

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD  
Form 6-K  
August 14, 2015

1934 Act Registration No. 1-14700

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of August 2015**

**Taiwan Semiconductor Manufacturing Company Ltd.**

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

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

**Hsinchu Science Park,**

**Taiwan**

**(Address of Principal Executive Offices)**

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

Form 20-F       Form 40-F

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

Yes       No

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

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing Company Ltd.

Date: August 14, 2015

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

**Taiwan Semiconductor Manufacturing**

**Company Limited and Subsidiaries**

**Consolidated Financial Statements for the**

**Six months Ended June 30, 2015 and 2014 and**

**Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the Company) as of June 30, 2015 and 2014 and the related consolidated statements of comprehensive income for the three months ended June 30, 2015 and 2014 and for the six months ended June 30, 2015 and 2014, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

August 11, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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



## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	June 30, 2015		December 31, 2014		June 30, 2014		January 1, 2014	
	(Reviewed) (Note 3)		(Adjusted and Audited) (Note 3)		(Adjusted and Reviewed) (Note 3)		(Adjusted and Audited) (Note 3)	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and cash equivalents (Note 6)	\$ 528,895,107	33	\$ 358,449,029	24	\$ 255,053,573	19	\$ 242,695,447	19
Financial assets at fair value through profit or loss (Note 7)	58,535		192,045		158,265		90,353	
Available-for-sale financial assets (Note 8)	14,216,874	1	73,797,476	5	59,082,482	4	760,793	
Held-to-maturity financial assets (Note 9)	7,180,351		4,485,593		299,230		1,795,949	
Notes and accounts receivable, net (Note 11)	98,992,354	6	114,734,743	8	86,424,428	7	71,649,926	6
Receivables from related parties (Note 32)	744,707		312,955		462,732		291,708	
Other receivables from related parties (Note 32)	3,565,341		178,625		2,875,842		221,576	
Inventories (Note 12)	66,278,597	4	66,337,971	5	50,954,265	4	37,494,893	3
Noncurrent assets held for sale (Note 30)			944,208					
Other financial assets (Note 33)	8,408,233	1	3,476,884		957,366		501,785	
Other current assets (Note 17)	3,028,691		3,656,110		2,931,372		2,984,224	
Total current assets	731,368,790	45	626,565,639	42	459,199,555	34	358,486,654	28
<b>NONCURRENT ASSETS</b>								

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Available-for-sale financial assets (Note 8)							58,721,959	5
Financial assets carried at cost (Note 13)	1,858,376		1,800,542		2,017,528		2,145,591	
Investments accounted for using equity method (Note 14)	25,915,208	2	28,255,737	2	26,361,220	2	28,321,241	2
Property, plant and equipment (Note 15)	829,703,176	52	818,198,801	55	837,167,426	63	792,665,913	63
Intangible assets (Note 16)	12,938,507	1	13,531,510	1	11,433,307	1	11,490,383	1
Deferred income tax assets (Note 4)	5,342,444		5,138,782		4,915,991		7,145,004	1
Refundable deposits (Note 32)	408,585		356,069		2,476,534		2,519,031	
Other noncurrent assets (Note 17)	1,317,980		1,202,006		1,385,149		1,469,577	
Total noncurrent assets	877,484,276	55	868,483,447	58	885,757,155	66	904,478,699	72
<b>TOTAL</b>	<b>\$ 1,608,853,066</b>	<b>100</b>	<b>\$ 1,495,049,086</b>	<b>100</b>	<b>\$ 1,344,956,710</b>	<b>100</b>	<b>\$ 1,262,965,353</b>	<b>100</b>

**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

Short-term loans (Note 18)	\$ 5,592,600		\$ 36,158,520	2	\$ 34,705,206	3	\$ 15,645,000	1
Financial liabilities at fair value through profit or loss (Note 7)	780,721		486,214		19,418		33,750	
Hedging derivative financial liabilities (Note 10)	2,625,763		16,364,241	1	4,282,501			
Accounts payable	19,773,550	1	21,878,934	2	20,015,515	1	14,670,260	1
Payables to related parties (Note 32)	1,327,345		1,491,490		1,681,781		1,688,456	
Salary and bonus payable	9,116,649	1	10,573,922	1	7,806,935	1	8,330,956	1
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 22 and 29)	28,834,956	2	18,052,820	1	20,100,855	1	12,738,801	1
Payables to contractors and equipment suppliers	43,610,962	3	26,980,408	2	34,657,746	3	89,810,160	7



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Cash dividends payable (Note 22)	116,683,481	7			77,785,851	6		
Income tax payable (Note 4)	30,335,340	2	28,616,574	2	17,585,111	1	22,563,286	2
Provisions (Note 19)	8,593,075	1	10,445,452	1	7,709,195	1	7,603,781	1
Liabilities directly associated with noncurrent assets held for sale (Note 30)			219,043					
Long-term liabilities - current portion (Note 20)	10,868,322	1						
Accrued expenses and other current liabilities (Note 21)	31,236,977	2	29,746,011	2	20,284,963	1	16,693,484	1
<b>Total current liabilities</b>	<b>309,379,741</b>	<b>20</b>	<b>201,013,629</b>	<b>14</b>	<b>246,635,077</b>	<b>18</b>	<b>189,777,934</b>	<b>15</b>
<b>NONCURRENT LIABILITIES</b>								
Hedging derivative financial liabilities (Note 10)					1,277,058		5,481,616	
Bonds payable (Note 20)	201,856,784	13	213,673,818	14	210,869,059	16	210,767,625	17
Long-term bank loans	37,500		40,000		40,000		40,000	
Deferred income tax liabilities (Note 4)	232,340		199,750					
Obligations under finance leases	766,836		802,108		745,391		776,230	
Net defined benefit liability (Note 4)	6,585,747		6,567,782		6,810,773	1	6,801,663	1
Guarantee deposits (Note 21)	21,916,587	1	25,538,475	2	157,011		151,660	
Others (Note 19)	1,449,976		885,192		771,334		694,901	
<b>Total noncurrent liabilities</b>	<b>232,845,770</b>	<b>14</b>	<b>247,707,125</b>	<b>16</b>	<b>220,670,626</b>	<b>17</b>	<b>224,713,695</b>	<b>18</b>
<b>Total liabilities</b>	<b>542,225,511</b>	<b>34</b>	<b>448,720,754</b>	<b>30</b>	<b>467,305,703</b>	<b>35</b>	<b>414,491,629</b>	<b>33</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>								
Capital stock (Note 22)	259,303,805	16	259,296,624	17	259,293,750	19	259,286,171	21

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Capital surplus (Note 22)	56,532,959	4	55,989,922	4	56,026,837	4	55,858,626	4
Retained earnings (Notes 22 and 29)								
Appropriated as legal capital reserve	177,640,561	11	151,250,682	10	151,250,682	11	132,436,003	11
Appropriated as special capital reserve							2,785,741	
Unappropriated earnings	569,248,657	35	553,914,592	37	397,420,475	30	383,670,168	30
	746,889,218	46	705,165,274	47	548,671,157	41	518,891,912	41
Others (Note 22)	3,854,399		25,749,291	2	13,485,597	1	14,170,306	1
Equity attributable to shareholders of the parent	1,066,580,381	66	1,046,201,111	70	877,477,341	65	848,207,015	67
NONCONTROLLING INTERESTS (Note 22)	47,174		127,221		173,666		266,709	
Total equity	1,066,627,555	66	1,046,328,332	70	877,651,007	65	848,473,724	67
TOTAL	\$ 1,608,853,066	100	\$ 1,495,049,086	100	\$ 1,344,956,710	100	\$ 1,262,965,353	100

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

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2015 (Note 3)		2014 (Adjusted) (Note 3)		2015 (Note 3)		2014 (Adjusted) (Note 3)	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>NET REVENUE</b>								
Notes 24, 32 and 37) \$	205,439,752	100	\$ 183,020,484	100	\$ 427,473,896	100	\$ 331,235,656	100
<b>COST OF REVENUE</b>								
Notes 12, 29 and 32)	105,735,807	51	91,826,284	50	218,321,140	51	169,665,469	51
<b>GROSS PROFIT BEFORE REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES</b>	99,703,945	49	91,194,200	50	209,152,756	49	161,570,187	49
<b>REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO ASSOCIATES</b>	1,011		(4,369)		(18,536)		16,648	
<b>GROSS PROFIT</b>	99,704,956	49	91,189,831	50	209,134,220	49	161,586,835	49
<b>OPERATING EXPENSES</b>								
Notes 29 and 32)								
Research and development	16,612,213	8	13,610,337	7	33,393,676	8	25,678,229	8
General and administrative	4,463,580	2	5,408,174	3	8,829,633	2	10,064,151	3
Marketing	1,479,419	1	1,234,897	1	2,870,415	1	2,387,677	1

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Total operating expenses	22,555,212	11	20,253,408	11	45,093,724	11	38,130,057	12
OTHER OPERATING INCOME AND EXPENSES, NET (Note 29)	(80,686)		(227,251)		(345,315)		(229,992)	
INCOME FROM OPERATIONS (Note 37)	77,069,058	38	70,709,172	39	163,695,181	38	123,226,786	37
NON-OPERATING INCOME AND EXPENSES								
Share of profits of associates and joint venture	815,749		1,047,825		1,950,398		2,003,434	
Other income	1,544,750	1	1,316,583	1	2,426,532	1	1,930,282	
Foreign exchange loss, net (Note 36)	(292,295)		(355,207)		(244,112)		(391,608)	
Finance costs (Note 35)	(783,401)		(801,450)		(1,577,343)		(1,598,030)	
Other gains and losses (Note 26)	19,777,822	9	2,176,649	1	20,140,007	5	2,220,033	1
Total non-operating income and expenses	21,062,625	10	3,384,400	2	22,695,482	6	4,164,111	1
INCOME BEFORE INCOME TAX	98,131,683	48	74,093,572	41	186,390,663	44	127,390,897	38
INCOME TAX EXPENSE (Notes 4 and 27)	18,718,779	9	14,437,693	8	27,993,851	7	19,893,188	6
NET INCOME	79,412,904	39	59,655,879	33	158,396,812	37	107,497,709	32
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 27)								
Items that may be reclassified subsequently to profit or loss	(3,368,788)	(2)	(3,052,142)	(2)	(5,647,926)	(1)	(220,761)	

Exchange differences arising on translation of foreign operations									
Changes in fair value of available-for-sale financial assets	(16,627,929)	(8)	(31,156)		(16,832,744)	(4)	(446,601)		
Share of other comprehensive income (loss) of associates and joint venture	(249,353)		(1,274)		593,810		(6,021)		
Income tax expense related to components of other comprehensive income that may be reclassified subsequently	(13,311)		(14,079)		(18,104)		(11,123)		
Other comprehensive loss for the period, net of income tax	(20,259,381)	(10)	(3,098,651)	(2)	(21,904,964)	(5)	(684,506)		
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$ 59,153,523</b>	<b>29</b>	<b>\$ 56,557,228</b>	<b>31</b>	<b>\$ 136,491,848</b>	<b>32</b>	<b>\$ 106,813,203</b>	<b>32</b>	
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>									
Shareholders of the parent	\$ 79,417,514	39	\$ 59,698,303	33	\$ 158,407,425	37	\$ 107,565,096	32	
Noncontrolling interests	(4,610)		(42,424)		(10,613)		(67,387)		
	\$ 79,412,904	39	\$ 59,655,879	33	\$ 158,396,812	37	\$ 107,497,709	32	
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>									
Shareholders of the parent	\$ 59,161,055	29	\$ 56,600,673	31	\$ 136,512,533	32	\$ 106,880,387	32	
Noncontrolling interests	(7,532)		(43,445)		(20,685)		(67,184)		

\$ 59,153,523 29 \$ 56,557,228 31 \$ 136,491,848 32 \$ 106,813,203 32

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
	<b>Income Attributable to</b>			
	<b>Income Attributable to</b>		<b>Shareholders</b>	
	<b>Shareholders of</b>		<b>of</b>	
	<b>the</b>		<b>the</b>	
	<b>Parent</b>		<b>Parent</b>	
	<b>Shareholders of</b>		<b>Shareholders of</b>	
	<b>the</b>		<b>the</b>	
	<b>Parent</b>		<b>Parent</b>	
<b>EARNINGS PER SHARE (NT\$, Note 28)</b>				
Basic earnings per share	\$ 3.06	\$ 2.30	\$ 6.11	\$ 4.15
Diluted earnings per share	\$ 3.06	\$ 2.30	\$ 6.11	\$ 4.15

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

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

(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent					Others		Total
	Legal Capital Reserve	Special Capital Reserve	Retained Earnings		Foreign Currency Translation Reserve	Unrealized Gain/Loss		
			Unappropriated Earnings	Total		from Available- for-sale Financial Assets	Cash Flow Hedges Reserve	
Capital surplus								
989,922	\$ 151,250,682	\$	\$ 553,261,982	\$ 704,512,664	\$ 4,502,113	\$ 21,247,483	\$ (305)	\$ 25,749,29
			652,610	652,610				
989,922	151,250,682		553,914,592	705,165,274	4,502,113	21,247,483	(305)	25,749,29
	26,389,879		(26,389,879)					
			(116,683,481)	(116,683,481)				
	26,389,879		(143,073,360)	(116,683,481)				

158,407,425      158,407,425

(5,599,519)    (16,295,209)    (164)    (21,894,89

158,407,425      158,407,425    (5,599,519)    (16,295,209)    (164)    (21,894,89

130,974

(26,537)

464,471

(25,871)

532,959    \$ 177,640,561    \$            \$ 569,248,657    \$ 746,889,218    \$(1,097,406)    \$ 4,952,274    \$(469)    \$ 3,854,39



858,626	\$ 132,436,003	\$ 2,785,741	\$ 382,971,408	\$ 518,193,152	\$(7,140,362)	\$ 21,310,781	\$(113)	\$ 14,170,300
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			698,760	698,760				
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858,626	132,436,003	2,785,741	383,670,168	518,891,912	(7,140,362)	21,310,781	(113)	14,170,300
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	18,814,679		(18,814,679)					
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		(2,785,741)	2,785,741					
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			(77,785,851)	(77,785,851)				
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	18,814,679	(2,785,741)	(93,814,789)	(77,785,851)				
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			107,565,096	107,565,096				
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					(223,663)	(461,136)	90	(684,700)
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			107,565,096	107,565,096	(223,663)	(461,136)	90	(684,700)
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25,908

(2,273)

164,310

(19,734)

026,837    \$ 151,250,682    \$                    \$ 397,420,475    \$ 548,671,157    \$ (7,364,025)    \$ 20,849,645    \$ (23)    \$ 13,485,59

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Six months Ended June 30 2014	
	2015	(Adjusted)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 186,390,663	\$ 127,390,897
Adjustments for:		
Depreciation expense	108,544,796	86,338,443
Amortization expense	1,556,307	1,263,048
Finance costs	1,577,343	1,598,030
Share of profits of associates and joint venture	(1,950,398)	(2,003,434)
Interest income	(1,817,825)	(1,292,325)
Loss (gain) on disposal of property, plant and equipment and intangible assets, net	50,368	(15,325)
Impairment loss on property, plant and equipment	31,305	239,864
Gain on disposal of available-for-sale financial assets, net	(17,642,367)	(134,020)
Gain on disposal of financial assets carried at cost, net	(70,597)	(52,694)
Gain on disposal of investments accounted for using equity method	(2,305,323)	(2,028,643)
Unrealized (realized) gross profit on sales to associates	18,536	(16,648)
Loss (gain) on foreign exchange, net	(2,014,106)	1,646,248
Dividend income	(608,707)	(637,957)
Income from receipt of equity securities in settlement of trade receivables		(1,211)
Loss from hedging instruments	737,305	589,243
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(299,191)	(78,109)
Changes in operating assets and liabilities:		
Derivative financial instruments	428,017	(82,244)
Notes and accounts receivable, net	14,569,490	(14,774,504)
Receivables from related parties	(431,752)	(171,024)
Other receivables from related parties	17,984	13,258
Inventories	59,374	(13,459,372)
Other financial assets	499,150	(389,931)
Other current assets	731,724	70,323
Accounts payable	(1,587,537)	5,331,172
Payables to related parties	(164,145)	(6,675)
Salary and bonus payable	(1,457,273)	(524,021)
Accrued profit sharing to employees and bonus to directors and supervisors	10,782,136	7,362,054

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Accrued expenses and other current liabilities	(232,268)	2,915,319
Provisions	(1,844,746)	113,564
Net defined benefit liability	17,965	9,110
Cash generated from operations	293,586,228	199,212,436
Income taxes paid	(26,518,415)	(22,602,632)
Net cash generated by operating activities	267,067,813	176,609,804

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Six months Ended June 30</b>	
	<b>2014</b>	
	<b>2015</b>	<b>(Adjusted)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	\$ (3,628)	\$ (91,592)
Financial assets carried at cost	(87,321)	(3,773)
Held-to-maturity financial assets	(11,766,723)	(1,396,723)
Property, plant and equipment	(102,689,656)	(188,233,322)
Intangible assets	(1,589,831)	(1,204,154)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	39,269,616	473,520
Held-to-maturity financial assets	9,100,000	2,900,000
Financial assets carried at cost	86,756	62,445
Investments accounted for using equity method	3,962,848	3,471,883
Property, plant and equipment	30,462	114,987
Cash received from other long-term receivables		161,900
Costs from entering into hedging transactions	(495,348)	(520,856)
Interest received	1,764,337	1,248,110
Other dividends received	595,980	629,843
Refundable deposits paid	(218,253)	(25,460)
Refundable deposits refunded	161,583	59,041
Net cash inflow from disposal of subsidiary (Note 30)	601,047	
<b>Net cash used in investing activities</b>	<b>(61,278,131)</b>	<b>(182,354,151)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	(30,334,110)	19,220,278
Interest paid	(1,212,515)	(889,467)
Guarantee deposits received	454,190	10,374
Guarantee deposits refunded	(443,769)	(3,742)
Decrease in obligations under finance leases	(29,098)	(28,426)
Proceeds from exercise of employee stock options	33,891	33,487
Decrease in noncontrolling interests	(42,719)	(45,527)

Net cash generated by (used in) financing activities	(31,574,130)	18,296,977
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(3,850,952)</b>	<b>(194,504)</b>

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Six months Ended June 30</b>	
	<b>2014</b>	
	<b>2015</b>	<b>(Adjusted)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 170,364,600	\$ 12,358,126
CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE, BEGINNING OF PERIOD	81,478	
CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET, BEGINNING OF PERIOD	358,449,029	242,695,447
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 528,895,107	\$ 255,053,573

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2015 and 2014**

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

**(Reviewed, Not Audited)**

**1. GENERAL**

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

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

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities and operating segments information of TSMC and its subsidiaries (collectively as the Company) are described in Notes 4 and 37.

**2. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were reported to the Board of Directors and issued on August 11, 2015.

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

- a. Initial application of the amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards, International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IASs (SIC) (collectively, IFRSs) endorsed by the Financial Supervisory Commission (FSC) (collectively, 2013 Taiwan-IFRSs version)

According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the 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.



The Company believes that as a result of the adoption of aforementioned 2013 Taiwan-IFRSs version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the following items have impacted 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 for the Company's annual consolidated financial statements are more extensive than in the previous 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 are extended by IFRS 13 to cover all assets and liabilities within its scope.

The measurement requirements of IFRS 13 shall be applied prospectively from January 1, 2015. Please refer to Note 31 for related disclosures.

## 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 may not be reclassified subsequently to profit or loss; and (b) items that may 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 items that may not be reclassified subsequently to profit or loss 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 may be reclassified subsequently to profit or loss 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, require 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.

The impact on the current period is summarized as follows:

	<b>June 30,</b>
<b>Impact on Assets, Liabilities and Equity</b>	<b>2015</b>
Increase in investments accounted for using equity method	\$ 327
Increase in deferred income tax assets	1,374
<b>Increase in assets</b>	<b>\$ 1,701</b>

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Increase in net defined benefit liability	\$	11,446
Increase in liabilities	\$	11,446
Decrease in retained earnings	\$	(9,745)
Decrease in equity	\$	(9,745)

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	Three Months	Six Months
	Ended	Ended
<b>Impact on Total Comprehensive Income</b>	<b>June 30, 2015</b>	<b>June 30, 2015</b>
Increase in cost of revenue	\$ (3,676)	\$ (7,363)
Increase in operating expense	(2,047)	(4,083)
Increase in share of profit of associate and joint venture	160	327
Decrease in income tax expense	687	1,374
Decrease in net income and other comprehensive income attributable to shareholders of the parent	\$ (4,876)	\$ (9,745)

The impact on the prior reporting periods is summarized as follows:

<b>Impact on Assets, Liabilities and Equity</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted</b>
<u>December 31, 2014</u>			
Noncurrent assets held for sale	\$ 945,356	\$ (1,148)	\$ 944,208
Investments accounted for using equity method	28,251,002	4,735	28,255,737
Deferred income tax assets	5,227,128	(88,346)	5,138,782
Total effect on assets		\$ (84,759)	
Liabilities directly associated with noncurrent assets held for sale	220,191	\$ (1,148)	219,043
Net defined benefit liability	7,303,978	(736,196)	6,567,782
Total effect on liabilities		\$ (737,344)	
Retained earnings	704,512,664	\$ 652,610	705,165,274
Noncontrolling interests	127,246	(25)	127,221
Total effect on equity		\$ 652,585	
<u>June 30, 2014</u>			
Investments accounted for using the equity method	26,355,811	\$ 5,409	26,361,220
Deferred income tax assets	5,009,457	(93,466)	4,915,991

Total effect on assets		\$	(88,057)	
Net defined benefit liability	7,589,543	\$	(778,770)	6,810,773
Total effect on liabilities		\$	(778,770)	
Retained earnings	547,980,330	\$	690,827	548,671,157
Noncontrolling interests	173,780		(114)	173,666
Total effect on equity		\$	690,713	

(Continued)

<b>Impact on Assets, Liabilities and Equity</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted</b>
<b><u>January 1, 2014</u></b>			
Investments accounted for using the equity method	\$ 28,316,260	\$ 4,981	\$ 28,321,241
Deferred income tax assets	7,239,609	(94,605)	7,145,004
Total effect on assets		\$ (89,624)	
Net defined benefit liability	7,589,926	\$ (788,263)	6,801,663
Total effect on liabilities		\$ (788,263)	
Retained earnings	518,193,152	\$ 698,760	518,891,912
Noncontrolling interests	266,830	(121)	266,709
Total effect on equity		\$ 698,639	

(Concluded)

<b>Impact on Total Comprehensive Income</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted</b>
<b><u>Three months ended June 30, 2014</u></b>			
Cost of revenue	\$ (91,823,190)	\$ (3,094)	\$ (91,826,284)
Operating expense	(20,251,755)	(1,653)	(20,253,408)
Share of the profit or loss of associates and joint ventures	1,047,626	199	1,047,825
Income tax expense	(14,438,263)	570	(14,437,693)
Impact on net income for the period		\$ (3,978)	
<b>Impact on net income attributable to:</b>			
Shareholders of the parent	\$ 59,702,284	\$ (3,981)	\$ 59,698,303
Noncontrolling interests	(42,427)	3	(42,424)
	\$ 59,659,857	\$ (3,978)	\$ 59,655,879

Impact on total comprehensive income attributable to:						
Shareholders of the parent	\$	56,604,654	\$	(3,981)	\$	56,600,673
Noncontrolling interests		(43,448)		3		(43,445)
	\$	56,561,206	\$	(3,978)	\$	56,557,228

(Continued)

	<b>Adjustments</b>		
	<b>As</b>	<b>Arising from</b>	
	<b>Originally</b>	<b>Initial</b>	
<b>Impact on Total Comprehensive Income</b>	<b>Stated</b>	<b>Application</b>	<b>Adjusted</b>
<u>Six months ended June 30, 2014</u>			
Cost of revenue	\$ (169,659,283)	\$ (6,186)	\$ (169,665,469)
Operating expense	(38,126,750)	(3,307)	(38,130,057)
Share of the profit or loss of associates and joint ventures	2,003,006	428	2,003,434
Income tax expense	(19,894,327)	1,139	(19,893,188)
Impact on net income for the period		\$ (7,926)	
Impact on net income attributable to:			
Shareholders of the parent	\$ 107,573,029	\$ (7,933)	\$ 107,565,096
Noncontrolling interests	(67,394)	7	(67,387)
	\$ 107,505,635	\$ (7,926)	\$ 107,497,709
Impact on total comprehensive income attributable to:			
Shareholders of the parent	\$ 106,888,320	\$ (7,933)	\$ 106,880,387
Noncontrolling interests	(67,191)	7	(67,184)
	\$ 106,821,129	\$ (7,926)	\$ 106,813,203
			(Concluded)

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.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note 2)
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018



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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

(Continued)

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB (Note 1)</b>
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 period of impairment accrual or reversal. Moreover, if the recoverable amount of impaired assets is based on fair value less

costs of disposal, the Company should also disclose the discount rate used. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2014.

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 and IAS 34, Interim Financial Reporting, endorsed by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under Taiwan-IFRSs.

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

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2014.

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
				June 30, 2015	December 31, 2014	June 30, 2014	
TSMC	TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
	TSMC Japan Limited (TSMC Japan)	Marketing activities	Yokohama, Japan	100%	100%	100%	a)
	TSMC Partners, Ltd. (TSMC Partners)	Investing in companies involved in the design, manufacture, and other related business in the	Tortola, British Virgin Islands	100%	100%	100%	a)

	semiconductor industry						
TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	100%	100%	100%	a)	
TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)	
TSMC Global, Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	100%		
TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Shanghai, China	100%	100%	100%		
VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)	
VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)	
Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands	99.5%	99.5%	99.5%	a)	
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%	b)	

(Continued)





Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				June 30, 2015	June 30, 2014	June 30, 2014	
TSMC	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%	99%	TSMC and TSMC GN aggregately have a 99.8% controlling interest of in TSMC Solar.
	TSMC Guang Neng Investment, Ltd. (TSMC GN)	Investment activities	Taipei, Taiwan	100%	100%	100%	a)
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	Engineering support activities	Ontario, Canada	100%	100%	100%	a)
	TSMC Technology, Inc. (TSMC Technology)	Engineering support activities	Delaware, U.S.A.	100%	100%	100%	a)
	TSMC Development, Inc. (TSMC Development)	Investment activities	Delaware, U.S.A.	100%	100%	100%	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Investing in new start-up technology companies	Cayman Islands	97%	97%	97%	a)
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Investing in new start-up technology companies	Cayman Islands	97%	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%	100%	
VTAF III				58%	58%	58%	a)

	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	New Taipei, Taiwan				
	Growth Fund Limited (Growth Fund)	Investing in new start-up technology companies	Cayman Islands	100%	100%	100%	a)
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	Investing in new start-up technology companies	Delaware, U.S.A.	100%	100%	100%	a)
TSMC 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%	100%	a)
	TSMC Solar Europe B.V. (TSMC Solar Europe)	Investing in solar related business	Amsterdam, the Netherlands		100%	100%	a), d)
	TSMC Solar Europe GmbH	Selling of solar related products and providing customer service	Hamburg, Germany	100%			a), d)
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 reviewed by the Company's independent accountants.

Note b: TSMC and TSMC GN aggregately have a controlling interest of 94% in TSMC SSL as of December 31, 2014 and June 30, 2014. TSMC and TSMC GN have completed the disposal of TSMC SSL in February 2015. Please refer to Note 30.

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. The liquidation procedure has been completed in the second quarter of 2015.

## **Retirement Benefits**

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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

**Taxation**

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

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

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2014.

**6. CASH AND CASH EQUIVALENTS**

	June 30, 2015	December 31, 2014	June 30, 2014
Cash and deposits in banks	\$ 522,994,073	\$ 352,761,240	\$ 243,638,487
Repurchase agreements collateralized by corporate bonds	4,155,782	3,920,562	3,613,365
Repurchase agreements collateralized by short-term commercial paper	898,859	449,180	1,708,393
Repurchase agreements collateralized by government bonds	546,526	158,722	1,056,695
Commercial paper	299,867	1,159,325	5,036,633
	\$ 528,895,107	\$ 358,449,029	\$ 255,053,573

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**

	June 30, 2015	December 31, 2014	June 30, 2014
<u>Derivative financial assets</u>			
Forward exchange contracts	\$ 31,580	\$ 73,117	\$ 63,907
Cross currency swap contracts	26,955	118,928	94,358

\$ 58,535 \$ 192,045 \$ 158,265

Derivative financial liabilities

Forward exchange contracts \$ 780,721 \$ 126,607 \$ 8,667

Cross currency swap contracts 359,607 10,751

\$ 780,721 \$ 486,214 \$ 19,418

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)
<u>June 30, 2015</u>		
Sell EUR/Buy US\$	July 2015	EUR3,400/US\$3,834
Sell NT\$/Buy US\$	July 2015	NT\$1,868,845/US\$60,500
Sell US\$/Buy EUR	July 2015	US\$10,153/EUR9,079
Sell US\$/Buy JPY	July 2015	US\$40,000/JPY4,947,990
Sell US\$/Buy NT\$	July 2015 to August 2015	US\$2,345,000/NT\$72,072,355
Sell US\$/Buy RMB	July 2015	US\$90,000/RMB559,832
<u>December 31, 2014</u>		
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
<u>June 30, 2014</u>		
Sell EUR/Buy US\$	July 2014	EUR2,130/ US\$2,900
Sell NT\$/Buy JPY	July 2014	NT\$190,637/JPY650,000
Sell NT\$/Buy US\$	July 2014	NT\$1,291,583/ US\$43,100
Sell US\$/Buy EUR	July 2014	US\$81,794/EUR60,000
Sell US\$/Buy JPY	July 2014	US\$407,388/JPY41,429,419
Sell US\$/Buy NT\$	July 2014	US\$60,000/NT\$1,801,440
Sell US\$/Buy RMB	July 2014 to August 2014	US\$132,000/RMB823,267

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2015</u>			
July 2015	NT\$3,033,613/US\$98,500		0.10%
<u>December 31, 2014</u>			
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%	
<u>June 30, 2014</u>			

July 2014	NT\$2,461,848/US\$82,080	0.20%-0.48%
July 2014 to August 2014	US\$870,000/NT\$26,093,255	0.25%-1.92%

**8. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Publicly traded stocks	\$ 14,216,491	\$ 73,797,085	\$ 59,082,115
Money market funds	383	391	367
	<b>\$ 14,216,874</b>	<b>\$ 73,797,476</b>	<b>\$ 59,082,482</b>

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**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Commercial paper	\$ 7,180,351	\$ 4,485,593	\$ 299,230

**10. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
<u>Financial liabilities- current</u>			
Fair value hedges			
Stock forward contracts	\$ 2,625,763	\$ 16,364,241	\$ 4,282,501
<u>Financial liabilities- noncurrent</u>			
Fair value hedges			
Stock forward contracts	\$	\$	\$ 1,277,058

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

The outstanding stock forward contracts consisted of the following:



	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Contract amount (US\$ in thousands)	\$ 10,575,328	\$ 56,172,570	\$ 52,874,969
	(US\$ 340,371)	(US\$ 1,771,000)	(US\$ 1,771,000)

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

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Notes and accounts receivable	\$ 99,479,058	\$ 115,221,473	\$ 86,911,018
Allowance for doubtful receivables	(486,704)	(486,730)	(486,590)
<b>Notes and accounts receivable, net</b>	<b>\$ 98,992,354</b>	<b>\$ 114,734,743</b>	<b>\$ 86,424,428</b>

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

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

Aging analysis of notes and accounts receivable, net

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Neither past due nor impaired	\$ 84,924,664	\$ 102,692,871	\$ 78,140,966
Past due but not impaired			
Past due within 30 days	12,393,941	12,041,872	8,283,462
Past due 31-60 days	1,466,102		
Past due 61-120 days	207,647		
	<b>\$ 98,992,354</b>	<b>\$ 114,734,743</b>	<b>\$ 86,424,428</b>

Movements of the allowance for doubtful receivables

	<b>Individually</b>	<b>Collectively</b>	<b>Total</b>
	<b>Assessed for</b>	<b>Assessed for</b>	
	<b>Impairment</b>	<b>Impairment</b>	
Balance at January 1, 2015	\$ 8,093	\$ 478,637	\$ 486,730
Provision	10,861	597	11,458
Reversal		(11,383)	(11,383)
Effect of exchange rate changes		(101)	(101)

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Balance at June 30, 2015	\$	18,954	\$	467,750	\$	486,704
Balance at January 1, 2014	\$	8,058	\$	478,530	\$	486,588
Provision		17,220		4,495		21,715
Reversal				(21,715)		(21,715)
Effect of exchange rate changes				2		2
Balance at June 30, 2014	\$	25,278	\$	461,312	\$	486,590

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Aging analysis of accounts receivable that is individually determined as impaired

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Not past due	\$ 4,984	\$	\$
Past due 1-30 days	4,387		17,326
Past due 31-60 days	1,656		334
Past due over 121 days	7,927	8,093	7,618
	\$ 18,954	\$ 8,093	\$ 25,278

**12. INVENTORIES**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Finished goods	\$ 14,418,570	\$ 9,972,024	\$ 5,379,673
Work in process	45,538,445	51,027,892	40,510,250
Raw materials	4,146,095	3,222,523	3,152,079
Supplies and spare parts	2,175,487	2,115,532	1,912,263
	\$ 66,278,597	\$ 66,337,971	\$ 50,954,265

Write-down of inventories to net realizable value or reversal of the reserve for inventory write-downs resulting from the increase in net realizable value was included in the cost of revenue, which were as follows:

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Inventory losses	\$ (401,637)	\$ 933,574	\$ 1,367,721	\$ 1,523,608

**13. FINANCIAL ASSETS CARRIED AT COST**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Non-publicly traded stocks	\$ 1,580,737	\$ 1,606,659	\$ 1,736,734
Mutual funds	277,639	193,883	280,794

\$	1,858,376	\$	1,800,542	\$	2,017,528
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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.

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

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

	June 30, 2015	December 31, 2014	June 30, 2014
Associates	\$ 22,446,195	\$ 24,968,071	\$ 22,790,705
Joint venture	3,469,013	3,287,666	3,570,515
	\$ 25,915,208	\$ 28,255,737	\$ 26,361,220

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		
			June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	December 31, 2014	June 30, 2014
Vanguard International Semiconductor Corporation (VIS)	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	Hsinchu, Taiwan	\$ 8,196,482	\$ 10,105,485	\$ 9,210,729	28%	33%	33%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Fabrication and supply of integrated circuits	Singapore	7,831,408	8,296,955	6,940,820	39%	39%	39%
Motech Industries, Inc. (Motech)	Manufacturing and sales of solar cells, crystalline silicon solar	New Taipei, Taiwan	3,154,231	3,408,945	3,741,837	18%	20%	20%

	cell, and test and measurement instruments and design and construction of solar power systems							
Xintec Inc. (Xintec)	Wafer level chip size packaging service	Taoyuan, Taiwan	2,250,809	2,053,982	1,875,214	35%	40%	40%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,013,265	1,102,704	1,022,105	35%	35%	35%

\$ 22,446,195    \$ 24,968,071    \$ 22,790,705

In March 2015, Xintec listed its shares on the R.O.C. Over-the-Counter (Taipei Exchange). Consequently, TSMC's percentage of ownership over Xintec was diluted to approximately 35.4%. In April 2015, TSMC sold 2,172 thousand common shares of Xintec and recognized a disposal gain of NT\$43,017 thousand in the second quarter of 2015. After the sale, TSMC owned approximately 34.6% of the equity interest in Xintec.

In both of the second quarters of 2015 and 2014, the Company sold 82,000 thousand common shares of VIS and respectively recognized a disposal gain of NT\$2,263,539 thousand and NT\$2,028,643 thousand. After the sale, the Company owned approximately 28.3% and 33.7% of the equity interest in VIS.

In June 2015, Motech merged with Tpcell Solar International Co., Ltd (TSi) with exchange of shares. As a result, the Company's percentage of ownership over Motech decreased to 18.0%. Motech continues to be accounted for using equity method as the Company still retains significant influence over Motech.

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

Name of Associate	June 30,	December 31,	June 30,
	2015	2014	2014
VIS	\$ 22,932,641	\$ 28,567,489	\$ 26,191,416
Motech	\$ 3,201,760	\$ 4,242,769	\$ 4,172,786
GUC	\$ 3,571,621	\$ 4,327,965	\$ 4,341,971
Xintec	\$ 4,082,245		

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

Name of Joint Venture	Principal Activities	Place of Incorporation and Operation	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
			June 30, 2015	December 31, 2014	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2014
VisEra Holding Company (VisEra Holding)	Investing in companies involved in the design, manufacturing and other related businesses in the semiconductor industry	Cayman Islands	\$ <u>3,469,013</u>	\$ <u>3,287,666</u>	\$ <u>3,570,515</u>	49%	49%	49%

In August 2015, the Board of Directors of TSMC approved the acquisition of OmniVision Technologies, Inc. (OVT) 49.1% ownership in VisEra Holding and 100% ownership in Taiwan OmniVision Investment Holding Co. Inc., at an amount not more than US\$126 million. The acquisition of shares is conditional on related governments (including the United States) approving a Chinese consortium's acquisition of OVT.



## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Office Equipment	Assets under Leases	Equipment under Installation and Construction in Progress	Total
Balance at January 1, 2015	\$ 4,036,785	\$ 269,163,850	\$ 1,754,170,227	\$ 27,960,835	\$ 841,154	\$ 109,334,736	\$ 2,165,507,587
Acquisitions		4,968,013	77,365,235	1,628,622		36,568,389	120,530,259
Disposals or Retirements			(949,684)	(709,966)			(1,659,650)
Effect of Change rate Fluctuations	(16,849)	(460,203)	(1,096,526)	(58,461)	(16,785)	(69,523)	(1,718,347)
Balance at December 30, 2015	\$ 4,019,936	\$ 273,671,660	\$ 1,829,489,252	\$ 28,821,030	\$ 824,369	\$ 145,833,602	\$ 2,282,659,849
<b>Accumulated Depreciation and Impairment</b>							
Balance at January 1, 2015	\$ 459,140	\$ 141,245,913	\$ 1,188,388,402	\$ 16,767,934	\$ 447,397	\$	\$ 1,347,308,786
Acquisitions	14,224	7,833,137	98,831,428	1,844,552	21,455		108,544,796
Disposals or Retirements			(912,589)	(666,231)			(1,578,820)
Impairment			31,305				31,305
Effect of Change rate Fluctuations	(9,433)	(325,663)	(957,574)	(47,778)	(8,946)		(1,349,394)
Balance at December 30, 2015	\$ 463,931	\$ 148,753,387	\$ 1,285,380,972	\$ 17,898,477	\$ 459,906	\$	\$ 1,452,956,673
<b>Carrying Amounts at</b>							
January 1, 2015	\$ 3,577,645	\$ 127,917,937	\$ 565,781,825	\$ 11,192,901	\$ 393,757	\$ 109,334,736	\$ 818,198,801
<b>Carrying Amounts at</b>							
December 30, 2015	\$ 3,556,005	\$ 124,918,273	\$ 544,108,280	\$ 10,922,553	\$ 364,463	\$ 145,833,602	\$ 829,703,176
<b>Cost</b>							
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

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ditions		21,992,818	243,696,287	4,269,496		(138,669,929)	131,288,672
posals or rements			(739,238)	(426,337)			(1,165,575)
classification		(1,996)	1,996				
ect of hange rate nges	1,457	(224,902)	(395,235)	(8,766)	(12,782)	(2,013)	(642,241)

ance at e 30, 2014	\$ 3,988,366	\$ 250,948,656	\$ 1,656,483,604	\$ 25,896,425	\$ 791,648	\$ 133,501,851	\$ 2,071,610,550
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accumulated  
preciation  
impairment

ance at uary 1, 2014	\$ 404,192	\$ 125,234,166	\$ 1,009,213,689	\$ 14,225,771	\$ 385,963	\$	\$ 1,149,463,781
ditions	13,767	7,328,768	77,587,232	1,387,716	20,960		86,338,443
posals or rements			(680,321)	(426,259)			(1,106,580)
airment			239,864				239,864
classification		(532)	532				
ect of hange rate nges	610	(135,642)	(343,389)	(7,518)	(6,445)		(492,384)

ance at e 30, 2014	\$ 418,569	\$ 132,426,760	\$ 1,086,017,607	\$ 15,179,710	\$ 400,478	\$	\$ 1,234,443,124
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rying ounts at e 30, 2014	\$ 3,569,797	\$ 118,521,896	\$ 570,465,997	\$ 10,716,715	\$ 391,170	\$ 133,501,851	\$ 837,167,426
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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 was expected to be unrecoverable. Such impairment losses were included in other operating income and expenses for the six months ended June 30, 2014.

## 16. INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Technology License Fees</b>	<b>Software and System Design Costs</b>	<b>Patent and Others</b>	<b>Total</b>
<b><u>Cost</u></b>					
Balance at January 1, 2015	\$ 5,888,813	\$ 6,350,253	\$ 18,697,098	\$ 4,292,555	\$ 35,228,719
Additions		540,027	202,818	311,139	1,053,984
Retirements			(91,578)		(91,578)
Effect of exchange rate changes	(88,279)	(5,354)	(3,165)	(2,802)	(99,600)
Balance at June 30, 2015	\$ 5,800,534	\$ 6,884,926	\$ 18,805,173	\$ 4,600,892	\$ 36,091,525
<b><u>Accumulated amortization</u></b>					
Balance at January 1, 2015	\$	\$ 3,778,912	\$ 14,861,146	\$ 3,057,151	\$ 21,697,209
Additions		445,742	830,478	280,087	1,556,307
Retirements			(91,578)		(91,578)
Effect of exchange rate changes		(5,354)	(2,978)	(588)	(8,920)
Balance at June 30, 2015	\$	\$ 4,219,300	\$ 15,597,068	\$ 3,336,650	\$ 23,153,018

Carrying amounts at January 1, 2015	\$	5,888,813	\$	2,571,341	\$	3,835,952	\$	1,235,404	\$	13,531,510
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Carrying amounts at June 30, 2015	\$	5,800,534	\$	2,665,626	\$	3,208,105	\$	1,264,242	\$	12,938,507
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Cost

Balance at January 1, 2014	\$	5,627,517	\$	4,444,828	\$	17,086,805	\$	3,729,396	\$	30,888,546
Additions				501,134		74,638		624,465		1,200,237
Retirements						(23,315)				(23,315)
Effect of exchange rate changes		7,629				(2,070)		(2,153)		3,406

Balance at June 30, 2014	\$	5,635,146	\$	4,945,962	\$	17,136,058	\$	4,351,708	\$	32,068,874
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Accumulated amortization

Balance at January 1, 2014	\$		\$	3,341,667	\$	13,439,135	\$	2,617,361	\$	19,398,163
Additions				207,843		731,718		323,487		1,263,048
Retirements						(23,315)				(23,315)
Effect of exchange rate changes						(1,922)		(407)		(2,329)

Balance at June 30, 2014	\$		\$	3,549,510	\$	14,145,616	\$	2,940,441	\$	20,635,567
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Carrying amounts at June 30, 2014	\$	5,635,146	\$	1,396,452	\$	2,990,442	\$	1,411,267	\$	11,433,307
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The Company's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast from the financial budgets covering the future five-year period, and the Company used annual discount rate of 8.40% 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.

**17. OTHER ASSETS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Tax receivable	\$ 1,795,457	\$ 2,187,136	\$ 1,835,877
Prepaid expenses	1,171,189	1,399,810	1,120,915
Long-term receivable	347,000	385,700	652,000
Others	1,033,025	885,470	707,729
	<b>\$ 4,346,671</b>	<b>\$ 4,858,116</b>	<b>\$ 4,316,521</b>
Current portion	\$ 3,028,691	\$ 3,656,110	\$ 2,931,372
Noncurrent portion	1,317,980	1,202,006	1,385,149
	<b>\$ 4,346,671</b>	<b>\$ 4,858,116</b>	<b>\$ 4,316,521</b>

**18. SHORT-TERM LOANS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Unsecured loans			
Amount	\$ 5,592,600	\$ 36,158,520	\$ 34,705,206
Original loan content			
US\$ (in thousands)	\$ 180,000	\$ 1,140,000	\$ 1,101,000
EUR (in thousands)			45,000
Annual interest rate	0.38%-0.44%	0.38%-0.50%	0.38%-0.51%
Maturity date	Due in July	Due in January	Due by August
	2015	2015	2014

**19. PROVISIONS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Sales returns and allowances	\$ 8,593,075	\$ 10,445,452	\$ 7,709,195
Warranties	16,756	19,828	14,741

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	\$	8,609,831	\$	10,465,280	\$	7,723,936
Current portion	\$	8,593,075	\$	10,445,452	\$	7,709,195
Noncurrent portion (classified under other noncurrent liabilities)		16,756		19,828		14,741
	\$	8,609,831	\$	10,465,280	\$	7,723,936

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	<b>Sales Returns and Allowances</b>	<b>Warranties</b>	<b>Total</b>
<b>Six months ended June 30, 2015</b>			
Balance, beginning of period	\$ 10,445,452	\$ 19,828	\$ 10,465,280
Provision	6,353,637	6,071	6,359,708
Payment	(8,196,055)	(8,399)	(8,204,454)
Effect of exchange rate changes	(9,959)	(744)	(10,703)
Balance, end of period	\$ 8,593,075	\$ 16,756	\$ 8,609,831
<b>Six months ended June 30, 2014</b>			
Balance, beginning of period	\$ 7,603,781	\$ 10,452	\$ 7,614,233
Provision	3,504,209	5,549	3,509,758
Payment	(3,395,000)	(1,194)	(3,396,194)
Effect of exchange rate changes	(3,795)	(66)	(3,861)
Balance, end of period	\$ 7,709,195	\$ 14,741	\$ 7,723,936

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

The provision for warranties represents the present value of the Company's best estimate of the future outflow of the economic benefits that will be required under the Company's obligations for warranties. The 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.

## 20. BONDS PAYABLE

	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
Domestic unsecured bonds	\$ 166,200,000	\$ 166,200,000	\$ 166,200,000
Overseas unsecured bonds	46,605,000	47,577,000	44,784,000
	212,805,000	213,777,000	210,984,000
Less: Discounts on bonds payable	(82,394)	(103,182)	(114,941)
Less: Current portion	(10,865,822)		
	\$ 201,856,784	\$ 213,673,818	\$ 210,869,059

The major terms of overseas unsecured bonds are as follows:



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

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**21. GUARANTEE DEPOSITS**

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Capacity guarantee	\$ 28,351,375	\$ 30,132,100	\$
Others	167,587	164,075	157,011
	<b>\$ 28,518,962</b>	<b>\$ 30,296,175</b>	<b>\$ 157,011</b>
Current portion (classified under accrued expenses and other current liabilities)	\$ 6,602,375	\$ 4,757,700	\$
Noncurrent portion	21,916,587	25,538,475	157,011
	<b>\$ 28,518,962</b>	<b>\$ 30,296,175</b>	<b>\$ 157,011</b>

Some of guarantee deposits were refunded to customers by offsetting related accounts receivable during the three months ended June 30, 2015.

**22. EQUITY**

## a. Capital stock

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
Authorized shares (in thousands)	28,050,000	28,050,000	28,050,000
Authorized capital	\$ 280,500,000	\$ 280,500,000	\$ 280,500,000
Issued and paid shares (in thousands)	25,930,380	25,929,662	25,929,375
Issued capital	\$ 259,303,805	\$ 259,296,624	\$ 259,293,750

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 June 30, 2015, 1,073,071 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,365,357 thousand shares (one ADS represents five common shares).

## b. Capital surplus

	<b>June 30,</b>		<b>June 30,</b>
	<b>2015</b>	<b>December 31,</b>	<b>2014</b>
		<b>2014</b>	
Additional paid-in capital	\$ 24,184,939	\$ 24,053,965	\$ 24,043,271
From merger	22,804,510	22,804,510	22,804,510
From convertible bonds	8,892,847	8,892,847	8,892,847
From share of changes in equities of subsidiaries	78,464	104,335	81,093
From share of changes in equities of associates and joint venture	572,144	134,210	205,061
Donations	55	55	55
	<b>\$ 56,532,959</b>	<b>\$ 55,989,922</b>	<b>\$ 56,026,837</b>

Under the Company Law, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. Accordingly, the Company expects to make amendments to the Company's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting. For information about the accrual basis of employee remuneration or profit sharing to employees and bonus to directors for the three months ended June 30, 2015 and 2014, and the six months ended June 30, 2015 and 2014, and the actual appropriations for the years ended December 31, 2014 and 2013, please refer to Employee benefits expense in Note 29.

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 2014 and 2013 earnings have been approved by TSMC's shareholders in its meeting held on June 9, 2015 and on June 24, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2014	For Fiscal Year 2013	For Fiscal Year 2014	For Fiscal Year 2013
Legal capital reserve	\$ 26,389,879	\$ 18,814,679		
Special capital reserve		(2,785,741)		
Cash dividends to shareholders	116,683,481	77,785,851	\$ 4.50	\$ 3.00
	\$ 143,073,360	\$ 93,814,789		

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:

	Six months Ended June 30, 2015			
	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for- sale Financial Assets	Cash Flow Hedges Reserve	Total
Balance, beginning of period	\$ 4,502,113	\$ 21,247,483	\$ (305)	\$ 25,749,291
Exchange differences arising on translation of foreign operations	(4,654,336)			(4,654,336)
Changes in fair value of available-for-sale financial assets		(174,880)		(174,880)
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(993,026)	(16,649,252)		(17,642,278)
Share of other comprehensive income of associates and joint venture	43,487	544,976	(175)	588,288
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	4,356	2,051	11	6,418
Income tax effect		(18,104)		(18,104)
Balance, end of period	\$ (1,097,406)	\$ 4,952,274	\$ (469)	\$ 3,854,399



	<b>Six months Ended June 30, 2014</b>				<b>Total</b>
	<b>Foreign Currency Translation Reserve</b>	<b>Unrealized Gain/Loss from Available-for- sale Financial Assets</b>		<b>Cash Flow Hedges Reserve</b>	
Balance, beginning of period	\$ (7,140,362)	\$ 21,310,781		\$ (113)	\$ 14,170,306
Exchange differences arising on translation of foreign operations	(220,808)				(220,808)
Changes in fair value of available-for-sale financial assets		(313,697)			(313,697)
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets		(133,160)			(133,160)
Share of other comprehensive income of associates and joint venture	(5,872)	(236)		90	(6,018)
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		(11,123)			(11,123)
Balance, end of period	\$ (7,364,025)	\$ 20,849,645		\$ (23)	\$ 13,485,597

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

	<b>Six months Ended June 30</b>	
	<b>2015</b>	<b>2014</b>
Balance, beginning of period	\$ 127,221	\$ 266,709
Share of noncontrolling interests		
Net loss	(10,613)	(67,387)
Exchange differences arising on translation of foreign operations	(564)	47
Changes in fair value of available-for-sale financial assets	(8,523)	1,116
Cumulative (gain)/loss reclassified to profit or loss upon disposal of available-for-sale financial assets	(89)	(860)
Share of other comprehensive income of associates and joint venture	(899)	(100)
The proportionate share of other comprehensive income/losses reclassified to profit or loss upon partial disposal of associates	3	
Adjustments to share of changes in equities of associates and joint venture	126	(66)
From share of changes in equities of subsidiaries	25,871	19,734
Decrease in noncontrolling interests	(42,719)	(45,527)
Effect of disposal of subsidiary	(42,640)	
Balance, end of period	\$ 47,174	\$ 173,666

**23. SHARE-BASED PAYMENT**

The Company did not issue employee stock option plans for six months ended June 30, 2015 and 2014. TSMC elected to take the optional exemption for its issued employee stock options from applying IFRS 2 Share-based Payment. The related information is as follows:

	<b>Number of Stock Options</b>	<b>Weighted- average Exercise Price</b>
	<b>(In Thousands)</b>	<b>(NT\$)</b>
<b><u>Six months ended June 30, 2015</u></b>		
Balance, beginning of period	718	\$ 47.2
Options exercised	(718)	47.2
Balance, end of period		
Balance exercisable, end of period		

Six months ended June 30, 2014

Balance, beginning of period	1,763	\$	45.9
Options exercised	(758)		44.2
Balance, end of period	1,005		47.2
Balance exercisable, end of period	1,005		47.2

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

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

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

Range of Exercise Price (NT\$)	December 31, 2014	Range of Exercise Price (NT\$)	June 30, 2014
	Weighted-average Remaining Contractual Life (Years)		Weighted-average Remaining Contractual Life (Years)
\$ 47.2	0.4	\$ 47.2	0.9

## 24. NET REVENUE

The analysis of the Company's net revenue was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Net revenue from sale of goods	\$ 205,306,861	\$ 182,882,159	\$ 427,206,385	\$ 330,879,781
Net revenue from royalties	132,891	138,325	267,511	355,875
	\$ 205,439,752	\$ 183,020,484	\$ 427,473,896	\$ 331,235,656

## 25. FINANCE COSTS

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Interest expense				
Corporate bonds	\$ 774,417	\$ 770,126	\$ 1,538,335	\$ 1,540,103
Bank loans	4,003	26,379	28,958	48,007
Finance leases	4,922	4,841	9,929	9,810
Others	59	104	121	110
	\$ 783,401	\$ 801,450	\$ 1,577,343	\$ 1,598,030

## 26. OTHER GAINS AND LOSSES

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Gain on disposal of financial assets, net				
Available-for-sale financial assets	\$ 17,639,406	\$ 113,033	\$ 17,642,367	\$ 134,020
Financial assets carried at cost	28,354	28,936	70,597	52,694
Gain on disposal of investments accounted for using equity method	2,305,323	2,028,643	2,305,323	2,028,643
Other gains	11,240	66,911	27,409	114,524

(Continued)

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Net gain on financial instruments at FVTPL				
Held for trading	\$ 243,123	\$ 450,728	\$ 560,678	\$ 554,838
Fair value hedges				
Loss from hedging instruments	(5,329,381)	(914,921)	(737,305)	(589,243)
Gain arising from changes in fair value of available-for-sale financial assets in hedge effective portion	4,901,475	406,070	299,191	78,109
Other losses	(21,718)	(2,751)	(28,253)	(153,552)
	\$ 19,777,822	\$ 2,176,649	\$ 20,140,007	\$ 2,220,033

(Concluded)

**27. INCOME TAX**

- a. Income tax expense recognized in profit or loss  
Income tax expense consisted of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Current income tax expense				
Current tax expense recognized in the current period	\$ 18,461,370	\$ 11,103,041	\$ 28,865,330	\$ 17,122,994
Income tax adjustments on prior years	(793,673)	404,566	(793,673)	404,566
Other income tax adjustments	107,473	111,171	149,512	138,167
	17,775,170	11,618,778	28,221,169	17,665,727
Deferred income tax expense (benefit)				
Temporary differences	(230,930)	619,252	(414,198)	(55,187)
	1,174,539	2,199,663	186,880	2,282,648

Investment tax credits  
and loss carryforward

	943,609	2,818,915	(227,318)	2,227,461
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Income tax expense  
recognized in profit or  
loss

\$	18,718,779	\$	14,437,693	\$	27,993,851	\$	19,893,188
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## b. Income tax expense recognized in other comprehensive income

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Deferred income tax expense Related to unrealized gain/loss on available-for-sale financial assets	\$ 13,311	\$ 14,079	\$ 18,104	\$ 11,123

## c. Integrated income tax information

	June 30,	December 31,	June 30,
	2015	2014	2014
Balance of the Imputation Credit Account - TSMC	\$ 61,581,277	\$ 35,353,150	\$ 37,461,918

The estimated creditable ratio for distribution of TSMC's earnings of 2014 was 11.13%; 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.

## d. 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.

**28. EARNINGS PER SHARE**

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014

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Basic EPS	\$	3.06	\$	2.30	\$	6.11	\$	4.15
Diluted EPS	\$	3.06	\$	2.30	\$	6.11	\$	4.15

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EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<b><u>Three months ended June 30, 2015</u></b>			
<b>Basic EPS</b>			
Net income available to common shareholders of the parent	\$ 79,417,514	25,930,375	\$ 3.06
Effect of dilutive potential common shares		5	
<b>Diluted EPS</b>			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 79,417,514	25,930,380	\$ 3.06
<b><u>Three months ended June 30, 2014</u></b>			
<b>Basic EPS</b>			
Net income available to common shareholders of the parent	\$ 59,698,303	25,929,328	\$ 2.30
Effect of dilutive potential common shares		662	
<b>Diluted EPS</b>			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 59,698,303	25,929,990	\$ 2.30
<b><u>Six months ended June 30, 2015</u></b>			
<b>Basic EPS</b>			
Net income available to common shareholders of the parent	\$ 158,407,425	25,930,194	\$ 6.11
Effect of dilutive potential common shares		186	
<b>Diluted EPS</b>			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 158,407,425	25,930,380	\$ 6.11

Six months ended June 30, 2014

Basic EPS

Net income available to common shareholders of the parent	\$ 107,565,096	25,929,089	\$	4.15
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Effect of dilutive potential common shares		880		
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Diluted EPS

Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 107,565,096	25,929,969	\$	4.15
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If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, employee remuneration or 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 employee remuneration or 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 employee remuneration or profit sharing to employees to be settled in the form of common stocks are approved in the following year.

## 29. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
<b>a. Depreciation of property, plant and equipment</b>				
Recognized in cost of revenue	\$ 50,147,268	\$ 41,804,816	\$ 101,188,982	\$ 79,262,241
Recognized in operating expenses	3,685,080	3,541,464	7,343,371	7,063,759
Recognized in other operating income and expenses	6,221	6,221	12,443	12,443
	\$ 53,838,569	\$ 45,352,501	\$ 108,544,796	\$ 86,338,443
<b>b. Amortization of intangible assets</b>				
Recognized in cost of revenue	\$ 404,092	\$ 320,331	\$ 811,842	\$ 653,798
Recognized in operating expenses	380,446	306,282	744,465	609,250
	\$ 784,538	\$ 626,613	\$ 1,556,307	\$ 1,263,048
<b>c. Research and development costs expensed as incurred</b>	\$ 16,612,213	\$ 13,610,337	\$ 33,393,676	\$ 25,678,229
<b>d. Employee benefits expenses</b>				
Post-employment benefits				
Defined contribution plans	\$ 501,747	\$ 430,816	\$ 977,573	\$ 843,268
Defined benefit plans	79,591	63,832	147,719	152,874
	581,338	494,648	1,125,292	996,142
Other employee benefits	22,918,891	19,025,491	45,163,630	35,856,007
	\$ 23,500,229	\$ 19,520,139	\$ 46,288,922	\$ 36,852,149



	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Employee benefits expense summarized by function				
Recognized in cost of revenue	\$ 13,576,089	\$ 11,592,250	\$ 26,870,583	\$ 22,004,321
Recognized in operating expenses	9,924,140	7,927,889	19,418,339	14,847,828
	\$ 23,500,229	\$ 19,520,139	\$ 46,288,922	\$ 36,852,149

(Concluded)

Under the Company Act as amended in May 2015, the Company's Articles of Incorporation should stipulate a fixed amount or ratio of annual profit to be distributed as employee remuneration. The Company expects to make amendments to the Company's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting.

TSMC accrued employee remuneration or profit sharing to employees based on certain percentage of net income during the period, which amounted to NT\$5,338,604 thousand and NT\$3,992,231 thousand for the three months ended June 30, 2015 and 2014, respectively; and NT\$10,621,290 thousand and NT\$7,192,947 thousand for the six months ended June 30, 2015 and 2014, respectively. Bonuses to members of the Board of Directors were expensed based on estimated amount payable. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

TSMC's profit sharing to employees and bonus to directors in the amounts of NT\$17,645,966 thousand and NT\$406,854 thousand in cash for 2014, respectively, and profit sharing to employees and bonus to directors in the amounts of NT\$12,634,665 thousand and NT\$104,136 thousand in cash for 2013, respectively, had been approved by the shareholders in its meeting held on June 9, 2015 and June 24, 2014, respectively. The aforementioned approved amount has no difference with the one approved by the Board of Directors in its meetings held on February 10, 2015 and February 18, 2014 and the same amount had been charged against earnings of 2014 and 2013, respectively.

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.

### 30. DISPOSAL OF SUBSIDIARY

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 Corporation (EPISTAR). Accordingly, the Company 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. The transaction was completed in February 2015. For the major classes of assets and liabilities classified as held for sale, please refer to Note 13 to the consolidated financial statements for the year ended December 31, 2014.

## a. Consideration received from the disposal

Total consideration received	\$ 825,000
Expenditure associated with consideration received	(142,475)
<b>Net consideration received</b>	<b>\$ 682,525</b>

## b. Analysis of assets and liabilities over which the control was lost

<b>Assets</b>	
Cash and cash equivalents	\$ 81,478
Inventories	28,519
Other current assets	91,331
Property, plant and equipment	643,699
Intangible assets	47,373
Others	51,808
<b>Liabilities</b>	
Salary and bonus payable	(38,151)
Accrued expenses and other current liabilities	(68,132)
Net defined benefit liability	(35,845)
Others	(76,915)
<b>Net assets disposed of</b>	<b>\$ 725,165</b>

## c. Gain/loss on disposal of subsidiary

Net consideration received	\$ 682,525
Net assets disposed of	(725,165)
Noncontrolling interests	42,640
<b>Gain/loss on disposal of subsidiary</b>	<b>\$</b>

## d. Net cash inflow arising from disposal of subsidiary

Net consideration received	\$ 682,525
Less: balance of cash and cash equivalents disposed of	81,478
	\$ 601,047

### 31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

		<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
		<b>2015</b>	<b>2014</b>	<b>2014</b>
<b>Financial assets</b>				
<b>FVTPL</b>				
Held for trading derivatives	a)	\$ 58,535	\$ 200,364	\$ 158,265
Available-for-sale financial assets	b)	16,075,250	75,598,018	61,100,010
Held-to-maturity financial assets		7,180,351	4,485,593	299,230

(Continued)

		June 30, 2015	December 31, 2014	June 30, 2014
<b>Loans and receivables</b>				
Cash and cash equivalents	a)	\$ 528,895,107	\$ 358,530,507	\$ 255,053,573
Notes and accounts receivables (including related parties)	a)	99,737,061	115,057,965	86,887,160
Other receivables	a)	12,320,574	4,051,452	4,364,503
Refundable deposits	a)	408,585	356,582	2,476,534
		\$ 664,675,463	\$ 558,280,481	\$ 410,339,275
<b>Financial liabilities</b>				
<b>FVTPL</b>				
Held for trading derivatives	a)	\$ 780,721	\$ 486,614	\$ 19,418
Derivative financial instruments in designated hedge accounting relationships		2,625,763	16,364,241	5,559,559
Amortized cost				
Short-term loans		5,592,600	36,158,520	34,705,206
Accounts payable (including related parties)	a)	21,100,895	23,379,762	21,697,296
Payables to contractors and equipment suppliers	a)	43,610,962	26,983,424	34,657,746
Cash dividends payable		116,683,481		77,785,851
Accrued expenses and other current liabilities	a)	21,890,115	22,248,135	17,572,283
Bonds payable (including long-term liabilities - current portion)		212,722,606	213,673,818	210,869,059
Long-term bank loans (including long-term liabilities - current portion)		40,000	40,000	40,000
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)		18,000	36,000	54,000
Guarantee deposits (including those classified under accrued expenses and other current liabilities)	a)	28,518,962	30,297,600	157,011
		\$ 453,584,105	\$ 369,668,114	\$ 403,117,429

(Concluded)

Note a: Including those classified to noncurrent assets held for sale or liabilities directly associated with noncurrent assets held for sale as of December 31, 2014.



Note b: Including financial assets carried at cost.

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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 six months ended June 30, 2015 and 2014 would have decreased by NT\$1,618,369 thousand and NT\$686,238 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\$166 thousand for both six months ended June 30, 2015 and 2014, respectively.

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 six months ended June 30, 2015 and 2014 would have been unaffected as they were classified as available-for-sale; however, the other comprehensive income for the six months ended June 30, 2015 and 2014 would have decreased by NT\$135,538 thousand and NT\$128,251 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 investing activities, primarily bank deposits, fixed-income investments and other financial instruments. 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 June 30, 2015, December 31, 2014 and June 30, 2014, the Company's ten largest customers accounted for 66%, 76% and 67% 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.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	<b>Less Than</b>				
	<b>1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<b>June 30, 2015</b>					
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 5,594,309	\$	\$	\$	\$ 5,594,309
Accounts payable (including related parties)	21,100,895				21,100,895
Payables to contractors and equipment suppliers	43,610,962				43,610,962
Accrued expenses and other current liabilities	21,890,115				21,890,115
Bonds payable	13,915,132	107,533,065	66,178,944	36,407,035	224,034,176
Long-term bank loans	3,931	21,933	18,002		43,866
Other long-term payables (classified under accrued expenses and other current liabilities)	18,000				18,000
Obligations under finance leases	29,076	58,151	755,364		842,591
Guarantee deposits (including those classified under accrued expense and other current	6,602,375	12,595,587	9,321,000		28,518,962

liabilities)					
	112,764,795	120,208,736	76,273,310	36,407,035	345,653,876
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	76,898,431				76,898,431
Inflows	(76,154,158)				(76,154,158)
	744,273				744,273
Cross currency swap contracts					
Outflows	3,033,613				3,033,613
Inflows	(3,060,582)				(3,060,582)
	(26,969)				(26,969)
Stock forward contracts					
Outflows	10,575,328				10,575,328
Inflows	(10,575,328)				(10,575,328)
	\$ 113,482,099	\$ 120,208,736	\$ 76,273,310	\$ 36,407,035	\$ 346,371,180

December 31, 2014Non-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	22,177,901				22,177,901

other current liabilities					
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
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

(Continued)

	<b>Less Than</b>				
	<b>1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Derivative financial instruments</u>					
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

June 30, 2014Non-derivative financial liabilities

Short-term loans					
	\$ 34,713,484	\$	\$	\$	\$ 34,713,484
Accounts payable (including related parties)					
	21,697,296				21,697,296
Payables to contractors and equipment suppliers					
	34,657,746				34,657,746
Accrued expenses and other current					
	17,572,283				17,572,283

liabilities					
Bonds payable	3,038,196	38,216,868	98,612,394	85,318,276	225,185,734
Long-term bank loans	1,450	15,079	21,208	7,579	45,316
Other long-term payables (classified under accrued expenses and other current liabilities and other noncurrent liabilities)	36,000	18,000			54,000
Obligations under finance leases	27,921	55,843	753,300		837,064
Guarantee deposits		157,011			157,011
	111,744,376	38,462,801	99,386,902	85,325,855	334,919,934
<u>Derivative financial instruments</u>					
Forward exchange contracts					
Outflows	21,906,386				21,906,386
Inflows	(21,976,316)				(21,976,316)
	(69,930)				(69,930)
Cross currency swap contracts					
Outflows	28,436,568				28,436,568
Inflows	(28,543,835)				(28,543,835)
	(107,267)				(107,267)
Stock forward contracts					
Outflows	42,712,852	10,162,117			52,874,969
Inflows	(42,712,852)	(10,162,117)			(52,874,969)
	\$ 111,567,179	\$ 38,462,801	\$ 99,386,902	\$ 85,325,855	\$ 334,742,737



(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.

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	June 30, 2015		December 31, 2014		June 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>						
Held-to-maturity financial assets						
Commercial paper	\$ 7,180,351	\$ 7,189,249	\$ 4,485,593	\$ 4,486,541	\$ 299,230	\$ 299,857
<b>Financial liabilities</b>						
Measured at amortized cost						
Bonds payable	212,722,606	213,040,105	213,673,818	213,177,122	210,869,059	210,756,224

2) 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; interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; 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.

3) 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).

Financial assets and liabilities measured at fair value on a recurring basis

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

	<b>June 30, 2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$	\$ 58,535	\$	\$ 58,535
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 14,216,491	\$	\$	\$ 14,216,491
Money market funds	383			383
	\$ 14,216,874	\$	\$	\$ 14,216,874
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$	\$ 780,721	\$	\$ 780,721
<u>Hedging derivative financial liabilities</u>				
Stock forward contract	\$	\$ 2,625,763	\$	\$ 2,625,763
	<b>December 31, 2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Derivative financial instruments (Note)	\$	\$ 200,364	\$	\$ 200,364
<u>Available-for-sale financial assets</u>				
Publicly traded stocks	\$ 73,797,085	\$	\$	\$ 73,797,085
Money market funds	391			391
	\$ 73,797,476	\$	\$	\$ 73,797,476

Financial liabilities at FVTPL

Derivative financial instruments (Note)	\$	\$	486,614	\$	\$	486,614
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Hedging derivative financial liabilities

Stock forward contract	\$	\$	16,364,241	\$	\$	16,364,241
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Note: Including those classified to noncurrent assets held for sale or liabilities directly associated with noncurrent assets held for sale.

	<b>June 30, 2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b><u>Financial assets at FVTPL</u></b>				
Derivative financial instruments	\$	\$ 158,265	\$	\$ 158,265
<b><u>Available-for-sale financial assets</u></b>				
Publicly traded stocks	\$ 59,082,115	\$	\$	\$ 59,082,115
Money market funds	367			367
	\$ 59,082,482	\$	\$	\$ 59,082,482
<b><u>Financial liabilities at FVTPL</u></b>				
Derivative financial instruments	\$	\$ 19,418	\$	\$ 19,418
<b><u>Hedging derivative financial liabilities</u></b>				
Stock forward contract	\$	\$ 5,559,559	\$	\$ 5,559,559

For assets and liabilities held as of June 30, 2015, December 31, 2014 and June 30, 2014 that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

There were no purchases and disposals for assets on Level 3 for the six months ended June 30, 2015 and 2014, respectively.

**Financial assets and liabilities not measured at fair value but for which the fair value is disclosed**

For investments in commercial paper, the fair value is determined at the present value of future cash flows based on the observable yield curves.

The fair value of the Company's bonds payable is determined using active market prices.

The table below sets out the balances for the Company's assets and liabilities at amortized cost but for which the fair value is disclosed as of June 30, 2015:

	<b>June 30, 2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>	<b>NT\$</b>
	<b>(In Millions)</b>	<b>(In Millions)</b>	<b>(In Millions)</b>	<b>(In Millions)</b>
<b><u>Assets</u></b>				

Held-to-maturity securities

Commercial paper	\$	\$ 7,189,249	\$	\$ 7,189,249
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Liabilities

Measured at amortized cost

Bonds payable	\$ 213,040,105	\$	\$	\$ 213,040,105
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**32. 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

Item	Related Party Categories	Three Months Ended June 30		Six Months Ended June 30	
		2015	2014	2015	2014
Net revenue from sale of goods	Associates	\$ 1,171,840	\$ 1,000,358	\$ 2,186,502	\$ 1,993,064
	Joint venture	283	315	667	650
		\$ 1,172,123	\$ 1,000,673	\$ 2,187,169	\$ 1,993,714
Net revenue from royalties	Associates	\$ 130,168	\$ 127,574	\$ 262,144	\$ 255,064

## b. Purchases

Related Party Categories	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Associates	\$ 2,974,865	\$ 3,235,213	\$ 5,979,141	\$ 5,851,848

## c. Receivables from related parties

Item	Related Party Categories	June 30,	December 31,	June 30,
		2015	2014	2014
Receivables from related parties	Associates	\$ 744,584	\$ 312,641	\$ 462,704



	Joint venture	123	314	28
		\$ 744,707	\$ 312,955	\$ 462,732
Other receivables from related parties	Associates	\$ 3,164,538	\$ 178,625	\$ 2,875,842
	Joint venture	400,803		
		\$ 3,565,341	\$ 178,625	\$ 2,875,842

d. Payables to related parties

<u>Item</u>	<u>Related Party Categories</u>	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
Payables to related parties	Associates	\$ 1,325,844	\$ 1,490,997	\$ 1,679,807
	Joint venture	1,501	493	1,974
		\$ 1,327,345	\$ 1,491,490	\$ 1,681,781

## e Disposal of property, plant and equipment

	Proceeds			
	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
<u>Related Party Categories</u>				
Associates	\$	\$ 15,817	\$	\$ 15,817

## f. Others

	Gains			
	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
<u>Related Party Categories</u>				
Associates	\$	\$ 15,817	\$	\$ 15,817

<u>Item</u>	<u>Related Party Categories</u>	June 30,	December 31,	June 30,
		2015	2014	2014
Refundable deposits	Associates	\$	\$	\$ 5,813

<u>Item</u>	<u>Related Party Categories</u>	Three Months Ended June 30	2014	Six Months Ended June 30	2014
		2015	2014	2015	2014
Manufacturing expenses	Associates	\$ 680,185	\$ 651,522	\$ 1,394,699	\$ 1,129,860
	Joint venture	3,023	2,109	5,363	4,695
		\$ 683,208	\$ 653,631	\$ 1,400,062	\$ 1,134,555
	Associates	\$ 6,873	\$ 45,302	\$ 25,926	\$ 53,333

Research and development expenses

Joint venture	888	233	948	841
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	\$ 7,761	\$ 45,535	\$ 26,874	\$ 54,174
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General and administrative Associates expenses

	\$ 1,050	\$	\$ 1,050	\$
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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.

## g. Compensation of key management personnel

The compensation to directors and other key management personnel for the three months and six months ended June 30, 2015 and 2014 were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Short-term employee benefits	\$ 484,183	\$ 430,685	\$ 970,226	\$ 763,022
Post-employment benefits	1,037	976	2,042	33,930
	\$ 485,220	\$ 431,661	\$ 972,268	\$ 796,952

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.

**33. PLEDGED ASSETS**

The Company provided certificate of deposits recorded in other financial assets as collateral mainly for litigation and building lease agreements. As of June 30, 2015, December 31, 2014 and June 30, 2014, the aforementioned other financial assets amounted to NT\$269,032 thousand, NT\$293,409 thousand and NT\$120,705 thousand, respectively.

**34. 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 August 2015 and December 2034 and can be renewed upon expiration.

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	June 30,	December 31,	June 30,
	2015	2014	2014
Not later than 1 year	\$ 1,005,463	\$ 891,767	\$ 872,608
Later than 1 year and not later than 5 years	3,608,378	3,490,783	2,959,087
Later than 5 years	7,168,284	6,576,218	5,215,876

\$ 11,782,125 \$ 10,958,768 \$ 9,047,571

**35. 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 June 30, 2015, 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 June 30, 2015.
  
- 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 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. Keranos appealed the final judgment to the U.S. Court of Appeals for the Federal Circuit and the oral argument was heard in April 2015. There has not been a decision yet. 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, and the lock-up period expired on May 1, 2015. 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 June 30, 2015, TSMC has paid EUR 137,186 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. 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.

- g. In March 2014, DSS Technology Management, Inc. (DSS) 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. TSMC Development has subsequently been dismissed. In May 2015, the Court entered a final judgment of noninfringement in favor of TSMC and TSMC North America. DSS has appealed the final judgment 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.
  
- h. Amounts available under unused letters of credit as of June 30, 2015, December 31, 2014 and June 30, 2014 were NT\$198,848 thousand, NT\$222,026 thousand and NT\$89,568 thousand, respectively.

### 36. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of each subsidiary of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency of each subsidiary. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies	Exchange Rate	Carrying Amount
	(In Thousands)	(Note 1)	
<u>June 30, 2015</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,645,790	31.070	\$ 144,344,694
RMB	2,496,163	0.161(Note 2)	12,507,023
EUR	218,538	34.70	7,583,271
JPY	39,072,839	0.2542	9,932,316
Non-monetary items			
HKD	179,390	4.01	719,354
<u>Financial liabilities</u>			
Monetary items			
USD	2,516,198	31.070	78,178,285
EUR	224,175	34.70	7,778,856
JPY	41,504,262	0.2542	10,550,383
<u>December 31, 2014</u>			
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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

(Continued)





	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>June 30, 2014</u>	<b>(In Thousands)</b>	<b>(Note 1)</b>	
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,462,413	29.856	\$ 103,373,806
EUR	71,378	40.75	2,908,664
JPY	739,275	0.2946	217,790
Non-monetary items			
HKD	184,891	3.85	711,832
<u>Financial liabilities</u>			
Monetary items			
USD	2,299,423	29.856	68,651,575
EUR	132,123	40.75	5,383,995
JPY	41,879,354	0.2946	12,337,658
			(Concluded)

Note 1: Except as otherwise noted, exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

Note 2: The exchange rate represents the number of USD dollars for which one RMB could be exchanged. The realized and unrealized foreign exchange losses were NT\$292,295 thousand and NT\$355,207 thousand for the three months ended June 30, 2014 and 2015, respectively; NT\$244,112 thousand and NT\$391,608 thousand for the six months ended June 30, 2014 and 2015, respectively. Since there were varieties of foreign currency transactions and functional currencies within the subsidiaries of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

### 37. 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 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
<u>Three months ended June 30, 2015</u>				
Net revenue from external customers	\$ 205,167,427	\$ 272,325	\$	\$ 205,439,752
Income from operations	77,380,992	(311,934)		77,069,058
<u>Three months ended June 30, 2014</u>				
Net revenue from external customers	182,820,998	199,486		183,020,484
Net revenue from sales among intersegments		12,323	(12,323)	
Income from operations	71,369,814	(660,642)		70,709,172
<u>Six months ended June 30, 2015</u>				
Net revenue from external customers	427,062,560	411,336		427,473,896
Income from operations	164,356,759	(661,578)		163,695,181
<u>Six months ended June 30, 2014</u>				
Net revenue from external customers	330,896,123	339,533		331,235,656
Net revenue from sales among intersegments		26,895	(26,895)	
Income from operations	124,565,538	(1,338,752)		123,226,786

**38. ADDITIONAL DISCLOSURES**

Following are the additional disclosures required by the Securities and Futures Bureau (SFB) for TSMC:

- Financings provided: Please see Table 1 attached;
- Endorsement/guarantee provided: Please see Table 2 attached;
- Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Please see Table 3 attached;
- 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;
- 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.

**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****FINANCINGS PROVIDED****FOR THE SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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 of Transaction for Financing	Amount Financing	Reason for Bad Debt It	Allowance
Other receivables from related parties	Yes	\$ 5,281,900 (US\$ 170,000)	\$ 5,281,900 (US\$ 170,000)	\$ 4,940,130 (US\$ 159,000)	0.38%	The need for short-term financing	\$	Operating capital	\$
Other receivables from related parties	Yes	1,553,500 (US\$ 50,000)			0.38%	The need for short-term financing		Operating capital	
Other receivables from related parties	Yes	18,642 (US\$ 600)	18,642 (US\$ 600)			The need for short-term financing		Operating capital	

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 SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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)	Ratio of Accumulated Endorsement/ Guarantee to Net Equity (Latest Financial Statements)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided to Parent Company
Global Subsidiary	\$ 266,645,095	\$ 46,605,000	\$ 46,605,000	\$ 46,605,000	\$ 4.37%	\$ 266,645,095	Yes
		(US\$ 1,500,000)	(US\$ 1,500,000)	(US\$ 1,500,000)			
North Subsidiary	266,645,095	2,585,437	2,585,437	2,585,437	0.24%	266,645,095	Yes
		(US\$ 83,213)	(US\$ 83,213)	(US\$ 83,213)			

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.

**TABLE 3****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	June 30, 2015		Owner
				Carrying Value (Foreign Currencies in Thousands)	Percent	
<u>Commercial Paper</u>						
Taiwan Power Company		Held-to-maturity financial assets	720	\$ 7,180,351		
<u>Bank</u>						
Taiwan Semiconductor Manufacturing International Corporation		Available-for-sale financial assets	211,047		719,354	
United Industrial Gases Co., Ltd.		Financial assets carried at cost	21,230		193,584	
Chun-Etsu Handotai Taiwan Co., Ltd.			10,500		105,000	
Chun-Etsu Technology Fund IV			4,000		39,280	
<u>Private Equity</u>						
Amazon Ventures Fund		Financial assets carried at cost			17,029	
Johnson Asia Capital					18,265	
<u>Other</u>						
ML		Available-for-sale financial assets	4,109	US\$	424,707	
<u>Key market fund</u>						
BlackRock Cash Mgmt Global Offshore		Available-for-sale financial assets	12	US\$	12	
<u>Other</u>						
Beigong Inc.		Financial assets carried at cost	6,333			
<u>Private Equity</u>						
Shanghai Walden Venture Capital Enterprise		Financial assets carried at cost		US\$	5,000	
Shanghai Walden Venture Investments II, LP				US\$	2,800	
<u>Common stock</u>						
Global Investment Holding Inc.		Financial assets carried at cost	11,124	US\$	3,065	

Wave Technology Corp.		4,074	US\$	1,545
<u>Preferred stock</u>				
Holdings, LLC	Financial assets carried at cost		US\$	141
<u>Preferred stock</u>				
cs, Inc.	Financial assets carried at cost	230		
<u>Common stock</u>				
ip Technologies Limited	Available-for-sale financial assets	6,581	US\$	9,703
cs, Inc.	Financial assets carried at cost	278		
atek Technology, Corp.		745		
<u>Preferred stock</u>				
cs, Inc.	Financial assets carried at cost	264		
<u>Common stock</u>				
elic	Financial assets carried at cost	1,806	US\$	2,607
ner Systems, Inc.		2,600	US\$	2,243
Wave Technology Corp.		1,267	US\$	1,036

(Continued)

June 30, 20

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value	
			Shares/Units	(Foreign Currencies) in Percent
			(In Thousands)	(In Thousands)
<u>Preferred stock</u>				
5V Technologies, Inc.		Financial assets carried at cost	963	US\$ 2,168
Aquantia			4,643	US\$ 4,441
Cresta Technology Corporation			92	US\$ 28
Impinj, Inc.			711	US\$ 1,100
QST Holdings, LLC				US\$ 588
<u>Common stock</u>				
Accton Wireless Broadband Corp.		Financial assets carried at cost	2,249	US\$ 315
<u>Preferred stock</u>				
BridgeLux, Inc.		Financial assets carried at cost	7,522	US\$ 9,379
GTBF, Inc.			1,154	US\$ 1,500
LiquidLeds Lighting Corp.			1,600	US\$ 800
Neoconix, Inc.			4,147	US\$ 170
Powervation, Ltd.			568	US\$ 8,878
(Concluded)				

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**TABLE 4****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 SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Counter- party	Nature of Relationship	Beginning Balance		Acquisition			Disposal	
			Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Carrying Value
Pre-maturity financial assets			220	\$ 2,192,014	1,080	\$ 10,768,924	580	\$ 5,800,000	\$ 5,780,580
			230	2,293,579	100	997,799	330	3,300,000	3,291,370
Investments intended for equity and current assets for sale	Public Market	Associate	546,223	10,105,485			82,000	3,871,910	1,608,370
	EPISTAR	Subsidiary	554,674	669,472			554,674	782,701	669,472
								(Note 2)	
Available-for-sale financial assets			20,993	US\$ 2,284,919			16,884	US\$ 1,438,279	US\$ 873,010

Note 1: The ending balance includes share of profits/losses of investees and other related adjustment.

Note 2: The amount of disposal is the selling price less associated expenditure.

**TABLE 5****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 SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Transaction Date	Transaction Amount (Foreign Currencies in Thousands)	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party			Price	
					Owner Relationships	Transfer Date	Amount		
September 28, 2014 to February 28, 2015	\$ 2,416,993	Monthly settlement by the construction progress and acceptance	DA CIN Construction Co., Ltd.		N/A	N/A	N/A	N/A	Bidding price comparison and price negotiation
September 3, 2014 to December 18, 2015	1,371,031	Monthly settlement by the construction progress and acceptance	China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Bidding price comparison and price negotiation

**TABLE 6****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 SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Related Party	Nature of Relationships	Purchases/Sales	Transaction Details		Payment Terms	Abnormal Transaction	Notes/Accounts Payable/Receivable Ending Balance (Foreign Currencies)
			(Foreign Currencies)	% to Total			
TSMC North America	Subsidiary	Sales	\$ 280,853,604	65	Net 30 days from invoice date (Note)	Note	\$ 62,756,540
GUC	Associate	Sales	1,599,748		Net 30 days from the end of the month of when invoice is issued		542,700
TSMC China	Subsidiary	Purchases	11,475,242	30	Net 30 days from the end of the month of when invoice is issued		(2,072,300)
WaferTech	Indirect subsidiary	Purchases	4,600,176	12	Net 30 days from the end of the month of when invoice is issued		(700,500)
VIS	Associate	Purchases	3,784,843	10	Net 30 days from the end of the month of when invoice is issued		(504,300)
SSMC	Associate	Purchases	2,194,298	6	Net 30 days from the end of the month of when invoice is issued		(420,300)

TSMC Solar Europe GmbH	Subsidiary	Sales	206,556	58	Net 90 days from the end of the month of when invoice is issued	125,500
GUC	Associate of TSMC	Sales	523,775		Net 30 days from invoice date	197,200
			(US\$ 16,795)			(US\$ 6,300)

Note: The tenor is 30 days from TSMC's invoice date or determined by the payment terms granted to its clients by TSMC North America.



**TABLE 7****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****JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationships	Ending Balance		Overdue		Amounts Rec in Subsequ Period
			(Foreign Currencies in Thousands)	Turnover Days (Note 1)	Amount	Action Taken	
	TSMC North America	Subsidiary	\$ 63,048,111	49	\$ 6,176,072		\$ 11,882
	SSMC	Associate	1,627,246	Note 2			
	VIS	Associate	1,293,572	Note 2			
	GUC	Associate	684,164	46			
	Xintec	Associate	106,414	26			
Partners	TSMC Solar	The same parent company	4,953,605	Note 2			
			(US\$ 159,434)				
	VisEra Holding	Jointly controlled entity	400,803	Note 2			
			(US\$ 12,900)				
China	TSMC	Parent company	2,072,310	32			
			(RMB 413,595)				
	TSMC	Parent company	421,059	Note 2			
			(US\$ 13,552)				
Thailand	TSMC	Parent company	700,505	28			
			(US\$ 22,546)				
North America	GUC	Associate of TSMC	197,299	42	54,265		54,265
			(US\$ 6,350)		(US\$ 1,747)		(US\$ 1,747)
Europe	TSMC Solar Europe GmbH	Subsidiary	125,506	128	50,289	Accelerate collection process	42,000

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.

**TABLE 8****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars)**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions				
				Financial Statements Item	Amount (Note 2)	Percentage of Consolidated Total Revenue (Note 2)		
0	TSMC	TSMC North America	1	Net revenue from sale of goods	\$ 280,853,604	66%		
				Receivables from related parties	62,756,545	4%		
				Other receivables from related parties	291,566			
			TSMC China	1	Purchases	11,475,242	3%	
					Disposal of property, plant and equipment	109,647		
					Payables to related parties	2,072,310		
			TSMC Japan	1	Marketing expenses - commission	114,914		
			TSMC Europe	1	Marketing expenses - commission	191,368		
			TSMC Technology	1	Research and development expenses	884,441		
					Payables to related parties	421,059		
1	TSMC Solar	WaferTech	1	Purchases	4,600,176	1%		
				Payables to related parties	700,505			
				TSMC Canada	1	Research and development expenses	118,454	
						Net revenue from sale of goods	206,556	
						Receivables from related parties	125,506	
				TSMC Partners	3	Other payables to related parties	4,953,605	

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.

**TABLE 9****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)****FOR THE SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2015			Net (Loss In (F Curr Tho
		June 30, 2015 (Foreign Currencies in Thousands)	December 31, 2014 (Foreign Currencies in Thousands)	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value (Foreign Currencies in Thousands)	
Portola, British Virgin Islands	Investment activities	\$ 103,114,868	\$ 103,114,868	3	100	\$ 129,842,267	\$ 1
Portola, 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	47,749,091	
Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	10,180,677	11,789,048	464,223	28	8,196,482	
Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	7,831,408	
San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	3,942,656	
Hoyuan, Taiwan	Wafer level chip size packaging service	1,309,969	1,357,890	92,778	35	2,250,809	
Hsi-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	1,967,224	

(Note 3)

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sin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,013,265
ayman lands	Investing in new start-up technology companies	1,737,336	1,850,782		98	734,873
ayman lands	Investing in new start-up technology companies	608,562	605,479		98	459,633
Amsterdam, Netherlands	Marketing and engineering supporting activities	15,749	15,749		100	299,775
ayman lands	Investing in new start-up technology companies	844,775	844,775		99.5	150,260
Yokohama, Japan	Marketing activities	83,760	83,760	6	100	118,029
Taipei, Taiwan	Investment activities	270,000	200,000		100	38,011
Taipei, Taiwan	Customer service and technical supporting activities	13,656	13,656	80	100	34,042
Delaware, S.A.	Investment activities	0.03	0.03		100	24,150,627
		(US\$ 0.001)	(US\$ 0.001)			(US\$ 777,297) (US\$
ayman lands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	1,336,010	1,336,010	43,000	49	3,469,013
		(US\$ 43,000)	(US\$ 43,000)			(US\$ 111,652) (US\$
Delaware, S.A.	Engineering support activities	0.03	0.03		100	500,673
		(US\$ 0.001)	(US\$ 0.001)			(US\$ 16,114) (US\$
ayman lands	Investing in new start-up technology companies	288,920	288,920	9,299	97	395,216
		(US\$ 9,299)	(US\$ 9,299)			(US\$ 12,720) (US\$
Ontario, Canada	Engineering support activities	71,461	71,461	2,300	100	151,114
		(US\$ 2,300)	(US\$ 2,300)			(US\$ 4,864) (US\$
ayman lands	Investing in new start-up technology companies	18,114	18,114	583	97	3,916
		(US\$ 583)	(US\$ 583)			(US\$ 126) (US\$
Washington, S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices			293,637	100	6,524,666
						(US\$ 209,999) (US\$
New Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	161,958	161,958	15,643	58	23,107
		(US\$ 5,212)	(US\$ 5,212)			(US\$ 744) (US\$
ayman lands	Investing in new start-up technology companies	20,561	67,733		100	1,497
		(US\$ 662)	(US\$ 2,180)			(US\$ 48) (US\$
Delaware, S.A.	Investing in new start-up technology companies				62	



Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2015			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
			June 30, 2015 (Foreign Currencies in Thousands)	December 31, 2014 (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Carrying Value (Foreign Currencies in Thousands)	Shares (Thousands)	
gs	Delaware, U.S.A.	Investing in new start-up technology companies	\$	\$	31	\$	\$	
gs	Delaware, U.S.A.	Investing in new start-up technology companies			7			
	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	18	3,154,231	(1,036,1
NA	Delaware, U.S.A.	Selling and marketing of solar related products	236,025	236,025	1	100	16,893	1,5
H	Hamburg, Germany	Selling of solar related products and providing customer service	25,266		1	100	15,389	(20,9
H	Amsterdam, the Netherlands	Investing in solar related business		504,107				(5,0
	Tai-Chung, Taiwan	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	94,586	53,092	13,478	1	23,366	(973,4
					(Note 3)			
H	Hamburg, Germany	Selling of solar related products and providing customer service		430,280				(20,9
				(EUR 12,400)				(EUR

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: TSMC Solar completed the filing of capital reduction in July 2015 and thereafter, TSMC and TSMC GN hold 289,647 thousand and 3,492 thousand shares of TSMC Solar, respectively.

(Concluded)





**TABLE 10****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION ON INVESTMENT IN MAINLAND CHINA****FOR THE SIX MONTHS ENDED JUNE 30, 2015****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Total Amount of Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Investment Flows		Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/ Losses
			Accumulated Outflow of Investment from Taiwan as of January 1, 2015 (US\$ in Thousands)	Accumulated Outflow of Investment from Taiwan as of June 30, 2015 (US\$ in Thousands)			
Manufacturing Products	\$ 18,939,667	Note 1	\$ 18,939,667	\$ \$ \$ 18,939,667	\$ 4,723,047	100%	\$ 4,739,205
Selling of patented rights at the of and want to product design specifications provided by customers	(RMB 4,502,080)		(US\$ 596,000)	(US\$ 596,000)			(Note 2)

Investment Amounts		
Accumulated Investment in Mainland China as of June 30, 2015 (US\$ in Thousands)	Authorized by Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment (US\$ in Thousands)
\$ 18,939,667	\$ 18,939,667	\$ 18,939,667
(US\$ 596,000)	(US\$ 596,000)	(US\$ 596,000)

Note 1: TSMC directly invested US\$596,000 thousand in TSMC China.

Note 2: Amount was recognized based on the reviewed financial statements.

