# TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED
## 2015 ANNUAL SHAREHOLDERS' MEETING
## MINUTES
(Translation)

Time and Date: 9:00 a.m., June 9, 2015

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

Total outstanding TSMC shares: 25,930,380,458 shares

Total shares represented by shareholders present in person or by proxy: 24,018,641,177 shares

Percentage of shares held by shareholders present in person or by proxy: 92.62%

Directors present:
Morris Chang, FC Tseng, Sir Peter L. Bonfield, Stan Shih, Thomas J. Engibous, Kok-Choo Chen, Johnsee Lee

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

Recorder: Sylvia Fang

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

**A. Chairman's Address (omitted)**

**B. Report Items**

I. Reported the business of 2014. (see Attachment I)

II. Audit Committee's review report. (see Attachment II)

**C. Resolutions**

I. The 2014 Business Report and Financial Statements were submitted at the meeting for acceptance. (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's 2014 Financial Statements, including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows, were audited by independent auditors, Ms. Yi-Hsin Kao and Mr. Hung-Wun Huang, of Deloitte & Touche.

(2) 2014 Business Report, Independent Auditors' report, and the aforementioned Financial Statements were attached hereto as Attachments I, III and IV.

Voting Results: Shares represented at the time of voting: 24,018,562,866

| Voting Results* | | % of the total represented share present |
|---|---|---|
| Votes in favor: | 19,953,295,948 votes (11,835,005,417 votes) | 83.07% |
| Votes against: | 971,276 votes (971,276 votes) | 0.00% |
| Votes invalid: | none | 0% |
| Votes abstained: | 4,064,295,642 votes (3,961,140,985) | 16.93% |

* including votes casted electronically (numbers in brackets)

RESOLVED, that the 2014 Business Report and Financial Statements be and hereby were accepted as submitted.

II. A proposal to approve the distribution of 2014 profits was submitted at the meeting for discussion and approval. (Proposed by the Board of Directors)

Explanatory Notes: (1) The proposed profits distribution was allocated from Earnings in 2014 Available for Distribution. Each common share holder would be entitled to receive a cash dividend of NT$4.5 per share (based on the total outstanding shares as of December 31, 2014).

The total amount of common shares outstanding was subject to change and the ultimate cash dividend to be distributed to each common share would be adjusted accordingly should TSMC subsequently repurchase its common shares or issue new common shares due to the exercise of the employee stock options. It was proposed that the Chairman of Board of Directors of TSMC be authorized to adjust the cash dividend to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

(2) The 2014 Profit Allocation Proposal was attached hereto as Attachment V.

Voting Results: Shares represented at the time of voting: 24,018,562,866

| Voting Results* | | % of the total represented share present |
|---|---|---|
| Votes in favor: | 20,017,248,041 votes (11,898,948,410 votes) | 83.34% |
| Votes against: | 104,414 votes (104,414 votes) | 0.00% |
| Votes invalid: | none | 0% |
| Votes abstained: | 4,001,210,411 votes (3,898,064,854) | 16.66% |

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.

## D. Directors Election

Election of eight Directors (including five independent directors)
(Proposed by the Board of Directors)
(Further Explanatory Notes: Mr. Michael R. Splinter, the independent director candidate, resigned as the Chairman of Applied Materials, Inc. last week, i.e. June 5.)

Election Result: Eight directors (including five independent directors) were elected by the shareholders present. The tenure of the newly elected directors commences on June 9, 2015 and shall expire on June 8, 2018. The list of the newly elected directors with votes received follows:

| Title | Name | Votes Received |
|---|---|---|
| Director | Morris Chang | 20,790,240,362 |
| Director | F. C. Tseng | 19,420,371,002 |
| Director | National Development Fund, Executive Yuan<br>Representative:<br>Johnsee Lee | 20,095,084,631 |
| Independent Director | Sir Peter Leahy Bonfield | 19,420,370,881 |
| Independent Director | Stan Shih | 19,420,371,797 |
| Independent Director | Thomas J. Engibous | 19,420,366,797 |
| Independent Director | Kok-Choo Chen | 19,420,370,797 |
| Independent Director | Michael R. Splinter | 19,420,370,797 |

## E. Special Motion

(Questions raised by the shareholders and the management's responses were omitted)

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.

Morris Chang
Chairman of the Board of Directors

Sylvia Fang
Recorder

# Business Report

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.

# 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

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

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.

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 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 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)

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

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.

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)**

| | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **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)

# Taiwan Semiconductor Manufacturing Company Limited

## Profit Allocation Proposal

**December 31, 2014**

| | Unit: NT$ |
|---|---|
| Net Income of 2014 (Note) | **263,898,794,122** |
| Less: | |
| - 10% Legal Reserve | -26,389,879,412 |
| **Earnings in 2014 Available for Distribution** | **237,508,914,710** |
| Plus: | |
| - Unappropriated Retained Earnings of Previous Years | 289,156,618,153 |
| - Actuarial gain from defined benefit plans | 239,362,350 |
| Less: | |
| - Adjustment arising from investments accounted for using equity method | -32,792,722 |
| **Retained Earnings Available for Distribution as of December 31, 2014** | **526,872,102,491** |
| **Distribution Item:** | |
| - Cash Dividends to Common Share Holders (NT$4.5 per share) | -116,683,480,962 |
| **Unappropriated Retained Earnings** | **410,188,621,529** |

Note :

After expensing the following:

- Employees' cash bonus and profit sharing of NT$35,291,932,128, including
  - NT$17,645,966,064 cash bonus already distributed; and
  - NT$17,645,966,064 cash profit sharing to be distributed after 2015 Annual Shareholders' Meeting
- Directors' compensation of NT$406,853,980