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2330.TW - Q1 2013 TSMC Earnings Conference Call

EVENT DATE/TIME: APRIL 18, 2013 / 6:00AM GMT

OVERVIEW:

Co. reported 1Q13 revenue of TWD133b, and EPS of TWD1.53. Expects 2Q13 revenue to be TWD154-156b.

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PRESENTATION

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Welcome to TSMC's first quarter 2013 earnings conference and conference call. This is Elizabeth Sun, TSMC's Director of Corporate Communications and your host for today. The event is webcast live via TSMC's website at www.tsmc.com. If you are joining us through the call, your dial-in lines are in listen-only mode. As this conference is being viewed by investors around the world, we will conduct this event in English only.

The format for today's event will be as follows. First, TSMC's SVP and CFO, Ms. Lora Ho, will summarize our operations in the first quarter followed by our guidance for the current quarter. Afterwards TSMC's Chairman and CEO, Dr. Morris Chang, will provide his general remarks and a couple of key messages. Then we will open the floor to questions. For those participants on the call, if you do not yet have a copy of the press release you may download it now from TSMC's website at www.tsmc.com. Please also download the summary slides in relation to today's earnings conference presentation.

Before we begin I would like to remind everybody that today's discussions may contain forward-looking statements that are subject to significant risks and uncertainties, which could cause actual results to differ materially from those contained in the forward-looking statements. Please refer to the Safe Harbor notice that appears on our press release. And now I would like to turn the podium to TSMC's CFO, Ms. Lora Ho.

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Thank you Elizabeth. Good afternoon everyone. Thank you for your participation. Today my presentation will start with financial highlights for the first quarter 2013 and followed by the guidance for the second quarter. Our first quarter revenue turned out better than guidance due to a more favorable exchange rate and stronger mobile demand, and TSMC's strong position in 28 nanometer. Compared to the previous quarter' first quarter revenue increased 1% to TWD133b.

On the margin side, gross margin was 45.8%, down 1.4 percentage points from the fourth quarter last year. Higher capacity utilization and the NT dollar depreciation contributed to a favorable impact to our gross margin by 3 percentage points. However, the inventory valuation adjustment on a quarter over quarter basis has impacted our gross margin by 4.4 percentage points. This is consistent with the accounting treatment under ROC GAAP number 10 as before. First quarter operating margin was 33.5%, down 1.8 percentage point from the prior quarter due to higher operating expense for fab 15 capacity expansion for 28 nanometer.

Non-operating items was a gain of TWD1.3b for this quarter, much better than the loss in the fourth quarter of 2012. The difference is mainly due to the lack of impairment charges of TWD1.5b we took in the fourth quarter last year for certain invested companies. Also in the first quarter, we disposed a portion of the SMIC shares at a profit of TWD0.7b versus its value on our book. Overall, our EPS was TWD1.53. ROE was 21.3%.

As you may have noticed, we are preparing financial statement in accordance with Taiwan IFRS starting this year. To illustrate the difference we prepared a comparison table under both ROC GAAP and the Taiwan IFRS using 2012 number as example. I would like to highlight a few items here and you can find a more detailed explanation on TSMC website.

On the profit side, TIFRS require us to reclassify some items among operating and non-operating items. For example, technical service income was reclassified from non-operating items to revenue. Also, loss of impairment of idle assets will be reclassified from non-operating expenses to other operating expenses etc. and etc. The overall impact on our net income is small increase of TWD0.2b in profitability, which is less than 0.1% of our total net income.

On the balance sheet the key changes for TSMC is the reclassification of sales returned allowance from reduction in accounts receivable to other current liabilities. Therefore the balance of both accounts receivables and other current liabilities increased. This leads to a four-day increase in accounts receivable turnover day in calculation.

Now let's move back to revenue analysis for the first quarter of 2013. Overall revenue from all applications showed better than seasonal quarter-over-quarter changes in the first quarter. As mobile product IC designers accelerated preparation for new product launches, demand for communication-related applications showed the strongest growth of 4%. Computer increased by 3%, consumer increased by 3% and industrial revenue declined by 2% in the first quarter.

If we look at the revenue by technology, demand for our 28-nanometer technology remained robust. 28-nanometer contribution to total wafer revenue further increased from 22% in the fourth quarter to 24% in the first quarter of 2013. With solid demand and a smooth ramp, we expect 28-nanometer revenue continue to grow each quarter and we are confident the 28-nanometer wafer revenue for 2013 will triple that of 2012. Overall advanced technologies, defined as 40-nanometer and below, accounted for 47% of our total wafer revenue, up from 44% in the fourth quarter last year.

Let me make a few comments on the balance sheet. Our cash and marketable securities increased TWD38b to TWD185b (sic -- see presentation "TWD189.26b") at the end of the first quarter mainly due to proceeds from the issuance of corporate bonds. By the same token our long-term interest bearing debt increased TWD45b to TWD127b. Looking at financial ratio, our accounts receivable turnover days remain flat at 43 days and days of inventory increased by one day to 51 days.

On the cash flow side, in the first quarter we generated TWD74b from operations, invested TWD80b in capital expenditure and had raised TWD45b through corporate bonds. In the US dollar terms our capital expenditure was $2.7b in the first quarter. We expect the total CapEx to be front-end loaded for the whole year. Overall our cash balance increased TWD43b to TWD186b. Free cash flow ended at negative TWD7b mainly due to higher capital expenditure in the first quarter.

Lastly let me make a few comments on our capacity plan. In the first quarter due to fewer working days and scheduled maintenance our total capacity decreased 1% to around 3.9m 8-inch equivalent wafers. While we continue to add a 28-nanometer capacity, our second quarter capacity will pick up to a level close to 4m wafers, up 3% from the first quarter. For the full year our 12-inch capacity is expected to increase 17% in 2013 contributed by the ramp of fab 15, and our total annual capacity will increase 11% year over year to reach around 16.5m wafers.

I have finished my financial reports. Now let me provide you our second quarter guidance. Based on our current business expectations and a forecast exchange rate of 29.82, we expect our revenue to be between TWD154 and TWD156b, representing about 17% Q-over-Q growth. In terms of margins we expect the second quarter gross margin to be between 47.5% and 49.5%, and operating margin to be between 35% and 37%.

This concludes my remarks. Let me turn the podium to our Chairman and CEO, Dr. Morris Chang for his remarks.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I would like to make some comments on industry outlook and on 1Q and 2Q, and then on our technology development 28, 20 and 16, as well as specialty technologies. And finally I will talk about this year's capital expenditures.

For the industry outlook, for the full year 2013 our estimate of global GDP remains unchanged at about 2.6% growth. The SC market we now estimate to be about 4% growth. That is up from the 3% earlier estimate due mainly to memory price recovery. Fabless industry, our estimate of fabless industry growth remains unchanged at 9%. Foundry industry we now estimate to grow at 10%. That is up from 7% mainly due to the raise of our own estimate of our growth.

TSMC growth will be much higher than the foundry industry growth of 10% that I have mentioned earlier. Our inventory, supply chain inventory at the end of 4Q was close to seasonal, was reasonably balanced, close to the seasonal norm. And we expect it to remain slightly above seasonal in all four quarters this year, and basically we feel that reasonably it will be reasonably balanced every quarter this year.

On 1Q and 2Q of 2013 we are pleased with our first quarter performance and we are encouraged by the business prospects of the second quarter, as Laura has already guided. Both quarters are stronger than seasonal. We attribute our strength to, first, mobile-related applications whose demand remain strong, and TSMC's strong position in 28-nanometer technology, which has become widely adopted by many mobile-related applications.

Now a few comments on 28 nanometer. I said before and I say again, our capacity and output continue to ramp up aggressively. Both our production and our revenue of 28-nanometer wafers in 2013 will triple the production and revenue of 2012. This year our volume and our revenue will triple that of 2012. Our high-K metal gate version will overtake the oxynitride version in third quarter of this year.

Market share this year is expected to remain very high due to, first, we have better yields on 28 LP, which is the oxynitride version. We have better yields on the oxynitride version than competition. Second, our differentiated offering in high-K metal gate, namely we have gate-last versus competitions' gate-first, offers better performance for our customers' products. So two reasons why our market share will remain very high. First, the 28 LP, the oxynitride version, has better yields than competition. Second, our high-K metal gate version is different from what the competitors may offer because we are gate-last and theirs is gate-first, and our gate last version, our gate last is better performance for our customers' products.

Lastly, I have been asked a couple of times how our gross margin is doing on the 28 nanometers and I'm happy to report that the gross margin of 28 nanometer will be slightly higher than corporate average this year, the whole year, every quarter.

A few comments on 20 nanometers and 16 nanometers FinFET. On 20 nanometers risk production has started in the first quarter, that is last quarter. Engagements with the customers are on schedule, have scheduled 20 product tape-outs for this year from multiple customers. Many of these tape-outs will drive high production volume. And yield progress on 20-nanometer is on track.

On the 16-nanometer FinFET, we have said several times that this is a change in cadence in our new technology introduction. It used to be two years per node and in the case of 16 nanometer FinFET it follows just one year, by one year, the 20 SoC. So it is a quickening of cadence and that is because of market requests, market requirements, customers' requests.

Compared with 20 nanometers, the 16 FinFET has same metal pitch but tighter front-end FinFET design rules. The reason we can introduce it so quickly after the 20 is because the 16 FinFET can leverage the learning from 20 nanometers in interconnect and in double patterning. The yield improvement of the 16 FinFET is ahead of schedule. It is on track to begin volume production within one year from 20 nanometers. Now for 20 nanometer and 16 nanometer as a whole, I expect that they will be in combination a bigger node than the 28 nanometers.

A few words on the competitiveness of our 20 nanometer and our 16 nanometer. I have three points to make. First, TSMC technology is based on an open environment, the open innovation platform, OIP. That open platform facilitates and invites innovations from all participants in the OIP. The participants include of course, most importantly, our customers, and they also include design ecosystem partners. Of course TSMC itself is a very important part of this open platform.

The second point I want to make is that we have been collaborating with our customers and ecosystem partners for more than 15 years. Through the ecosystem/OIP, TSMC's technology has been collaboratively optimized for SoC development. With our customers and we have been optimizing our technology for SoC development. And then together with our customers' established power-efficient ARM-based architecture and comprehensive mobile IPs with our ecosystem partners, we are confident that our customer products with TSMC's 20 and 16 nanometer technologies are very, very competitive. I think that is already proven by our customers' enthusiasm of our technologies 20 and 16.

Now a few words on specialty technologies. We don't want to neglect them at all. We talk about advanced technologies most of the time, but the specialty technologies are growing even faster and they already account for a very significant volume in our revenue. And I'm talking about finger-printing technologies, motion sensors technologies and products, near-field communication products, audio codec, power management, touch sensors, and an old friend but still a very exciting technology, that is CIS, the imaging products, cameras.

These enhanced requirements for human-machine interfaces will fuel the growth of TSMC's specialty technology businesses in mixed signal MEMS, embedded Flash and high voltage, and most of those technologies are now embedded in our less-than-leading-edge technologies, 40, 65 nanometer, 90 nanometer, 0.18, 0.15 etc., etc.

Finally, CapEx, capital expenditures. CapEx will be between USD9.5b and USD10b this year. This is an increase from the last guidance we gave which was about TWD9b. Basically we have stepped up the preparation for the ramp up of 20 nanometer and 16 nanometer. We have pulled some of the capital in because we want to be -- to have as high yields as possible when we do start ramp up, volume ramp up. And of course we are continuing to build up 28-nanometer capacity.

Therefore approximately 90% of the capital expenditures are for 28 nanometer, 20 nanometer, 16 nanometer, both building facility and equipment. Another 5% is for R&D and that is mainly for 10 nanometer, 7 nanometer, etc. And 2% for specialty equipment and that's on the specialty technologies that I just mentioned. And 1% for the land in Chunan which we announced a few months ago.

Basically I feel that the Company is entering or has already entered a new growth period. We started to invest in this growth period even at the depth of the recession in early 2009. And we have been investing in increased R&D, in increased capital for several years now and we have begun to see the benefits. And we have been scaling new heights in revenue for four consecutive years, including this year and we have scaled new heights in net income for three of the last four consecutive year. And the best part is that the best is yet to come. Thank you.

QUESTIONS AND ANSWERS

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. This concludes our prepared statements. Before we begin the Q&A session I would like to remind everybody to limit your questions to two at a time to allow all participants an opportunity to ask questions. Questions will be taken both from the floor and from the call. Should you wish to raise your question in Chinese I will translate it to English before our CEO or CFO answers your questions. For those of you on the call if you would like to ask a question please press the star and the one on your telephone keypad now. Questions will be taken in the order in which they were received. If at any time you would like to remove yourself from the questioning queue please press the pound or the hash key.

Now let's begin the Q&A session. Okay. Our first question comes from the floor, and it would be from Goldman Sachs, Donald Lu.

Donald Lu - *Goldman Sachs - Analyst*

Chairman, Lora and Elizabeth, (spoken in foreign language), or maybe I should use English here. First, congratulations on the very good second quarter guidance that was -- right.

Unidentified Speaker

(Inaudible -- microphone inaccessible).

Donald Lu - *Goldman Sachs - Analyst*

First question is on the 20 nanometer. Some investors and also your customers have been talking about the cost per transistor starts to go up after double-patterning etc., etc. And what's your view on this impact to the supply chain, your profitability and your customers' profitability, and the adoption of technology etc?

And my second question is on TSMC's -- just want to hear from you again the return and the profitability for future nodes, 20 nanometer and 16 nanometer. Thank you.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Thank you. Transistor cost, 20-nanometer transistor cost, yes, the slope of decrease of transistor cost has been less in, between 28 and 20 the decrease in transistor cost is less than the decrease in transistor cost between 40 and 28. But now the important point is that the value we offer in any new node is, I think, gradually shifting or has already gradually shifted from just pure lower transistor cost to the performance aspects, performance speed and the power. And of course in addition to speed and power we also offer value in quick access to market and services, and those things.

So I think that there are opportunities for regaining the slope, the decrease of transistor cost. There are opportunities for regaining it. For instance, I think that the recent developments in EUV I think are encouraging and they do have -- they will have an important role to play if those developments continue to progress.

Now on the other hand the value that the new node offers in performance and power is exactly what our customers are looking for. And I think that, yes, the transistor cost reduction has not been so great, but I think the acceptance of the 20-nanometer SoC will prove -- and I'm certain of the acceptance. I think the acceptance will prove that the customers are still getting value.

As to the return to profitability of 20 and 16, I'm not prepared to offer you a quantitative measure of the return to profitability. But I will repeat our goals in this five-year period, starting 2012 to 2017 I guess. That is 10% per year compounded annual growth in profit before tax and return on equity of 20% or higher. And those targets I announced two years ago, I believe, and we remain fully committed to those.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. Next question also comes from the floor from Deutsche Bank's Michael Chou.

Michael Chou - *Deutsche Bank - Analyst*

Mr. Chairman, the Q1 and Q2 sales momentum is stronger than seasonal ,so do you think that the inventory risk will be rising by the end of Q2 or do you think the demand can digest most of the output?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Inventory, whether or not inventory risk is going up, whether the supply chain can digest the inventory this year.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Our inventory estimate is that it will only be slightly above seasonal in the next few quarters. Is that the question?

Michael Chou - *Deutsche Bank - Analyst*

But can you give some color for Q2 outlook by segments?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Pardon me?

Michael Chou - *Deutsche Bank - Analyst*

Q2 outlook by segments.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

The outlook of different applications in Q2 segment by segment.

Michael Chou - *Deutsche Bank - Analyst*

Yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Maybe Lora?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

I can comment. Okay. I just announced the guidance that we will grow 17%. For us every segment will grow across the board, with the communication will grow the most, mainly because the mobile devices.

Michael Chou - *Deutsche Bank - Analyst*

Alright. Okay. The second question is -- I'm sorry.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

This is your third so we have to go to another one, okay? Okay. Next question also comes from the floor and that will be from Citibank's Roland Shu.

Roland Shu - *Citibank - Analyst*

Hi Chairman. First question is, the ARM-based application processor has been widely adopted on the mobile applications so can we get your view about how do you think about the ARM-based application processor on PC, notebook or even server? Do you think that will happen very soon or that will maybe take longer than expected time? Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Whether or not ARM-based processors can enter into the PC space, that's your question.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I think that certainly it's, I think it's a possibility and I think in fact, well, it's a possibility, but that's not the first thing that comes to mind. I think the first thing that comes to mind is servers. And so I think some of our customers have already -- are already targeting that. Some of our customers are already targeting that.

Roland Shu - *Citibank - Analyst*

So before this adoption be ramp up what kind of barrier or what kind of bottleneck technology needs to be resolved and how TSMC can help to put this kind of conversion going forward?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

The what?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So your question is what kind of bottleneck that exists from our current customers' offering that if they want to go to PC, right, and what TSMC can do to help them debottleneck?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I don't think I can answer that question very well. I think it's something that I can't answer that question very well at this point.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

You have a follow-up?

Roland Shu - *Citibank - Analyst*

Yes. I think the follow-up is I think for recently TSMC just had the news release talking about tape-out with ARM, Cortex-A57 for 64-bit application processors. So this is going to tape-out on TSMC's 16-nanometer FinFET technology. So my question is except for this Cortex-A57 16-nanometer FinFET, do you have any 64-bit ARM application processor on 20-nanometer or 28-nanometer technology? Thank you.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Just as I said -- I think the question is whether we have any 64-bit applications. Just as I said, I think some of our customers are targeting the server segment. So that's for the ARM, for the ARM architecture, so yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. I think we should go to the call for the next question. So operator, could you proceed to the first caller on the line?

Operator

Dan Heyler for Bank of America - Merrill Lynch. Please ask your question.

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

Thank you very much Elizabeth and congratulations Chairman for your highly successful growth strategy and execution on your technology. I had two quick questions. First, Dr. Chang, in terms of the cadence, where you've noted a pick up especially on 16 nanometer and your very strong growth in mobile processing and SoCs, what does this mean for the N-minus-1 fabs? You're noting significant growth in your specialty processors. Are we seeing a cadence pick up in the mid-tier technologies such that you'll be able to keep the N-minus-1 fabs relatively full going forward?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So, Dan, your question is in leading-edge technology the cadence has become faster and therefore your question is whether or not the same cadence become faster for the N minus 1 technologies?

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

Correct.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

For the N minus 1?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

For the N minus 1, so one or two generations, the bigger nodes. So 20 nanometer and then 28 is N minus 1, 40 is N minus 2.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Cadence, in the past it was two years. That's history already. So how does that become faster? I don't understand.

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

Yes. So that's exactly my question. So I'm wondering if there will be an excess capacity in the middle end of your technologies with the leading-edge picking up and the mainstream technology remaining at two cadences.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

The specialty technologies, will they migrate faster than they used to?

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

How do you keep --

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Right now it looks like some of these specialty technologies are skipping nodes. They're migrating from 0.18 to 90 perhaps rather than to 0.13 first and then 90, but they are going from 0.18 to 90 directly, and they are going from 0.13 to 65 directly, skipping a node. That's happening. I don't know whether that's what you're asking or not. Is it?

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

I'm -- the crux of the question is, how do you keep your mainstream fabs full? When everything is moving at the same pace you can keep your mainstream fabs full. So will there be a challenge to keeping your middle-end technology fabs full and how do you address it?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I think you have come very close to the heart of my management problem, alright? Keeping the mainstream fabs full is almost as important as advancing the leading edge. And I understand your question, but if I tell you the answers I will be telling these to my competitors also so I'm not going to do that. But basically --

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

No, we don't want you to do that either, so.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Basically we can only guess. Why do I talk about the specialty technologies? The specialty technologies will keep the mainstream fabs full hopefully. Hopefully.

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

Thank you for that.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Yes.

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

Great.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So, Dan, you don't have the second question, right?

Dan Heyler - *Bank of America - Merrill Lynch - Analyst*

Okay.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Alright. So then we come back to the floor. The next question comes from the floor of Barclays, Andrew Lu.

Andrew Lu - *Barclays Capital - Analyst*

Hi Dr. Morris Chang and Lora.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Hi Andrew.

Andrew Lu - *Barclays Capital - Analyst*

I have two questions. Last time you mentioned 20 nanometer in next year revenue will be larger than 28 last year. How about the percentage in each quarter, which means the total percentage revenue will be higher compared to year 2012? For example, last year first quarter percentage 28 is about 5% but 22% by Q4.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I'm not going to go into those details, but I repeat, I reiterate, I stand by what I said last time, that is that the volume of, production volume upward of 20 nanometers next year will be greater than 28 in 2012. That I stand by. But as to this percentage and so on ---

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Andrew Lu - *Barclays Capital - Analyst*

Thank you.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Yes, okay.

Andrew Lu - *Barclays Capital - Analyst*

My second question, earlier you also mentioned migrate to 16-nanometer FinFET will be faster than the normal upgrade cycle about two years from 20 to 16. How about from 16 to 10?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

No. It's going to be the same old slow cadence, two years.

Andrew Lu - *Barclays Capital - Analyst*

Back to two years. Won't be longer. Thank you.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Back to two years, yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. Next question comes from the floor of Credit Suisse, Randy Abrams.

Randy Abrams - *Credit Suisse - Analyst*

Thank you. Wanted to go back to the second quarter guidance. It's well above most of the industry. Last quarter I think you suggested first quarter was stronger so it set up a higher base. So maybe what's driving the increased optimism, whether it's --

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Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Pleasantly I found myself to be mistaken. Yes. Yes, three months ago I thought the higher base --- well, in fact was even six months ago. Yes, six months ago I thought the higher base of the first quarter would make a significant growth in the second quarter very difficult, but pleasantly I found myself to be too pessimistic.

Randy Abrams - *Credit Suisse - Analyst*

Maybe to follow on that, what drove that change where now you think you're mistaken from your prior view? Was it market share gains or you saw incremental market momentum?

And do you think sustainability into second half where the last couple of years we saw a bit of dip after a strong first half?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

It is basically mobile products and market share gain. The mobile products, actually there's one piece that I must mention which we did not foresee very clearly six months ago. That's the China piece. The China piece is playing a pretty important factor in my pleasant surprise.

Randy Abrams - *Credit Suisse - Analyst*

Okay. The second question, on 450 millimeter, it's pretty far out but we're seeing Intel already spent about 2b to 3b on a 450-millimeter shell. When do you expect --

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Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

On what?

Randy Abrams - *Credit Suisse - Analyst*

18-inch.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

450 millimeter, yes.

Randy Abrams - *Credit Suisse - Analyst*

Yes. When is your expectation you'll have to start spending CapEx and do you have any view on fab location at this stage?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Have we started CapEx yet?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Not yet. We have started spend R&D. We have a small team working on 450, but not really to start on the meaningful way in CapEx.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I think his question is when do we plan to start CapEx. I think our schedule is 2016, isn't it?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

In the 2016 timeframe, that will be the time we start to spend it, yes.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

So it's too early yet.

Randy Abrams - *Credit Suisse - Analyst*

Great. Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Randy has a part that you also asked for the location, right?

Randy Abrams - *Credit Suisse - Analyst*

Yes, if you could suggest where you're thinking about the fab location.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Actually we, didn't we mention when we acquired the Chunan land? Yes.

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Yes. The land we acquired in Chunan is the R&D site for the 450, but not the production site.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Not the production site. It's going to take some time so please -- things take a little longer now than they used to, each advanced node of technology and the increase in the wafer diameter. You understand that I think that only three companies can afford to follow it through now, maybe three, certainly including us, and because these things take more time and require more resources, both money and people/talents. So the 450 certainly is going to take longer, the transition from 300 to 450 is certainly going to take longer than the transition from 200 to 300.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. I think our next question, we should take our next question from the call. Operator, please proceed with the first caller on the line.

Operator

Mehdi Hosseini from SIG, please ask your question.

Mehdi Hosseini - *SIG - Analyst*

Yes, thanks for taking my question and Dr. Chang, thanks for providing some color on the number of tape-outs for 20-nanometer. Could we -- could you elaborate on the types of customers or the number of customers or any color that you could provide on the 20 tape-outs that you have so far for 20 nanometer? And I have a follow-up.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Some color on the customers for 20 nanometer.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Tape-outs.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

They are --

Mehdi Hosseini - *SIG - Analyst*

The types of customers that add up to 20 tape-outs for 20 nanometer.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

The type of customers. Yes, I will certainly give you those. Now we have the, our traditional leading-edge users, the graphics, the FPGA customers. But recently we have added another class of customers. That's smartphones and tablets, the mobile product users. So those are the main classes of customers that will provide the 20 tape-outs for our 20 SoC.

Mehdi Hosseini - *SIG - Analyst*

Sure. Thank you. And the follow-up I have is actually on 20 nanometer. Can you help me understand how important is interposer to the economics that 20 nanometer would provide, economics versus -- cost versus economics? Does interposer really make a big difference to what your customers could get out of 20nm?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

That would be related to our CoWoS, right, the silicon interposer?

Mehdi Hosseini - *SIG - Analyst*

Yes, yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. What kind of benefit or importance that the interposer, the CoWoS, is to our customers at 20 nanometer compared to their cost.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

It's, basically it's just, the answer is integration. It's kind of a Moore's law on the circuit board. So the answer, packaging.

Mehdi Hosseini - *SIG - Analyst*

Interposer is not really -- is that going to make a big difference to your customer as they evaluate cost and benefit?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Is that going to be an important element when our customers evaluate the 20nm?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I think so, yes. We already have customers using it, yes, and I believe they evaluate them that way, yes.

Mehdi Hosseini - *SIG - Analyst*

Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Alright. Now we can come back to our floor. The next question comes from HSBC's Steven Pelayo.

Steven Pelayo - *HSBC - Analyst*

Okay. Thank you. The foundry industry is roughly thought to be about 40b, 50b. If it grows about 10% this year, that's equal to about what you're going to grow. So what does this mean for the rest of the industry? Are we seeing the competition even get to become a second source opportunity at 28-nanometer this year or is there nothing left over for them?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I have enough on my plate myself to worry about other foundries.

Steven Pelayo - *HSBC - Analyst*

Maybe I should ask it this way. Are second sources starting to become viable enough that maybe they could cause some pricing pressures at some point in 28-nanometer this year?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Yes, there are second sources on 28 nanometers. But second sourcing is not simple in the foundry business. You have to work with, the customer has to work with the foundry for quite a long time before you can use the foundry. So this is not a commodity business. A commodity business you can set up second sources very quickly, but this business you can't.

But still, having said all that, yes, there will be second sources. But if you look at 28, and I know that the analyst reports, the press have been talking about second sources and competition for TSMC in the 28 node, but the fact of the matter is that this year, which is the second full year of production and ramp up for us, even this year we see relatively little competition and we will still have a very high market share of 28.

Steven Pelayo - *HSBC - Analyst*

And just as a quick follow-up question, you talked about 28 nanometer growing each quarter, you talked about tripling year on year. You give capacity numbers for 300 millimeter and 200 millimeter. I'm curious, what is your 28-nanometer capacity today and what do you think it'll be at the end of the year, I don't know, on a monthly wafer starts per month, something like that?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Do we reveal that Lora?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

We do not reveal that.

Steven Pelayo - *HSBC - Analyst*

Alright then. If you could just remind me what -- when is 20-nanometer revenues going to start being 1% or 2% or 3% of revenue? I think I forgot if you guys had commented.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

20 nanometer?

Steven Pelayo - *HSBC - Analyst*

Yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

20.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

When does it start?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

20 has not started.

Steven Pelayo - *HSBC - Analyst*

I know. When do you expect?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

When, first half next year.

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

You're asking about 20?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

She answered already. She said first half of next year.

Steven Pelayo - *HSBC - Analyst*

Ignore my first question. She's talking my second one.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

You actually said a pretty low hurdle. You said 2% or 3%, right?

Steven Pelayo - *HSBC - Analyst*

The first few percent of 20 nanometer. What quarter will be the first few percentage of revenues will come from 20 nanometer for TSMC?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

What quarter will be the 2% quarter?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Based on our current estimation it will be roughly second quarter 2014.

Steven Pelayo - *HSBC - Analyst*

2014, okay. Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Alright. Next question also comes from the floor and that will be from Morgan Stanley's Charlie Chan.

Charlie Chan - *Morgan Stanley - Analyst*

Thanks for taking our question. ASML yesterday commented that they are making good progress in EUV throughput. We're wondering if TSMC is seeing a similar trend and will the TSMC change the timing of adopting EUV technology?

And lastly can management give us a sense what is the cost comparison between EUV and the non-EUV, for example, at 16 nanometer? Thanks.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Could you repeat the question?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. So you're asking us to update on the EUV progress, right? And then the second part is the cost of using EUV versus not using EUV at 10-nanometer or --

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Charlie Chan - *Morgan Stanley - Analyst*

Yes, maybe current nodes or the future nodes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Current nodes we don't use EUV. Future nodes it depends on when EUV will be available. But your question is comparing the cost with or without EUV.

Charlie Chan - *Morgan Stanley - Analyst*

Yes, because as to your timing of whether you want to advance your EUV adoption timing, if you want to use it for 16 nanometer then the competitive advantage should be at 16-nanometer. Thank you.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Alright. I think I understand the gist of the question now so let me try to answer it. Actually that question is probably more appropriate at the ASML analyst call, but let me try to answer what I can anyway.

EUV recently has had a breakthrough. The wattage, the power source wattage, has now gone up to 40 watts. Now that will allow a throughput of some 30 wafers, 30-something wafers per hour, which is still far from enough. To make it economically desirable will need over 100 wafers per hour throughput and that will require a power source of more than 100 watts. So there is still some distance to go, but ASML is optimistic and certainly we certainly cheer them on. We are a stakeholder of ASML in more than one way. We are a financial investor. We are also going to be a significant user and hopefully significant beneficiary of EUV.

So, but alright, so now when are we going to use it? I think if we are optimistic I would say that we will be using it at least partially in the 10 nanometer node. And anyway I think I have given as much answer as I can, yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. Next question will actually be coming from the line. Operator, could you please proceed to the next caller on the line?

Operator

Brett Simpson from Arete Research, please ask your question.

Brett Simpson - *Arete Research - Analyst*

Yes, thanks very much. For Dr. Chang, just want to ask on Intel, we saw this Altera deal and there's rumors Cisco is going to follow. And Intel in the call yesterday was talking about this foundry strategy where they're crawling today but they're going to walk and then run over the next couple of years. I'm just interested, how do you view Intel as a long-term competitor and how do you see their efforts to open their fabs to selective customers?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I didn't hear the entire question.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So your main question is how do we see Intel as a competitor?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I think he also asked about --

Brett Simpson - *Arete Research - Analyst*

That's right.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Altera, didn't he?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Yes.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

So there's Altera, Intel as a competitor and?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

No. The Altera going to Intel for 14 nanometer. So Intel also announced the plan to come into foundry so how we see them as a competitor?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Okay. Anyway, two parts of the question, one is Altera, the other is Intel, right? Okay.

Altera, I very much regret Altera's decision to work on the 40 nanometer with Intel. Even though the financial impact is relatively small and Altera remains a major and valued partner of TSMC's, we have gained many customers in the last few years, but I really hate to lose even a part of an old one. We want them all really. I regret it.

And because of this we have thoroughly critiqued ourselves. If there was a thing like investigator, investigative commission on what happened, we had it and there were in fact many reasons why it happened and we have taken them to heart. And it's a lesson to us and I don't think that we -- at least we'll try our very best not to let similar kinds of things to happen again. Now -- but I just want to emphasize that Altera remains a major and valued partner of ours, and I say this with Altera's concurrence.

Now Intel as a competitor, I noted Intel's yesterday's analyst call in which they said they have now gone from crawl to walk and then will go on to run. That's all very beautiful metaphor. And then they also raised several conditions or several criteria, three criteria, but there's really nothing new in those and they have said those before.

And I still view Intel as a selective picker among customers. As a foundry competitor they will pick their targets and so on. And I don't view them as a general competitor because they have already said, through the three criteria that they used they have already said themselves that they will not be a general all-front competitor. But they are a very serious competitor to our customers. That really I would say applies even greater pressure on us than they, than Intel as a direct foundry competitor. They are a very serious competitor to our customers. Our customers rely on us. That is very serious pressure and we'll respond to that pressure of course, yes. We'll respond to that pressure. Yes?

Brett Simpson - *Arete Research - Analyst*

Maybe just a follow-up question, Dr. Chang. On the mobile guidance you've given for second quarter, is this all being driven by existing customers or are you seeing something new in your customer mix going forward?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Your question is whether or not the strength of our second quarter business comes from new customer or --

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Brett Simpson - *Arete Research - Analyst*

In mobile, yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

In mobile or --

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

No. Obviously something comes from new customers every quarter, but not big. We get new customers all the time, but big customers, no. Second quarter strength is not due to one or two big new customers, no.

Brett Simpson - *Arete Research - Analyst*

That's very helpful. Thanks. Could I maybe just ask one final question for Lora on depreciation, just to get a sense for through the rest of this year, how might depreciation trend because it was flat in the March quarter?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Okay. You're asking about the March quarter? In general speaking with the CapEx guidance Chairman was talking about, TWD9.5b to TWD10b, we expect whole year depreciation will go up around 23% on year-over-year basis.

Brett Simpson - *Arete Research - Analyst*

Great. Thanks.

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Okay. Now we are coming back to the floor. The next question comes from Daiwa's Eric Chen.

Eric Chen - *Daiwa Securities - Analyst*

Hi Dr. Morris Chang. I'm sorry. My first question, regarding to the gross margin, I saw for 28 nanometer process we took four to six quarter to have the higher than the average gross margin. So for the 20 nanometer process do we have any schedule, internal plan? Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So, Eric, your question is how long will it take for TSMC 20 nanometer to reach corporate gross margin? How long will it take, right?

Eric Chen - *Daiwa Securities - Analyst*

Yes.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Let's see. I think that we have kept some statistics on this sort of thing. So very interesting. I think it takes --- it took six quarters. 40 nanometer took six quarters -- eight quarters, seven or eight quarters. And 28 nanometer is taking about eight quarters. And so you ask how long is 20 nanometer take? I only have history to guide me, alright?

Eric Chen - *Daiwa Securities - Analyst*

So how do you think? Take a guess. How you think how long that will take, on your honesty?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

What?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

He wants you to take a guess.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I think history is my best guess.

Eric Chen - *Daiwa Securities - Analyst*

So that means seven to eight quarters.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Yes.

Eric Chen - *Daiwa Securities - Analyst*

Thank you. And my second question, regarding to the CapEx we see the CapEx pretty centralized on the top three semiconductor maker and I will say for this year probably over 70%, even 75% of CapEx among this three. So how you think about this kind of CapEx, the centralization, and how the TSMC look at the other two competitors in terms of CapEx?

And then the follow-on is regarding to the 28-nanometer process capacity. So, Lora, if you don't mind, could you give us idea in terms of the Q1/Q2 and the whole year 28-nanometer process capacity? Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So, Eric, you have a question here on CapEx. You said that you observed CapEx tend to be centralized on the top three players.

Eric Chen - *Daiwa Securities - Analyst*

Yes.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Top three what?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Players, the top three companies.

Eric Chen - *Daiwa Securities - Analyst*

Intel, Samsung and TSMC.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Intel, Samsung and TSMC. So your question is whether or not this is -- what are the implication of this trend to --

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Eric Chen - *Daiwa Securities - Analyst*

Yes, I would like to know this kind of CapEx centralization will accelerate or not and how the TSMC to be outstanding one going forward among the three.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

It looks like that only three companies can afford to keep investing. That's what you're referring to really.

Eric Chen - *Daiwa Securities - Analyst*

Right. So versus the other two, there any strategy for the CapEx we see the --

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

You mean TSMC versus the other two?

Eric Chen - *Daiwa Securities - Analyst*

In terms of the CapEx.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Whether our CapEx will react to the other two companies' CapEx?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Whether what?

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Our CapEx will be responsive, responding to other companies?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Okay. No, our CapEx is only responsive to our own needs.

Eric Chen - *Daiwa Securities - Analyst*

Okay. So we are not going to see the CapEx over-competition going forward?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

CapEx over?

Eric Chen - *Daiwa Securities - Analyst*

Over competition?

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

I never, never, never in the last 20 years engaged in any CapEx war with anybody.

Eric Chen - *Daiwa Securities - Analyst*

Okay. Good point.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

In the past, ever since we started the Company our CapEx has always been responsive to just one thing, that is our own needs.

Eric Chen - *Daiwa Securities - Analyst*

Okay.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Never mind what the other companies spent.

Eric Chen - *Daiwa Securities - Analyst*

Thank you.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Yes.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

So Lora, your 28 nanometer?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

You're asking capacity for each quarter for 28?

Eric Chen - *Daiwa Securities - Analyst*

Roughly idea, yes.

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Yes, I'm afraid I cannot tell you. What I can tell you is we are growing our capacity each quarter for 28. But in terms of overall CapEx spending, I think we're toward the end of spending by the end of this year for 28.

Eric Chen - *Daiwa Securities - Analyst*

Okay. And very quick, the 28-nanometer process in second quarter in terms of a quarter-on-quarter capacity growth, how many percent will be roughly?

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

I think it'll be in line with our revenue growth, okay?

Eric Chen - *Daiwa Securities - Analyst*

Okay.

Lora Ho - *Taiwan Semiconductor Manufacturing Company Ltd - SVP and CFO*

Quarter over quarter.

Eric Chen - *Daiwa Securities - Analyst*

Okay. Thank you.

Elizabeth Sun - *Taiwan Semiconductor Manufacturing Company Ltd - Director of Corporate Communications*

Alright. If there's no other questions then I think we will end our investors conference and conference call right now. Thank you very much for coming and we'll see you next quarter.

Morris Chang - *Taiwan Semiconductor Manufacturing Company Ltd - Chairman and CEO*

Thank you. Thank you. Thank you.