ho				
Senior Vice President Research and Development	Wei-Jen Lo (Note 3)				
Senior Vice President of TSMC and President of TSMC North America	Rick Cassidy (Note 3)				
Vice President Operations/Affiliate Fabs	M.C. Tzeng				
Vice President and Chief Technology Officer Research and Development	Jack Sun				
Vice President Operations/Product Development	Y.P. Chin				
Vice President Quality and Reliability	N.S. Tsai	-	580,533	580,533	0.22%
Vice President Operations/Mainstream Fabs and Manufacturing Technology	J.K. Lin				
Vice President Operations/300mm Fabs	J.K. Wang				
Vice President Corporate Planning Organization	Irene Sun				
Vice President Research and Development	Burn J. Lin				
Vice President Research and Development	Y.J. Mii				
Vice President Research and Development	Cliff Hou				
Vice President Business Development	Been-Jon Woo				
Vice President and General Counsel Legal	Sylvia Fang (Note 4)				
Vice President Human Resources	Connie Ma (Note 4)				

Note 1: The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 9, 2015.
Note 2: Senior Vice President and General Counsel Dr. Richard Thurston voluntarily retired, effective July 16, 2014.
Note 3: Dr. Wei-Jen Lo and Mr. Rick Cassidy were promoted to Senior Vice President, effective February 18, 2014.
Note 4: Ms. Sylvia Fang and Ms. Connie Ma were promoted to Vice President, effective August 12, 2014.

3. Corporate Governance

3.1 Overview

TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, the TSMC Board delegates various responsibilities and authority to two Board Committees, Audit Committee and Compensation Committee. Each Committee has a written charter approved by the Board. Each Committee's chairperson regularly reports to the Board on the activities and actions of the relevant committee. The Audit Committee and Compensation Committee consist solely of independent directors.

2014 Corporate Governance Awards

Organization	Awards
Dow Jones Sustainability Index	DJSI World Semiconductors & Semiconductor Equipment Industry Group Leader
FinanceAsia	Asia's Best Company in Technology
IR Magazine (Greater China Awards)	Best Corporate Governance Best Sustainability Practice Best IR by a Taiwanese Company Best Financial Reporting
Fortune Magazine	World's Most Admired Companies
RobecoSAM	Sustainability Award－Industry Leader & Gold Class
CommonWealth Magazine	Excellence in Corporate Social Responsibility－Top 10 Large Enterprises – Ranked No.1 Annual Theme Award－Corporate Governance Taiwan Most Admired Company – Ranked No.1
The Taiwan Institute for Sustainable Energy－Taiwan Corporate Sustainability Awards	Taiwan 10 Most Sustainable Company Awards – First Prize Taiwan Top 50 Corporate Social Responsibility Report Awards－Large Enterprises, Electronics Industry I – Gold Class
Ministry of Economics	Top 20 Taiwan Innovative Companies – Ranked No.1
National Council for Sustainable Development, Executive Yuan	National Sustainable Development Award－Enterprise Section – First Prize
R.O.C. Securities & Futures Institute	11th Information Disclosure of Public Companies Ranking – Ranked A++

3.2 Board of Directors

Board Structure

TSMC's Board of Directors consists of eight distinguished members with a great breadth of experience as world-class business leaders or scholars. We rely on them for their diverse knowledge, personal perspectives, and solid business judgment. Five of the eight members are independent directors: former British Telecommunications Chief Executive Officer, Sir Peter Bonfield; Co-Founder, Chairman Emeritus of the Acer Group, Mr. Stan Shih; former Texas Instruments Inc. Chairman of the Board, Mr. Thomas J. Engibous; Professor of Princeton University, Gregory C. Chow; and Chairman of National Performing Arts Center and advisor to the Taiwan Executive Yuan, Ms. Kok-Choo Chen. One of the members of the Board Directors is female. The number of Independent Directors is more than 50% of the total number of Directors.

Board Responsibilities

Under the leadership of Chairman Morris Chang, TSMC's Board of Directors takes a serious and forthright approach to its duties and is a dedicated, competent and independent Board.

In the spirit of Chairman Chang's approach to corporate governance, a board of directors' primary duty is to supervise. The Board should supervise the Company's: compliance with relevant laws and regulations, financial transparency, timely disclosure of material information, and maintaining of the highest integrity within the Company.

TSMC's Board of Directors strives to perform these responsibilities through the Audit Committee and the Compensation Committee, the hiring of a financial expert for the Audit Committee, and coordination with the Internal Audit department.

The second duty of the Board of Directors is to provide guidance to the management team of the Company. Quarterly, TSMC's management reports to the Board on a variety of subjects. The management also reviews the Company's business strategies with the Board and updates TSMC's Board on the progress of those strategies, obtaining Board guidance as appropriate.

The third duty of the Board of Directors is to evaluate the management's performance and to dismiss officers of the Company when necessary. TSMC's management has maintained a healthy and functional communication with the Board of Directors, has been devoted in executing guidance of the Board, and is dedicated in running the business operations, all to achieve the best interests for TSMC shareholders.

Election of Directors

The tenure of office for Directors shall be three years. Our Board members are nominated through a highly selective process that considers not only their respective professional technical competence but also their respective reputation for ethical behavior and leadership. The independence of each independent director candidate is also considered and assessed under relevant law such as the Taiwan "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". The final slate of candidates is put to the shareholders for voting at the relevant annual shareholders' meeting. Under R.O.C. law, in which TSMC was incorporated, any shareholders holding one percent or more of our total outstanding common shares may nominate their own candidate to stand for election as a Board member. This democratic mechanism allows our shareholders to become involved in the selection and nomination process of Board candidates.

Directors' Compensation

TSMC's Articles of Incorporation restricts the amount of compensation payable to its directors that the Company may make from its distributable earnings (defined as net income after required regulatory provisions). Over the years, TSMC directors' compensation declined from 1% of TSMC's distributable earnings to 0.3%, before being capped to no more than 0.3% of its distributable compensation. In addition, directors who also serve as executive officers of the Company are not entitled to receive any director compensation.

Directors' Professional Qualifications and Independent Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Board members are listed in the table below.

Name/Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Morris Chang Chairman			v		v		v	v	v	v	v	v	v	-
F.C. Tseng Vice Chairman			v	v			v	v	v	v	v	v	v	1
Johnsee Lee Director	v		v	v	v	v	v	v	v	v	v	v		2
Sir Peter Leahy Bonfield Independent Director			v	v	v	v	v	v	v	v	v	v	v	-
Stan Shih Independent Director			v	v	v	v	v	v	v	v	v	v	v	-
Thomas J. Engibous Independent Director			v	v	v	v	v	v	v	v	v	v	v	-
Gregory C. Chow Independent Director	v			v	v	v	v	v	v	v	v	v	v	-
Kok-Choo Chen Independent Director	v	v	v	v	v	v	v	v	v	v	v	v	v	-

Note: Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the GTSM";
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Law; and
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.1 Audit Committee

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit Committee is responsible to review the following major matters:

- Financial reports;
- Auditing and accounting policies and procedures;
- Internal control systems;
- Material asset or derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or issuance of any equity-type securities;
- Legal compliance;
- Related-party transactions and potential conflicts of interests involving executive officers and directors;
- Ombudsman reports;
- Potential fraud investigation reports;
- Corporate risk management;

- Hiring or dismissal of an attesting CPA, or the compensation given thereto; and
- Appointment or discharge of financial, accounting, or internal auditing officers, etc.

Under R.O.C. law, the membership of Audit Committee shall consist of all independent Directors. TSMC's Audit Committee satisfies this statutory requirement. The Committee also engaged a financial expert consultant in accordance with the rules of the U.S. Securities and Exchange Commission. The Audit Committee annually conducts self-evaluation to assess the Committee's performance and identify areas for further attention.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate. The Audit Committee Charter is available on TSMC's corporate website.

3.2.2 Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's directors of the Board and executives.

The members of the Compensation Committee are appointed by the Board as required by R.O.C. law. According to TSMC's Compensation Committee Charter, the Committee shall consist of no fewer than three independent directors of the Board. Currently, the Compensation Committee is comprised of all five independent directors; the Chairman of the Board, Dr. Morris Chang, is invited by the Committee to attend all meetings and is excused from the Committee's discussion of his own compensation.

TSMC's Compensation Committee is authorized by its Charter to retain an independent consultant to assist in the evaluation of CEO, or executive officer compensation. The Compensation Committee Charter is available on TSMC's corporate website.

Compensation Committee Members' Professional Qualifications and Independent Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Compensation Committee members are listed in the table below.

Name Title/Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note)								Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	
Stan Shih Independent Director			v	v	v	v	v	v	v	v	v	-
Sir Peter Leahy Bonfield Independent Director			v	v	v	v	v	v	v	v	v	-
Thomas J. Engibous Independent Director			v	v	v	v	v	v	v	v	v	-
Gregory C. Chow Independent Director	v			v	v	v	v	v	v	v	v	-
Kok-Choo Chen Independent Director	v	v	v	v	v	v	v	v	v	v	v	-

Note: Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:
1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not been a person of any conditions defined in Article 30 of the Company Law.

3.2.3 Directors and Committees Members' Attendance

Each Director is expected to attend every Board meeting and the committees meeting on which he or she serves. In 2014, the average Board Meeting attendance rate was 90% and the attendance rate for the Audit Committee and Compensation Committee's Meetings were 80% and 95% respectively.

Board of Directors Meeting Status

Dr. Morris Chang, the Chairman of the Board of Directors, convened four regular meetings and one special meeting in 2014. The directors' attendance status is as follows.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Morris Chang	5	-	100%	None
Vice Chairman	F.C. Tseng	5	-	100%	None
Director	National Development Fund, Executive Yuan Representative: Johnsee Lee	5	-	100%	None
Independent Director	Sir Peter Leahy Bonfield	4	1	80%	Sir Peter Bonfield participated in the discussion through telephone at 04/11 Special Meeting, represented by proxy.
Independent Director	Stan Shih	5	-	100%	None
Independent Director	Thomas J. Engibous	3	2	60%	None
Independent Director	Gregory C. Chow	4	1	80%	None
Independent Director	Kok-Choo Chen	5	-	100%	None

Annotations:
1. There were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2014.
2. Recusals of Directors due to conflicts of interests in 2014: Directors recused themselves from the discussion and voting of their compensation resolution.
3. Measures taken to strengthen the functionality of the Board:
   - Five of the eight Directors are Independent Directors. The number of Independent Directors is more than 50% of the total number of Directors.
   - The Chairman and Vice Chairman of the Board of Directors are not executive officers of the Company.
   - TSMC Board delegates various responsibilities and authority to two Board Committees, Audit Committee and Compensation Committee. Both the two Committees consist solely of the five Independent Directors. Each Committee's chairperson regularly reports to the Board on the activities and actions of the relevant committee.

Audit Committee Meeting Status

TSMC's Audit Committee consists of five members. The tenure is from June 12, 2012 to June 11, 2015.

Sir Peter Bonfield, Chairman of the Audit Committee, convened four regular meetings and one special meeting in 2014. The Committee members and consultant's attendance status is shown in the following table. In addition to these meetings, the Committee members and consultant participated in five telephone conferences to discuss the Company's Annual Report to be filed with the Taiwan and U.S. authorities and investor conference materials with management.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chair	Sir Peter Leahy Bonfield	4	1	80%	Sir Peter Bonfield participated in the discussion through telephone at 04/11 Special Meeting, represented by proxy.
Member	Stan Shih	4	1	80%	None
Member	Thomas J. Engibous	3	2	60%	None
Member	Gregory C. Chow	4	-	80%	None
Member	Kok-Choo Chen	5	-	100%	None
Financial Expert	J.C. Lobbezoo	4	-	100%	Mr. Lobbezoo did not have to attend 04/11 Special Meeting.

Annotations:
1. There was no Securities and Exchange Act §14-5 resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2014.
2. There were no recusals of independent directors due to conflicts of interests in 2014.
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2014 (e.g. the channels, items and/or results of the audits on the corporate finance and/or operations, etc.):
   (1) The internal auditors have sent the audit reports to the members of the Audit Committee periodically, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The head of Internal Audit will immediately report to the members of the Audit Committee any material matters. During 2014, the head of Internal Audit did not report any such material matters. The communication channel between the Audit Committee and the internal auditor functioned well.
   (2) The Company's independent auditors have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2014, the Company's independent auditors did not report any irregularity. The communication channel between the Audit Committee and the independent auditors functioned well.

Compensation Committee Meeting Status

TSMC's Compensation Committee consists of five members. The tenure is from June 12, 2012 to June 11, 2015.

Mr. Stan Shih, Chairman of the Compensation Committee, convened four regular meetings in 2014. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chair	Stan Shih	4	-	100%	None
Member	Sir Peter Leahy Bonfield	4	-	100%	None
Member	Thomas J. Engibous	3	1	75%	None
Member	Gregory C. Chow	4	-	100%	None
Member	Kok-Choo Chen	4	-	100%	None

Annotation:
1. There was no recommendation of the Compensation Committee which was not adopted or was modified by the Board of Directors in 2014.
2. There were no written or otherwise recorded resolutions on which a member of the Compensation Committee had a dissenting opinion or qualified opinion.

3.3 Major Resolutions of Shareholders' Meeting and Board Meetings

3.3.1 Major Resolutions of Shareholders' Meeting and Implementation Status

TSMC's 2014 Annual Shareholders' Meeting was held in Hsinchu, Taiwan on June 24, 2014. At the meeting, shareholders present in person or by proxy approved the following resolutions:
(1) The 2013 Business Report and Financial Statements;
(2) The distribution of 2013 profits;
(3) The revisions to the following internal rules:
- Procedures for Acquisition or Disposal of Assets
- Procedures for Financial Derivatives Transactions

Implementation Status

All the resolutions of the Shareholders' Meeting have been fully implemented in accordance with the resolutions.

3.3.2 Major Resolutions of Board Meetings

During the 2014 calendar year, and as of the date of this Annual Report, major resolutions approved at Board meetings are summarized below:
(1) Regular Board Meeting of February 17 & 18, 2014:
- approving 2013 business report and financial statements;
- approving distribution of 2013 profits, and cash dividends, employee cash bonus and employee profit sharing;
- approving capital appropriations of US$257.1 million;
- approving the promotion of Mr. Rick Cassidy and Dr. Wei-Jen Lo as Senior Vice President; and
- convening the 2014 Annual Shareholders' Meeting.

(2) Special Board Meeting of April 11, 2014:
- approving the sale of 82 million common shares of Vanguard International Semiconductor Corporation (VIS), approximately 5% of VIS' paid-in-capital, at a price of about NT$42.55 per share and a total price of approximately NT$3.49 billion.

(3) Regular Board Meeting of May 12 & 13, 2014:
- approving capital appropriations of US$568.23 million (to establish, convert, and upgrade advanced technology capacity); and
- approving the R&D capital appropriations and sustaining capital appropriation of US$107.00 million.

(4) Regular Board Meeting of August 11& 12, 2014:
- approving capital appropriations of US$3,054.7 billion (including expansion of advanced capacity, conversion of certain logic capacity to specialty technologies, building and facility installation, and for fourth quarter 2014 R&D capital appropriations and sustaining capital appropriations);
- approving the capital injection of not more than US$2 billion to TSMC Global Ltd., a wholly-owned BVI subsidiary, for the purpose of reducing foreign exchange hedging costs; and

- approving appointed General Counsel Ms. Sylvia Fang and Director of Human Resources Ms. Connie Ma as Vice President of TSMC, effective August 12, 2014.

(5) Regular Board Meeting of November 10 & 11, 2014:
- approving capital appropriations of US$5,574.77 million (including Installation and expansion of advanced technology capacity; Conversion of certain logic capacity to specialty technologies; Construction of fab and office buildings and installation of facilities systems; Expansion of mainstream technology capacity; and First quarter 2015 R&D capital appropriations and sustaining capital appropriations).

(6) Special Board Meeting of January 9, 2015:
- approving the sale of 565.5 million common shares of TSMC Solid State Lighting Ltd. at a price of NT$825 million (equivalent to NT$1.46 per share) to Epistar Corporation.

(7) Regular Board Meeting of February 9 & 10, 2015:
- approving 2014 business report and financial statements;
- approving distribution of 2014 profits, and cash dividends, employee cash bonus and employee profit sharing;
- approving capital appropriations of approximately US$2,003.70 million (including: 1. installation of advanced and mainstream technology capacity; 2. installation of specialty technology capacity; 3. conversion of certain logic capacity to specialty technologies; 4. capacity installation and conversion for advanced packaging and assembly; 5. second quarter 2015 R&D capital investments and sustaining capital expenditures); and
- convening the 2015 Annual Shareholders' Meeting.

3.3.3 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors during the 2014 Calendar Year and as of the Date of this Annual Report: None.

3.4 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?		v	TSMC has always followed excellent corporate governance practices, provided the utmost in operational transparency and safeguarded shareholders' equity. Although the Company does not have a formal code of practice for corporate governance, however TSMC has always been highly regarded as the industry leader in implementing comprehensive corporate governance practices. In addition, the Company also has a world-class Board of Directors. The Company believes that corporate governance is based on integrity. TSMC has been proving its excellent corporate governance in its operating performance and continued winning of domestic and international awards on best corporate governance company.	Same as explanation
2. Shareholding Structure & Shareholders' Rights				None
(1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	v		(1) TSMC has designated appropriate departments, such as Corporate Communication Division, the SEC Compliance Department, Legal Department, etc., to handle shareholder suggestions, concerns, disputes or litigation matters.	
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	v		(2) TSMC tracks the shareholdings of directors, officers, and shareholders holding more than 10% of the outstanding shares of TSMC.	
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	v		(3) TSMC has set up internal rules in the Company's Internal Control System and Affiliated Corporations Management.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	v		(4) TSMC has established its "Insider Trading policy" that applies to all employees, officers and members of the Board of Directors of the Company and to any other person having a duty of trust or confidence, with respect to transactions in the Company's securities. This policy prohibits any insider trading and the Company regularly provides internal training on this issue.	

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	v		(1) The members of TSMC Board of Directors are nominated via a rigorous selection process. It not only considers professional competence, but also attaches great importance to his/her personal reputation on ethics and leadership. Presently, the Company's Board of Directors consists of eight members who possesses world-class managerial and/or academic experiences. We rely on each directors' knowledge, personal insight and business judgment. One female director currently sits on the Board of Director, and a majority of our Board consists of independent directors.	None
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	v		(2) All important resolutions are decided by the Board of Directors of the Company. TSMC founded its audit committee and compensation committee in 2002 and 2003 respectively, and the members of these committees are all independent directors. In addition, the Company has a Corporate Social Responsibility Committee which is formed by the Company's management team and it reports to the Board of Directors.	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	v		(3) As TSMC's corporate governance concept, the Board of Director's primary responsibility is to supervise, provide guidance and evaluate the management's performance and to dismiss officers of the Company when necessary. TSMC's Board of Directors consists of distinguished members with a great breadth of experience as world-class business leaders or scholars and adhere high ethical standards and commitment to the Company. Each quarter's Board Meeting is last for two days. Company's resolutions are determined in board meeting, also business strategy and future orientation are discussed in the meeting, in order to create best interest for shareholders. Based on TSMC's operating performance and local/international awards of best corporate governance, it certainly proves the Company's excellent performance of Board of Directors. Also, TSMC's audit committee performs self evaluation and discusses future issues of concern by questionnaire on annual basis.	
(4) Does the Company regularly evaluate its external auditors' independence?	v		(4) The Audit Committee annually evaluates the independence of external auditors and reports the same to the Board of Directors.	
4. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	v		Depending on the situation, the Company's Corporate Communication Division and SEC Compliance department will communicate with stakeholders. We also have publicly disclosed the contact information of our corporate spokesperson and relevant departments. Also, we have a stakeholder section on our corporate website to address our corporate social responsibilities and any other issues.	None
5. Has the Company appointed a professional registrar for its Shareholders' Meetings?	v		We have appointed China Trust as our registrar for our Shareholders' Meetings.	None
6. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	v		(1) TSMC discloses its financials, business and corporate governance status on its website at http://www.tsmc.com (in Chinese and English). TSMC's American Depositary Receipt (ADR) is listed on the New York Stock Exchange (NYSE). As a foreign issuer, TSMC must comply with NYSE's rules. We have been operating in accordance with NYSE listing standards, and have been disclosing the major differences between our corporate governance practices and U.S. corporate governance practices. Please see http://www.tsmc.com/download/english/e03_governance/NYSE_Section_303A.pdf	None
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	v		(2) TSMC has designated appropriate departments (e.g. the Corporate Communication Division, the SEC Compliance Department, etc.) to handle the collection and disclosure of information as required by the relevant laws and regulations of Taiwan and other jurisdictions. TSMC has designated spokespersons as required by relevant regulations. TSMC webcasts live investor conferences.	
7. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	v		(1) For employee rights and employee wellness, please refer to "5.5 Employees" on page 70-74 of this Annual Report. (2) For investor relations, supplier relations and rights of stakeholders, please refer to "7. Corporate Social Responsibility" on page 102-119 of this Annual Report. (3) For Directors' training records, please refer to page 37 of this Annual Report. (4) For Risk Management Policies and Risk Evaluation, please refer to "6.3 Risk Management" on page 91-101 of this Annual Report. (5) For Customer Relations Policies, please refer to "5.4 Customer Trust" on page 69-70 of this Annual Report. (6) TSMC maintains D&O Insurance for its directors and officers.	None

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
8. Does the Company perform any self evaluations on its corporate governance practices or appointed any third party to do so? (If yes, please disclose the Board of Director's view on the results of such evaluation).	v		From January 2015, we have conducted the self-evaluation through the corporate governance evaluation system which is developed by the TWSE Corporate Governance Center. We will study the results of such evaluation and implement remedial actions accordingly. In 2014, TSMC has won numerous international recognitions for its outstanding corporate governance practices such as the following: IR Magazine honored TSMC with its "Best Corporate Governance Company", "Best Sustainability Practice", "Best Investor Relation by Taiwanese Company" and "Best Financial Reporting"; RobecoSAM honored TSMC with the "Industry Leader & Gold Class" Sustainability Award; CommonWealth Magazine honored TSMC with "Taiwan's Most Admired Companies – Ranked No.1", "Excellence in Corporate Social Responsibility—Top 10 Large Enterprises – Ranked No.1" and "Annual Theme Award—Corporate Governance"; The Taiwan Institute for Sustainable Energy—Taiwan Corporate Sustainability Awards honored TSMC with "Taiwan 10 Most Sustainable Company Awards – First Prize"; National Council for Sustainable Development, Executive Yuan honored TSMC with the "National Sustainable Development Award—Enterprise Section – First Prize"; and "11th Information Disclosure of Public Companies Ranking – Ranked A++" by R.O.C. Securities & Futures Institute.	None

Continuing Education/Training of Directors in 2014

Name	Date	Host by	Training/Speech Title	Duration
Morris Chang (Note)	01/22	CommonWealth Magazine	Speech: Lack of Qualified Human Resources in Taiwan's Economy	1 hour
	03/27	Taiwan Semiconductor Industry Association	Speech: The Next Big Thing	1 hour
	05/02	College of Law, National Taiwan University	Speech: Challenges and Breakthroughs	1 hour
F.C. Tseng	05/09	Securities & Future Institute	Trade Secret Protection	3 hours
	12/02	Taiwan Corporate Governance Association	The Effectiveness of Taiwan Corporate Boards is Assessed from the Viewpoint in the Book "The Effective Board"	3 hours
Stan Shih (Note)	07/11	Middle and Senior Managers Innovation Academy, Industrial Technology Research Institute	Speech: Wangdao Corporate Management	2 hours
	11/06	Taiwan Corporate Governance Association	Legal Liability of the Directors of Public Companies	3 hours
Kok-Choo Chen	11/09	Hong Kong Heritage Discovery Centre	Legal Structure and Management of Private Museums	3.5 hours
Johnsee Lee	08/21	Securities and Futures Institute	Public Companies Integrity Management and Corporate Social Responsibility Forum	3 hours
	12/05	Monte Jode Science & Technology Association	Global Patent Litigation Trends and Development	3 hours
Morris Chang F.C. Tseng Sir Peter Leahy Bonfield Stan Shih Thomas J. Engibous Gregory C. Chow Kok-Choo Chen Johnsee Lee	05/13	TSMC	Speech: "Recent Political & Economic Developments in Taiwan" by Dr. Chi SU, Chairman of Taipei Forum	45 minutes

1. From time to time, TSMC provides directors with information concerning regulatory requirements and developments as related to directors' activities. TSMC management also regularly presents updates on the Company's business and other information to directors.
2. Regular regulatory update reports are provided by TSMC's General Counsel and by the Company's independent auditors at the Audit Committee meetings such as:
   - Conflict-free Minerals
   - U.S. SEC Rules update

Note: Selected speeches on corporate governance and related topics.

Continuing Education/Training of Management in 2014

Name/Title	Date	Host by	Training	Duration
Lora Ho Senior Vice President, Chief Financial Officer and Spokesperson	05/09	Securities & Future Institute	Trade Secret Protection	3 hours
Sylvia Fang Vice President and General Counsel	11/14	- College of Law, National Taiwan University (NTU) - NTU Law Foundation	International Conference on Trade Secrets Protection and Litigation	7 hours
	12/07-12/09	Intellectual Property Business Congress (IPBC)	IPBC Asia 2014 (in Shanghai)	16 hours
Jessica Chou Director, Accounting Division	05/23	Accounting Research and Development Foundation	The Proposed Amendments to R.O.C. Tax Regulations Corresponding to the Adoption of Taiwan-IFRSs	3 hours
	05/23		The R.O.C. Corporate Tax Administrative Relief and Case Studies	3 hours
	08/06		How to Build a Competitive Capital Structure	3 hours
	11/26		The Comparisons of Legal Responsibilities for "Economic Crime" in China and Taiwan and Case Studies	3 hours
John Liang Director, Internal Audit Division	12/12	The Institute of Internal Auditors, R.O.C.	Regulation Compliance Risk Management for Entities	6 hours
	12/24	Accounting Research and Development Foundation	Update of Amendment of Regulations Governing Establishment of Internal Control Systems by Public Companies	6 hours

In addition, various training programs and speech presentations were also provided by TSMC's Legal Organization for Management and the relevant divisions, such as:

- Anti-bribery/corruption
- Antitrust (unfair competition)
- Environmental Protection
- Insider Trading
- Intellectual Property Protection
- Privacy Protection
- Export Control Enhancement

3.5 Code of Ethics and Business Conduct

Ethics Values

Integrity is the most important core value of TSMC's culture. TSMC is committed to acting ethically in all aspects of our business; constantly and vigilantly promoting integrity, honesty, fairness, accuracy, and transparency in all that we say and do.

At the heart of our corporate governance culture is TSMC's Code of Ethics and Business Conduct (the "Code") that applies to TSMC and its subsidiaries, and this Code requires that each employee bears a heavy personal responsibility to preserve and to protect TSMC's ethical values and reputation and to comply with various applicable laws and regulations. In so doing, each of us:

- must not advance our personal interests at the expense of, or in conflict with the Company;
- must refrain from corruption, unfair competition, fraud, and waste or abuse of corporate assets;
- must not undertake any practices detrimental to TSMC, the environment and to society;
- must procure all of our raw materials from socially responsible sources;
- must abide by both the spirit and letter of all applicable laws, rules and regulations; and
- must avoid any efforts improperly to influence the decisions of anyone, including government officials, agencies, and courts, as well as our customers, suppliers, and vendors.

In order to build and sustain an environment of innovation, technology leadership, and sustainable profitable growth, the Code requires that we must promote business relationships founded upon an unwavering respect for the intellectual property rights, proprietary information and trade secrets of TSMC, our customers, and others.

With respect to information disclosure, TSMC's officers, especially our CEO, CFO, and General Counsel, with oversight from our Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting and financial disclosure in reports and documents filed by the Company with securities authorities and in all TSMC public communications and disclosures.

Our core value in ethics is implemented in four ways by all of our employees, officers and Board members who must wholeheartedly embrace and practice the Code. First, TSMC's management sets the "tone from the top" by acting in accordance with the Code so that they may be an example to all stakeholders. Second, working-level managers are responsible for ensuring their staff's understanding of and compliance with applicable rules and regulations. Thirdly, we encourage an environment of open communications in discussing any questions related to the Code. Any stakeholder may consult his or her direct supervisors, Human Resources or Legal to obtain timely advice. Lastly, TSMC requires all employees to stay vigilant and whistle-blow any noncompliance by anyone to their supervisors, the function head of Human Resources, the responsible corporate Vice President that oversees the Ombudsmen system, or to the Chairman of the Company's Audit Committee directly. In particular, the Ombudsmen system allows for anonymous reporting and is open to external parties such as our vendors and subcontractors. TSMC treats any complaint and the investigation thereof in a confidential and sensitive manner, and strictly prohibits any form of retaliation against any individual who in good faith reports or helps with the investigation of any complaint.

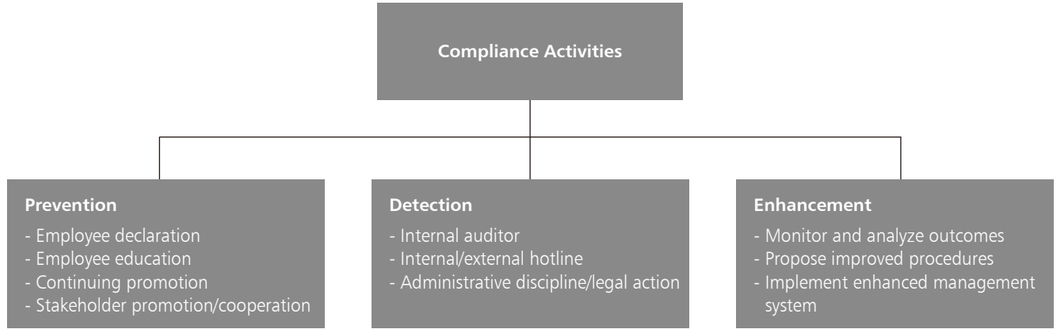
In addition, we expect and assist our customers, suppliers, business partners, and any other entities with whom we deal (such as consultant or third party agents who act for or on behalf of TSMC) to recognize and understand TSMC's ethics standards to fulfill our responsibilities as a corporate citizen.

Any modification to the Code requires the approval of our Audit Committee composed of independent directors to ensure our ethics compliance program is independently judged in light of the highest ethical standards.

Code Administration and Disciplinary Action

To educate and remind our employees of their responsibilities under the Code, we publish our Code and relevant policies on our intranet and promote its awareness through training courses, posters, and internal news articles. We also have an introductory training course on the Code which is available to all employees online, as well as advanced courses delving into more specific individual topics such as anti-corruption and insider trading (available online or in person).

As part of our ethics compliance program, all employees must disclose any matters that cause, or may cause, actual or potential conflict of interest. In addition to such proactive disclosure requirement employees with certain job responsibilities and senior officers must periodically declare the existence of any conflict of interest situation. All departments and subsidiaries of TSMC are also required to conduct Control Self-Assessment (CSA) tests annually to review employees' awareness of the Code. The results of such CSA are reviewed to gauge the results of our compliance program.



As for our suppliers, vendors and contractors, we require all of them to declare in writing that they will not engage in any fraud or any unethical conduct when dealing with us or our officers and employees. We also communicate our ethical culture to our business partners through regular live seminars to prevent any unethical conduct and detect any sign of Code violations.

The Internal Auditor of TSMC plays a critical role in ensuring the Company's compliance with the Code and relevant rules and regulations. To ensure that our financial, managerial, and operating information is accurate, reliable, and timely and that our employee's actions are in compliance with applicable policies, standards, procedures, laws and regulations, our Internal Auditor conducts audits of various control points within the company in accordance with its annual audit plan approved by the Board of Directors and subsequently reports its audit findings and remedial issues to the Board and management on a regular basis.

We do not tolerate any violation of the Code and treat every possible violation incident seriously. Any violator of the Code (or relevant regulations) will be severely punished to the full extent of our policies and the law, including immediate dismissal, termination of business relationship, and judicial prosecution as appropriate.

3.5.1 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				None
(1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	V		(1) Integrity is the most important core value of TSMC's culture. TSMC is committed to acting ethically in all aspects of our business. We have established TSMC Code of Ethics and Business Conduct (the "Code") to require that each employee bears a heavy personal responsibility to uphold TSMC's ethics value. For more details on the Code and the measures that TSMC Board of Directors (the "Board") and the management team take to ensure compliance of the Code please refer to TSMC's Annual Report and the Corporate Social Responsibility Report.	
(2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	V		(2) At the heart of our corporate governance culture is the Code that applies to TSMC and its subsidiaries, and this Code requires that each employee bears a heavy personal responsibility to preserve and to protect TSMC's ethical values and reputation and to comply with various applicable laws and regulations. Specific requirements under the Code could be found in our Annual Report. In addition, to educate and remind our employees of their responsibilities under the Code, we publish our Code and relevant policies on our intranet and promote its awareness through training courses, posters, and internal news articles. Furthermore, to ensure that our conduct meets the highest legal and ethical standards, TSMC provides multiple channels for reporting business conduct concerns. Please refer to Assessment Item 3 for details. We do not tolerate any violation of the Code and treat every possible violation incident seriously. Any violator of the Code (or relevant regulations) will be severely punished to the full extent of our policies and the law, including immediate dismissal in accordance with TSMC Employee Recognition, Disciplinary and Ombudsman Procedure, termination of business relationship, and judicial prosecution as appropriate.	
(3) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(3) Under the framework of the Code, TSMC has established policies, guidelines and procedures in other policy areas, including: Anti-bribery/ corruption, Anti-harassment/ discrimination, Antitrust (unfair competition), Environment, Export Control, Financial Reporting/Internal Controls, Insider Trading, Intellectual Property, Proprietary Information Protection ("PIP"), Privacy, Record Retention and Disposal, as well as procuring raw materials from socially responsible sources ("Conflict-free Minerals"). The above-mentioned policies are crucial in strengthening overall compliance with the Code. TSMC, its employees and its subsidiaries and affiliates are expected to fully understand and comply with all laws and regulations that govern our businesses. The Internal Auditor of TSMC also plays a critical role in ensuring the Company's compliance with the Code and relevant rules and regulations. To ensure that our financial, managerial, and operating information is accurate, reliable, and timely and that our employee's actions are in compliance with applicable policies, standards, procedures, laws and regulations, our Internal Auditor conducts audits of various control points within the Company in accordance with its annual audit plan approved by the Board of Directors and subsequently reports its audit findings and remedial issues to the Board and Management on a regular basis.	
2. Ethic Management Practice				None
(1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) We expect and assist our customers, suppliers, business partners, and any other entities with whom we deal (such as consultant or third party agents who act for or on behalf of TSMC) to understand and act in accordance with TSMC's ethics standards. As for our suppliers, vendors and contractors, we further require all of them to declare in writing that they will not engage in any fraud or any unethical conduct when dealing with us or our officers and employees. We also communicate our ethical culture to our business partners through regular live seminars to prevent any unethical conduct.	
(2) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	V		(2) TSMC's Board of Directors strives to perform the responsibilities of supervising the corporate conduct and ethics compliance practice through the Audit Committee and the Compensation Committee, the hiring of a financial expert for the Audit Committee, and coordination with the Internal Audit department. In addition, General Counsel, the responsible corporate Vice President who oversees the Ombudsmen system and Internal Auditors update the Board ethical standards compliance issues on a regular basis. Moreover, TSMC's officers, especially our CEO, CFO, and General Counsel, with oversight from our Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting and financial disclosure in reports and documents filed by the Company with securities authorities and in all TSMC public communications and disclosures.	
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) TSMC requires newly hired employees to declare any conflict of interest situation as appropriate. In addition, all employees must disclose any matters that have, or may have, the appearance of undermining the Code (such as any actual or potential conflict of interest). Furthermore, key employees and senior officers must periodically declare their compliance status with the Code according to relevant procedures.	
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) TSMC continues maintaining the integrity of its financial reporting processes and controls and establishes appropriate internal control systems for preventing higher potential unethical conduct, and the Internal Auditors formulate annual audit plans based on the results of the risk assessment and subsequently reports its audit findings and remedial issues to the Board and Management on a regular basis. In addition, all departments and subsidiaries of TSMC are also required to conduct Control Self-Assessment (CSA) tests annually to review the effectiveness of the internal control system.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(5) Training is a major component of our compliance program, conducted throughout the year to refresh TSMC's employees' commitment to ethical conduct, and to get updated information on laws and regulations related to their daily operations. As for our suppliers, vendors and contractors, we communicate our ethical culture to our business partners through regular live seminars to ensure their fully understanding of our commit to ethical conduct.	
3. Implementation of Complaint Procedures				None
(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) TSMC has implemented the "Complaint Policy and Procedures for Certain Accounting and Legal Matters" and "Procedures for Ombudsman System" that allow employees or any whistleblowers with relevant evidence to report any financial, legal, or ethical irregularities. TSMC also requires all employees to stay vigilant and whistle-blow any noncompliance by anyone to their supervisors, the function head of Human Resources, the responsible corporate Vice President that oversees the Ombudsmen system, or to the Chairman of the Company's Audit Committee directly. In particular, the Ombudsmen system allows for anonymous reporting and is open to external parties such as our vendors and subcontractors.	
(2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(2) TSMC treats any complaint and the investigation thereof in a confidential and sensitive manner, and such manner is clearly stated in our bylaws.	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) TSMC strictly prohibits any form of retaliation against any individual who in good faith reports or helps with the investigation of any complaint, and such requirement is clearly stated in our bylaws.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		Our internal website provides guidelines and informative articles on ethics and honorable business conduct (in both Chinese and English) for employees' easy access. In addition, TSMC discloses relevant information in its Annual Report (which is also available at the MOPS) and CSR Report (available at: http://www.tsmc.com)	None
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation. TSMC has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures. For details on the implementation of TSMC's Corporate Conduct and Ethics, please refer to "3.5 Code of Ethics and Business Conduct" on page 38-41 of this Annual Report.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). For details on the implementation of TSMC's Corporate Conduct and Ethics, please refer to "3.5 Code of Ethics and Business Conduct" on page 38-41 of this Annual Report.				

(Continued)

3.6 Regulatory Compliance

TSMC's commitment to integrity has been the cornerstone of TSMC's robust compliance efforts, which are comprised of legislation monitoring, compliance policies, training and an open reporting environment.

TSMC operates in many countries. Therefore, in order to achieve compliance with governing legislation, applicable laws, regulations and regulatory expectations, we closely monitor domestic and foreign government policies and regulatory developments that could have a material impact on TSMC's business and financial operations. TSMC's Legal Organization periodically updates our internal departments, management and the Audit Committee of applicable regulatory changes so that internal teams may comply with new regulatory requirements in a timely manner. We are also a proactive advocate for local legislative and regulatory reform. For example, we have achieved remarkable results in strengthening trade secret protection in Taiwan, and our major comments on legal reforms to the government have been accepted constructively. TSMC is increasingly dedicated to identifying regulatory issues and will continue to be involved in advocating public policy changes that foster a positive and fair business environment.

Under the framework of the Code, TSMC has established policies, guidelines and procedures in different compliance areas, including: Anti-bribery/corruption, Anti-harassment/discrimination, Antitrust (unfair competition), Environment, Export Control, Financial Reporting/Internal Controls, Insider Trading, Intellectual Property, Proprietary Information Protection ("PIP"), Privacy, Record Retention and Disposal, as well as procuring raw materials from socially responsible sources ("Conflict-free Minerals"). It is

our belief that the above-mentioned policies are crucial in strengthening overall compliance with the Code. TSMC, its employees and its subsidiaries and affiliates are expected to fully understand and comply with all laws and regulations that govern our businesses and make ethical decisions under any circumstances.

Training is a major component of our compliance program, conducted throughout the year to refresh TSMC's employees' commitment to ethical conduct, and to get updated information on laws and regulations related to their daily operations. Highlights of our compliance training program include the following:

- Publicizing our compliance policies via posters, news articles, and compliance guidelines which our employees can access through our intranet;
- Live seminars focusing on such specific topics as Anti-bribery/corruption, PIP, Contract Management, Intellectual Property, Privacy Protection, Conflict Minerals, Insider Trading, and Export Control (latter two being primary topics in 2014) which are mandatory for employee affected by these topics to ensure adequate awareness;
- A wide range of on-line learning programs updated frequently to provide most up-to-date and accurate information and timely and flexible access for employees to understand the law and key compliance issues, covering Antitrust, Anti-harassment, Insider Trading, Export Control Management, PIP, Privacy Protection, to name just a few;
- External training of TSMC's internal teams in Taiwan and abroad to receive on current developments of new laws and regulations. External experts are also invited to give in-house lectures on key issues, while our internal lawyers comply with applicable continuing legal education requirements.

To ensure that our conduct meets the highest legal and ethical standards, TSMC provides multiple channels for reporting business conduct concerns. First of all, we have implemented the "Complaint Policy and Procedures for Certain Accounting and Legal Matters" and "Procedures for Ombudsman System" that allow employees or any whistleblowers with relevant evidence to report any financial, legal, or ethical irregularities. To foster an open culture of ethics compliance, we encourage employees to report suspected wrongdoing within the organization or any parties with whom we do business via the above-mentioned reporting system. We also established an Ombudsman system open to external reporting. Below is a summary of the Number of Reported Incidents:

	FY 2013	FY 2014
Incidents submitted to the Ombudsman System (Note)	35	45
Incidents submitted to the Audit Committee Whistleblower System	-	-
Incidents reported to the "hotline" which were treated as plausible	19	42
	1	-
Sexual Harassment Investigation Committee which were found after investigations	7	4
	5	4

Note: There is no case for ethics, finance and accounting matters.

3.6.1 Major Accomplishments

In 2014, TSMC achieved several major accomplishments in regulatory compliance, including the following:

- In addition to rigorously fulfilling our obligations to regulatory compliance matters, TSMC has discharged its civic duties as a responsible corporate citizen by advising the local government on law and policy reform. TSMC regularly urged the Government to amend any outdated laws and regulations, which may be inconsistent with global practice to improve our investment environment and economic development. For example, after Taiwan's legislature accepted TSMC's advice of imposing criminal liability on trade secret misappropriation in 2012, TSMC worked closely with the authorities concerned to carry out the amendment of relevant laws including the Communication Security and Surveillance Act, the Intellectual Property Case Adjudication Act, and the Witness Protection Act. To protect R&D work and fair competition, we will continue to be an advocate of trade secret protection.
- Throughout 2014, TSMC offered a wide range of training courses on various compliance topics, including 12 topics via on-line education and 36 topics via live seminars. These courses were developed and conducted by compliance and legal professionals. In 2014, we primarily focused training on insider trading and export control, having achieved a high completion rate for both courses (over five thousand employees for insider trading and over fifteen thousand employees for export control). TSMC will regularly review and update our training programs and identify new areas of training as necessary.
- TSMC is subject to the U.S. Securities & Exchange Commission (SEC) disclosure rule on conflict minerals released under Rule 13p-1 of the U.S. Securities Exchange Act of 1934. As a recognized global leader in the hi-tech supply-chain, we acknowledge our corporate social responsibility to strive to procure conflict free minerals in an effort to recognize humanitarian and ethical social principles that protect the dignity of all persons. We have implemented a series of compliance safeguards and maintained frequent communications with our suppliers and subsidiaries. We make it an annual requirement for our suppliers and subsidiaries to sign and submit the conflict-free representation letter as well as Conflict Minerals Reporting Template. In 2014, we also provided our suppliers and subsidiaries with in-person training lectures to promote awareness.
- In order to prevent any unauthorized export of controlled items, a formal system, namely EMS, has existed for a number of years and continuously updated and sustained to reinforce TSMC's internal compliance measures, which measures are taken to ensure compliance by TSMC and all of its subsidiaries with all applicable regulations covering the export of information, technologies, products, materials and equipment. TSMC's EMS allows TSMC to streamline its complicated SHTC (Strategic High-Tech Commodities) export process and creates efficiency for both TSMC and its customers. TSMC's EMS was certified in September 2012 by the Bureau of Foreign Trade, the Taiwan regulator, as a qualified ICP (Internal Control Program) exporter. Because of its successful implementation, TSMC has also frequently earned recognition as "best in class" and was asked to share our experience on EMS implementation to third parties that included a variety of domestic and foreign organizations and industrial peers.
- TSMC adopted its Personal Data and Privacy Protection Policy to comply with the Personal Information Protection Act of Taiwan that became effective in 2012. This Policy aims to provide TSMC and its worldwide subsidiaries with global standards for handling personal data and respecting personal privacy in the workplace. Furthermore, to educate TSMC individuals about the restrictions and procedures applicable to handling personal data and respecting personal privacy in the workplace, TSMC rolled out several privacy awareness initiatives, including a variety of training programs such as seminars and both in-person and online courses. All staff within our Human Resources department were provided with proper training to ensure their compliance with relevant policies and guidelines when handling personal data of TSMC employees. Compliance posters in our facilities also increase employees' awareness of privacy protection in the workplace. Through these action steps, we are dedicated to promoting awareness of data protection and privacy and to creating a culture whereby an individual's personal data and privacy are protected and handled in line with global standards.

3.7 Internal Control System Execution Status

Taiwan Semiconductor Manufacturing Company Limited

Statement of Internal Control System

Date: February 10, 2015

Based on the findings of a self-assessment, Taiwan Semiconductor Manufacturing Company Limited (TSMC) states the following with regard to its internal control system during the year 2014:

1. TSMC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and TSMC takes immediate remedial actions in response to any identified deficiencies.

3. TSMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

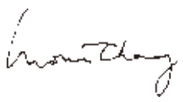
4. TSMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

5. Based on the findings of such evaluation, TSMC believes that on December 31, 2014, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.

6. This Statement will be an integral part of TSMC's Annual Report for the year 2014 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

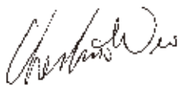
7. This Statement has been passed by the Board of Directors in their meeting held on February 10, 2015, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Semiconductor Manufacturing Company Limited



Morris Chang,
Chairman

Mark Liu,
President and Co-Chief Executive Officer



C.C. Wei,
President and Co-Chief Executive Officer

3.8 Status of Personnel Responsible for the Company's Financial and Business Operation

3.8.1 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit and R&D during the 2014 Calendar Year and as of the Date of this Annual Report: None.

3.8.2 Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Certification	Number of Employees	
	Internal Audit	Finance
Certified Public Accountants (CPA)	2	27
US Certified Public Accountants (US CPA)	2	14
The Chartered Institute of Management Accountants (CIMA)	-	1
Certified Internal Auditor (CIA)	11	6
Chartered Financial Analyst (CFA)	-	2
Certified Management Accountant (CMA)	-	2
Financial Risk Manager (FRM)	-	1
Certificate in Financial Management (CFM)	-	1
Certification in Control Self-Assessment (CCSA)	4	-
Certification in Risk Management Assurance (CRMA)	3	-
Certified Information Systems Auditor (CISA)	3	-
BS7799/ISO 27001 Lead Auditor	1	-

3.9 Information Regarding TSMC's Independent Auditor

3.9.1 Audit Fees

The Audit Committee approves all fees payable to TSMC's independent auditor and recommends the same to the Board of Directors for further approval. The Board of Directors has authorized the Audit Committee to approve any subsequent changes not exceeding 10% of the approved fees.

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Whether the CPA's Audit Period Covers an Entire Fiscal Year			Note
			System Design	Company Registration	Human Resource	Others	Subtotal	Yes	No	Audit Period	
Deloitte & Touche	Yi-Hsin Kao, Hung-Wen Huang, and others	65,065	-	180	-	-	180	V			Note

Note: Article 10-5-1 of Regulation Governing Information to be published in Annual Report of Public Companies was not applicable to TSMC.

3.9.2 Due to relevant regulatory requirements on rotation, Deloitte & Touche changed audit partners for TSMC in 2013.

3.9.3 TSMC's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions within tsmc's independent audit firm or its affiliates in the most recent two years.

3.9.4 Evaluation of the External Auditor's Independence

The Audit Committee regularly monitors the independence of TSMC's external auditor by conducting the below evaluations and reports the same to the Board of Directors:

1. The auditor's independence declaration
2. The Audit Committee pre-approves all audit and non-audit services conducted by the auditor to ensure that the non-audit services do not influence the results of the audit
3. Ensure the audit partner rotates every five years
4. Annually evaluate the independence of the external auditor based on the results of the auditor survey

3.10 Material Information Management Procedure

TSMC has established relevant procedures for managing and disclosing material information. The responsible departments regularly remind all officers and employees about the need to comply with these procedures and other applicable regulations when they become aware of any potential material information and the possible need to publicly disclose such information. To ensure that our employees, managers and board directors are aware of and comply with these relevant regulations, TSMC has also established our "Insider Trading Policy". To reduce the risk of insider trading, on-line training programs and live seminars are conducted annually. In addition, employees can familiarize themselves with relevant internal policies and training articles by easily accessing TSMC's Legal Organization intranet website.

4. Capital and Shares

Cloth is woven from thousands of threads that only create a beautiful pattern when each thread is in precisely the right place. TSMC carefully deploys its capital, and pays painstaking attention to operational and investment efficiency to weave a beautiful future for the company.

4.1 Capital and Shares

4.1.1 Capitalization

Unit: Share/NT$ — As of 02/28/2015

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
03/2014	10	28,050,000,000	280,500,000,000	25,928,617,140	259,286,171,400	Exercise of Employee Stock Options: NT$2,261,500	None	03/12/2014 Zhu Shang Tzu No.1030007123
06/2014	10	28,050,000,000	280,500,000,000	25,929,123,937	259,291,239,370	Exercise of Employee Stock Options: NT$5,067,970	None	06/12/2014 Zhu Shang Tzu No.1030017459
09/2014	10	28,050,000,000	280,500,000,000	25,929,374,956	259,293,749,560	Exercise of Employee Stock Options: NT$2,510,190	None	09/03/2014 Zhu Shang Tzu No.1030025856

4.1.2 Capital and Shares

Unit: Share — As of 02/28/2015

Type of Stock	Authorized Share Capital				Total
	Issued Shares			Unissued Shares	
	Listed	Non-listed	Total		
Common Stock	25,930,043,279	-	25,930,043,279	2,119,956,721	28,050,000,000

Shelf Registration: None.

4.1.3 Composition of Shareholders

Common Share — As of 07/20/2014 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	8	217	1,042	3,485	332,872	337,624
Shareholding	1,653,710,196	867,976,053	1,240,452,818	19,970,458,571	2,196,777,318	25,929,374,956
Holding Percentage (%)	6.38%	3.35%	4.78%	77.02%	8.47%	100.00%

Distribution Profile of Share Ownership

Common Share — As of 07/20/2014 (last record date)

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	158,910	36,077,042	0.14%
1,000 ~ 5,000	121,170	262,376,274	1.01%
5,001 ~ 10,000	25,742	182,408,354	0.70%
10,001 ~ 15,000	10,211	123,643,027	0.48%
15,001 ~ 20,000	4,558	79,670,322	0.31%
20,001 ~ 30,000	5,145	124,557,156	0.48%
30,001 ~ 40,000	2,420	83,517,241	0.32%
40,001 ~ 50,000	1,554	69,903,420	0.27%
50,001 ~ 100,000	2,980	207,042,950	0.80%
100,001 ~ 200,000	1,607	222,806,904	0.86%
200,001 ~ 400,000	1,064	297,773,577	1.15%
400,001 ~ 600,000	427	206,384,906	0.80%
600,001 ~ 800,000	258	179,672,944	0.69%
800,001 ~ 1,000,000	188	169,216,764	0.65%
Over 1,000,001	1,390	23,684,324,075	91.34%
Total	337,624	25,929,374,956	100.00%

Preferred Share: None.

4.1.4 Major Shareholders

Common Share

As of 07/20/2014 (last record date)

Shareholders	Total Shares Owned	Ownership (%)
ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	5,386,967,368	20.78%
National Development Fund, Executive Yuan	1,653,709,980	6.38%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	804,188,035	3.10%
Government of Singapore	594,775,575	2.29%
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	361,417,833	1.39%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	302,957,649	1.17%
Cathay Life Insurance Co., Ltd.	301,358,235	1.16%
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool	277,953,361	1.07%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	246,465,845	0.95%
iShares MSCI Emerging Markets Index Fund	243,118,000	0.94%

4.1.5 Net Change in Shareholding by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Share

Title / Name	2014		01/01/2015 ~ 02/28/2015	
	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)
Chairman Morris Chang	2,000,000	-	-	-
Vice Chairman F.C. Tseng	-	-	-	-
Director National Development Fund, Executive Yuan	-	-	-	-
Representative: Johnsee Lee	-	-	-	-
Director Rick Tsai (Note 2)	(50,000)	-	-	-
Independent Director Sir Peter Leahy Bonfield	-	-	-	-
Independent Director Stan Shih	-	-	-	-
Independent Director Thomas J. Engibous	-	-	-	-
Independent Director Gregory C. Chow	-	-	-	-
Independent Director Kok-Choo Chen	-	-	-	-
President and Co-Chief Executive Officer Mark Liu	(60,000)	-	-	-
President and Co-Chief Executive Officer C.C. Wei	(1,281,000)	-	-	-
Senior Vice President and Chief Information Officer Information Technology, Materials Management and Risk Management Stephen T. Tso	(708,000)	-	(40,000)	-
Senior Vice President and General Counsel Legal Richard Thurston (Note 3)	(250,000)	(650,000)	-	-
Senior Vice President, Chief Financial Officer and Spokesperson Finance Lora Ho	-	1,500,000	-	-
Senior Vice President Research and Development Wei-Jen Lo (Note 4)	(140,000)	-	-	-
Senior Vice President of TSMC and President of TSMC North America Rick Cassidy (Note 4)	-	-	-	-
Vice President Operations/Affiliate Fabs M.C. Tzeng	-	-	-	-
Vice President and Chief Technology Officer Research and Development Jack Sun	(78,000)	-	-	-
Vice President Operations/Product Development Y.P. Chin	(120,000)	-	(52,000)	-
Vice President Quality and Reliability N.S. Tsai	-	-	-	-
Vice President Operations/Mainstream Fabs and Manufacturing Technology J.K. Lin	-	-	-	-
Vice President Operations/300mm Fabs J.K. Wang	-	-	-	-
Vice President Corporate Planning Organization Irene Sun	(450,000)	(220,000)	-	-
Vice President Research and Development Burn J. Lin	(123,000)	-	-	-
Vice President Research and Development Y.J. Mii	-	-	-	-
Vice President Research and Development Cliff Hou	-	-	-	-
Vice President Business Development Been-Jon Woo	100,000	-	20,000	-
Vice President and General Counsel Legal Sylvia Fang (Note 5)	-	-	-	-
Vice President Human Resources Connie Ma (Note 5)	10,000	-	-	-

(Continued)

Note 1: This refers to the creation of security interest over TSMC shares in favor of creditors, usually in connection with a shareholder's own financing activities.
Note 2: Dr. Rick Tsai resigned as a director of TSMC, effective January 27, 2014. His shareholding was not disclosed after that date.
Note 3: Senior Vice President and General Counsel Dr. Richard Thurston voluntarily retired, effective July 16, 2014. His shareholding was not disclosed after that date.
Note 4: Dr. Wei-Jen Lo and Mr. Rick Cassidy were promoted to Senior Vice President, effective February 18, 2014.
Note 5: Ms. Sylvia Fang and Ms. Connie Ma were promoted to Vice President, effective August 12, 2014. Their shareholdings were disclosed starting from that date.

4.1.6 Stock Trade with Related Party: None.

4.1.7 Stock Pledge with Related Party: None.

4.1.8 Related Party Relationship among Our 10 Largest Shareholders

Common Share

As of 07/20/2014 (last record date)

Name	Current Shareholding		Spouse & Minor Shareholding		TSMC Shareholding by Nominee Arrangement		Name and Relationship between TSMC's Shareholders	
	Shares	%	Shares	%	Shares	%	Name	Relationship
ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	5,386,967,368	20.78%	N/A	N/A	N/A	N/A	None	None
National Development Fund, Executive Yuan	1,653,709,980	6.38%	N/A	N/A	N/A	N/A	None	None
Representative: Johnsee Lee	-	-	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	804,188,035	3.10%	N/A	N/A	N/A	N/A	None	None
Government of Singapore	594,775,575	2.29%	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	361,417,833	1.39%	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	302,957,649	1.17%	N/A	N/A	N/A	N/A	None	None
Cathay Life Insurance Co., Ltd. Chairman: Hong-Tu Tsai	301,358,235	1.16%	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank, N.A., Taipei Branch in custody for Stichting Depositary APG Emerging Markets Equity Pool	277,953,361	1.07%	N/A	N/A	N/A	N/A	None	None
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	246,465,845	0.95%	N/A	N/A	N/A	N/A	None	None
iShares MSCI Emerging Markets Index Fund	243,118,000	0.94%	N/A	N/A	N/A	N/A	None	None

4.1.9 Long-term Investment Ownership

As of 12/31/2014

Long-term Investment	Ownership by TSMC (1)		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Equity Method:						
TSMC Partners, Ltd.	988,268,244	100%	-	-	988,268,244	100%
TSMC Global Ltd.	3,284	100%	-	-	3,284	100%
TSMC North America	11,000,000	100%	-	-	11,000,000	100%
TSMC Europe B.V.	200	100%	-	-	200	100%
TSMC Japan Limited	6,000	100%	-	-	6,000	100%
TSMC Korea Limited	80,000	100%	-	-	80,000	100%
TSMC China Company Limited	Not Applicable (Note 1)	100%	Not Applicable (Note 1)	-	Not Applicable (Note 1)	100%
TSMC Guang Neng Investment, Ltd.	Not Applicable (Note 1)	100%	Not Applicable (Note 1)	-	Not Applicable (Note 1)	100%
TSMC Solar Ltd.	1,118,000,000	98.58%	5,309,152	0.47%	1,123,309,152	99.05%
TSMC Solid State Lighting Ltd. (Note 2)	554,674,437	92.32%	10,806,037	1.80%	565,480,474	94.12%
Systems on Silicon Manufacturing Co. Pte. Ltd.	313,603	38.79%	-	-	313,603	38.79%
Vanguard International Semiconductor Corp.	546,223,493	33.34%	277,382,647	16.93% (Note 3)	823,606,140	50.27%
Xintec Inc.	94,950,005	39.87%	-	-	94,950,005	39.87%
Global UniChip Corporation	46,687,859	34.84%	-	-	46,687,859	34.84%
Emerging Alliance Fund, L.P.	Not Applicable (Note 1)	99.50%	Not Applicable (Note 1)	-	Not Applicable (Note 1)	99.50%
VentureTech Alliance Fund II, L.P.	Not Applicable (Note 1)	98.00%	Not Applicable (Note 1)	-	Not Applicable (Note 1)	98.00%
VentureTech Alliance Fund III, L.P.	Not Applicable (Note 1)	98.00%	Not Applicable (Note 1)	-	Not Applicable (Note 1)	98.00%

Note 1: Not applicable. These firms do not issue shares. TSMC's investment is measured as a percentage of ownership.
Note 2: On December 31, 2014, we reclassified TSMC SSL as a disposal group held for sale. On February 17, 2015, TSMC SSL ceased to be TSMC's subsidiary because TSMC's and TSMC subsidiary' shares in TSMC SSL were sold to Epistar Corporation.
Note 3: TSMC's Director, National Development Fund of Executive Yuan, holds 16.73% while other Directors and Management hold 0.20%.

4.1.10 Share Information

TSMC's earnings per share increased 40.3% in 2014 to NT$10.18 per share. The following table details TSMC's market price, net worth, earnings, and dividends per common share, as well as other data regarding return on investment.

Market Price, Net Worth, Earnings, and Dividends Per Common Share

Unit: NT$, except for weighted average shares and return on investment ratios

Item	2013	2014	01/01/2015 ~ 02/28/2015
Market Price Per Share (Note 1)			
Highest Market Price	115.50	141.50	154.50
Lowest Market Price	94.40	100.50	130.00
Average Market Price	104.09	122.53	141.67
Net Worth Per Share			
Before Distribution	32.69	40.32	-
After Distribution	29.69	(Note 5)	-
Earnings Per Share			
Weighted Average Shares (thousand shares)	25,929,603	25,930,104	-
Diluted Earnings Per Share	7.26	10.18 (Note 5)	-
Dividends Per Share			
Cash Dividends	3.00	4.50 (Note 5)	-
Accumulated Undistributed Dividend	-	-	-
Return on Investment			
Price/Earnings Ratio (Note 2)	14.34	(Note 5)	-
Price/Dividend Ratio (Note 3)	34.70	(Note 5)	-
Cash Dividend Yield (Note 4)	2.9%	(Note 5)	-

Note 1: Referred to TWSE website
Note 2: Price/Earnings Ratio = Average Market Price/ Diluted Earnings Per Share
Note 3: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share
Note 4: Cash Dividend Yield = Cash Dividends Per Share/Average Market Price
Note 5: Pending for shareholders' approval

4.1.11 Dividend Policy

TSMC does not pay dividends when there is no profit or retained earnings. TSMC has distributed cash dividends every year to its shareholders since 2004 and maintained dividends per share (DPS) at NT$3.0 every year from 2007 to 2014. TSMC intends to maintain a stable and sustainable dividend policy, and will consider raising DPS when the free cash flow is sufficient to cover the previous level of dividend payment and any debt repayment. On February 10, 2015, TSMC's Board of Directors adopted a proposal recommending distribution of a cash dividend of NT$4.5 per share. This proposal will be discussed and decided at the Annual Shareholders' Meeting on June 9, 2015.

4.1.12 Distribution of Profit

The Board adopted a proposal for 2014 profit distribution at its meeting on February 10, 2015. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 9, 2015.

In addition, according to the Company's Articles of Incorporation, TSMC shall allocate no more than 0.3% of earnings available for distribution (net income after a regulatory required deduction for prior years' losses and contributions to legal and special reserves) as compensation to directors, and not less than 1% as a bonus to employees. Profit sharing to employees, to be distributed after the 2015 Annual Shareholders' Meeting, was recorded as a charge to earnings of approximately 6.7% of net income in year 2014; compensation to directors was expensed based on the estimated amount of payment. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 9, 2015. If the actual amounts subsequently resolved by the shareholders differ from the above estimated amounts, the differences will be recorded in the year of shareholders' resolution as a change in accounting estimate.

Proposal to Distribute 2014 Profits

Unit: NT$

Cash Dividends to Common Shareholders (NT$4.5 per share)	116,683,480,962

Note: Employees' cash bonus and profit sharing and compensation to directors for the year 2014 which have been expensed under the Company's income statements are listed below:
—NT$17,645,966,064 distributed employees' cash bonus
—NT$17,645,966,064 employees' cash profit sharing to be distributed after 2015 Annual Shareholders' Meeting
—NT$406,853,980 directors' compensation

2013 Directors' Compensation and Employee Profit Sharing

	Board Resolution (02/18/2014)	Actual Result (Note)
	Amount (NT$)	Amount (NT$)
Directors' Compensation (Cash)	104,136,580	104,136,580
Employee's Cash Profit Sharing	12,634,664,804	12,598,235,278
Total	12,738,801,384	12,702,371,858

Note: The above Directors' Compensation and Employee's Cash Profit Sharing were expensed under the Company's 2013 income statements and the same amounts were approved by the Board of Directors at its meeting on February 18, 2014. The Employee's Cash Profit Sharing was distributed after the approval of the same by shareholders at 2014 Annual Shareholders' Meeting on June 24, 2014. Due to employee turnover, Employee's Cash Profit Sharing in the amount of NT$36,429,526 was undistributed, and related expense was reversed in 2014.

4.1.13 Impact to 2015 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.14 Buyback of Common Stock: None.

4.2 Issuance of Corporate Bonds

4.2.1 Corporate Bonds

NTD Corporate Bonds

As of 02/28/2015

Issuance		Domestic Unsecured Bond (100-1)	Domestic Unsecured Bond (100-2)	Domestic Unsecured Bond (101-1)	Domestic Unsecured Bond (101-2)	Domestic Unsecured Bond (101-3)	Domestic Unsecured Bond (101-4)	Domestic Unsecured Bond (102-1)	Domestic Unsecured Bond (102-2)	Domestic Unsecured Bond (102-3)	Domestic Unsecured Bond (102-4)
Issuing Date		09/28/2011	01/11/2012	08/02/2012	09/26/2012	10/09/2012	01/04/2013	02/06/2013	07/16/2013	08/09/2013	09/25/2013
Denomination		NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000
Offering Price		Par	Par	Par	Par	Par	Par	Par	Par	Par	Par
Total Amount		NT$18,000,000,000	NT$17,000,000,000	NT$18,900,000,000	NT$21,700,000,000	NT$4,400,000,000	NT$23,600,000,000	NT$21,400,000,000	NT$13,700,000,000	NT$12,500,000,000	NT$15,000,000,000
Coupon		Tranche A: 1.40% p.a. Tranche B: 1.63% p.a.	Tranche A: 1.29% p.a. Tranche B: 1.46% p.a.	Tranche A: 1.28% p.a. Tranche B: 1.40% p.a.	Tranche A: 1.28% p.a. Tranche B: 1.39% p.a.	1.53% p.a.	Tranche A: 1.23% p.a. Tranche B: 1.35% p.a. Tranche C: 1.49% p.a.	Tranche A: 1.23% p.a. Tranche B: 1.38% p.a. Tranche C: 1.50% p.a.	Tranche A: 1.50% p.a. Tranche B: 1.70% p.a.	Tranche A: 1.34% p.a. Tranche B: 1.52% p.a.	Tranche A: 1.35% p.a. Tranche B: 1.45% p.a. Tranche C: 1.60% p.a. Tranche D: 1.85% p.a. Tranche E: 2.05% p.a. Tranche F: 2.10% p.a.
Tenor and Maturity Date		Tranche A: 5 years Maturity: 09/28/2016 Tranche B: 7 years Maturity: 09/28/2018	Tranche A: 5 years Maturity: 01/11/2017 Tranche B: 7 years Maturity: 01/11/2019	Tranche A: 5 years Maturity: 08/02/2017 Tranche B: 7 years Maturity: 08/02/2019	Tranche A: 5 years Maturity: 09/26/2017 Tranche B: 7 years Maturity: 09/26/2019	Tenor: 10 years Maturity: 10/09/2022	Tranche A: 5 years Maturity: 01/04/2018 Tranche B: 7 years Maturity: 01/04/2020 Tranche C: 10 years Maturity: 01/04/2023	Tranche A: 5 years Maturity: 02/06/2018 Tranche B: 7 years Maturity: 02/06/2020 Tranche C: 10 years Maturity: 02/06/2023	Tranche A: 7 years Maturity: 07/16/2020 Tranche B: 10 years Maturity: 07/16/2023	Tranche A: 4 years Maturity: 08/09/2017 Tranche B: 6 years Maturity: 08/09/2019	Tranche A: 3 years Maturity: 09/25/2016 Tranche B: 4 years Maturity: 09/25/2017 Tranche C: 5.5 years Maturity: 03/25/2019 Tranche D: 7.5 years Maturity: 03/25/2021 Tranche E: 9.5 years Maturity: 03/25/2023 Tranche F: 10 years Maturity: 09/25/2023
Guarantor		None	None	None	None	None	None	None	None	None	None
Trustee		Mega International Commercial Bank	Mega International Commercial Bank	Mega International Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank
Underwriter		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Legal Counsel		Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office	Modern Law Office
Auditor		Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Repayment		Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet
Outstanding		NT$18,000,000,000	NT$17,000,000,000	NT$18,900,000,000	NT$21,700,000,000	NT$4,400,000,000	NT$23,600,000,000	NT$21,400,000,000	NT$13,700,000,000	NT$12,500,000,000	NT$15,000,000,000
Redemption or Early Repayment Clause		None	None	None	None	None	None	None	None	None	None
Covenants		None	None	None	None	None	None	None	None	None	None
Credit Rating		twAAA (Taiwan Ratings Corporation, 08/24/2011)	twAAA (Taiwan Ratings Corporation, 12/06/2011)	twAAA (Taiwan Ratings Corporation, 07/02/2012)	twAAA (Taiwan Ratings Corporation, 08/23/2012)	twAAA (Taiwan Ratings Corporation, 09/04/2012)	twAAA (Taiwan Ratings Corporation, 11/29/2012)	twAAA (Taiwan Ratings Corporation, 12/18/2012)	twAAA (Taiwan Ratings Corporation, 05/16/2013)	twAAA (Taiwan Ratings Corporation, 07/15/2013)	twAAA (Taiwan Ratings Corporation, 08/06/2013)
Other Rights of Bondholders	Conversion Right	None	None	None	None	None	None	None	None	None	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Dilution Effect and Other Adverse Effects on Existing Shareholders		None	None	None	None	None	None	None	None	None	None
Custodian		None	None	None	None	None	None	None	None	None	None

USD Corporate Bonds

As of 02/28/2015

Issuance	Senior Unsecured Notes (Note)
Issuing Date	04/03/2013
Denomination	US$200,000 and integral multiples of US$1,000 in excess thereof
Listing	Singapore Exchange
Offering Price	2016 Notes: 99.988% 2018 Notes: 99.933%
Total Amount	US$1,500,000,000
Coupon	2016 Notes: 0.950% p.a. 2018 Notes: 1.625% p.a.
Tenor and Maturity Date	2016 Notes: 3 years Maturity: 04/03/2016 2018 Notes: 5 years Maturity: 04/03/2018
Guarantor	TSMC
Trustee	Citicorp International Limited
Underwriter	Goldman Sachs International

(Continued)

Legal Advisor		Jones Day Maples and Calder
Auditor		Deloitte & Touche
Repayment		Bullet
Outstanding		US$1,500,000,000
Redemption or Early Repayment Clause		At issuer's option
Covenants		Limitations on (1) liens and (2) sale and leaseback transactions
Credit Rating		A1 (Moody's Investors Service, 03/15/2013) A+ (Standard & Poor's Rating Services, 03/15/2013)
Other Rights of Bondholders	Conversion Right	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	Not Applicable
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Note: Issued by TSMC's wholly-owned subsidiary, TSMC Global Ltd., and unconditionally and irrevocably guaranteed by TSMC.

4.2.2 Convertible Bond: None.

4.2.3 Exchangeable Bond: None.

4.2.4 Shelf Registration: None.

4.2.5 Bond with Warrants: None.

4.3 Preferred Shares

4.3.1 Preferred Share: None.

4.3.2 Preferred Share with Warrants: None.

4.4 Issuance of American Depositary Shares

Issuing Date	10/08/1997	11/20/1998	01/12/1999 - 01/14/1999	07/15/1999	08/23/1999 - 09/09/1999	02/22/2000 - 03/08/2000	04/17/2000	06/07/2000 - 06/15/2000	05/14/2001 - 06/11/2001	06/12/2001	11/27/2001	02/07/2002 - 02/08/2002	11/21/2002 - 12/19/2002	07/14/2003 - 07/21/2003	11/14/2003	08/10/2005 - 09/08/2005	05/23/2007
Issuance and Listing	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
Total Amount (US$)	594,720,000	184,554,440	35,500,000	296,499,641	158,897,089	379,134,599	224,640,000	1,167,873,850	240,999,660	297,649,640	320,600,000	1,001,650,000	160,097,914	908,514,880	1,077,000,000	1,402,036,500	2,563,200,000
Offering Price Per ADS (US$)	24.78	15.26	17.75	24.516	28.964	57.79	56.16	35.75	20.63	20.63	16.03	16.75	8.73	10.40	10.77	8.6	10.68
Units Issued	24,000,000	12,094,000	2,000,000	12,094,000	5,486,000	6,560,000	4,000,000	32,667,800	11,682,000	14,428,000	20,000,000	59,800,000	18,348,000	87,357,200	100,000,000	163,027,500	240,000,000
Underlying Securities	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	Cash Offering and TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders
Common Shares Represented	120,000,000	60,470,000	10,000,000	60,470,000	27,430,000	32,800,000	20,000,000	163,339,000	58,410,000	72,140,000	100,000,000	299,000,000	91,740,000	436,786,000	500,000,000	815,137,500	1,200,000,000
Rights and Obligations of ADS Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
Trustee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Depositary Bank	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York
Custodian Bank (Note 1)	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch
ADSs Outstanding (Note 2)	24,000,000	46,222,650	48,222,650	71,407,859	76,893,859	83,453,859	87,453,859	144,608,739	156,290,739	170,718,739	259,006,235	318,806,235	369,019,413	485,898,166	585,898,166	864,210,597	1,128,739,639
Apportionment of Expenses for Issuance and Maintenance	(Note 3)							(Note 4)					(Note 3)				
Terms and Conditions in the Deposit Agreement and Custody Agreement	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details
Closing Price Per ADS (US$)	2014	High	23.47														
		Low	16.10														
		Average	20.08														
	01/01/2015 - 02/28/2015	High	25.04														
		Low	20.79														
		Average	23.31														

Note 1: Citibank, N.A., Taipei Branch has changed its name to "Citibank Taiwan Limited" on August 1, 2009.

Note 2: TSMC has in aggregate issued 813,544,500 ADSs since 1997, which, if taking into consideration stock dividends distributed over the period, would amount to 1,147,835,205 ADSs. Stock dividends distributed in 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 were 45%, 23%, 28%, 40%, 10%, 8%, 14.08668%, 4.99971%, 2.99903%, 0.49991%, 0.50417% and 0.49998%, respectively. As of February 28, 2015, total number of outstanding ADSs was 1,073,353,387 after 74,481,818 ADSs were redeemed.

Note 3: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

Note 4: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by TSMC and the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

4.5 Status of Employee Stock Option Plan

4.5.1 Issuance of Employee Stock Options

As of 02/28/2015

ESOP Granted	First Grant	Second Grant	Third Grant	Fourth Grant	Fifth Grant	Sixth Grant	Seventh Grant	Eighth Grant	Ninth Grant
Approval Date by The Securities & Futures Bureau	06/25/2002	06/25/2002	06/25/2002	06/25/2002	10/29/2003	10/29/2003	10/29/2003	10/29/2003	01/06/2005
Issue (Grant) Date	08/22/2002	11/08/2002	03/07/2003	06/06/2003	12/03/2003	02/19/2004	05/11/2004	08/11/2004	05/17/2005
Number of Options Granted	18,909,700	1,085,000	6,489,514	23,090,550	842,900	15,720	11,167,817	135,300	10,742,350
Percentage of Shares Exercisable to Outstanding Common Shares	0.10154%	0.00583%	0.03485%	0.12399%	0.00416%	0.00008%	0.05510%	0.00058%	0.04620%
Option Duration	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
Shares Exercised	20,585,621	1,416,203	7,584,554	24,838,979	583,111	15,416	10,344,528	128,014	8,599,903
Value of Shares Exercised (NT$)	696,435,850	45,875,186	174,820,504	849,375,434	29,807,359	744,182	457,708,004	4,982,968	409,120,157
Shares Unexercised	-	-	-	-	-	-	-	-	337,179
Original Grant Price Per Share (NT$)	NT$53.0	NT$51.0	NT$41.6	NT$58.5	NT$66.5	NT$63.5	NT$57.5	NT$43.8	NT$54.3
Adjusted Exercise Price Per Share (NT$)	NT$25.6	NT$24.6	NT$20.2	NT$28.3	NT$50.1	NT$47.8	NT$43.2	NT$38.0	NT$47.2
Percentage of Shares Unexercised to Outstanding Common Shares	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00130%
Impact to Shareholders' Equity	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

4.5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees (Note 1)

As of 02/28/2015

	Title	Name	Number of Options Granted (Note 2)	% of Shares Exercisable to Outstanding Common Shares	Exercised				Unexercised			
					Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT$)	% of Shares Unexercised to Outstanding Common Shares
Employees	President of WaferTech	Kuo Chin Hsu	3,182,761	0.01227%	3,082,586	44.9	138,538,157	0.01189%	100,175	47.2	4,728,260	0.00039%
	Vice President of TSMC North America	Edward Wan										
	Deputy Fab Manager of WaferTech	Tsung Kuo										
	Director of WaferTech	Wayne Yeh										
	Director of WaferTech	Charlton Ku										
	Director of WaferTech	Men-Chee Chen										
	Director of WaferTech	Felix Tai										
	Director of WaferTech	Kingbird Lin										
	Deputy Director of WaferTech	Chang-Ching Kin										
	Sr. Manager of WaferTech	Richard Thoits										

Note 1: Officers were not granted TSMC employee stock options which expire after 2014.
Note 2: Number of options granted includes the additional shares due to stock dividends distributed in 2004, 2005, 2006, 2007, 2008 and 2009.

4.6 Status of Employee Restricted Stock

TSMC did not issue employee restricted stock in 2014, and as of the date of this Annual Report.

4.6.1 Status of Employee Restricted Stock: Not applicable.

4.6.2 Employee Restricted Stock Granted to Management Team and to Top 10 Employees: Not applicable.

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions

TSMC neither issued new shares in connection with mergers or acquisitions during 2014, nor as of the date of this Annual Report.

4.8 Financing Plans and Implementation: Not applicable.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

As the founder and a leader of the dedicated semiconductor foundry segment, TSMC has built its reputation by offering advanced and specialty wafer production processes and unparalleled manufacturing efficiency. TSMC strives to provide the best overall value to its customers, and the success of TSMC's business is manifested in the success of its customers.

TSMC provides a full range of integrated semiconductor foundry services that fulfill the increasing variety of customer needs. In the process, it has experienced strong growth by building close relationships with customers. Semiconductor suppliers from around the world trust TSMC with their manufacturing needs, thanks to its unique integration of cutting-edge process technologies, pioneering design services, manufacturing productivity and product quality.

In May 2009, TSMC established the New Businesses organization to explore non-foundry related business opportunities. In August 2011, the New Businesses organization was formally separated from the main TSMC organization as two wholly owned subsidiaries, TSMC Solid State Lighting Ltd. (TSMC SSL) and TSMC Solar Ltd., responsible for solid state lighting and solar business activities, respectively. In January 2015, TSMC announced a sale of all TSMC SSL shares held by TSMC and TSMC's subsidiary to Epistar Corp. After this transaction, TSMC completely exits TSMC SSL.

5.1.2 Customer Applications

TSMC manufactured more than 8,800 different products for over 450 different customers in 2014. These chips are used across the entire spectrum of electronic applications, including computers and peripherals, information appliances, wired and wireless communications systems, automotive and industrial equipment, consumer electronics such as DVDs, digital TVs, game consoles, digital still cameras (DSCs), and many other applications.

The rapid evolution of end products drives our customers to utilize TSMC's innovative technologies and services, while at the same time spurring TSMC's own development of technology. As always, success depends on leading rather than following industry trends.

5.1.3 Consolidated Shipments and Net Revenue in 2014 and 2013

Unit: Shipments (12-inch equivalent wafers) / Net Revenue (NT$ thousands)

		2014		2013	
		Shipments	Net Revenue	Shipments	Net Revenue
Wafer	Domestic (Note 1)	1,737,743	112,726,728	1,249,092	79,982,833
	Export	6,524,853	611,020,808	5,713,560	480,702,380
Others (Note 2)	Domestic (Note 1)	N/A	5,766,553	N/A	5,118,245
	Export	N/A	33,292,376	N/A	31,220,739
Total	Domestic (Note 1)	1,737,743	118,493,281	1,249,092	85,101,078
	Export	6,524,853	644,313,184	5,713,560	511,923,119

Note 1: Domestic means sales to Taiwan.
Note 2: Others majorly include revenue associated with mask making, design services, and royalties.

5.1.4 Production in 2014 and 2013

Unit: Capacity / Output (12-inch equivalent wafers) / Amount (NT$ thousands)

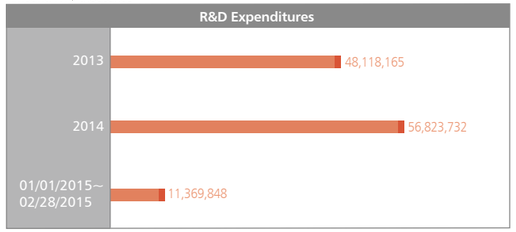
Wafers			
Year	Capacity	Output	Amount
2014	8,175,183	8,206,469	426,706,846
2013	7,309,680	6,754,534	301,305,826

5.2 Technology Leadership

5.2.1 R&D Organization and Investment

In 2014 TSMC continued to invest in R&D with Total R&D expenditure amounting to 8% of revenue, a level that equals or exceeds the RD investment of many other high technology leaders.

Amount: NT$ thousands



TSMC recognizes that the technology challenge required to extend Moore's Law, the business law behind CMOS scaling, is becoming increasingly complex. The efforts of the R&D organization are focused on enabling the Company to continuously offer its customers first-to-market, leading-edge technologies and design solutions that contribute to their product success in today's complex and challenging market environment. In 2014 the R&D organization met these challenges by introducing into manufacture the industry leading 16FF+ technology, the first integrated technology platform to make use of 3D FinFET transistors. The R&D organization continues to strengthen the pipeline of technology innovations that are required to maintain technology leadership. The 10nm technology advanced development continues with the goal of entering risk production in 2015, while the 7nm technology has now moved into the advanced development stage.

In addition to CMOS logic, TSMC conducts research and development on a wide range of other semiconductor technologies that provide the functionality our customers require for mobile SoC and other applications. Highlights achieved in 2014 include: introduction of our TSV platform, and expansion of the range of CoWoS® 3D packaging technology to the most advanced Si technologies; development of ultra-low power RF technologies in 28nm, 40nm and 55nm nodes aimed at meeting the demand for IoT (Internet-of-Things) applications; the introduction into manufacturing of MEMs process technologies for accelerator and microphone applications, and a 100V GaN power transistor technology.

TSMC maintains a network of important external R&D partnerships and alliances with world-class research institutions, such as IMEC, the respected European R&D consortium, where TSMC is a core partner. TSMC also provides funding for nanotechnology research at leading universities worldwide to promote innovation and the advancement of nano-electronic technology. In 2014 TSMC announced the formation of joint research centers at National Tsing Hua University and National Cheng Kung University, with the aim of developing greater understanding into the devices and materials used in the manufacture of advanced Si technologies.

5.2.2 R&D Accomplishments in 2014

R&D Highlights

- 20nm Technology

TSMC's 20nm technology was successfully qualified for volume manufacture and currently in mass production.

- 16nm Technology

16FF+ technology passed full reliability qualification in the fourth quarter of 2014. This technology features FinFET transistors with a third generation High-k/Metal Gate process, a fifth generation of transistor strain process, and advanced 193nm lithography. This enhanced version of TSMC's 16FF technology operates 40% faster than planar 20nm System-on-Chip technology (20SoC) or consumes 50% less power at the same speed. More than 15 customers and IP vendors have verified their IP with the 16FF+ technology.

- 10nm Technology

10nm technology will offer substantial power reduction for the same chip performance compared to earlier technology generations. Development activities in 2014 focused on manufacturing baseline process setup, yield learning, transistor performance improvement, and reliability evaluation. TSMC plans to enter 10nm risk production in 2015 and volume production in 2016.

- 7nm Technology

2014 saw the introduction of 7nm technology into advanced development. The 7nm technology will offer substantial density improvement and power reduction for the same chip performance compared to 10nm technology. Development activities in 2015 will focus on selection of transistor architecture, baseline manufacturing process setup for both transistors and interconnects, and initial reliability evaluations. TSMC plans to enter 7nm full development in 2016 for risk production in 2018.

- Lithography

The focus of TSMC's R&D efforts in lithography is 10nm development. This technology requires special resolution enhancement techniques to enable immersion tools to image geometries beyond 16nm. Coupling these enhancements with advanced patterning that was developed for the 20nm and 16nm nodes allows the immersion technique to meet 10nm requirements.

In 2014, TSMC received delivery of a second NXE3300 extreme ultraviolet (EUV) scanner. The associated process and equipment R&D is on-going. TSMC has been working with ASML to raise its capabilities to meet the requirements of the 7nm technology node. Looking beyond 7nm, multiple e-beam direct-write lithography (MEB DW) is being investigated as a lithography solution.

- Mask Technology

Mask technology is an integral part of our advanced lithography. Having completed the transfer of mask technology for the 16nm node to the mask production organization in 2014, R&D made substantial progress on developing mask technology for the 10nm node. The R&D team also made solid progress in the mask technology for EUV lithography, continuing to work with suppliers and consortia in developing the required infrastructure.

Integrated Interconnect and Packaging

- 3D IC

TSMC qualified for manufacture a new TSV-based platform in 2014. This is an important industrial milestone to integrate TSV with active devices. The CoWoS® technology continues to expand its application from FPGA to network and to high performance computing. The choice of top dies on CoWoS® technology is also expanding quickly from 65/40nm to the most advanced 20nm and 16nm FinFET technology. In parallel with TSV-based platforms above, InFO, or integrated fan out, is being developed as a non-TSV technology for cost-sensitive applications such as mobile and consumer products. It is expected to become the most important backend technology for TSMC in the next few years. An ultra-thin, fine pitch InFO_PoP packaging technology has been successfully demonstrated with outstanding characteristics and qualified for manufacture.

- Advanced Package Development

TSMC offers a wide variety of lead-free packaging technologies for mobile/handheld devices and applications. In 2014, TSMC qualified 16nm FinFET Si with ultra-fine pitch copper (Cu) bump BoT (Bump-on-Trace) packaging technology, and the innovative Fan-in WLP technology (UBM-Free Fan-in WLP) with excellent reliability performance.

- Advanced Interconnect

Development of low resistance Cu and low capacitance dielectric continued to be the primary focus in 2014. At the 10nm node, a new patterning process and a novel dielectric scheme have been developed to shrink line width/space and reduce the capacitance between copper lines. For the 7nm node and beyond, TSMC has developed a new advanced patterning scheme that allows copper line width and spacing to be further reduced. A low resistivity metal scheme was developed. The circuit delay of copper lines developed with these advanced processes is highly competitive and is lower than that projected by the International Technology Roadmap for Semiconductors (ITRS).

Advanced Transistor Research

Enhancing the speed and lowering the power requirements of advanced logic technologies requires innovation in transistor architectures and materials. TSMC is at the forefront of research in these areas with a focus on high mobility channel materials, such as germanium and III-V compound semiconductors. Record-breaking germanium transistor performance was recently achieved and reported at the 2014 IEDM.

Specialty Technologies

TSMC offers a broad mix of technologies to address the wide range of applications.

• Mixed Signal/Radio Frequency (MS/RF) Technology
TSMC has started to develop ultra-low power RF technologies in 28nm, 40nm and 55nm nodes aimed at the expected strong demand in low power and low cost IoT (Internet-of-Things) applications, and began development of a 0.18μm SOI process to replace traditional compound semiconductor-based solutions in cellar/wi-fi RF switch applications.

• Power IC/BCD Technology/Panel Drivers
The second generation of 0.18μm BCD technology has been extended to offer lower cost and higher performance devices, enabling more integration in mobile power ICs.

• Micro-electromechanical Systems (MEMS) Technology
In 2014, TSMC's modular MEMS technology was qualified for manufacture of accelerometers and high-resolution noise cancellation microphones. Future plans include development of next generation products, and BioMEMS applications.

• GaN Technology
TSMC is the first foundry to implement GaN technology in a 6-inch fab. The R&D team completed development and qualified for manufacture a high electron mobility transistor (100V E-HEMT) configuration for high power, high frequency applications with low Ron resistance and high breakdown voltage.

• Flash/Embedded Flash Technology
TSMC achieved several important milestones in embedded flash technologies. At the more mature 65nm/55nm node, NOR-based cell technologies, including 1-T cell and Split-Gate cell, successfully completed customer qualification. At the 40nm node, the split-gate cell technology was shipped for both automotive and consumer applications. Embedded flash development for the 28LP and 28HPM platforms is underway for such low leakage applications as smartcard, MCU and Automobile.

5.2.3 Technology Platform

TSMC provides customers with advanced technology platforms that include the comprehensive design infrastructure required to optimize design productivity and cycle time. These include: design flows for electronic design automation (EDA); silicon-proven IP building blocks, such as libraries; and simulation and verification design kits, i.e., process design kits (PDK) and technology files.

The availability of 16FF+ saw improvements in design infrastructure using an advanced CPU core as the vehicle to support customers' adoption of 16nm FinFET Plus (EDA tool certification results can be found on TSMC-Online). TSMC also extended its IP quality program (TSMC9000) to allow IP audits to be performed either at TSMC or at TSMC-certified laboratories. To help customers plan new product tape-outs incorporating IP/Library from TSMC Open Innovation Platform® (OIP) ecosystem, the OIP ecosystem now features a portal to connect customers to an ecosystem of 39 solution providers.

5.2.4 Design Enablement

TSMC's technology platforms provide a solid foundation for design enablement. Customers can design directly using the Company's internally developed IP and tools, or using those that are available via our OIP partners.

Tech File and PDK

TSMC provides a broad range of process design kits (PDK) for digital logic, mixed-signal, radio frequency (RF), high-voltage driver, CMOS Image Sensor (CIS) and embedded flash technologies across a range of technology nodes from 0.5μm to 16nm. In addition, TSMC provides technology files for: DRC, LVS, RC extraction, automatic place and route, and a layout editor to ensure process technology information is accurately represented in EDA tools. By 2014, TSMC has provided more than 7,000 technology files and more than 150 PDKs in TSMC-Online. There are more than 100,000 customer downloads of these files every year.

Library and IP

TSMC and its alliance partners offer our customers a rich portfolio of reusable IP, which are essential building blocks for many circuit designs. In 2014, over 60% of new tape-outs at TSMC adopted one or more libraries or IP from TSMC and/or our IP partners. In 2014, TSMC expanded its library and silicon IP portfolio to contain more than 8,500 items, a 28% increase over 2013.

Design Methodology and Flow

In 2014 TSMC addressed the critical design challenges associated with the new 16nm FinFET Plus technology for digital and SoC applications by announcing the readiness of reference flows through OIP collaboration that feature FinFET-specific design solutions and methodologies for performance, power and area optimization.

5.2.5 Intellectual Property

A strong portfolio of intellectual property rights strengthens TSMC's technology leadership and protects our advanced and leading edge technologies. In 2014, TSMC received a record breaking 1460 U.S. patents, as well as 450+ issued patents in Taiwan and the PRC, and other patents issued in various other countries. In 2014, TSMC ranked #23 in the "Top 50" U.S. patent grants. TSMC's patent portfolio now reaches almost 30,000 patents worldwide (including patent applications in queue). We continue to implement a unified strategic plan for TSMC's intellectual capital management. Strategic considerations and close alignment with the business objectives drive the timely creation, management and use of our intellectual property.

At TSMC, we have built a process to extract value from our intellectual property by aligning our intellectual property strategy with our R&D, operations, business objectives, marketing, and corporate development strategies. Intellectual property rights protect our freedom to operate, enhance our competitive position, and give us leverage to participate in many profit-generating activities.

We have worked continuously to improve the quality of our intellectual property portfolio and to reduce the costs of maintaining it. We plan to continue investing in our intellectual property portfolio and intellectual property management system to ensure that we protect our technology leadership and receive maximum business value from our intellectual property rights.

5.2.6 TSMC University Collaboration Programs

TSMC University Research Centers in Taiwan

TSMC has significantly expanded its interaction with universities in Taiwan with the establishment of four research centers located at the nation's most prestigious universities. The mission of these centers is twofold: to increase the number of highly qualified students who are suitable for employment in semiconductor industry, and to inspire university professors to initiate research programs that focus on the frontiers of semiconductor device, process and materials technology; semiconductor manufacturing and engineering science; and specialty technologies for electronic applications. Following the establishment of two research centers at National Taiwan University and National Chiao Tung University in 2013, two additional centers were set up at National Cheng Kung University and National Tsing Hua University in 2014. These centers are funded jointly by governmental agencies together with a commitment from TSMC of several hundred million Taiwan dollars and in-kind university shuttles. In 2014, several hundred high caliber students across Electronics, Physics, Materials Engineering, Chemistry, Chemical Engineering and Mechanical Engineering disciplines joined the research centers.

TSMC University Shuttle Program

The TSMC University Shuttle Program was established to provide professors at leading research universities worldwide with access to the advanced silicon process technologies needed to research and develop innovative circuit design concepts. This program links motivated professors and graduate students with enthusiastic managers at TSMC with the goals of promoting excellence in the development of advanced silicon design technologies, and the nurturing of new generations of engineering talent in the semiconductor field.

The program provides access to such silicon process technologies as 65nm and 40nm nodes for digital, analog/mixed-signal circuits and RF design, and the 0.11μm/0.18μm process nodes for micro-electromechanical system designs. Select research projects utilize the 28nm technology node. Participants in the TSMC University Shuttle Program include major university research groups in the U.S.: M.I.T., Stanford University, UC Berkeley, UCLA, University of Texas at Austin, and University of Michigan. In Taiwan, participants are: National Taiwan University, National Chiao Tung University, and National Tsing Hua University. Other participants include: Tsing Hua University in Beijing, The Hong Kong University of Science and Technology, and Singapore's Nanyang Technological University.

TSMC's University Shuttle Program participants recognize the importance of the program in allowing their graduate students to implement exciting designs such as low-power memories, analog-to-digital converters, and advanced radio-frequency and mixed-signal bio-medical systems. This is truly a "win-win" collaboration. In 2014, TSMC received specific letters of appreciation from professors at M.I.T., Stanford University, UC Berkeley, UCLA, University of Michigan, National Taiwan University and National Chiao Tung University.

5.2.7 Future R&D Plans

In light of the significant accomplishments of TSMC's advanced technologies in 2014, the Company plans to continue to grow its R&D investments. The Company plans to reinforce its exploratory development work on new transistors and technologies, such as 3D structures, strained-layer CMOS, high mobility materials and novel 3D IC devices. These studies

of the fundamental physics of nanometer CMOS transistors are core aspects of our efforts to improve the understanding and guide the design of transistors at advanced nodes. The findings of these studies are being applied to ensure our continued industry leadership at the 20nm and 16nm nodes and to extend our leadership to the 10nm and 7nm nodes. One of TSMC's goals is to extend Moore's Law through both innovative in-house work and by collaborating with industry leaders and academia. We seek to push the envelope in finding cost-effective technologies and manufacturing solutions.

With a highly competent and dedicated R&D team and its unwavering commitment to innovation, TSMC is confident of its ability to deliver the best and most cost-effective SoC technologies for its customers, thereby supporting the Company's business growth and profitability.

TSMC R&D Future Major Project Summary

Project Name	Description	Risk Production (Estimated Target Schedule)
10nm logic platform technology and applications	3rd generation FinFET technology for both digital and analog products	2015
7nm logic platform technology and applications	CMOS platform technology for SoC	2018
3D IC	Cost-effective solution with better form factor and performance for SiP	2015 ~ 2016
Next-generation lithography	EUV and multiple e-beam to extend Moore's Law	2015 ~ 2019
Long-term research	Special SoC technology (including new NVM, MEMS, RF, analog) and 5nm transistors	2015 ~ 2019

The above plans accounted for roughly 70% of the total R&D budget in 2015. The total R&D budget is currently estimated to be around 8% of 2015 revenue.

5.3 Manufacturing Excellence

5.3.1 GIGAFAB™ Facilities

TSMC's 12-inch fabs are a key part of its manufacturing strategy. The Company currently operates three 12-inch GIGAFAB™ facilities—Fab 12, Fab 14, and Fab 15—the combined capacity of which reached 5,283,000 12-inch wafers in 2014. Production within these three facilities supports 0.13μm, 90nm, 65nm, 40nm, 28nm, 20nm process technologies, and their sub-nodes. To provide leading edge manufacturing technologies, part of the capacity is reserved for research and development work and currently supports 10nm and beyond technology development. TSMC has developed a centralized fab manufacturing management system to pursue higher customer benefits of consistent quality and reliability performance, greater flexibility of demand fluctuations, faster yield learning and time-to-volume, and minimized costly product re-qualification. It enabled Fab 14 to accelerate 20nm capacity ramping to 60,000 wafers output per month in one quarter to satisfy customers' demand.

5.3.2 Engineering Performance Optimization

TSMC has implemented statistical process control, advanced equipment control, advanced process control, circuit probe data and integrated big data analysis systems to optimize equipment performance to match device performance.

TSMC engages in engineering big data analytics, and applies the technology in the management and control of equipment, processes and yields. The Company has developed various systems such as intelligent tool tuning, engineering big data mining, and equipment chamber matching. The intelligent automation systems, driven by the decisions based on big engineering data, assure the high efficiency and stability of TSMC's equipment. It also analyzes the correlations between electrical, physical measurements and production-related parameters to identify critical variables that influence product quality and yields, so as to fulfill customers' special process requirements and diversified product demand simultaneously.

Accurate modeling and control at each process stage drives intelligent module loop control. The process control dispatching via sophisticated computer-integrated manufacturing systems enables optimization from equipment to end products to achieve precision and lean operations in a sophisticated semiconductor manufacturing environment.

5.3.3 Precision and Lean Operations

TSMC's unique manufacturing infrastructure is tailored for a high product mix foundry environment. Following its commitment to manufacturing excellence, TSMC has equipped a sophisticated scheduling and dispatching system, full automated manufacturing, industry-leading automated materials handling systems and intelligent mobile devices, and employed Lean Manufacturing approaches to provide customers with on-time-delivery and best-in-class cycle time. Real-time equipment performance and productivity monitoring, analysis, diagnosis and control minimize production interruption and maximize cost effectiveness.

5.3.4 450mm Wafer Manufacturing Transition

TSMC joined the Global 450mm Consortium (G450C) located in the College of Nanoscale Science and Engineering (CNSE) of New York University at Albany, New York. The consortium includes five IC makers and CNSE (which represents New York State and provides the clean room facility), as well as key 450mm tool suppliers as associate members.

Currently, TSMC has 16 experienced employees working in the consortium. TSMC has assumed the Operation General Manager position in the consortium and commits to lead the industry for a cost-effective 450mm transition.

5.3.5 Raw Materials and Supply Chain Risk Management

In 2014, TSMC continued Supply Chain Risk Management review meetings periodically with operation, quality and business teams to proactively identify and manage risk of supply capacity insufficiency, quality issue and supply chain interruption. TSMC also worked with its suppliers to enhance the performance of quality, delivery, sustainability, and to support green procurement, environmental protection and safety.

Raw Materials Supply

Major Materials	Major Suppliers	Market Status	Procurement Strategy
Raw Wafers	F.S.T. S.E.H. Siltronic SUMCO SunEdison	These five suppliers together provide over 90% of the world's wafer supply. Each supplier has multiple manufacturing sites in order to meet customer demand, including plants in North America, Asia, and Europe.	•TSMC's suppliers of silicon wafers are required to pass stringent quality certification procedures. •TSMC procures wafers from multiple sources to ensure adequate supplies for volume manufacturing and to appropriately manage supply risk. •TSMC maintains competitive price and service agreements with its wafer suppliers, and, when necessary, enters into strategic and collaborative agreements with key suppliers. •TSMC regularly reviews the quality, delivery, cost, sustainability and service performance of its wafer suppliers. The results of these reviews are incorporated into TSMC's subsequent purchasing decisions. •A periodic audit of each wafer supplier's quality assurance systems ensures that TSMC can maintain the highest quality in its own products.
Chemicals	Air Products ATMI Avantor BASF Hong-Kuang MGC SAFC Wah Lee	These eight companies are the major suppliers for bulk and specialty chemicals.	•Most suppliers have relocated many of their operations closer to TSMC's major manufacturing facilities, thereby significantly improving procurement logistics. •The suppliers' products are regularly reviewed to ensure that TSMC's specifications are met and product quality is satisfactory.
Litho Materials	AZ Dow JSR Nissan Shin-Etsu Chemical Sumitomo T.O.K.	These seven companies are the major suppliers for worldwide litho materials.	•TSMC works closely with its suppliers to develop materials able to meet application and cost requirements. •TSMC and suppliers periodically conduct improvement programs of their quality, delivery, sustainability and green policy, to ensure continuous progress of TSMC's supply chain. •Some major suppliers have relocated or plan to duplicate their manufacturing site closer to TSMC's major manufacturing facilities, thereby significantly improving procurement logistics and reducing supply risks.
Gases	Air Liquide Air Products ATMI Linde Taiyo Nippon Sanso	These five companies are the major suppliers of specialty gases.	•The majority of the five suppliers are located in different geographic locations, minimizing supply risk to TSMC. •TSMC conducts periodic audits of the suppliers' quality assurance systems to ensure that they meet TSMC's standards.
Slurry, Pad, Disk	3M Air Products Asahi Glass Cabot Microelectronics Dow Chemical Fujifilm Planar Solutions Fujimi Kinik Sumitomo	These nine companies are the major suppliers for CMP materials.	•TSMC works closely with its suppliers to develop materials able to meet application and cost requirements. •TSMC and suppliers periodically conduct improvement programs of their quality, delivery, sustainability and green policy, to ensure continuous progress of TSMC's supply chain. •Most suppliers have relocated or duplicated their manufacturing sites closer to TSMC's major manufacturing facilities, thereby significantly improving procurement logistics and reducing supply risks.

Suppliers Accounted for at Least 10% of Annual Consolidated Net Procurement

Unit: NT$ thousands

Supplier	2014			2013		
	Procurement Amount	As % of 2014 Total Net Procurement	Relation to TSMC	Procurement Amount	As % of 2013 Total Net Procurement	Relation to TSMC
Company A	8,496,410	17%	None	4,925,966	12%	None
VIS	7,424,566	14%	Investee accounted for using equity method	6,993,964	17%	Investee accounted for using equity method
Company B	6,147,991	12%	None	4,812,417	11%	None
Company C	5,471,062	11%	None	4,401,215	11%	None
Others	23,487,560	46%		20,773,685	49%	
Total Net Procurement	51,027,589	100%		41,907,247	100%	

5.3.6 Quality and Reliability

A characteristic of TSMC's industry reputation is its commitment to providing customers with the best quality wafers and service for their products. Quality and Reliability (Q&R) services aim to achieve "quality on demand" to fulfill customers' needs regarding time-to-market, reliable quality, and market competition over a broad range of products.

Q&R technical services assist customers in the technology development and product design stage to design-in their product reliability requirements. Since 2008, Q&R has worked with R&D to successfully establish and implement new qualification methodology for High-k/Metal Gate (HKMG) as well as for FinFET structures in 2013. Q&R has collaborated with SEMI, Semiconductor Equipment and Material International, to establish an IC Quality Committee since May 2012 in order to enhance product quality of the semiconductor supply chain. For backend technology development, Q&R worked with R&D and the Backend Technology and Service Division to complete the Package-on-Package (PoP) technology development and started production at major outsource assembly and testing houses in 2014 for mobile product application. Over 100 million PoP have been shipped to customers without major quality issues.

In 2014, Q&R conducted a deep-dive audit on the new material suppliers for 20nm/16nm advanced technology and announced the incoming material quality requests to enhance supplier's delivery quality. Q&R also implemented innovative statistical matching methodologies to achieve the goal of enlarging the manufacturing window with better quality control. The scope of the methodology includes raw material, facility, metrology and process tools, wafer acceptance test (WAT) data and reliability performance. Since 2011, Q&R tightened the post-fab outgoing visual inspection criteria for wafer quality improvement to AQL 0.4% from AQL 0.65%.

To sustain production quality and to minimize risk to customers when deviations occur, manufacturing quality monitoring and event management span all critical stages – from raw material supply, mask making, and real-time in-process monitoring, to bumping, wafer sort and reliability performance. Failure, materials and chemical analysis play important roles in TSMC quality; these capabilities are used from the early stages of process development through assembly and packaging, including analysis of incoming materials, airborne molecular contaminants, and failure analysis of customer returns. In 2014, TSMC aggressively invested in state-of-the-art electron and ion microscopes and surface analysis capabilities. In view of the importance of ensuring the quality of incoming chemicals and materials, this year TSMC implemented detection of metal impurities in certain chemicals to the parts-per-trillion level. In collaboration with customers and suppliers, significant progress has been made in dynamic fault isolation, traditionally a domain of integrated device manufacturers and fabless companies. This effort will continue into 2015 with the addition of new capabilities to satisfy the needs of a broader range of customers and improve the quality of TSMC products.

In compliance with the electronic industry's lead-free and green IC package policy, Q&R qualified and released lead-free bumping and Cu bumping to satisfy customer demands, and made lead-free bump packages possible for 0.13μm, 45nm, 40nm, 28nm and 20SoC technology products as well as Cu bump package possible for 28nm and 20SoC by collaborating with the major outsource assembly and testing subcontractors. This enabled TSMC customers to introduce and ramp lead-free products with excellent assembly quality. In 2014, TSMC Q&R ramped wafer-level Chip Scale Package (CSP) to 20K per month, lead-free to 120K per month and Cu bumping to 12K per month without major quality issues. For mainstream technologies, Q&R qualified ultra, extreme low leakage and high endurance embedded Flash IP, IPD (Integrated Passive Device), hybrid of Copper, and Copper-Aluminum technology with customers. Q&R continues to build reliability testing and monitoring to ensure excellent manufacturing quality of specialty technologies on automotive, high-voltage products, CMOS image sensors, embedded-Flash memory and Micro-Electro-Mechanical System products.

TSMC Q&R is also responsible for leading the Company towards the ultimate goal of zero-defect production through the use of continuous improvement programs. Periodic customer feedback indicates that products shipped from TSMC have consistently met or exceeded their field quality and reliability requirements. In 2014, a third-party audit verified the effectiveness of the TSMC quality management system in compliance with ISO/TS 16949: 2009 and IECQ QC 080000: 2012 certificates requirements.

5.4 Customer Trust

5.4.1 Customers

TSMC's worldwide customers have diverse product specialties and excellent performance records in various segments of the semiconductor industry. Customers include fabless semiconductor companies, system companies and integrated device manufacturers, such as Advanced Micro Devices, Inc., Broadcom Corporation, Freescale Semiconductor, Inc., Huawei Tech, Marvell Technology Group Ltd., MediaTek Inc., NVIDIA Corporation, NXP Semiconductors, OmniVision Technologies, Qualcomm Inc., Texas Instruments Inc., etc.

Customer Service

TSMC believes that providing superior customer service is critical to enhancing customer satisfaction and loyalty, which is very important to retaining existing customers, attracting new customers, and strengthening customer relationships. With a dedicated customer service team as the main contact window for coordination and facilitation, TSMC strives to provide world-class, high-quality, efficient and professional services in design support, mask making, wafer manufacturing, and backend to achieve optimum experience for our customers and, in return, to gain customer's trust and sustain company profitability.

To facilitate customer interaction and information access on a real-time basis, TSMC-Online services offer a suite of web-based applications that provide a more active role in design, engineering, and logistics collaborations. Customers have 24-hour a day, seven-day-a-week access to critical information and are able to subscribe customized reports through TSMC-Online services. Design Collaboration focuses on content availability and accessibility, with close attention to complete, accurate, and current information at each level of the design life cycle. Engineering Collaboration includes online access to engineering lots, wafer yields, wafer acceptance test (WAT) analysis, and quality reliability data. Logistics Collaboration provides access to data on any given wafer lot's status in order, fabrication, assembly and testing, and shipping.

Customer Satisfaction

To assess customer satisfaction and to ensure that of our customers' needs are appropriately understood, TSMC conducts the Annual Customer Satisfaction Survey (ACSS) with most active customers, either by web or interview, through an independent consultancy.

Complementary with the survey, Quarterly Business Reviews (QBRs) are also conducted by the customer service team so that customers can give feedback to TSMC on a regular basis. Through both surveys and intensive interaction with customers by our customer facing teams, TSMC is able to maintain close touch with customers for better service and collaboration.

Customer feedback is routinely reviewed and considered by executives and then developed into appropriate improvement plans, all-in-all becoming an integral part of the customer satisfaction process with a complete closed loop. TSMC has maintained a focus on customer survey data as one of our key indicators of corporate performance, not just of past performance but also as a leading indicator of future performance. TSMC has acted on the belief that customer satisfaction leads to loyalty, and customer loyalty leads to higher levels of retention and expansion.

Customers that Accounted for at Least 10% of Annual Consolidated Net Revenue

Unit: NT$ thousands

Customer	2014			2013		
	Net Revenue	As % of 2014 Total Net Revenue	Relation to TSMC	Net Revenue	As % of 2013 Total Net Revenue	Relation to TSMC
Customer A	157,631,427	21%	None	130,563,982	22%	None
Others	605,175,038	79%		466,460,215	78%	
Total Net Revenue	762,806,465	100%		597,024,197	100%	

5.4.2 Open Innovation Platform® (OIP) Initiative

Innovation has long been both an exciting and challenging proposition. Competition among semiconductor companies is becoming more active and intense in the face of increasing customer consolidation, and the commoditization of technology at more mature, conventional levels. Companies must find ways to continue innovating in order to prosper further. Companies innovating openly from the "outside in" as well as from the "inside out" accelerate innovation through active collaborations with external partners. This active collaboration of TSMC with external partners is known as "Open Innovation". TSMC has adopted this path to innovate via the Open Innovation Platform® (OIP) initiative. OIP is a key part of the TSMC Grand Alliance.

The TSMC Open Innovation Platform® (OIP) initiative is a comprehensive design technology infrastructure that encompasses all critical IC implementation areas to reduce design barriers and improve first-time silicon success. OIP promotes the speedy implementation of innovation amongst the semiconductor design community and its ecosystem partners with TSMC's IP, design implementation and DFM capabilities, process technology and backend services.

A key element of OIP is a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that more efficiently empowers innovation throughout the supply chain and, in turn, drives the creation and sharing of newly created revenue and profits. TSMC's Active Accuracy Assurance (AAA) initiative is critical to OIP, providing the accuracy and quality required by the ecosystem interfaces and collaborative components.

TSMC's Open Innovation model brings together the innovative thinking of customers and partners under the common goal of shortening design time, minimizing time-to-volume and speeding time-to-market and, ultimately, time-to-revenue. The model features:

- The foundry segment's earliest and most comprehensive EDA certification program delivering timely design tool enhancement required by new process technologies; and
- The foundry segment's largest, most comprehensive and robust silicon-proven intellectual properties (IPs) and library portfolio; and
- Comprehensive design ecosystem alliance programs covering market-leading EDA, library, IPs, and design service partners.

TSMC's OIP Alliance consists of 27 electronic design automation (EDA) partners, 39 IP partners, and 25 design service partners. TSMC and its partners proactively work together, and engage much earlier and deeper than before in order to address mounting design challenges at advanced technology nodes. Through this early and intensive collaboration effort, TSMC OIP is able to deliver the needed design infrastructure with timely enhancement of EDA tools, early availability of critical IPs and quality design services when customers need them. This is critical to success in order for customers to take full advantage of the process technologies once they reach production-ready maturity.

In October 2014, TSMC hosted an OIP Ecosystem Forum at the San Jose Convention Center in California, with keynote addresses from TSMC executives as well as OIP ecosystem partners. The forum was well attended by both customers and ecosystem partners and demonstrated the value of collaboration through OIP to nurture innovations.

TSMC's OIP Partner Management Portal facilitates communication with our ecosystem partners for efficient business productivity. This portal is designed with an intuitive interface and can be linked directly from TSMC-Online.

5.5 Employees

5.5.1 Human Capital

Human capital is one of the most important assets of TSMC. The Company is committed to providing quality jobs with good compensation, meaningful work, and a safe work environment for its employees; moreover, it is dedicated to foster a dynamic and fun work environment. The Company's efforts in fostering a "Great Place to Work" are highly recognized, and TSMC has received many awards, including the major prize in Ministry of Labor's first "Work-Life Balance Award" in 2014.

TSMC believes that all employees should be treated with dignity and respect. The Company is committed to upholding workers' rights and respects internationally proclaimed human rights, as outlined by the United Nations Universal Declaration on Human Rights and the International Labor Organization's fundamental conventions on core labor standards.

At the end of 2014, TSMC and its subsidiaries had over 43,591 employees worldwide, including 4,385 managers, 18,552 professionals, 3,530 assistants, and 17,124 technicians. The following table summarized TSMC workforce at the end of February, 2015:

Workforce Structure for TSMC and Its Subsidiaries

		12/31/2013 (Note 1)	12/31/2014 (Note 1)	02/28/2015 (Note 2)
Job	Managers	4,078	4,385	4,368
	Professionals	17,205	18,552	18,691
	Assistant Engineer/ Clerical	3,236	3,530	3,561
	Technician	15,964	17,124	16,957
Total		40,483	43,591	43,577
Gender	Male (%)	57.5%	58.0%	58.3%
	Female (%)	42.5%	42.0%	41.7%
Education	Ph.D.	4.0%	4.2%	4.3%
	Master's	37.4%	37.9%	38.2%
	Bachelor's	25.8%	26.7%	26.6%
	Other Higher Education	11.9%	11.4%	11.4%
	High School	20.9%	19.8%	19.6%
Average Age (years)		33.5	34.1	34.1
Average Years of Service (years)		6.6	6.9	7.0

Note 1: The data shown no longer includes Xintec Inc. as it was deconsolidated in June 2013.
Note 2: The data shown no longer includes TSMC Solid State Lighting as all of its shares held by TSMC and TSMC's subsidiary were sold to Epistar Corporation. The transaction was completed on February 17, 2015.

5.5.2 Recruitment

The growth of TSMC relies on the continued services and contributions of its devoted employees; in order to strengthen the momentum of its growth, the Company is dedicated to recruiting professionals for all positions available. TSMC is an equal employment opportunity employer, and its practices center on the principles of open-and-fair recruitment. The Company evaluates all candidates according to their qualification as related to the requirement of each position, rather than race, gender, age, religion, nationality, or political affiliation.

Taiwan's Labor Standards Act states that companies may not employ workers under the age of 15, and that children between the age of 15 and 16 are not permitted to perform heavy or hazardous work. In addition, child labor is also strictly forbidden under International Labour Organization's (ILO) standards. The Company fully complies with the above-mentioned laws and standards. Management has never hired employees under 16 years of age since the Company's establishment and will not do so in the future.

Students with technological expertise are highly valued in talent sourcing. As such, TSMC established a total of four university-level research centers in National Taiwan University, National Chiao Tung University, National Tsing Hua University, and National Cheng Kung University since 2013. The mission of the centers is two-fold: to develop top graduate students for future employment, and to encourage selected academics to consolidate different research domains under one umbrella for more effective synergy. Under this mission, TSMC provides hundreds of millions of NT dollars in seed money for leveraging funding from the National Science Council.

In 2014, the above-mentioned four centers sponsored more than 100 faculty and hundreds of students across the fields of Electronics, Material Engineering, Physics, Chemistry, Chemical Engineering and Mechanical Engineering.

In order to cultivate a young talent pipeline for recruitment both locally and around the world, TSMC deploys a number of recruiting activities and university programs, including Joint Development Programs, University Shuttle Program, Summer Internship, Job Fairs in Taiwan, U.S., Singapore and India, as well as a series of Fresh Graduate Career Symposiums for soon-to-be graduates. These multiple channels effectively enable TSMC to recruit from targeted pools in support of the Company's constant growth.

TSMC's continuous growth requires constant talent sourcing and recruitment activities to support its business. The Company recruited over 3,200 managers, professionals, and administrative staffs, as well as over 2,300 assistants and technicians in 2014.

5.5.3 People Development

The development of employees is an integral and critical factor for the growth of a company; employees' learning and development should incorporate the essence of "systematic, disciplined and planned". TSMC is committed to cultivating a continuous and diverse learning environment, and it has initiated "TSMC Employee Training and Education Procedure" to ensure the Company's and individuals' development objectives can be achieved through the integration of internal and external training resources.

Based on the nature of the individual's job, work performance and career development path, the Company provides employees a comprehensive network of learning resources, including on-the-job training, classroom training, e-learning, coaching, mentoring, and job rotation. For each employee, a tailor-made Individual Development Plan (IDP) is provided.

The Company provides employees with a wide range of on-site general, professional, and management training programs. In addition to engaging external experts as trainers, hundreds of TSMC employees are trained to be qualified instructors to deliver their valuable know-how in internal training courses.

TSMC's training programs include:

- New Employee Training: includes basic training and job orientation for new employees. Furthermore, newcomers' managers and the Company's well-established Buddy System are in place to support the newcomers in their assimilation process in both corporate culture and work requirements.
- General Training: refers to training required by government regulations and/or Company policies, as well as training on general subjects for all employees or employees of different job functions. Such training includes subjects of industry-specific safety, workplace health and safety, quality, fab emergency response, languages, and personal effectiveness.
- Professional/Functional Training: provides technical and professional training required by different functions within the Company. TSMC offers training courses on equipment engineering, process engineering, accounting, information technology, and so forth.
- Management Training: programs are tailored to the needs of managers at all levels, including new, experienced, and senior managers; optional courses are also available.
- Direct Labor (DL) Training: enables employees of the production line in acquiring the knowledge, skills and attitudes they need to perform their jobs well and to pass the certification for operating equipment. Training includes DL Skill Training, Technician "Train-the-Trainer" Training, and Manufacturing Leader Training.

In 2014, TSMC conducted 1,453 internal training sessions, which translated to a company-wide total of 844,174 training hours with the participation of 536,493 attendees. Employees on average attended over 19 hours of training with the training expenses reaching NT$83 million.

Apart from internal training resources, our employees are also subsidized when taking external short-term courses, credit courses and degrees.

5.5.4 Compensation

TSMC provides a diversified compensation program that is competitive externally, fair internally, and adapted locally. TSMC upholds the philosophy of sharing wealth with employees in order to attract, retain, develop, motivate and reward talented employees. With excellent operating performance, employment at TSMC entitles employees to a comprehensive compensation and benefits program above the industry average.

TSMC's compensation program includes a monthly salary, an employee cash bonus based on quarterly business results, and employee profit sharing when the Company distributes its profit each year.

The purpose of the employee cash bonus and profit sharing programs is to reward employee contributions appropriately, to encourage employees to work consistently toward ensuring the success of TSMC, and to link employees' interests with those of TSMC's shareholders. The Company determines the amount of the cash bonus and profit sharing based on operating results and industry practice in the Republic of China. The amount and form of the employee cash bonus and profit sharing are determined by the Board of Directors based on the Compensation Committee's recommendation, and the employee profit sharing is subject to shareholders' approval at the Annual Shareholders' Meeting. Individual awards are based on each employee's job responsibility, contribution and performance.

In addition to providing employees of TSMC's overseas subsidiaries with a locally competitive base salary, the Company grants annual bonuses as a part of total compensation. The annual bonuses are granted in line with local regulations, market practices, and the overall operating performance of each subsidiary, to encourage employees' commitment and development within the Company.

5.5.5 Employee Engagement

Taiwan's Labor Standards Act and the fundamental convention of ILO prohibit all forms of forced or compulsory labor. TSMC stands firmly with the protocols and never forced labor from involuntary persons with menace of any penalty.

The Company encourages employees to maintain a healthy and well-balanced life while making use of their time spent at work with high efficiency and better effectiveness. To enrich employees' work experience, TSMC continuously implements programs to enhance their communication, well-being, benefit, recognition and rewards. The various initiatives include the following communication, benefit and recognition programs:

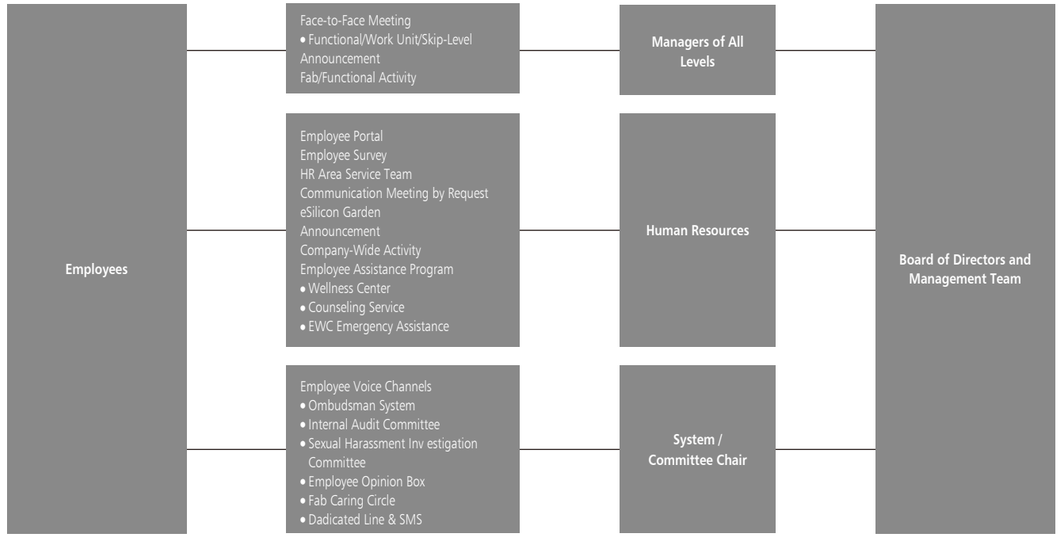
Employee Communication

TSMC values two-way communication and is committed to keeping the communication channels between the management level, subordinates and peers open and transparent. To ensure that employees' opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. Our continuous efforts lie in reinforcing mutual and timely employee communication, based on multiple channels and platforms, which in turn fosters harmonious labor relations and creates a win-win situation for the Company and employees.

A host of two-way communication channels are constructed to maintain the unobstructed flow of information between managers and employees, including:

- Regular communication meetings are held for the various levels of managers and employees.
- Periodic employee satisfaction surveys are conducted, with follow-up actions based on the survey findings.
- The corporate intranet, *myTSMC*: the website features Chairman's Talk, corporate messages, Executive interviews, and other activities of interest to employees.
- *eSilicon Garden*: the website hosting TSMC's internal electronic publication is updated on a bi-weekly basis with inspirational content featuring outstanding teams and individuals, as well as major activities of the Company.
- Complaints regarding major management, financial, and auditing issues are handled by the following channels with high level of confidentiality:
  - The independent Audit Committee; and
  - Ombudsman system led by an appointed Vice President.
- Employee Opinion Box provides a channel for employees to express their suggestions or opinions regarding their work and the overall work environment.
- Fab Caring Circle in each fab takes care of the issues related to employees' work and personal life; the system is dedicated mainly to direct labors (DL) of the Company.

TSMC Internal Communication Structure



The establishment of the above effective communication channels is one of the key factors contributing to TSMC's cooperative employee relationship over the years. Under R.O.C. law, employees are granted the right to organize labor unions, and TSMC respects this important right and complies with applicable laws prohibiting activities that hinder our employees' freedom of association. As of this writing, we have not seen any recent union activity from our employees.

In 2014 and as of the date of this Annual Report, there had been no loss resulting from labor disputes.

Employee Benefit Programs

- Convenient on-site services: cafeterias, laundry services, convenience stores, travel, banking, housing, and commuting assistance—are accessible for employees in the fabs.
- Comprehensive health enhancement programs: physical care and psychological consultation services. Five free counseling sessions are offered to TSMC employees on an annual basis, with extension available depending on the individual's needs. Other programs include annual health check, weight control, outpatient services, smoking secession, exercise promotion campaign, massage service, sleep therapy, abdominal and neck x-ray, female care, blood donation, liver disease prevention, as well as seminars to raise awareness of personal health.
- Diverse employee welfare programs: including 72 hobby clubs, 33 speeches covering various topics (in 2014), Sports Day, and Family Day. In addition, holiday bonuses, marriage bonuses, condolence allowances and emergency subsidies are also available to cater to employees' needs.
- Premium Sports Center: a variety of workout facilities available to all employees and their families, as well as exercise sessions conducted by professional instructors.
- Flexible Preschool Service: the childcare service, operated to meet employees' work schedules, is available in a total of three fabs in Hsinchu and Tainan.

Employee Recognition

TSMC sponsors various internal award programs to recognize employees' outstanding achievement, both as a team or on the individual level. With these award programs, TSMC aims to encourage employees' sustainable development that in turn adds to the Company's competitive advantage.

The award programs include:

- TSMC Medal of Honor, presented exclusively by the Chairman, recognizes those who contribute to the Company's business performance significantly.
- TSMC Academy recognizes outstanding TSMC scientists and engineers whose individual technical capabilities make significant contributions to the Company.
- Outstanding Engineer Award for each fab and Total Quality Excellence Award recognize employees' continuous efforts in creating value for the Company.
- Service Award represents TSMC's appreciation toward senior employees' dedication and commitment to the Company.
- Excellent Instructor Award praises the outstanding performance and contribution of the Company's internal instructors in training courses for employees.
- Function-wise awards dedicated to innovation, including Idea Forum, and TQE Awards, etc.

Apart from corporate-wide awards, in 2014, TSMC employees continued to be recognized through a host of prestigious external awards, including Outstanding Engineer Award, Outstanding Young Engineer Award, National Model Worker Award, and National Industrial Innovation Award.

5.5.6 Retention

Continuous growth underlies the commitment of TSMC towards its stockholders and employees, and the retention of outstanding employees is crucial in fulfilling this commitment. From employee's initial adaptation to professional and career development, TSMC works proactively to provide employees with good compensation, innovative, meaningful and fun work, as well as a safe work environment.

Employees' overall satisfaction with the Company's efforts are reflected in the 2014 TSMC Core Values Survey, of which 97% of participants agreed that they are willing to commit fully in their work to make TSMC an even more successful company; while 95% of them concurred with the statement that they are willing to contribute their talents to TSMC and grow together with the Company for the next five years.

In 2014, the Company recorded a healthy and manageable turnover rate of 6%.

5.5.7 Retirement Policy

TSMC's retirement policy is set according to the Labor Standards Act and Labor Pension Act of the Republic of China. With the Company's sound financial system, TSMC ensures employees a solid pension contribution and payments, which encourages employees to set long-term career plans and raises their commitment to TSMC.

5.6 Material Contracts

Shareholders Agreement

Term of Agreement:
Effective as of 03/30/1999 and may be terminated as provided in the agreement
Contracting Parties:
Koninklijke Philips Electronics N.V. (Philips) and EDB Investments Pte Ltd. (EDBI)
(In September 2006, Philips assigned its rights and obligations under this agreement to Philips Semiconductors International B.V. which has now been renamed NXP B.V. In November 2006, NXP B.V. and TSMC purchased all SSMC shares owned by EDBI; EDBI is no longer a contracting party to this agreement.)
Summary:
TSMC, Philips and EDBI had formed a Singapore joint venture "Systems on Silicon Manufacturing Company Pte Ltd." (SSMC) for providing semiconductor foundry services. Philips Semiconductor (now NXP B.V.) and TSMC are committed to purchasing a certain percentage of SSMC's capacity.

Technology Cooperation Agreement

Term of Agreement:
03/30/1999 - 03/29/2004, automatically renewable for successive five-year terms until and unless either party gives written notice to terminate one year before the end of then existing term
Contracting Party:
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)
Summary:
TSMC agreed to transfer certain process technologies to SSMC, and SSMC agreed to pay TSMC a certain percentage of the net selling price of SSMC products.

Patent License Agreement

Term of Agreement:
12/20/2007 - 12/31/2017
Contracting Party:
A multinational company
Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting company.

Manufacturing, License, and Technology Transfer Agreement

Term of Agreement:
04/01/2004 - 03/31/2006, automatically renewable for successive one-year terms until and unless both parties decide otherwise by mutual consent in writing
Contracting Party:
Vanguard International Semiconductor Corporation (VIS)
Summary:
VIS reserves certain capacity to manufacture TSMC products on mutually agreed terms. TSMC may also transfer certain technologies to VIS, for which it will in return receive royalties from VIS.

Investment Agreement and Shareholder Agreement

Term of Investment Agreement:
Effective as of 08/05/2012
Term of Shareholder Agreement:
Effective as of 10/31/2012 and may be terminated as provided in the agreement
Contracting Party:
ASML Holding N.V. (ASML)
Summary:
TSMC joined the Customer Co-Investment Program of ASML Holding N.V. (ASML) and entered into the investment agreement and shareholder agreement. The agreements include an investment of EUR837,815,664 by TSMC Global to acquire a non-voting 5% in ASML's equity with a lock-up period of 2.5 years.

Research and Development Funding Agreement

Term of Agreement:
10/31/2012 - 12/31/2017
Contracting Party:
ASML Holding N.V. (ASML)
Summary:
TSMC shall provide EUR276 million to ASML's research and development programs from 2013 to 2017.

Note: TSMC is not currently party to any other material contract, other than contracts entered into in the ordinary course of our business. The Company's "Significant Contingent Liabilities and Unrecognized Commitments" are disclosed in Annual Report section (II), Financial Statements, page 71-72.

6. Financial Highlights

6.1 Financial Highlights

6.1.1 Condensed Balance Sheet

Condensed Balance Sheet from 2012 to 2014 (Consolidated)

Unit: NT$ thousands

Item	2012	2013	2014
Current Assets	250,325,436	358,486,654	626,566,787
Long-term Investments (Note 1)	65,717,240	89,183,810	30,051,544
Property, Plant and Equipment	617,562,188	792,665,913	818,198,801
Intangible Assets	10,959,569	11,490,383	13,531,510
Other Assets (Note 2)	16,790,075	11,228,217	6,785,203
Total Assets	961,354,508	1,263,054,977	1,495,133,845
Current Liabilities			
Before Distribution	148,473,947	189,777,934	201,014,777
After Distribution	226,247,254	267,563,785	(Note 3)
Noncurrent Liabilities	89,786,655	225,501,958	248,443,321
Total Liabilities			
Before Distribution	238,260,602	415,279,892	449,458,098
After Distribution	316,033,909	493,065,743	(Note 3)
Equity Attributable to Shareholders of the Parent			
Capital Stock	259,244,357	259,286,171	259,296,624
Capital Surplus	55,675,340	55,858,626	55,989,922
Retained Earnings			
Before Distribution	408,411,468	518,193,152	704,512,664
After Distribution	330,638,161	440,407,301	(Note 3)
Others	(2,780,485)	14,170,306	25,749,291
Equity Attributable to Shareholders of the Parent			
Before Distribution	720,550,680	847,508,255	1,045,548,501
After Distribution	642,777,373	769,722,404	(Note 3)
Noncontrolling Interests	2,543,226	266,830	127,246
Total Equity			
Before Distribution	723,093,906	847,775,085	1,045,675,747
After Distribution	645,320,599	769,989,234	(Note 3)

Note 1: Long-term investments consist of noncurrent available-for-sale financial assets, financial assets carried at cost and investments accounted for using equity method.
Note 2: Other assets consist of deferred income tax assets, refundable deposits, and other noncurrent assets.
Note 3: Pending for shareholders' approval.

Condensed Balance Sheet from 2010 to 2011 (Consolidated)－R.O.C. GAAP

Unit: NT$ thousands

Item	2010	2011
Current Assets	261,519,317	225,260,396
Long-term Investments	39,775,528	34,458,504
Fixed Assets	388,444,023	490,374,916
Other Assets	29,190,036	24,171,126
Total Assets	718,928,904	774,264,942
Current Liabilities		
Before Distribution	123,191,113	117,006,687
After Distribution	200,921,349	194,755,355
Long-term Liabilities	12,050,755	20,458,493
Other Liabilities	4,982,631	4,756,211
Total Liabilities		
Before Distribution	140,224,499	142,221,391
After Distribution	217,954,735	219,970,059
Capital Stock	259,100,787	259,162,226
Capital Surplus	55,698,434	55,846,357
Retained Earnings		
Before Distribution	265,779,571	322,191,155
After Distribution	188,049,335	244,442,487
Cumulative Transaction Adjustments	(6,543,163)	(6,433,369)
Unrealized Gain/Loss on Financial Instruments	109,289	(1,172,855)
Equity Attributable to Shareholders of the Parent		
Before Distribution	574,144,918	629,593,514
After Distribution	496,414,682	551,844,846
Minority Interests	4,559,487	2,450,037
Total Equity		
Before Distribution	578,704,405	632,043,551
After Distribution	500,974,169	554,294,883

Condensed Balance Sheet from 2012 to 2014 (Unconsolidated)

Unit: NT$ thousands

Item	2012	2013	2014
Current Assets	205,819,614	257,623,763	370,949,497
Long-term Investments (Note 1)	139,634,200	165,545,159	242,390,122
Property, Plant and Equipment	586,636,036	770,443,494	796,684,361
Intangible Assets	6,449,837	7,069,456	8,996,810
Other Assets (Note 2)	13,597,966	7,897,131	4,023,634
Total Assets	952,137,653	1,208,579,003	1,423,044,424
Current Liabilities			
Before Distribution	144,528,616	187,195,744	178,261,092
After Distribution	222,301,923	264,981,595	(Note 3)
Noncurrent Liabilities	87,058,357	173,875,004	199,234,831
Total Liabilities			
Before Distribution	231,586,973	361,070,748	377,495,923
After Distribution	309,360,280	438,856,599	(Note 3)
Equity			
Capital Stock	259,244,357	259,286,171	259,296,624
Capital Surplus	55,675,340	55,858,626	55,989,922
Retained Earnings			
Before Distribution	408,411,468	518,193,152	704,512,664
After Distribution	330,638,161	440,407,301	(Note 3)
Others	(2,780,485)	14,170,306	25,749,291
Total Equity			
Before Distribution	720,550,680	847,508,255	1,045,548,501
After Distribution	642,777,373	769,722,404	(Note 3)

Note 1: Long-term investments consist of financial assets carried at cost and investments accounted for using equity method.
Note 2: Other assets consist of deferred income tax assets, refundable deposits, and other noncurrent assets.
Note 3: Pending for shareholders' approval.

Condensed Balance Sheet from 2010 to 2011 (Unconsolidated)－R.O.C. GAAP

Unit: NT$ thousands

Item	2010	2011
Current Assets	192,234,282	158,563,352
Long-term Investments	117,913,756	129,400,844
Fixed Assets	366,854,299	454,373,533
Other Assets	24,237,329	19,070,145
Total Assets	701,239,666	761,407,874
Current Liabilities		
Before Distribution	118,022,260	109,514,430
After Distribution	195,752,496	187,263,098
Long-term Liabilities	4,500,000	18,000,000
Other Liabilities	4,572,488	4,299,930
Total Liabilities		
Before Distribution	127,094,748	131,814,360
After Distribution	204,824,984	209,563,028
Capital Stock	259,100,787	259,162,226
Capital Surplus	55,698,434	55,846,357
Retained Earnings		
Before Distribution	265,779,571	322,191,155
After Distribution	188,049,335	244,442,487
Cumulative Transaction Adjustments	(6,543,163)	(6,433,369)
Unrealized Gain/Loss on Financial Instruments	109,289	(1,172,855)
Total Equity		
Before Distribution	574,144,918	629,593,514
After Distribution	496,414,682	551,844,846

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

Condensed Statement of Comprehensive Income from 2012 to 2014 (Consolidated)

Unit: NT$ thousands (Except EPS: NT$)

Item	2012	2013	2014
Net Revenue	506,745,234	597,024,197	762,806,465
Gross Profit	244,137,107	280,945,507	377,734,375
Income from Operations	181,176,868	209,429,363	295,890,293
Non-operating Income and Expenses	499,588	6,057,759	6,207,253
Income before Income Tax	181,676,456	215,487,122	302,097,546
Net Income	166,123,802	188,018,937	263,780,869
Other Comprehensive Income for the Year, Net of Income Tax	4,252,632	16,352,248	11,834,164
Total Comprehensive Income for the Year	170,376,434	204,371,185	275,615,033
Net Income (Loss) Attributable to:			
Shareholders of the Parent	166,318,286	188,146,790	263,898,794
Noncontrolling Interests	(194,484)	(127,853)	(117,925)
Total Comprehensive Income (Loss) Attributable to:			
Shareholders of the Parent	170,521,543	204,505,782	275,717,141
Noncontrolling Interests	(145,109)	(134,597)	(102,108)
Basic Earnings Per Share	6.42*	7.26*	10.18*

*Based on weighted average shares outstanding in each year

Condensed Statement of Income from 2010 to 2011 (Consolidated)－R.O.C. GAAP

Unit: NT$ thousands (Except EPS: NT$)

Item	2010	2011
Net Sales	419,537,911	427,080,645
Gross Profit	207,053,591	194,069,228
Income from Operations	159,175,335	141,557,418
Non-operating Income and Gains	13,136,072	5,358,527
Non-operating Expenses and Losses	2,041,012	1,768,268
Interest Revenue	1,665,193	1,479,514
Interest Expense	425,356	626,725
Income before Income Tax	170,270,395	145,147,677
Net Income	162,281,930	134,453,260
Net Income Attributable to Shareholders of the Parent	161,605,009	134,201,279
Basic Earnings Per Share	6.24*	5.18*

*Based on weighted average shares outstanding in each year

Condensed Statement of Comprehensive Income from 2012 to 2014 (Unconsolidated)

Unit: NT$ thousands (Except EPS: NT$)

Item	2012	2013	2014
Net revenue	500,369,525	591,087,600	757,152,389
Gross Profit	234,850,311	271,644,860	366,911,703
Income from Operations	176,820,141	204,653,892	290,659,658
Non-operating Income and Expenses	6,932,246	11,062,658	10,363,505
Income before Income Tax	183,752,387	215,716,550	301,023,163
Net Income	166,318,286	188,146,790	263,898,794
Other Comprehensive Income for the Year, Net of Income Tax	4,203,257	16,358,992	11,818,347
Total Comprehensive Income for the Year	170,521,543	204,505,782	275,717,141
Basic Earnings Per Share	6.42*	7.26*	10.18*

*Based on weighted average shares outstanding in each year

Condensed Statement of Income from 2010 to 2011 (Unconsolidated)－R.O.C. GAAP

Unit: NT$ thousands (Except EPS: NT$)

Item	2010	2011
Net Sales	406,963,312	418,245,493
Gross Profit	196,989,302	185,560,865
Income from Operations	154,846,508	138,905,763
Non-operating Income and Gains	15,907,968	7,287,046
Non-operating Expenses and Losses	1,464,272	1,484,965
Interest Revenue	764,027	697,196
Interest Expense	214,641	445,887
Income before Income Tax	169,290,204	144,707,844
Net Income	161,605,009	134,201,279
Basic Earnings Per Share	6.24*	5.18*

*Based on weighted average shares outstanding in each year

6.1.3 Financial Analysis

Financial Analysis from 2012 to 2014 (Consolidated)

		2012	2013	2014
Capital Structure Analysis	Debts Ratio (%)	24.78	32.88	30.06
	Long-term Fund to Property, Plant and Equipment (%)	131.63	135.40	158.17
Liquidity Analysis	Current Ratio (%)	168.60	188.90	311.70
	Quick Ratio (%)	142.39	168.57	278.03
	Times Interest Earned (Times)	177.92	82.41	94.35
Operating Performance Analysis	Average Collection Turnover (Times)	9.64	9.11	8.12
	Days Sales Outstanding	37.86	40.06	44.95
	Average Inventory Turnover (Times)	8.38	8.39	7.42
	Average Inventory Turnover Days	43.56	43.49	49.19
	Average Payment Turnover (Times)	19.38	20.01	19.39
	Property, Plant and Equipment Turnover (Times)	0.91	0.85	0.95
	Total Assets Turnover (Times)	0.58	0.54	0.55
Profitability Analysis	Return on Total Assets (%)	19.19	17.11	19.33
	Return on Equity attributable to Shareholders of the Parent (%)	24.68	24.00	27.88
	Operating Income to Paid-in Capital Ratio (%)	69.89	80.77	114.11
	Pre-tax Income to Paid-in Capital Ratio (%)	70.08	83.11	116.51
	Net Margin (%)	32.78	31.49	34.58
	Basic Earnings Per Share (NT$)	6.42	7.26	10.18
	Diluted Earnings Per Share (NT$)	6.41	7.26	10.18
Cash Flow	Cash Flow Ratio (%)	191.93	183.05	209.70
	Cash Flow Adequacy Ratio (%) (Note 1)	94.71	88.35	92.15
	Cash Flow Reinvestment Ratio (%)	11.46	12.16	13.04
Leverage	Operating Leverage	2.32	2.40	2.15
	Financial Leverage	1.01	1.01	1.01
Industry Specific Key Performance Indicator	Billing Utilization Rate (%) (Note 2)	91	91	97
	Advanced Technologies (28-nanometer and below) Percentage of Wafer Sales (%)	12	30	42
	Sales Growth (%)	18.7 (Note 3)	17.82	27.77
	Net Income Growth (%)	23.9 (Note 3)	13.12	40.26

Analysis of deviation of 2014 vs. 2013 over 20%:
1. Current ratio and quick ratio increased by 65%, mainly due to increase in cash and cash equivalents, available-for-sale financial assets and notes and accounts receivable.
2. Operating income to paid-in capital ratio increased by 41% as a result of increase in operating income.
3. Pre-tax income to paid-in capital ratio increased by 40% as a result of increase in pre-tax income.
4. Basic earnings per share and diluted earnings per share increased by 40% as a result of increase in net income.

Note 1: 2008-2011 operating cash flow are based on R.O.C. GAAP.
Note 2: Capacity includes wafers committed by Vanguard and SSMC.
Note 3: 2011 net sales and net income are based on R.O.C. GAAP

*Glossary
1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity Attributable to Shareholders of the Parent = Net Income Attributable to Shareholders of the Parent / Average Equity Attributable to Shareholders of the Parent
   (3) Operating Income to Paid-in Capital Ratio= Operating Income / Paid-in Capital
   (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (5) Net Margin = Net Income / Net Sales
   (6) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Financial Analysis from 2010 to 2011 (Consolidated)－R.O.C. GAAP

		2010	2011
Capital Structure Analysis	Debts Ratio (%)	19.50	18.37
	Long-term Fund to Fixed Assets (%)	152.08	133.06
Liquidity Analysis	Current Ratio (%)	212.29	192.52
	Quick Ratio (%)	187.57	170.06
	Times Interest Earned (Times)	401.30	229.27
Operating Performance Analysis	Average Collection Turnover (Times)	10.57	10.06
	Days Sales Outstanding	34.54	36.29
	Average Inventory Turnover (Times)	8.62	8.75
	Average Inventory Turnover Days	42.36	41.70
	Average Payment Turnover (Times)	17.23	18.77
	Fixed Assets Turnover (Times)	1.27	0.97
	Total Assets Turnover (Times)	0.64	0.57
Profitability Analysis	Return on Total Assets (%)	24.77	18.08
	Return on Equity (%)	30.23	22.30
	Operating Income to Paid-in Capital Ratio (%)	61.43	54.62
	Pre-tax Income to Paid-in Capital Ratio (%)	65.72	56.01
	Net Margin (%)	38.68	31.48
	Basic Earnings Per Share (NT$)	6.24	5.18
	Diluted Earnings Per Share (NT$)	6.23	5.18
Cash Flow	Cash Flow Ratio (%)	186.28	211.60
	Cash Flow Adequacy Ratio (%)	113.91	101.93
	Cash Flow Reinvestment Ratio (%)	11.13	11.12
Leverage	Operating Leverage	2.12	2.50
	Financial Leverage	1.00	1.00
Industry Specific Key Performance Indicator	Billing Utilization Rate (%) (Note)	101	91
	Advanced Technologies (28-nanometer and below) Percentage of Wafer Sales (%)	-	1
	Sales Growth (%)	41.9	1.8
	Net Income Growth (%)	81.1	-17.0

Note: Capacity includes wafers committed by Vanguard and SSMC.

*Glossary
1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets
   (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Shareholders' Equity
   (3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital
   (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (5) Net Margin = Net Income / Net Sales
   (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital)

6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Financial Analysis from 2012 to 2014 (Unconsolidated)

		2012	2013	2014
Capital Structure Analysis	Debt Ratio (%)	24.32	29.88	26.53
	Long-term Fund to Property, Plant and Equipment Ratio (%)	137.67	132.57	156.25
Liquidity Analysis	Current Ratio (%)	142.41	137.62	208.09
	Quick Ratio (%)	117.49	118.35	171.82
	Times Interest Earned (Times)	195.42	104.10	120.82
Operating Performance Analysis	Average Collection Turnover (Times)	9.87	9.26	8.29
	Days Sales Outstanding	36.98	39.40	44.02
	Average Inventory Turnover (Times)	9.13	9.06	7.90
	Average Inventory Turnover Days	39.97	40.30	46.19
	Average Payment Turnover (Times)	18.22	18.55	18.64
	Property, Plant and Equipment Turnover (Times)	0.96	0.87	0.97
	Total Assets Turnover (Times)	0.58	0.55	0.58
Profitability Analysis	Return on Total Assets (%)	19.45	17.58	20.22
	Return on Equity (%)	24.68	24.00	27.88
	Operating Income to Paid-in Capital Ratio (%)	68.21	78.93	112.10
	Pre-tax Income to Paid-in Capital Ratio (%)	70.88	83.20	116.09
	Net Margin (%)	33.24	31.83	34.85
	Basic Earnings Per Share (NT$)	6.42	7.26	10.18
	Diluted Earnings Per Share (NT$)	6.41	7.26	10.18
Cash Flow	Cash Flow Ratio (%)	189.88	179.11	230.29
	Cash Flow Adequacy Ratio (%) (Note)	93.23	86.78	90.72
	Cash Flow Reinvestment Ratio (%)	11.36	12.32	13.29
Leverage	Operating Leverage	2.37	2.46	2.19
	Financial Leverage	1.01	1.01	1.01

Analysis of deviation of 2014 vs. 2013 over 20%:
1. Current ratio increased by 51%, mainly due to increase in cash and cash equivalents, receivables from related parties and inventories.
2. Quick ratio increased by 45%, mainly due to increase in cash and cash equivalents, receivables from related parties and inventories.
3. Operating income to paid-in capital ratio increased by 42% as a result of increase in operating income.
4. Pre-tax income to paid-in capital ratio increased by 40% as a result of increase in pre-tax income.
5. Basic earnings per share and diluted earnings per share increased by 40% as a result of increase in net income.
6. Cash flow ratio increased by 29% as a result of increase in cash provided by operating activities.

Note: 2008-2011 operating cash flow are based on R.O.C. GAAP.

*Glossary
1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Shareholders' Equity
   (3) Operating Income to Paid-in Capital Ratio= Operating Income / Paid-in Capital
   (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (5) Net Margin = Net Income / Net Sales
   (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding

5. Cash Flow
(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Financial Analysis from 2010 to 2011 (Unconsolidated)－R.O.C. GAAP

		2010	2011
Capital Structure Analysis	Debt Ratio (%)	18.12	17.31
	Long-term Fund to Fixed Assets Ratio (%)	157.73	142.52
Liquidity Analysis	Current Ratio (%)	162.88	144.79
	Quick Ratio (%)	140.07	122.41
	Times Interest Earned (Times)	789.71	325.54
Operating Performance Analysis	Average Collection Turnover (Times)	10.93	10.40
	Days Sales Outstanding	33.40	35.09
	Average Inventory Turnover (Times)	9.44	9.61
	Average Inventory Turnover Days	38.67	37.97
	Average Payment Turnover (Times)	16.89	18.17
	Fixed Assets Turnover (Times)	1.31	1.02
	Total Assets Turnover (Times)	0.64	0.57
Profitability Analysis	Return on Total Assets (%)	25.31	18.40
	Return on Equity (%)	30.23	22.30
	Operating Income to Paid-in Capital Ratio (%)	59.76	53.60
	Pre-tax Income to Paid-in Capital Ratio (%)	65.34	55.84
	Net Margin (%)	39.71	32.09
	Basic Earnings Per Share (NT$)	6.24	5.18
	Diluted Earnings Per Share (NT$)	6.23	5.18
Cash Flow	Cash Flow Ratio (%)	188.12	217.99
	Cash Flow Adequacy Ratio (%)	109.98	99.13
	Cash Flow Reinvestment Ratio (%)	11.20	11.07
Leverage	Operating Leverage	2.17	2.54
	Financial Leverage	1.00	1.00

*Glossary

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets
   (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Shareholders' Equity
   (3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital
   (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (5) Net Margin = Net Income / Net Sales
   (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital)

6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.1.4 Auditors' Opinions from 2010 to 2014

Year	CPA	Audit Opinion
2010	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion
2011	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion
2012	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion
2013	Yi-Hsin Kao, Hung-Wen Huang	An Unqualified Opinion
2014	Yi-Hsin Kao, Hung-Wen Huang	An Unqualified Opinion

Deloitte & Touche
12F, No. 156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan, R.O.C.
Tel: 886-2-2545-9988

6.1.5 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2014 Business Report, Financial Statements, and proposal for allocation of profits. 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 profit 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 Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Chairman of the Audit Committee: Sir Peter Leahy Bonfield

February 10, 2015

6.1.6 Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2014 and as of the date of this Annual Report: None

6.1.7 Consolidated Financial Statements and Independent Auditors' Report along with Parent Company Only Financial Statements and Independent Auditors' Report

Please refer to Annual Report section (II), Financial Statements.

6.2 Financial Status and Operating Results

6.2.1 Financial Status

Consolidated

Unit: NT$ thousands

Item	2014	2013	Difference	%
Current Assets	626,566,787	358,486,654	268,080,133	75%
Long-term Investments (Note 1)	30,051,544	89,183,810	(59,132,266)	-66%
Property, Plant and Equipment	818,198,801	792,665,913	25,532,888	3%
Intangible Assets	13,531,510	11,490,383	2,041,127	18%
Other Assets (Note 2)	6,785,203	11,228,217	(4,443,014)	-40%
Total Assets	1,495,133,845	1,263,054,977	232,078,868	18%
Current Liabilities	201,014,777	189,777,934	11,236,843	6%
Noncurrent Liabilities	248,443,321	225,501,958	22,941,363	10%
Total Liabilities	449,458,098	415,279,892	34,178,206	8%
Capital Stock	259,296,624	259,286,171	10,453	0%
Capital Surplus	55,989,922	55,858,626	131,296	0%
Retained Earnings	704,512,664	518,193,152	186,319,512	36%
Others	25,749,291	14,170,306	11,578,985	82%
Equity Attributable to Shareholders of the Parent	1,045,548,501	847,508,255	198,040,246	23%
Total Equity	1,045,675,747	847,775,085	197,900,662	23%

Note 1: Long-term investments consist of noncurrent available-for-sale financial assets, financial assets carried at cost and investments accounted for using equity method.
Note 2: Other assets consist of deferred income tax assets, refundable deposits, and other noncurrent assets.

- Analysis of Deviation over 20%

The increase in current assets was mainly due to increase in cash and cash equivalents, available-for-sale financial assets and notes and accounts receivable in 2014.
The decrease in long-term investments was mainly due to reclassification of available-for-sale financial assets to current assets in 2014.
The decrease in other assets was mainly due to decrease in refundable deposits and deferred income tax assets.
The increase in retained earnings, equity attributable to shareholders of the parent and total equity was mainly due to net income of 2014, partially offset by distribution of 2013 earnings.
The increase in others was mainly due to increase in currency exchange differences arising from translation of foreign operations in 2014.

- Major Impact on Financial Position

The above deviations had no major impact on TSMC's financial position.

- **Future Plan on Financial Position:** Not applicable.

Unconsolidated

Unit: NT$ thousands

Item	2014	2013	Difference	%
Current Assets	370,949,497	257,623,763	113,325,734	44%
Long-term Investments (Note 1)	242,390,122	165,545,159	76,844,963	46%
Property, Plant and Equipment	796,684,361	770,443,494	26,240,867	3%
Intangible Assets	8,996,810	7,069,456	1,927,354	27%
Other Assets (Note 2)	4,023,634	7,897,131	(3,873,497)	-49%
Total Assets	1,423,044,424	1,208,579,003	214,465,421	18%
Current Liabilities	178,261,092	187,195,744	(8,934,652)	-5%
Noncurrent Liabilities	199,234,831	173,875,004	25,359,827	15%
Total Liabilities	377,495,923	361,070,748	16,425,175	5%
Capital Stock	259,296,624	259,286,171	10,453	0%
Capital Surplus	55,989,922	55,858,626	131,296	0%
Retained Earnings	704,512,664	518,193,152	186,319,512	36%
Others	25,749,291	14,170,306	11,578,985	82%
Total Equity	1,045,548,501	847,508,255	198,040,246	23%

Note 1: Long-term investments consist of financial assets carried at cost and investments accounted for using equity method.
Note 2: Other assets consist of deferred income tax asset, refundable deposits, and other noncurrent assets.

- Analysis of Deviation over 20%

The increase in current assets was mainly due to increase in cash and cash equivalents, receivables from related parties and inventories in 2014.
The increase in long-term investment was mainly due to increase in investments accounted for using equity method in 2014.
The increase in intangible assets was mainly due to increase in technology license fees in 2014.
The decrease in other assets was mainly due to decrease in refundable deposits and deferred income tax assets.
The increase in retained earnings and total equity was mainly due to net income of 2014, partially offset by distribution of 2013 earnings.
The increase in others was mainly due to increase in currency exchange differences arising from translation of foreign operations in 2014.

- Major Impact on Financial Position

The above deviations had no major impact on TSMC's financial position.

- **Future Plan on Financial Position:** Not applicable.

6.2.2 Financial Performance

Consolidated

Unit: NT$ thousands

Item	2014	2013	Difference	%
Net Revenue	762,806,465	597,024,197	165,782,268	28%
Cost of Revenue	385,100,646	316,057,820	69,042,826	22%
Gross Profit before Realized (Unrealized) Gross Profit on Sales to Associates	377,705,819	280,966,377	96,739,442	34%
Realized (Unrealized) Gross Profit on Sales to Associates	28,556	(20,870)	49,426	NM (Note)
Gross Profit	377,734,375	280,945,507	96,788,868	34%
Operating Expenses	80,842,944	71,563,234	9,279,710	13%
Other Operating Income and Expenses, Net	(1,001,138)	47,090	(1,048,228)	-2,226%
Income from Operations	295,890,293	209,429,363	86,460,930	41%
Non-operating Income and Expenses	6,207,253	6,057,759	149,494	2%
Income before Income Tax	302,097,546	215,487,122	86,610,424	40%
Income Tax Expenses	38,316,677	27,468,185	10,848,492	39%
Net Income	263,780,869	188,018,937	75,761,932	40%
Other Comprehensive Income, Net of Income Tax	11,834,164	16,352,248	(4,518,084)	-28%
Total Comprehensive Income for the Year	275,615,033	204,371,185	71,243,848	35%
Total Net Income Attributable to Shareholders of the Parent	263,898,794	188,146,790	75,752,004	40%
Total Comprehensive Income Attributable to Shareholders of the Parent	275,717,141	204,505,782	71,211,359	35%

Note: NM stands for non-meaningful.

● Analysis of Deviation over 20%

Increase in net revenue: The increase was mainly due to higher wafer shipments in 2014. Furthermore, the introduction of 20-nanometer and higher share of 28-nanometer sales contributed to a higher average selling price.

Increase in cost of revenue: The increase was mainly due to higher sales.

Increase in gross profit before realized (unrealized) gross profit on sales to associates and gross profit: The increase was mainly due to higher capacity utilization in 2014.

Increase in realized (unrealized) gross profit on sales to associates: The increase was mainly due to lower sales to associates in the fourth quarter 2014.

Decrease in other operating income and expenses, net: The decrease was mainly due to impairment loss on noncurrent assets held for sale and property, plant and equipment recognized in 2014.

Increase in income from operations: The increase was mainly due to gross profit increased at a higher rate than the increase in operating expenses.

Increase in income before income tax: The increase was mainly due to higher income from operations.

Increase in income tax expenses: The increase was mainly due to higher taxable income and increase in income tax on unappropriated earnings in 2014.

Increase in net income and total net income attributable to shareholders of the parent: The increase was mainly due to higher income before income tax.

Decrease in other comprehensive income, net of income tax: The decrease was mainly due to changes in fair value of available-for-sale financial assets, partially offset by currency exchange differences arising from translation of foreign operations in 2014.

Increase in total comprehensive income for the year and total comprehensive income attributable to shareholders of the parent: The increase was mainly due to higher net income in 2014.

● **Sales Volume Forecast and Related Information**

For additional details, please refer to "*1. Letter to Shareholders*" on pages 2-5 of this Annual Report.

● **Major Impact on Financial Performance**

The above deviations had no major impact on TSMC's financial performance.

● **Future Plan on Financial Performance**: Not applicable.

Unconsolidated

Unit: NT$ thousands

Item	2014	2013	Difference	%
Net Revenue	757,152,389	591,087,600	166,064,789	28%
Cost of Revenue	390,272,233	319,407,163	70,865,070	22%
Gross Profit before Realized (Unrealized) Gross Profit on Sales to Subsidiaries and Associates	366,880,156	271,680,437	95,199,719	35%
Realized (Unrealized) Gross Profit on Sales to Subsidiaries and Associates	31,547	(35,577)	67,124	NM (Note)
Gross Profit	366,911,703	271,644,860	95,266,843	35%
Operating Expenses	76,261,094	66,924,354	9,336,740	14%
Other Operating Income and Expenses, Net	9,049	(66,614)	75,663	NM (Note)
Income from Operations	290,659,658	204,653,892	86,005,766	42%
Non-operating Income and Expenses	10,363,505	11,062,658	(699,153)	-6%
Income before Income Tax	301,023,163	215,716,550	85,306,613	40%
Income Tax Expenses	37,124,369	27,569,760	9,554,609	35%
Net Income	263,898,794	188,146,790	75,752,004	40%
Other Comprehensive Income, Net of Income Tax	11,818,347	16,358,992	(4,540,645)	-28%
Total Comprehensive Income for the Year	275,717,141	204,505,782	71,211,359	35%

Note: NM stands for non-meaningful.

● Analysis of Deviation over 20%

Increase in net revenue: The increase was mainly due to higher wafer shipments in 2014. Furthermore, the introduction of 20-nanometer and higher share of 28-nanometer sales contributed to a higher average selling price.

Increase in cost of revenue: The increase was mainly due to higher sales.

Increase in gross profit before realized (unrealized) gross profit on sales to associates and gross profit: The increase was mainly due to higher capacity utilization in 2014.

Increase in realized (unrealized) gross profit on sales to subsidiaries and associates: The increase was mainly due to lower sales to subsidiaries and associates in the fourth quarter 2014.

Increase in other operating income and expenses, net: The increase was mainly due to higher net gain on disposal of property, plant and equipment in 2014.

Increase in income from operations: The increase was mainly due to gross profit increased at a higher rate than the increase in operating expenses.

Increase in income before income tax: The increase was mainly due to higher income from operations.

Increase in income tax expenses: The increase was mainly due to higher taxable income and increase in income tax on unappropriated earnings in 2014.

Increase in net income: The increase was mainly due to higher income before income tax.

Decrease in other comprehensive income, net of income tax: The decrease was mainly due to higher share of other comprehensive loss of subsidiaries and associates, partially offset by currency exchange differences arising from translation of foreign operations in 2014.

Increase in total comprehensive income: The increase was mainly due to higher net income in 2014.

● **Sales Volume Forecast and Related Information**

For additional details, please refer to "*1. Letter to Shareholders*" on pages 2-5 of this Annual Report.

● **Major Impact on Financial Performance**

The above deviations had no major impact on TSMC's financial performance.

● **Future Plan on Financial Performance**: Not applicable.

6.2.3 Cash Flow

Consolidated

Unit: NT$ thousands

Cash Balance 12/31/2013	Net Cash Provided by Operating Activities in 2014	Net Cash Used in Investing and Financing Activities in 2014	Cash Balance 12/31/2014	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
242,695,447	421,523,731	(305,770.149)	358.449,029	None	None

- Analysis of Cash Flow

NT$421.5 billion net cash generated by operating activities: mainly from net income and depreciation and amortization expenses.
NT$282.4 billion net cash used in investing activities: primarily for capital expenditures.
NT$23.4 billion net cash used in financing activities: primarily for payment of cash dividends, partially offset by receipt of guarantee deposits and increase in short-term loans.

- **Remedial Actions for Liquidity Shortfall:** As a result of positive operating cash flows and cash on-hand, remedial actions are not required.
- **Cash Flow Projection for Next Year:** Not applicable.

Unconsolidated

Unit: NT$ thousands

Cash Balance 12/31/2013	Net Cash Provided by Operating Activities in 2014	Net Cash Used in Investing and Financing Activities in 2014	Cash Balance 12/31/2014	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
146,438,768	410,511,003	(372,090,539)	184,859,232	None	None

- Analysis of Cash Flow

NT$410.5 billion net cash generated by operating activities: mainly from net income and depreciation and amortization expenses.
NT$279.8 billion net cash used in investing activities: primarily for capital expenditures.
NT$92.3 billion net cash used in financing activities: primarily for payment of cash dividends and acquisition of interests in subsidiaries, partially offset by receipt of guarantee deposits and increase in short-term loans.

- **Remedial Actions for Liquidity Shortfall:** As a result of positive operating cash flows and cash on-hand, remedial actions are not required.
- **Cash Flow Projection for Next Year:** Not applicable.

6.2.4 Major Capital Expenditures and Impact on Financial and Business

Unit: NT$ thousands

Plan	Actual or Planned Source of Capital	Total Amount as of 12/31/2014	Actual Use of Capital	
			2014	2013
Production Facilities, R&D and Production Equipment	Cash flow generated from operations and issuance of corporate bonds	569,407,844	285,585,579	283,822,265
Others	Cash flow generated from operations	6,726,957	2,954,449	3,772,508
Total		576,134,801	288,540,028	287,594,773

Based on capital expenditures listed above and projected for 2015, it is estimated that TSMC's annual production capacity will increase by approximately 1.06 million 12-inch equivalent wafers in 2015.

6.2.5 Long-term Investment Policy and Results

TSMC's long-term investments, accounted for under the equity method, were all made for strategic purposes. However, when an investment is no longer of strategic value it may be considered a financial investment. In 2014, the investment gain from these investments amounted to NT$9,292,150 thousand (NT$3,949,674 thousand on a consolidated basis), mainly from the contribution of mobile computing products. For future investments, TSMC will continue to focus on strategic purposes through prudent assessments.

6.3 Risk Management

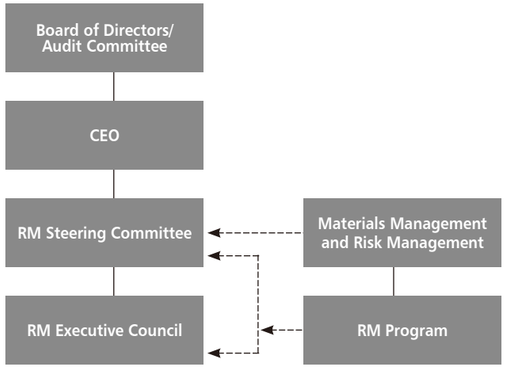
Our Board of Directors plays a key role in helping the Company identify and manage economic risks. Our Risk Management organization periodically briefs our Audit Committee on the ever-changing risk environment facing TSMC, the focus of our enterprise risk management, and risk assessment and mitigation efforts. Our Audit Committee's Chairperson also briefs the Board on such discussion and actions.

TSMC and its subsidiaries are committed to proactively and cost effectively integrating and managing strategic, operational, financial and hazardous risks together with potential consequences to operations and revenue. TSMC operates an Enterprise Risk Management (ERM) program based on both its corporate vision and its long-term sustainability, and responsibility to both industry and society. ERM seeks to provide the appropriate management of risks by TSMC on behalf of all stakeholders. A Risk MAP that considers likelihood and impact severity is applied for identifying and prioritizing corporate risks. Various risk treatment strategies are also adopted in response to identified corporate risks. The Company's risk management includes the management of "Strategic Risks", "Operational Risks", "Financial Risks", "Hazardous Risks", "Risks Associated with Climate Change and Non-compliance with Environmental and Climate Related Laws and Regulations, and Other International Laws, Regulations and Accords", etc.

To reduce TSMC's supply chain risks, a cross-function task force comprised of members from fab operations, material management, risk management and quality system management worked with TSMC's suppliers to develop business continuity plans, and enhance supply chain resilience capability to effectively manage the risks faced by its suppliers. As a result of those efforts, there was no interruption in TSMC's supply lines in 2014.

As TSMC continued to expand production capacity with advanced technology in 2014, seismic protection engineering design, risk treatment practices and green factory projects were initiated and implemented, beginning in the design phase for all new fabs.

6.3.1 Risk Management (RM) Organization Chart



- RM Steering Committee

Consists of functional heads (with Internal Audit head sitting as an observer);
Reports to Audit Committee;
Reviews risk control progress; and
Identifies and approves the prioritized risk lists.

- RM Executive Council

Consists of representatives from each function;
Identifies and assesses risks;
Implements risk control program & ensures effectiveness;
Improves transparency & how risks are managed.

- RM Program

Coordinates the RM RM Executive Council activities;
Facilitates functional risk management activities;
Initiates cross function communication for risk mitigation; and
Consolidates ERM reports into the RM Steering Committee.

6.3.2 Strategic Risks

Risks Associated with Changes in Technology and Industry

- Industry Developments

The electronics industries and semiconductor market are cyclical and subject to significant, and often rapid, increases and decreases in product demand. TSMC's semiconductor foundry business is affected by market conditions in such highly cyclical electronics and semiconductor industries. Variations in order levels from customers may result in volatility in the Company's revenues and earnings.

From time to time, the electronics and semiconductor industries have experienced significant, and sometimes prolonged, periods of downturns and overcapacity. Because TSMC is, and will continue to be, dependent on the

requirements of electronics and semiconductor companies for its services, periods of downturn and overcapacity in the general electronics and semiconductor industries could lead to reduced demand for overall semiconductor foundry services, including TSMC's services. If TSMC cannot take appropriate actions such as reducing its costs to sufficiently offset declines in demand, the Company's revenues, margins and earnings will suffer during periods of downturn and overcapacity.

• Changes in Technology

The semiconductor industry and its technologies are constantly changing. TSMC competes by developing process technologies using increasingly advanced nodes and on manufacturing products with more functions. TSMC also competes by developing new derivative technologies. If TSMC does not anticipate these changes in technologies and rapidly develop new and innovative technologies, or if the Company's competitors unforeseeably gain sudden access to additional technologies, TSMC may not be able to provide foundry services on competitive terms. In addition, TSMC's customers have significantly decreased the time in which their products or services are launched into the market. If TSMC is unable to meet these shorter product time-to-market, TSMC risks losing these customers. Consumer driven products such as mobile devices have shifted the direction of the global technology market. In addition, customers demand more variety of technology offerings and faster delivery of these technologies. Also, we have seen an increasing concentration of customers and competition (all further discussed among these risk factors). If TSMC is unable to innovate new technologies that meet the demands of its customers or overcome the above factors, its revenues may decline significantly. Although TSMC has concentrated on maintaining a competitive edge in research and development, if TSMC fails to achieve advances in technologies or processes, it may become less competitive.

Regarding the response measures for the above-mentioned risks, please refer to "*2.2.4 TSMC Position, Differentiation and Strategy*" on page 10-11 of this Annual Report.

Risks Associated with Decrease in Demand and Average Selling Price

A vast majority of the Company's revenue is derived from customers who use TSMC's services in communication devices, personal computers, consumer electronics products and industrial/standard products. Any significant decrease in the demand for any one of these products may decrease the demand for such other products as well as overall global semiconductor foundry services, including TSMC's services, and may adversely affect the Company's revenues. Further, a significant portion of TSMC's operating costs is fixed because the Company owns most of its manufacturing capacities. In general, these costs do not decline when customer demand or TSMC's capacity utilization rates drop, and thus declines in customer demand, among other factors, may significantly decrease margins. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, which can improve TSMC's margins. Additionally, the historical and current trend of declining average selling prices of end-use applications places downward pressure on the prices of the components that go into such applications. If the average selling prices of end-use applications continue to decrease, the pricing pressure on components produced by the Company may lead to a reduction of TSMC's revenues, margin and earnings.

Risks Associated with Competition

The markets for TSMC's foundry services are highly competitive. The Company competes with other foundry service providers, as well as integrated device manufacturers that devote a significant portion of their manufacturing capacity to foundry operations. Some of these companies may have access to more advanced technologies and greater financial and other resources than TSMC, such as the possibility of receiving direct or indirect government bailout/economic stimulus funds or other incentives that are unavailable to us. The Company's competition may, from time to time, also decide to undertake aggressive pricing initiatives in one or more technology nodes. Increases in these competitive activities may decrease TSMC's customer base, TSMC's average selling prices, or both.

For example, over the past few years, TSMC has seen the rise of certain companies with the capability of providing foundry services. These companies are committed to trying to attract TSMC's customers. If TSMC is unable to compete with any and each of these new competitors with better technologies and manufacturing capacity and capabilities, it risks losing customers to these new contenders.

The Company competes primarily on the basis of process technology, manufacturing quality and service. The level of competition differs according to the process technology involved. For example, in more mature technologies, competitors tend to be more numerous and specialized. Some companies compete with TSMC in selected geographic regions or in application end markets. In recent years, substantial investments have been made by others to establish new pure-play foundry companies in mainland China and elsewhere, or to spin off the manufacturing operations of integrated device manufacturers (IDMs) and transform them into a pure-play foundry company.

Risks Associated with Changes in the Government Policies and Regulatory Environment

TSMC management closely monitors all domestic and foreign governmental policies and regulations that might impact TSMC's business and financial operations. As of February 28, 2015, the following changes or developments in governmental policies and regulations may influence the Company's business operations:

The Taiwan Financial Supervisory Commission (FSC) requires listed companies, starting from January 1, 2015, to prepare their consolidated financial statements in accordance with the 2013 version of following FSC endorsed standards and interpretations: "International Financial Reporting Standards," "International Accounting Standards," and relevant Interpretations (collectively, "2013 Taiwan-IFRSs version"). TSMC has disclosed the effects arising from the significant differences between 2013 Taiwan-IFRSs version and the current accounting policy in TSMC's 2014 consolidated financial statements.

The "Labor Safety and Health Act" of Taiwan was amended and renamed as the "Occupational Safety and Health Act" in July, 2013. Highlights of the amendment include: expanding the applicability of the Act to employees of all occupations; building a comprehensive occupational disease prevention system; strengthening the protection of the mental and physical health of workers; stipulating maternity protection and employment equality; and requiring high-risk business to regularly implement safety assessments. Ancillary regulations such as Occupational Safety and Health Measures Rule and its enforcement Guidelines, Maternity Protection Rule, and the regulations governing use of chemicals have been issued. TSMC over the years has been consistently maintaining a robust safe and healthy work environment and protective measures in place, and has taken proper measures to maintain the safety and health of its workplace in compliance with the aforesaid laws and regulations. In addition, the Taiwan legislature has been studying relevant laws relating to environmental protection and employee safety and health protection (e.g. "Greenhouse Gas Reduction Act" and "Energy Tax Act"). Though the "Greenhouse Gas Reduction Act" has not been passed, TSMC has been implementing various long-term energy saving and carbon reduction programs since 2000. As to the proposed "Energy Tax Act," there has been no concrete guidance or law issuing from the Taiwan government as of yet, so the impacts of such law are indeterminable at the moment. However, it is very likely that such law may increase the operating costs of the Company.

Other than the above laws and regulations, it is not expected that other governmental policies or regulatory changes would materially impact TSMC's operations and financial condition.

6.3.3 Operational Risks

Risks Associated with Capacity Expansion

TSMC performs long-term market demand forecasts to estimate market and general economic conditions for its products and services. Based upon these estimates, TSMC manages its overall capacity in accordance with market demand. Because market conditions may vary significantly and unexpectedly, TSMC's market demand forecast may change significantly at any time. Further, since certain manufacturing lines or tools in some of TSMC's manufacturing facilities may be suspended or shut down temporarily during periods of decreased demand, the Company may not be able to ramp up in a timely manner during periods of increased demand. During periods of continued decline in demand, operating facilities may not be able to absorb and complete in a timely manner any outstanding orders re-directed from shuttered facilities.

Recently, TSMC has been adding capacity to its 12-inch wafer fabs in the Hsinchu Science Park, Southern Taiwan Science Park and Central Taiwan Science Park, based on market demand forecasts taking into account the demand forecasts of TSMC's customers. As a result, the total monthly capacity of the Company's 12-inch wafer fabs was increased from 414,680 wafers as of December 31, 2013 to 494,696 wafers as of December 31, 2014. Expansion and modification of the Company's production facilities will, among other factors, increase TSMC's costs. For example, the Company will need to purchase additional equipment, train personnel to operate the new equipment, or hire additional personnel. If TSMC cannot increase its net revenue accordingly, in order to offset these higher costs, TSMC's financial performance may be adversely affected.

TSMC has established systems and processes to evaluate and forecast market demand and refers to these forecasts and evaluations when considering whether to expand or reduce capacity. As of the date of this Annual Report, the benefits brought about by such capacity expansion were in line with TSMC's expectations.

Risks Associated with Sales Concentration

Over the years, TSMC's customer profile and the nature of its customers' business have changed dramatically. While it generates revenue from hundreds of customers worldwide, TSMC's ten largest customers accounted for approximately 62% and 63% of net revenue in 2013 and 2014, respectively, and the Company's largest customer accounted for approximately 22% and 21% of net revenue in 2013 and 2014, respectively.

This customer concentration results in part from the changing dynamics of the electronics industry with the structural shift to mobile devices and applications and software that provide the content for such devices. There are only a limited number of customers who are successfully exploiting this new business model paradigm.

Also, in order to respond to the new business model paradigm, TSMC has seen the change of nature in its customers' business models. For example, there is a growing trend toward the rise of system houses that operate in a manner that makes their products and services more marketable to the changing consumer market. The loss of, or significant curtailment of, purchases by one or more of the Company's top customers, including curtailment due to increased competitive pressures, industrial consolidation, a change in their designs, or change in their manufacturing sourcing policies, or practices of these customers, or the timing of customer or distributor inventory adjustments, or change in its major customers' business models may adversely affect TSMC's results of operations and financial condition.

TSMC maintains a close watch on these trends and works closely with its customers to respond to these changes and to strengthen the Company's market position.

Risks Associated with Purchase Concentration

• Raw Materials

TSMC's production operations require that it obtains adequate supplies of raw materials, such as silicon wafers, gases, chemicals and photoresist, on a timely basis. In the past, shortages in the supply of some materials, whether by specific vendors or by the semiconductor industry generally, have resulted in occasional industry-wide price adjustments and delivery delays. In addition, major natural disasters, political or economic turmoil occurring within the country of origin of such raw materials may also significantly disrupt the availability of such raw materials or increase their prices. Also, since we procure some of our raw materials from sole-source suppliers, there is a risk that our need for such raw materials may not be met or that back-up supplies may not be readily available. Our revenue and earnings could decline if we are unable to obtain adequate supplies of the necessary raw materials in a timely manner or if there are significant increases in the costs of raw materials that we cannot pass on to our customers. To reduce the supply chain risk and to manage the cost actively, TSMC is committing resources toward developing new supply sources. In addition, TSMC continually encourages its suppliers to reduce their supply chain risk by decentralizing production plants, and to intensify their cost competitiveness by moving their production site to Taiwan from high-cost areas.

In the meantime, being aware of the risk of fewer back-up suppliers, TSMC is engaging early and deeply with suppliers on managing quality, and capacity issues because ramping at unprecedented speed leaves TSMC with very little time to re-tune its process. At leading technology nodes, TSMC requires world-class material quality, manufactured at world-class facilities, with world-class processes. In regard to streamlining the supply chain risk management, TSMC intensifies supplier site audits and extends supply chain best practices to suppliers' suppliers to mitigate capacity and quality risks. Moreover, TSMC continually refines its planning system and enhances demand forecast alignments with critical suppliers for adequate supply capacity planning, especially for steep ramping of new nodes. TSMC developed a Sustainability Assessment for our critical suppliers. Any regulatory violations or any environmental impact event as well as failure of meeting TSMC's expectation in sustainability requirements may result in business reduction or termination.

• Equipment

The Company's operations and ongoing expansion plans depend on its ability to obtain an appropriate amount of equipment and related services from a limited number of suppliers in a market that is characterized from time to time by limited supply and long delivery cycles. During such times, supplier-specific or industry-wide lead times for delivery can be as long as six months or more. To better manage its supply chain, the Company has implemented various business models and risk management contingencies with suppliers to shorten the procurement lead time. Further, the growing complexities, especially in next-generation lithographic technologies, may delay the timely availability of the equipment and parts needed to exploit time sensitive business opportunities and also increase the market price for such equipment and parts. If TSMC is unable to obtain equipment in a timely manner to fulfill its customers' demands on technology and production capacity, or at a reasonable cost, its financial condition and results of operations could be negatively affected.

Risks Associated with Intellectual Property Rights

The Company's ability to compete successfully and to achieve future growth will depend in part on the continued strength of its intellectual property portfolio. While TSMC actively enforces and protects its intellectual property rights, there can be no assurance that its efforts will be adequate to prevent the misappropriation or improper use of its proprietary technologies, trade secrets, software or know-how. Also, the Company cannot assure that, as its business or business models expand into new areas, or otherwise, it will be able to develop independently the technologies, trade secrets, patents, software or know-how necessary to conduct its business or that it can do so without unknowingly infringing the intellectual property rights of others. As a result, TSMC may have to rely on, to a certain degree, licensed technologies and patent licenses from others. To the extent that the Company relies on licenses from others, there can be no assurance that it will be able to obtain any or all of the necessary licenses in the future on terms it considers reasonable or at all. The lack of necessary licenses could expose TSMC to claims for damages and/or injunctions from third parties, as well as claims for indemnification by its customers in instances where it has contractually agreed to indemnify its customers against damages resulting from infringement claims.

TSMC has received, from time-to-time, communications from third parties asserting that its technologies, manufacturing processes, the design of the integrated circuits made by TSMC or the use by its customers of semiconductors made by TSMC may infringe upon their patents or other intellectual property rights. Because of the nature of the industry, the Company may continue to receive such communications in the future. In some instances, these disputes have resulted in litigation. Recently, there has been a notable increase in the number of claims or lawsuits initiated by certain litigious, non-practicing entities and these litigious, non-practicing entities are also becoming more aggressive in their monetary demands and requests for court-issued injunctions. Such lawsuits or claims may increase TSMC's cost of doing business and may potentially be extremely disruptive if the plaintiffs succeed in blocking the trade of its products and services. If TSMC fail to obtain or maintain certain technologies or intellectual property licenses and, if litigation relating to alleged intellectual property matters occurs, it could prevent the Company from manufacturing or selling particular products or applying particular technologies, which could reduce its opportunities to generate revenues.

TSMC has taken other measures to minimize potential loss of shareholder value arising from intellectual property claims and litigation filed against the Company. These measures include: obtaining licenses from certain semiconductor and other technology companies; timely securing of intellectual property rights for defensive and/or offensive protection of TSMC technology and business; aggressively defending against frivolous litigation; and acquiring or licensing strategic intellectual property rights necessary to protect its technologies and business offerings.

Risks Associated with Litigation

As is the case with many companies in the semiconductor industry, TSMC has received from time-to-time communications from third parties asserting that its technologies, its manufacturing processes, or the design of the semiconductors made by TSMC or the use of those semiconductors by its customers may infringe upon their patents or other intellectual property rights. These assertions have at times resulted in litigation by or against the Company and settlement payments by the Company. Irrespective of the validity of these claims, TSMC could incur significant costs in the defense thereof or could suffer adverse effects on its operations.

In June 2010, Keranos, LLC. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents were invalid. These two litigations have been consolidated into a single lawsuit in the U.S. District Court for the Eastern District of Texas. In February 2014, the Court entered a final judgment in favor of TSMC, dismissing all of Keranos' claims against TSMC with prejudice. The final judgment is currently being appealed to the U.S. Court of Appeals for the Federal Circuit. The outcome cannot be determined at this time.

In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC North America and one other company of infringing several U.S. patents. In September 2014, the Court granted summary judgment of noninfringement in favor of TSMC and TSMC North America. Ziptronix, Inc. can appeal the Court's order. The outcome cannot be determined at this time.

In September 2013, Zond Inc. filed a complaint in U.S. District Court for the District of Massachusetts against TSMC, certain TSMC subsidiaries and other companies alleging infringing of several U.S. patents. Subsequently, TSMC and Zond initiated additional legal actions in the U.S. District Courts for the District of Delaware and the District of Massachusetts over several additional patents owned by Zond. In March 2015, all pending litigations between the parties in the U.S. District Courts for the District of Massachusetts and the District of Delaware were dismissed.

In December 2013, Tela Innovations, Inc. filed complaints in the U.S. District Court for the District of Delaware and in the United States International Trade Commission accusing TSMC and TSMC North America of infringing one U.S. patent. In January 2014, TSMC filed a lawsuit in the U.S. District Court for the Northern District of California against Tela for trade secret misappropriation and breach of contract. In September 2014, all pending litigations between the parties in the U.S. District Court for the District of Delaware, the ITC and the U.S. District Court for the Northern District of California were dismissed.

In March 2014, DSS Technology Management, Inc. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, TSMC Development, Inc., and several other companies infringe one U.S. patent. TSMC Development, Inc. has subsequently been dismissed. The outcome cannot be determined at this time.

Other than the matters described above, TSMC was not involved in any other material litigation in 2014 and is not currently involved in any other material litigation.

Risks Associated with Mergers and Acquisitions

As of the date of this Annual Report, there were no such risks for TSMC.

Risks Associated with Recruiting and Retaining Qualified Personnel

The Company relies on the continued services and contributions of its executive officers, skilled technical personnel, personnel of other expertise and direct labors. TSMC's business could suffer if it loses, for whatever reasons, the services and contributions of some of these personnel and it cannot adequately replace them. The Company may be required to increase or reduce the number of employees in connection with any business expansion or contraction, in accordance with market demand for its products and services. Since there is intense competition for the recruitment of these personnel, the Company cannot ensure it will be able to fulfill its personnel requirements in a timely manner during an economic upturn. However, no such incident has happened to TSMC as of the date of this annual report.

TSMC provides varied and competitive compensation programs, and is generous in sharing its long-term business achievements with the employees. Furthermore, in order to attract and retain talents, the Company is dedicated to providing a timely distribution of employees' cash bonus from its profits. TSMC believes that by rewarding employees' hard work in a timely fashion, it not only encourages employees to contribute consistently to ensure the success of the Company, but also links their interests with those of TSMC's shareholders.

Future R&D Plans and Expected R&D Spending

For additional details, please refer to "*5.2.7 Future R&D Plans*" on pages 65-66 of this Annual Report.

Changes in Corporate Image and Impact on Company's Crisis Management

TSMC has established an excellent corporate image around the world based on its core values of "Integrity, Commitment, Innovation, and Customer Trust," as well as its outstanding operations, rigorous corporate governance, and dedication to corporate social responsibility to pursue sustainable development, equality and justice, and a harmonious society to live and work.

TSMC was honored with awards for its achievements in operations, corporate governance, innovation, profit growth, investor relations, and other fields in 2014. Amid TSMC's continuing efforts to be a better corporate citizen and carry out its social responsibilities, the Company was not only selected as a component of the Dow Jones Sustainability Index (DJSI) for a 14th consecutive year, but also recognized by the DJSI as the Semiconductors and Semiconductor Equipment Industry Group Leader for a second straight year, further strengthening the Company's public reputation. TSMC was the only Taiwan corporation to be named a leader of one of the DJSI's 24 industry groups.

In addition, TSMC's awards in 2014 include the R.O.C. Executive Yuan National Sustainable Development Award; The Taiwan Institute for Sustainable Energy 2014 Taiwan Corporate Sustainability Award "Gold Medal For Sustainability Report and Taiwan Top 10 Sustainability Benchmark Award"; No.1 in the R.O.C. Ministry of Economic Affairs "Top 20 Innovative Taiwan Companies"; The R.O.C. Ministry of Economic Affairs Industrial Development Bureau "Green Factory Label"; The R.O.C. Environmental Protection Administration "Annual Enterprise Environmental Protection Award"; The R.O.C. Environmental Protection Administration "Energy Conservation and Carbon Reduction Action Mark"; The R.O.C. Environmental Protection Administration "Enterprise Green Procurement Award"; The Science Park "Low Carbon Enterprise Award"; The Science Park Labor Health and Safety Achievement Award; The R.O.C. Ministry of Labor "Work-Life Balance Award," highest honors; The R.O.C. Ministry of Labor "Excellence in Labor Safety and Hygiene Award"; The Financial Times-Standard Chartered Taiwan Business Awards for "Economic Contribution – Large Company" and "Responsible Business – Large Company"; Named "Most Admired Company in Taiwan" by *CommonWealth Magazine*; The *CommonWealth Magazine* Corporate Citizenship Award; The *CommonWealth Magazine* "Theme of the Year" Award for Corporate Governance; First Prize in the Environmental Protection Category for the *GlobalViews Magazine* Corporate Social Responsibility Award; No.1 in 104 Corporation poll of "Medium to Large Corporations Most Attractive to New Job-Seekers"

As an important member of the technology industry, TSMC has always endeavored to act as a positive force in society, and maintains departments such as Brand Management, Customer Service, Public Relations, Employee Relations, Investor Relations, Risk Management, Fab Industrial Safety and Environmental Protection, Internal Audit, and the TSMC Foundation to coordinate the Company's resources and further enhance TSMC's positive corporate image.

To address potential events that may affect the Company's public image, including natural disasters, fires, workplace accidents, power outages, water shortages and workplace injuries, TSMC maintains an Emergency Response Procedure Manual, and health and safety supervisors for each fab hold meetings of the "Environment, Health, and Safety Technical Board" every month. In addition, relevant departments hold regular drills and continuously improve their emergency response and notification procedures. At the same time, TSMC has established communications criteria for all types of stakeholders, and the Public Relations Department is responsible for external communications. In the event of the above emergencies, all departments immediately deploy emergency response measures to reduce casualties and minimize the impact on the surrounding environment, Company property, and manufacturing operations, and also alert the Public Relations Department at the first stage of response to ensure smooth channels of communications to maintain the Company's image.

Risks Associated with Change in Management

As of the date of this Annual Report, there were no such risks for TSMC.

6.3.4 Financial Risks

Internal Management of Economic Risks

- Interest Rate Fluctuation

TSMC's exposure to interest rate risks derives primarily from short-term borrowing and long-term debt obligations incurred in the normal course of business. In order to limit its exposure to interest rate risks, TSMC finances its funding needs primarily through internal generation of cash and the issuance of long-term, fixed-rate debt. On the asset side, TSMC places its cash on hand mainly in very short tenor time deposits. Furthermore, the primary objective of TSMC's cash investments in fixed income securities is to preserve principal in highly liquid markets. In order to maintain the Company's liquidity profile, the majority of fixed income securities are at the short end of the yield curve.

- Foreign Exchange Volatility

More than half of TSMC's capital expenditures and manufacturing costs are denominated in currencies other than NT dollars, primarily in US dollars, Japanese yen and Euros. In 2014, more than 90% of the Company's sales were denominated in US dollars and currencies other than NT dollars. Therefore, any significant fluctuation to its disadvantage in such exchange rates would have an adverse effect on TSMC's financial condition. Specifically, based on TSMC's 2014 results, every 1% depreciation of the US dollar against the NT dollar exchange rate may result in approximately 0.4 percentage point decrease in TSMC's operating margin. TSMC utilizes short-term debt denominated in foreign currencies and derivative financial instruments, including currency forward contracts and cross currency swaps, to hedge our currency exposure.

Fluctuations in the exchange rate between the US dollar and the NT dollar may affect the US dollar value of the Company's common shares and the market price of the Company's American Depositary Shares (ADSs) and of any cash dividends paid in NT dollars on TSMC's common shares represented by ADSs.

- Inflation and Deflation and Resulting General Market Volatility

The world economy is becoming more vulnerable to sudden unexpected fluctuations in inflationary and deflationary expectations and conditions. Both high inflation and deflation adversely affect an economy, at both the macro and micro

levels, by reducing economic efficiency and disrupting saving and investment decisions. These macro-economic changes have resulted in general world market volatility across all assets classes. Such fluctuations and volatility may negatively affect the costs of TSMC's operations and the business operations of its customers who may be forced to plan their purchases of TSMC's goods and services within an uncertain economy. Therefore, the demand for TSMC's products and services could unexpectedly fluctuate severely in accordance with expectations of inflation or deflation as affected by macro market volatility.

Risks Associated with External Financing

Planning capital requirements is challenging in the highly dynamic, cyclical and rapidly changing semiconductor industry, especially during times of general market volatility in the fixed income, interest rates, foreign currencies and equities markets. From time to time—and increasingly so for the foreseeable next few years—TSMC will continue to need significant capital to fund its operations and manage its capacity in accordance with market demand. TSMC's continued ability to obtain sufficient external financing is subject to a variety of uncertainties, including:

- its future financial condition, results of operations and cash flow;
- general market conditions for financing activities;
- market conditions for financing activities of semiconductor companies; and,
- social, economic, financial, political and other conditions in Taiwan and elsewhere.

Sufficient external financing may not be available to the Company on a timely basis, on reasonable market terms, or at all. As a result, TSMC may be forced to curtail its expansion and modification plans or delay the deployment of new or expanded services until it obtains such financing.

Risks Associated with High-risk/high-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

TSMC did not make high-risk or high-leveraged financial investments during 2014 and up to the date of this report.

TSMC provided a guarantee to TSMC Global, a wholly owned subsidiary of TSMC, for its issuance of US dollar-denominated senior unsecured corporate bonds of US$1,500 million in April 2013. As of February 28, 2015, TSMC had an intercompany loan of US$153 million arranged among the Company's subsidiaries, which was in compliance with relevant rules and regulations.

The financial transactions of a "derivative" nature that TSMC entered into were strictly for hedging purposes and not for any trading or speculative purpose. For more information, please refer to pages 30-32 of the Annual Report section (II), Financial Statements. The fair market value of our trading and available-for-sale financial securities are subject to prevailing market conditions and may fluctuate from TSMC's carrying value from time to time, which may impact the returns of those securities.

To control various types of financial transactions, the Company has established internal policies and procedures based on sound financial and business practices, all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Bureau. TSMC policies and procedures include "Policies and Procedures for Financial Derivative Transactions," "Procedures for Lending Funds to Other Parties," "Procedures for Acquisition or Disposal of Assets," and "Procedures for Endorsement and Guarantee".

Risks Associated with Strategic Investments

From time to time, TSMC has made or will make a series of strategic investments. For example, TSMC has invested to develop potential business in solar power. There is no guarantee that any of such investments will be successful commercially. Any such investment will incur risks, which may result in losses even with careful management. Any such loss resulting from such investments may result in significant impairment charges, lower profit margin and ultimately lower distributable earnings. For further information on these investments, please refer to "*8. Subsidiary Information and Other Special Notes*" on pages 121-125 of this Annual Report.

Risks Associated with Impairment Charges

Under Taiwan-IFRSs, TSMC is required to evaluate its investments, tangible and intangible assets for impairment whenever triggering events or changes in circumstances indicate that the asset may be impaired. If certain criteria are met, TSMC is required to record an impairment charge. TSMC is also required under Taiwan-IFRSs to evaluate goodwill for impairment at least on an annual basis or more frequently whenever triggering events or changes in circumstances indicate that goodwill may be impaired and the carrying value may not be recoverable. TSMC holds investments in certain publicly listed and private companies, some of which have incurred certain impairment charges disclosed in the "Financial Information".

The determination of an impairment charge at any given time is based on the expected results of the Company's operations over a number of years subsequent to that time. As a result, an impairment charge is more likely to occur during a period when the Company's operating results are otherwise already depressed.

TSMC has established the process and system to closely monitor and assess the risk of any impairment charge. However, the management is unable to estimate the extent or timing of any impairment charge for future years, or whether such impairment charge required may have a material adverse effect on the Company's net income.

6.3.5 Hazardous Risks

TSMC maintains a comprehensive risk management system dedicated to the conservation of natural resources, the safety of people, and the protection of property. In order to effectively handle emergencies and natural disasters at each facility, management has developed comprehensive plans and procedures that focus on risk prevention, emergency response, crisis management, and business continuity. TSMC has adopted local and international standards for Environmental, Safety and Health (ESH) management. All TSMC manufacturing fabs have been ISO 14001 certified (Environmental Management System), OHSAS 18001 certified (Occupational Health and Safety Management System), and QC 080000 certified (Hazardous Substance Process Management System). All manufacturing fabs in Taiwan have also been TOSHMS (Taiwan Occupational Safety and Health Management System) certified. The new fabs will also acquire the above certificates within 18 months after volume production.

The Company pays special attention to preparedness for emergencies or disasters, such as typhoons, floods, droughts caused by climate change, earthquakes, environmental contamination, large-scale product returns, service disruption of IT systems, strikes, pandemics (such as H1N1 influenza), and sudden and unexpected disruptions to the supply of raw materials or water, electricity, and other public utilities. TSMC has established a company-wide task force dedicated to managing the risk of a water shortage that might arise due to climate change. This task force keeps watch on the external supply and internal demand for water. Cross-company consolidations and external collaborations with public agencies are also ongoing in the industrial parks to ensure and sustain a stable water supply.

TSMC has further strengthened its business continuity plans, which include periodic risk assessment, risk mitigation, and implementation through the establishment of emergency task forces when necessary, combined with the preparation of a thorough analysis of the emergency, its impact, alternative actions, and solutions for each possible scenario together with appropriate precautionary and/or recovery measures. Each task force is given the responsibility of ensuring TSMC's ability to conduct business while minimizing personal injury, business disruption, and financial impact under the circumstances. TSMC's business continuity plan is periodically reviewed according to results of test scenarios or practical implementation for ensuring effective and successful business continuity. Customers are informed of TSMC's strong business continuity capability in order to establish resilience and flexibility in both their supply chain and insurance placement. For the year 2014, and up to the date of this Annual Report, there have been no reportable material events that have necessitated the activation of such contingency plans.

The Company has also conducted a continuous improvement project, including evaluating building anti-seismic capability, holding earthquake emergency response drills, enhancing tool anchorage or seismic isolation facilities, training and preparedness for tool salvage, and has improved TSMC business continuity procedures with reference to ISO 22301 business continuity management.

TSMC and many of its suppliers use highly combustible and toxic materials in its manufacturing processes and are therefore subject to the risk of loss arising from explosion, fire, or environmental influences which cannot be completely eliminated. Although the Company maintains many overlapping risk prevention and protection systems, as well as comprehensive fire and casualty insurance, TSMC's risk management and insurance coverage may not be sufficient to cover all of the Company's potential losses. If any of TSMC's fabs or vendor facilities were to be damaged, or cease operations as a result of an explosion, fire or environmental influences, it could reduce the Company's manufacturing capacity and may cause it to lose important customers, thereby having a potentially adverse and material impact on TSMC's financial performance. In addition to periodic fire protection system inspection and firefighting drills, the Company has also carried out a corporate-wide fire risk mitigation project focused on management and hardware improvements.

6.3.6 Risks Associated with Climate Change and Non-compliance with Environmental and Climate Related Laws and Regulations, and Other International Laws, Regulations and Accords

The manufacturing, assembling and testing of our products require the use of metals, chemicals and materials that are subject to environmental, climate-related, health and safety, and humanitarian conflict-free sourcing laws (such as the

U.S. SEC rule for filing Form SD to disclose the origins of certain strategic minerals), regulations and guidelines issued worldwide.

Although TSMC may be eligible for various exemptions and/or extensions of time for compliance, the Company's failure to comply with any of these applicable laws or regulations could result in:

- significant penalties and legal liabilities, such as the denial of import permits;
- the temporary or permanent suspension of production of the affected products;
- unfavorable alterations in our manufacturing, fabrication and assembly and test processes;
- challenges from our customers that place us at a significant competitive disadvantage, such as loss of actual or potential sales contracts in case we are unable to satisfy the conditions regarding conflict-free minerals sourcing laws or requirements by our customers;
- restrictions on our operations or sales;
- damages to our goodwill and reputation, and
- loss of tax benefits, including termination of current tax incentives, disqualification of tax credit application and repayment of the tax benefits that we are not entitled to.

Existing and future environmental- and climate-related laws and regulations as well as applicable international accords to which TSMC are subject, could also require it, among other things, to do the following: (a) purchase, use or install expensive pollution control, reduction or remediation equipment; (b) implement climate change mitigation programs and "abatement or reduction of greenhouse gas emissions" programs, or "carbon credit trading" programs; (c) modify our product designs and manufacturing processes, or incur other significant expenses associated with such laws and regulations such as obtaining substitute raw materials or chemicals that may cost more or be less available for our operations. It is still unclear whether such necessary actions would affect the reliability or efficiency of our products and services.

The contingencies resulting from the actual and potential impact of local or international laws and regulations, as well as international accords on environmental or climate change, could harm the Company's business and operational results by increasing expenses or requiring TSMC to alter its manufacturing, assembly and test processes.

Increasing climate change and environmental concerns could affect the results of our operations if any of our customers request that we provide products and services that exceed any existing standard(s) of environmental compliance. If TSMC is unable to offer such products or offer products that are compliant, but are not as reliable due to the lack of reasonably available alternative technologies or materials, it may lose market share to competitors.

In addition, the Company's inability to timely obtain environmental related approvals needed to undertake the development and construction of a new fab or expansion project may delay, limit or increase the cost of our expansion plans that could also in turn adversely affect TSMC's business and operational results. In light of increased public interest in environmental issues, the Company's operations and expansion plans may be adversely affected or delayed responding to public concern and social environmental pressures even if the Company's operations comply with all applicable laws and regulations.

Further, energy costs in general could increase significantly due to climate change and other regulations. Therefore, TSMC's energy costs may increase significantly if utility or power companies pass on their costs, either fully or partially, such as those associated with carbon taxes, emission caps and carbon credit trading programs.

TSMC believes that climate change should be regarded as an important corporate risk, which must be controlled to improve our competitiveness. Climate change risks include legal risk, physical risk and other risks. TSMC's control measures are as follows:

- **Climate Regulatory Risk Control**

The greenhouse gas (GHG) control regulations and agreements of countries around the world are becoming increasingly stringent. Enterprises are legally required to regularly disclose GHG-related information, and also limit GHG emissions. The cost of production, including materials and energy, may also grow along with future legal requirements, such as carbon or energy taxes. TSMC continues to monitor legislative trends and communicate with various governments through industrial organizations and associations to set reasonable and feasible legal requirements.

- **Conflict Minerals Risk Control**

For additional details, please refer to the section of "*Supplier and Contractor Management*" of "*7.2.3 Safety and Health*" on pages 113-114 of this Annual Report.

- **Climate Disaster Risk Control**

Abnormal climate caused by the greenhouse effect has increased the frequency and severity of climate disasters—storms, floods, drought, and water shortages—causing considerable impacts on business operations and supply chains. TSMC believes that climate change control should take into account both mitigation and adaption, and this requires cooperation between industry and government to reduce risk. To ensure electricity and raw water supplies, therefore, in addition to water-saving measures at our own facilities and those of our upstream and downstream partners, TSMC participates in the Taiwan Science Park Industrial Union Experts Committee platform, and is actively involved in regular meetings with Taipower Company and the Taiwan Water Corporation to discuss supply and allocation for response issues.

- **Other Climate Risk Controls**

Climate change is a concern to the global supply chain, necessitating energy conservation, carbon reduction, and disaster prevention. For example, The Electronic Industry Citizenship Coalition (EICC) has also required members' suppliers to disclose GHG emissions information. TSMC not only discloses its own GHG emissions information each year, but it also assists and requires its suppliers to establish a GHG inventory system and conduct reduction programs. TSMC's suppliers are required by TSMC to submit GHG emissions and reduction information as an important index of sustainability scoring in its procurement strategy.

To mitigate risks resulting from climate change, TSMC continues to actively carry out energy conservation measures, voluntary perfluorinated compounds (PFC) emission reduction projects, and GHG inventory and verification every year. TSMC has publicly disclosed climate change information every year through the following channels:

- TSMC has disclosed GHG emissions and reduction-related information for evaluation by the Dow Jones Sustainability Index every year since 2001.
- TSMC's GHG-related information has been disclosed in its CSR report on the Company website annually since 2008. TSMC also provides information to customers and investors upon request.
- Since 2005, TSMC has been participating in an annual survey held by the nonprofit Carbon Disclosure Project (CDP), which includes GHG emission and reduction information for all TSMC fabs and subsidiaries.
- Since 2006, TSMC follows the ISO 14064-1 standard to conduct a GHG inventory and acquire verification by an accreditation agency every year. TSMC also voluntarily reports GHG inventory data to the Taiwan Environmental Protection Administration (EPA) and the Taiwan Semiconductor Industry Association (TSIA).

6.3.7 Other Risks

Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by TSMC's Directors, and/or Major Shareholders Who Own 10% or More of TSMC's Total Outstanding Shares

The value of TSMC shareholders' investment may be reduced by possible future sales of TSMC shares owned by the major shareholders.

One or more of our existing shareholders may, from time to time, dispose of significant numbers of our common shares or ADSs. For example, the National Development Fund, which owned 6.38% of TSMC's outstanding shares as of February 28, 2015, has from time to time in the past sold our shares in the form of ADSs in several transactions.

Currently no shareholder owns 10% or more of TSMC's total outstanding shares.

Risks Associated with Cyber Attacks

Even though we have established a comprehensive internet and computing security network, we cannot guarantee that our computing systems which control or maintain vital corporate functions like our manufacturing operations and enterprise accounting would be completely immune to crippling cyber viral attacks launched by third party to gain unauthorized access to our internal network systems to sabotage our operations and goodwill. In the event of a serious cyber attack, our systems may lose important corporate data and our production lines may be shutdown indefinitely pending the resolution of such attack. These cyber attacks may also attempt to steal our trade secrets and other intellectual properties and other sensitive information, such as personal information of our employees and proprietary information of our customers and other stakeholders. Malicious hackers may also try to introduce computer viruses or corrupted software into our network systems to disrupt our operations or spy for sensitive information. These attacks may result in us having to pay damages for our delayed or disrupted orders or incur significant expenses in attempting to re-establish control over our network. If we are not able to timely resolve the technical difficulties caused by such cyber attacks, our financial results as well as our commitments to our customers and other stakeholders may be materially impaired.

Other Material Risks

During 2014 and as of the date of this Annual Report, TSMC's management is not aware of any other risk event that could impart a potentially material impact on the financial status of the Company.

7. Corporate Social Responsibility

Rice carving requires total concentration, and not a single mistake is tolerated. In its pursuit of sustainability, TSMC takes the utmost care with all of its economic, environmental, and social corporate responsibilities to make the Company a force for improving society.

7.1 Overview

TSMC believes a company's corporate social responsibility is to uplift society. As an important part of the technology industry, we will not only aim to maintain our leadership in worldwide competition and promote Taiwan's globalization and economic growth, but also continue to carry out our corporate social responsibility and do our utmost to be good corporate citizens in the future.

CSR Guidelines

Our 10 principles for practicing corporate social responsibility are important standards for continuing to support positive change in society:

1. We insist on honesty and integrity. We are honest to our shareholders, employees, customers, and to the public alike.
2. We respect the rule of law and always obey the law.
3. We abhor cronyism. We do not seek favoritism from the government or any government official, and we do not bribe.
4. We practice good corporate governance, and balance the interests of shareholders, employees, and all stakeholders in the Company.
5. We do not engage in politics.
6. We provide good job opportunities with a safe, comfortable, and intellectually challenging environment to give our employees both physical comfort and mental stimulation.
7. We do our part to control climate change and place great importance on the protection of the environment.
8. We emphasize and reward innovation, and actively manage the risks that innovation may bring.
9. We invest and develop power-efficient technologies to provide customers with more advanced, efficient and ecologically sound products to contribute to a greener world.
10. We support educational and cultural activities, and care for our communities over the long term.

The following table shows TSMC's view of CSR. TSMC's social responsibility is to "uplift society," and on the vertical axis are matters that TSMC considers its responsibilities. The horizontal axis shows areas where TSMC believes its values can affect society.

Corporate Social Responsibility: Uplift Society

TSMC \ Society	Morality	Business Ethics	Economy	Rule of Law	Sustainability	Work/Life Balance Happiness	Philanthropy
Integrity	v	v					
Law Compliance				v			
Anti-Corruption Anti-Bribery Anti-Cronyism	v	v		v			
Environmental Protection Climate Control Energy Conservation				v	v		
Corporate Governance		v	v	v			
Provide Well-paying Jobs			v			v	
Good Shareholder Return			v				
Employees' Work-life Balance						v	
Encourage Innovation		v	v				
Good Work Environment						v	
Volunteers Organization					v	v	v
Education and Culture Foundation							v

CSR Management Approach

TSMC's decision-making and operations in corporate social responsibility (CSR) are led by the Company's Chief Financial Officer, who was appointed by the Chairman to act as an overall coordinator for the entire Company's CSR activities. To better carry out and coordinate sustainability efforts, the Company founded the "Corporate Social Responsibility Committee" in 2011, bringing together representatives from all of TSMC's CSR-related business segments. Since 2012, CSR has been a topic on TSMC's Board meeting agenda. Annual CSR performance is reported to the Board.

The CSR Committee holds quarterly meetings to discuss related topics, led by the CFO and the President of the Volunteer Program. The quarterly CSR meeting systematically and effectively carries out our corporate social responsibilities by following a "Plan-Do-Check-Act" cycle to regularly review interaction with stakeholders and the issues that concern them, discuss progress in CSR activities and set future plans. Through close cooperation between organizations, CSR is now an integral part of TSMC's daily operations.

Stakeholder Engagement

TSMC's stakeholder management procedure is divided into four stages: identification, analysis, plan, and engagement. In order to pursue sustainable operations, TSMC establishes individual communication channels with each of our stakeholders according to their influence and issues of concern. We communicate with stakeholders through multiple channels established by CSR-related units, and compile their economic, social and environmental concerns.

TSMC believes that sustainability, ethics, and integrity are fundamental to a company's long-term success. As we carry out our CSR principles, it is our firm belief that customers will trust us more because of our honesty and integrity, respect for the law, and good corporate governance. Investors will be more willing to invest over the long term because of our clear core values, and employees will feel closer to the Company as they identify with those values. Carrying out TSMC's social responsibilities brings us greater competitive advantage, creates greater value for shareholders, and benefits all of our stakeholders.

DJSI Industry Group Leader

In 2014, TSMC was recognized by the Dow Jones Sustainability Indexes (DJSI) as the Semiconductors and Semiconductor Equipment Industry Group Leader for a second consecutive year, once again affirming the Company's commitment to sustainability and corporate social responsibility. Moreover, TSMC is one of only two semiconductor companies chosen as index components for 14 consecutive years.

2014 CSR Awards and Recognitions

Category	Organization	Awards and Recognitions
Overall CSR	Dow Jones Sustainability World Index (DJSI)	•DJSI Semiconductors and Semiconductor Equipment "Industry Group Leader" for the 2nd consecutive year (i.e. the company with the highest sustainability score out of its industry peers in the DJSI's 24 industry groups, made up of 59 industries and the 2,500 largest companies in the world) •RobecoSAM Sustainability Award, "Gold Class" •RobecoSAM Sustainability Award: Industry Leader •Membership in the Dow Jones Sustainability World Index for a 14th consecutive year
	Fortune Magazine	•World's Most Admired Companies
	Financial Times – Standard Chartered	•Taiwan Business Awards for "Economic Contribution – Large Company" •Taiwan Business Awards for "Responsible Business – Large Company"
	The Goldman Sachs Group	•Member on the GS SUSTAIN Focus List, which incorporates 60 global industry leaders
	CommonWealth Magazine	•Most Admired Company in Taiwan •Excellence in Corporate Social Responsibility Award •Theme of the Year Award: Corporate Governance
	Globalviews Magazine	•Excellence in Corporate Social Responsibility, Environmental Protection Category
	Taiwan Institute of Sustainable Energy	•Gold Medal for Sustainability Report •Taiwan Top 10 Sustainability Benchmark Award
Economy, Governance	Institutional Investor Magazine	•Best CEO (Technology/Semiconductors) – 2nd Place (buy-side) – All-Asia •Best CFO (Technology/Semiconductors) – 1st Place (buy-side) – All-Asia •Best CFO (Technology/Semiconductors) – 1st Place (sell-side) – All-Asia •Best Investor Relations (Technology/Semiconductors) – 1st Place (buy-side) – All-Asia •Best Investor Relations – (Technology/Semiconductors) – 1st Place (sell-side) – All-Asia •Best Investor Relations Professional (Technology/Semiconductors) – 1st Place (buy-side) – All-Asia •Best Investor Relations Professional (Technology/Semiconductors) – 1st Place (sell-side) – All-Asia
	IR Magazine	•Grand prix for best overall investor relations (Large cap) – Greater China •Best in Sector – Technology – Greater China •Best corporate governance – Greater China •Best sustainability practice – Greater China •Best financial reporting – Greater China •Best IR by a Taiwanese company •Best IRO – Taiwan
	FinanceAsia	•Asia's Best Company in Technology •Region's Best Borrowers – Taiwan
	R.O.C. Securities & Futures Institute	•11th Information Disclosure of Public Companies Ranking – Ranked A++
Environment	U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certification	•"Platinum" certification in LEED-Existing Building: Operation and Maintenance (LEED-EB O&M) – Fab 12 Phase 3 Manufacturing Facility •"Gold" certification in LEED – NB –Fab 15 Phase 3/4 Manufacturing Facility, Fab 12 Phase 6 Office Building, Fab 15 Phase 1 Office Building ,Fab15 Tower Note: Up to the end of 2014, TSMC received 16 U.S. LEED certifications (2 "Platinum" class, 14 "Gold" class)
	R.O.C. Ministry of the Interior "Ecology, Energy Saving, Waste Reduction and Health (EEWH)" certification	•Diamond class "Green Building" certification – Fab 12 Phase 6 Office Building Note: Up to the end of 2014, TSMC received 3 Taiwan EEWH Diamond class "Intelligent Building", 7 Taiwan EEWH Diamond class "Green Building" certifications.
	R.O.C. Ministry of Economic Affairs Industrial Development Bureau	•"Green Factory Label" – Fab 12 Phase 6
	ISO 50001 Energy Management System certification	•Fab 15
	R.O.C. Environmental Protection Administration	•"Annual Enterprise Environmental Protection Award" – Advanced Backend Fab 2 •"Energy Conservation and Carbon Reduction Action Mark" – Fab 5, Fab 12A, Fab 14A, Fab 15 •"Excellence in Toxic Substance Management Award" – Fab 6 •"Enterprise Green Procurement Award" – Fab 2 and 5, Fab 12A
	National Council for Sustainable Development	•"National Sustainable Development Award" – Fab12A
	R.O.C. Ministry of Economic Affairs	•"Excellence in Carbon Reduction Award" – Fab 8, Fab 12B •"Water Conservation Award" –Fab 2 and 5
	Hsinchu Science Park Administration	•"Low Carbon Enterprise Award" – Fab 12B, Fab 12A •"Water Conservation Award" – Fab 12A
	Southern Taiwan Science Park Administration	•"Excellence in Environmental Protection" – Advanced Backend Fab 2
	Hsinchu County Environmental Protection Bureau	•"Enterprise Environmental Protection Evaluation" – Fab 2 and 5, Fab 12B •"Environmental Education Award" – Fab 2 and 5, Fab 12B
Safety, Health and Wellness	R.O.C. Ministry of Labor	•"Excellence in Labor Safety and Hygiene Award" – Fab 3
	Hsinchu Science Park Administration	•"Excellence in Labor Safety and Hygiene Award" – Fab 2
	Central Taiwan Science Park Administration	•"Excellence in Labor Safety and Hygiene Award" – Fab 15
	Southern Taiwan Science Park Administration	•"Excellence in Labor Safety and Hygiene Award" – Fab 14A
Employees	Ministry of Labor, Executive Yuan	•Work-Life Balance Award
	Health Promotion Administration, Ministry of Health and Welfare	•Health Management Award •Healthy Weight Management Award •Pioneering Weight Management Award

7.2 Environmental, Safety and Health (ESH) Management

TSMC believes its environmental, safety and health practices must not only comply with legal requirements, but also measure up to or exceed recognized international practices. TSMC's ESH policy aims to reach the goals of "zero incident" and "sustainable development," and to make TSMC a world-class company in environmental, safety and health management. The Company's strategies for reaching these goals are to comply with regulations, promote safety and health, strengthen recycling and pollution prevention, manage ESH risks, instill an ESH culture, establish a green supply chain, and fulfill its related corporate social responsibilities.

All TSMC manufacturing facilities have received ISO 14001: 2004 certification for environmental management systems and OHSAS 18001: 2007 certification for occupational safety and health management systems. All fabs in Taiwan have also been TOSHMS (Taiwan Occupational Safety and Health Management System) certified since 2009.

TSMC strives for continuous improvement and actively seeks to enhance climate change management, pollution prevention and control, power and resource conservation, waste reduction and recycling, safety and health management, fire and explosion prevention and minimize the impact of earthquake damage, in order to reduce the overall environmental, safety and health risk.

In 2006, in order to meet regulatory and customer needs for the management of hazardous materials, TSMC began to adopt the IECQ QC 080000 Hazardous Substance Process Management (HSPM) System. All TSMC manufacturing facilities have been QC 080000 certified since 2007. By practicing QC 080000, TSMC ensures that its products comply with regulatory and customer requirements, including the European Union's Restriction of Hazardous Substances (RoHS) Directive, EU Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Montreal Protocol on substances that deplete the ozone layer, [the halogen free in electronic products initiative], and Perfluorooctane Sulfonates (PFOS) restriction standards.

Since 2011, TSMC adopted ISO 50001 Energy Management System for the continuous improvement of energy conservation. TSMC Fab 12 Phase 4 data center is Taiwan's first facility to earn the ISO 50001 certification for a high density computing data center. As of early 2014, TSMC has three fabs—Fab 12 Phase 4/5/6, Fab 14 Phase 3/4 and Fab 15—that earned the ISO 50001 certifications. Other TSMC fabs also implement energy management measures consistent with ISO 50001.

TSMC regularly communicates with suppliers and contractors regarding environmental, safety and health issues and encourages them to improve their ESH performance. In line with this policy, TSMC uses priority work management and self-management to govern work performed by contractors. TSMC requires contractors performing Level one high-risk operations to complete certification for technicians, and to establish their own OHSAS 18001 safety and health management system. This self-management is aimed at increasing the sense of responsibility of TSMC's contractors, with the goal of promoting safety awareness and technical improvement for all contractors in the industry.

TSMC collaborates with suppliers to improve the sustainability of the Company's supply chain regarding ESH-related issues, such as environmental protection, safety and hygiene code compliance, daily management, fire protection, and conflict mineral management. TSMC not only performs on-site ESH audits at its suppliers' manufacturing sites, but also proactively assists them with improving ESH performance.

Besides the requirement of ESH code compliance, energy/water saving and carbon management of TSMC's supply chain is essential to the Company's green supply chain ideals. Since 2009, TSMC has required suppliers to set up their carbon inventory procedures. Since 2010, TSMC collaborated with selected suppliers to set up product carbon footprints and has received PAS2050 certifications for 6-inch, 8-inch and 12-inch finished wafers.

TSMC also monitors potential water shortages in the supply chain and investigates the supply chain's water inventory. TSMC is also preparing to work with suppliers on water footprinting and conservation plans. The ESH management programs of TSMC suppliers are tied to a sustainability index that includes three components: the Green Index, the Social Index and the Risk Index. The "Green Index" includes environmental management systems, regulatory compliance, hazardous substance management, conflict mineral investigation, greenhouse gas inventory and other green activities. The "Social Index" includes labor and ethical conduct. Both of the "Green" and "Social" indices are consistent with the Electronic Industry Citizenship Coalition (EICC) code of conduct. The "Risk Index" includes safety and health management, fire prevention, natural disaster mitigation, IT interruption recovery, transportation reliability, supply chain management, pandemic response planning and a business continuity plan. This sustainability index is applied to TSMC's critical suppliers.

7.2.1 Environmental Protection

Greenhouse Gas (GHG) Emission Reduction

TSMC is an active participant in international environmental regulatory and protection programs. TSMC achieved its voluntary PFC emissions reduction goal as per its commitment to the World Semiconductor Council (WSC) and the Taiwan Environmental Protection Administration (EPA) in 2010.

In 2005, TSMC was Taiwan's first semiconductor company to make a complete inventory of its GHG emissions and to gain ISO 14064 certification. The purpose of the inventory was to serve as a baseline reference for TSMC's strategy to reduce GHG emissions, to meet future domestic regulatory requirements, and to prepare for carbon trading and corporate carbon asset management. All TSMC facilities conduct an annual GHG. The inventory result shows that the major direct GHG emissions are perfluorinated compounds (PFCs), which are used in the semiconductor manufacturing process. The primary indirect GHG emission is electricity consumption.

TSMC is taking measures to reduce its emission of GHGs. TSMC endorsed a memorandum of understanding between the Taiwan Semiconductor Industry Association, the Taiwan EPA, and the WSC, whereby TSMC committed to reducing PFC emissions to 10% below the average of 1997 and 1999 by 2010, a commitment that it was proud to achieve. This emissions target remains fixed as TSMC continues to grow and expand its manufacturing facilities.

TSMC is active in WSC's activities to set up a global voluntary PFC emissions reduction goal for the next ten years, and has integrated past experience to develop best practices. The implementation of best practices for new semiconductor fabs has been adopted by WSC for the major element of the 2020 goal. In 2013, according to the "EPA Early Actions for Carbon Credit of Greenhouse Gases Reduction" regulation, TSMC applied for the recognition of greenhouse reduction that committed to the WSC and EPA, and received carbon credits from 2005 to 2011. Those carbon credits can be used to offset greenhouse gas emissions of new manufacturing facilities regulated by Environmental Impact Assessment (EIA) Act. It will mitigate climate change risk to support the Company's sustainable operation.

Coal-fired power generators are the major source of electricity in Taiwan and emit large amounts of carbon dioxide (CO_2). TSMC has not only adopted energy-conserving designs for both its manufacturing fabs and offices, but has also continuously improved the energy efficiency of facilities during operation. These efforts simultaneously reduce both carbon dioxide gas emissions and costs.

Air and Water Pollution Control

TSMC has installed effective air and water pollution control equipment in each wafer fab to meet regulatory emissions standards. In addition, TSMC maintains backup pollution control systems, including emergency power supplies, to lower the risk of pollutant emission in the event of equipment breakdown. TSMC centrally monitors the operations of air and water pollution control equipment around the clock and tracks system effectiveness to ensure the quality of emitted air and discharged water.

To make the most effective use of Taiwan's limited water resources, all TSMC fabs make an effort to increase water reclamation rates by adjusting the water usage of manufacturing equipment and improving wastewater reclamation systems. New fabs are able to reclaim more than 88% of process water, meeting or exceeding the standards of the Science Park Administration and outperforming most semiconductor fabs around the world. TSMC also strives to reduce non-manufacturing-related water consumption, including water used in air conditioning systems, sanitary facilities, cleaning, landscaping and kitchens. TSMC uses an intranet website to collect and measure water recycling volumes company-wide.

Since water resources are inherently local, TSMC shares its water saving experiences with other semiconductor companies through the Association of Science-Based Industrial Park to promote water conservation in order to achieve the Science Park's goals and ensure a long-term balance of supply and demand.

Waste Management and Recycling

TSMC has established a designated unit responsible for waste recycling and disposal. To meet the goal of sustainable resource utilization, TSMC's first priority is to reduce process waste, the second is to recycle, and the last choice is treatment or disposal. TSMC carefully selects waste disposal

and recycling contractors and performs annual audits of certification documents and site operations. TSMC also adopts proactive actions to strengthen vendor auditing effectiveness. For example, all waste transportation contractors are requested to join the "GPS Satellite Fleet" so that all the cleanup transportation routes and abnormal stays for all trucks can be traced (approximately 1/3 contractors have joined till the end of 2014, plan all contractors will complete and join the system in 2015). In addition, all waste recycling and treatment vendors install CCTV in operation sites for the purpose of review and auditing in tracing waste handling status. All these actions are to ensure legal and proper recycling and treatment of wastes. TSMC achieved a 93% waste recycling rate in 2014, while our landfill rate was below 1% for the sixth consecutive year.

Environmental Accounting

The purpose of TSMC's environmental accounting system is to identify and calculate environmental costs for internal management. At the same time, the Company can also evaluate the cost reduction or economic benefits of environmental protection programs so as to promote economically efficient programs. With environmental costs expected to continue growing, environmental accounting can help TSMC manage more effectively. TSMC's environmental accounting measures define the various environmental costs and set up independent environmental account codes, then provide these to all units for use in annual budgeting. This online system can output data for environmental cost statistics.

The Company's economic benefit evaluation calculates cost savings for reduction of energy, water or wastes and waste recycling benefits according to our environmental protection programs.

The environmental benefits disclosed in this report include real income from projects such as waste recycling and savings from major environmental projects. In 2014, 350 environmental projects were completed and the total benefits including waste recycling are more than NT$1,215 million.

2014 Environmental Cost of TSMC Fabs in Taiwan

Unit: NT$ thousands

Classification	Description	Investment	Expense
1. Direct Cost for Reducing Environmental Impact			
(1) Pollution Control	Fees for air pollution control, water pollution control, and others	7,435,572	3,427,331
(2) Resource Conservation	Costs for resource (e.g. water) conservation	1,993,937	103,898
(3) Waste Disposal and Recycling	Costs for waste treatment (including recycling, incineration and landfill)	-	698,703
2. Indirect Cost for Reducing Environmental Impact (Managerial Cost)	(1) Cost of training (2) Environmental management system and certification expenditures (3) Environmental measurement and monitoring fees (4) Environmental protection product costs (5) Environmental protection organization fees	273,800	209,085
3. Other Environment-related Costs	(1) Costs for decontamination and remediation (2) Environmental damage insurance and environmental taxes (3) Costs related to environmental settlement, compensations, penalties and lawsuits	-	-
Total		9,703,309	4,439,017

2014 Environmental Efficiency of TSMC Fabs in Taiwan

Unit: NT$ thousands

Category	Description	Efficiency
1. Cost Saving of Environmental Protection Projects	Energy saving: completed 158 projects	375,660
	Water saving: completed 24 projects	50,666
	Waste reduction: completed 4 projects	75,200
	Material reduction: completed 164 projects	351,082
2. Real Income of Industrial Waste Recycling	Recycling of used chemicals, wafers, targets, batteries, lamps, packaging materials, paper cardboard, metals, plastics, and other wastes	361,957
Total		1,214,565

Other Environmental Protection Programs

TSMC conducts "Product Life Cycle Assessments" (Product LCA), collecting and analyzing data from the entire semiconductor manufacturing chain from raw materials suppliers to finished products, including statistics for such items as energy, raw material consumption, and pollution. The Product LCA study has established "Eco-Profiles" for all TSMC fabs and helps the Company to meet international regulations, such as the European Union's "Energy-Using Product" directive. These "Eco-Profiles" can also be provided to customers who require such documentation.

TSMC also maintains "green procurement" procedures, requiring raw materials suppliers to declare that the materials they supply to TSMC do not contain any prohibited substances. This ensures that products manufactured by TSMC comply with customer requirements and the regulatory requirements of the European Union's RoHS Directive. TSMC also encourages employees to use "Green Mark" products in offices, such as recycled paper, desktop PCs, LCD monitors, and batteries.

TSMC has adopted both the Taiwan "Green Building" and the U.S. Leadership in Energy and Environmental Design (LEED) standards for new fab and office building designs since 2006 to achieve better energy and resource efficiency than conventional designs. At the same time, TSMC continues to upgrade existing office buildings to comply with the LEED standard each year. From 2008 to 2014, 16 of TSMC's fabs and office buildings achieved LEED certifications (2 Platinum, 14 Gold class). Meanwhile, TSMC also received 3 of Taiwan's EEWH (Ecology, Energy Saving, Waste Reduction and Health) Diamond class Intelligent Green Building, seven Taiwan's EEWH Diamond class certification.

TSMC believes that manufacturing companies should convert their facilities into green factories to effectively improve the environment and lower construction costs. Therefore, TSMC freely shares its practical experience with industry, government, and academia. As of the end of 2014, more than 7,344 visitors from 190 different industry, government, academia and general community groups contacted TSMC to gain understanding on the Company's green factory practices. TSMC led the industry to support the Taiwan government in establishing "Green Factory Labeling System" from 2009, a system that included "Clean Production Evaluation System" and "Green Factory Evaluation System". TSMC received Taiwan's first "Green Factory Label" from the government and five labels in total for Fab 12 Phase 4, Fab 14 Phase 3, Fab 14 Phase 4, Fab 12 Phase 5 and Fab 12 Phase 6.

Environmental Compliance Record

In 2014 and as of the date of this Annual Report, TSMC had not received any environmental penalties or fines.

7.2.2 Green Products

TSMC collaborates with its upstream material and equipment suppliers, design ecosystem partners and downstream assembly and testing service providers to reduce environmental impact. We reduce the resources and energy consumed for each unit of production and are able to provide more advanced, power efficient and ecologically sound products, such as lower-power-consumption chips for mobile devices, high efficiency LED driver for Flat Panel Display Backlighting and indoor/outdoor Solid State LED lighting, and "Energy Star" low standby AC-DC adaptors, etc. In addition to helping customers design low-power, high-performance products to reduce resource consumption over the product's life cycle, TSMC implements clean manufacturing practices that provide additional "green value" to our customers and our other stakeholders.

TSMC-manufactured ICs are used in a broad variety of applications covering various segments of the computer, communications, consumer, industrial and other electronics markets. Through TSMC's manufacturing technologies, customers' designs are realized and incorporated into peoples' lives. These chips make significant contributions to the progress of modern society. TSMC works hard to achieve profitable growth while providing products that add environmental and social value. We have listed below several examples of how TSMC-manufactured products significantly contribute to society and the environment.

Environmental Contribution by TSMC Foundry Services

1. Providing New Process Technology to Achieve Lower Power Consumption

- The continuous development of TSMC's advanced semiconductor process technologies follows Moore's Law, which holds that process technology moves forward one generation every 24 months. In each new generation circuitry line widths shrink, making circuits smaller and lowering the energy and raw materials consumed per unit area. At the same time, the smaller IC die size consumes less power. TSMC's 28nm technology, for example, can accommodate approximately four times the number of electronic components as the 55nm technology. ICs made with 28nm technology in active or standby mode consume roughly one third the power of 55nm products, according to TSMC's internal test results. The Company

continuously provides process simplification and new design methodology based upon its manufacturing excellence to help customers reduce design and process waste.

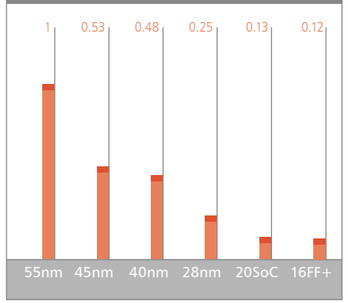
- TSMC leads the foundry segment in technology, having achieved volume production at the 28nm node. TSMC's 28nm processes include 28nm High Performance (28HP), 28nm High Performance Low Power (28HPL), 28nm Low Power (28LP), 28nm High Performance Mobile Computing (28HPM), and 28nm High Performance Compact Mobile Computing (28HPC). Customer 28nm production tape-outs are more than double the number of 40nm customer tape-outs. The TSMC 28nm process also has surpassed the previous generation's production ramp and product yield at the same point in time, due in part to closer and earlier collaboration with customers. TSMC will continue to encourage customer designs that result in the most advanced, energy-saving, and environmentally friendly products. TSMC quickly ramped its 28nm technology. The 28nm contribution to wafer revenue grew significantly from 1% in 2011 to 33% in 2014. This reflects the fact that TSMC's advanced manufacturing process technology helps the Company achieve both profitable growth and energy savings.

28nm Contribution to Total Wafer Revenue (Unit: %)

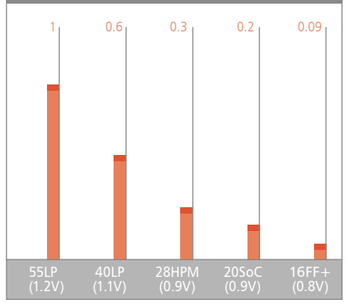
2010	2011	2012	2013	2014
-	1	12	30	33

- TSMC delivers performance-per-watt scaling in its 20nm SoC (20SoC) and 16nm FinFET Plus (16FF+) process technologies. With energy-efficient transistors and interconnects, the 20nm SoC process can reduce total power consumption of the 28nm process by one third, and by migrating from planar to FinFET technology, the 16nm FinFET Plus process can further reduce total power consumption to about 30% of 28nm technology. 20SoC technology entered the production stage with smooth ramping and stable yield performance. By introducing the advanced patterning technique, this process provides better density and power value for both performance-driven products and mobile computing applications migration. In addition, wafer revenue of 20nm SoC accounted for 9% of 2014 total wafer revenue. The 16nm FinFET Plus process entered risk production in 2014 and nearly 60 customer designs are scheduled for tape-out by the end of 2015.

Die Size Cross-Technology Comparison
Die size reduces as line width shrinks



Total Power Consumption Cross-Technology Comparison
More power is saved as line width shrinks



2. Manufacturing Power Management ICs with the Highest Efficiency

- TSMC's leading manufacturing technology helps its customers design and manufacture green products. Power management ICs are the most notably green IC products. Power management ICs are the key components that regulate and supply power to all IC components. TSMC's analog power technology research and development team uses 6-inch, 8-inch and 12-inch wafer fabs to develop Bipolar-CMOS-DMOS (BCD) and Ultra-High Voltage (UHV) technology, producing industry-leading power management chips with more stable and efficient power supplies and lower energy consumption for broad-based applications in the consumer, communication, and computer markets. TSMC's BCD is the best fit technology for high efficiency LED driver for the applications of Flat Panel Display Backlighting and indoor/outdoor Solid State LED lighting. In addition, TSMC's UHV with 400V~800V options is the best fit technology for Green Product applications, such as "Energy Star" low standby AC-DC adaptors, Solid State LED lighting, high efficiency DC Brushless motors.
- TSMC also provides analog and power-friendly design platforms. Customers use these platforms to develop energy-saving products.
- Power management ICs generate material revenue to TSMC's industrial market segment. In 2014, TSMC's HV/Power technologies collectively shipped more than 1.8 million customer wafers. In total, the Power management ICs manufactured by TSMC for our customers accounted for more than one-third of global computer, communication and consumer (3C) systems.

HV/Power Technologies Shipments (Unit: 8-inch equivalent wafer)

2010	2011	2012	2013	2014
>700K	>800K	>1,000K	>1,300K	>1,800K

3. Green Manufacturing that Lowers Energy Consumption

TSMC develops manufacturing technologies that provide more advanced and efficient manufacturing services. Improvements reduce per-unit energy consumption, resource consumption and pollutant generation. They also lower energy consumption and reduce pollution during product use. To see the total energy savings benefits realized through TSMC's green manufacturing, please refer to page 108, "Environmental Accounting".

Social Contribution by TSMC Foundry Services

1. Providing Mobile and Wireless Chips that Enhance Mobility and Convenience

- The rapid growth of smartphones and tablets in recent years reflects strong demand for mobile devices. Mobile devices offer remarkable convenience, and TSMC contributes significant value to these devices. For example, new process technology helps chips provide faster computing speeds in a smaller die area, leading to smaller form factors for these electronic devices. In addition, SoC technology integrates more functions into one chip, reducing the total number of chips in electronic devices, which also leads to a smaller system form factor. Second, new process technology helps chips consume less energy. People can therefore use mobile devices for a longer period of time, increasing their convenience. And third, with more convenient wireless connectivity such as 3G/4G and WLAN/Bluetooth, people communicate more efficiently with each other, can "work anytime and anywhere," significantly improving the mobility of modern society.
- Mobile computing related products, such as Baseband, RF Transceiver, AP (Application Processors), WLAN (Wireless Local Area network), imaging sensors, and NFC (Near Field Communication), among others, represent 48% of TSMC wafer revenue in revenue in 2014. TSMC's growth in recent years was largely driven by the growing global demand for these mobile IC products.

Contribution of Mobile Computing Related Products to TSMC Wafer Revenue
(Unit: %) (Note)

2010	2011	2012	2013	2014
31	36	40	44	48

Note: Mobile computing related products were re-classified in 2014

2. Enhancing Human Health and Safety with MEMS (Micro Electro Mechanical Systems)

- TSMC-manufactured ICs are widely used in medical treatment and health care applications. Through the Company's advanced manufacturing technology, more and more IC products are providing major contributions to modern medicine. Customers' MEMS products are used in a number of advanced medical treatments. MEMS are also widely used in preventative health care, such as early warning systems that limit the number of injuries to the elderly resulting from falls, systems that detect physiology changes, car safety systems and other applications that greatly enhance human health and safety.

7.2.3 Safety and Health

Safety and Health Management

TSMC's safety and health management is built on the framework of the OHSAS 18001 system, and adheres to the management principle of "Plan, Do, Check, Act" to prevent accidents and protect employee safety and health as well as Company assets. TSMC fabs in Taiwan have also received TOSHMS (Taiwan Occupational Safety and Health Management System) certification.

Besides accident prevention, TSMC has established emergency response procedures to protect the lives of employees and contractors if disasters should occur, as well as to minimize the negative impact on society and the environment. TSMC continually communicates with its suppliers to ensure that potential risk in the operation of production equipment is minimized, and rigorously follows safety control procedures when installing production equipment. The Company places stringent controls on high-risk operations and also evaluates the seismic tolerance of its facilities and equipment to reduce the risk of earthquake damage.

In order to avoid infectious disease epidemics, TSMC has established company-level prevention committees and procedures for emergency response to infectious diseases outbreak.

Working Environment and Employee Safety and Health Protection

TSMC's ESH policy is focused on establishing a safe working environment, preventing occupational injury and illness, keeping employees healthy, enhancing every employee's awareness and sense of accountability to ESH, and building an ESH culture. TSMC safety and health management operations apply to:

• Hardware Equipment Safety and Health Management

In addition to meeting regulatory requirements and internal standards, as well as mitigating ESH-related risks when building or rebuilding facilities, TSMC also maintains procedures governing new equipment and raw materials, safety approvals for bringing new tools online, updating safety rules, seismic protection measures, and other safety measures.

TSMC requires that all new tools meet SEMI-S8 requirements and that appropriate supplementary control measures be taken to reduce ergonomic risk. Moreover, TSMC endeavors to automate 300mm front-opening unified pod (FOUP) transportation to prevent accumulative damage caused by long-term manual handling of 300mm FOUPs. TSMC 300mm fabs have achieved 99.9% automatic transportation control.

• Environmental, Safety and Health Evaluation of New Tools and New Chemical Substances

TSMC, as a technology leader in the worldwide semiconductor industry, operates many diversified process tools and new chemicals in the R&D stage. Before using those new tools and new chemicals, they are reviewed carefully by the "New Tools and New Chemical Review Committee". The purpose is to ensure that new tools are compliant with the semiconductor industry's safety standards (such as SEMI S2) and that new chemicals' environmental, safety and health concerns can be well controlled, including engineering controls, application of personal protection equipment, and operational safety training during storage, transportation, usage, and disposal.

• General Safety Management, Training and Audit

All TSMC manufacturing facilities hold environmental, safety and health committee meetings on a monthly basis. TSMC takes preventive measures such as controls on high-risk work, contractor management, chemical safety management, personal protective equipment requirements, and safety audit management. In addition, TSMC maintains detailed disaster response procedures and performs regular drills designed to minimize harm to employees and property, as well as the impact on society and the environment in the event of a disaster.

• Working Environment Hazardous Factors Management

TSMC conducts workplace hazard assessment and interventions to provide a comfortable and safe workplace to Company employees. TSMC also requires employees to use personal protective equipment (PPE) to prevent hazardous exposures.

TSMC performs semi-annual workplace environment assessments of physical and chemical hazards, including CO_2 concentration, illumination, noise, and hazardous chemical substances regulated by domestic laws. When abnormal measurements or events happen, site ESH professionals will conduct onsite observation and interventions to ensure acceptable risk exposure levels.

TSMC conducted ergonomic evaluation and intervention for manual handling workers at warehouse and equipment preventive maintenance workers, including providing vacuum suction tool, forklift trucks, pallet truck, trolley and hydraulic jack, and also conducting job rotation, task adjustment and posture education.

• Emergency Response

The planning and execution of an effective emergency response requires big-picture thinking, continuous improvement and practice drills. TSMC's emergency response plans include procedures for rapid response to accidents and disaster recovery as well as establishing response procedures for potential disasters.

All TSMC fabs conduct major annual emergency response exercises and evacuation drills. TSMC's Tainan-site fabs initiated quarterly spot drills, which have been recognized as good practices. TSMC's on-site service contractors also participate in emergency response planning and exercises to ensure cooperation in handling accidents and to effectively minimize any damage caused by disasters.

In addition to the regular emergency response drills held by engineering and facilities departments each quarter, the Company's laboratory, canteen, dormitory, and shuttle bus personnel also hold emergency response drills to prepare for events such as earthquakes, chemical leakage, ammonia release, fires and automobile accidents.

• Emerging Infectious Disease Response

TSMC has a dedicated corporate ESH organization to monitor emerging infectious diseases around the world, assess any potential impact on the workplace, and provide an appropriate strategic response plan. In previous outbreaks (such as SARS in 2003 and the H1N1 influenza outbreak in 2009), TSMC convened the Corporate Influenza Response Committee to develop the Company's strategies. These strategies include educating employees in prevention and response, publishing guidelines for managers, establishing guidelines for employee sick leave due to flu, and installing alcohol-based hand sanitizers at appropriate locations. The Committee also monitors the status of employee leave due to illness and, at the same time, develops a continuous plan to address manpower shortages as well as minimize business impact.

TSMC believes that employees' physical and mental health is not only fundamental to maintaining normal business operations but also part of a corporation's responsibility.

• Employee Health Enhancement

Workplace stress and employee health have recently become new topics of concern for the government, society, employers, and employees as areas that require further attention and effort. The TSMC Employee Assistance Program (EAP) provides free individual counseling sessions, group sharing, workshops, and mental assessment, as well as lectures on personal and family issues to take care of employees' well-being.

Health promotion activities for employees include fitness programs, women's health care programs, mother's rooms, body weight control programs, sleep problem management, massage and chiropractic services, hepatitis and flu vaccinations, and health lectures. TSMC believes employees who are physically and mentally fit can enjoy a better quality of life and be more productive.

• Initiating a Collaborative Forum: We Care About Workers' Health

The Labor Health Forum was founded in 2011 by TSMC and the NTU College of Public Health for the business community to discuss occupational health issues, and has become a major annual event in this field for enterprises in Taiwan. In 2014, TSMC collaborated with government and academia again to hold the fourth Labor Health Forum. The theme of the 2014 forum is "Integration of Occupational Safety and Health Act and Industry Practices" in response to the new Occupational Safety and Health Act, which became effective on July 3, 2014. TSMC also invited China Steel Corp., CPC Corp., Chimei Innolux Corp., Taiwan Environmental and Occupational Medicine Association and Taiwan Association of Occupational Health Nurses to be co-sponsors of the event. We set a brainstorming session between business, universities, and government to discuss how to collaborate and adopt the most up-to-date knowledge and methods in occupational health, and fulfill enforcement of the new Occupational Health and Safety Act.

TSMC also developed occupational management tools tailored for TSMC by industry-academic cooperation, including the evaluation and management of personnel stress and the establishment of epidemiological analysis for chronic illness in 2014. TSMC offers annual employee health examinations and consultation services as well as on-site clinics and a dental clinic for a better access to medical assistance.

• Contractor Self Evaluation and Management of Health

To mitigate safety risks resulting from the sudden onset of illness, TSMC launched the Contractor Self Evaluation and Management of Health Program at Fab12B in 2014. Contractors performing high-risk work, such as work at heights and at cleanroom ceilings, are required to check workers' health status for those undertaking these high-risk tasks. Those determined to have chronic illness and self-reported symptoms must visit a doctor for physical evaluation and treatment to reduce workplace health and safety risk. A total of 120 contractors completed the self-evaluation and found that 2.9% of workers' tasks should be adjusted. All contractors at high-risk completed the necessary task adjustment in 2014. This program will be rolled forward to all TSMC Fabs in 2015 for more comprehensive contractor health management.

Supplier and Contractor Management

• Supplier Management

As a means of enhancing its supply chain management, TSMC is committed to communicating with and encouraging its contractors and suppliers to improve their quality, cost effectiveness, delivery performance and sustainability on

environmental protection, safety and health. By means of communication between senior managers, site audits and experience sharing, TSMC collaborates with major suppliers and contractors to enhance partnership and ensure continual improvement for better performance and increased joint contributions to society. As noted above, contractors performing high-risk activities must lay out clearly defined safety precautions and preventative measures. In addition, contractors working on high-risk engineering projects must establish OHSAS 18001 systems and the workers must successfully complete work skill training.

• Supply Chain Sustainability

TSMC works with its suppliers in several fields of sustainable development, such as greening the supply chain, carbon management for climate change, mitigation of fire risk, ESH management and business continuity plans for natural disasters.

In 2014, TSMC was accepted for membership in the Electronic Industry Citizenship Coalition (EICC). In the beginning of 2015, TSMC announced its commitment to conform with the EICC code of conduct in its own operations with a continuous improvement approach.

To enhance supply chain sustainability and streamline the supply chain's risk management, TSMC is committed to collaborating with its suppliers to maintain full compliance with the Taiwan environmental, safety, health and fire regulations, and to establish the necessary management capability as well as continuous enhancement.

TSMC is subject to the U.S. Securities & Exchange Commission (SEC) disclosure rule on conflict minerals released under Rule 13p-1 of the U.S. Securities Exchange Act of 1934. As a recognized global leader in the hi-tech supply-chain, we at TSMC acknowledge our corporate social responsibility to strive to procure conflict free minerals in an effort to recognize humanitarian and ethical social principles that protect the dignity of all persons. We have implemented a series of compliance safeguards in accords with leading industry practices such as adopting the due diligence framework in the OECD's Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High Risk Areas issued in 2011.

TSMC is one of the strongest supporters of EICC and the Global e-Sustainability Initiative (GeSI), which will help our suppliers source conflict-free minerals through their jointly developed Conflict-Free Smelter Program (CFSP). We required our suppliers to disclose information on smelters and mines since 2011. We also encourage our suppliers to source minerals from facilities or smelters that have received a "conflict-free" designation by a recognized industry group (such as the EICC) and to require those who haven't received such designation to become compliant with CFSP or an equivalent third-party audit program. It is TSMC's goal to use tantalum, tin, tungsten and gold in our products that are conflict-free. We will continue to renew our supplier survey annually and require our suppliers to improve and expand their disclosure to fulfill regulatory and customer requirements.

7.3 TSMC Education and Culture Foundation

The TSMC Education and Culture Foundation (TSMC Foundation) is led by TSMC Vice Chairman F.C. Tseng, who serves as the Foundation's Chairman. Established in 1998 to coordinate the Company's financial sponsorship as part of its efforts in corporate social responsibility, The Foundation devotes its resources towards education, promotion of art and cultural events, community building, and the employee Volunteer Program.

In 2014, the TSMC Foundation contributed over NT$64 million to its long-term projects. A highlight of the year was the grand opening of the Children Arts Center, in cooperation with the TSMC Foundation and the Taipei Fine Arts Museums. The space is the very first collaboration on children arts promotion between the Taipei Government and a private enterprise.

The TSMC Foundation devotes resources in various scientific educational projects, which includes continual support of the Center for the Advancement of Science Education at Taiwan University (CASE) to sponsor "TSMC Cup – Competition of Scientific Story Telling". This year the topic competition included Taiwan social issues first time. The completion not only inspires high school students' interest for science and strengthens their communication ability; it also cares for the community and society.

The TSMC Foundation supports TSMC Volunteer Society, organizing employees to devote themselves to the caring of victims of disaster, such as the Kaohsiung Gas Explosion, and the underprivileged of the communities.

Commitment to Education

Education is the most important priority for the progress of a nation. The TSMC Foundation tailors its various programs to target a whole range of education needs at different age levels.

At the primary-school level, the Foundation emphasizes aesthetics education, and for many years has contributed resources to a variety of children's art education programs, including the "TSMC Aesthetic Tour" that over the past 12 years has taken more than 80,000 children from remote townships to visit National Palace Museum, Taipei Fine Arts Museum (TFAM) and other fine arts sites. The Taipei Fine Arts Museum (TFAM) recognized the Foundation's long-term contribution in this aspect. In 2009, TFAM invited TSMC Foundation to join the collaboration of the construction of "the Children's Art Center". Through six years of dedicated efforts by architects, the center was inaugurated on the Children's Festival Day this year.

Located in the basement of Taipei Fine Arts Museum, the Children's Art Education Center is a learning space dedicated to kids 4 to 12 years old and their families. This "museum within a museum" occupies 2,000 square meters of space, and offers an integrated, comprehensive range of services, including a gallery, an Interactive Area, studios, and an outdoor plaza. The opening exhibition, "The Gift," and the following exhibition "Get Rhythm with Paul Klee Interactive Exhibit and Workshop Series" received overwhelming positive responses. The Children's Art Education Center will operate in the name of TSMC Education and Culture Foundation and Taipei Fine Arts Museum for a period of five years to witness to our collaborative achievements.

At the high school level, to enhance teenagers' full development to knowledge of science and humanity the Foundation supports and organizes scientific camps, contests, and humanity activities. In 2014, the Foundation continued to sponsor The Center for Advanced Science Education at National Taiwan University to hold the competition, "TSMC Cup – Competition of Scientific Story Telling". This year the "TSMC Cup – Competition of Scientific Story Telling" competition focused on "Food" to echo the Taiwan Food Safety Issues.

The Foundation also supports three science talent camps – Wu Chien-Shiung Science Camp, Wu Ta-Yu Science Camp and Madame Curie Senior High School Chemistry Camps – to provide talented students with the opportunity to hold discussions with world-class scientists with the goal of inspiring students and helping them realize their potential. "Senior High School Academic Train," organized by National Tsing-hua University, invited professors to introduce senior high school students to the latest knowledge of technology and common knowledge for daily life and science. The courses will be held in 12 senior high schools located in northern, central, southern, eastern and Kinmen areas. The TSMC Foundation also collaborates with the Wu Chien-Shiung Foundation to work on "Lifting the Ability of High School Physics Experiments," providing professional development for 350 science teachers.

In the humanities, the TSMC Foundation supports "Hope Reading" of the CommonWealth Foundation that donates good books to 30 junior high schools of Taiwan's remote townships to promote the habit of reading among underprivileged teenagers. The Foundation also continued to hold "the TSMC Youth Literature Award" and "TSMC Youth Calligraphy Contest" to build up a stage for the talented youth.

At the college level, in addition to endowing chair professorships to enhance academic research at Taiwan universities, the TSMC Foundation for the first time sponsored the "Raising Sun Plan" of National Tsing Hua University. To bridge the unbalanced allocation of educational resources caused by the disparity between rich and poor, the plan provides underprivileged students a chance to enter the top-notch university with lower grade limit and scholarships.

Promotion of Arts and Chinese Classics

The TSMC Foundation sees it a long-term mission to promote Chinese Classics. Through presenting lectures, producing broadcasting programs and publishing audio books, the Foundation enables audiences to easily understand traditional Chinese philosophy and wisdom.

Since 2008, the TSMC Foundation has invited Professor Hsin Yih-yun to produce Chinese Classics broadcasting programs on the IC Radio Broadcasting Station. The programs are extremely popular and followed by Chinese audiences all over the world. Following The Analects and Chuang-tzu, this year Professor Hsin introduced Mo-tzu, whose thought was as important as Confucius' at Chinese Spring and Autumn and Warring States Period. Through Professor Hsin Yih-yun's rich knowledge and vivid examples, Professor Hsin delivered Mo-tzu's philosophy of promoting diligent and thrifty and comprehensive love to the public.

The Foundation also held innovative lectures with unique decorations and arrangements to narrow the gap of the audience and the speakers and let the audience feel the appeal of the Classics. The Essays and Criticism (Shi Shuo Hsin Yu) Lectures delivered by Professor Hsin were conducted

in tea banquets to let participants feel the atmosphere of the oriental salon. The Foundation also invited Professor Li Hon-chi, Emeritus Professor of New York University, to lead the audience into the Renaissance Era in a coffee shop. And noting the importance of preserving historic sites, the Foundation continued to sponsor the Taipei Story House's Literature Salon, which includes regular author readings on this cultural heritage site.

Community Building by Arts

The Foundation has long played the role of "fine art planter" o spread the seeds of fine art to the community through continuous art activities. At TSMC's site communities, Hsinchu, Taichung and Tainan, the Foundation annually organizes "Hsinchu Arts Festival" to present a broad spectrum of performances to enrich the communities with arts.

The opening concert of the 2014 Hsinchu Arts Festival was a piano recital by Sir András Schiff, one of the most important pianists in the world, who chose Hsinchu City for his Taiwan debut and whoserecital drew attention from classical music lovers across Taiwan. The Festival arranged and recorded a master class for Taiwan Music Studying Students. After introducing Peking Operas, Kun Operas, Bangzi Operas, Nankuan, Liyuan Operas, the Festival invited Tang Mei-yun Taiwanese Opera Company for the first time to present the New Taiwanese Opera "Ballad of the Swallow". Also for the families, the Festival invited the renowned puppet company, O Puppet, to present "The Happy Prince". The Festival arranged over 30 activities over its three months—from concerts, traditional operas and lectures, to family-oriented activities, presenting the fascinating spiritual feast for Hsinchu, Taichung and Tainan.

7.4 TSMC Volunteer Program

TSMC takes corporate social responsibility seriously, and TSMC Volunteer Program, led by Mrs. Sophie Su-fen Chang, President of the Program, is dedicated to promoting education and culture, providing aid for the underprivileged, advocating energy saving, and caring for the community. The program aims to provide a host of channels for the Company's most valuable asset, high-tech professional employees, to give to the society.

Employees and their family members can take part in a variety of programs as follows:

- TSMC Volunteer Docent Program
- TSMC Book Reading Volunteer Program
- TSMC Energy-saving Volunteer Program
- TSMC Community Volunteer Program
- TSMC Ecology Volunteer Program
- TSMC Fab/Division Volunteer Program

TSMC Volunteer Docent Program

To promote science education and enhance people's understanding of the IC industry, TSMC made a donation to the National Museum of Natural Science in Taichung in 1997 to set up an exhibition hall—The World of the Integrated Circuits. The hall was renovated twice, and then replaced entirely in 2011 with "The World of Semiconductor" exhibition hall.

TSMC Volunteer Docent Program was established in 2004 to provide visitors with guided tours. In 2014, a total of 1,147 volunteers with 6,351 dedicated service hours were recorded; the cumulative service hour also reached more than 60,219 hours.

The docents' enthusiasm and professionalism were highly praised by visitors. The group has continuously been recognized as the "Outstanding Volunteer Team" by the National Museum of Science.

TSMC Book Reading Volunteer Program

To help reduce the disparity of educational resources between rural and urban schools, TSMC Foundation started sponsoring the "Hope Reading Program" organized by *CommonWealth Magazine* in 2004 with the donation of 20,000 books annually to 200 schools in remote and rural areas.

Following on the early efforts of TSMC Foundation, the TSMC Book Reading Volunteer Program was established in 2005. In 2014, a total of 628 volunteers have devoted 8,576 hours of services to 8 remote schools in Hsinchu, Taichung and Tainan; the cumulative service hour also reached more than 39,045 hours.

TSMC Energy Saving Volunteer Program

Leveraging the expertise of TSMC employees in energy saving, TSMC Energy Saving Volunteer Program was established in 2008 to assist schools needing to reduce electricity telecommunication costs, improve water and air-conditioning consumption, as well as environmental safety. After assessing the facilities, measuring and collecting data, and evaluating power efficiency, the teams proposed energy-saving plans and ways to reduce carbon emissions to the schools.

In 2014, 52 energy saving volunteers devoted 960 hours in Hsinchu, Taichung, Tainan and Penghu areas. Moreover, 2014 also marked the first time for the volunteers to support a large-scale teaching hospital, National Cheng Kung University Hospital, by providing suggestions on electrical safety and energy saving.

TSMC Community Volunteer Program

When Typhoon Morakot struck Southern Taiwan in 2009, TSMC employees, deeply saddened by the suffering it caused, established Typhoon Morakot Project Team in a fast pace. With their seamless teamwork, effectiveness and precision, the team provided timely assistance and relief measures to the typhoon victims.

Typhoon Morakot Project Team was transformed into TSMC Community Volunteer Program in 2010, aimed at reaching out to the ones in need, including both the elderly and the children. The TSMC Community Volunteer Program mainly serves the elderly at Hsinchu Veterans Home and the children at St. Teresa Children Center. In 2014, a total of 375 volunteers participated regularly in activities and were closely connected to the elderly and the children.

One Holiday Volunteer activity was held in July 2014 when TSMC Community Volunteers invited the children they served in the Book Reading Volunteer Program from Hsinchu, Taichung, and Tainan to "Lihpao Land" theme park. With well-designed activities, these children from remote areas spent a wonderful Saturday together.

TSMC Ecology Volunteer Program

The TSMC Ecology Volunteer Program was launched in 2012; in 2014, a total of 472 volunteers have donated their time to the cause of environmental protection. Volunteers were trained as ecology docents to share natural ecology concepts with school children and the public visiting the selected areas. Activities in 2014 included the following:

- **Hsinchu F12B ecology park docent:** 181 employees took part and the Company invited more than 300 students and teachers from 12 elementary schools to visit TSMC's ecology park.
- **Taichung F15 ecology park docent:** 107 employees took part and the Company invited more than 150 students and teachers from 5 elementary schools to visit TSMC's ecology park in Taichung.
- **Tainan Jacana ecology education park docent:** 184 employees and their family members were recruited to serve as volunteer docents at the Jacana ecology education park on weekends and holidays.

TSMC Fab/Division Volunteer Program

Employees, on the Fab/Division level, devote themselves to various welfare activities for causes such as environmental protection, promotion of energy conservation, and caring of the disadvantaged, promotion of education, help for farmers and workers, and charitable donation.

- **Environmental Protection**

In 2014, the volunteers held a charity bazaar by selling water chestnuts from the Guantian Jacana Park and using the earnings to fix and replace telescopes in the park to improve the quality of the eco tours. In Tainan, the volunteers helped reactivate the water purification plant on Monuments Mountain and held cultural and environmental tours to bring new life to the historical site.

- **Energy Conservation**

Despite severe competition in the technology industry, the Company never forgets to cherish the environment. Seminars concerning energy consumption and power reduction continued to be held in 2014 to share TSMC's knowledge and technology of the green buildings and energy saving accomplishments. Through those efforts, the Company hopes to root the green power deeply into the minds of other corporations.

- **Caring for the Disadvantaged**

Beyond employees' continuous and enthusiastic support to repair and maintain the old houses of people in need, provide daily supplies and necessities, and offer warm companionship, TSMC volunteers find new ways to enrich the lives of children. In 2014, the employees raised used cameras for children living in remote areas, leading them to see the world in a different way through the camera. In addition, meal fees were donated to children of the Kuskus tribe in southern Taiwan, and promotions of their culture of old ballads were conducted. Volunteers also supported Hui-Ming School for the Blind and the underprivileged baseball team by giving them the stage and means to perform. Lastly, they also led the girls from St. Francis Xavier Home for Girls to learn skills and developed their interests in handicraft and baking.

- **Promotion of Education**

In 2014, the volunteers spread the seed of education further to Xi-Wei Elementary School. The volunteers donated new and used books to inspire the children's interest in reading.

They also provided guidance to students on their school work to strengthen their comprehension and understanding.

• Help for Farmers and Workers

In 2014, TSMC volunteers supported the farmers and fishers to divide water bamboo's offshoot and string oysters, and they collaborated with Formosa Charity Group to build dorms and classrooms for the teenagers in the orphanage, raise funds and resources, and repair the abandoned elementary school to accommodate more people in need.

• Charitable Donation

Charity bazaars and group-buying were held in fabs from time to time and, in the belief that even a small donation will make a difference, the accumulated profits were donated to charities. In 2014, employees purchased goods from charities as mid-autumn festival gifts, and the revenue of group-buying products for thanksgiving were donated to Hui-Ming School for the Blind. Also, a shuttle bus was donated to Syin-Lu social welfare foundation, providing the disabled children better transportation.

7.5 TSMC i-Charity

"TSMC i-Charity" is an interactive online platform launched in 2014 for employees to proactively take part in philanthropic activities and give back to the society. The intranet opens a channel for TSMC employees to propose caring projects, share results, and suggest new ideas in a timely manner for doing good.

The website was officially launched in January 2014, and went into fully operational in March with the feature that enabled employees to voluntarily participate in philanthropic events directly via the platform.

As of December, 2014, over NT$18 million of contributions were received from over 9,000 participating employees. The following table shows the detailed information:

Project Title	Participating Employees	Contribution Amount
Share Love and Support Underprivileged Children to Visit Taiwan Pavilion in Hsinchu (Time-Limited Project)	82	NT$44,800
Realize the Miracle of Cheng Te High School's Baseball Team	2,446	NT$2,941,888
Support the Recovery of Kaohsiung after Gas Explosion	6,664	NT$15,295,755

With the interactive platform, TSMC hopes to maintain its commitment to society, and encourages its employees to join efforts to care for and give back to society in all the ways possible.

7.6 Kaohsiung Gas Explosion Project

A series of gas explosions that damaged the city of Kaohsiung on July 31, 2014, caused more than 300 casualties. TSMC Volunteer Society President Ms. Sophie Chang led a group of executives to survey the damage soon after the incident to provide the company with advice for relief projects. Senior executives responsible for corporate social responsibility immediately held a meeting and decided that TSMC would build on its experience in reconstruction projects for Typhoon Morakot, leverage donations from the company and its employees, collaborate with suppliers, and establish a site at the disaster area to support rebuilding.

TSMC's reconstruction team arrived in the disaster area on August 5 and stayed for 64 days. With timely and seamless support from supporting suppliers, the team has completed 570 meters of sheet piling, 4,383 meters of temporary roads, 695 repairs on 365 homes, 4,732 meters of safety fences, and 5 temporary bridges. This has allowed residents to safely travel to and from the disaster area, return to their reconstructed homes and businesses, and resume normal lives.

Total spending on this reconstruction project was NT$74.65 million. In addition to funds from employees through the "TSMC iCharity" platform and donations from the Company, the project was expanded to participation from other companies, attracting more resources to magnify our relief efforts.

Reconstruction Project Budget Details

Uint: NT$

Items	Spending
Damaged house repair	25,668,789
Steel sheet pile	4,783,880
Construction fence	8,433,288
Temporary road construction	19,230,590
Construction equipment	5,324,000
Site office rent and miscellaneous items	869,620
Site cleaning and miscellaneous items	6,789,336
Subtotal	71,099,502
Total (5% tax included)	74,654,479

7.7 Social Responsibility Implementation Status as Required by the Taiwan Financial Supervisory Commission

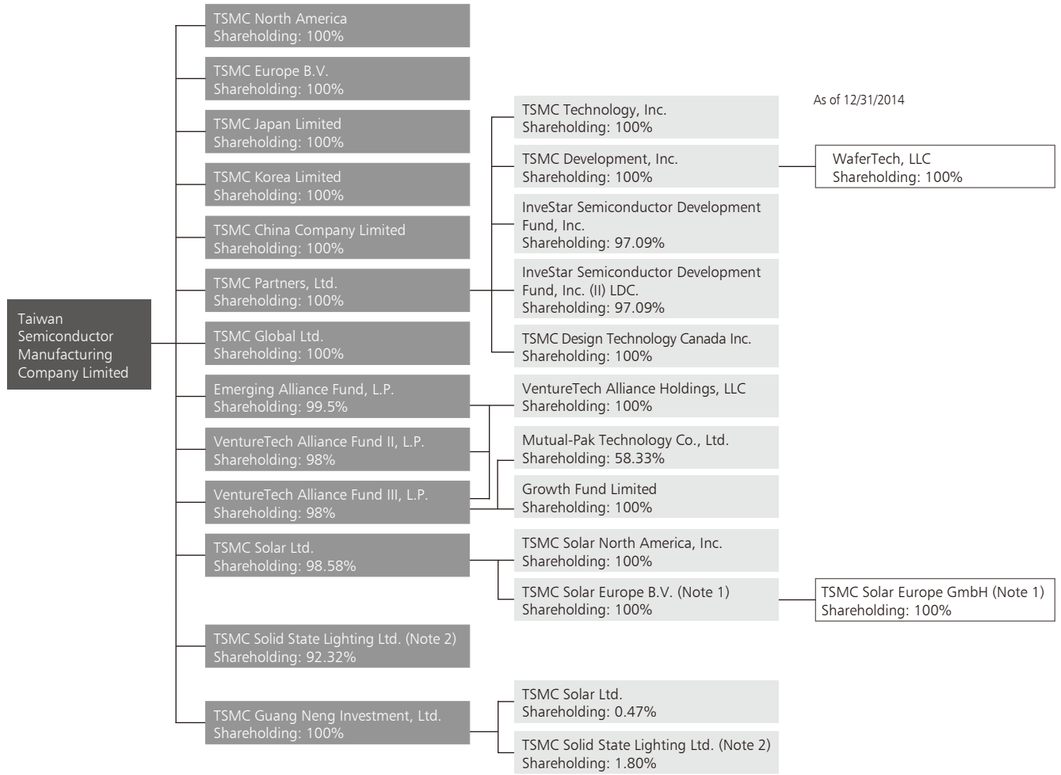
Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary	
1. Implementation of Corporate Governance (1) Does the Company have a corporate social responsibility policy and evaluate its implementation?	V		(1) Please refer to "7. Corporate Social Responsibility" on pages 102-119 of this Annual Report.	None
(2) Does the Company hold regular CSR training?			(2) Please refer to "3.5 Code of Ethics and Business Conduct" on pages 38-41 of this Annual Report	
(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?			(3) Please refer to "7. Corporate Social Responsibility" on pages 102-119 of this Annual Report.	
(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?			(4) Social is regarded as an integral part of corporate governance by TSMC. TSMC's fair compensation policy is set with considerations on the goals of the Company's corporate governance and operation; corporate social responsibility is included as part of its indexes. For further details, please refer to "5.5 Employees" on pages 70-74 of this Annual Report.	
2. Environmentally Sustainable Development (1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		Please refer to "7.2.1 Environmental Protection" on pages 107-109 of this Annual Report.	None
(2) Has the Company set an Environmental management system designed to industry characteristics?				
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy				
3. Promotion of Social Welfare (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) Please refer to "5.5 Employees" on pages 70-74 of this Annual Report.	None
(2) Has the Company established appropriately managed employee appeal procedures?			(2) Please refer to "5.5 Employees" on pages 70-74 of this Annual Report.	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?			(3) Please refer to "7.2.3 Safety and Health" on pages 111-114 of this Annual Report.	
(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?			(4) Please refer to "5.5 Employees" on pages 70-74 of this Annual Report.	
(5) Has the Company established effective career development training plans?			(5) Please refer to "5.5 Employees" on pages 70-74 of this Annual Report.	
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?			(6) TSMC is not the end product manufacturer, this item is not application.	
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?			(7) TSMC is not the end product manufacturer, this item is not application.	
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?			(8) Please refer to "Supplier and Contractor Management" on page 113-114 of this Annual Report.	
(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?			(9) Please refer to "Risks Associated with Purchase Concentration" in 6.3.3 Operational Risks of this Annual Report.	
4. Enhanced Information Disclosure Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?	V		TSMC has published "Corporate Social Responsibility Report" since 2008, and disclose in company website (http://www.tsmc.com/english/csr/index.htm).	None
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences. TSMC follows the ten principles of corporate social responsibility set by the Chairman, Dr. Morris Chang. For our corporate social responsibility operational status, please refer to "7. Corporate Social Responsibility" on pages 102-119 of this Annual Report and our corporate social responsibility related information in our website: http://www.tsmc.com/english/csr/index.htm				
6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: Please refer to TSMC's website for our corporate social responsibility implementation status: http://www.tsmc.com/english/csr/index.htm				
7. Other information regarding "Corporate Responsibility Report " which are verified by certification bodies: TSMC's Corporate Social Responsibility Report is in accordance with the GRI G4 guidelines comprehensive option and verified by certification bodies.				

8. Subsidiary Information and Other Special Notes

Outstanding brush painting requires precise and meticulous strokes. TSMC's sustainable development is built on careful financial operations, strong operational effectiveness, and prospering together with its affiliated companies.

8.1 Subsidiaries

8.1.1 TSMC Subsidiaries Chart



Note 1: To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC Solar approved to file for the liquidation of TSMC Solar Europe. After the liquidation, TSMC Solar Europe GmbH, the 100% owned subsidiary of TSMC Solar Europe, will be held directly by TSMC Solar. The liquidation procedure has been processed starting from the third quarter of 2014.

Note 2: (1) To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC SSL approved to file for the liquidation of TSMC Lighting NA. The liquidation procedure has been completed in the third quarter of 2014.
(2) On January 9, 2015, the Board of Directors of TSMC approved to sell all shares of TSMC SSL held by TSMC and TSMC's subsidiary to Epistar Corporation. The transaction was completed on February 17, 2015.

8.1.2 Business Scope of TSMC and Its Subsidiaries

TSMC and its subsidiaries strive to provide the best foundry services in the industry. Subsidiaries in North America, Europe, Japan, China, and South Korea are dedicated to servicing TSMC customers worldwide. WaferTech in the United States and TSMC China provide additional 8-inch wafer capacity. Other subsidiaries support the Company's core foundry business with related services such as design service and invest in start-up companies involved in design, manufacturing, and other related businesses in the semiconductor industry. Beginning in 2010, certain TSMC subsidiaries also engage in researching, developing, designing, manufacturing and selling of solid state lighting devices and related products and systems, and solar-related technologies and products. On December 31, 2014, we reclassified TSMC SSL as a disposal group held for sale. On February 17, 2015, TSMC SSL ceased to be TSMC's subsidiary because TSMC's and TSMC subsidiary' shares in TSMC SSL were sold to Epistar Corporation.

8.1.3 TSMC Subsidiaries

Unit: NT(USD, EUR, JPY, KRW, RMB, CAD)$ thousands

As of 12/31/2014

Company (Note 1)	Date of Incorporation	Place of Registration	Capital Stock		Business Activities
TSMC North America	Jan. 18, 1988	San Jose, California, U.S.	US$	11,000	Selling and marketing of integrated circuits and semiconductor devices
TSMC Europe B.V.	Mar. 04, 1994	Amsterdam, The Netherlands	EUR	100	Marketing and engineering supporting activities
TSMC Japan Limited	Sep. 10, 1997	Yokohama, Japan	JPY	300,000	Marketing activities
TSMC Korea Limited	May 02, 2006	Seoul, Korea	KRW	400,000	Customer service and technical supporting activities
TSMC China Company Limited	Aug. 04, 2003	Shanghai, China	RMB	4,502,080	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers
TSMC Technology, Inc.	Feb. 20, 1996	Delaware, U.S.	US$	0.001	Engineering support activities
InveStar Semiconductor Development Fund, Inc.	Sep. 10, 1996	Cayman Islands	US$	600	Investing in new start-up technology companies
InveStar Semiconductor Development Fund, Inc. (II) LDC.	Aug. 25, 2000	Cayman Islands	US$	9,578	Investing in new start-up technology companies
TSMC Development, Inc.	Feb. 16, 1996	Delaware, U.S.	US$	0.001	Investment activities
WaferTech, LLC	Jun. 03, 1996	Washington, U.S.	US$	0	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices
TSMC Partners, Ltd.	Mar. 26, 1998	Tortola, British Virgin Islands	US$	988,268	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry
TSMC Design Technology Canada Inc.	May 28, 2007	Ontario, Canada	CAD	2,434	Engineering support activities
TSMC Global Ltd.	Jul. 13, 2006	Tortola, British Virgin Islands	US$	3,284,000	Investment activities
Mutual-Pak Technology Co., Ltd.	Mar. 22, 2006	Taipei, Taiwan	NT$	268,184	Manufacturing and selling of electronic parts and researching, developing and testing of RFID
Emerging Alliance Fund, L.P.	Jan. 10, 2001	Cayman Islands	US$	24,255	Investing in new start-up technology companies
VentureTech Alliance Fund II, L.P.	Feb. 27, 2004	Cayman Islands	US$	14,811	Investing in new start-up technology companies
VentureTech Alliance Fund III, L.P.	Mar. 25, 2006	Cayman Islands	US$	113,674	Investing in new start-up technology companies
Growth Fund Limited	May 30, 2007	Cayman Islands	US$	2,180	Investing in new start-up technology companies
VentureTech Alliance Holdings, LLC	Apr. 25, 2007	Delaware, U.S.		N/A	Investing in new start-up technology companies
TSMC Solar Ltd.	Aug. 16, 2011	Taichung, Taiwan	NT$	11,341,000	Researching, developing, designing, manufacturing and selling renewable energy and energy saving related technologies and products
TSMC Solar North America, Inc.	Sep. 03, 2010	Delaware, U.S.	US$	1	Selling and marketing of solar related products
TSMC Solar Europe B.V. (Note 2)	Sep. 29, 2010	Amsterdam, the Netherlands	EUR	100	Investing in solar related business
TSMC Solar Europe GmbH (Note 2)	Dec. 17, 2010	Hamburg, Germany	EUR	100	Selling of solar related products and providing customer service
TSMC Solid State Lighting Ltd. (Note 3)	Aug. 16, 2011	Hsinchu, Taiwan	NT$	6,008,000	Researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems
TSMC Guang Neng Investment, Ltd.	Jan. 19, 2012	Taipei, Taiwan	NT$	200,000	Investment activities

Note 1: To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC SSL approved to file for the liquidation of TSMC Lighting NA. The liquidation procedure has been completed in the third quarter of 2014.

Note 2: To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC Solar approved to file for the liquidation of TSMC Solar Europe. After the liquidation, TSMC Solar Europe GmbH, the 100% owned subsidiary of TSMC Solar Europe, will be held directly by TSMC Solar. The liquidation procedure has been processed starting from the third quarter of 2014.

Note 3: On December 31, 2014, we reclassified TSMC SSL as a disposal group held for sale. On February 17, 2015, TSMC SSL ceased to be TSMC's subsidiary because TSMC's and TSMC subsidiary' shares in TSMC SSL were sold to Epistar Corporation.

8.1.4 Shareholders in Common of TSMC and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.5 Rosters of Directors, Supervisors, and Presidents of TSMC's Subsidiaries

Unit: NT$(USD), except shareholding

As of 12/31/2014

Company (Note 1)	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding%)
TSMC North America	Director	Richard Thurston	-	-
	Director	Rick Cassidy	-	-
	President	Rick Cassidy	-	-
			TSMC holds 11,000,000 shares	100%
TSMC Europe B.V.	Director	Wendell Huang	-	-
	Director	Maria Marced	-	-
	President	Maria Marced	-	-
			TSMC holds 200 shares	100%
TSMC Japan Limited	Director	Chih-Chun Tsai	-	-
	Director	Makoto Onodera	-	-
	Supervisor	Lora Ho	-	-
	President	Makoto Onodera	-	-
			TSMC holds 6,000 shares	100%
TSMC Korea Limited	Director	Shing-Wha Lin	-	-
	Director	Chih-Chun Tsai	-	-
	Director	Wendell Huang	-	-
			TSMC holds 80,000 shares	100%
TSMC China Company Limited	Chairman	F.C. Tseng	-	-
	Director	M.C. Tzeng	-	-
	Director	L.C. Tu	-	-
	Supervisor	Lora Ho	-	-
	President	L.C. Tu	-	-
			(TSMC's investment US$596,000,000)	(100%)
TSMC Technology, Inc.	Chairman	Lora Ho	-	-
	Director	Cliff Hou	-	-
	President	Cliff Hou	-	-
			TSMC Partners, Ltd. holds 10 shares	100%
InveStar Semiconductor Development Fund, Inc.	Director	Wendell Huang	-	-
			TSMC Partners, Ltd. holds 582,523 shares	97.09%
InveStar Semiconductor Development Fund, Inc. (II) LDC	Director	Wendell Huang	-	-
			TSMC Partners, Ltd. holds 9,298,625 shares	97.09%
TSMC Development, Inc.	Chairman	Lora Ho	-	-
	Director	Sylvia Fang	-	-
	President	Lora Ho	-	-
			TSMC Partners, Ltd. holds 10 shares	100%
WaferTech, LLC	Director	M.C. Tzeng	-	-
	Director	Steve Tso	-	-
	President	Kuo-Chin Hsu	-	-
			TSMC Development, Inc. holds 293,636,833 shares	100%
TSMC Partners, Ltd.	Director	Lora Ho	-	-
	Director	Sylvia Fang	-	-
	President	Lora Ho	-	-
			TSMC holds 988,268,244 shares	100%
TSMC Design Technology Canada Inc.	Director	Cliff Hou	-	-
	Director	Cormac Michael O'Connell	-	-
	Director	Sylvia Fang	-	-
	President	Cliff Hou	-	-
			TSMC Partners, Ltd. holds 2,300,000 shares	100%
TSMC Global Ltd.	Director	Lora Ho	-	-
	Director	Sylvia Fang	-	-
			TSMC holds 3,284 shares	100%

(Continued)

Company (Note 1)	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding%)
Mutual-Pak Technology Co., Ltd.	Chairman Director Director Supervisor President	Hsu-Tung Chen Lewis Hwang Representative of VentureTech Alliance Fund III, L.P.: Juine-Kai Tseng Wei-Pong Lin Lewis Hwang	1,107,010 shares 2,508,000 shares 15,643,347 shares 30,000 shares 2,508,000 shares	4.13% 9.35% 58.33% 0.11% 9.35%
Emerging Alliance Fund, L.P.	None	None	(TSMC's investment US$ 24,255,367)	(99.50%)
VentureTech Alliance Fund II, L.P.	None	None	(TSMC's investment US$ 14,811,244)	(98.00%)
VentureTech Alliance Fund III, L.P.	None	None	(TSMC's investment US$113,674,346)	(98.00%)
Growth Fund Limited	None	None	(VentureTech Alliance Fund III, L.P.'s investment US$2,180,000)	(100%)
VentureTech Alliance Holdings, LLC	None	None	None	(100%)
TSMC Solar Ltd.	Chairman Director Director Supervisor President	Steve Tso F.C. Tseng Lora Ho Wendell Huang (Note 2)	- - - - TSMC holds 1,118,000,000 shares TSMC Guang Neng Investment, Ltd. holds 5,309,152 shares	- - - - 98.58% 0.47%
TSMC Solar North America, Inc.	Director Director President	Lora Ho Sylvia Fang Ying-Chen Chao	- - - TSMC Solar Ltd. holds 1,000 shares	- - - 100%
TSMC Solar Europe B.V. (Note 3)	Director Director	Lora Ho Richard Thurston	- - TSMC Solar Ltd. holds 200 shares	- - 100%
TSMC Solar Europe GmbH (Note 3)	Director Director	Lora Ho Ying-Chen Chao	- - TSMC Solar Europe B.V. holds 200 shares (Note 3)	- - 100%
TSMC Solid State Lighting Ltd. (Note 4)	Chairman Director Director Supervisor President	Steve Tso F.C. Tseng Lora Ho Wendell Huang C.H. Chen	- - - - - TSMC holds 554,674,437 shares TSMC Guang Neng Investment, Ltd. Holds 10,806,037 shares	- - - - - 92.32% 1.80%
TSMC Guang Neng Investment, Ltd.	Director Director	Lora Ho Sylvia Fang	- - (TSMC's investment NT$200,000,000)	- - 100%

Note 1: To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC SSL approved to file for the liquidation of TSMC Lighting NA. The liquidation procedure has been completed in the third quarter of 2014.
Note 2: Mr. Ying-Chen Chao resigned as President on November 22, 2014. Mr. C.H. Chen was appointed to take the vacancy, effective on January 12, 2015.
Note 3: To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC Solar approved to file for the liquidation of TSMC Solar Europe. After the liquidation, TSMC Solar Europe GmbH, the 100% owned subsidiary of TSMC Solar Europe, will be held directly by TSMC Solar. The liquidation procedure has been processed starting from the third quarter of 2014.
Note 4: On December 31, 2014, we reclassified TSMC SSL as a disposal group held for sale. On February 17, 2015, TSMC SSL ceased to be TSMC's subsidiary because TSMC's and TSMC subsidiary' shares in TSMC SSL were sold to Epistar Corporation.

8.1.6 Operational Highlights of TSMC Subsidiaries (Note)

Unit: NT$ thousands, except EPS ($)

As of 12/31/2014

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
TSMC North America	348,898	97,812,833	93,828,463	3,984,370	495,744,116	(14,266)	(60,200)	(5.47)
TSMC Europe B.V.	3,857	425,349	113,297	312,052	484,455	51,287	40,265	201,324.25
TSMC Japan Limited	79,560	167,062	46,946	120,116	229,000	10,005	3,655	609.12
TSMC Korea Limited	11,640	36,107	2,680	33,427	25,917	2,356	3,086	38.57
TSMC China Company Limited	23,016,884	35,818,491	3,849,884	31,968,607	19,736,436	6,100,111	6,587,991	NA
TSMC Technology, Inc.	0.03	675,662	199,540	476,122	1,272,852	60,612	61,349	6,134,854.03
InveStar Semiconductor Development Fund, Inc.	19,031	45,356	40,857	4,500	24	(13,875)	(13,876)	(17.63)
InveStar Semiconductor Development Fund, Inc. (II) LDC	303,782	805,145	84,662	720,483	71,936	43,694	43,693	4.56
TSMC Development, Inc.	0.03	19,072,181	-	19,072,181	1,731,643	1,730,439	1,686,286	168,628,571.57
WaferTech, LLC	-	8,159,897	814,712	7,345,185	8,651,858	2,458,457	1,604,287	5.46
TSMC Partners, Ltd.	31,345,892	47,453,005	-	47,453,005	1,477,460	1,467,994	1,465,573	1.48
TSMC Design Technology Canada Inc.	66,663	177,730	22,373	155,357	217,999	19,818	15,868	6.90
TSMC Global Ltd.	104,161,912	196,337,823	64,006,990	132,330,833	1,614,016	419,559	338,151	102,969.22
Mutual-Pak Technology Co., Ltd.	268,184	92,726	66,793	25,932	116,494	(12,393)	(13,673)	(0.51)
Emerging Alliance Fund, L.P.	769,332	155,901	-	155,901	-	(3,919)	(2,194)	NA
VentureTech Alliance Fund II, L.P.	469,783	475,968	3,047	472,922	2,135	(9,185)	(9,169)	NA
VentureTech Alliance Fund III, L.P.	3,605,523	804,410	-	804,410	155,795	(67,776)	(67,776)	NA
Growth Fund Limited	69,145	17,378	-	17,378	-	(3,291)	(3,291)	NA
VentureTech Alliance Holdings, LLC	-	-	-	-	-	-	-	NA
TSMC Solar North America, Inc.	32	31,774	16,076	15,698	16,457	(23,591)	(23,738)	(23,738.31)
TSMC Solar Europe B.V.	3,857	1,235	249	987	-	(637)	(86,518)	(432,587.78)
TSMC Solar Europe GmbH	3,857	180,435	181,975	(1,540)	380,171	(85,567)	(85,880)	(429,397.50)
TSMC Solar Ltd.	11,341,000	7,854,352	4,969,718	2,884,634	738,355	(1,176,403)	(1,722,175)	(1.52)
TSMC Solid State Lighting Ltd.	6,008,000	945,356	220,191	725,165	120,367	(2,452,475)	(1,618,784)	(2.69)
TSMC Guang Neng Investment, Ltd.	200,000	65,560	-	65,560	-	(100)	(37,069)	NA

Note: Foreign exchange rates for balance sheet amounts are as follows:
$1 USD = $31.718 NT, $1 EUR = $38.57 NT, $1 JPY = $0.2652 NT, $1 RMB = $5.11 NT, $1 KRW = $0.0291 NT, $1 CAD = $27.39 NT
Foreign exchange rates for income statement amounts are as follows:
$1 USD = $30.288 NT, $1 EUR = $40.39 NT, $1 JPY = $0.2879 NT, $1 RMB = $4.92 NT, $1 KRW = $0.0288 NT, $1 CAD = $27.51 NT

8.2 Status of TSMC Common Shares and ADRs Acquired, Disposed of, and Held by Subsidiaries: None.

8.3 Special Notes

8.3.1 Private Placement Securities in 2014 and as of the Date of this Annual Report: None.

8.3.2 Regulatory Authorities' Legal Penalties to the Company or Its Employees, and the Company's Resulting Punishment on Its Employees for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements in 2014 and as of the Date of this Annual Report

In 2014, the Company complied with the Taiwan Securities Trading Act, Company Law and relevant labor and environmental laws and regulations. TSMC was fined for NT$12,000 for one isolated incident of an administrative error by the competent authority. TSMC has been implementing relevant remedial measures.

8.3.3 Any Events in 2014 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

8.3.4 Other Necessary Supplement: None.

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TSMC Spokesperson
Name: Lora Ho
Title: Senior Vice President & CFO
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Email: cyhsu@tsmc.com

TSMC Deputy Spokesperson/Corporate Communications
Name: Elizabeth Sun
Title: Director, TSMC Corporate Communication Division
Tel: +886-3-5682085 Fax: +886-3-5637000
Email: elizabeth_sun@tsmc.com

Auditors
Company: Deloitte & Touche
Auditors: Yi-Hsin Kao, Hung-Wen Huang
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Tel: +886-2-25459988 Fax: +886-2-25459966
Website: http://www.deloitte.com.tw

Common Share Transfer Agent and Registrar
Company: The Transfer Agency Department of Chinatrust Commercial Bank
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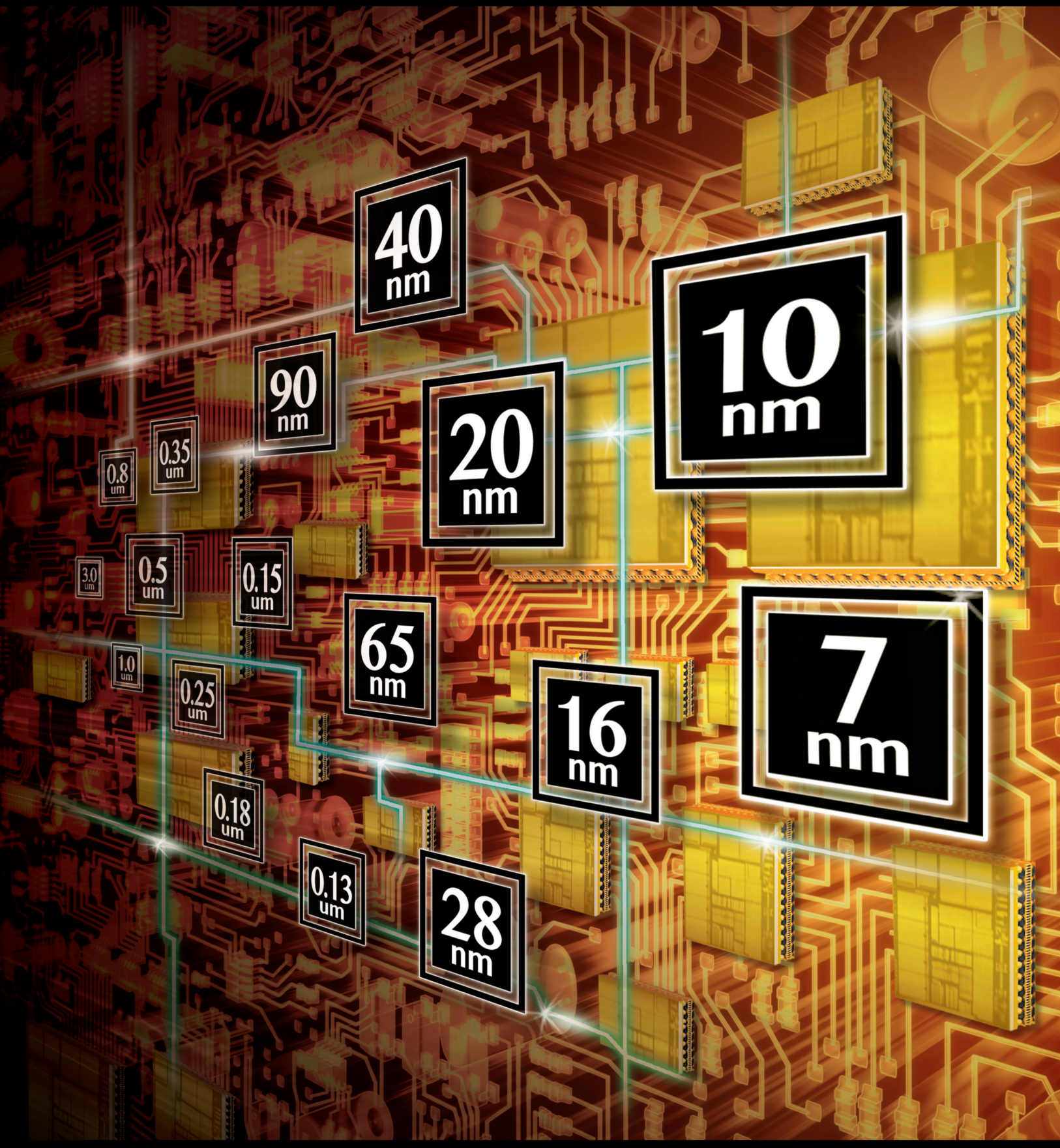
Tel: +886-2-66365566 Fax: +886-2-23116723
Website: http://www.ctbcbank.com

ADR Depositary Bank
Company: Citibank, N.A.
Depositary Receipts Services
Address: 388 Greenwich Street, New York, NY 10013, U.S.A.
Website: http://www.citi.com/dr
Tel: +1-877-2484237 (toll free)
Tel: +1-781-5754555 (out of US)
Fax: +1-201-3243284
E-mail: citibank@shareholders-online.com
TSMC's depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM. The information relating to TSM is available at http://www.nyse.com and http://mops.twse.com.tw

TSE: 2330
NYSE: TSM

TSMC Annual Report 2014 (II) Financial Statements



- Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
- TSMC annual report is available at http://www.tsmc.com/english/investorRelations/annual_reports.htm

Printed on March 12, 2015

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2014, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard No. 27, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

_____

MORRIS CHANG
Chairman

February 10, 2015

Deloitte.
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2014 and 2013, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified opinion.

Deloitte & Touche

February 10, 2015

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and consolidated financial statements shall prevail.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2014		December 31, 2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 358,449,029	24	$ 242,695,447	19
Financial assets at fair value through profit or loss (Note 7)	192,045	-	90,353	-
Available-for-sale financial assets (Note 8)	73,797,476	5	760,793	-
Held-to-maturity financial assets (Note 9)	4,485,593	-	1,795,949	-
Notes and accounts receivable, net (Note 11)	114,734,743	8	71,649,926	6
Receivables from related parties (Note 37)	312,955	-	291,708	-
Other receivables from related parties (Note 37)	178,625	-	221,576	-
Inventories (Notes 5 and 12)	66,337,971	5	37,494,893	3
Noncurrent assets held for sale (Note 13)	945,356	-	-	-
Other financial assets (Note 38)	3,476,884	-	501,785	-
Other current assets (Note 18)	3,656,110	-	2,984,224	-
Total current assets	626,566,787	42	358,486,654	28
NONCURRENT ASSETS				
Available-for-sale financial assets (Note 8)	-	-	58,721,959	5
Financial assets carried at cost (Note 14)	1,800,542	-	2,145,591	-
Investments accounted for using equity method (Notes 5 and 15)	28,251,002	2	28,316,260	2
Property, plant and equipment (Notes 5 and 16)	818,198,801	55	792,665,913	63
Intangible assets (Notes 5 and 17)	13,531,510	1	11,490,383	1
Deferred income tax assets (Notes 5 and 31)	5,227,128	-	7,239,609	1
Refundable deposits (Note 37)	356,069	-	2,519,031	-
Other noncurrent assets (Note 18)	1,202,006	-	1,469,577	-
Total noncurrent assets	868,567,058	58	904,568,323	72
TOTAL	$ 1,495,133,845	100	$ 1,263,054,977	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 19)	$ 36,158,520	2	$ 15,645,000	1
Financial liabilities at fair value through profit or loss (Note 7)	486,214	-	33,750	-
Hedging derivative financial liabilities (Note 10)	16,364,241	1	-	-
Accounts payable	21,878,934	2	14,670,260	1
Payables to related parties (Note 37)	1,491,490	-	1,688,456	-
Salary and bonus payable	10,573,922	1	8,330,956	1
Accrued profit sharing to employees and bonus to directors and supervisors (Note 24)	18,052,820	1	12,738,801	1
Payables to contractors and equipment suppliers	26,980,408	2	89,810,160	7
Income tax payable (Note 31)	28,616,574	2	22,563,286	2
Provisions (Note 20)	10,445,452	1	7,603,781	1
Liabilities directly associated with noncurrent assets held for sale (Note 13)	220,191	-	-	-
Accrued expenses and other current liabilities (Notes 16 and 23)	29,746,011	2	16,693,484	1
Total current liabilities	201,014,777	14	189,777,934	15
NONCURRENT LIABILITIES				
Hedging derivative financial liabilities (Note 10)	-	-	5,481,616	-
Bonds payable (Note 21)	213,673,818	14	210,767,625	17
Long-term bank loans	40,000	-	40,000	-
Deferred income tax liabilities (Note 31)	199,750	-	-	-
Obligations under finance leases(Note 16)	802,108	-	776,230	-
Accrued pension cost (Notes 5 and 22)	7,303,978	-	7,589,926	1
Guarantee deposits (Note 23)	25,538,475	2	151,660	-
Others (Note 20)	885,192	-	694,901	-
Total noncurrent liabilities	248,443,321	16	225,501,958	18
Total liabilities	449,458,098	30	415,279,892	33
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 24)	259,296,624	17	259,286,171	21
Capital surplus (Note 24)	55,989,922	4	55,858,626	4
Retained earnings (Note 24)				
Appropriated as legal capital reserve	151,250,682	10	132,436,003	11
Appropriated as special capital reserve	-	-	2,785,741	-
Unappropriated earnings	553,261,982	37	382,971,408	30
	704,512,664	47	518,193,152	41
Others (Note 24)	25,749,291	2	14,170,306	1
Equity attributable to shareholders of the parent	1,045,548,501	70	847,508,255	67
NONCONTROLLING INTERESTS (Note 24)	127,246	-	266,830	-
Total equity	1,045,675,747	70	847,775,085	67
TOTAL	$ 1,495,133,845	100	$ 1,263,054,977	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)

	2014		2013	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 26, 37 and 42)	$ 762,806,465	100	$ 597,024,197	100
COST OF REVENUE (Notes 12, 33 and 37)	385,100,646	50	316,057,820	53
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	377,705,819	50	280,966,377	47
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES	28,556	-	(20,870)	-
GROSS PROFIT	377,734,375	50	280,945,507	47
OPERATING EXPENSES (Notes 5, 33 and 37)				
Research and development	56,823,732	8	48,118,165	8
General and administrative	18,932,100	2	18,928,544	3
Marketing	5,087,112	1	4,516,525	1
Total operating expenses	80,842,944	11	71,563,234	12
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 13, 27 and 33)	(1,001,138)	-	47,090	-
INCOME FROM OPERATIONS (Note 42)	295,890,293	39	209,429,363	35
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates and joint venture (Notes 15 and 42)	3,949,674	1	3,972,031	1
Other income (Note 28)	3,380,407	-	2,342,123	-
Foreign exchange gain, net	2,111,310	-	285,460	-
Finance costs (Note 29)	(3,236,345)	-	(2,646,776)	-
Other gains and losses (Note 30)	2,207	-	2,104,921	-
Total non-operating income and expenses	6,207,253	1	6,057,759	1
INCOME BEFORE INCOME TAX	302,097,546	40	215,487,122	36
INCOME TAX EXPENSE (Notes 31 and 42)	38,316,677	5	27,468,185	5
NET INCOME	263,780,869	35	188,018,937	31

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 15, 24 and 31)				
Exchange differences arising on translation of foreign operations	$ 11,771,129	1	$ 3,668,509	1
Changes in fair value of available-for-sale financial assets	(36,559)	-	13,290,385	2
Share of other comprehensive loss of associates and joint venture	(149,907)	-	(59,740)	-
Actuarial gain (loss) from defined benefit plans	290,416	-	(662,074)	-
Income tax benefit (expense) related to components of other comprehensive income	(40,915)	-	115,168	-
Other comprehensive income for the year, net of income tax	11,834,164	1	16,352,248	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 275,615,033	36	$ 204,371,185	34
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	$ 263,898,794	35	$ 188,146,790	31
Noncontrolling interests	(117,925)	-	(127,853)	-
	$ 263,780,869	35	$ 188,018,937	31
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	$ 275,717,141	36	$ 204,505,782	34
Noncontrolling interests	(102,108)	-	(134,597)	-
	$ 275,615,033	36	$ 204,371,185	34

	2014	2013
	Income Attributable to Shareholders of the Parent	Income Attributable to Shareholders of the Parent
EARNINGS PER SHARE (NT$, Note 32)		
Basic earnings per share	$ 10.18	$ 7.26
Diluted earnings per share	$ 10.18	$ 7.26

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	Equity Attributable to Shareholders of the Parent													
								Others						
	Capital Stock - Common Stock			Retained Earnings										
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2013	25,924,435	$ 259,244,357	$ 55,675,340	$ 115,820,123	$ 7,606,224	$ 284,985,121	$ 408,411,468	$ (10,753,806)	$ 7,973,321	$ -	$ (2,780,485)	$ 720,550,680	$ 2,543,226	$ 723,093,906
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	16,615,880	-	(16,615,880)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(4,820,483)	4,820,483	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(77,773,307)	(77,773,307)	-	-	-	-	(77,773,307)	-	(77,773,307)
Total	-	-	-	16,615,880	(4,820,483)	(89,568,704)	(77,773,307)	-	-	-	-	(77,773,307)	-	(77,773,307)
Net income in 2013	-	-	-	-	-	188,146,790	188,146,790	-	-	-	-	188,146,790	(127,853)	188,018,937
Other comprehensive income in 2013, net of income tax	-	-	-	-	-	(591,799)	(591,799)	3,613,444	13,337,460	(113)	16,950,791	16,358,992	(6,744)	16,352,248
Total comprehensive income in 2013	-	-	-	-	-	187,554,991	187,554,991	3,613,444	13,337,460	(113)	16,950,791	204,505,782	(134,597)	204,371,185
Issuance of stock from exercise of employee stock options	4,182	41,814	82,756	-	-	-	-	-	-	-	-	124,570	-	124,570
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	5,312	5,312
Adjustments to share of changes in equities of associates and joint venture	-	-	38,084	-	-	-	-	-	-	-	-	38,084	-	38,084
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	62,446	-	-	-	-	-	-	-	-	62,446	(62,446)	-
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	188,488	188,488
Effect of deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(2,273,153)	(2,273,153)
BALANCE, DECEMBER 31, 2013	25,928,617	259,286,171	55,858,626	132,436,003	2,785,741	382,971,408	518,193,152	(7,140,362)	21,310,781	(113)	14,170,306	847,508,255	266,830	847,775,085
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	18,814,679	-	(18,814,679)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(2,785,741)	2,785,741	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(77,785,851)	(77,785,851)	-	-	-	-	(77,785,851)	-	(77,785,851)
Total	-	-	-	18,814,679	(2,785,741)	(93,814,789)	(77,785,851)	-	-	-	-	(77,785,851)	-	(77,785,851)
Net income in 2014	-	-	-	-	-	263,898,794	263,898,794	-	-	-	-	263,898,794	(117,925)	263,780,869
Other comprehensive income in 2014, net of income tax	-	-	-	-	-	239,362	239,362	11,642,475	(63,298)	(192)	11,578,985	11,818,347	15,817	11,834,164
Total comprehensive income in 2014	-	-	-	-	-	264,138,156	264,138,156	11,642,475	(63,298)	(192)	11,578,985	275,717,141	(102,108)	275,615,033
Issuance of stock from exercise of employee stock options	1,045	10,453	36,602	-	-	-	-	-	-	-	-	47,055	-	47,055
Disposal of investments accounted for using equity method	-	-	(2,273)	-	-	-	-	-	-	-	-	(2,273)	-	(2,273)
Adjustments to share of changes in equities of associates and joint venture	-	-	93,459	-	-	-	-	-	-	-	-	93,459	(26)	93,433
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	(8)	-	-	(32,793)	(32,793)	-	-	-	-	(32,801)	32,801	-
From share of changes in equities of subsidiaries	-	-	3,516	-	-	-	-	-	-	-	-	3,516	(3,516)	-
Decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	(66,735)	(66,735)
BALANCE, DECEMBER 31, 2014	25,929,662	$ 259,296,624	$ 55,989,922	$ 151,250,682	$ -	$ 553,261,982	$ 704,512,664	$ 4,502,113	$ 21,247,483	$ (305)	$ 25,749,291	$ 1,045,548,501	$ 127,246	$ 1,045,675,747

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)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 302,097,546	$ 215,487,122
Adjustments for:		
Depreciation expense	197,645,186	153,979,847
Amortization expense	2,606,349	2,202,022
Stock option compensation cost of subsidiary	-	5,312
Finance costs	3,236,345	2,646,776
Share of profits of associates and joint venture	(3,949,674)	(3,972,031)
Interest income	(2,730,674)	(1,835,980)
Gain on disposal of property, plant and equipment and intangible assets, net	(14,518)	(48,848)
Impairment loss of noncurrent assets held for sale	734,467	-
Impairment loss of property, plant and equipment	239,864	-
Impairment loss of financial assets	211,477	352,214
Gain on disposal of available-for-sale financial assets, net	(280,956)	(1,267,086)
Gain on disposal of financial assets carried at cost, net	(81,449)	(44,721)
Loss (gain) on disposal of investments accounted for using equity method	(2,028,643)	733
Loss from liquidation of subsidiary	90	-
Gain on deconsolidation of subsidiary	-	(293,578)
Unrealized (realized) gross profit on sales to associates	(28,556)	20,870
Loss on foreign exchange, net	3,615,493	317,547
Dividend income	(649,733)	(506,143)
Income from receipt of equity securities in settlement of trade receivables	(1,211)	(9,977)
Loss from hedging instruments	10,577,714	5,602,779
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(10,088,628)	(5,071,118)
Changes in operating assets and liabilities:		
Derivative financial instruments	342,853	(32,189)
Notes and accounts receivable, net	(43,090,068)	(14,131,066)
Receivables from related parties	(26,405)	(204,278)
Other receivables from related parties	(11,766)	50,589
Inventories	(28,871,597)	122,472
Other financial assets	(2,612,158)	18,578
Other current assets	(744,868)	(312,251)
Accounts payable	6,634,198	346,401
Payables to related parties	(194,866)	850,094
Salary and bonus payable	2,281,117	883,925
Accrued profit sharing to employees and bonus to directors and supervisors	5,314,019	1,552,210
Accrued expenses and other current liabilities	8,432,511	3,531,017
Provisions	2,836,910	1,595,810
Accrued pension cost	41,461	9,554
Cash generated from operations	451,441,830	361,846,606
Income taxes paid	(29,918,099)	(14,463,069)
Net cash generated by operating activities	421,523,731	347,383,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(91,909)	(21,303)
Financial assets carried at cost	(23,151)	(27,165)
Held-to-maturity financial assets	(5,882,316)	(1,795,949)
Property, plant and equipment	(288,540,028)	(287,594,773)
Intangible assets	(3,859,486)	(2,750,361)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2014	2013
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	$ 689,420	$ 2,418,578
Held-to-maturity financial assets	3,200,000	5,145,850
Financial assets carried at cost	87,501	67,986
Investments accounted for using equity method	3,471,883	-
Property, plant and equipment	200,263	173,554
Cash received from other long-term receivables	161,900	-
Costs from entering into hedging transactions	(520,856)	(143,982)
Interest received	2,578,663	1,790,725
Other dividends received	645,585	506,143
Dividends received from investments accounted for using equity method	3,223,090	2,141,881
Refundable deposits paid	(57,988)	(98,888)
Refundable deposits refunded	2,296,872	113,399
Net cash outflow from deconsolidation of subsidiary (Note 34)	-	(979,910)
Net cash used in investing activities	(282,420,557)	(281,054,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	18,563,525	(19,636,240)
Proceeds from issuance of bonds	-	130,844,821
Increase in long-term bank loans	-	690,000
Repayment of long-term bank loans	-	(62,500)
Repayment of other long-term payables	-	(853,788)
Interest paid	(3,192,971)	(1,330,886)
Guarantee deposits received	30,142,823	41,519
Guarantee deposits refunded	(7,704)	(113,087)
Decrease in obligations under finance leases	(28,426)	(27,796)
Proceeds from exercise of employee stock options	47,055	124,570
Cash dividends	(77,785,851)	(77,773,307)
Increase (decrease) in noncontrolling interests	(66,735)	202,619
Net cash generated by (used in) financing activities	(32,328,284)	32,105,925
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	9,060,170	849,612
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,835,060	99,284,859
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	242,695,447	143,410,588
CASH AND CASH EQUIVALENTS, END OF YEAR	358,530,507	242,695,447
CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE	(81,478)	-
CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET	$ 358,449,029	$ 242,695,447

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

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 42.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on February 10, 2015.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

a. The Guidelines Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs version in issue but not yet effective

On April 3, 2014, according to Rule No. 1030029342 and Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC), the following 2013 IFRSs version endorsed by the FSC (collectively, "2013 Taiwan-IFRSs version") and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company starting 2015.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Amendments to IFRSs Improvements to IFRSs 2009 - Amendment to IAS 39	January 1, 2009 or January 1, 2010
Amendment to IAS 39 Embedded Derivatives	Effective in fiscal year ended on or after June 30, 2009

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Improvements to IFRSs 2010	July 1, 2010 or January 1, 2011
Annual Improvements to IFRSs 2009 - 2011 Cycle	January 1, 2013
Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters	July 1, 2010
Amendment to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendment to IFRS 7 Disclosures - Transfers of Financial Assets	July 1, 2011
IFRS 10 Consolidated Financial Statements	January 1, 2013
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	January 1, 2014
IFRS 13 Fair Value Measurement	January 1, 2013
Amendment to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IAS 19 (Revised 2011) Employee Benefits	January 1, 2013
IAS 27 (Revised 2011) Separate Financial Statements	January 1, 2013
IAS 28 (Revised 2011) Investments in Associates and Joint Ventures	January 1, 2013
Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014

(Concluded)

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

Except for the following items, the Company believes that the adoption of aforementioned 2013 Taiwan-IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers will not have a significant effect on the Company's consolidated financial statements.

1) IFRS 12, "Disclosure of Interests in Other Entities"

   IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) IFRS 13, "Fair Value Measurement"

   IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

   The measurement requirements of IFRS 13 shall be applied prospectively.

3) Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The aforementioned allocation basis will not be strictly enforced prior to the adoption of amendments.

The items that will not be reclassified subsequently to profit or loss are expected to include actuarial gains or losses from defined benefit plans, the share of actuarial gains or losses from defined benefit plans of associates and joint venture as well as the related income tax on such items. Items that will be reclassified subsequently to profit or loss are expected to include exchange differences arising on translation of foreign operations, changes in fair value of available-for-sale financial assets, cash flow hedges, the share of other comprehensive income of associates and joint venture as well as the related income tax on items of other comprehensive income.

4) Amendments to IAS 19, "Employee Benefits"

The amendments to IAS 19 require the Company to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans.

According to the retrospective application of aforementioned amendments, as of December 31, 2014 and January 1, 2014, the primary impacts on the Company would include the adjustment in accrued pension cost for a decrease of NT$737,344 thousand and NT$788,263 thousand, respectively, and the adjustment in retained earnings for an increase of NT$653,708 thousand and NT$698,710 thousand, respectively.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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
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	Prospectively applicable to transactions beginning on or after January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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, 2017
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statements	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014

(Concluded)

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

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

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

1) IFRS 9, "Financial Instruments"

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

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

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

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

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

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

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

2) IFRS 15, “Revenue from Contracts with Customers”

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

3) 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 year 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 authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, interpretations as well as related guidance translated by the Accounting Research and Development Foundation (ARDF) endorsed by the FSC with the effective dates.

Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Basis of Consolidation

The basis for the consolidated financial statements

The consolidated financial statements incorporate the financial statements of TSMC and entities controlled by TSMC (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

a. the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and

b. the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

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
				December 31, 2014	December 31, 2013	
TSMC	TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	Marketing activities	Yokohama, Japan	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%	-
	TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	100%	100%	a)
	TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	100%	100%	a)
	TSMC Global, Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	-
	TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Shanghai, China	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	98%	50%	b)
	VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands	99.5%	99.5%	a)
	TSMC Solid State Lighting Ltd. (TSMC SSL)	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	Hsin-Chu, Taiwan	92%	92%	TSMC and TSMC GN aggregately have a controlling interest of 94% in TSMC SSL.
	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%	99%	TSMC and TSMC GN aggregately have a controlling interest of 99% in TSMC Solar.
	TSMC Guang Neng Investment, Ltd. (TSMC GN)	Investment activities	Taipei, Taiwan	100%	100%	a)
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	a)
	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.	100%	100%	a)
	TSMC Development, Inc. (TSMC Development)	Investment activities	Delaware, U.S.A.	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	a)
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Investing in new start-up technology companies	Cayman Islands	97%	97%	a)
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%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	New Taipei, Taiwan	58%	58%	a)
	Growth Fund Limited (Growth Fund)	Investing in new start-up technology companies	Cayman Islands	100%	100%	a)

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership December 31, 2014	Percentage of Ownership December 31, 2013	Note
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%	a)
TSMC SSL	TSMC Lighting North America, Inc. (TSMC Lighting NA)	Selling and marketing of solid state lighting related products	Delaware, U.S.A.	-	100%	a), c)
TSMC Solar	TSMC Solar North America, Inc. (TSMC Solar NA)	Selling and marketing of solar related products	Delaware, U.S.A.	100%	100%	a)
	TSMC Solar Europe B.V. (TSMC Solar Europe)	Investing in solar related business	Amsterdam, the Netherlands	100%	100%	a), d)
	VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	-	49%	b)
TSMC Solar Europe	TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%	100%	a), d)

(Concluded)

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

Note b: According to the agreement among TSMC, TSMC Solar and VTAF III, each of the investment held by VTAF III is separately owned by TSMC and TSMC Solar. As the investment owned by VTAF III, which is indirectly owned by TSMC Solar, has entered into liquidation process due to bankruptcy and the bankruptcy trustee confirmed that no residual assets could be reimbursed to the shareholders, in the second quarter of 2014, TSMC Solar's percentage of ownership over VTAF III has decreased to nil. Consequently, TSMC's percentage of ownership over VTAF III has been adjusted to 98%.

Note c: To simplify overseas investment structure, in the second quarter of 2014, the Board of Directors of TSMC SSL approved to file for the liquidation of TSMC Lighting NA. The liquidation procedure has been completed in the third quarter of 2014.

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 After the liquidation, TSMC Solar Europe GmbH, the 100% owned subsidiary of TSMC Solar Europe, will be held directly by TSMC Solar. TSMC Solar Europe has started their liquidation procedures in the third quarter of 2014.

Foreign Currencies

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of TSMC and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statements, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to noncontrolling interests as appropriate).

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting

period. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Fair value is determined in the manner described in Note 36.

Financial Assets

Financial assets are classified into the following specified categories: Financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" financial assets, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

Stocks and money market funds held by the Company that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period.

Interest income from available-for-sale monetary financial assets and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is

determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

Impairment of financial assets

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

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

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

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an

allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its market risk exposure to foreign exchange rate, interest rate and equity price fluctuation, including forward exchange contracts, cross currency swap contracts and forward stock contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is

designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Noncurrent Assets Held for Sale

Noncurrent assets or disposal groups are classified as noncurrent assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset held for sale is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the committed sale plan involves loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a noncontrolling interest in its former subsidiary is retained after the sale.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation would cease.

Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in associates and interests in joint ventures.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The operating results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a jointly controlled entity is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate and jointly controlled entity as well

as the distribution received. The Company also recognizes its share in the changes in the associates and jointly controlled entity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Company retains an interest in the former associate, the Company measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Company's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Company should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Company subscribes to additional shares in an associate or jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate or jointly controlled entity. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate or joint controlled entity by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or jointly controlled entity shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate or a joint controlled entity, profits and losses resulting from the transactions with the associate or jointly controlled entity are recognized in the Company' consolidated financial statements only to the extent of interests in the associate or jointly controlled entity that are not owned by the Company.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: land improvements - 20 years; buildings - 10 to 20 years; machinery and equipment - 2 to 5 years; office equipment - 3 to 15 years; and leased assets - 20 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Assets held under finance lease are initially recognized as assets of the Company at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as an obligation under finance lease.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Intangible Assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: Technology license fees - the estimated life of the technology or the term of the technology transfer contract; software and system design costs - 2 to 5 years; patent and others - the economic life or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Tangible and Intangible Assets

Goodwill

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In principle, payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Royalties, dividend and interest income

Revenue from royalties is recognized on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Retirement Benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at year end. Actuarial gains and losses are reported in retained earnings in the period that they are recognized as other comprehensive income.

Share-based Payment Arrangements

The Company elected to take the optional exemption under IFRS 1 for the share-based payment transactions granted and vested before January 1, 2012, the date of transition to Taiwan-IFRSs. There were no stock options granted prior to but unvested at the date of transition.

The compensation costs of employee stock options that were granted after January 1, 2012 are measured at the fair value of the stock options at the grant date. The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of stock options that will eventually vest, with a corresponding

increase in capital surplus - employee stock option. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from original estimates.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

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

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition

The Company recognizes revenue when the conditions described in Note 4 are satisfied. The Company also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

Impairment of Tangible and Intangible Assets Other than Goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

Impairment of Goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units.

Impairment Assessment on Investment Using Equity Method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

Recognition and Measurement of Defined Benefit Plans

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash and deposits in banks	$ 352,761,240	$ 238,014,580
Repurchase agreements collateralized by corporate bonds	3,920,562	1,809,344
Commercial paper	1,159,325	-
Repurchase agreements collateralized by short-term commercial paper	449,180	2,395,644
Repurchase agreements collateralized by government bonds	158,722	475,879
	$ 358,449,029	$ 242,695,447

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

	December 31, 2014	December 31, 2013
Derivative financial assets		
Cross currency swap contracts	$ 118,928	$ -
Forward exchange contracts	73,117	90,353
	$ 192,045	$ 90,353
Derivative financial liabilities		
Cross currency swap contracts	$ 359,607	$ 4,177
Forward exchange contracts	126,607	29,573
	$ 486,214	$ 33,750

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
December 31, 2014		
Sell EUR/Buy US$	January 2015	EUR4,550/US$5,561
Sell NT$/Buy US$	January 2015	NT$1,632,401/US$51,900
Sell US$/Buy EUR	January 2015	US$29,450/EUR24,100
Sell US$/Buy JPY	January 2015	US$226,003/JPY27,150,983
Sell US$/Buy NT$	January 2015	US$170,000/NT$5,276,500
Sell US$/Buy RMB	January 2015	US$181,000/RMB1,129,243
December 31, 2013		
Sell NT$/Buy EUR	January 2014	NT$4,514,314/EUR110,000
Sell NT$/Buy US$	January 2014	NT$683,749/US$22,800
Sell US$/Buy EUR	January 2014	US$340,134/EUR248,000
Sell US$/Buy JPY	January 2014	US$341,023/JPY35,754,801
Sell US$/Buy RMB	January 2014 to February 2014	US$138,000/RMB841,492

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
December 31, 2014			
January 2015	NT$2,511,905/ US$80,080	-	0.05%~0.13%
January 2015	US$1,460,000/ NT$45,974,755	0.16%~1.92%	-
December 31, 2013			
January 2014	NT$1,639,215/US$55,080	-	1.03%~2.00%

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2014	December 31, 2013
Publicly traded stocks	$ 73,797,085	$ 59,481,569
Money market funds	391	1,183
	$ 73,797,476	$ 59,482,752
Current portion	$ 73,797,476	$ 760,793
Noncurrent portion	-	58,721,959
	$ 73,797,476	$ 59,482,752

In the second quarter of 2014, the Company reclassified some publicly traded stocks from non-current asset to current asset since the lock-up period will end within a year.

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2014	December 31, 2013
Current portion		
Commercial paper	$ 4,485,593	$ 1,795,949

10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2014	December 31, 2013
Financial liabilities - current		
Fair value hedges		
Stock forward contracts	$ 16,364,241	$ -

(Continued)

	December 31, 2014	December 31, 2013
Financial liabilities - noncurrent		
Fair value hedges		
Stock forward contracts	$ -	$ 5,481,616

(Concluded)

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:

	December 31, 2014	December 31, 2013
Contract amount (US$ in thousands)	$ 56,172,570 (US$1,771,000)	$ 37,431,626 (US$1,256,095)

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2014	December 31, 2013
Notes and accounts receivable	$ 115,221,473	$ 72,136,514
Allowance for doubtful receivables	(486,730)	(486,588)
Notes and accounts receivable, net	$ 114,734,743	$ 71,649,926

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

	December 31, 2014	December 31, 2013
Neither past due nor impaired	$ 102,692,871	$ 64,112,564
Past due but not impaired		
Past due within 30 days	12,041,872	7,537,362
	$ 114,734,743	$ 71,649,926

Movements of the allowance for doubtful receivables

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ 8,058	$ 478,530	$ 486,588
Provision	35	23,374	23,409
Reversal	-	(23,409)	(23,409)
Effect of exchange rate changes	-	142	142
Balance at December 31, 2014	$ 8,093	$ 478,637	$ 486,730
Balance at January 1, 2013	$ 137,336	$ 342,876	$ 480,212
Provision	-	137,317	137,317
Reversal	(127,881)	-	(127,881)
Effect of deconsolidation of subsidiary	(3,157)	-	(3,157)
Effect of exchange rate changes	1,760	(1,663)	97
Balance at December 31, 2013	$ 8,058	$ 478,530	$ 486,588

Aging analysis of accounts receivable that is individually determined as impaired

	December 31, 2014	December 31, 2013
Not past due	$ -	$ 38
Past due 1-30 days	-	276
Past due 31-60 days	-	80
Past due 61-120 days	-	158
Past due over 121 days	8,093	7,824
	$ 8,093	$ 8,376

The Company held bank guarantees and other credit enhancements as collateral for certain impaired accounts receivables. As of December 31, 2014 and 2013, the amount of the bank guarantee and other credit enhancements were nil and NT$318 thousand (US$11 thousand), respectively.

12. INVENTORIES

	December 31, 2014	December 31, 2013
Finished goods	$ 9,972,024	$ 7,245,209
Work in process	51,027,892	26,033,625
Raw materials	3,222,523	2,435,269
Supplies and spare parts	2,115,532	1,780,790
	$ 66,337,971	$ 37,494,893

Write-down of inventories to net realizable value in the amount of NT$1,964,544 thousand and NT$664,662 thousand, respectively, were included in the cost of revenue for the years ended December 31, 2014 and 2013.

13. NONCURRENT ASSETS HELD FOR SALE

In January 2015, the Board of Directors of TSMC approved a sale of TSMC SSL common shares of 565,480 thousand held by TSMC and TSMC Guang Neng to Epistar Corp. with the expectation to complete the sale within twelve months. Accordingly, the Company has reclassified TSMC SSL as a disposal group held for sale in its consolidated balance sheet as of December 31, 2014. The expected fair value less costs to sell is substantially lower than the carrying amount of the related net assets of TSMC SSL; as such, impairment losses of NT$734,467 thousand were recognized under other operating gains and losses in the Company's consolidated statement of comprehensive income for the year ended December 31, 2014. TSMC SSL is classified in the other operating segment of the Company. The major classes of assets and liabilities classified as held for sale were disclosed as follows:

	December 31, 2014
Noncurrent assets held for sale	
Cash and cash equivalents	$ 81,478
Inventories	28,519
Other current assets	91,331
Property, plant and equipment	644,698
Intangible assets	47,373
Others	51,957
	$ 945,356
Liabilities directly associated with noncurrent assets held for sale	
Salary and bonus payable	$ 38,151
Accrued expenses and other current liabilities	68,132
Accrued pension cost	36,993
Others	76,915
	$ 220,191

14. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2014	December 31, 2013
Non-publicly traded stocks	$ 1,606,659	$ 1,865,078
Mutual funds	193,883	280,513
	$ 1,800,542	$ 2,145,591

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 Alchip Technologies, Ltd. was listed on the Taiwan Stock Exchange Corporation in October 2014. Thus, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.

The Company recognized impairment loss on financial assets carried at cost in the amount of NT$211,477 thousand and NT$1,538,888 thousand for the years ended December 31, 2014 and 2013, respectively.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	December 31, 2014	December 31, 2013
Associates	$ 24,963,336	$ 24,823,807
Jointly controlled entities	3,287,666	3,492,453
	$ 28,251,002	$ 28,316,260

a. Investments in associates

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Vanguard International Semiconductor Corporation (VIS)	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	Hsinchu, Taiwan	$ 10,100,750	$ 10,556,348	33%	39%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Fabrication and supply of integrated circuits	Singapore	8,296,955	7,457,733	39%	39%
Motech Industries, Inc. (Motech)	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	Taipei, Taiwan	3,408,945	3,887,462	20%	20%
Xintec Inc. (Xintec)	Wafer level chip size packaging service	Taoyuan, Taiwan	2,053,982	1,866,123	40%	40%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,102,704	1,056,141	35%	35%
			$ 24,963,336	$ 24,823,807		

In the second quarter of 2014, the Company sold 82,000 thousand common shares of VIS and recognized a disposal gain of NT$2,028,643 thousand. After the sale, the Company owned approximately 33.7% of the equity interest in VIS.

In the fourth quarter of 2012, the Company recognized an impairment loss in the amount of NT$1,186,674 thousand, due to the lower estimated recoverable amount compared with the carrying amount of its investments in stocks traded on the Taiwan GreTai Securities Market. Subsequently, as the recoverable amount of the aforementioned investments was higher than its carrying amount, the impairment loss of NT$1,186,674 thousand recognized in 2012 was reversed in the fourth quarter of 2013.

Since TSMC did not participate in Mcube Inc.'s issuance of new shares in the third quarter of 2013, the Company's percentage of ownership in Mcube Inc. decreased to 18%. As a result, the Company evaluated and concluded that the Company no longer exercises significant influence over Mcube Inc. Therefore Mcube Inc. is no longer accounted for using the equity method. Further, such investment was reclassified to financial assets carried at cost. The Company also measured the fair value of retained interest in Mcube Inc. when the significant influence was lost, which has no difference with the carrying amount; accordingly, the Company did not recognize any gain or loss.

TSMC has no power to govern the financial and operating policies of Xintec starting June 2013 due to the loss of power to cast the majority of votes at meetings of the Board of Directors. As a result, Xintec is no longer consolidated and is accounted for using the equity method. Please refer to Note 34.

The summarized financial information in respect of the Company's associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs, IASs, interpretations as well as related guidance translated by the ARDF endorsed by the FSC with the effective dates, which is also adjusted by the Company using the equity method of accounting.

	December 31, 2014	December 31, 2013
Total assets	$ 101,074,142	$ 96,689,523
Total liabilities	(28,484,295)	(28,141,625)
Net assets	$ 72,589,847	$ 68,547,898
The Company's share of net assets of associates	$ 24,963,336	$ 24,823,807

	Years Ended December 31	
	2014	2013
Net revenue	$ 70,466,409	$ 67,752,079
Net income	$ 9,477,112	$ 8,325,722
Other comprehensive income	$ 48,121	$ 168,081
The Company's share of profits of associates	$ 3,693,723	$ 3,518,495
The Company's share of other comprehensive income of associates	$ 5,285	$ 18,554

The market prices of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period are summarized as follows:

Name of Associate	December 31, 2014	December 31, 2013
VIS	$ 28,567,489	$ 22,239,112
Motech	$ 4,242,769	$ 5,345,015
GUC	$ 4,327,965	$ 3,454,902

b. Investments in jointly controlled entities

Jointly controlled entities consisted of the following:

Name of Jointly Controlled Entity	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
VisEra Holding Company (VisEra Holding)	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	$ 3,287,666	$ 3,492,453	49%	49%

The summarized financial information in respect of the Company's jointly controlled entity is set out below. The summarized financial information below represents amounts shown in the jointly controlled entity's financial statements prepared in accordance with IFRSs, IASs, interpretations as well

as related guidance translated by the ARDF endorsed by the FSC with the effective dates, which is also adjusted by the Company using the equity method of accounting.

	December 31, 2014	December 31, 2013
Current assets	$ 2,177,294	$ 2,335,612
Noncurrent assets	$ 1,449,719	$ 1,564,485
Current liabilities	$ 338,850	$ 407,184
Noncurrent liabilities	$ 497	$ 460

	Years Ended December 31	
	2014	2013
Net revenue	$ 1,517,845	$ 1,801,619
Income from operations	$ 295,719	$ 474,787
Net income	$ 255,951	$ 453,536
Other comprehensive loss	$ (155,192)	$ (78,294)
Total comprehensive income	$ 100,759	$ 375,242
Income tax expense	$ 14,535	$ 64,311
The Company's share of profits of joint venture	$ 255,951	$ 453,536
The Company's share of other comprehensive loss of joint venture	$ (155,192)	$ (78,294)

16. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Assets under Finance Leases	Equipment under Installation and Construction in Progress	Total
Cost							
Balance at January 1, 2014	$ 3,986,909	$ 229,182,736	$ 1,413,919,794	$ 22,062,032	$ 804,430	$ 272,173,793	$ 1,942,129,694
Additions (decrease)	-	39,833,068	340,660,987	6,499,009	-	(162,974,350)	224,018,714
Disposals or retirements	-	(108,660)	(2,128,065)	(645,936)	-	-	(2,882,661)
Reclassification	-	(1,996)	1,996	-	-	-	-
Reclassification as held for sale	-	(854,949)	(2,231,405)	(67,820)	-	(2,550)	(3,156,724)
Effect of exchange rate changes	49,876	1,113,651	3,946,920	113,550	36,724	137,843	5,398,564
Balance at December 31, 2014	$ 4,036,785	$ 269,163,850	$ 1,754,170,227	$ 27,960,835	$ 841,154	$ 109,334,736	$ 2,165,507,587
Accumulated depreciation and impairment							
Balance at January 1, 2014	$ 404,192	$ 125,234,166	$ 1,009,213,689	$ 14,225,771	$ 385,963	$ -	$ 1,149,463,781
Additions	27,628	15,589,023	178,850,625	3,135,825	42,085	-	197,645,186
Disposals or retirements	-	(107,699)	(1,998,255)	(645,679)	-	-	(2,751,633)
Impairment	-	-	239,864	-	-	-	239,864
Reclassification	-	(532)	532	-	-	-	-
Reclassification as held for sale	-	(257,690)	(1,476,511)	(43,358)	-	-	(1,777,559)
Effect of exchange rate changes	27,320	788,645	3,558,458	95,375	19,349	-	4,489,147
Balance at December 31, 2014	$ 459,140	$ 141,245,913	$ 1,188,388,402	$ 16,767,934	$ 447,397	$ -	$ 1,347,308,786
Carrying amounts at December 31, 2014	$ 3,577,645	$ 127,917,937	$ 565,781,825	$ 11,192,901	$ 393,757	$ 109,334,736	$ 818,198,801
Cost							
Balance at January 1, 2013	$ 1,527,124	$ 197,411,851	$ 1,279,893,177	$ 20,067,943	$ 766,732	$ 119,063,976	$ 1,618,730,803
Additions	3,212,000	31,869,046	140,223,121	3,791,109	-	154,706,858	333,802,134
Disposals or retirements	-	-	(2,925,145)	(788,080)	-	-	(3,713,225)
Reclassification	-	3,797	360	-	-	-	4,157
Effect of deconsolidation of subsidiary	(772,029)	(986,205)	(5,630,854)	(1,055,809)	-	(1,632,860)	(10,077,757)
Effect of exchange rate changes	19,814	884,247	2,359,135	46,869	37,698	35,819	3,383,582
Balance at December 31, 2013	$ 3,986,909	$ 229,182,736	$ 1,413,919,794	$ 22,062,032	$ 804,430	$ 272,173,793	$ 1,942,129,694
Accumulated depreciation and impairment							
Balance at January 1, 2013	$ 367,369	$ 111,801,731	$ 875,510,879	$ 13,160,567	$ 328,069	$ -	$ 1,001,168,615
Additions	27,069	13,183,558	138,314,235	2,413,652	41,333	-	153,979,847
Disposals or retirements	-	-	(2,809,185)	(786,464)	-	-	(3,595,649)
Effect of deconsolidation of subsidiary	-	(226,908)	(3,656,326)	(599,483)	-	-	(4,482,717)
Effect of exchange rate changes	9,754	475,785	1,854,086	37,499	16,561	-	2,393,685
Balance at December 31, 2013	$ 404,192	$ 125,234,166	$ 1,009,213,689	$ 14,225,771	$ 385,963	$ -	$ 1,149,463,781
Carrying amounts at December 31, 2013	$ 3,582,717	$ 103,948,570	$ 404,706,105	$ 7,836,261	$ 418,467	$ 272,173,793	$ 792,665,913

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

In the second quarter of 2014, the Company recognized impairment losses of NT$239,864 thousand under other operating segments since the carrying amount of some of machinery and equipment is expected to be unrecoverable. Such impairment losses were included in other operating income and expenses for the year ended December 31, 2014.

The Company entered into agreements to lease buildings from December 2003 to November 2018 that qualify as finance leases.

Future minimum lease gross payments were as follows:

	December 31, 2014	December 31, 2013
Minimum lease payments		
Not later than 1 year	$ 29,667	$ 28,376
Later than 1 year and not later than 5 years	859,744	850,703
	889,411	879,079
Less: Future finance expenses	77,862	94,040
Present value of minimum lease payments	$ 811,549	$ 785,039
Present value of minimum lease payments		
Not later than 1 year	$ 28,944	$ 27,684
Later than 1 year and not later than 5 years	782,605	757,355
	$ 811,549	$ 785,039
Current portion (classified under accrued expenses and other current liabilities)	$ 9,441	$ 8,809
Noncurrent portion	802,108	776,230
	$ 811,549	$ 785,039

There was no capitalization of borrowing costs for the years ended December 31, 2014 and 2013.

17. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Cost					
Balance at January 1, 2014	$ 5,627,517	$ 4,444,828	$ 17,086,805	$ 3,729,396	$ 30,888,546
Additions	-	1,906,892	1,695,201	826,223	4,428,316
Retirements	-	-	(51,405)	-	(51,405)
Reclassification as held for sale	-	-	(39,622)	(269,174)	(308,796)
Effect of exchange rate changes	261,296	(1,467)	6,119	6,110	272,058
Balance at December 31, 2014	$ 5,888,813	$ 6,350,253	$ 18,697,098	$ 4,292,555	$ 35,228,719

(Continued)

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Accumulated amortization					
Balance at January 1, 2014	$ -	$ 3,341,667	$ 13,439,135	$ 2,617,361	$ 19,398,163
Additions	-	438,712	1,499,677	667,960	2,606,349
Retirements	-	-	(51,405)	-	(51,405)
Reclassification as held for sale	-	-	(32,009)	(229,414)	(261,423)
Effect of exchange rate changes	-	(1,467)	5,748	1,244	5,525
Balance at December 31, 2014	$ -	$ 3,778,912	$ 14,861,146	$ 3,057,151	$ 21,697,209
Carrying amounts at December 31, 2014	$ 5,888,813	$ 2,571,341	$ 3,835,952	$ 1,235,404	$ 13,531,510
Cost					
Balance at January 1, 2013	$ 5,523,707	$ 4,590,548	$ 15,095,421	$ 3,094,664	$ 28,304,340
Additions	-	-	2,140,675	578,901	2,719,576
Retirements	-	-	(18,246)	(23,549)	(41,795)
Reclassification	-	(29,564)	(111,105)	101,007	(39,662)
Effect of deconsolidation of subsidiary	-	(113,340)	(25,335)	(42,089)	(180,764)
Effect of exchange rate changes	103,810	(2,816)	5,395	20,462	126,851
Balance at December 31, 2013	$ 5,627,517	$ 4,444,828	$ 17,086,805	$ 3,729,396	$ 30,888,546
Accumulated amortization					
Balance at January 1, 2013	$ -	$ 3,128,655	$ 12,126,479	$ 2,089,637	$ 17,344,771
Additions	-	282,414	1,344,339	575,269	2,202,022
Retirements	-	-	(17,974)	(23,549)	(41,523)
Reclassification	-	-	(5,941)	-	(5,941)
Effect of deconsolidation of subsidiary	-	(66,587)	(12,661)	(25,195)	(104,443)
Effect of exchange rate changes	-	(2,815)	4,893	1,199	3,277
Balance at December 31, 2013	$ -	$ 3,341,667	$ 13,439,135	$ 2,617,361	$ 19,398,163
Carrying amounts at December 31, 2013	$ 5,627,517	$ 1,103,161	$ 3,647,670	$ 1,112,035	$ 11,490,383

(Concluded)

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% and 8.50% in its test of impairment as of December 31, 2014 and 2013, respectively, to reflect the relevant specific risk in the cash-generating unit.

For the years ended December 31, 2014 and 2013, the Company did not recognize any impairment loss on goodwill.

18. OTHER ASSETS

	December 31, 2014	December 31, 2013
Tax receivable	$ 2,187,136	$ 1,781,376
Prepaid expenses	1,399,810	1,081,957
Long-term receivable	385,700	820,000
Others	885,470	770,468
	$ 4,858,116	$ 4,453,801
Current portion	$ 3,656,110	$ 2,984,224
Noncurrent portion	1,202,006	1,469,577
	$ 4,858,116	$ 4,453,801

19. SHORT-TERM LOANS

	December 31, 2014	December 31, 2013
Unsecured loans		
Amount	$ 36,158,520	$ 15,645,000
Original loan content		
US$ (in thousands)	$ 1,140,000	$ 525,000
Annual interest rate	0.38%-0.50%	0.38%-0.42%
Maturity date	Due in January 2015	Due in January 2014

20. PROVISIONS

	December 31, 2014	December 31, 2013
Sales returns and allowances	$ 10,445,452	$ 7,603,781
Warranties	19,828	10,452
	$ 10,465,280	$ 7,614,233
Current portion	$ 10,445,452	$ 7,603,781
Noncurrent portion (classified under other noncurrent liabilities)	19,828	10,452
	$ 10,465,280	$ 7,614,233

	Sales Returns and Allowances	Warranties	Total
Year ended December 31, 2014			
Balance, beginning of year	$ 7,603,781	$ 10,452	$ 7,614,233
Provision	10,506,398	11,365	10,517,763
Payment	(7,679,321)	(1,532)	(7,680,853)
Reclassification as held for sale	(7,601)	-	(7,601)
Effect of exchange rate changes	22,195	(457)	21,738
Balance, end of year	$ 10,445,452	$ 19,828	$ 10,465,280
Year ended December 31, 2013			
Balance, beginning of year	$ 6,038,003	$ 4,891	$ 6,042,894
Provision	6,633,290	6,162	6,639,452
Payment	(5,042,752)	(890)	(5,043,642)
Effect of deconsolidation of subsidiary	(37,748)	-	(37,748)
Effect of exchange rate changes	12,988	289	13,277
Balance, end of year	$ 7,603,781	$ 10,452	$ 7,614,233

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 year 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 estimate has been made on the basis of historical warranty trends of business and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

21. BONDS PAYABLE

	December 31, 2014	December 31, 2013
Noncurrent portion		
Domestic unsecured bonds	$ 166,200,000	$ 166,200,000
Overseas unsecured bonds	47,577,000	44,700,000
	213,777,000	210,900,000
Less: Discounts on bonds payable	(103,182)	(132,375)
	$ 213,673,818	$ 210,767,625

The major terms of domestic unsecured bonds are as follows:

Issuance	Tranche	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
100-1	A	September 2011 to September 2016	$ 10,500,000	1.40%	Bullet repayment; interest payable annually
	B	September 2011 to September 2018	7,500,000	1.63%	The same as above
100-2	A	January 2012 to January 2017	10,000,000	1.29%	The same as above
	B	January 2012 to January 2019	7,000,000	1.46%	The same as above
101-1	A	August 2012 to August 2017	9,900,000	1.28%	The same as above
	B	August 2012 to August 2019	9,000,000	1.40%	The same as above
101-2	A	September 2012 to September 2017	12,700,000	1.28%	The same as above
	B	September 2012 to September 2019	9,000,000	1.39%	The same as above
101-3	-	October 2012 to October 2022	4,400,000	1.53%	The same as above
101-4	A	January 2013 to January 2018	10,600,000	1.23%	The same as above
	B	January 2013 to January 2020	10,000,000	1.35%	The same as above
	C	January 2013 to January 2023	3,000,000	1.49%	The same as above

(Continued)

Issuance	Tranche	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
102-1	A	February 2013 to February 2018	$ 6,200,000	1.23%	Bullet repayment; interest payable annually
	B	February 2013 to February 2020	11,600,000	1.38%	The same as above
	C	February 2013 to February 2023	3,600,000	1.50%	The same as above
102-2	A	July 2013 to July 2020	10,200,000	1.50%	The same as above
	B	July 2013 to July 2023	3,500,000	1.70%	The same as above
102-3	A	August 2013 to August 2017	4,000,000	1.34%	The same as above
	B	August 2013 to August 2019	8,500,000	1.52%	The same as above
102-4	A	September 2013 to September 2016	1,500,000	1.35%	The same as above
	B	September 2013 to September 2017	1,500,000	1.45%	The same as above
	C	September 2013 to March 2019	1,400,000	1.60%	Bullet repayment; interest payable annually (interest for the six months prior to maturity will accrue on the basis of actual days and be repayable at maturity)
	D	September 2013 to March 2021	2,600,000	1.85%	The same as above
	E	September 2013 to March 2023	5,400,000	2.05%	The same as above
	F	September 2013 to September 2023	2,600,000	2.10%	Bullet repayment; interest payable annually

(Concluded)

The major terms of overseas unsecured bonds are as follows:

Issuance Period	Total Amount (US$ in Thousands)	Coupon Rate	Repayment and Interest Payment
April 2013 to April 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

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, TSMC, Xintec, Mutual-Pak, TSMC SSL and TSMC Solar have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe, TSMC Canada, TSMC Technology, TSMC Solar NA and TSMC Solar Europe GmbH also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Company recognized expenses of NT$1,743,626 thousand and NT$1,590,414 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013, respectively.

b. Defined benefit plans

TSMC, Xintec, TSMC SSL and TSMC Solar have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. TSMC revised its defined benefit plan in the fourth quarter of 2013 to set the employee's mandatory retirement age. Such plan changes have reflected in the actuarial results as of December 31, 2013.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2014	December 31, 2013
Discount rate	2.25%	2.15%
Future salary rate increase	3.00%	3.00%
Expected rate of return on plan assets	1.50%	1.25%

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	Years Ended December 31	
	2014	2013
Current service cost	$ 161,854	$ 134,762
Interest cost	220,121	175,563
Expected return on plan assets	(44,353)	(67,324)
Past service cost	(50,920)	(7,240)
	$ 286,702	$ 235,761

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31	
	2014	2013
Cost of revenue	$ 186,055	$ 152,512
Research and development expenses	75,595	60,864
General and administrative expenses	19,860	18,080
Marketing expenses	5,192	4,305
	$ 286,702	$ 235,761

For the years ended December 31, 2014 and 2013, the pre-tax actuarial benefit NT$290,416 thousand and the pre-tax actuarial loss NT$662,074 thousand were recognized in other comprehensive income (loss), respectively. As of December 31, 2014 and 2013, the pre-tax accumulated actuarial loss recognized in other comprehensive income were NT$1,057,636 thousand and NT$1,348,052 thousand, respectively.

The amounts arising from the defined benefit obligation of the Company in the consolidated balance sheets were as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	$ 10,265,284	$ 10,329,510
Fair value of plan assets	(3,697,501)	(3,527,847)
Funded status	6,567,783	6,801,663
Unrecognized prior service cost	737,343	788,263
Unrecognized prior service cost reclassified as held for sale	(1,148)	-
Accrued pension cost	$ 7,303,978	$ 7,589,926

Movements in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 10,329,510	$ 10,133,361
Current service cost	161,854	134,762
Interest cost	220,121	175,563
Effect of plan changes	-	(655,179)
Benefits paid from plan assets	(104,980)	(50,508)
Benefits paid directly by the Company	(23,247)	(7,011)
Actuarial loss (gain)	(251,486)	638,071
Reclassification as held for sale	(66,488)	-
Effect of deconsolidation of subsidiary	-	(39,549)
Balance, end of year	$ 10,265,284	$ 10,329,510

Movements in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 3,527,847	$ 3,352,567
Expected return on plan assets	44,353	67,324
Actuarial gain (loss)	38,930	(24,003)
Contributions from employer	221,994	219,062
Benefits paid from plan assets	(104,980)	(50,508)
Reclassification as held for sale	(30,643)	-
Effect of deconsolidation of subsidiary	-	(36,595)
Balance, end of year	$ 3,697,501	$ 3,527,847

The percentage of the fair value of the plan assets by major categories at the end of reporting period was as follows:

	Fair Value of Plan Assets (%)	
	December 31, 2014	December 31, 2013
Cash	19	23
Equity instruments	50	45
Debt instruments	31	32
	100	100

The overall expected rate of return on plan assets was based on the historical return trends, analysts' predictions of the market over the life of related obligation, reference to the performance of the Funds operated by the Committee and the consideration of the effect that the minimum return should not be less than the average interest rate on a two-year time deposit published by the local banks. For the years ended December 31, 2014 and 2013, the actual return on plan assets were NT$83,283 thousand and NT$43,321 thousand, respectively.

The Company elects to disclose the historical information of experience adjustments from the adoption of Taiwan-IFRSs, which is as follows:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Experience adjustments on plan liabilities	$ (101,499)	$ 1,294,538	$ 396,616	$ -
Experience adjustments on plan assets	$ 38,930	$ (24,003)	$ (29,858)	$ -

The Company expects to make contributions of NT$228,653 thousand to the defined benefit plans in the next year starting from December 31, 2014.

23. GUARANTEE DEPOSITS

	December 31, 2014	December 31, 2013
Capacity guarantee	$ 30,132,100	$ -
Others	164,075	151,660
	$ 30,296,175	$ 151,660
Current portion (classified under accrued expenses and other current liabilities)	$ 4,757,700	$ -
Noncurrent portion	25,538,475	151,660
	$ 30,296,175	$ 151,660

24. EQUITY

a. Capital stock

	December 31, 2014	December 31, 2013
Authorized shares (in thousands)	28,050,000	28,050,000
Authorized capital	$ 280,500,000	$ 280,500,000
Issued and paid shares (in thousands)	25,929,662	25,928,617
Issued capital	$ 259,296,624	$ 259,286,171

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 December 31, 2014, 1,073,361 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,366,803 thousand shares (one ADS represents five common shares).

b. Capital surplus

	December 31, 2014	December 31, 2013
Additional paid-in capital	$ 24,053,965	$ 24,017,363
From merger	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	100,827
From share of changes in equities of subsidiaries	104,335	-
From share of changes in equities of associates and joint venture	134,210	43,024
Donations	55	55
	$ 55,989,922	$ 55,858,626

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, convertible bonds, the surplus from treasury stock transactions and the differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries) 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 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 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.

TSMC accrued profit sharing to employees based on certain percentage of net income during the period, which amounted to NT$17,645,966 thousand and NT$12,634,665 thousand for the years ended December 31, 2014 and 2013, respectively. Bonuses to members of the Board of Directors were expensed based on estimated amount payable. If the actual amounts subsequently approved by the shareholders differ from the amounts estimated, the differences are recorded in the year such bonuses are approved by the shareholders as a change in accounting estimate. If profit sharing approved for distribution to employees is in the form of common shares, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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 2013 and 2012 earnings have been approved by TSMC's shareholders in its meetings held on June 24, 2014 and on June 11, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2013	For Fiscal Year 2012	For Fiscal Year 2013	For Fiscal Year 2012
Legal capital reserve	$ 18,814,679	$ 16,615,880		
Special capital reserve	(2,785,741)	(4,820,483)		
Cash dividends to shareholders	77,785,851	77,773,307	$3.00	$3.00
	$ 93,814,789	$ 89,568,704		

TSMC's profit sharing to employees and bonus to members of the Board of Directors in the amounts of NT$12,634,665 thousand and NT$104,136 thousand in cash for 2013, respectively, and profit sharing to employees and bonus to members of the Board of Directors in the amounts of NT$11,115,240 thousand and NT$71,351 thousand in cash for 2012, respectively, had been approved by the shareholders in its meetings held on June 24, 2014 and June 11, 2013, respectively. The aforementioned approved amount is the same as the one approved by the Board of Directors in its meetings held on February 18, 2014 and February 5, 2013, respectively, and the same amount had been charged against earnings for the years ended December 31, 2013 and 2012, respectively.

TSMC's appropriations of earnings for 2014 had been approved in the meeting of the Board of Directors held on February 10, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
	For Fiscal Year 2014	For Fiscal Year 2014
Legal capital reserve	$ 26,389,879	
Cash dividends to shareholders	116,683,481	$ 4.50
	$ 143,073,360	

The Board of Directors of TSMC also approved the profit sharing to employees and bonus to members of the Board of Directors in the amounts of NT$17,645,966 thousand and NT$406,854 thousand in cash for payment in 2014, respectively. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2014.

The appropriations of earnings, profit sharing to employees and bonus to members of the Board of Directors for 2014 are to be presented for approval in the TSMC's shareholders' meeting to be held on June 9, 2015 (expected).

The information about the appropriations of TSMC's profit sharing to employees and bonus to members of the Board of Directors is available at the Market Observation Post System website.

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:

	Year Ended December 31, 2014			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance, beginning of year	$ (7,140,362)	$ 21,310,781	$ (113)	$ 14,170,306
Exchange differences arising on translation of foreign operations	11,769,466	-	-	11,769,466
Other comprehensive income/losses reclassified to profit or loss upon disposal of subsidiaries	84	-	-	84
Changes in fair value of available-for-sale financial assets	-	229,571	-	229,571
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(279,531)	-	(279,531)
Share of other comprehensive income of associates and joint venture	(130,092)	(5,287)	(192)	(135,571)
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	3,017	(2,920)	-	97
Income tax effect	-	(5,131)	-	(5,131)
Balance, end of year	$ 4,502,113	$ 21,247,483	$ (305)	$ 25,749,291

	Year Ended December 31, 2013			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance, beginning of year	$(10,753,806)	$ 7,973,321	$ -	$ (2,780,485)
Exchange differences arising on translation of foreign operations	3,667,657	-	-	3,667,657
Changes in fair value of available-for-sale financial assets	-	14,554,695	-	14,554,695
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(1,256,281)	-	(1,256,281)

(Continued)

	Year Ended December 31, 2013			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total
Share of other comprehensive income of associates and joint venture	$ (54,989)	$ 2,551	$ (113)	$ (52,551)
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	776	(44)	-	732
Income tax effect	-	36,539	-	36,539
Balance, end of year	$ (7,140,362)	$ 21,310,781	$ (113)	$ 14,170,306

(Concluded)

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.

e. Noncontrolling interests

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 266,830	$ 2,543,226
Share of noncontrolling interests		
Net loss	(117,925)	(127,853)
Exchange differences arising on translation of foreign operations	1,573	852
Other comprehensive income/losses reclassified to profit or loss upon disposal of subsidiaries	6	-
Changes in fair value of available-for-sale financial assets	14,827	2,776
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(1,426)	(10,805)
Stock option compensation cost of subsidiary	-	5,312

(Continued)

	Years Ended December 31	
	2014	2013
Share of other comprehensive income of associates and joint venture	$ 190	$ 177
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	-	1
Actuarial gain/loss from defined benefit plans	745	299
Income tax expense related to actuarial gain/loss from defined benefit plans	(98)	(44)
Adjustments to share of changes in capital surplus of associations and joint venture	(26)	-
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	32,801	(62,446)
From share of changes in equities of subsidiaries	(3,516)	-
Increase (decrease) in noncontrolling interests	(66,735)	188,488
Effect of deconsolidation of subsidiary	-	(2,273,153)
Balance, end of year	$ 127,246	$ 266,830

(Concluded)

25. SHARE-BASED PAYMENT

a. Optional exemption from applying IFRS 2 "Share-based Payment" (IFRS 2)

TSMC's Employee Stock Option Plans, consisting of the TSMC 2004 Plan and TSMC 2003 Plan, were approved by the Securities and Futures Bureau (SFB) on January 6, 2005 and October 29, 2003, respectively. The maximum number of stock options authorized to be granted under the TSMC 2004 Plan and TSMC 2003 Plan was 11,000 thousand and 120,000 thousand, respectively, with each stock option eligible to subscribe for one common share of TSMC when exercised. The stock options may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The stock options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the stock options are granted at an exercise price equal to the closing price of TSMC's common shares quoted on the TWSE on the grant date.

Information about TSMC's outstanding stock options for the years ended December 31, 2014 and 2013 were as follows:

	Number of Stock Options (In Thousands)	Weighted-average Exercise Price (NT$)
Year ended December 31, 2014		
Balance, beginning of year	1,763	$45.9
Stock options exercised	(1,045)	45.0
Balance, end of year	718	47.2
Balance exercisable, end of year	718	47.2

(Continued)

	Number of Stock Options (In Thousands)	Weighted-average Exercise Price (NT$)
Year ended December 31, 2013		
Balance, beginning of year	5,945	$34.6
Stock options exercised	(4,182)	29.8
Balance, end of year	1,763	45.9
Balance exercisable, end of year	1,763	45.9

(Concluded)

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.

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

December 31, 2014		December 31, 2013	
Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
$47.2	0.4	$43.2-$47.2	1.0

b. Application of IFRS 2

The Board of Directors of TSMC SSL approved on December 18, 2012 the issuance of new shares and allocated 17,000 thousand shares for 2013 stock option plan, for their employees to subscribe to, according to the Company Law. The aforementioned stock options were fully vested on the grant date.

Information about TSMC SSL's employee stock options related to the aforementioned new shares issued was as follows:

	Number of Stock Options (In Thousands)	Weighted-average Exercise Price (NT$)
Year ended December 31, 2013		
Balance, beginning of year	-	$ -
Stock options granted	17,000	10.0
Stock options exercised	(17,000)	10.0
Balance, end of year	-	-
Balance exercisable, end of year	-	-
Weighted-average fair value of stock options granted (NT$/share)	$ -	

The grant date of aforementioned stock options was April 10, 2013. TSMC SSL used the Black-Scholes model to determine the fair value of the stock options. The valuation assumptions were as follows:

	2013 Stock Option Plan
Valuation assumptions:	
Stock price on grant date (NT$/share)	$ 4.6
Exercise price (NT$/share)	$ 10.0
Expected volatility	51.68%
Expected life	31 days
Risk free interest rate	0.60%

The stock price of TSMC SSL on grant date was determined based on the cost approach. The expected volatility was calculated using the historical rate of return based on the TWSE Optoelectronic Index.

The fair value of the aforementioned stock options was close to nil, and accordingly, no compensation cost was recognized.

26. NET REVENUE

The analysis of the Company's net revenue was as follows:

	Years Ended December 31	
	2014	2013
Net revenue from sale of goods	$ 762,176,835	$ 596,516,949
Net revenue from royalties	629,630	507,248
	$ 762,806,465	$ 597,024,197

27. OTHER OPERATING INCOME AND EXPENSES, NET

	Years Ended December 31	
	2014	2013
Impairment loss on noncurrent assets held for sale	$ (734,467)	$ -
Impairment loss on property, plant and equipment	(239,864)	-
Income (expenses) of rental assets		
Rental income	11,406	13,385
Depreciation of rental assets	(24,887)	(25,120)
	(13,481)	(11,735)
Gain on disposal of property, plant and equipment and intangible assets, net	14,518	48,848
Others	(27,844)	9,977
	$ (1,001,138)	$ 47,090

28. OTHER INCOME

	Years Ended December 31	
	2014	2013
Interest income		
Bank deposits	$ 2,705,082	$ 1,808,239
Structured deposits	14,644	-
Held-to-maturity financial assets	8,233	22,413
Available-for-sale financial assets	2,715	5,328
	2,730,674	1,835,980
Dividend income	649,733	506,143
	$ 3,380,407	$ 2,342,123

29. FINANCE COSTS

	Years Ended December 31	
	2014	2013
Interest expense		
Corporate bonds	$ 3,082,885	$ 2,501,820
Bank loans	133,524	110,716
Finance leases	19,678	19,539
Others	258	14,701
	$ 3,236,345	$ 2,646,776

30. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2014	2013
Gain on disposal of financial assets, net		
Available-for-sale financial assets	$ 280,956	$ 1,267,086
Financial assets carried at cost	81,449	44,721
Gain (loss) on disposal of investments accounted for using equity method	2,028,643	(733)
Loss on disposal of subsidiary	(90)	-
Gain on deconsolidation of subsidiary	-	293,578
Settlement income	-	899,745
Other gains	356,854	394,330
Net gain/(loss) on financial instruments at FVTPL		
Held for trading	(1,889,510)	196,711
Reversal gain (impairment loss) of financial assets		
Financial assets carried at cost	(211,477)	(1,538,888)
Investment accounted for using equity method	-	1,186,674
Fair value hedges		
Loss from hedging instruments	(10,577,714)	(5,602,779)
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	10,088,628	5,071,118
Other losses	(155,532)	(106,642)
	$ 2,207	$ 2,104,921

31. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2014	2013
Current income tax expense (benefit)		
Current tax expense recognized in the current year	$ 35,381,469	$ 22,501,143
Income tax adjustments on prior years	404,566	(1,021,688)
Other income tax adjustments	230,013	(10,623)
	36,016,048	21,468,832
Deferred income tax expense (benefit)		
The origination and reversal of temporary differences	(425,181)	674,231
Investment tax credits and operating loss carryforward	2,725,810	5,325,122
	2,300,629	5,999,353
Income tax expense recognized in profit or loss	$ 38,316,677	$ 27,468,185

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2014	2013
Income before tax	$ 302,097,546	$ 215,487,122
Income tax expense at the statutory rate	$ 52,770,482	$ 38,458,611
Tax effect of adjusting items:		
Nondeductible (deductible) items in determining taxable income	(1,136,903)	(1,417,976)
Tax-exempt income	(20,415,775)	(8,612,025)
Additional income tax under the Alternative Minimum Tax Act	4,081,153	-
Additional income tax on unappropriated earnings	9,374,020	7,659,010
The origination and reversal of temporary differences	(425,181)	674,231
Income tax credits	(3,275,093)	(3,136,942)
Remeasurement of investment tax credits	(3,188,343)	(3,460,886)
Remeasurement of operating loss carryforward	(102,262)	(1,663,527)
Current income tax expense	37,682,098	28,500,496
Income tax adjustments on prior years	404,566	(1,021,688)
Other income tax adjustments	230,013	(10,623)
Income tax expense recognized in profit or loss	$ 38,316,677	$ 27,468,185

For the years ended December 31, 2014 and 2013, the Company applied a tax rate of 17% for entities subject to the Income Tax Law of the Republic of China; for other jurisdictions, the Company measures taxes by using the applicable tax rate for each individual jurisdiction.

b. Income tax expense recognized in other comprehensive income

	Years Ended December 31	
	2014	2013
Deferred income tax expense (benefit)		
Related to actuarial gain/loss from defined benefit plans	$ 35,784	$ (78,629)
Related to unrealized gain/loss on available-for-sale financial assets	5,131	(36,539)
	$ 40,915	$ (115,168)

c. Deferred income tax balance

The analysis of deferred income tax assets and liabilities in the consolidated balance sheets was as follows:

	December 31, 2014	December 31, 2013
Deferred income tax assets		
Investment tax credits	$ -	$ 1,955,980
Temporary differences		
Provision for sales returns and allowance	1,230,752	900,354
Depreciation	1,011,065	644,824
Accrued pension cost	875,737	908,022
Unrealized loss on inventories	591,871	438,423
Deferred compensation cost	255,621	267,416
Goodwill from business combination	195,453	373,682
Available-for-sale financial assets	-	6,154
Others	749,678	684,585
Operating loss carryforward	316,951	1,060,169
	$ 5,227,128	$ 7,239,609
Deferred income tax liabilities		
Temporary differences		
Unrealized exchange gains	$ (184,470)	$ -
Available-for-sale financial assets	(15,280)	-
	$ (199,750)	$ -

	Year Ended December 31, 2014					
		Recognized in				
	Balance, Beginning of Year	Profit or Loss	Other Comprehensive Income	Reclassification as Held For Sale	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets						
Investment tax credits	$ 1,955,980	$ (1,955,980)	$ -	$ -	$ -	$ -
Temporary differences						
Provision for sales returns and allowance	900,354	328,232	-	-	2,166	1,230,752
Depreciation	644,824	339,272	-	20,069	6,900	1,011,065
Accrued pension cost	908,022	2,188	(35,784)	1,311	-	875,737
Unrealized loss on inventories	438,423	150,850	-	-	2,598	591,871
Deferred compensation cost	267,416	(27,699)	-	-	15,904	255,621
Goodwill from business combination	373,682	(193,160)	-	-	14,931	195,453
Available-for-sale financial assets	6,154	(6,154)	-	-	-	-
Others	684,585	26,271	-	455	38,367	749,678
Operating loss carryforward	1,060,169	(769,830)	-	(22,500)	49,112	316,951
	$ 7,239,609	$ (2,106,010)	$ (35,784)	$ (665)	$ 129,978	$ 5,227,128
Deferred income tax liabilities						
Temporary differences						
Unrealized exchange gains	$ -	$ (184,470)	$ -	$ -	$ -	$ (184,470)
Available-for-sale financial assets	-	(10,149)	(5,131)	-	-	(15,280)
	$ -	$ (194,619)	$ (5,131)	$ -	$ -	$ (199,750)

	Year Ended December 31, 2013					
		Recognized in				
	Balance, Beginning of Year	Profit or Loss	Other Comprehensive Income	Effect of Deconsolidation of Subsidiary	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets						
Investment tax credits	$ 7,324,263	$ (5,348,982)	$ -	$ (19,301)	$ -	$ 1,955,980
Temporary differences						
Depreciation	1,502,736	(865,021)	-	(15,387)	22,496	644,824
Provision for sales returns and allowance	717,889	188,198	-	(6,417)	684	900,354
Accrued pension cost	824,052	5,813	78,629	(472)	-	908,022
Available-for-sale financial assets	224,618	(255,003)	36,539	-	-	6,154
Unrealized loss on inventories	404,656	32,665	-	-	1,102	438,423
Goodwill from business combination	329,766	35,115	-	-	8,801	373,682
Deferred compensation cost	132,286	131,107	-	-	4,023	267,416
Others	624,609	52,895	-	(3,987)	11,068	684,585
Operating loss carryforward	1,043,344	23,860	-	(32,910)	25,875	1,060,169
	$ 13,128,219	$ (5,999,353)	$ 115,168	$ (78,474)	$ 74,049	$ 7,239,609

d. The investment operating loss carryforward, tax credits and deductible temporary differences for which no deferred income tax assets have been recognized in the consolidated financial statements

The information of the operating loss carryforward for which no deferred tax assets have been recognized was as follows:

	December 31, 2014	December 31, 2013
Expiry year		
2015 - 2018	$ 41,894	$ 41,894
2019 - 2024	7,502,205	5,773,037
	$ 7,544,099	$ 5,814,931

As of December 31, 2014 and 2013, unrecognized investment tax credits for which no deferred income tax assets have been recognized amounted to nil and NT$3,019,880 thousand, respectively; the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT$2,088,394 thousand and NT$8,673,160 thousand, respectively.

e. Unused operating loss carryforward and tax-exemption information

As of December 31, 2014, operating loss carryforward of TSMC Solar, TSMC SSL, Mutual-Pak and WaferTech consisted of the following:

Remaining Creditable Amount	Remaining Creditable Amount
Expiry Year	
2015 - 2018	$ 41,894
2019 - 2024 (Note)	8,691,071
	$ 8,732,965

Note: Including NT$4,329,833 thousand of TSMC SSL.

As of December 31, 2014, the profits generated from the following projects of TSMC are exempt from income tax for a five-year period:

	Tax-exemption Period
Construction and expansion of 2005 by TSMC	2010 to 2014
Construction and expansion of 2006 by TSMC	2011 to 2015
Construction and expansion of 2007 by TSMC	2014 to 2018
Construction and expansion of 2008 by TSMC	2015 to 2019

f. The information of unrecognized deferred income tax liabilities associated with investments

As of December 31, 2014 and 2013, the aggregate taxable temporary differences associated with investments in subsidiaries not unrecognized as deferred income tax liabilities amounted to NT$41,365,515 thousand and NT$28,035,340 thousand, respectively.

g. Integrated income tax information

	December 31, 2014	December 31, 2013
Balance of the Imputation Credit Account - TSMC	$ 35,353,150	$ 15,242,724

The estimated creditable ratio for distribution of TSMC's earnings of 2014 was 11.29%; 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 actual creditable ratio for distribution of TSMC's earnings of 2013 was 9.78%, which is calculated based on the Rule No.10204562810 issued by the Ministry of Finance to include the adjustments to retained earnings from the effect of transition to Taiwan-IFRSs in the accumulated unappropriated earnings in the year of first-time adoption of Taiwan-IFRSs.

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.

h. Income tax examination

The tax authorities have examined income tax returns of TSMC through 2011. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

32. EARNINGS PER SHARE

	Years Ended December 31	
	2014	2013
Basic EPS	$10.18	$7.26
Diluted EPS	$10.18	$7.26

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT$)
Year ended December 31, 2014			
Basic EPS			
Net income available to common shareholders of the parent	$ 263,898,794	25,929,273	$10.18
Effect of dilutive potential common shares	-	831	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	$ 263,898,794	25,930,104	$10.18
Year ended December 31, 2013			
Basic EPS			
Net income available to common shareholders of the parent	$ 188,146,790	25,927,778	$7.26
Effect of dilutive potential common shares	-	1,825	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	$ 188,146,790	25,929,603	$7.26

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares at the end of the

reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to employees to be settled in the form of common stocks are approved by the shareholders in the following year.

33. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Years Ended December 31	
	2014	2013
a. Depreciation of property, plant and equipment		
Recognized in cost of revenue	$ 183,750,945	$ 141,002,263
Recognized in operating expenses	13,869,354	12,952,464
Recognized in other operating income and expenses	24,887	25,120
	$ 197,645,186	$ 153,979,847
b. Amortization of intangible assets		
Recognized in cost of revenue	$ 1,356,858	$ 1,154,698
Recognized in operating expenses	1,249,491	1,047,324
	$ 2,606,349	$ 2,202,022
c. Research and development costs expensed as incurred	$ 56,823,732	$ 48,118,165
d. Employee benefits expenses		
Post-employment benefits (Note 22)		
Defined contribution plans	$ 1,743,626	$ 1,590,414
Defined benefit plans	286,702	235,761
	2,030,328	1,826,175
Equity-settled share-based payments	-	5,312
Other employee benefits	79,385,093	65,514,082
	$ 81,415,421	$ 67,345,569
Employee benefits expense summarized by function		
Recognized in cost of revenue	$ 48,187,438	$ 40,245,628
Recognized in operating expenses	33,227,983	27,099,941
	$ 81,415,421	$ 67,345,569

34. DECONSOLIDATION OF SUBSIDIARY

Starting June 2013, the Company no longer has power to govern the financial and operating policies of Xintec due to the loss of power to cast the majority of votes at meetings of the Board of Directors; accordingly, the Company derecognized related assets, liabilities and noncontrolling interests of Xintec.

a. Consideration received

The Company did not receive any consideration in the deconsolidation of Xintec.

b. Analysis of assets and liabilities over which the Company lost control

	June 30, 2013
Current assets	
Cash and cash equivalents	$ 979,910
Accounts receivable	564,364
Inventories	213,133
Others	110,766
Noncurrent assets	
Property, plant and equipment	5,595,040
Others	164,311
Current liabilities	
Accounts payable	(1,571,289)
Others	(291,715)
Noncurrent liabilities	
Loans	(1,940,625)
Others	(27,472)
Net assets deconsolidated	$ 3,796,423

c. Gain on deconsolidation of subsidiary

	Six Months Ended June 30, 2013
Fair value of interest retained	$ 1,816,848
Less: Carrying amount of interest retained	
Net assets deconsolidated	3,796,423
Noncontrolling interests	(2,273,153)
	1,523,270
Gain on deconsolidation of subsidiary	$ 293,578

Gain on deconsolidation of subsidiary was included in other gains and losses for the six months ended June 30, 2013.

d. Net cash outflow arising from deconsolidation of the subsidiary

	Six Months Ended June 30, 2013
The balance of cash and cash equivalents deconsolidated	$ 979,910

35. CAPITAL MANAGEMENT

The Company requires significant amounts of capital to build and expand its production facilities and acquire additional equipment. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	Note	December 31, 2014	December 31, 2013
Financial assets			
FVTPL			
Held for trading derivatives	a)	$ 200,364	$ 90,353
Available-for-sale financial assets	b)	75,598,018	61,628,343
Held-to-maturity financial assets	-	4,485,593	1,795,949
Loans and receivables			
Cash and cash equivalents	a)	358,530,507	242,695,447
Notes and accounts receivables (including related parties)	a)	115,057,965	71,941,634
Other receivables	a)	4,051,452	1,422,795
Refundable deposits	a)	356,582	2,519,031
		$ 558,280,481	$ 382,093,552
Financial liabilities			
FVTPL			
Held for trading derivatives	a)	$ 486,614	$ 33,750
Derivative financial instruments in designated hedge accounting relationships	-	16,364,241	5,481,616
Amortized cost			
Short-term loans	-	36,158,520	15,645,000
Accounts payable (including related parties)	a)	23,379,762	16,358,716
Payables to contractors and equipment suppliers	a)	26,983,424	89,810,160
Accrued expenses and other current liabilities	a)	22,248,135	13,649,615
Bonds payable	-	213,673,818	210,767,625
Long-term bank loans	-	40,000	40,000
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	-	36,000	54,000
Guarantee deposits (including those classified under accrued expense and other current liabilities)	a)	30,297,600	151,660
		$ 369,668,114	$ 351,992,142

Note a: Including those classified to noncurrent assets held for sale or liabilities directly associated with noncurrent assets held for sale.

Note b: Including financial assets carried at cost.

b. Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

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

Foreign currency risk

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

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

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges against the New Taiwan dollar, the net income for the years ended December 31, 2014 and 2013 would have decreased by NT$331,517 thousand and NT$171,961 thousand, respectively, after taking into consideration of the hedging contracts and the hedged items.

Interest rate risk

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

Assuming the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical increase in interest rates of 100 basis point (1%) would have resulted in an increase in the interest expense, net of tax, by approximately NT$332 thousand for the years ended December 31, 2014 and 2013.

Other price risk

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

Assuming a hypothetical decrease of 5% in equity prices of the equity investments at the end of the reporting period, the net income for the years ended December 31, 2014 and 2013 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the years ended December 31, 2014 and 2013 would have decreased by NT$148,712 thousand and NT$931,881 thousand, respectively.

d. Credit risk management

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

Business related credit risk

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

As of December 31, 2014 and 2013, the Company's ten largest customers accounted for 76% and 68% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

Financial credit risk

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

e. Liquidity risk management

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

As of December 31, 2014 and 2013, the unused of financing facilities of the Company amounted to NT$73,534,805 thousand and NT$76,689,543 thousand, respectively.

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

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
December 31, 2014					
Non-derivative financial liabilities					
Short-term loans	$ 36,164,316	$ -	$ -	$ -	$ 36,164,316
Accounts payable (including related parties)	23,370,424	-	-	-	23,370,424
Payables to contractors and equipment suppliers	26,980,408	-	-	-	26,980,408
Accrued expenses and other current liabilities	22,177,901	-	-	-	22,177,901
Bonds payable	3,079,862	66,720,514	98,460,598	58,320,169	226,581,143
Long-term bank loans	1,450	19,792	20,846	2,504	44,592

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	$ 18,000	$ 18,000	$ -	$ -	$ 36,000
Obligations under finance leases	29,667	59,335	800,409	-	889,411
Guarantee deposits (including those classified under accrued expense and other current liabilities)	4,757,700	12,851,275	12,687,200	-	30,296,175
	116,579,728	79,668,916	111,969,053	58,322,673	366,540,370
Derivative financial instruments					
Forward exchange contracts					
Outflows	17,327,250	-	-	-	17,327,250
Inflows	(17,283,079)	-	-	-	(17,283,079)
	44,171	-	-	-	44,171
Cross currency swap contracts					
Outflows	47,291,943	-	-	-	47,291,943
Inflows	(46,970,942)	-	-	-	(46,970,942)
	321,001	-	-	-	321,001
Stock forward contracts					
Outflows	56,172,570	-	-	-	56,172,570
Inflows	(56,172,570)	-	-	-	(56,172,570)
	-	-	-	-	-
	$ 116,944,900	$ 79,668,916	$ 111,969,053	$ 58,322,673	$ 366,905,542
December 31, 2013					
Non-derivative financial liabilities					
Short-term loans	$ 15,646,783	$ -	$ -	$ -	$ 15,646,783
Accounts payable (including related parties)	16,358,716	-	-	-	16,358,716
Payables to contractors and equipment suppliers	89,810,160	-	-	-	89,810,160
Accrued expenses and other current liabilities	13,649,615	-	-	-	13,649,615
Bonds payable	3,036,130	28,388,887	100,830,341	94,360,103	226,615,461
Long-term bank loans	1,450	10,275	21,571	12,746	46,042
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	18,000	36,000	-	-	54,000
Obligations under finance leases	28,376	56,752	793,951	-	879,079
Guarantee deposits	-	151,660	-	-	151,660
	138,549,230	28,643,574	101,645,863	94,372,849	363,211,516
Derivative financial instruments					
Forward exchange contracts					
Outflows	29,608,952	-	-	-	29,608,952
Inflows	(29,605,246)	-	-	-	(29,605,246)
	3,706	-	-	-	3,706
Cross currency swap contracts					
Outflows	1,639,215	-	-	-	1,639,215
Inflows	(1,641,384)	-	-	-	(1,641,384)
	(2,169)	-	-	-	(2,169)
Stock forward contracts					
Outflows	-	37,431,626	-	-	37,431,626
Inflows	-	(37,431,626)	-	-	(37,431,626)
	-	-	-	-	-
	$ 138,550,767	$ 28,643,574	$ 101,645,863	$ 94,372,849	$ 363,213,053

(Concluded)

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets				
Commercial paper	$ 4,485,593	$ 4,486,541	$ 1,795,949	$ 1,795,612
Financial liabilities				
Measured at amortized cost				
Bonds payable	213,673,818	213,177,122	210,767,625	208,649,668

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments (Note)	$ -	$ 200,364	$ -	$ 200,364
Available-for-sale financial assets				
Publicly traded stocks	$ 73,797,085	$ -	$ -	$ 73,797,085
Money market funds	391	-	-	391
	$ 73,797,476	$ -	$ -	$ 73,797,476

(Continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial instruments (Note)	$ -	$ 486,614	$ -	$ 486,614
Hedging derivative financial liabilities				
Stock forward contract	$ -	$ 16,364,241	$ -	$ 16,364,241

(Concluded)

Note: Including those classified to noncurrent assets held for sale or liabilities directly associated with noncurrent assets held for sale.

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 90,353	$ -	$ 90,353
Available-for-sale financial assets				
Publicly traded stocks	$ 59,481,569	$ -	$ -	$ 59,481,569
Money market funds	1,183	-	-	1,183
	$ 59,482,752	$ -	$ -	$ 59,482,752
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 33,750	$ -	$ 33,750
Hedging derivative financial liabilities				
Stock forward contract	$ -	$ 5,481,616	$ -	$ 5,481,616

There were no transfers between Level 1 and 2 for the years ended December 31, 2014 and 2013, respectively.

There were no purchases and disposals for assets on Level 3 for the years ended December 31, 2014 and 2013, respectively.

3) Valuation techniques and assumptions used in fair value measurement

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks and money market funds).

- Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and stock forward contracts are measured at the difference between the present value of stock forward price discounted based on the applicable yield curve derived from quoted interest rates and the stock spot price.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

37. RELATED PARTY TRANSACTIONS

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

a. Net revenue

		Years Ended December 31	
		2014	2013
Item	Related Party Categories		
Net revenue from sale of goods	Associates	$ 4,009,270	$ 4,093,031
	Joint venture	1,325	1,677
		$ 4,010,595	$ 4,094,708
Net revenue from royalties	Associates	$ 521,975	$ 497,020

b. Purchases

	Years Ended December 31	
	2014	2013
Related Party Categories		
Associates	$ 11,644,177	$ 10,052,359

c. Receivables from related parties

		December 31, 2014	December 31, 2013
Item	Related Party Categories		
Receivables from related parties	Associates	$ 312,641	$ 291,376
	Joint venture	314	332
		$ 312,955	$ 291,708
Other receivables from related parties	Associates	$ 178,625	$ 221,576

d. Payables to related parties

		December 31, 2014	December 31, 2013
Item	Related Party Categories		
Payables to related parties	Associates	$ 1,490,997	$ 1,687,239
	Joint venture	493	1,217
		$ 1,491,490	$ 1,688,456

e. Acquisition of property, plant and equipment and intangible assets

	Acquisition Price	
	Years Ended December 31	
	2014	2013
Related Party Categories		
Associates	$ -	$ 21,135

f. Disposal of property, plant and equipment

	Proceeds	
	Years Ended December 31	
	2014	2013
Related Party Categories		
Associates	$ 23,447	$ 69,683
Joint venture	18,000	-
	$ 41,447	$ 69,683

	Gains	
	Years Ended December 31	
	2014	2013
Related Party Categories		
Associates	$ 20,010	$ 6,146
Joint venture	17,441	948
	$ 37,451	$ 7,094

g. Others

		December 31, 2014	December 31, 2013
Item	Related Party Categories		
Refundable deposits	Associates	$ -	$ 5,813

		Years Ended December 31	
		2014	2013
Item	Related Party Categories		
Manufacturing expenses	Associates	$ 2,437,366	$ 934,480
	Joint venture	7,926	6,582
		$ 2,445,292	$ 941,062
Research and development expenses	Associates	$ 87,848	$ 903
	Joint venture	1,116	6,340
		$ 88,964	$ 7,243

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

The Company leased machinery and equipment from Xintec. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid quarterly and the related expense was classified under manufacturing expenses.

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

h. Compensation of key management personnel

The compensation to directors and other key management personnel for the years ended December 31, 2014 and 2013 were as follows:

	Years Ended December 31	
	2014	2013
Short-term employee benefits	$ 1,787,813	$ 1,356,119
Post-employment benefits	46,758	9,064
	$ 1,834,571	$ 1,365,183

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

38. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for litigation and building lease agreements. As of December 31, 2014 and 2013, the aforementioned other financial assets amounted to NT$293,409 thousand and NT$120,566 thousand, respectively.

39. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

The Company leases several parcels of land, factory and office premises from the Science Park Administration and entered into lease agreements for its office premises and certain office equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between February 2015 and July 2034 and can be renewed upon expiration.

The Company expensed the lease payments as follows:

	Years Ended December 31	
	2014	2013
Minimum lease payments	$ 901,219	$ 902,439

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

	December 31, 2014	December 31, 2013
Not later than 1 year	$ 891,767	$ 859,070
Later than 1 year and not later than 5 years	3,490,783	3,053,029
Later than 5 years	6,576,218	5,534,848
	$ 10,958,768	$ 9,446,947

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity provided TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of December 31, 2014, the R.O.C. Government did not invoke such right.

b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and NXP B.V. are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of December 31, 2014.

c. In June 2010, Keranos, LLC. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents are invalid. These two litigations have been consolidated into a single lawsuit in the U.S. District Court for the Eastern District of Texas. In February 2014, the Court entered a final judgment in favor of TSMC, dismissing all of Keranos' claims against TSMC with prejudice. The final judgment is currently being appealed to the U.S. Court of Appeals for the Federal Circuit. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

d. In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC North America and one other company of infringing several U.S. patents. In September 2014, the Court granted summary judgment of noninfringement in favor of TSMC and TSMC North America. Ziptronix, Inc. can appeal the Court's order. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

e. TSMC joined the Customer Co-Investment Program of ASML and entered into the investment agreement in August 2012. The agreement includes an investment of EUR837,816 thousand by TSMC Global to acquire 5% of ASML's equity with a lock-up period of 2.5 years. TSMC Global has acquired the aforementioned equity on October 31, 2012. Both parties also signed the research and development funding agreement whereby TSMC shall provide EUR276,000 thousand to ASML's research and development programs from 2013 to 2017. As of December 31, 2014, TSMC has paid EUR 109,730 thousand to ASML under the research and development funding agreement.

f. In September 2013, Zond Inc. filed a complaint in U.S. District Court for the District of Massachusetts against TSMC, certain TSMC subsidiaries and other companies alleging infringing of several U.S. patents. That case is currently stayed as of June 2014. Subsequent to the stay, TSMC and Zond initiated additional legal actions in the U.S. District Courts for the District of Delaware and the District of Massachusetts over several additional patents owned by Zond. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

g. In December 2013, Tela Innovations (Tela), Inc. filed complaints in the U.S. District Court for the District of Delaware and in the United States International Trade Commission (ITC) accusing TSMC and TSMC North America of infringing one U.S. patent. In January 2014, TSMC filed a lawsuit in the U.S. District Court for the District of North California against Tela for trade secret misappropriation and breach of contract. In September 2014, all pending litigations between the parties in the U.S. District Court for the District of Delaware, the ITC and the U.S. District Court for the District of North California were dismissed.

h. In March 2014, DSS Technology Management, Inc. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, TSMC Development and several other companies infringe one U.S. patent. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

i. Amounts available under unused letters of credit as of December 31, 2014 and 2013 were NT$222,026 thousand and NT$89,400 thousand, respectively.

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

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount
December 31, 2014			
Financial assets			
Monetary items			
USD	$ 5,002,082	31.718	$ 158,656,051
EUR	22,887	38.57	882,741
JPY	704,925	0.2652	186,946
Non-monetary items			
HKD	149,844	4.09	612,860

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 3,348,306	31.718	$ 106,201,584
EUR	44,152	38.57	1,702,926
JPY	28,734,248	0.2652	7,620,323
December 31, 2013			
Financial assets			
Monetary items			
USD	2,756,090	29.800	82,131,493
EUR	451,162	41.00	18,497,657
JPY	41,386,551	0.2834	11,728,949
Non-monetary items			
HKD	168,334	3.84	646,402
Financial liabilities			
Monetary items			
USD	2,026,958	29.800	60,403,358
EUR	811,202	41.00	33,259,299
JPY	71,931,749	0.2834	20,385,458

(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

42. OPERATING SEGMENTS INFORMATION

a. Operating segments

The Company's only reportable segment is the foundry segment. The foundry segment engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. The Company also had other operating segments that did not exceed the quantitative threshold for separate reporting. These segments mainly engage in the researching, developing, designing, manufacturing and selling of solid state lighting devices and renewable energy and efficiency related technologies and products.

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

b. Segment revenue and operating results

	Foundry	Others	Elimination	Total
Year ended December 31, 2014				
Net revenue from external customers	$ 762,120,792	$ 685,673	$ -	$ 762,806,465
Net revenue from sales among intersegments	-	38,082	(38,082)	-
Income (loss) from operations	298,653,943	(2,763,650)	-	295,890,293
Share of profits of associates and joint venture	4,405,878	(456,204)	-	3,949,674
Income tax expense (benefit)	38,316,701	(24)	-	38,316,677
Year ended December 31, 2013				
Net revenue from external customers	596,615,439	408,758	-	597,024,197
Net revenue from sales among intersegments	-	33,215	(33,215)	-
Income (loss) from operations	212,156,627	(2,727,264)	-	209,429,363
Share of profits of associates and joint venture	4,280,780	(308,749)	-	3,972,031
Income tax expense	27,468,185	-	-	27,468,185

c. Geographic information

	Net Revenue from External Customers		Non-current Assets	
	Years Ended December 31		December 31,	December 31,
	2014	2013	2014	2013
Taiwan	$ 88,856,586	$ 74,150,318	$ 809,437,793	$ 783,173,768
United States	524,983,953	423,265,839	8,105,381	7,691,023
Asia	99,916,635	56,533,399	15,380,799	14,743,733
Europe, the Middle East and Africa	46,776,647	41,229,682	8,344	17,349
Others	2,272,644	1,844,959	-	-
	$ 762,806,465	$ 597,024,197	$ 832,932,317	$ 805,625,873

The Company categorized the net revenue mainly based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, intangible assets and other noncurrent assets.

d. Production information

	Years Ended December 31	
Production	2014	2013
Wafer	$ 723,747,536	$ 560,685,213
Others	39,058,929	36,338,984
	$ 762,806,465	$ 597,024,197

e. Major customers representing at least 10% of net revenue

	Years Ended December 31			
	2014		2013	
	Amount	%	Amount	%
Customer A	$ 157,631,427	21	$ 130,563,982	22

43. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC:

a. Financings provided: Please see Table 1 attached;

b. Endorsement/guarantee provided: Please see Table 2 attached;

c. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Please see Table 3 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please see Table 4 attached;

e. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: Please see Table 5 attached;

f. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 7 attached;

i. Information about the derivative financial instruments transaction: Please see Notes 7 and 10;

j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 8 attached;

k. Names, locations, and related information of investees over which TSMC exercises significant influence (excluding information on investment in Mainland China): Please see Table 9 attached;

l. Information on investment in Mainland China

1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 10 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 8 attached.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (US$ in Thousands) (Note 4)	Ending Balance (US$ in Thousands) (Note 4)	Amount Actually Drawn (US$ in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	TSMC Partners	TSMC Solar	Other receivables from related parties	Yes	$ 5,392,060 (US$ 170,000)	$ 5,392,060 (US$ 170,000)	$ 4,440,520 (US$ 140,000)	0.38%	The need for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 18,981,202 (Note 1)	$ 47,453,005
		TSMC SSL	Other receivables from related parties	Yes	1,903,080 (US$ 60,000)	1,110,130 (US$ 35,000)	824,668 (US$ 26,000)	0.38%	The need for short-term financing	-	Operating capital	-	-	-	18,981,202 (Note 1)	47,453,005
2	TSMC Solar	TSMC Solar NA	Other receivables from related parties	Yes	19,031 (US$ 600)	19,031 (US$ 600)	-	-	The need for short-term financing	-	Operating capital	-	-	-	287,656 (Note 2)	575,312

Note 1: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Partners. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. The above restriction does not apply to the subsidiaries whose voting shares are 90% and up owned, directly or indirectly, by TSMC (90% and up owned subsidiaries). However, the aggregate amounts lendable to 90% and up owned subsidiaries and the total amount lendable to one such borrower of 90% and up owned subsidiaries shall not exceed forty percent (40%) of the net worth of TSMC Partners.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Solar. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth; however, this restriction does not apply to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC Solar.

Note 3: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners and twenty percent (20%) of the net worth of TSMC Solar.

Note 4: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2)	Maximum Balance for the Period (US$ in Thousands) (Note 3)	Ending Balance (US$ in Thousands) (Note 3)	Amount Actually Drawn (US$ in Thousands)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	TSMC	TSMC Global	Subsidiary	$ 261,387,125	$ 47,577,000 (US$ 1,500,000)	$ 47,577,000 (US$ 1,500,000)	$ 47,577,000 (US$ 1,500,000)	$ -	4.55%	$ 261,387,125	Yes	No	No
		TSMC North America	Subsidiary	261,387,125	2,639,350 (US$ 83,213)	2,639,350 (US$ 83,213)	2,639,350 (US$ 83,213)	-	0.25%	261,387,125	Yes	No	No

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

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2014				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
TSMC	Commercial Paper							
	CPC Corporation, Taiwan	-	Held-to-maturity financial assets	230	$ 2,293,579	N/A	$ 2,293,942	
	Taiwan Power Company	-	〃	220	2,192,014	N/A	2,192,599	
	Stock							
	Semiconductor Manufacturing International Corporation	-	Available-for-sale financial assets	211,047	612,860	1	612,860	Note 1
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	21,230	193,584	10	447,998	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	〃	10,500	105,000	7	341,694	
	W.K. Technology Fund IV	-	〃	4,000	39,280	2	34,633	
	Fund							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	17,029	12	17,029	Note 2
	Crimson Asia Capital	-	〃	-	18,265	1	18,265	Note 3
TSMC Global	Stock							
	ASML	-	Available-for-sale financial assets	20,993	US$ 2,284,919	5	US$ 2,284,919	Note 4
	Money market fund							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	12	US$ 12	N/A	US$ 12	
TSMC Partners	Stock							
	Mcube Inc.	-	Financial assets carried at cost	6,333	-	16	-	
	Fund							
	Shanghai Walden Venture Capital Enterprise	-	Financial assets carried at cost	-	US$ 5,000	6	US$ 5,000	
Emerging Alliance	Common stock							
	Global Investment Holding Inc.	-	Financial assets carried at cost	11,124	US$ 3,065	6	US$ 3,065	
	RichWave Technology Corp.	-	〃	4,074	US$ 1,545	10	US$ 1,545	
	Preferred stock							
	Next IO, Inc.	-	Financial assets carried at cost	8	-	-	-	Note 5
	QST Holdings, LLC	-	〃	-	US$ 141	4	US$ 141	
ISDF	Preferred stock							
	Sonics, Inc.	-	Financial assets carried at cost	230	-	2	-	Note 6
ISDF II	Common stock							
	Alchip Technologies Limited	-	Available-for-sale financial assets	6,581	US$ 21,001	11	US$ 21,001	
	Sonics, Inc.	-	Financial assets carried at cost	278	-	3	-	
	Goyatek Technology, Corp.	-	〃	745	-	6	-	
	Preferred stock							
	Sonics, Inc.	-	Financial assets carried at cost	264	-	3	-	Note 7
VTAF II	Common stock							
	Sentelic	-	Financial assets carried at cost	1,806	US$ 2,607	8	US$ 2,607	
	Aether Systems, Inc.	-	〃	2,600	US$ 2,243	28	US$ 2,243	
	RichWave Technology Corp.	-	〃	1,267	US$ 1,036	3	US$ 1,036	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2014				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
VTAF II	Preferred stock							
	5V Technologies, Inc.	-	Financial assets carried at cost	963	US$ 2,168	2	US$ 2,168	
	Aquantia	-	〃	4,643	US$ 4,441	2	US$ 4,441	
	Cresta Technology Corporation	-	〃	92	US$ 28	-	US$ 28	
	Impinj, Inc.	-	〃	711	US$ 1,100	-	US$ 1,100	
	Next IO, Inc.	-	〃	179	-	1	-	Note 8
	QST Holdings, LLC	-	〃	-	US$ 588	13	US$ 588	
VTAF III	Common stock							
	Synaptics	-	Available-for-sale financial assets	21	US$ 1,420	-	US$ 1,420	
	Accton Wireless Broadband Corp.	-	Financial assets carried at cost	2,249	US$ 315	6	US$ 315	
	Preferred stock							
	BridgeLux, Inc.	-	Financial assets carried at cost	7,522	US$ 9,379	3	US$ 9,379	
	GTBF, Inc.	-	〃	1,154	US$ 1,500	N/A	US$ 1,500	
	LiquidLeds Lighting Corp.	-	〃	1,600	US$ 800	11	US$ 800	
	Neoconix, Inc.	-	〃	4,147	US$ 170	-	US$ 170	Note 9
	Preferred stock							
	Powervation, Ltd.	-	Financial assets carried at cost	568	US$ 8,878	14	US$ 8,878	

Note 1: The carrying value represents carrying amount less accumulated impairment of NT$315,787 thousand.

Note 2: The carrying value represents carrying amount less accumulated impairment of NT$61,274 thousand.

Note 3: The carrying value represents carrying amount less accumulated impairment of NT$29,500 thousand.

Note 4: In October 2012, TSMC Global acquired 5% of the outstanding equity of ASML with a lock-up period of 2.5 years starting from the acquisition date.

Note 5: The carrying value represents carrying amount less accumulated impairment of US$500 thousand.

Note 6: The carrying value represents carrying amount less accumulated impairment of US$497 thousand.

Note 7: The carrying value represents carrying amount less accumulated impairment of US$456 thousand.

Note 8: The carrying value represents carrying amount less accumulated impairment of US$1,219 thousand.

Note 9: The carrying value represents carrying amount less accumulated impairment of US$4,672thousand. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount
TSMC	Commercial Paper													
	CPC Corporation, Taiwan	Held-to-maturity financial assets	-	-	100	$ 998,018	290	$ 2,892,396	160	$ 1,600,000	$ 1,596,835	$ 3,165	230	$ 2,293,579
	Taiwan Power Company	〃	-	-	80	797,931	300	2,989,920	160	1,600,000	1,595,837	4,163	220	2,192,014
	Stock													
	VIS	Investments accounted for using equity method	Public Market	Associate	628,223	10,556,348	-	-	82,000	3,471,883	1,443,240	2,028,643	546,223	10,100,750
	TSMC Global	〃	-	Subsidiary	1	64,953,489	2	60,787,623	-	-	-	-	3	132,330,833
TSMC Development	Stock													
	WaferTech	Investments accounted for using equity method	Note 2	Subsidiary	293,637	US$248,252	-	-	-	-	US$ 80,000	-	293,637	US$ 221,219

Note 1: The ending balance includes share of profits/losses of investees and other related adjustment to equity.

Note 2: The disposal is primarily consisted of capital return.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	April 9, 2013 to February 21, 2014	$ 310,469	Monthly settlement by the construction progress and acceptance	Mandartech Interiors Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	November 25, 2013 to September 24, 2014	459,000	Monthly settlement by the construction progress and acceptance	Mega Facade Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	January 13, 2014 to June 18, 2014	491,470	Monthly settlement by the construction progress and acceptance	Tasa Construction Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	August 5, 2014	308,500	Monthly settlement by the construction progress and acceptance	Tung Kang Steel Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	October 3, 2014	333,330	Monthly settlement by the construction progress and acceptance	Pan Asia Corp.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	November 19, 2014	2,696,030 (US$ 85,000)	By the contract	Qualcomm Panel Manufacturing Ltd.	-	N/A	N/A	N/A	N/A	Appraisal report	Manufacturing purpose	None

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount (Foreign Currencies in Thousands)	% to Total	Payment Terms	Unit Price (Note 2)	Payment Terms (Note 2)	Ending Balance (Foreign Currencies in Thousands)	% to Total	
TSMC	TSMC North America	Subsidiary	Sales	$ 523,431,292	68	Net 30 days from invoice date (Note 1)	-	(Note 1)	$ 88,149,347	79	
	GUC	Associate	Sales	2,613,127	1	Net 30 days from the end of the month of when invoice is issued	-	-	269,978	-	
	VIS	Associate	Sales	122,706	-	Net 30 days from the end of the month of when invoice is issued	-	-	-	-	
	TSMC China	Subsidiary	Purchases	19,374,227	26	Net 30 days from the end of the month of when invoice is issued	-	-	(2,003,878)	8	
	WaferTech	Indirect subsidiary	Purchases	8,753,334	12	Net 30 days from the end of the month of when invoice is issued	-	-	(699,230)	3	
	VIS	Associate	Purchases	7,424,566	10	Net 30 days from the end of the month of when invoice is issued	-	-	(710,950)	3	
	SSMC	Associate	Purchases	4,219,527	6	Net 30 days from the end of the month of when invoice is issued	-	-	(313,578)	1	
TSMC Solar	TSMC Solar Europe GmbH	Subsidiary	Sales	439,926	60	Net 90 days from the end of the month of when invoice is issued	-	-	164,006	89	
TSMC North America	GUC	Associate of TSMC	Sales	1,028,346 (US$ 33,952)	-	Net 30 days from invoice date	-	-	42,389 (US$ 1,336)	-	

Note 1: The tenor is 30 days from TSMC's invoice date or determined by the payment terms granted to its clients by TSMC North America.

Note 2: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
TSMC	TSMC North America	Subsidiary	$ 88,526,636	49	$ 7,163,353	-	$ 7,529,983	$ -
	GUC	Associate	269,978	34	1,101	-	113,953	-
	VIS	Associate	108,916	(Note 2)	78	-	27,124	-
TSMC Partners	TSMC Solar	The same parent company	4,445,008 (US$ 140,141)	(Note 2)	-	-	-	-
TSMC China	TSMC	Parent company	2,003,878 (RMB 391,956)	33	-	-	-	-
TSMC Technology	TSMC	Parent company	258,947 (US$ 8,164)	(Note 2)	-	-	-	-
WaferTech	TSMC	Parent company	699,230 (US$ 22,045)	28	-	-	-	-
TSMC Solar	TSMC Solar Europe GmbH	Subsidiary	164,006	75	-	-	-	-

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(Amounts in Thousands of New Taiwan Dollars)

A. For the year ended December 31, 2014

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Net Revenue or Total Assets
0	TSMC	TSMC North America	1	Net revenue from sale of goods	$ 523,431,292	-	69%
				Receivables from related parties	88,149,347	-	6%
				Other receivables from related parties	377,289	-	-
				Payables to related parties	174,806	-	-
		TSMC China	1	Net revenue from sale of goods	6,186	-	-
				Purchases	19,374,227	-	3%
				Marketing expenses - commission	103,471	-	-
				Disposal of property, plant and equipment	21,833	-	-
				Gain on disposal of property, plant and equipment	14,282	-	-
				Purchases of property, plant and equipment	9,520	-	-
				Other receivables from related parties	13,948	-	-
				Payables to related parties	2,003,878	-	-
		TSMC Japan	1	Marketing expenses - commission	235,432	-	-
				Payables to related parties	35,527	-	-
		TSMC Europe	1	Marketing expenses - commission	414,779	-	-
				Research and development expenses	67,262	-	-
				Payables to related parties	64,551	-	-
		TSMC Korea	1	Purchases	2,528	-	-
				Marketing expenses - commission	24,382	-	-
				Payables to related parties	3,700	-	-
		TSMC Technology	1	Research and development expenses	1,284,049	-	-
				Payables to related parties	258,947	-	-
		WaferTech	1	Net revenue from sale of goods	7,679	-	-
				Purchases	8,753,334	-	1%
				Manufacturing expenses	1,219	-	-
				Disposal of property, plant and equipment	4,212	-	-
				Other receivables from related parties	2,242	-	-
				Payables to related parties	699,230	-	-
		TSMC Canada	1	Research and development expenses	217,635	-	-
				Payables to related parties	19,139	-	-
		TSMC SSL	1	Manufacturing expenses	35,719	-	-
				Other gains and losses	5,766	-	-
				Purchases of property, plant and equipment	54,035	-	-
				Payables to related parties	5,158	-	-
		TSMC Solar	1	Other gains and losses	8,886	-	-
				Disposal of property, plant and equipment	1,535	-	-
				Other receivables from related parties	3,618	-	-

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Net Revenue or Total Assets
1	TSMC Development	WaferTech	1	Other receivables from related parties	$ 44,745	-	-
2	TSMC North America	TSMC Technology	3	Disposal of property, plant and equipment	2,264	-	-
				Other receivables from related parties	5,915	-	-
3	TSMC Solar	TSMC Solar Europe GmbH	1	Net revenue from sale of goods	439,926	-	-
				Receivables from related parties	164,006	-	-
		TSMC Solar NA	1	Net revenue from sale of goods	25,162	-	-
				Receivables from related parties	14,839	-	-
		TSMC Partners	3	Finance costs	12,867	-	-
				Other payables to related parties	4,445,008	-	-
		TSMC SSL	3	Other payables to related parties	1,008	-	-
4	TSMC SSL	TSMC Partners	3	Finance costs	2,293	-	-
		TSMC China	3	Net revenue from sale of goods	3,197	-	-
5	TSMC Europe	TSMC Solar Europe GmbH	3	Marketing expenses	3,373	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.
No. 3 represents the transactions between subsidiaries.

Note 2: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				December 31 2014 (Foreign Currencies in Thousands)	December 31, 2013 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	$ 103,114,868	$ 42,327,245	3	100	$ 132,330,833	$ 338,151	$ 338,151	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	47,449,368	1,465,573	1,465,679	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	11,789,048	13,232,288	546,223	33	10,100,750	5,437,889	1,879,076	Associate
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	8,296,955	4,853,776	1,882,779	Associate
	TSMC Solar	Tai-Chung, Taiwan	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	11,180,000	11,180,000	1,118,000	99	2,877,245	(1,722,175)	(1,701,691)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	3,984,370	(60,200)	(60,200)	Subsidiary
	TSMC SSL	Hsin-Chu, Taiwan	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	5,546,744	5,546,744	554,674	92	-	(1,618,784)	(1,494,462)	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	94,950	40	2,053,982	628,653	233,473	Associate
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,102,704	438,443	154,599	Associate
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,850,782	1,908,912	-	98	810,958	(67,776)	(66,407)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	605,479	596,514	-	98	469,709	(9,169)	(8,985)	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	312,052	40,265	40,265	Subsidiary
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	844,775	841,757	-	99.5	155,122	(2,194)	(2,183)	Subsidiary
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	120,116	3,655	3,655	Subsidiary
	TSMC GN	Taipei, Taiwan	Investment activities	200,000	150,000	-	100	65,560	(37,069)	(37,069)	Subsidiary
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	33,427	3,086	3,086	Subsidiary
TSMC Solar	Motech	New Taipei, Taiwan	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	6,228,661	6,228,661	87,480	20	3,408,945	(1,055,637)	Note 2	Associate
	TSMC Solar Europe	Amsterdam, the Netherlands	Investing in solar related business	504,107	504,107	-	100	987	(86,518)	Note 2	Subsidiary
	TSMC Solar NA	Delaware, U.S.A.	Selling and marketing of solar related products	236,025	205,772	1	100	15,698	(23,738)	Note 2	Subsidiary
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	0.03 (US$ 0.001)	0.03 (US$ 0.001)	-	100	23,706,943 (US$ 747,429)	1,686,286 (US$ 55,675)	Note 2	Subsidiary
	VisEra Holding	Cayman Islands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	1,363,874 (US$ 43,000)	1,363,874 (US$ 43,000)	43,000	49	3,287,666 (US$ 103,653)	520,799 (US$ 17,195)	Note 2	Jointly controlled entity
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	0.03 (US$ 0.001)	0.03 (US$ 0.001)	-	100	476,122 (US$ 15,011)	61,349 (US$ 2,026)	Note 2	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	294,946 (US$ 9,299)	448,905 (US$ 14,153)	9,299	97	699,517 (US$ 22,054)	43,693 (US$ 1,443)	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				December 31 2014 (Foreign Currencies in Thousands)	December 31, 2013 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC Partners	ISDF	Cayman Islands	Investing in new start-up technology companies	$ 18,492 (US$ 583)	$ 24,962 (US$ 787)	583	97	$ 4,369 (US$ 138)	$ (13,876) (US$ (458))	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	72,951 (US$ 2,300)	72,951 (US$ 2,300)	2,300	100	155,348 (US$ 4,898)	15,868 (US$ 524)	Note 2	Subsidiary
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	- - (Note 3)	2,537,440 (US$ 80,000)	293,637	100	7,016,640 (US$ 221,219)	1,604,287 (US$ 52,968)	Note 2	Subsidiary
VTAF III	Mutual-Pak	New Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	165,314 (US$ 5,212)	165,314 (US$ 5,212)	15,643	58	29,285 (US$ 923)	(13,673) (US$ (451))	Note 2	Subsidiary
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	69,145 (US$ 2,180)	67,559 (US$ 2,130)	-	100	17,378 (US$ 548)	(3,291) (US$ (109))	Note 2	Subsidiary
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary
TSMC Solar Europe	TSMC Solar Europe GmbH	Hamburg, Germany	Selling of solar related products and providing customer service	478,268 (EUR 12,400)	478,268 (EUR 12,400)	-	100	(1,540) (EUR (40))	(85,880) (EUR (2,126))	Note 2	Subsidiary
TSMC GN	TSMC Solar	Tai-Chung, Taiwan	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	53,092	52,498	5,309	-	13,558	(1,722,175)	Note 2	Associate
	TSMC SSL	Hsin-Chu, Taiwan	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	108,061	54,359	10,806	2	-	(1,618,784)	Note 2	Associate

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

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

Note 3: The original investment amount is reduced to nil due to capital return.

Note 4: Please refer to Table 10 for information on investment in Mainland China. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2014 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014 (US$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	$ 18,939,667 (RMB 4,502,080)	(Note 1)	$ 18,939,667 (US$ 596,000)	$ -	$ -	$ 18,939,667 (US$ 596,000)	$ 6,587,991	100%	$ 6,662,384 (Note 2)	$ 31,853,813	$ -

Accumulated Investment in Mainland China as of December 31, 2014 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (US$ in Thousands)
$ 18,939,667 (US$ 596,000)	$ 18,939,667 (US$ 596,000)	$ 18,939,667 (US$ 596,000)

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

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

Taiwan Semiconductor Manufacturing Company Limited

Parent Company Only Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

Deloitte.
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying parent company only balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2014 and 2013 and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

The statements of major accounting items listed in the parent company only financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2014 are presented for the purpose of additional analysis. Such statements have been subjected to the auditing procedures applied in our audits of the financial statements mentioned above. In our opinion, such statements are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche

February 10, 2015

Notice to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the 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 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, 2014 Amount	%	December 31, 2013 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 184,859,232	13	$ 146,438,768	12
Financial assets at fair value through profit or loss (Note 7)	134,824	-	64,030	-
Available-for-sale financial assets	612,860	-	646,402	-
Held-to-maturity financial assets (Note 8)	4,485,593	-	1,795,949	-
Notes and accounts receivable, net (Note 9)	22,806,184	2	17,445,877	2
Receivables from related parties (Note 33)	88,419,913	6	52,969,803	4
Other receivables from related parties (Note 33)	576,592	-	572,000	-
Inventories (Notes 5 and 10)	63,523,287	5	35,243,061	3
Noncurrent assets held for sale (Note 12)	669,472	-	-	-
Other financial assets (Note 34)	2,069,874	-	61,842	-
Other current assets (Note 15)	2,791,666	-	2,386,031	-
Total current assets	370,949,497	26	257,623,763	21
NONCURRENT ASSETS				
Financial assets carried at cost (Note 11)	373,158	-	469,378	-
Investments accounted for using equity method (Notes 5 and 12)	242,016,964	17	165,075,781	14
Property, plant and equipment (Notes 5 and 13)	796,684,361	56	770,443,494	64
Intangible assets (Notes 5 and 14)	8,996,810	1	7,069,456	1
Deferred income tax assets (Notes 5 and 27)	3,297,924	-	4,580,468	-
Refundable deposits	340,010	-	2,496,663	-
Other noncurrent assets (Note 15)	385,700	-	820,000	-
Total noncurrent assets	1,052,094,927	74	950,955,240	79
TOTAL	$ 1,423,044,424	100	$ 1,208,579,003	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 36,158,520	3	$ 15,645,000	1
Financial liabilities at fair value through profit or loss (Note 7)	477,268	-	25,404	-
Accounts payable	19,310,737	1	13,628,675	1
Payables to related parties (Note 33)	4,756,426	-	4,183,979	-
Salary and bonus payable	8,983,879	1	6,834,181	-
Accrued profit sharing to employees and bonus to directors (Note 21)	18,052,820	1	12,738,801	1
Payables to contractors and equipment suppliers	25,911,719	2	89,555,814	8
Income tax payable (Note 27)	28,616,392	2	22,567,331	2
Provisions (Notes 5 and 17)	9,959,817	1	7,217,331	1
Accrued expenses and other current liabilities (Note 20)	26,033,514	2	14,799,228	2
Total current liabilities	178,261,092	13	187,195,744	16
NONCURRENT LIABILITIES				
Bonds payable (Note 18)	166,200,000	12	166,200,000	14
Deferred income tax liabilities (Note 27)	199,750	-	-	-
Accrued pension cost (Notes 5 and 19)	7,282,230	-	7,491,040	-
Guarantee deposits (Note 20)	25,534,851	2	147,964	-
Others	18,000	-	36,000	-
Total noncurrent liabilities	199,234,831	14	173,875,004	14
Total liabilities	377,495,923	27	361,070,748	30
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock (Note 21)	259,296,624	18	259,286,171	21
Capital surplus (Note 21)	55,989,922	4	55,858,626	5
Retained earnings (Note 21)				
Appropriated as legal capital reserve	151,250,682	10	132,436,003	11
Appropriated as special capital reserve	-	-	2,785,741	-
Unappropriated earnings	553,261,982	39	382,971,408	32
	704,512,664	49	518,193,152	43
Others (Note 21)	25,749,291	2	14,170,306	1
Total equity	1,045,548,501	73	847,508,255	70
TOTAL	$ 1,423,044,424	100	$ 1,208,579,003	100

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

Taiwan Semiconductor Manufacturing Company Limited

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

	2014		2013	
	Amount	%	Amount	%
NET REVENUE (Notes 5, 23 and 33)	$ 757,152,389	100	$ 591,087,600	100
COST OF REVENUE (Notes 10, 29 and 33)	390,272,233	51	319,407,163	54
GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	366,880,156	49	271,680,437	46
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES	31,547	-	(35,577)	-
GROSS PROFIT	366,911,703	49	271,644,860	46
OPERATING EXPENSES (Notes 5, 29 and 33)				
Research and development	55,813,561	8	46,922,471	8
General and administrative	17,761,799	2	17,697,411	3
Marketing	2,685,734	-	2,304,472	-
Total operating expenses	76,261,094	10	66,924,354	11
OTHER OPERATING INCOME AND EXPENSES, NET (Note 29)	9,049	-	(66,614)	-
INCOME FROM OPERATIONS	290,659,658	39	204,653,892	35
NON-OPERATING INCOME AND EXPENSES				
Share of profits of subsidiaries and associates (Note 12)	9,292,150	1	9,530,933	2
Other income (Note 24)	1,141,884	-	1,082,426	-
Foreign exchange gain, net	2,142,565	-	279,488	-
Finance costs (Note 25)	(2,512,231)	-	(2,092,236)	-
Other gains and losses (Notes 26 and 33)	299,137	-	2,262,047	-
Total non-operating income and expenses	10,363,505	1	11,062,658	2
INCOME BEFORE INCOME TAX	301,023,163	40	215,716,550	37
INCOME TAX EXPENSE (Note 27)	37,124,369	5	27,569,760	5
NET INCOME	263,898,794	35	188,146,790	32

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 12, 19, 21 and 27)				
Exchange differences arising on translation of foreign operations	$ 11,784,245	1	$ 3,655,675	1
Changes in fair value of available-for-sale financial assets	30,183	-	(214,935)	-
Share of other comprehensive income (loss) of subsidiaries and associates	(227,390)	-	13,472,874	2
Actuarial gain (loss) from defined benefit plans	268,682	-	(671,774)	-
Income tax benefit (expense) related to components of other comprehensive income	(37,373)	-	117,152	-
Other comprehensive income for the year, net of income tax	11,818,347	1	16,358,992	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 275,717,141	36	$ 204,505,782	35
EARNINGS PER SHARE (NT$, Note 28)				
Basic earnings per share	$ 10.18		$ 7.26	
Diluted earnings per share	$ 10.18		$ 7.26	

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

Taiwan Semiconductor Manufacturing Company Limited

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

	Capital Stock - Common Stock			Retained Earnings				Others				
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total	Total Equity
BALANCE, JANUARY 1, 2013	25,924,435	$ 259,244,357	$ 55,675,340	$ 115,820,123	$ 7,606,224	$ 284,985,121	$ 408,411,468	$ (10,753,806)	$ 7,973,321	$ -	$ (2,780,485)	$ 720,550,680
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	16,615,880	-	(16,615,880)	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(4,820,483)	4,820,483	-	-	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(77,773,307)	(77,773,307)	-	-	-	-	(77,773,307)
Total	-	-	-	16,615,880	(4,820,483)	(89,568,704)	(77,773,307)	-	-	-	-	(77,773,307)
Net income in 2013	-	-	-	-	-	188,146,790	188,146,790	-	-	-	-	188,146,790
Other comprehensive income in 2013, net of income tax	-	-	-	-	-	(591,799)	(591,799)	3,613,444	13,337,460	(113)	16,950,791	16,358,992
Total comprehensive income in 2013	-	-	-	-	-	187,554,991	187,554,991	3,613,444	13,337,460	(113)	16,950,791	204,505,782
Issuance of stock from exercise of employee stock options	4,182	41,814	82,756	-	-	-	-	-	-	-	-	124,570
Adjustments to share of changes in equities of associates	-	-	38,084	-	-	-	-	-	-	-	-	38,084
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	62,446	-	-	-	-	-	-	-	-	62,446
BALANCE, DECEMBER 31, 2013	25,928,617	259,286,171	55,858,626	132,436,003	2,785,741	382,971,408	518,193,152	(7,140,362)	21,310,781	(113)	14,170,306	847,508,255
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	18,814,679	-	(18,814,679)	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(2,785,741)	2,785,741	-	-	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(77,785,851)	(77,785,851)	-	-	-	-	(77,785,851)
Total	-	-	-	18,814,679	(2,785,741)	(93,814,789)	(77,785,851)	-	-	-	-	(77,785,851)
Net income in 2014	-	-	-	-	-	263,898,794	263,898,794	-	-	-	-	263,898,794
Other comprehensive income in 2014, net of income tax	-	-	-	-	-	239,362	239,362	11,642,475	(63,298)	(192)	11,578,985	11,818,347
Total comprehensive income in 2014	-	-	-	-	-	264,138,156	264,138,156	11,642,475	(63,298)	(192)	11,578,985	275,717,141
Issuance of stock from exercise of employee stock options	1,045	10,453	36,602	-	-	-	-	-	-	-	-	47,055
Disposal of investments accounted for using equity method	-	-	(2,273)	-	-	-	-	-	-	-	-	(2,273)
Adjustments to share of changes in equities of associates	-	-	93,459	-	-	-	-	-	-	-	-	93,459
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	(8)	-	-	(32,793)	(32,793)	-	-	-	-	(32,801)
From share of changes in equities of subsidiaries	-	-	3,516	-	-	-	-	-	-	-	-	3,516
BALANCE, DECEMBER 31, 2014	25,929,662	$ 259,296,624	$ 55,989,922	$ 151,250,682	$ -	$ 553,261,982	$ 704,512,664	$ 4,502,113	$ 21,247,483	$ (305)	$ 25,749,291	$1,045,548,501

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

Taiwan Semiconductor Manufacturing Company Limited

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 301,023,163	$ 215,716,550
Adjustments for:		
Depreciation expense	191,590,059	147,266,825
Amortization expense	2,487,860	2,072,926
Finance costs	2,512,231	2,092,236
Share of profits of subsidiaries and associates	(9,292,150)	(9,530,933)
Interest income	(1,029,508)	(1,011,301)
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	(21,331)	64,753
Impairment loss of financial assets	90,774	-
Gain on disposal of available-for-sale financial assets, net	(127,161)	(846,709)
Gain on disposal of financial assets carried at cost, net	(5,397)	(42,664)
Loss (gain) on disposal of investments accounted for using equity method	(2,028,643)	656
Gain on deconsolidation of subsidiary	-	(293,578)
Unrealized (realized) gross profit on sales to subsidiaries and associates	(31,547)	35,577
Loss on foreign exchange, net	3,615,493	315,098
Dividend income	(112,376)	(71,125)
Changes in operating assets and liabilities:		
Derivative financial instruments	381,070	(6,076)
Notes and accounts receivable, net	(5,360,307)	(2,193,483)
Receivables from related parties	(35,450,110)	(11,982,359)
Other receivables from related parties	(44,800)	(257,810)
Inventories	(28,280,226)	53,330
Other financial assets	(1,797,351)	68,313
Other current assets	(399,739)	(266,929)
Accounts payable	5,095,232	182,965
Payables to related parties	596,749	961,579
Salary and bonus payable	2,149,698	847,330
Accrued profit sharing to employees and bonus to directors	5,314,019	1,552,210
Accrued expenses and other current liabilities	6,469,226	3,422,182
Provisions	2,742,486	1,484,593
Accrued pension cost	59,872	14,224
Cash generated from operations	440,147,286	349,648,380
Income taxes paid	(29,636,283)	(14,365,054)
Net cash generated by operating activities	410,511,003	335,283,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets carried at cost	-	(2,177)
Held to maturity financial assets	(5,882,316)	(1,795,949)
Property, plant and equipment	(283,231,097)	(285,889,575)
Intangible assets	(3,846,384)	(2,727,399)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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

	2014	2013
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	$ 190,886	$ 1,830,424
Held-to-maturity financial assets	3,200,000	700,000
Financial assets carried at cost	10,843	59,222
Investments accounted for using equity method	3,471,883	-
Property, plant and equipment	117,578	162,068
Cash received from other long-term receivables	161,900	-
Interest received	1,043,898	1,057,553
Other dividends received	112,376	71,125
Dividends received from investments accounted for using equity method	2,664,207	2,151,373
Refundable deposits paid	(57,351)	(96,072)
Refundable deposits refunded	2,290,791	112,204
Net cash used in investing activities	(279,752,786)	(284,367,203)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	18,563,525	(19,636,240)
Proceeds from issuance of bonds	-	86,200,000
Interest paid	(2,504,871)	(1,286,296)
Guarantee deposits received	30,140,940	40,729
Guarantee deposits refunded	(7,075)	(111,313)
Proceeds from exercise of employee stock options	47,055	124,570
Payment of partial acquisition of interests in subsidiaries	(60,904,793)	(1,357,222)
Proceeds from partial disposal of interests in subsidiaries	113,317	170,914
Cash dividends	(77,785,851)	(77,773,307)
Net cash used in financing activities	(92,337,753)	(13,628,165)
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,420,464	37,287,958
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	146,438,768	109,150,810
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 184,859,232	$ 146,438,768

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

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (the "Company" or "TSMC"), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. The Company 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, the Company's shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, the Company 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.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on February 10, 2015.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

As of the date that the accompanying parent company only financial statements were issued, the Company has not applied the following International Financial Reporting Standards, International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IAS (SIC) issued by the International Accounting Standards Board (IASB) (collectively, "IFRSs").

a. The Guidelines Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs version in issue but not yet effective

On April 3, 2014, according to Rule No. 1030029342 and Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC), the following 2013 IFRSs version endorsed by the FSC (collectively, "2013 Taiwan-IFRSs version") and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company starting 2015.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Amendments to IFRSs Improvements to IFRSs 2009 - Amendment to IAS 39	January 1, 2009 or January 1, 2010
Amendment to IAS 39 Embedded Derivatives	Effective in fiscal year ended on or after June 30, 2009
Improvements to IFRSs 2010	July 1, 2010 or January 1, 2011
Annual Improvements to IFRSs 2009 - 2011 Cycle	January 1, 2013

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters	July 1, 2010
Amendment to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendment to IFRS 7 Disclosures - Transfers of Financial Assets	July 1, 2011
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
Amendment to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014

(Concluded)

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

Except for the following items, the Company believes that the adoption of aforementioned 2013 Taiwan-IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers will not have a significant effect on the Company's parent company only financial statements.

1) IFRS 12, "Disclosure of Interests in Other Entities"

   IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in IFRS 12 for standalone financial statements are more extensive than in the current standards.

2) IFRS 13, "Fair Value Measurement"

   IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

   The measurement requirements of IFRS 13 shall be applied prospectively.

3) Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

   According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the

same basis. The aforementioned allocation basis will not be strictly enforced prior to the adoption of amendments.

The items that will not be reclassified subsequently to profit or loss are expected to include actuarial gains or losses from defined benefit plans, the share of actuarial gains or losses from defined benefit plans of subsidiaries and associates as well as the related income tax on such items. Items that will be reclassified subsequently to profit or loss are expected to include exchange differences arising on translation of foreign operations, changes in fair value of available-for-sale financial assets, cash flow hedges, the share of other comprehensive income of subsidiaries and associates as well as the related income tax on items of other comprehensive income.

4) Amendments to IAS 19, "Employee Benefits"

The amendments to IAS 19 require the Company to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. In addition, the amendments also require a broader disclosure in defined benefit plans.

According to the retrospective application of aforementioned amendments, as of December 31, 2014 and January 1, 2014, the primary impacts on the Company would include the adjustment in accrued pension cost for a decrease of NT$735,381 thousand and NT$786,186 thousand, respectively, and the adjustment in retained earnings (including adjustment to share of profits of equity method investees) for an increase of NT$653,708 thousand and NT$698,710 thousand, respectively.

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

The Company has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. As of the date that the parent company only financial statements were issued, the initial adoption to the following standards and interpretations is still subject to the effective date to be published by the FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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
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	Prospectively applicable to transactions beginning on or after January 1, 2016
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, 2017

(Continued)

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

(Concluded)

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

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

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

1) IFRS 9, "Financial Instruments"

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

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

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

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

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

assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

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

2) IFRS 15, "Revenue from Contracts with Customers"

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

3) 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 year 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 parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying parent company only 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 parent company only financial statements shall prevail.

Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the "Accounting Standards Used in Preparation of the Parent Company Only Financial Statements").

Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting period. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. Fair value is determined in the manner described in Note 32.

Financial Assets

Financial assets are classified into the following specified categories: Financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" financial assets, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

Stocks held by the Company that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period.

Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

Impairment of financial assets

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its market risk exposure to foreign exchange rate and interest rate, including forward exchange contracts and currency swap contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Noncurrent Assets Held for Sale

Noncurrent assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when

the sale is highly probable and the noncurrent asset held for sale is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the committed sale plan involves loss of control of a subsidiary, all of the investments of that subsidiary are classified as held for sale and still using equity methods, regardless of whether investments in its former subsidiary is retained after the sale.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation would cease.

Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in subsidiaries and associates.

Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these parent company only financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as

the distribution received. The Company also recognizes its share in the changes in the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

If the Company's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Company should account for the investments on the same basis as would be required if the associate had directly disposed of the related assets or liabilities; in addition, the Company should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

When the Company transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Company' parent company only financial statements only to the extent of interests in the associate that are not owned by the Company.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: buildings - 10 to 20 years; machinery and equipment - 2 to 5 years; and office equipment - 3 to 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Intangible Assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: Technology license fees - the estimated life of the technology or the term of the technology transfer contract; software and system design costs - 3 years; patent and others - the economic life or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Tangible and Intangible Assets

Goodwill

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash-generating unit and then to the other assets of the cash-generating unit pro rata based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In principle, payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Royalties, dividend and interest income

Revenue from royalties is recognized on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Retirement Benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial calculations being carried out at year end. Actuarial gains and losses are reported in retained earnings in the period that they are recognized as other comprehensive income.

Share-based Payment Arrangements

The Company elected to take the optional exemption according to related guidance for the share-based payment transactions granted and vested before January 1, 2012, the date of transition to Accounting Standards Used in Preparation of the Parent Company Only Financial Statements. There were no stock options granted prior to but unvested at the date of transition.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Income tax on unappropriated earnings at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only

recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

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

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the parent company only financial statements.

Revenue Recognition

The Company recognizes revenue when the conditions described in Note 4 are satisfied. The Company also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

Impairment of Tangible and Intangible Assets Other than Goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

Impairment of Goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units.

Impairment Assessment on Investment Using Equity Method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

Recognition and Measurement of Defined Benefit Plans

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash and deposits in banks	$ 179,181,443	$ 142,049,643
Repurchase agreements collateralized by corporate bonds	3,920,562	1,708,603
Commercial paper	1,159,325	-
Repurchase agreements collateralized by short-term commercial paper	449,180	2,395,644
Repurchase agreements collateralized by government bonds	148,722	284,878
	$ 184,859,232	$ 146,438,768

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

	December 31, 2014	December 31, 2013
Derivative financial assets		
Cross currency swap contracts	$ 94,665	$ -
Forward exchange contracts	40,159	64,030
	$ 134,824	$ 64,030
Derivative financial liabilities		
Cross currency swap contracts	$ 357,235	$ -
Forward exchange contracts	120,033	25,404
	$ 477,268	$ 25,404

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
December 31, 2014		
Sell US$/Buy EUR	January 2015	US$29,450/EUR24,100
Sell US$/Buy JPY	January 2015	US$225,167/JPY27,050,983
Sell US$/Buy NT$	January 2015	US$170,000/NT$5,276,500
December 31, 2013		
Sell NT$/Buy EUR	January 2014	NT$4,514,314/EUR110,000
Sell US$/Buy EUR	January 2014	US$340,134/EUR248,000
Sell US$/Buy JPY	January 2014	US$341,023/JPY35,754,801

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
December 31, 2014			
January 2015	US$1,460,000/NT$45,974,755	0.16%-1.92%	-

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2014	December 31, 2013
Current portion		
Commercial paper	$ 4,485,593	$ 1,795,949

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2014	December 31, 2013
Notes and accounts receivable	$ 23,289,686	$ 17,929,379
Allowance for doubtful receivables	(483,502)	(483,502)
Notes and accounts receivable, net	$ 22,806,184	$ 17,445,877

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

	December 31, 2014	December 31, 2013
Neither past due nor impaired	$ 21,586,900	$ 17,119,920
Past due but not impaired		
Past due within 30 days	1,219,284	325,957
	$ 22,806,184	$ 17,445,877

Movements of the allowance for doubtful receivables

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	$ 8,058	$ 475,444	$ 483,502
Provision	35	23,221	23,256
Reversal	-	(23,256)	(23,256)
Balance at December 31, 2014	$ 8,093	$ 475,409	$ 483,502

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	$ 134,179	$ 339,858	$ 474,037
Provision	-	135,586	135,586
Reversal	(126,121)	-	(126,121)
Balance at December 31, 2013	$ 8,058	$ 475,444	$ 483,502

(Concluded)

Aging analysis of accounts receivable that is individually determined as impaired

	December 31, 2014	December 31, 2013
Not past due	$ -	$ 38
Past due 1-30 days	-	276
Past due 31-60 days	-	80
Past due 61-120 days	-	158
Past due over 121 days	8,093	7,824
	$ 8,093	$ 8,376

The Company held bank guarantees and other credit enhancements as collateral for certain impaired accounts receivables. As of December 31, 2014 and 2013, the amount of the bank guarantee and other credit enhancements were nil and NT$318 thousand (US$11 thousand), respectively.

10. INVENTORIES

	December 31, 2014	December 31, 2013
Finished goods	$ 9,443,538	$ 7,049,813
Work in process	49,701,123	24,857,927
Raw materials	3,014,795	2,208,291
Supplies and spare parts	1,363,831	1,127,030
	$ 63,523,287	$ 35,243,061

Write-down of inventories to net realizable value in the amount of NT$1,810,449 thousand and NT$526,182 thousand, respectively, were included in the cost of revenue for the years ended December 31, 2014 and 2013.

11. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2014	December 31, 2013
Non-publicly traded stocks	$ 337,864	$ 337,864
Mutual funds	35,294	131,514
	$ 373,158	$ 469,378

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 Company recognized impairment loss on financial assets carried at cost in the amount of NT$90,774 thousand and nil for the years ended December 31, 2014 and 2013, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	December 31, 2014	December 31, 2013
Subsidiaries	$ 220,462,573	$ 144,139,436
Associates	21,554,391	20,936,345
	$ 242,016,964	$ 165,075,781

a. Investments in subsidiaries

Subsidiaries consisted of the following:

Subsidiaries	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
TSMC Global Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	$ 132,330,833	$ 64,953,489	100%	100%
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	47,449,368	42,861,788	100%	100%
TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Shanghai, China	31,853,813	23,845,371	100%	100%
TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	3,984,370	3,763,194	100%	100%
TSMC Solar Ltd. (TSMC Solar)	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	Tai-Chung, Taiwan	2,877,245	4,551,318	99%	99%
VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	810,958	892,439	98%	50%
VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	469,709	441,763	98%	98%
TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	312,052	290,838	100%	100%
Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands	155,122	144,924	99.5%	99.5%
TSMC Japan Limited (TSMC Japan)	Marketing activities	Yokohama, Japan	120,116	124,762	100%	100%

(Continued)

Subsidiaries	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
TSMC Guang Neng Investment, Ltd. (TSMC GN)	Investment activities	Taipei, Taiwan	$ 65,560	$ 85,162	100%	100%
TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	33,427	29,475	100%	100%
TSMC Solid State Lighting Ltd. (TSMC SSL)	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	Hsin-Chu, Taiwan	-	2,154,913	92%	92%
			$ 220,462,573	$ 144,139,436		

(Concluded)

In January 2015, the Board of Directors of the Company approved a sale of TSMC SSL common shares of 565,480 thousand held by the Company and TSMC Guang Neng with the expectation to complete the sale within twelve months. Accordingly, the Company has reclassified TSMC SSL as a disposal group held for sale by using equity methods with NT$669,472 thousand in the parent company only balance sheet as of December 31, 2014.

To lower the hedging cost, in the second half of 2014, the Company continually increased its investment in TSMC Global for the amount of NT$60,787,623 thousand. This project was approved by the Investment Commission, MOEA.

According to the agreement among the Company, TSMC Solar and VTAF III, each of the investment held by VTAF III is separately owned by the Company and TSMC Solar. As the investment owned by VTAF III, which is indirectly owned by TSMC Solar, has entered into liquidation process due to bankruptcy and the bankruptcy trustee confirmed that no residual assets could be reimbursed to the shareholders, in the second quarter of 2014, TSMC Solar's percentage of ownership over VTAF III has decreased to nil. Consequently, the Company's percentage of ownership over VTAF III has been adjusted to 98%.

In January 2012, the Company invested NT$100,000 thousand and established a wholly-owned subsidiary, TSMC GN, which engages mainly in investment activities. In May 2013 and in February 2012, the Company participated directly or through TSMC GN in the issuance of new shares by TSMC SSL and TSMC Solar for cash. As of December 31, 2013, the Company's percentages of ownership in TSMC SSL and TSMC Solar were 92% and 99%, respectively.

b. Investments in associates

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Vanguard International Semiconductor Corporation (VIS)	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	Hsinchu, Taiwan	$ 10,100,750	$ 10,556,348	33%	39%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Fabrication and supply of integrated circuits	Singapore	8,296,955	7,457,733	39%	39%
Xintec Inc. (Xintec)	Wafer level chip size packaging service	Taoyuan, Taiwan	2,053,982	1,866,123	40%	40%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,102,704	1,056,141	35%	35%
			$ 21,554,391	$ 20,936,345		

In the second quarter of 2014, the Company sold 82,000 thousand common shares of VIS and recognized a disposal gain of NT$2,028,643 thousand. After the sale, the Company owned approximately 33.7% of the equity interest in VIS.

Starting June 2013, the Company has no power to govern the financial and operating policies of Xintec due to the loss of power to cast the majority of votes at meetings of the Board of Directors, but over which the Company still retains significant influence. Accordingly, Xintec is reclassified as an associate. Please refer to Note 30.

The summarized financial information in respect of the Company's associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with the Accounting Standards Used in Preparation of the Parent Company Only Financial Statements, which is also adjusted by the Company using the equity method of accounting.

	December 31, 2014	December 31, 2013
Total assets	$ 71,423,287	$ 62,946,717
Total liabilities	(14,258,146)	(12,103,610)
Net assets	$ 57,165,141	$ 50,843,107
The Company's share of net assets of associates	$ 21,554,391	$ 20,936,345

	Years Ended December 31	
	2014	2013
Net revenue	$ 50,487,567	$ 46,268,485
Net income	$ 11,798,098	$ 9,946,540
Other comprehensive loss	$ (55,507)	$ (4,148)
The Company's share of profits of associates	$ 4,149,927	$ 3,827,244
The Company's share of other comprehensive loss of associates	$ (15,260)	$ (2,190)

The market prices of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period are summarized as follows:

Name of Associate	December 31, 2014	December 31, 2013
VIS	$ 28,567,489	$ 22,239,112
GUC	$ 4,327,965	$ 3,454,902

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Equipment under Installation and Construction in Progress	Total
Cost						
Balance at January 1, 2014	$ 3,212,000	$ 205,258,852	$ 1,340,527,340	$ 19,806,369	$ 271,779,222	$ 1,840,583,783
Additions (Deductions)	-	39,751,834	337,877,675	6,304,092	(166,062,463)	217,871,138
Disposals or retirements	-	(108,660)	(1,561,157)	(616,291)	-	(2,286,108)
Balance at December 31, 2014	$ 3,212,000	$ 244,902,026	$ 1,676,843,858	$ 25,494,170	$ 105,716,759	$ 2,056,168,813

(Continued)

	Land	Buildings	Machinery and Equipment	Office Equipment	Equipment under Installation and Construction in Progress	Total
Accumulated depreciation and impairment						
Balance at January 1, 2014	$ -	$ 111,137,344	$ 946,619,776	$ 12,383,169	$ -	$ 1,070,140,289
Additions	-	13,835,274	174,810,943	2,943,842	-	191,590,059
Disposals or retirements	-	(107,699)	(1,521,949)	(616,248)	-	(2,245,896)
Balance at December 31, 2014	$ -	$ 124,864,919	$ 1,119,908,770	$ 14,710,763	$ -	$ 1,259,484,452
Carrying amounts at December 31, 2014	$ 3,212,000	$ 120,037,107	$ 556,935,088	$ 10,783,407	$ 105,716,759	$ 796,684,361
Cost						
Balance at January 1, 2013	$ -	$ 173,442,106	$ 1,203,400,605	$ 16,683,484	$ 118,775,347	$ 1,512,301,542
Additions	3,212,000	31,812,949	139,527,643	3,631,477	153,007,821	331,191,890
Disposals or retirements	-	-	(2,400,908)	(508,592)	(3,946)	(2,913,446)
Reclassification	-	3,797	-	-	-	3,797
Balance at December 31, 2013	$ 3,212,000	$ 205,258,852	$ 1,340,527,340	$ 19,806,369	$ 271,779,222	$ 1,840,583,783
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ 99,742,344	$ 815,214,410	$ 10,708,752	$ -	$ 925,665,506
Additions	-	11,395,000	133,688,815	2,183,010	-	147,266,825
Disposals or retirements	-	-	(2,283,449)	(508,593)	-	(2,792,042)
Balance at December 31, 2013	$ -	$ 111,137,344	$ 946,619,776	$ 12,383,169	$ -	$ 1,070,140,289
Carrying amounts at December 31, 2013	$ 3,212,000	$ 94,121,508	$ 393,907,564	$ 7,423,200	$ 271,779,222	$ 770,443,494

(Concluded)

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.

14. INTANGIBLE ASSETS

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Cost					
Balance at January 1, 2014	$ 1,567,756	$ 4,186,558	$ 16,897,653	$ 3,313,646	$ 25,965,613
Additions	-	1,906,892	1,685,812	822,510	4,415,214
Retirements	-	-	(51,405)	-	(51,405)
Balance at December 31, 2014	$ 1,567,756	$ 6,093,450	$ 18,532,060	$ 4,136,156	$ 30,329,422
Accumulated amortization					
Balance at January 1, 2014	$ -	$ 3,205,873	$ 13,277,625	$ 2,412,659	$ 18,896,157
Additions	-	400,104	1,479,948	607,808	2,487,860
Retirements	-	-	(51,405)	-	(51,405)
Balance at December 31, 2014	$ -	$ 3,605,977	$ 14,706,168	$ 3,020,467	$ 21,332,612
Carrying amounts at December 31, 2014	$ 1,567,756	$ 2,487,473	$ 3,825,892	$ 1,115,689	$ 8,996,810
Cost					
Balance at January 1, 2013	$ 1,567,756	$ 4,186,558	$ 14,880,058	$ 2,646,738	$ 23,281,110
Additions	-	-	2,130,713	565,901	2,696,614
Retirements	-	-	(2,373)	-	(2,373)
Reclassification	-	-	(110,745)	101,007	(9,738)
Balance at December 31, 2013	$ 1,567,756	$ 4,186,558	$ 16,897,653	$ 3,313,646	$ 25,965,613

(Continued)

	Goodwill	Technology License Fees	Software and System Design Costs	Patent and Others	Total
Accumulated amortization					
Balance at January 1, 2013	$ -	$ 2,959,971	$ 11,965,445	$ 1,905,857	$ 16,831,273
Additions	-	245,902	1,320,222	506,802	2,072,926
Retirements	-	-	(2,101)	-	(2,101)
Reclassification	-	-	(5,941)	-	(5,941)
Balance at December 31, 2013	$ -	$ 3,205,873	$ 13,277,625	$ 2,412,659	$ 18,896,157
Carrying amounts at December 31, 2013	$ 1,567,756	$ 980,685	$ 3,620,028	$ 900,987	$ 7,069,456

(Concluded)

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% and 8.50% in its test of impairment as of December 31, 2014 and 2013, respectively, to reflect the relevant specific risk in the cash-generating unit.

For the years ended December 31, 2014 and 2013, the Company did not recognize any impairment loss on goodwill.

15. OTHER ASSETS

	December 31, 2014	December 31, 2013
Tax receivable	$ 1,647,278	$ 1,547,706
Prepaid expenses	1,144,385	837,425
Long-term receivable	385,700	820,000
Others	3	900
	$ 3,177,366	$ 3,206,031
Current portion	$ 2,791,666	$ 2,386,031
Noncurrent portion	385,700	820,000
	$ 3,177,366	$ 3,206,031

16. SHORT-TERM LOANS

	December 31, 2014	December 31, 2013
Unsecured loans		
Amount	$ 36,158,520	$ 15,645,000
Original loan content		
US$ (in thousands)	$ 1,140,000	$ 525,000
Annual interest rate	0.38%-0.50%	0.38%-0.42%
Maturity date	Due in January 2015	Due in January 2014

17. PROVISIONS

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 7,217,331	$ 5,732,738
Provision	9,864,651	6,187,344
Payment	(7,122,165)	(4,702,751)
Balance, end of year	$ 9,959,817	$ 7,217,331

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 year of the related product sales.

18. BONDS PAYABLE

	December 31, 2014	December 31, 2013
Noncurrent portion		
Domestic unsecured bonds	$ 166,200,000	$ 166,200,000

The major terms of domestic unsecured bonds are as follows:

Issuance	Tranche	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
100-1	A	September 2011 to September 2016	$ 10,500,000	1.40%	Bullet repayment; interest payable annually
	B	September 2011 to September 2018	7,500,000	1.63%	The same as above
100-2	A	January 2012 to January 2017	10,000,000	1.29%	The same as above
	B	January 2012 to January 2019	7,000,000	1.46%	The same as above
101-1	A	August 2012 to August 2017	9,900,000	1.28%	The same as above
	B	August 2012 to August 2019	9,000,000	1.40%	The same as above
101-2	A	September 2012 to September 2017	12,700,000	1.28%	The same as above
	B	September 2012 to September 2019	9,000,000	1.39%	The same as above
101-3	-	October 2012 to October 2022	4,400,000	1.53%	The same as above
101-4	A	January 2013 to January 2018	10,600,000	1.23%	The same as above
	B	January 2013 to January 2020	10,000,000	1.35%	The same as above
	C	January 2013 to January 2023	3,000,000	1.49%	The same as above

(Continued)

Issuance	Tranche	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
102-1	A	February 2013 to February 2018	$ 6,200,000	1.23%	Bullet repayment; interest payable annually
	B	February 2013 to February 2020	11,600,000	1.38%	The same as above
	C	February 2013 to February 2023	3,600,000	1.50%	The same as above
102-2	A	July 2013 to July 2020	10,200,000	1.50%	The same as above
	B	July 2013 to July 2023	3,500,000	1.70%	The same as above
102-3	A	August 2013 to August 2017	4,000,000	1.34%	The same as above
	B	August 2013 to August 2019	8,500,000	1.52%	The same as above
102-4	A	September 2013 to September 2016	1,500,000	1.35%	The same as above
	B	September 2013 to September 2017	1,500,000	1.45%	The same as above
	C	September 2013 to March 2019	1,400,000	1.60%	Bullet repayment; interest payable annually (interest for the six months prior to maturity will accrue on the basis of actual days and be repayable at maturity)
	D	September 2013 to March 2021	2,600,000	1.85%	The same as above
	E	September 2013 to March 2023	5,400,000	2.05%	The same as above
	F	September 2013 to September 2023	2,600,000	2.10%	Bullet repayment; interest payable annually

(Concluded)

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT$1,465,336 thousand and NT$1,355,947 thousand in the parent company only statements of comprehensive income for the years ended December 31, 2014 and 2013, respectively.

b. Defined benefit plans

The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. The Company revised its defined benefit plan in the fourth quarter of 2013 to set the employee's mandatory retirement age. Such plan changes have reflected in the actuarial results as of December 31, 2013.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2014	December 31, 2013
Discount rate	2.25%	2.15%
Future salary rate increase	3.00%	3.00%
Expected rate of return on plan assets	1.50%	1.25%

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	Years Ended December 31	
	2014	2013
Current service cost	$ 157,514	$ 129,749
Interest cost	216,903	172,486
Expected return on plan assets	(43,679)	(66,001)
Past service cost	(50,805)	(7,126)
	$ 279,933	$ 229,108

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31	
	2014	2013
Cost of revenue	$ 181,962	$ 148,787
Research and development expenses	74,431	59,518
General and administrative expenses	18,759	16,766
Marketing expenses	4,781	4,037
	$ 279,933	$ 229,108

For the years ended December 31, 2014 and 2013, the pre-tax actuarial benefit NT$268,682 thousand and the pre-tax actuarial loss NT$671,774 thousand were recognized in other comprehensive income (loss), respectively. As of December 31, 2014 and 2013, the pre-tax accumulated actuarial loss recognized in other comprehensive income were NT$1,080,505 thousand and NT$1,349,187 thousand, respectively.

The amounts arising from the defined benefit obligation of the Company in the parent company only balance sheets were as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	$ 10,236,262	$ 10,176,332
Fair value of plan assets	(3,689,413)	(3,471,478)
Funded status	6,546,849	6,704,854
Unrecognized prior service cost	735,381	786,186
Accrued pension cost	$ 7,282,230	$ 7,491,040

Movements in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 10,176,332	$ 9,931,695
Current service cost	157,514	129,749
Interest cost	216,903	172,486
Effect of plan changes	-	(655,179)
Benefits paid from plan assets	(84,186)	(50,508)
Actuarial loss (gain)	(230,301)	648,089
Balance, end of year	$ 10,236,262	$ 10,176,332

Movements in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 3,471,478	$ 3,264,786
Expected return on plan assets	43,679	66,001
Actuarial gain (loss)	38,381	(23,685)
Contributions from employer	220,061	214,884
Benefits paid from plan assets	(84,186)	(50,508)
Balance, end of year	$ 3,689,413	$ 3,471,478

The percentage of the fair value of the plan assets by major categories at the end of reporting period was as follows:

	Fair Value of Plan Assets (%)	
	December 31, 2014	December 31, 2013
Cash	19	23
Equity instruments	50	45
Debt instruments	31	32
	100	100

The overall expected rate of return on plan assets was based on the historical return trends, analysts' predictions of the market over the life of related obligation, reference to the performance of the Funds operated by the Committee and the consideration of the effect that the minimum return should not be less than the average interest rate on a two-year time deposit published by the local banks. For the years ended December 31, 2014 and 2013, the actual return on plan assets were NT$82,060 thousand and NT$42,316 thousand, respectively.

The Company elects to disclose the historical information of experience adjustments from the adoption of Accounting Standards Used in Preparation of Parent Company Only Financial Statements, which is as follows:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Experience adjustments on plan liabilities	$ (81,309)	$ 1,298,932	$ 391,826	$ -
Experience adjustments on plan assets	$ 38,381	$ (23,685)	$ (28,950)	$ -

The Company expects to make contributions of NT$226,663 thousand to the defined benefit plans in the next year starting from December 31, 2014.

20. GUARANTEE DEPOSITS

	December 31, 2014	December 31, 2013
Capacity guarantee	$ 30,132,100	$ -
Others	160,451	147,964
	$ 30,292,551	$ 147,964
Current portion (classified under accrued expenses and other current liabilities)	$ 4,757,700	$ -
Noncurrent portion	25,534,851	147,964
	$ 30,292,551	$ 147,964

21. EQUITY

a. Capital stock

	December 31, 2014	December 31, 2013
Authorized shares (in thousands)	28,050,000	28,050,000
Authorized capital	$ 280,500,000	$ 280,500,000
Issued and paid shares (in thousands)	25,929,662	25,928,617
Issued capital	$ 259,296,624	$ 259,286,171

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 December 31, 2014, 1,073,361 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,366,803 thousand shares (one ADS represents five common shares).

b. Capital surplus

	December 31, 2014	December 31, 2013
Additional paid-in capital	$ 24,053,965	$ 24,017,363
From merger	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	100,827
From share of changes in equities of subsidiaries	104,335	-
From share of changes in equities of associates	134,210	43,024
Donations	55	55
	$ 55,989,922	$ 55,858,626

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, convertible bonds, the surplus from treasury stock transactions and the differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries) 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 the Company'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

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company 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 the Company'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 the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company 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.

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

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

The Company accrued profit sharing to employees based on certain percentage of net income during the period, which amounted to NT$17,645,966 thousand and NT$12,634,665 thousand for the years ended December 31, 2014 and 2013, respectively. Bonuses to members of the Board of Directors were expensed based on estimated amount payable. If the actual amounts subsequently approved by the shareholders differ from the amounts estimated, the differences are recorded in the year such bonuses are approved by the shareholders as a change in accounting estimate. If profit sharing approved for distribution to employees is in the form of common shares, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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 2013 and 2012 earnings have been approved by the Company's shareholders in its meetings held on June 24, 2014 and on June 11, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2013	For Fiscal Year 2012	For Fiscal Year 2013	For Fiscal Year 2012
Legal capital reserve	$ 18,814,679	$ 16,615,880		
Special capital reserve	(2,785,741)	(4,820,483)		
Cash dividends to shareholders	77,785,851	77,773,307	$3.00	$3.00
	$ 93,814,789	$ 89,568,704		

The Company's profit sharing to employees and bonus to members of the Board of Directors in the amounts of NT$12,634,665 thousand and NT$104,136 thousand in cash for 2013, respectively, and profit sharing to employees and bonus to members of the Board of Directors in the amounts of NT$11,115,240 thousand and NT$71,351 thousand in cash for 2012, respectively, had been approved by the shareholders in its meetings held on June 24, 2014 and June 11, 2013, respectively. The aforementioned approved amount is the same as the one approved by the Board of Directors in its meetings held on February 18, 2014 and February 5, 2013, respectively, and the same amount had been charged against earnings for the years ended December 31, 2013 and 2012, respectively.

The Company's appropriations of earnings for 2014 had been approved in the meeting of the Board of Directors held on February 10, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
	For Fiscal Year 2014	For Fiscal Year 2014
Legal capital reserve	$ 26,389,879	
Cash dividends to shareholders	116,683,481	$ 4.50
	$ 143,073,360	

The Board of Directors of the Company also approved the profit sharing to employees and bonus to members of the Board of Directors in the amounts of NT$17,645,966 thousand and NT$406,854 thousand in cash for payment in 2014, respectively. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2014.

The appropriations of earnings, profit sharing to employees and bonus to members of the Board of Directors for 2014 are to be presented for approval in the Company's shareholders' meeting to be held on June 9, 2015 (expected).

The information about the appropriations of the Company's profit sharing to employees and bonus to members of the Board of Directors is available at the Market Observation Post System website.

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 the Company on earnings generated since January 1, 1998.

d. Others

Changes in others were as follows:

	Year Ended December 31, 2014			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance, beginning of year	$ (7,140,362)	$ 21,310,781	$ (113)	$ 14,170,306
Exchange differences arising on translation of foreign operations	11,784,245	-	-	11,784,245
Changes in fair value of available-for-sale financial assets	-	157,344	-	157,344
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	(127,161)	-	(127,161)
Share of other comprehensive income of subsidiaries and associates	(144,787)	(85,430)	(192)	(230,409)

(Continued)

	Year Ended December 31, 2014			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	$ 3,017	$ (2,920)	$ -	$ 97
Income tax effect	-	(5,131)	-	(5,131)
Balance, end of year	$ 4,502,113	$ 21,247,483	$ (305)	$ 25,749,291

(Concluded)

	Year Ended December 31, 2013			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance, beginning of year	$(10,753,806)	$ 7,973,321	$ -	$ (2,780,485)
Exchange differences arising on translation of foreign operations	3,655,675	-	-	3,655,675
Changes in fair value of available-for-sale financial assets	-	(1,061,644)	-	(1,061,644)
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	-	846,709	-	846,709
Share of other comprehensive income of subsidiaries and associates	(42,930)	13,515,899	(113)	13,472,856
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	699	(43)	-	656
Income tax effect	-	36,539	-	36,539
Balance, end of year	$ (7,140,362)	$ 21,310,781	$ (113)	$ 14,170,306

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company'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. 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.

22. SHARE-BASED PAYMENT

The Company's Employee Stock Option Plans, consisting of the 2004 Plan and 2003 Plan, were approved by the Securities and Futures Bureau (SFB) on January 6, 2005 and October 29, 2003, respectively. The maximum number of stock options authorized to be granted under the 2004 Plan and 2003 Plan was 11,000 thousand and 120,000 thousand, respectively, with each stock option eligible to subscribe for one common share when exercised. The stock options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The stock options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the stock options are granted at an exercise price equal to the closing price of the Company's common shares quoted on the TWSE on the grant date.

The Company did not issue employee stock option plans for the years ended December 31, 2014 and 2013. Information about the Company's outstanding employee stock options is described as follows:

	Number of Stock Options (In Thousands)	Weighted-average Exercise Price (NT$)
Year ended December 31, 2014		
Balance, beginning of year	1,763	$45.9
Stock options exercised	(1,045)	45.0
Balance, end of year	718	47.2
Balance exercisable, end of year	718	47.2
Year ended December 31, 2013		
Balance, beginning of year	5,945	$34.6
Stock options exercised	(4,182)	29.8
Balance, end of year	1,763	45.9
Balance exercisable, end of year	1,763	45.9

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

Information about the Company's outstanding stock options was as follows:

December 31, 2014		December 31, 2013	
Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
$47.2	0.4	$43.2-$47.2	1.0

23. NET REVENUE

The analysis of the Company's net revenue was as follows:

	Years Ended December 31	
	2014	2013
Net revenue from sale of goods	$ 756,522,002	$ 590,564,728
Net revenue from royalties	630,387	522,872
	$ 757,152,389	$ 591,087,600

24. OTHER INCOME

	Years Ended December 31	
	2014	2013
Interest income		
Bank deposits	$ 1,021,275	$ 996,995
Held-to-maturity financial assets	8,233	14,306
	1,029,508	1,011,301
Dividend income	112,376	71,125
	$ 1,141,884	$ 1,082,426

25. FINANCE COSTS

	Years Ended December 31	
	2014	2013
Interest expense		
Corporate bonds	$ 2,380,157	$ 1,991,519
Bank loans	132,074	99,722
Others	-	995
	$ 2,512,231	$ 2,092,236

26. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2014	2013
Gain on disposal of financial assets, net		
Available-for-sale financial assets	$ 127,161	$ 846,709
Financial assets carried at cost	5,397	42,664
Gain (loss) on disposal of investments accounted for using equity method	2,028,643	(656)
Gain on deconsolidation of subsidiary	-	293,578
Settlement income	-	899,745
Other gains	238,628	138,612
Net gain/(loss) on financial instruments at FVTPL		
Held for trading	(1,996,908)	54,766
Impairment loss of financial assets		
Financial assets carried at cost	(90,774)	-
Other losses	(13,010)	(13,371)
	$ 299,137	$ 2,262,047

27. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2014	2013
Current income tax expense (benefit)		
Current tax expense recognized in the current year	$ 35,138,634	$ 22,297,945
Income tax adjustments on prior years	404,566	(603,321)
Other income tax adjustments	136,248	19,589
	35,679,448	21,714,213
Deferred income tax expense (benefit)		
The origination and reversal of temporary differences	(511,059)	506,563
Investment tax credits	1,955,980	5,348,984
	1,444,921	5,855,547
Income tax expense recognized in profit or loss	$ 37,124,369	$ 27,569,760

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2014	2013
Income before tax	$ 301,023,163	$ 215,716,550
Income tax expense at the statutory rate (17%)	$ 51,173,938	$ 36,671,813
Tax effect of adjusting items:		
Nondeductible (deductible) items in determining taxable income	(1,217,129)	(2,369,323)
Tax-exempt income	(19,854,275)	(7,716,747)

(Continued)

	Years Ended December 31	
	2014	2013
Additional income tax under the Alternative Minimum Tax Act	$ 4,081,153	$ -
Additional income tax on unappropriated earnings	9,374,020	7,659,010
Income tax credits	(3,275,093)	(3,136,942)
The origination and reversal of temporary differences	(511,059)	506,563
Remeasurement of investment tax credits	(3,188,000)	(3,460,882)
	36,583,555	28,153,492
Income tax adjustments on prior years	404,566	(603,321)
Other income tax adjustments	136,248	19,589
Income tax expense recognized in profit or loss	$ 37,124,369	$ 27,569,760

(Concluded)

b. Income tax expense recognized in other comprehensive income

	Years Ended December 31	
	2014	2013
Deferred income tax expense (benefit)		
Related to actuarial gain/loss from defined benefit plans	$ 32,242	$ (80,613)
Related to unrealized gain/loss on available-for-sale financial assets	5,131	(36,539)
	$ 37,373	$ (117,152)

c. Deferred income tax balance

The analysis of deferred income tax assets and liabilities in the parent company only balance sheets was as follows:

	December 31, 2014	December 31, 2013
Deferred income tax assets		
Investment tax credits	$ -	$ 1,955,980
Temporary differences		
Provision for sales returns and allowance	1,195,178	866,080
Accrued pension cost	875,737	900,795
Depreciation	610,819	366,912
Unrealized loss on inventories	547,249	387,227
Others	68,941	103,474
	$ 3,297,924	$ 4,580,468
Deferred income tax liabilities		
Temporary differences		
Unrealized exchange gains	$ (184,470)	$ -
Available-for-sale financial assets	(15,280)	-
	$ (199,750)	$ -

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Year Ended December 31, 2014				
Deferred income tax assets				
Investment tax credits	$ 1,955,980	$ (1,955,980)	$ -	$ -
Temporary differences				
Provision for sales returns and allowance	866,080	329,098	-	1,195,178
Accrued pension cost	900,795	7,184	(32,242)	875,737
Depreciation	366,912	243,907	-	610,819
Unrealized loss on inventories	387,227	160,022	-	547,249
Others	103,474	(34,533)	-	68,941
	$ 4,580,468	$ (1,250,302)	$ (32,242)	$ 3,297,924
Deferred income tax liabilities				
Temporary differences				
Unrealized exchange gains	$ -	$ (184,470)	$ -	$ (184,470)
Available-for-sale financial assets	-	(10,149)	(5,131)	(15,280)
	$ -	$ (194,619)	$ (5,131)	$ (199,750)
Year Ended December 31, 2013				
Deferred income tax assets				
Investment tax credits	$ 7,304,964	$ (5,348,984)	$ -	$ 1,955,980
Temporary differences				
Provision for sales returns and allowance	687,929	178,151	-	866,080
Accrued pension cost	818,502	1,680	80,613	900,795
Depreciation	819,231	(452,319)	-	366,912
Unrealized loss on inventories	359,823	27,404	-	387,227
Others	328,414	(261,479)	36,539	103,474
	$ 10,318,863	$ (5,855,547)	$ 117,152	$ 4,580,468

d. The investment tax credits and deductible temporary differences for which no deferred income tax assets have been recognized in the parent company only financial statements

As of December 31, 2014 and 2013, unrecognized investment tax credits for which no deferred income tax assets have been recognized amounted to nil and NT$3,015,705 thousand, respectively; the aggregate deductible temporary differences for which no deferred income tax assets have been recognized amounted to NT$2,088,394 thousand and NT$8,673,160 thousand, respectively.

e. Unused tax-exemption information

As of December 31, 2014, the profits generated from the following projects of the Company are exempt from income tax for a five-year period:

	Tax-exemption Period
Construction and expansion of 2005	2010 to 2014
Construction and expansion of 2006	2011 to 2015
Construction and expansion of 2007	2014 to 2018
Construction and expansion of 2008	2015 to 2019

f. The information of unrecognized deferred income tax liabilities associated with investments

As of December 31, 2014 and 2013, the aggregate taxable temporary differences associated with investments in subsidiaries not unrecognized as deferred income tax liabilities amounted to NT$41,365,515 thousand and NT$28,035,340 thousand, respectively.

g. Integrated income tax information

	December 31, 2014	December 31, 2013
Balance of the Imputation Credit Account	$ 35,353,150	$ 15,242,724

The estimated creditable ratio for distribution of the Company's earnings of 2014 was 11.29%; 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 actual creditable ratio for distribution of the Company's earnings of 2013 was 9.78%, which is calculated based on the Rule No.10204562810 issued by the Ministry of Finance to include the adjustments to retained earnings from the effect of transition to Parent Company Only Financial Statements Accounting Standards in the accumulated unappropriated earnings in the year of first-time adoption of Accounting Standards Used in Preparation of Parent Company Only Financial Statements.

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 earnings generated prior to December 31, 1997 have been appropriated.

h. Income tax examination

The tax authorities have examined income tax returns of the Company through 2011. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

28. EARNINGS PER SHARE

	Years Ended December 31	
	2014	2013
Basic EPS	$10.18	$7.26
Diluted EPS	$10.18	$7.26

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT$)
Year ended December 31, 2014			
Basic EPS			
Net income available to common shareholders	$ 263,898,794	25,929,273	$10.18
Effect of dilutive potential common shares	-	831	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common shares)	$ 263,898,794	25,930,104	$10.18
Year ended December 31, 2013			
Basic EPS			
Net income available to common shareholders	$ 188,146,790	25,927,778	$7.26
Effect of dilutive potential common shares	-	1,825	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common shares)	$ 188,146,790	25,929,603	$7.26

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares at the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to employees to be settled in the form of common stocks are approved by the shareholders in the following year.

29. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Years Ended December 31	
	2014	2013
a. Depreciation of property, plant and equipment		
Recognized in cost of revenue	$ 177,957,340	$ 134,545,283
Recognized in operating expenses	13,607,832	12,696,422
Recognized in other operating income and expenses	24,887	25,120
	$ 191,590,059	$ 147,266,825
b. Amortization of intangible assets		
Recognized in cost of revenue	$ 1,304,885	$ 1,099,542
Recognized in operating expenses	1,182,975	973,384
	$ 2,487,860	$ 2,072,926
c. Research and development costs expensed as incurred	$ 55,813,561	$ 46,922,471
d. Employee benefits expenses		
Post-employment benefits (Note 19)		
Defined contribution plans	$ 1,465,336	$ 1,355,947
Defined benefit plans	279,933	229,108
	1,745,269	1,585,055
Other employee benefits	70,240,842	56,622,215
	$ 71,986,111	$ 58,207,270
Employee benefits expense summarized by function		
Recognized in cost of revenue	$ 43,764,268	$ 35,791,556
Recognized in operating expenses	28,221,843	22,415,714
	$ 71,986,111	$ 58,207,270

30. LOSS OF CONTROL IN SUBSIDIARY

Starting June 2013, the Company no longer has power to govern the financial and operating policies of Xintec due to the loss of power to cast the majority of votes at meetings of the Board of Directors, but over which the Company still retains significant influence. Accordingly, Xintec is reclassified as an associate. For more information on deconsolidation of subsidiary, please refer to Note 34 to the consolidated financial statements for the year ended December 31, 2014.

31. CAPITAL MANAGEMENT

The Company requires significant amounts of capital to build and expand its production facilities and acquire additional equipment. In consideration of the industry dynamics, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31, 2014	December 31, 2013
Financial assets		
FVTPL		
Held for trading derivatives	$ 134,824	$ 64,030
Available-for-sale financial assets (Note)	986,018	1,115,780
Held-to-maturity financial assets	4,485,593	1,795,949
Loans and receivables		
Cash and cash equivalents	184,859,232	146,438,768
Notes and accounts receivables (including related parties)	111,226,097	70,415,680
Other receivables	3,032,166	1,453,842
Refundable deposits	340,010	2,496,663
	$ 305,063,940	$ 223,780,712
Financial liabilities		
FVTPL		
Held for trading derivatives	$ 477,268	$ 25,404
Amortized cost		
Short-term loans	36,158,520	15,645,000
Accounts payable (including related parties)	24,067,163	17,812,654
Payables to contractors and equipment suppliers	25,911,719	89,555,814
Accrued expenses and other current liabilities	20,165,084	13,035,795
Bonds payable	166,200,000	166,200,000
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	36,000	54,000
Guarantee deposits (including accrued expenses and other current liabilities)	30,292,551	147,964
	$ 303,308,305	$ 302,476,631

Note: Including financial assets carried at cost.

b. Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

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

Foreign currency risk

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

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

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges against the New Taiwan dollar, the net income for the years ended December 31, 2014 and 2013 would have decreased by NT$324,058 thousand and NT$156,590 thousand, respectively, after taking into consideration of the hedging contracts and the hedged items.

Interest rate risk

The Company is exposed to interest rate risk arising from borrowing at fixed interest rates. All of the Company's long-term bonds have fixed interest rates and are measured at amortized cost. As such, changes in interest rates would not affect the future cash flows.

Other price risk

The Company is exposed to equity price risk arising from available-for-sale equity investments.

Assuming a hypothetical decrease of 5% in equity prices of the equity investments at the end of the reporting period, the net income for the years ended December 31, 2014 and 2013 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the years ended December 31, 2014 and 2013 would have decreased by NT$41,764 thousand and NT$47,150 thousand, respectively.

d. Credit risk management

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

Business related credit risk

The Company has considerable trade receivables outstanding with its customers worldwide. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on

trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As of December 31, 2014 and 2013, the Company's ten largest customers accounted for 57% and 56% of accounts receivable, respectively. The Company believes the concentration of credit risk is insignificant for the remaining accounts receivable.

Financial credit risk

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

e. Liquidity risk management

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

As of December 31, 2014 and 2013, the unused of financing facilities of the Company amounted to NT$63,414,089 thousand and NT$67,437,805 thousand, respectively.

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

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
December 31, 2014					
Non-derivative financial liabilities					
Short-term loans	$ 36,164,316	$ -	$ -	$ -	$ 36,164,316
Accounts payable (including related parties)	24,067,163	-	-	-	24,067,163
Payables to contractors and equipment suppliers	25,911,719	-	-	-	25,911,719
Accrued expenses and other current liabilities	20,165,084	-	-	-	20,165,084
Bonds payable	2,381,670	54,406,509	61,831,777	58,320,169	176,940,125
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	18,000	18,000	-	-	36,000
Guarantee deposits (including accrued expenses and other current liabilities)	4,757,700	12,847,651	12,687,200	-	30,292,551
	113,465,652	67,272,160	74,518,977	58,320,169	313,576,958
Derivative financial instruments					
Forward exchange contracts					
Outflows	9,751,873	-	-	-	9,751,873
Inflows	(9,660,768)	-	-	-	(9,660,768)
	91,105	-	-	-	91,105
Cross currency swap contracts					
Outflows	44,780,038	-	-	-	44,780,038
Inflows	(44,430,805)	-	-	-	(44,430,805)
	349,233	-	-	-	349,233
	$ 113,905,990	$ 67,272,160	$ 74,518,977	$ 58,320,169	$ 314,017,296

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
December 31, 2013					
Non-derivative financial liabilities					
Short-term loans	$ 15,646,783	$ -	$ -	$ -	$ 15,646,783
Accounts payable (including related parties)	17,812,654	-	-	-	17,812,654
Payables to contractors and equipment suppliers	89,555,814	-	-	-	89,555,814
Accrued expenses and other current liabilities	13,035,795	-	-	-	13,035,795
Bonds payable	2,380,157	16,720,430	65,859,591	94,360,103	179,320,281
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	18,000	36,000	-	-	54,000
Guarantee deposits	-	147,964	-	-	147,964
	138,449,203	16,904,394	65,859,591	94,360,103	315,573,291
Derivative financial instruments					
Forward exchange contracts					
Outflows	24,812,803	-	-	-	24,812,803
Inflows	(24,810,910)	-	-	-	(24,810,910)
	1,893	-	-	-	1,893
	$ 138,451,096	$ 16,904,394	$ 65,859,591	$ 94,360,103	$ 315,575,184

(Concluded)

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the parent company only financial statements approximate their fair values.

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets				
Commercial paper	$ 4,485,593	$ 4,486,541	$ 1,795,949	$ 1,795,612
Financial liabilities				
Measured at amortized cost				
Bonds payable	166,200,000	166,357,405	166,200,000	165,476,545

2) Fair value measurements recognized in the parent company only balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 134,824	$ -	$ 134,824
Available-for-sale financial assets				
Publicly traded stocks	$ 612,860	$ -	$ -	$ 612,860
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 477,268	$ -	$ 477,268

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 64,030	$ -	$ 64,030
Available-for-sale financial assets				
Publicly traded stocks	$ 646,402	$ -	$ -	$ 646,402
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 25,404	$ -	$ 25,404

There were no transfers between Level 1 and 2 for the years ended December 31, 2014 and 2013, respectively.

There were no purchases and disposals for assets on Level 3 for the years ended December 31, 2014 and 2013, respectively.

3) Valuation techniques and assumptions used in fair value measurement

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).

- Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

33. RELATED PARTY TRANSACTIONS

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. Net revenue

Item	Related Party Categories	Years Ended December 31 2014	2013
Net revenue from sale of goods	Subsidiaries	$ 523,445,156	$ 414,108,019
	Associates	2,754,460	2,167,467
	Associates of the Company's subsidiaries	-	119,067
	Joint venture of the Company's subsidiaries	1,325	1,677
		$ 526,200,941	$ 416,396,230
Net revenue from royalties	Subsidiaries	$ 757	$ 15,624
	Associates	521,975	497,020
		$ 522,732	$ 512,644

b. Purchases

Related Party Categories	Years Ended December 31 2014	2013
Subsidiaries	$ 28,130,353	$ 25,422,634
Associates	11,644,093	10,052,170
	$ 39,774,446	$ 35,474,804

c. Receivables from related parties

Item	Related Party Categories	December 31, 2014	December 31, 2013
Receivables from related parties	Subsidiaries	$ 88,149,347	$ 52,750,047
	Associates	270,252	219,424
	Joint venture of the Company's subsidiaries	314	332
		$ 88,419,913	$ 52,969,803
Other receivables from related parties	Subsidiaries	$ 397,967	$ 351,169
	Associates	178,625	220,831
		$ 576,592	$ 572,000

d. Payables to related parties

Item	Related Party Categories	December 31, 2014	December 31, 2013
Payables to related parties	Subsidiaries	$ 3,264,936	$ 2,503,578
	Associates	1,490,997	1,679,184
	Joint venture of the Company's subsidiaries	493	1,217
		$ 4,756,426	$ 4,183,979

e. Acquisition of property, plant and equipment and intangible assets

	Acquisition Price	
	Years Ended December 31	
Related Party Categories	2014	2013
Subsidiaries	$ 63,555	$ 120,499
Associates	-	21,135
	$ 63,555	$ 141,634

f. Disposal of property, plant and equipment

	Proceeds	
	Years Ended December 31	
Related Party Categories	2014	2013
Subsidiaries	$ 27,580	$ 94,152
Associates	23,447	58,265
Joint venture of the Company's subsidiaries	18,000	-
	$ 69,027	$ 152,417

	Gains	
	Years Ended December 31	
Related Party Categories	2014	2013
Subsidiaries	$ 15,191	$ 2,570
Associates	20,010	2,787
Joint venture of the Company's subsidiaries	17,441	948
	$ 52,642	$ 6,305

	Deferred Gains from Disposal of Property, Plant and Equipment	
	December 31, 2014	December 31, 2013
Related Party Categories		
Subsidiaries	$ 43,722	$ 46,235

g. Others

		Years Ended December 31	
		2014	2013
Item	Related Party Categories		
Manufacturing expenses	Subsidiaries	$ 36,938	$ 122,068
	Associates	2,437,366	908,977
	Joint venture of the Company's subsidiaries	7,926	5,187
		$ 2,482,230	$ 1,036,232
Research and development expenses	Subsidiaries	$ 1,569,020	$ 1,107,059
	Associates	87,848	903
	Joint venture of the Company's subsidiaries	1,116	6,340
		$ 1,657,984	$ 1,114,302
Marking expenses - commission	Subsidiaries	$ 778,064	$ 736,937
Non-operating income	Subsidiaries	$ 14,652	$ 18,636

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

The Company leased machinery and equipment from Xintec. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid quarterly and the related expense was classified under manufacturing expenses.

The Company deferred the disposal gain/loss derived from sales of property, plant and equipment to related parties using equity method, and then recognized such gain/loss over the depreciable lives of the disposed assets.

h. Compensation of key management personnel

The compensation to directors and other key management personnel for the years ended December 31, 2014 and 2013 were as follows:

	Years Ended December 31	
	2014	2013
Short-term employee benefits	$ 1,720,766	$ 1,242,451
Post-employment benefits	14,401	7,998
	$ 1,735,167	$ 1,250,449

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

34. PLEDGED ASSETS

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for litigation. As of December 31, 2014 and 2013, the aforementioned other financial assets amounted to NT$39,100 thousand and nil, respectively.

35. SIGNIFICANT OPERATING LEASE ARRANGEMENTS

The Company leases several parcels of land from the Science Park Administration. These operating leases expire between June 2015 and July 2034 and can be renewed upon expiration.

The Company expensed the lease payments as follows:

	Years Ended December 31	
	2014	2013
Minimum lease payments	$ 666,448	$ 671,371

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

	December 31, 2014	December 31, 2013
Not later than 1 year	$ 648,556	$ 666,791
Later than 1 year and not later than 5 years	2,301,599	2,426,891
Later than 5 years	4,601,926	5,110,098
	$ 7,552,081	$ 8,203,780

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity

provided the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. As of December 31, 2014, the R.O.C. Government did not invoke such right.

b. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, in September 2006, Philips spun-off its semiconductor subsidiary which was renamed as NXP B.V. Further, the Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. The Company and NXP B.V. are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs. There was no default from the aforementioned commitment as of December 31, 2014.

c. In June 2010, Keranos, LLC. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that the Company, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, the Company, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents are invalid. These two litigations have been consolidated into a single lawsuit in the U.S. District Court for the Eastern District of Texas. In February 2014, the Court entered a final judgment in favor of the Company, dismissing all of Keranos' claims against the Company with prejudice. The final judgment is currently being appealed to the U.S. Court of Appeals for the Federal Circuit. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

d. In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing the Company, TSMC North America and one other company of infringing several U.S. patents. In September 2014, the Court granted summary judgment of noninfringement in favor of the Company and TSMC North America. Ziptronix, Inc. can appeal the Court's order. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

e. The Company joined the Customer Co-Investment Program of ASML and entered into the investment agreement in August 2012. The agreement includes an investment of EUR837,816 thousand by TSMC Global to acquire 5% of ASML's equity with a lock-up period of 2.5 years. TSMC Global has acquired the aforementioned equity on October 31, 2012. Both parties also signed the research and development funding agreement whereby the Company shall provide EUR276,000 thousand to ASML's research and development programs from 2013 to 2017. As of December 31, 2014, the Company has paid EUR109,730 thousand to ASML under the research and development funding agreement.

f. In September 2013, Zond Inc. filed a complaint in U.S. District Court for the District of Massachusetts against the Company, certain TSMC subsidiaries and other companies alleging infringing of several U.S. patents. That case is currently stayed as of June 2014. Subsequent to the stay, the Company and Zond initiated additional legal actions in the U.S. District Courts for the District of Delaware and the District of Massachusetts over several additional patents owned by Zond. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

g. In December 2013, Tela Innovations (Tela), Inc. filed complaints in the U.S. District Court for the District of Delaware and in the United States International Trade Commission (ITC) accusing the Company and TSMC North America of infringing one U.S. patent. In January 2014, the Company

filed a lawsuit in the U.S. District Court for the District of North California against Tela for trade secret misappropriation and breach of contract. In September 2014, all pending litigations between the parties in the U.S. District Court for the District of Delaware, the ITC and the U.S. District Court for the District of North California were dismissed.

h. In March 2014, DSS Technology Management, Inc. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that the Company, TSMC North America, TSMC Development and several other companies infringe one U.S. patent. The outcome cannot be determined and the Company cannot make a reliable estimate of the contingent liability at this time.

i. As of December 31, 2014, the Company provided financial guarantees of NT$47,577,000 thousand to its subsidiary, TSMC Global, in respect of the issuance of unsecured corporate bonds.

j. As of December 31, 2014, the Company provided endorsement guarantees of NT$2,639,350 thousand to its subsidiary, TSMC North America, in respect of providing endorsement guarantees for office leasing contract.

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

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount
December 31, 2014			
Financial assets			
Monetary items			
USD	$ 4,773,033	31.718	$ 151,391,069
EUR	16,364	38.57	631,161
JPY	487,030	0.2652	129,160
Non-monetary items			
HKD	149,844	4.09	612,860
Financial liabilities			
Monetary items			
USD	3,164,639	31.718	100,376,026
EUR	42,128	38.57	1,624,894
JPY	28,381,070	0.2652	7,526,660
December 31, 2013			
Financial assets			
Monetary items			
USD	2,601,226	29.800	77,516,527
EUR	450,273	41.00	18,461,200
JPY	41,327,283	0.2834	11,712,152
Non-monetary items			
HKD	168,334	3.84	646,402

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 1,926,813	29.800	$ 57,419,016
EUR	810,174	41.00	33,217,114
JPY	71,828,809	0.2834	20,356,284
			(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

38. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company:

a. Financings provided: None;

b. Endorsement/guarantee provided: Please see Table 1 attached;

c. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Please see Table 2 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please see Table 3 attached;

e. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: Please see Table 4 attached;

f. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;

i. Information about the derivative financial instruments transaction: Please see Note 7;

j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 7 attached;

k. Information on investment in Mainland China

1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Note 33.

39. OPERATING SEGMENTS INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

TABLE 1

Taiwan Semiconductor Manufacturing Company

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2)	Maximum Balance for the Period (US$ in Thousands) (Note 3)	Ending Balance (US$ in Thousands) (Note 3)	Amount Actually Drawn (US$ in Thousands)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	The Company	TSMC Global	Subsidiary	$ 261,387,125	$ 47,577,000 (US$ 1,500,000)	$ 47,577,000 (US$ 1,500,000)	$ 47,577,000 (US$ 1,500,000)	$ -	4.55%	$ 261,387,125	Yes	No	No
		TSMC North America	Subsidiary	261,387,125	2,639,350 (US$ 83,213)	2,639,350 (US$ 83,213)	2,639,350 (US$ 83,213)	-	0.25%	261,387,125	Yes	No	No

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

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

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

Taiwan Semiconductor Manufacturing Company Limited

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2014				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
The Company	Commercial Paper							
	CPC Corporation, Taiwan	-	Held-to-maturity financial assets	230	$ 2,293,579	N/A	$ 2,293,942	
	Taiwan Power Company	-	〃	220	2,192,014	N/A	2,192,599	
	Stock							
	Semiconductor Manufacturing International Corporation	-	Available-for-sale financial assets	211,047	612,860	1	612,860	Note 1
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	21,230	193,584	10	447,998	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	〃	10,500	105,000	7	341,694	
	W.K. Technology Fund IV	-	〃	4,000	39,280	2	34,633	
	Fund							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	17,029	12	17,029	Note 2
	Crimson Asia Capital	-	〃	-	18,265	1	18,265	Note 3

Note 1: The carrying value represents carrying amount less accumulated impairment of NT$315,787 thousand.

Note 2: The carrying value represents carrying amount less accumulated impairment of NT$61,274 thousand.

Note 3: The carrying value represents carrying amount less accumulated impairment of NT$29,500 thousand.

Taiwan Semiconductor Manufacturing Company Limited

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note)	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount
The Company	Commercial Paper													
	CPC Corporation, Taiwan	Held-to-maturity financial assets	-	-	100	$ 998,018	290	$ 2,892,396	160	$ 1,600,000	$ 1,596,835	$ 3,165	230	$ 2,293,579
	Taiwan Power Company	〃	-	-	80	797,931	300	2,989,920	160	1,600,000	1,595,837	4,163	220	2,192,014
	Stock													
	VIS	Investments accounted for using equity method	Public Market	Associate	628,223	10,556,348	-	-	82,000	3,471,883	1,443,240	2,028,643	546,223	10,100,750
	TSMC Global	〃	-	Subsidiary	1	64,953,489	2	60,787,623	-	-	-	-	3	132,330,833

Note : The ending balance includes share of profits/losses of investees and other related adjustment to equity.

Taiwan Semiconductor Manufacturing Company Limited

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Fab	April 9, 2013 to February 21, 2014	$ 310,469	Monthly settlement by the construction progress and acceptance	Mandartech Interiors Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	November 25, 2013 to September 24, 2014	459,000	Monthly settlement by the construction progress and acceptance	Mega Facade Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	January 13, 2014 to June 18, 2014	491,470	Monthly settlement by the construction progress and acceptance	Tasa Construction Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	August 5, 2014	308,500	Monthly settlement by the construction progress and acceptance	Tung Kang Steel Inc.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	October 3, 2014	333,330	Monthly settlement by the construction progress and acceptance	Pan Asia Corp.	-	N/A	N/A	N/A	N/A	Bidding, price comparison and price negotiation	Manufacturing purpose	None
	Fab	November 19, 2014	2,696,030 (US$ 85,000)	By the contract	Qualcomm Panel Manufacturing Ltd.	-	N/A	N/A	N/A	N/A	Appraisal report	Manufacturing purpose	None

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount (Foreign Currencies in Thousands)	% to Total	Payment Terms	Unit Price (Note 2)	Payment Terms (Note 2)	Ending Balance (Foreign Currencies in Thousands)	% to Total	
The Company	TSMC North America	Subsidiary	Sales	$ 523,431,292	68	Net 30 days from invoice date (Note 1)	-	(Note 1)	$ 88,149,347	79	
	GUC	Associate	Sales	2,613,127	1	Net 30 days from the end of the month of when invoice is issued	-	-	269,978	-	
	VIS	Associate	Sales	122,706	-	Net 30 days from the end of the month of when invoice is issued	-	-	-	-	
	TSMC China	Subsidiary	Purchases	19,374,227	26	Net 30 days from the end of the month of when invoice is issued	-	-	(2,003,878)	8	
	WaferTech	Indirect subsidiary	Purchases	8,753,334	12	Net 30 days from the end of the month of when invoice is issued	-	-	(699,230)	3	
	VIS	Associate	Purchases	7,424,566	10	Net 30 days from the end of the month of when invoice is issued	-	-	(710,950)	3	
	SSMC	Associate	Purchases	4,219,527	6	Net 30 days from the end of the month of when invoice is issued	-	-	(313,578)	1	

Note 1: The tenor is 30 days from the Company's invoice date or determined by the payment terms granted to its clients by TSMC North America.

Note 2: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	TSMC North America	Subsidiary	$ 88,526,636	49	$ 7,163,353	-	$ 7,529,983	$ -
	GUC	Associate	269,978	34	1,101	-	113,953	-
	VIS	Associate	108,916	(Note 2)	78	-	27,124	-

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

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

Taiwan Semiconductor Manufacturing Company Limited

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands)	Note
				December 31 2014 (Foreign Currencies in Thousands)	December 31, 2013 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
The Company	TSMC Global	Tortola, British Virgin Islands	Investment activities	$ 103,114,868	$ 42,327,245	3	100	$ 132,330,833	$ 338,151	$ 338,151	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	47,449,368	1,465,573	1,465,679	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	11,789,048	13,232,288	546,223	33	10,100,750	5,437,889	1,879,076	Associate
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	8,296,955	4,853,776	1,882,779	Associate
	TSMC Solar	Tai-Chung, Taiwan	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	11,180,000	11,180,000	1,118,000	99	2,877,245	(1,722,175)	(1,701,691)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	3,984,370	(60,200)	(60,200)	Subsidiary
	TSMC SSL	Hsin-Chu, Taiwan	Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems	5,546,744	5,546,744	554,674	92	-	(1,618,784)	(1,494,462)	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	94,950	40	2,053,982	628,653	233,473	Associate
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,102,704	438,443	154,599	Associate
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,850,782	1,908,912	-	98	810,958	(67,776)	(66,407)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	605,479	596,514	-	98	469,709	(9,169)	(8,985)	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	312,052	40,265	40,265	Subsidiary
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	844,775	841,757	-	99.5	155,122	(2,194)	(2,183)	Subsidiary
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	120,116	3,655	3,655	Subsidiary
	TSMC GN	Taipei, Taiwan	Investment activities	200,000	150,000	-	100	65,560	(37,069)	(37,069)	Subsidiary
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	33,427	3,086	3,086	Subsidiary

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

Note 2: Please refer to Table 8 for information on investment in Mainland China.

Taiwan Semiconductor Manufacturing Company Limited

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2014 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014 (US$ in Thousands)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	$ 18,939,667 (RMB 4,502,080)	(Note 1)	$ 18,939,667 (US$ 596,000)	$ -	$ -	$ 18,939,667 (US$ 596,000)	$ 6,587,991	100%	$ 6,662,384 (Note 2)	$ 31,853,813	$ -

Accumulated Investment in Mainland China as of December 31, 2014 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (US$ in Thousands)
$ 18,939,667 (US$ 596,000)	$ 18,939,667 (US$ 596,000)	$ 18,939,667 (US$ 596,000)

Note 1: The Company directly invested US$596,000 thousand in TSMC China.

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

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Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount
Cash		
Petty cash		$ 530
Cash in banks		
Checking accounts and demand deposits		6,232,085
Foreign currency deposits	Including US$1,141,369 thousand @31.718, JPY615 thousand @0.2652 and EUR3 thousand @38.57	36,202,228
Time deposits	From 2014.10.30 to 2015.06.30, interest rates at 0.22%-1.13%, including NT$135,229,504 thousand, US$46,100 thousand @31.718, JPY154,500 thousand @0.2652 and EUR361 thousand @38.57	136,746,600
Cash equivalents		
Repurchase agreements collateralized by corporate bonds	Expired by 2015.01.22 , interest rates at 0.62%-0.67%	3,920,562
Commercial paper	Expired by 2015.01.22 , interest rates at 0.66%-0.78%	1,159,325
Repurchase agreements collateralized by short-term commercial paper	Expired by 2015.01.16 , interest rates at 0.64%	449,180
Repurchase agreements collateralized by government bonds	Expired by 2015.01.09 , interest rates at 0.63%-0.64%	148,722
Total		$ 184,859,232

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Client Name	Amount
NXP Semiconductors N.V.	$ 3,028,969
Spreadtrum Communications, Inc.	2,180,411
MediaTek Inc.	1,753,893
Sony Electronics Inc.	1,345,228
Others (Note 1)	14,981,185
	23,289,686
Less: Allowance for doubtful accounts	(483,502)
Total	$ 22,806,184

Note 1: The amount of individual client included in others does not exceed 5% of the account balance.

Note 2: The accounts receivable past due over one year amounted to NT$8,131 thousand for which the Company has recognized appropriate allowance for doubtful accounts.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF RECEIVABLES FROM RELATED PARTIES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Client Name	Amount
TSMC North America	$ 88,149,347
Others (Note)	270,566
Total	$ 88,419,913

Note: The amount of individual client included in others does not exceed 5% of the account balance.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF INVENTORIES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 9,443,538	$ 11,185,423
Work in process	49,701,123	146,246,308
Raw materials	3,014,795	2,939,753
Supplies and spare parts	1,363,831	2,201,140
Total	$ 63,523,287	$ 162,572,624

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2014		Additions		Decrease		Increase (Decrease) in Using the Equity Method	Adjustments to Share of Changes in Equity of Subsidiaries and Associates	Adjustments Arising from Changes in Percentage of Ownership in Subsidiaries	Adjustments Resulting from the Transactions with Subsidiaries and Associates	Noncurrent Assets Held for Sale	Balance, December 31, 2014			Market Value or Net Assets Value		Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Amount (Note 3)	Amount	Amount	Amount	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT$)	Total Amount	
Stocks																	
TSMC Global	1	$ 64,953,489	2	$ 60,787,623	-	$ -	$ 6,589,721	$ -	$ -	$ -	$ -	3	100	$ 132,330,833		$ 132,330,833	Nil
TSMC Partners	988,268	42,861,788	-	-	-	-	4,590,961	-	(11)	(3,370)	-	988,268	100	47,449,368		47,453,005	Nil
VIS	628,223	10,556,348	-	-	(82,000)	(1,443,240)	900,309	87,333	-	-	-	546,223	33	10,100,750	52.3 (Note 1)	28,567,489	Nil
SSMC	314	7,457,733	-	-	-	-	839,222	-	-	-	-	314	39	8,296,955		8,082,972	Nil
TSMC North America	11,000	3,763,194	-	-	-	-	221,176	-	-	-	-	11,000	100	3,984,370		3,984,370	Nil
TSMC Solar	1,118,000	4,551,318	-	-	-	-	(1,673,482)	(2,664)	3,541	(1,468)	-	1,118,000	99	2,877,245		2,843,672	Nil
Xintec	94,950	1,866,123	-	-	-	-	181,324	6,535	-	-	-	94,950	40	2,053,982		1,855,646	Nil
GUC	46,688	1,056,141	-	-	-	-	18,011	(5)	-	28,557	-	46,688	35	1,102,704	92.7 (Note 2)	4,327,965	Nil
TSMC Europe	-	290,838	-	-	-	-	21,214	-	-	-	-	-	100	312,052		312,052	Nil
TSMC Japan	6	124,762	-	-	-	-	(4,646)	-	-	-	-	6	100	120,116		120,116	Nil
TSMC Korea	80	29,475	-	-	-	-	3,952	-	-	-	-	80	100	33,427		33,427	Nil
TSMC SSL	554,674	2,154,913	-	-	-	-	(1,485,441)	-	-	-	(669,472)	554,674	92	-		-	Nil
Subtotal		139,666,122		60,787,623		(1,443,240)	10,202,321	91,199	3,530	23,719	(669,472)			208,661,802		229,911,547	
Capital																	
TSMC China	-	23,845,371	-	-	-	-	8,016,441	-	-	(7,999)	-	-	100	31,853,813		31,968,607	Nil
VTAF III	-	892,439	-	55,187	-	(113,317)	(23,351)	-	-	-	-	-	98	810,958		788,322	Nil
VTAF II	-	441,763	-	8,965	-	-	18,981	-	-	-	-	-	98	469,709		463,463	Nil
Emerging Alliance	-	144,924	-	3,018	-	-	7,180	-	-	-	-	-	99.5	155,122		155,121	Nil
TSMC GN	-	85,162	-	50,000	-	-	(36,774)	(13)	(32,815)	-	-	-	100	65,560		65,560	Nil
Subtotal		25,409,659		117,170		(113,317)	7,982,477	(13)	(32,815)	(7,999)	-			33,355,162		33,441,073	
Total		$ 165,075,781		$ 60,904,793		$ (1,556,557)	$ 18,184,798	$ 91,186	$ (29,285)	$ 15,720	$ (669,472)			$ 242,016,964		$ 263,352,620	

Note 1: The unit price is calculated by closing price of Gre Tai Securities Market as of December 31, 2014.

Note 2: The unit price is calculated by closing price of the Taiwan Stock Exchange as of December 31, 2014.

Note 3: Including share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and cash dividends received from subsidiaries and associates.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type	Balance, End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral	Remark
Unsecured loans						
Bank Of America	$ 9,356,810	2014.12.01-2015.01.22	0.48	US$ 300,000	Nil	-
Mizuho Bank, Ltd.	5,677,522	2014.11.28-2015.01.27	0.41-0.49	US$ 200,000	Nil	-
Credit Agricole Corporate & Investment Bank	5,614,086	2014.12.10-2015.01.20	0.50	US$ 200,000	Nil	-
JPMorgan Chase Bank N.A.	5,487,214	2014.12.08-2015.01.23	0.43-0.44	US$ 200,000	Nil	-
Sumitomo Mitsui Banking Corporation	5,328,624	2014.12.05-2015.01.14	0.45-0.46	US$ 200,000	Nil	-
The Bank Of Nova Scotia	3,013,210	2014.12.19-2015.01.16	0.38	$ 3,500,000	Nil	-
HSBC, Taiwan	1,681,054	2014.12.10-2015.01.12	0.50	US$ 53,000	Nil	-
	$ 36,158,520					

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Sumitronics Taiwan Co., Ltd.	$ 1,246,985
IBIDEN Co., Ltd.	1,017,147
Others (Note)	17,046,605
Total	$ 19,310,737

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF PAYABLES TO RELATED PARTIES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
TSMC China	$ 2,003,878
VIS	710,950
WaferTech, LLC	699,230
Xintec	463,158
SSMC	313,578
TSMC Technology, Inc.	258,947
Others (Note)	306,685
Total	$ 4,756,426

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF PAYABLES TO CONTRACTORS AND EQUIPMENT SUPPLIERS
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Applied Materials South East Asia Pte Ltd.	$ 5,538,455
Lam Research International Sarl	2,823,675
TOKYO Electron Ltd.	2,473,212
Others (Note)	15,076,377
Total	$ 25,911,719

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Amount
Guarantee deposit	$ 4,757,700
Utilities	2,814,479
Repair and maintenance expense	1,500,213
Interest expense	1,307,969
Others (Note)	15,653,153
Total	$ 26,033,514

Note: The amount of each item in others does not exceed 5% of the account balance.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Bonds Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate (%)	Amount					Repayment	Collateral
					Total Amount	Repayment paid	Balance, End of Year	Unamortized Premiums (Discounts)	Carrying Value		
Domestic unsecured bonds-100-1											
- A	Mega International Commercial Bank Co., Ltd.	2011.09.28	on 09.28 annually	1.40	$ 10,500,000	$ -	$ 10,500,000	$ -	$ 10,500,000	Bullet repayment	Nil
- B	Mega International Commercial Bank Co., Ltd.	2011.09.28	on 09.28 annually	1.63	7,500,000	-	7,500,000	-	7,500,000	Bullet repayment	Nil
Domestic unsecured bonds-100-2											
- A	Mega International Commercial Bank Co., Ltd.	2012.01.11	on 01.11 annually	1.29	10,000,000	-	10,000,000	-	10,000,000	Bullet repayment	Nil
- B	Mega International Commercial Bank Co., Ltd.	2012.01.11	on 01.11 annually	1.46	7,000,000	-	7,000,000	-	7,000,000	Bullet repayment	Nil
Domestic unsecured bonds-101-1											
- A	Mega International Commercial Bank Co., Ltd.	2012.08.02	on 08.02 annually	1.28	9,900,000	-	9,900,000	-	9,900,000	Bullet repayment	Nil
- B	Mega International Commercial Bank Co., Ltd.	2012.08.02	on 08.02 annually	1.40	9,000,000	-	9,000,000	-	9,000,000	Bullet repayment	Nil
Domestic unsecured bonds-101-2											
- A	Taipei Fubon Commercial Bank Co., Ltd.	2012.09.26	on 09.26 annually	1.28	12,700,000	-	12,700,000	-	12,700,000	Bullet repayment	Nil
- B	Taipei Fubon Commercial Bank Co., Ltd.	2012.09.26	on 09.26 annually	1.39	9,000,000	-	9,000,000	-	9,000,000	Bullet repayment	Nil
Domestic unsecured bonds-101-3	Taipei Fubon Commercial Bank Co., Ltd.	2012.10.09	on 10.09 annually	1.53	4,400,000	-	4,400,000	-	4,400,000	Bullet repayment	Nil
Domestic unsecured bonds-101-4											
- A	Taipei Fubon Commercial Bank Co., Ltd.	2013.01.04	on 01.04 annually	1.23	10,600,000	-	10,600,000	-	10,600,000	Bullet repayment	Nil
- B	Taipei Fubon Commercial Bank Co., Ltd.	2013.01.04	on 01.04 annually	1.35	10,000,000	-	10,000,000	-	10,000,000	Bullet repayment	Nil
- C	Taipei Fubon Commercial Bank Co., Ltd.	2013.01.04	on 01.04 annually	1.49	3,000,000	-	3,000,000	-	3,000,000	Bullet repayment	Nil
Domestic unsecured bonds-102-1											
- A	Taipei Fubon Commercial Bank Co., Ltd.	2013.02.06	on 02.06 annually	1.23	6,200,000	-	6,200,000	-	6,200,000	Bullet repayment	Nil
- B	Taipei Fubon Commercial Bank Co., Ltd.	2013.02.06	on 02.06 annually	1.38	11,600,000	-	11,600,000	-	11,600,000	Bullet repayment	Nil
- C	Taipei Fubon Commercial Bank Co., Ltd.	2013.02.06	on 02.06 annually	1.50	3,600,000	-	3,600,000	-	3,600,000	Bullet repayment	Nil
Domestic unsecured bonds-102-2											
- A	Taipei Fubon Commercial Bank Co., Ltd.	2013.07.16	on 07.16 annually	1.50	10,200,000	-	10,200,000	-	10,200,000	Bullet repayment	Nil
- B	Taipei Fubon Commercial Bank Co., Ltd.	2013.07.16	on 07.16 annually	1.70	3,500,000	-	3,500,000	-	3,500,000	Bullet repayment	Nil
Domestic unsecured bonds-102-3											
- A	Taipei Fubon Commercial Bank Co., Ltd.	2013.08.09	on 08.09 annually	1.34	4,000,000	-	4,000,000	-	4,000,000	Bullet repayment	Nil
- B	Taipei Fubon Commercial Bank Co., Ltd.	2013.08.09	on 08.09 annually	1.52	8,500,000	-	8,500,000	-	8,500,000	Bullet repayment	Nil
Domestic unsecured bonds-102-4											
- A	Taipei Fubon Commercial Bank Co., Ltd.	2013.09.25	on 09.25 annually	1.35	1,500,000	-	1,500,000	-	1,500,000	Bullet repayment	Nil
- B	Taipei Fubon Commercial Bank Co., Ltd.	2013.09.25	on 09.25 annually	1.45	1,500,000	-	1,500,000	-	1,500,000	Bullet repayment	Nil
- C	Taipei Fubon Commercial Bank Co., Ltd.	2013.09.25	on 09.25 annually	1.60	1,400,000	-	1,400,000	-	1,400,000	Bullet repayment	Nil
- D	Taipei Fubon Commercial Bank Co., Ltd.	2013.09.25	on 09.25 annually	1.85	2,600,000	-	2,600,000	-	2,600,000	Bullet repayment	Nil
- E	Taipei Fubon Commercial Bank Co., Ltd.	2013.09.25	on 09.25 annually	2.05	5,400,000	-	5,400,000	-	5,400,000	Bullet repayment	Nil
- F	Taipei Fubon Commercial Bank Co., Ltd.	2013.09.25	on 09.25 annually	2.10	2,600,000	-	2,600,000	-	2,600,000	Bullet repayment	Nil
TOTAL					$ 166,200,000	$ -	$ 166,200,000	$ -	$ 166,200,000		

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Shipments (Piece) (Note)	Amount
Sales of goods		
Wafer	8,261,431	$ 720,639,419
Other		35,882,583
		756,522,002
Royalty		630,387
Net revenue		$ 757,152,389

Note: 12-inch equivalent wafers.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Balance, beginning of year	$ 2,208,291
Raw material purchased	34,246,378
Raw materials, end of year	(3,014,795)
Transferred to manufacturing or operating expenses	(8,615,731)
Others	(35,346)
Subtotal	24,788,797
Direct labor	11,898,266
Manufacturing expenses	354,476,389
Manufacturing cost	391,163,452
Work in process, beginning of year	24,857,927
Work in process, end of year	(49,701,123)
Transferred to manufacturing or operating expenses	(9,670,731)
Cost of finished goods	356,649,525
Finished goods, beginning of year	7,049,813
Finished goods purchased	39,766,497
Finished goods, end of year	(9,443,538)
Transferred to manufacturing or operating expenses	(5,587,283)
Scrapped	(474,164)
Subtotal	387,960,850
Others	2,311,383
Total	$ 390,272,233

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Research and Development Expenses	General and Administrative Expenses	Selling Expenses
Payroll and related expense	$ 20,451,431	$ 6,015,348	$ 1,755,064
Depreciation expense	12,799,410	805,678	2,744
Consumables	8,861,973	16,601	484
Joint development project expenses	3,240,057	-	-
Repair and maintenance expense	2,118,507	1,754,202	794
Utilities	1,066,129	1,125,611	-
Relocation Fee	73,533	1,411,024	-
Service Fee	55,366	960,509	16,310
Patents	-	1,322,546	-
Management fees of the Science Park Administration	-	1,318,937	-
Commission	-	-	778,020
Others (Note)	7,147,155	3,031,343	132,318
Total	$ 55,813,561	$ 17,761,799	$ 2,685,734

Note: The amount of each item in others does not exceed 5% of the account balance.

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF OTHER OPERATING INCOME AND EXPENSES, NET
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Amount
Income (expenses) of rental assets	
Rental income	$ 11,406
Depreciation of rental assets	(24,887)
	(13,481)
Gain on disposal of property, plant and equipment, net	21,331
Others	1,199
Total	$ 9,049

Taiwan Semiconductor Manufacturing Company Limited

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Classified as Cost of Revenue	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total
Labor cost (Note)								
Salary and bonus	$ 39,235,966	$ 25,677,719	$ -	$ 64,913,685	$ 31,781,705	$ 20,201,521	$ -	$ 51,983,226
Labor and health insurance	2,094,985	1,254,245	-	3,349,230	1,829,180	1,070,653	-	2,899,833
Pension	1,134,568	610,701	-	1,745,269	1,029,341	555,714	-	1,585,055
Others	1,298,749	679,178	-	1,977,927	1,151,330	587,826	-	1,739,156
	$ 43,764,268	$ 28,221,843	$ -	$ 71,986,111	$ 35,791,556	$ 22,415,714	$ -	$ 58,207,270
Depreciation	$ 177,957,340	$ 13,607,832	$ 24,887	$ 191,590,059	$ 134,545,283	$ 12,696,422	$ 25,120	$ 147,266,825
Amortization	$ 1,304,885	$ 1,182,975	$ -	$ 2,487,860	$ 1,099,542	$ 973,384	$ -	$ 2,072,926

Note: As of December 31, 2014 and 2013, the Company had 38,545 and 35,812 employees, respectively.